

STATE PROPERTIES REVIEW BOARD

Minutes of Meeting Held On June 7, 2021

– 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 June 7, 2021 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 June 3, 2021 Meeting. The motion passed unanimously.

2. COMMUNICATIONS

Director Desai informed the Board of Commissioner Gebelle's announcement that Gene Burk has been named as DAS Director of Procurement, replacing the recently-retired Carol Wilson.

Mr. Berger provided Board Members with an update on his ongoing conversations and review about certain proposed legislation that affects the State Properties Review Board.

3. REAL ESTATE- UNFINISHED BUSINESS

PRB #	21-075
Transaction/Contract Type:	RE – DROW Exchange
Origin/Client:	DOT/DOT
DOT Project #:	51-434-1 B&C
Grantee:	5 Corners-Farmington Associates, LLC
Property:	Farmington, Colt Highway (345)
Project Purpose:	Release DROW & Restriction in Exchange for new DROW Facility
Item Purpose:	Easement Agreement & Release of Easement/Restriction Deed

At its meeting held on June 1, 2021 the State Properties Review Board voted to suspend this item pending clarification of the following issues:

- Pending outcome of DOT and AG determination of appropriate statutory authority to effect this exchange via the Release Easement to be executed by the Commissioner of DOT, or his duly authorized designee.

DOT Response: Actually, we are comfortable with the statutory authority utilized and it is what we have been using for all of these release and easement agreements for over 10 years. I believe there was a statutory reference question raised by AAG Jeff Zeman a few years ago regarding these drainage release and acquisitions. I believe the email was forwarded to you last week in reference to your question on legislative notification that arose at the time as well. Subsequent discussions with the AG at the time brought us full circle to 13a-80 as the best statutory reference. 13a-73 would only be utilized if a project acquisition prompted the release. In these cases, the request for a release is what prompts the acquisition of a new drainage easement agreement.

Staff Response: OK

- Please clarify is the Town's Delegation is required to receive notice of this Release pursuant to CGS 13a-80(a), similar to the Vernon release under DOT Project 146-000-22A, reviewed under PRB #21-038.

DOT Response: We will have to send the Legislative notification.

Staff Response: DOT forwarded the letter, dated May 26, 2021, to the delegation. OK

Recommendation – Staff recommend the Board approve this Proposal to release a DROW and Restrictions for \$14,000 (+ \$1,000 Admin Fee) in exchange for being granted a new easement ‘Facility’ over the entire 1.86+ acre parcel; for the following reasons:

- The proposed sale complies with §13a-80(a) of the CGS in that the legislative delegation received the required notification on May 26, 2021.
- The release value of \$14,000 is reasonable in that it represents 87.5% of the appraised value.
- The description in the Release of Easement Deed is consistent with the taking map filed in the Farmington Land Records.

Exchange Price: \$14,000

Under this proposal, DOT seeks SPRB approval to release a Drainage Right of Way (DROW) acquired over a total area of 780 square feet on a 1.86 acre site, and release a sight-line restriction over a 0.13 acre portion of the site. The DROW was acquired in 1961 as part of the construction and relocation of Route 6. In exchange for the release of the DROW over the site and release of the restriction, the Grantee (5 Corners) will pay a Release Fee of \$14,000 (+ \$1,000 Admin Fee). Furthermore, the Grantor (5 Corners) will then execute an Easement Agreement to benefit the State to provide a drainage “Facility” over the entire 1.86 acre site.

