

STATE PROPERTIES REVIEW BOARD

**Minutes of Meeting Held On November 10, 2022
– remotely via telephone conference –**

Pursuant to Governor Lamont’s Executive Order No. 7B regarding suspension of In-Person Open Meeting requirements, the State Properties Review Board conducted its Regular Meeting at 9:30AM on November 10, 2022 remotely via telephone conference at (866)-692-4541, passcode 85607781.

Members Present:

Edwin S. Greenberg, Chairman
Bruce Josephy, Vice Chairman
John P. Valengavich, Secretary
Jack Halpert
Jeffrey Berger
William Cianci

Members Absent:

Staff Present:

Dimple Desai
Thomas Jerram

Guests Present

Mr. Valengavich moved and Mr. Halpert seconded a motion to enter into Open Session. The motion passed unanimously.

OPEN SESSION

1. ACCEPTANCE OF MINUTES

Mr. Valengavich moved and Mr. Berger seconded a motion to approve the minutes of the November 7, 2022 Meeting. The motion passed unanimously.

2. COMMUNICATIONS

3. REAL ESTATE- UNFINISHED BUSINESS

4. REAL ESTATE – NEW BUSINESS

PRB File #: 22-153
Transaction/Contract Type: RE – Voucher
Origin/Client: DOT/DOT
DOT Project #: 301-176-049
Grantor: Third Taxing District of the City of Norwalk
Property: Norwalk, East Ave (213) & Fitch St (6)
Project Purpose: Norwalk Walk Railroad Bridge Replacement
Item Purpose: Voucher for Defined Easement & Other Rights

DAMAGES: \$560,000

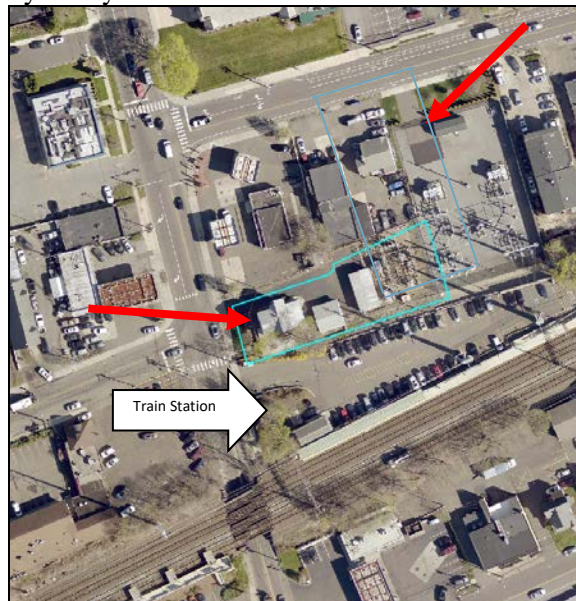
DOT PROJECT: The DOT project involves the Norwalk Railroad Bridge replacement project in the City of Norwalk.

Built in 1905, the East Avenue Railroad Bridge is over 100-years-old and needs to be replaced. The existing bridge is removed in two stages to take advantage of planned track outages and minimize disruptions to rail service. Horizontal clearance under the bridge widens to approximately 58-feet while vertical clearance increases from 12-feet 2-inches to 14-feet 3-inches.

The Program is working closely with the City of Norwalk on the East Avenue roadway project. The project includes the widening of approximately 1,600 feet of East Avenue with drainage improvements and new, wider sidewalks on both sides of the road. East Avenue will be lowered allowing for increased vertical clearance and new travel lanes will be added, increasing capacity to four 10 foot lanes under the bridge.

This project also includes improvements to East Norwalk Station. The station receives increased commuter parking including handicap parking on both sides of the tracks. The station platforms are extended to accommodate six train cars in both directions. Additionally, the Walk Bridge Program is coordinating closely with the proposed development at 230 East Avenue.

Construction will begin approximately one year into construction of the Walk Bridge Replacement Project and last approximately four years.



SITE DESCRIPTION: The site consists of two abutting parcels of land.

213 East Avenue is an irregularly shaped parcel containing 15,200 square feet (0.3489 acre) with approximately 65.5' of frontage on East Avenue. The East Norwalk Train Station abuts the property to the south. The site is improved with a 2.5 story converted office building in 1870 containing 1,807 square feet of gross building area in average to below average condition, an 800 square foot pre-engineered metal garage building built in 1962 and a 624 square foot garage building. The property was rezoned to EVTZ – East Avenue Village TOD in January 2022 and is legally permitted, but non-conforming to requirements.

