

STATE PROPERTIES REVIEW BOARD

Minutes of Meeting Held On December 26, 2023

– solely by means of electronic equipment - via telephone conference –

Pursuant to CGS §1-225a, the State Properties Review Board conducted a Regular Meeting at 9:30AM on December 26, 2023. Pursuant to the statute, this Meeting was held solely by means of electronic equipment, with Participants connecting via telephone conference at (860)-840-2075 and used passcode 389034483#.

The Notice provided designated this Regular Meeting as open to the public. Call in instruction were provided as: Dial toll free (860)-840-2075 and use passcode 389034483#. If you have any questions or need assistance to attend these Meetings, or for some reason the Call-In Numbers do not work, please contact SPRB Director Dimple Desai, immediately, at dimple.desai@ct.gov to make appropriate arrangements.

Members Present – solely by means of electronic equipment:

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

Members Absent:

Staff Present – solely by means of electronic equipment:

Dimple Desai
Thomas Jerram

Guests Present – solely by means of electronic equipment:

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 December 21, 2023 Meeting. The motion passed unanimously.

2. COMMUNICATIONS

3. REAL ESTATE- UNFINISHED BUSINESS

4. REAL ESTATE – NEW BUSINESS

PRB File #: 23-211
Transaction/Contract Type RE / Amendment
Origin/Client DAS / DAS
DAS Project: SB 21-02
Grantee: Pennrose, LLC
Property: Hartford, Trinity Street (18-20 & 30)
Project Purpose: Sale of Surplus Property pursuant to CGS 42-21(e)
Item Purpose: Third Amendment to Purchase and Sale Agreement

At the SPRB meeting held on September 26, 2023, the Board approved a Second Amendment to Purchase and Sale Agreement to extend the Funding Commitment/Financing Period deadline (Paragraph 2 of First Amendment) to October 12, 2023.

And on October 18, 2023, the Board reviewed a request from DAS to slip sheet a single page to the Amendment with the following narrative:

“...since approvals weren’t received yesterday for the 2nd amendment on the purchase and sale for Trinity, we are slip sheeting just the one page that extends the financing period to November 12th. That is the only change. Please note that the agreement calls for the closing to occur on or before 120 days from the end of the financing period, so with this slip sheet the closing will move to March 12, 2024.”

Under this Proposal (PRB #23-211), DAS now seeks approval for a Third Amendment to Purchase and Sale Agreement to extend the Closing Date by eight months to November 14, 2024, with one, 30-day extension.

Changes to the Agreement include the following:

1. The Grantee provides an additional \$50,000 non-refundable deposit, with the balance of \$1,100,000 due at closing;
2. The Closing Date is extended to November 14, 2024, with one, 30-day, extension and a \$60,000 payment to offset expenses, only if the extension is exercised;
3. And new milestones were added, but with no deadline, other than the closing date. Milestones included:

35. MILESTONES Between the date of final approval of this Third Amendment and Closing, Purchaser shall meet the milestones set forth below, and shall provide confirmation of such to the Purchaser within thirty (30) calendar days of the completion of each milestone.

<u>Milestone</u>
1. Submission of National Park Service (NPS) Part II Application and Connecticut State Historic Preservation Office (CT SHPO) Part 2 and 3 applications
2. Submission of Application for Tax-Exempt Bond Authority
3. Submission of Building Permit application to City of Hartford

Notwithstanding the foregoing, Purchaser’s failure to meet any of the milestones set forth herein shall not in any event extend the Closing beyond November 14, 2024 (unless extended by Seller pursuant to Section 4).

In the Board's initial review and approval of the Purchase and Sale Agreement on June 30, 2022 under PRB 22-063, the purchase price was \$1,100,000 with a \$50,000 deposit. DAS stated the holding costs for this property averages \$754,000 per year (\$62,833/month).

An eight month delay in the closing will cost the state an additional \$502,667. The original \$1,100,000 sale price will be effectively reduced to \$597,333 based on the proposed extended Closing Date.

Staff inquired with DAS regarding the following:

1. Please provide the initial communication from Pennrose seeking an extension of the Closing Date as and requesting the additional Milestones.

DAS Response: Please find attached the proposed 3rd draft amendment provided by Pennrose for an extension to November (the "request" for an extension is in this proposed amendment). They also made this request in a meeting in which they were providing an update on their progress. DAS dismissed most of their proposed language and requirements.

Staff Response: The draft amendment was reviewed. The Amendment before the Board clearly dismissed most of the terms in the draft. OK

2. Please clarify why this Third Amendment is sought to extend the closing date by eight additional months with no compensation by the Buyer to offset the State's on-going carrying costs of \$502,667 over the extended period.