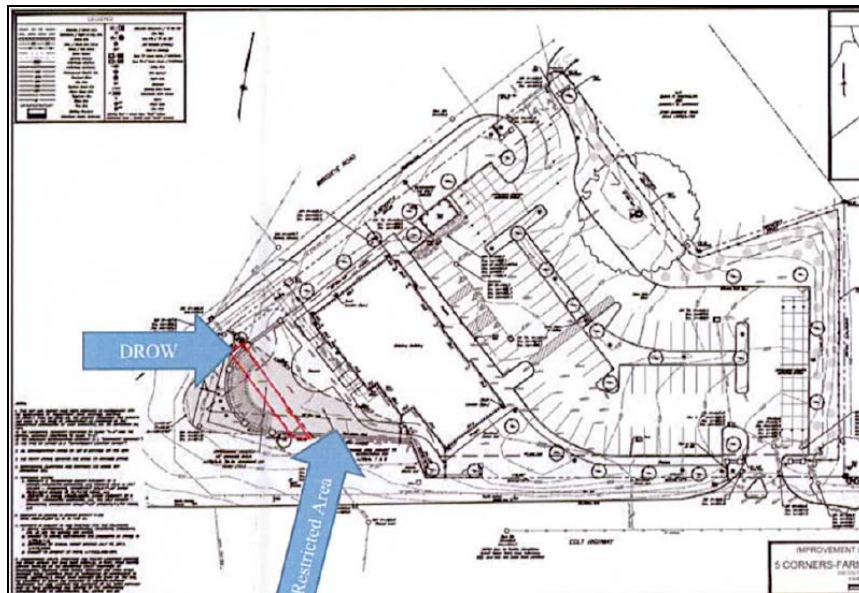
The subject DROW and restrictive covenant were reserved by the Department of Transportation (Department) in 1961 in conjunction with the release of an excess parcel of land to Mr. G. David Lattizori, DOT File No. 51-434-JA.

The subject property is an irregular shaped parcel consisting of 81,224± sq.ft. or 1.86± Acres of improved commercially-zone land (B1) improved with an 8,283± sq.ft. one-story retail building constructed in 2018. The property has a fairly level topography and is not located in a flood zone. Rights of access are denied at the intersection of Colt Highway and Birdseye Road.

DROW & Restriction to Erect Signs and Structures:

The DROW and the Release of Restriction to Alter Elevation and Restriction to Erect Signs and Structures are located in the southwesterly portion of the property. The

DROW is approximately 10' wide panning the width of the property, resulting in a total area of 780± square Feet. The size was estimated by CONNDOT surveys using the release map from when the property was released in 1961 and the DROW was retained along with restrictions to preserve sightlines. The Restricted Area was estimated to be 0.13± Acres or 5,663± sq.ft. Both of these areas were estimated based on the release map and were deemed accurate given the data.



View looking northeasterly.

Short Form/Letter Valuation – With the release of this DROW, DOT Appraiser Anthony J. Delucco appraised the entire 1.86+acre property, as of September 10, 2020. The Appraiser utilized five sales of similarly-zoned land and concluded the market value of the subject property was \$8.00 (\$648,000 total). The Farmington Assessor valued the land for a total of \$436,000 or \$5.38/sf (100%), during the last revaluation (2017).

The Appraiser then calculated the value of the land within the DROW and Restricted Area over the site, calculated as follows:

Item	Calculation	Value
Drainage Right of Way Release	780 sf x \$8.00/sf x 75%	\$4,680
Release of Restrictions	5,663 sf x \$8.00 x 25%	\$11,326
	Total	\$16,006
	Rounded	\$16,000

Release Negotiations

On September 25, 2020, the Department sent a letter to Mr. Lattizori with an asking price of \$20,000.00. On October 8, 2020, Mr. Lattizori presented the Department with a counteroffer of \$10,000.00, which was not accepted as it was not within a reasonable range of the appraised value. On October 13, 2020, Mr. Lattizori presented his highest and best offer to pay \$14,000.00. In addition, a \$1,000.00 Administrative Fee will be collected by the Department at closing.

Staff inquired with DOT regarding the following.

- Please clarify is the Town's Delegation is required to receive notice of this Release pursuant to CGS 13a-80(a), similar to the Vernon release under DOT Project 146-000-22A, reviewed under PRB #21-038.

DOT Response: ... This was an oversight. We will have to send ~~the Town~~ the Legislative Notification. The Town of Farmington is aware that the builder was dealing with the State because they must have applied for some type of zoning application, however, we are so used to just doing these for land only, and it was not until the original Vernon one in 2019 did Jeff Zeman said the way the statute is written is that we have to notify the town regardless of it not being a land conveyance.

Staff Response: DOT provided an electronic copy of those letters sent to the Town's Legislative Delegation. Upon DOT's response, Staff inquired if DOT was also required to provide notice to the Town pursuant to CGS 3-14b.