The highest and best use as vacant is for mixed use destination retail or residential use and as improved is interim existing use pending on developments with the transportation installations.

6 Fitch Street is a rectangular shaped parcel containing 25,313 square feet with approximately 116.03' of frontage on Fitch Street. The site includes infrastructure to support an electrical substation. The site is industrially zoned, and is legally permitted, but non-conforming to requirements.

The highest and best use as vacant is for distribution use and as improved is existing electrical substation use.



213 East Avenue, Norwalk



6 Fitch Street, Norwalk

VALUATION: The DOT appraisal was completed June 11, 2022 by independent Appraiser Barbara J. Pape.

The Appraisal (Before) is subject to the following Extraordinary Assumption and Hypothetical Conditions.

Extraordinary Assumptions: None

Hypothetical Conditions:

- ✦ That the garage/warehouse buildings are vacant and available to the market with the existing interior finishes and functional utility;
- ✦ That the converted office building at 215 East Avenue was structurally sound and environmentally safe.
- ✦ That the encroachment issue with the north bordering property N/F James O'Hara has been and or can be resolved without adverse impact on the subject.
- ✦ That the commercial garage structures provide utilities as available and typical to the market sector.
- ✦ Costs for repairs and tenant installation for the converted office would approximate \$15.00/SF as detailed in the Income Capitalization Approach section of the report.
- ✦ 213-215 East Avenue is zoned EVTZ, East Norwalk Village TOD. It was assumed the subject uses will remain permitted uses under the new East Norwalk Village TOD zone. The new language appears to be focused on rehabilitation of Antique structures. We assume the subject can be razed as planned by the State.

Before Valuation

213 East Avenue - Land Valuation: Based on the sales comparison approach, the Appraiser considered five commercially-zoned comparable sales in Norwalk (2018-2021) and after adjusting for transactional, locational and physical characteristics concluded the fair market value of the subject land was \$47.35/square foot. The value of the land, before the taking, is then 15,200 sq.ft. x \$47.35/sq.ft. = \$719,720, rounded to \$720,000.

6 Fitch Street - Land Valuation: Based on the sales comparison approach, the Appraiser considered three industrially-zoned comparable sales in Norwalk (2020-2022) and after adjusting for transactional, locational and physical characteristics concluded the fair market value of the subject land was \$50.55/square foot. The value of the land, before the taking, is then 25,313 sq.ft. x \$50.55/sq.ft. = \$1,279,572, rounded to \$1,280,000.

Land Valuation - Parcel	Opinion of Market Value
213 East Avenue	\$720,000
6 Fitch Street	\$1,280,000
Conclusion of Market Value (Land)	\$2,000,000

Building Valuation:

Income Capitalization Approach: The Appraiser analyzed five rentals several listings of office space in Norwalk and concluded the following:

CONCLUSION TO MARKET RENT/THE CONVERTED OFFICE

Market rent for the subject as an investment was concluded at \$16.50/SF on net of utilities terms (the tenant was responsible for utilities, paralleling the market. The rate considered a modest tenant installation, cure of deferred maintenance (Est. \$15.00/SF for 1,807 SF) and functional utility of two levels. The subject had a full kitchen, two bath rooms and exterior living area.

The Appraiser analyzed several listings of garage space in Norwalk and concluded the following:

CONCLUSION TO ECONOMIC RENT/THE GARAGE SPACE

The rental data did not offer empirical leases, rather the leased that did transact bracketed the subject's value influencing attributes. The data supported a rate of \$20.00/SF NNN for the garage spaces. The 800 SF unit had full climate control and provided fully functional space. The 624 SF garage presented a small space with heat, interior finish and two overhead doors. Rates equate to \$1,333/Mo. and \$1,040/Mo. respectively.

The Appraiser then analyzed land lease data in Fairfield County to arrive at the rental value of the land located at 6 Fitch Street, concluding:

The land component revenue was estimated based on land leases throughout Fairfield County, both historic and current. Land leases and rentals located throughout Fairfield County were summarized in the preceding chart.

A review of land leases throughout Fairfield County revealed no land leases were proximate to a Metro North station.

