DEPARTMENT OF ADMINISTRATIVE SERVICES
STATE OF CONNECTICUT

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Presentation – Norwich Hospital Sale
Donald J. DeFronzo, Commissioner

Finance, Revenue & Bonding Committee
Thursday, June 27, 2013

Good afternoon Senator Fonfara, Representative Widlitz, Senator Frantz, Representative Williams and members of the Committee. My name is Don DeFronzo, Commissioner of the Department of Administrative Services. As you know the state's Sales and Purchase Agreement to sell the Norwich State Hospital grounds in Norwich is before the Finance Committee for review and approval. I would like to provide the Committee with some information about the proposed sale, and respectfully ask the Committee to approve this agreement.

This presentation is in three parts: First, I will trace the history of the facility up to its designation as "surplus" state property and the early efforts to dispose of the property. Next, I will take a few minutes to describe the conditions of the grounds and facility. And, finally I will outline the process which has moved us to this point and the basic terms of the proposed Agreement.

History

The Norwich State Hospital for the Insane (as it was named then) opened in 1904 with one building and 95 patients. As it grew, the Norwich facility operated as a self-contained, self-sustaining agricultural community. By 1955 the hospital's patient population had grown to over 3,100, with a large staff and attendant structures including treatment facilities, staff dormitories, patient residences, free-standing homes for doctors and professional staff and an array of agricultural buildings totaling over 80 in number.

From 1955 on, Norwich's use as a state mental health institution declined until its closing in 1996. Prior to that, in 1988, a number of buildings on the campus were placed on the National Register of Historical Places. Since then, however, most buildings have deteriorated, decayed or collapsed beyond the point of salvage. An archeological

survey was conducted during this period and any area of archeological preserve has been so designated by the State Historical Preservation Office.

For a short period, a number of non profit mental health agencies used the aging facilities, but in 1996 the entire campus was declared "Surplus Property." That essentially means that no state agency indicated a need for the property and DECD neither found the site appropriate for housing development, nor did it submit an acceptable economic development reuse plan.

Prior to 2004, OPM unsuccessfully tried to sell the entire Norwich-Preston site as a unit. In 2005, both Norwich and Preston were given a three year option to purchase the acreage in each respective town for a dollar. Preston accepted the offer and starting with the well publicized Utopia proposal in 2006 entertained approximately 8 unsuccessful development proposals. Preston continues to demolish structures and remediate the site in anticipation of future development.

The Norwich parcel was originally 62.8 acres, however, in 2010, 13.17 acres were transferred to the custody and control of DEEP, reducing the remaining Norwich acreage to 49.65 acres. In recent years, the abandoned buildings on the Norwich Campus have drawn the attention of paranormal researchers resulting in several TV features including "Celebrity Ghost Hunters" on VH-1; an episode of "Ghost Hunters" on the SYFY Network; and inclusion in the History Channel's series "Life After People." The properties are frequently visited by unauthorized researchers and those interested in the paranormal who display their work on U-Tube.

Condition of the Property

The Norwich site consists of 49.65 acres and 27 buildings, most of them staff cottages and homes. Two appraisals were commissioned in July of 2010:

Cushman and Wakefield - $560,000
Miner and Silverstein - $2,400,000

The significant difference between the estimated values is that one appraiser deducted $5 per square foot for anticipated demolition from the appraised value, and the other appraiser appraised the property based strictly on a per-acre valuation.

Buildings on the Norwich site are in very poor condition. No administrative or service delivery activity is presently conducted on the Norwich parcel. Any productive future use will require building demolition and remediation of environmental problems. A 2005 Environmental Analysis indicated buildings contained asbestos, lead and other hazardous materials with a cleanup cost estimated at $1.1 million. Subsequently, in

2010, Miner and Silverstein, one of the two appraisers, estimated environmental cleanup and demolition costs at $5 million.

Cost to the state for maintaining the property is over $50,000 annually, including:

- Security costs of $25,000; and
- Maintenance costs of $25,000 (cost of state employees and materials and equipment).

Current Efforts to Dispose of the Property

Shortly after taking office in 2011, we decided to review and renew efforts to sell the Norwich property.

- The property was advertised (SB 11-02) in the Hartford Courant and The Day of New London on July 31, 2011, with a return date for all proposals due August 26, 2011.

- There was one response to the advertisement (SB 11-02): Thames River Landing, LLC offered $10,000, and subsequently increased its offer to $100,000.

- The Respondent was notified by correspondence dated October 21, 2011 that the RFP (SB 11-02) was closed without selecting a Preferred Purchaser.

- In October 2011, a decision was made to split the Norwich Hospital Campus into four distinct properties in an attempt to attract a greater number of responses.

- The property was advertised (SB 11-05, SB 11-06, SB 11-07 & SB 11-08) on Sunday, December 11, 2011, in the following newspapers: Norwich Bulletin; New London Day; and Hartford Courant, with proposals due January 6, 2012.

- There were seven responses to SB 11-05 (**only for the former Superintendent's House**) ranging in price from $15,012 to $125,000.

- There was one response to acquire all four properties for a total of $130,000 (Thames River Landing, LLC), with no contingencies. In a correspondence dated February 13, 2012, Thames River Landing LLC amended its response to SB 11-05, SB 11-06, SB 11-07 & SB 11-08 and increased its offer to $300,000 with two contingencies: all four parcels are acquired; and a "successful title review."

- On February 17, 2012, pursuant to Connecticut General Statutes § 4b-21(c) and § 3-14b, the State of Connecticut offered the City of Norwich the opportunity to purchase the property for $300,000.

- The City of Norwich notified the State in a March 22, 2012 correspondence that the Norwich City Council, at its March 19, 2012 meeting, passed a Resolution stating "the City of Norwich does not intend to exercise its rights to purchase the property for $300,000...."

- On February 24, 2012, Thames River Landing, LLC was notified that it was selected as the Preferred Purchaser of the Norwich Hospital Campus.

- All other Respondents to the RFP were sent letters that they were not selected as Preferred Purchaser.

- In March 2012, a Purchase and Sale Agreement was drafted and delivered to the Preferred Purchaser for review. Additional due diligence measures, negotiations and legal reviews extended this process.

- The Preferred Purchaser executed the Agreement on February 19, 2013.

- Commissioner DeFronzo executed the Agreement on March 13, 2013.

Since then, the sales agreement has been approved by the Office of Policy and Management and the State Properties Review Board, which is a citizens' review panel entirely appointed by Legislative leadership.

Terms of the Sale

Under this agreement, the State sells the 49.65 acres of the Norwich State Hospital parcel in Norwich to Thames River Landing, LLC (Ronald Shelton, President) for the price of $300,000 (Section 2) in "as is" condition (Section 9 (a) and (e)). The purchaser assumes all responsibility for the property, including but not limited to, the buildings, infrastructure, environmental remediation that may be required, potential demolition costs, security and maintenance.

The purchaser also agrees (Section 9 (a)) to accept "municipal restrictions on use, encumbrances or uses by third parties," meaning that any development of the parcel must be undertaken according to the Zoning and Land Use requirements of the City of Norwich.

With this proposal, we hope to conclude a decade long sales effort spanning three gubernatorial administrations. At this point, we will be happy to answer any questions.

Thank you.