DOT Response: I just re-read AAG Zemans comments on this matter and he stated "no" to 3-14b. I will forward Zeman's comments to you, however he recommended using different statutes for these easement exchanges. It warrants another internal discussion at DOT which Amy and I will have on these, as they seemed to have increased over the years.

Recommendation – Staff recommend the Board suspend this Proposal to release a DROW and Restrictions for \$14,000 (+ \$1,000 Admin Fee) in exchange for being granted a new easement "Facility" over the entire 1.86+ acre parcel pending outcome of DOT and AG of appropriate statutory authority to effect this exchange via the Release Easement to be executed by the Commissioner of DOT, or his duly authorized designee.

4. REAL ESTATE – NEW BUSINESS

<i>PRB #</i>	21-082
<i>Transaction/Contract Type:</i>	RE – Voucher
<i>Origin/Client:</i>	DOT/DOT
<i>DOT Project #:</i>	422-065-001
<i>Grantee/Grantor:</i>	O & G Industries, Inc.
<i>Property:</i>	Middletown, North Main St (110-120)
<i>Project Purpose:</i>	Middletown Area Transit Facility Enhancement Project
<i>Item Purpose:</i>	Voucher for Total Take

DAMAGES: \$1,250,000

SITE & TAKING DESCRIPTION: The subject property consists of three contiguous parcels known as 110 and 120 North Main Street and Lot 106 North Main Street in Middletown. Total subject property area per DOT acquisition map equals 2.29+/- acres. Total buildings area equals 20, 744+/- sq. ft.

- Lot 106 Main Street is a small rectangular lot containing between 0.26+/- acre to 0.30+/- acre, improved with a 1986 built, one story, 2,976 sq. ft. retail commercial building. It should be noted that the building does encroach upon 120 North Main Street's lot.
- 110 North Main Street consists of a 0.28+/- acre site improved with a 1986 built, one story masonry building utilized as a retail showroom containing 5,000 sq. ft.
- 120 North Main Street consists of an irregularly-shaped 1.74+/- acre site improved with a 1969 built, one story building utilized as a warehouse consists of 12,768 sq. ft. with a "lean

to” additional storage area. The site fronts along North Main Street and abuts the railroad line to its rear.



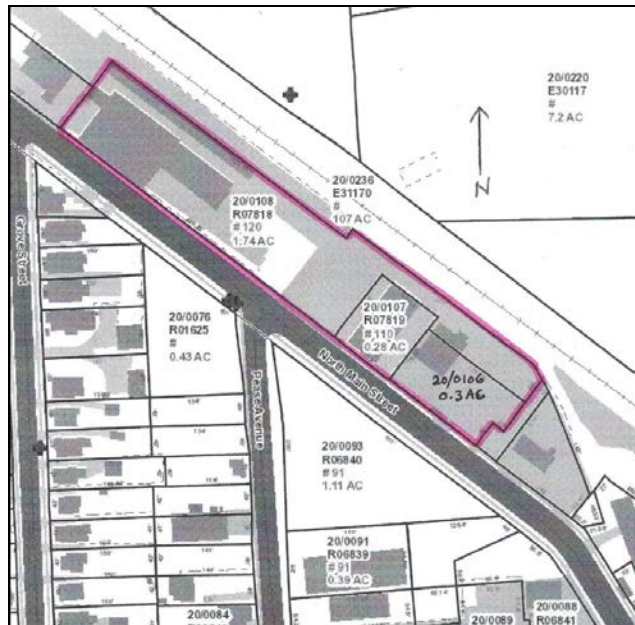
Northwesterly view of North Main Street (subject on right)



Southeasterly view of North Main Street (subject on left)

The Appraiser opines the highest and best use of the site as vacant would be for commercial development in conformance with current zoning requirements to develop the site.

The subject is presently improved with Retail Warehouse Buildings. The existing structures are physically possible and legally allowed by zoning as a permitted use for the warehouse and an allowable pre-existing non-permitted use for the retail buildings. Conversion to an alternative use is not likely due to the higher cost to build. Therefore, the highest and best use is to continue the current Retail Warehouse use.