The data presented above was representative of lease rates throughout the county. Leases with the stronger locational attributes included US 1, Westport, Post Road East in Westport proximate to Exit 18 on US 1; Kings Highway/US 1 in Fairfield along a secondary section of the road; Post Road in Darien leased for the development of a Brooks Brothers store slightly west of the Darien train station on US 1, and Black Rock Turnpike in Fairfield leased for development of HSBC bank. The Wilson Avenue, Norwalk lease was for active vehicle storage for school buses.

Rentals for development and for active parking exhibited the highest price points. Based on the land lease data we estimated market rent for the land of \$6,300/Mo., \$75,600/Yr. equating to \$13,120/Acre and \$2.99/SF for the 6 Fitch Street 25,313 SF site.

After fully supporting market-based vacancy, operating expenses and capitalization rate, the Appraiser estimated Net Operating Income and Market Value as follows:

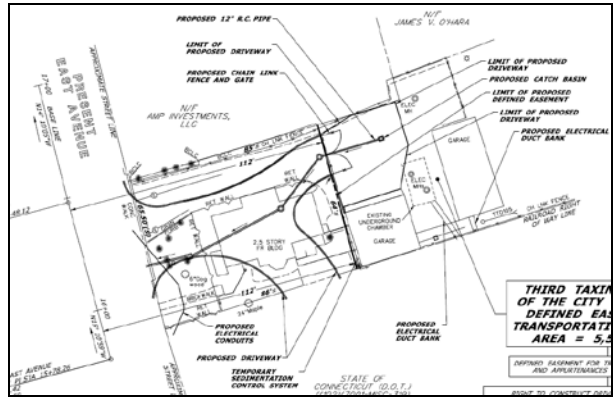
Direct Capitalization Analysis				
213-215 East Ave. 6 Fitch St. BEFORE				
Revenue	Rent/SF	Size/SF	Annually	Monthly
Office	\$16.50/SF	1,807 SF	\$29,816	\$2,485
Garage 1	\$20.00/SF	800 SF	\$16,000	\$1,333
Garage 2	\$20.00/SF	624 SF	\$12,480	\$1,040
Land Lease 6 Fitch		25,313 SF	\$75,600	\$6,300
Op Expense Reimb.			\$32,673	
Gross Potential Income			\$166,923	
Less Vacancy & Credit Loss	5.00%		(\$8,328)	
Effective Income			\$158,241	
GBA	3,231 SF			
Operating Expenses	Per SF	Annually		As % of EFG
Real Estate Tax	\$12.50	\$40,392		25.53%
Utilities	\$1.58	\$5,108		3.23%
Insurance	\$1.22	\$3,946		2.49%
Maintenance/Repairs	\$1.53	\$4,951		3.13%
Reserves	\$0.46	\$1,500		0.95%
Gen & Admin.	\$0.46	\$1,500		0.95%
Management	\$1.22	\$3,956		2.50%
Total Expenses	\$18.99	\$61,353	(\$61,353)	38.77%
Net Operating Income			\$96,888	
Capitalization Rate			6.50%	
Capitalized Value			\$1,490,582	
Less Lease Up Costs			(\$31,577)	
Indicated Value, Rounded:			\$1,459,005	
			\$1,460,000	

Reconciliation and Value Conclusion - Before

Approach	Opinion of Market Value
Sales Comparison Approach - Land (2 prcls)	\$2,000,000
Sales Comparison Approach	N/A
Income Capitalization Approach	\$1,460,000
Conclusion of Market Value	\$1,460,000

DOT ACQUISITION: The DOT acquires the acquisition of the following easement and rights:

1. A Defined Easement for Transportation Purposes and appurtenances acquired over an area of 5,530± SF;
2. A right to construct driveway, install chain link fence and gate, and install pipe and catch basin acquired over an area of 1,180± SF;
3. A right to install underground duct bank acquired over an area of 26± LF; and
4. A right to install sedimentation control system acquired over an area of 27± LF.