DAS Response: The buyers asked for the extension see above and attached due to the complexity of the project including but not limited to tax credits, the various approvals (outlined in the milestones). DAS requested they provide money to cover the holding cost and they declined citing the increasing interest rates and construction costs. DAS also insisted, and they agreed, that the current *and* additional deposit to be made with the approval of third amendment becomes non-refundable, the buyer must close, or they forfeit the deposits. If they request the one final 30-day extension at DAS's discretion, and it is granted, they are required to pay an additional \$60,000. This was discussed and agreed to with OPM and the Office of The Governor.

Staff Response: OK

RECOMMENDATION: Staff recommends that the Board approve the Third Amendment to Purchase and Sale Agreement to extend the Closing Date to November 14, 2024 and add Milestones.

From PRB #23-150

At the State Properties Review Board meeting held on April 27, 2023, under PRB #23-049, the Board approved a First Amendment to Purchase and Sale Agreement to modify certain performance deadlines in the Agreement as follows:

The First Amendment to Purchase and Sale Agreement incorporated the following new deadlines:

- 2-8-2023 – Title Approval/Disapproved Title Matters deadline (Article 3.(b));
- 8-12-2023 – Funding Commitment/Financing Period deadline (Article 8.(b)); and
- 6-30-2023 – Due Diligence deadline (Article 9.(b)).

Under this Proposal (PRB #23-150), DAS now seeks approval for a Second Amendment to Purchase and Sale Agreement to extend the Funding Commitment/Financing Period deadline (Paragraph 2 of First Amendment) to October 12, 2023.

DAS provided the following narrative in support of this request.

There have been significant changes since the contract was approved in 2022. These include but not limited to; the exceedingly high construction cost increases, the interest rate environment that has dramatically decreased not just the size of the permanent mortgage but has doubled or tripled the amount of construction loan interest these deals need to carry.

Other cost drivers include, building floor plate inefficiencies, historic requirements (including historic windows which add significant costs) and structural issues. These buildings have significant lead and asbestos abatement work needed based on reports and studies both the state and the buyers have commissioned.

The buyers' contingencies for title and due diligence have now passed and the only remaining one is the finance period which currently expires August 12, 2023 (from the first amendment). The buyers have requested a further extension of the finance period of sixty (60) days to October 12, 2023. They have also requested an urban act grant for \$6,000,000 to provide the last piece of the funding for the estimated \$45m project. A decision on the grant is pending (and will require bond commission approval, the next meeting isn't scheduled until September) hence the reason for the extension.

The status of the financing (since the request for approval on the first amendment):

1. **Financing:** the buyer has been working diligently on obtaining the necessary funds to complete this \$45 million project. The details follow:
 - Capitol Regional Development Authority (CRDA) has approved a low interest loan in the amount of \$6,480,000.
 - Funding remains a combination of equity, bank financing, CRDA financing and tax credits.
 - As earlier stated, the request for the urban act grant is pending.

RECOMMENDATION: Staff recommends that the Board approve the Second Amendment to Purchase and Sale Agreement to extend the Funding Commitment/Financing Period deadline to October 12, 2023.

From PRB #23-049

At the State Properties Review Board meeting held on June 30, 2022, the Board approved a Purchase and Sale Agreement for the State to sell two properties to Pennrose, LLC for \$1,100,000. The Office of the Attorney General approved the Agreement on August 12, 2022. The Agreement incorporated the following deadlines:

- 10-12-2022 – Title Approval/Disapproved Title Matters deadline (Article 3.(b));
- 4-12-2023 – Funding Commitment/Financing Period deadline (Article 8.(b)); and
- 2-8-2023 – Due Diligence deadline (Article 9.(b)).

Under this Proposal (PRB #23-049), DAS seeks SPRB approval for a First Amendment to Purchase and Sale Agreement to extend deadlines contained within Articles 3, 8 and 9 of the original Purchase and Sale Agreement, as follows:

1. The last sentence in Paragraph 3(b) is deleted in its entirety and replaced with the following:

Notwithstanding any other provision in this Agreement, Purchaser's right to terminate this Agreement due to a Disapproved Title Matter in accordance with this section will in no event extend past February 8, 2023.

2. The first sentence in Paragraph 8(b) of the Agreement is deleted in its entirety and replaced with the following:

Purchaser shall pursue financing for the purchase and development of the Property commencing on the Date of this Agreement and ending on the earlier to occur of (i) the date that Purchaser secures all necessary funding commitments (the "**Funding Commitments**") or (ii) the date that is 12 months following the Date of this Agreement (the "**Financing Period**").

3. The first sentence in Paragraph 9(b) of the Agreement is deleted in its entirety and replaced with the following:

Purchaser shall have until June 30, 2023 to complete its due diligence and feasibility studies (the "**Due Diligence Period**").

Article 24 is also amended to reflect updated statutory language.