VALUATION: The DOT appraisal was completed November 10, 2020 by Independent Appraiser Steven E. MacCormack.

Land Valuation: Based on the sales comparison approach, the Appraiser considered the following three sales:

LAND SALES SUMMARY						
Sale	Location	Area (acres)	Zone	Sale Date	Sale Price	Sale Price Per Acre
1	754 Middle Street Middletown, CT	0.90	IT	6/30/20	\$67,500	\$75,000
2	811 Newfield Street (Route 3) Middletown, CT	6.39	NPC	1/21/20	\$900,000	\$140,845
3	2301 South Main Street (Route 17) Middletown, CT	5.34	I-4	9/16/19	\$332,000	\$62,172
Subject: 110-120 North Main Street Middletown, CT		2.32	IRA			

The Appraiser concluded that the fair market value of the subject land was \$85,000/acre x 2.32 acres = \$197,200, rounded to \$197,000.

The town assessment records indicate the value of the land is \$263,250 (100% value) based on a 2019 town-wide revaluation.

Building Valuation:

Sales Comparison Approach: The appraiser analyzed three sales of commercial properties in Middletown as follows:

SUMMARY OF PROPERTY SALES					
Sale	Location	Sale Date	Sale Price	Bldg. Area (SF)	Sale Price / Sq. Ft.
1	720 Newfield Street (Route 3) Middletown, CT	9/1/20	\$650,000	7,344	\$88.51
2	811 Middle Street Middletown, CT	12/2/19	\$1,990,000	14,294	\$139.22
3	861 Middle Street Middletown, CT	9/30/19	\$1,200,000	12,630	\$95.01
Subject:	110-120 North Main Street Middletown, CT			20,744	

The Appraiser concluded that the fair market value of the subject property was \$55/sf x 20,744 sf = \$1,140,920, rounded to \$1,140,000.

Income Capitalization Approach: The Appraiser analyzed the following rentals of similar properties in Middletown and concluded that the fair market rental value of the storage space within the subject property was \$6/sf and the retail space was estimated at \$12/sf, both on a net, net, net basis.

SUMMARY OF WAREHOUSE & RETAIL RENTALS						
#	Address Tenant/User	Leased Area (Sq. Ft.)	Rent/ Sq. Ft.	Lease Date	Lease Term	Lease Conditions/Comments
1	34 Industrial Park Place Middletown, CT	10,176	\$7.75	Available	1-10 yrs.	NNN 44,800 SF Flex Warehouse Building built in 1985.
2	4 Alcap Ridge Cromwell, CT	13,200	\$5.95- \$6.70	Available	2-10 yrs.	NNN 21,600 SF Office Warehouse Building built in 1977. 16' Ceilings.
3	50 Sebethe Drive Cromwell, CT	11,000- 14,724	\$6.25	Available	1-10 yrs.	NNN 38,800 SF Office Warehouse Building built in 2000. 26'-28' Ceilings.
4	650 South Main Street Middletown, CT	1,900	\$14.00	Available	5-10 yrs.	NNN 3,100 SF Retail Building built in 1971. Space fit out as a bakery.
5	749 Saybrook Road Middletown, CT	3,000	\$10.90	Available	1-10 yrs.	NNN 35,000 SF Retail Plaza built in 1990.
6	102-104 Court Street Middletown, CT	2,640	\$11.00	Available	1-5 yrs.	NNN 1,320 SF Restaurant plus 1,320 SF basement for storage built in 1900.

The Appraiser then estimated Gross Potential Income as follows:

Tenants	Total Area (SF)	Total Rent (SF)	Total/ Month	Total/ Year
<i>Retail Showroom - Tenant Lot 106</i>	2,976	\$12.00	\$2,976	\$35,712
<i>Retail - O & G Industries Lot 107</i>	5,000	\$12.00	\$5,000	\$60,000
<i>Warehouse - O & G Industries Lot 108</i>	12,768	\$6.00	\$6,384	\$76,608
Total	20,744	\$8.31	\$14,360	\$172,320

Deducting 5% for vacancy and collection loss, indicates Effective Gross Income = \$163,704.