IMPACTS OF ACQUISITION: The Appraiser describes the impacts of the acquisition as follows:

After the taking 213 East Avenue contained 15,200 SF/0.349 acres. The site at 213 East Avenue was under a Defined Easement which will restrict development. The converted office building was removed; 215 East Avenue is no longer constructed. The site is referenced as 213 East Avenue. Improvements to 213 East Avenue consisted of two commercial garage structures encompassing 800 SF and 624 SF. Aggregate building area was 1,424 SF. Potential revenue generation is diminished by 22.27%

The remainder effectively becomes one site with 6 Fitch Street and renders the subject an L-shaped site, with 65.50 LF on the east side of East Avenue and 116.03 LF frontage on the south side of Fitch Street. The sites have split zoning parallel to the site border lines. There is access from East Avenue, two street visibility, two garage structures (800 SF and 624 SF), and rights as described herein.

There are two electrical duct banks at the south border leading to/from an underground chamber, new fencing and gate at the west border, a new catch basin and 12" R.C. pipe.

Future development of the parcel is near precluded for any use other than part of or support for the substation; and surface parking. Surface parking can be revenue generating.



Source: https://www.walkbridgect.com/projects/east_ave.aspx
Red Arrow - Area of Defined Easement Area

The Appraisal (After) is subject to the following Extraordinary Assumptions and Hypothetical Conditions.

Extraordinary Assumptions: None

Hypothetical Conditions:

- ✦ That the garage buildings are vacant and available to the market with the existing interior finishes and functional utility;
- ✦ The underlying land is vacant and available to the market; it is not.
- ✦ The subject was valued as one site located in two zones EVTZ and I1, with improvements dedicated to the operation of the substation. The land was the significant underlying value component. All structures, electrical components and facilities above and below grade were represented by +X and remain the same as in the Before valuation. Thus, they do not impact the valuation or estimate of damages.
- ✦ The garage structures on the remainder were valued as garage/warehouse buildings with the same physical attributes as in the before valuation.
 - ✦ The underlying land and buildings were valued as if vacant and available to the market.
 - ✦ The EVTZ zone changes will not impact the subject valuation premises in the Before or After valuation.

After Valuation:

Highest and Best Use:

AS VACANT

The highest and best use for 213 East Avenue is restricted due to the easement taking. Due to the easement and infrastructure focused for the substation and transportation purposes covers the front/west 5,530 SF, limited utility is presented. Parking becomes the highest and best use for the foreseeable future.

Fitch Street remains industrial land in an industrial zone which provides for a wide variety of commercial, cross-commercial and industrial uses. The potential use categories remain the same as in the Before valuation, dependent on demand.

AS IMPROVED

The highest and best use changes in the assemblage of the two parcels, 215 East Avenue is gone; 213 East Avenue and 6 Fitch Street provide an L-shaped up sloping site with frontage on East Avenue. There is primary street exposure and visibility. 6 Fitch Street had secondary street exposure.

Of the uses permitted in the I1 zone the highest and best use of Industrial, storage, warehouse/distribution as improved represent the more probable, financially feasible uses. Optimal use, providing maximum economic yield during the moratorium is for garage/warehouse use.

Development for 213 East Avenue is precluded due to the easement and pavement. Use as parking and/or storage was assumed possible.

Any potential use of contractor's storage yard or single or two family homes are under an extended moratorium. The remaining uses are manufacture, printing, offices, financial institutions, medical offices, retail stores, warehouse, storage and distribution. After the moratorium is lifts, contractor space would provide optimal return to the land satisfying the four tenets of highest and best use. Commercial garage and storage, and parking represent the highest and best uses as is, generating optimum return to the land.

213 East Avenue - Land Valuation: Based on the sales comparison approach, the Appraiser considered five commercially-zoned comparable sales in Norwalk (2018-2021) and after adjusting for transactional, locational and physical characteristics concluded the fair market value of the subject land was reduced to \$40.75/square foot. The value of the land, after the taking, is then 15,200 sq.ft. x \$40.75/sq.ft. = \$619,400, rounded to \$620,000.

6 Fitch Street - Land Valuation: Based on the sales comparison approach, the Appraiser considered three industrially-zoned comparable sales in Norwalk (2020-2022) and after adjusting for transactional, locational and physical characteristics concluded the fair market value of the subject land was unchanged at \$50.55/square foot. The value of the land, before the taking, is then 25,313 sq.ft. x \$50.55/sq.ft. = \$1,279,572, rounded to \$1,280,000.