The First Amendment Purchase and Sale Agreement now incorporates the following deadlines:

- 2-8-2023 – Title Approval/Disapproved Title Matters deadline (Article 3.(b));
- 8-12-2023 – Funding Commitment/Financing Period deadline (Article 8.(b)); and
- 6-30-2023 – Due Diligence deadline (Article 9.(b)).

DAS provided the following narrative to support this request:

- **Financing:** the buyer has been working diligently on obtaining the necessary funds to complete this \$45 million project. The details follow:
 - They have been working with the Capitol Regional Development Authority (CRDA) among others and are now seeking \$6.48 million from CRDA which is lower than the \$10.8 million previously thought necessary. One of the big changes to the budget is the fact that the buyer can qualify for more private historic tax credit equity than formerly thought, before working with CRDA, as well as increasing the first mortgage considerably.
 - Due to the rising high costs for construction and increasing interest rates they have been working on obtaining financing that will include these additional costs.
 - Funding is a combination of equity, bank financing, CRDA financing and tax credits. They are working hard to complete this but due to market conditions and the complexity CRDA will not be able to get on the bond agenda by April 14th, (Bond Commission meetings are often cancelled), which would partially finalize the buyer's financing, and therefore the buyers have asked for an extension to August 12, 2023.

- *With respect to due diligence* – a lot has been completed including hazmat testing, structural investigations, schematic design, envelope engineering investigation, window survey, and steel testing. The buyers have had site tours with SHPO and gotten positive feedback from them on the historic front.
 - Due diligence has revealed:
 - unsurprisingly, space inefficiencies exist in both buildings.
 - deferred maintenance.
 - outdated building systems.
 - poor condition of the exterior, the rear of 18 Trinity has had such extensive water damage that the exterior may need to be completely rebuilt. This requires testing (with a 6–8-week turnaround time on results). The buyers will only begin that testing once financing is secured due to the high costs of the tests. They will not be able to do the testing with results by April 14th, hence they have asked for an extension to June 30, 2023, to do so.

Staff inquired with DAS regarding the following:

1. Please provide a copy of the original Purchase and Sale Agreement signed by the Office of the Attorney General.
DAS Response: Attached.
Staff Response: OK
2. Please clarify if this First Amendment to Purchase and Sale Agreement must be presented to the Committees of Cognizance in the State Legislature for their review.
DAS Response: Yes, it does have to go to the Legislative Committees.
Staff Response: OK

RECOMMENDATION: Staff recommends that the Board approve the First Amendment to Purchase and Sale Agreement.

PRB File #:	23-217
Transaction/Contract Type	RE / MOU
Origin/Client	DAS/JUD
Property:	Hartford, Buckingham Street (315)
Project Purpose:	Assignment of Unreserved, Temporary, 100-Car Parking
Item Purpose:	Memorandum of Understanding

Background



Courtesy: Google Maps

Under this Proposal (PRB #23-217) DAS and JUD are seeking SPRB approval for a new Memorandum of Understanding for JUD to utilize an access way from 80 Washington Street and 100 unreserved parking spaces at the state-owned parking garage located at 315 Buckingham Street.

The terms of the MOU are as follows:

1. DAS grants JUD the right to use the access way from their location at 80 Washington Street, subject to emergency closure, from 6:30 am to 6:30 pm;
2. DAS maintains the walkway to the gate;
3. DAS provides 100 unreserved parking spaces and 100 access cards. DAS will replace lost cards with a \$10/card fee paid by JUD.
4. The MOU is on a monthly basis commencing December 1, 2023 and continues to the Layayette Street Garage repairs are complete; and
5. DAS provides parking at no cost to JUD.

The MOU has been approved by each party as follows:

- 10-26-2023 - JUD
- 11-9-2023 - DAS
- 11-17-2023 - OPM

RECOMMENDATION: Board approval is recommended for the following reasons:

- The colocation complies with CGS 4-67g(f) (OPM statutes); and
- The colocation complies with CGS 4b-29 (DAS statutes).

5. ARCHITECT-ENGINEER - UNFINISHED BUSINESS

6. ARCHITECT-ENGINEER - NEW BUSINESS

7. OTHER BUSINESS:

Chairman Josephy requested a motion for reimbursement of fees for Himself and Mr. Greenberg for multiple meetings regarding personnel matters within the SPRB. Mr. Halpert made the motion and Mr. Berger seconded the motion. The motion passed unanimously.

8. VOTES ON PRB FILE:

PRB FILE #23-211 – Mr. Halpert moved and Mr. Valengavich seconded a motion to approve PRB FILE #23-211. The motion passed unanimously.

PRB FILE #23-217 – Mr. Valengavich moved and Mr. Halpert seconded a motion to approve PRB FILE #23-217. The motion passed unanimously.

9. NEXT MEETING – Thursday, December 28, 2023 – will be held solely by means of electronic equipment.

The meeting adjourned.

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