The Appraiser then estimated the following owner expenses:

PROJECTED YEAR ONE OPERATING EXPENSES		
Expense	Projected Cost	Expenses Per SF of GBA
Reserves for Replacements @ 5% of EGI	\$8,185	\$0.395
Management @ 2% of EGI	\$3,274	\$0.158
Totals	\$11,459	\$0.553

After fully supporting market-based overall capitalization rate, the Appraiser estimated the value of the property by the Income Capitalization Approach as follows:

INCOME APPROACH SUMMARY 110-120 North Main Street, Middletown, CT		
Income		
Gross Building Area (GBA)	20,744 SF	
Gross Leasable Area (GLA)	20,744 SF	
Potential Gross Income @ \$8.31/SF		\$ 172,320
Less: Vacancy and Coll. Loss at 5%		<u>(\$ 8,616)</u>
Effective Gross Income		\$ 163,704
<u>Expenses</u>		
Reserves for Replacements (5% of EGI)	\$8,185	
Management (2% of EGI)	\$3,274	
<i>Total Expenses</i>		<u>(\$ 11,459)</u>
Net Operating Income		\$ 152,245
Overall Capitalization Rate		<u>0.07</u>
<i>Stabilized Value</i>		\$2,174,929
<i>Less Commissions</i>		<u>(\$ 0)</u>
<i>Less Rent Loss</i>		<u>(\$ 0)</u>
Income Approach Value Conclusion		\$2,174,929
Value Conclusion (rounded)		\$2,175,000
Value Per SF of GBA		\$104.85/SF

Reconciliation and Value Conclusion

Approach	Opinion of Market Value
Sales Comparison Approach - Land	\$197,000
Sales Comparison Approach – Building	\$1,140,000
Income Capitalization Approach – Building	\$2,175,000
Conclusion of Market Value	\$1,250,000

The DOT did commission a second appraisal prepared by Independent Appraiser Barbara Pape concluding a market value of \$1,270,000.

The subject property is currently offered for sale by Sentry Commercial at \$1,250,000.

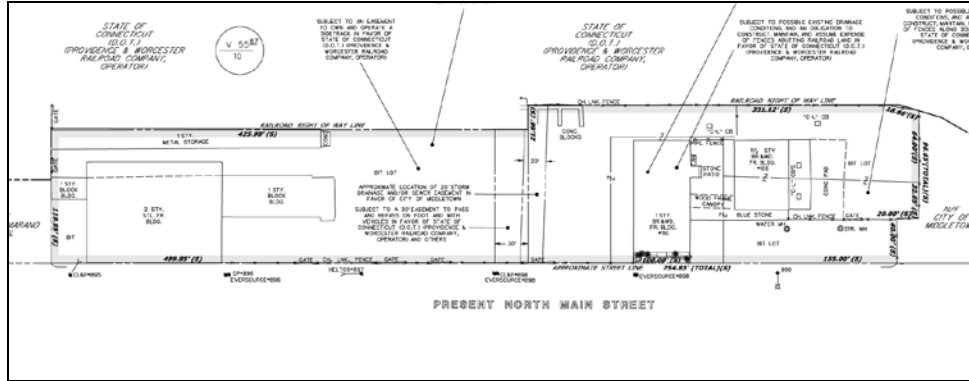
Staff inquired with DOT regarding the following:

- Please upload the second appraisal prepared by Barbara Pape to the Sharepoint website.
DOT Response: Uploaded to Sharepoint.
Staff Response: Staff reviewed. OK

RECOMMENDATION: Board **APPROVAL** of damages in the amount of \$1,250,000 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.

- The acquisition value is supported by the two independent appraisals obtained by the DOT.



5. ARCHITECT-ENGINEER – UNFINISHED BUSINESS

6. ARCHITECT-ENGINEER – NEW BUSINESS

7. OTHER BUSINESS

8. VOTES ON PRB FILE:

PRB FILE #21-075 – Mr. Halpert moved and Mr. Valengavich seconded a motion to approve PRB FILE #21-075. The motion passed unanimously.

PRB FILE #21-082 – Mr. Berger moved and Mr. Valengavich seconded a motion to approve PRB FILE #21-082. The motion passed unanimously.

9. NEXT MEETING – Thursday, June 10, 2021.

The meeting adjourned.

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