Land Valuation - Parcel	Opinion of Market Value
213 East Avenue	\$620,000
6 Fitch Street	\$1,280,000
Conclusion of Market Value (Land)	\$1,900,000

The Appraiser calculated the value of the Damages due to the Defined Easement as follows:

THE DEFINED EASEMENT TAKING	
Easement Area: 5,530 SF X \$47.35/SF X 95% = \$248,753, Rounded: \$250,000	
We employ a factor of 95% to reflect the amount of fee encumbered (21.74%) and the location of the easement over the primary site sections which includes the frontage and central portion to a depth of 85-86 feet. We consider the easement precludes significant development of the site.	

After Building Valuation

As appraised in the After Valuation, the converted office space was considered removed from the site.

Income Capitalization Approach: The Appraiser analyzed the same listings of garage space as in the Before Valuation and concluded the estimate of market rent was unchanged at \$20/sf for each garage space.

The Appraiser then analyzed the same land lease data in Fairfield County and concluded the estimate of market rent was unchanged at \$6,300/month (\$75,600/year) for the land at 6 Fitch Street.

After fully supporting market-based vacancy, operating expenses and capitalization rate, the Appraiser estimated Net Operating Income and Market Value as follows:

Direct Capitalization Analysis				
213 East Avenue & 6 Fitch Street				
		AFTER		
Revenue:	Rent/SF	Size/SF	Annually	Monthly
Garage 1	\$20.00	800	\$16,000	\$1,333
Garage 2	\$20.00	624	\$12,480	\$1,040
Land Lease 6 Fitch St.		25,313	\$75,600	\$6,300
Op Expense Reimb.			\$25,478	
	GBA	1,424 SF	\$129,558	
Less Vacancy & Credit Loss	5.00%		(\$6,478)	
Effective Income			\$123,080	
Operating Expenses				
	Per SF	Annually	As % of EFG	
Real Estate Tax	\$21.50	\$30,619	24.88%	
Utilities	\$3.50	\$4,983	4.05%	
Insurance	\$2.11	\$3,000	2.44%	
Maintenance/Repairs	\$2.46	\$3,500	2.84%	
Reserves	\$0.35	\$500	0.41%	
General & Admin.	\$1.05	\$1,500	1.22%	
Management	\$1.73	\$2,462	2.00%	
Total Expenses	\$32.70/SF	\$46,564	(\$46,564)	37.83%
Net Operating Income			\$76,516	
Capitalization Rate			6.50%	
Capitalized Value			\$1,177,165	
Less Lease Up Costs			(\$26,020)	
Indicated Value, Rounded			\$1,151,145	
Indicated Value, Rounded			\$1,150,000	

Reconciliation and Value Conclusion - After

Approach	Opinion of Market Value
Sales Comparison Approach - Land (2 prcls)	\$1,900,000
Sales Comparison Approach	N/A
Income Capitalization Approach	\$1,150,000
Conclusion of Market Value	\$1,150,000

Calculation of Permanent Damages (Severance)

Item	Value
Before Valuation	\$1,460,000
After Valuation	\$1,150,000
Permanent Damages (Severance)	\$310,000

Calculation of Total Damages

Total Damages were then summarized by the Appraiser as follows:

Before Value:		\$1,460,000 +X
After Value:		<u>\$ 1,150,000 +X</u>
		\$ 310,000
Damages/Value:	\$ 310,000	
Defined Easement Value	\$ 250,000	
Total:		\$ 560,000

RECOMMENDATION: Board approval of damages in the amount of \$560,000 is recommended for the following reasons:

1. The acquisition complies with Section 13a-73(c) of the CGS which governs the acquisition of property by the commissioner of transportation required for highway purposes.
2. The acquisition value is supported by the independent appraisal report.
3. The valuation of the land is consistent with other land reviewed under PRB #18-078 (\$78/sf), #21-114 (\$90/sf), #21-157 (\$61/sf) and #22-080 (\$80/sf).

5. ARCHITECT-ENGINEER - UNFINISHED BUSINESS

6. ARCHITECT-ENGINEER – NEW BUSINESS

7. OTHER BUSINESS

8. VOTES ON PRB FILE:

PRB FILE #22-153 – Mr. Halpert moved and Mr. Valengavich seconded a motion to approve PRB FILE #22-153. The motion passed unanimously.

9. NEXT MEETING – Monday, November 14, 2022.

The meeting adjourned.

APPROVED: _____ **Date:** _____
John Valengavich, Secretary