

# Connecticut General Assembly



## OFFICE OF FISCAL ANALYSIS

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To: Senator John W. Fonfara, Senate Chairman, Finance, Revenue and Bonding Committee  
Senator Anthony J. Musto, Senate Chairman, Government Administration and Elections Committee  
Representative Patricia M. Widlitz, House Chairman, Finance, Revenue and Bonding Committee  
Representative Ed Jutila, House Chairman, Government Administration and Elections Committee

From: Michael Murphy  
Linda Miller

Subject: Proposed Sale of a Parcel of the Former Norwich Hospital Property

**Background:** The original Norwich Hospital property was 455.82± acres, comprised of 393± acres in Preston and 62.82± acres in Norwich. OPM tried unsuccessfully to sell the entire Norwich-Preston site as a unit prior to 2004. In 2005, both Norwich and Preston were given a three-year option to purchase the acreage in each respective town for one dollar. Preston accepted the offer and, starting with the well-publicized Utopia proposal in 2006, entertained approximately eight unsuccessful development proposals. Preston has retained the services of Jones Lang LaSalle to market the property and continues to demolish structures and remediate the site in anticipation of future development.

The state split the 62.82± acre Norwich property into two parcels: (1) 13.17± acres were transferred to the Department of Energy and Environmental Protection in 2010 for possible development as a nature preserve and (2) the remaining 49.65± acre parcel was offered for sale using the Request for Proposal (RFP) process.

**Proposal:** The state has agreed to sell the 49.65± acre parcel in Norwich to Thames River Landing LLC (Ronald Shelton) for \$300,000. The property will be sold in "as is" condition, meaning that the State is not responsible for the property in any fashion after the closing. Current environmental analysis indicates that the site is contaminated with lead-based paint, asbestos-containing materials, and other undefined hazardous waste due to the age of the structures. In 2005, the buildings were inspected for hazardous waste and the then-current estimate to remediate hazardous materials in the buildings was \$1.1 million. A 2010 appraisal by Miner and Silverstein estimated the environmental cleanup and demolition costs to be \$5 million.

The Norwich Hospital District was added to the National Register of Historic Places in 1988. The Department of Economic and Community Development also designated a state archaeological preserve on the property. As a result, any future development of the designated lands/buildings by Thames River Landing is subject to federal and State Historic Preservation Office (SHPO) laws and requirements. The Purchase & Sale Agreement signed by the state and Thames River requires the company to follow all legal requirements as a result of such designations.

There are currently about 27 buildings, most of them staff cottages and homes, located on the parcel. None are in usable condition. The Superintendent's house may be salvageable but a determination of whether/how it can or must be preserved will be governed by federal and SHPO laws and regulations.

**How the buyer was chosen:** The state has advertised the 49.65± acre parcel for sale twice since 2011. The first time, the state received one offer (from Thames River Landing) but rejected it because the price was not sufficient (it was originally \$10,000 and later increased to \$100,000). The second time the state initially proposed selling the whole parcel but later proposed breaking it up into four sections. The state received one offer (from Thames River) for the entire parcel and seven offers to purchase only the former Superintendent's house. The state determined that it was in its best interest to sell the entire parcel so it entered into negotiations with Thames River for the entire parcel, and the two parties eventually agreed upon terms.

It should be noted that before the agreement with Thames River was finalized, the state offered the property to the City of Norwich for \$300,000, which declined to purchase the property.

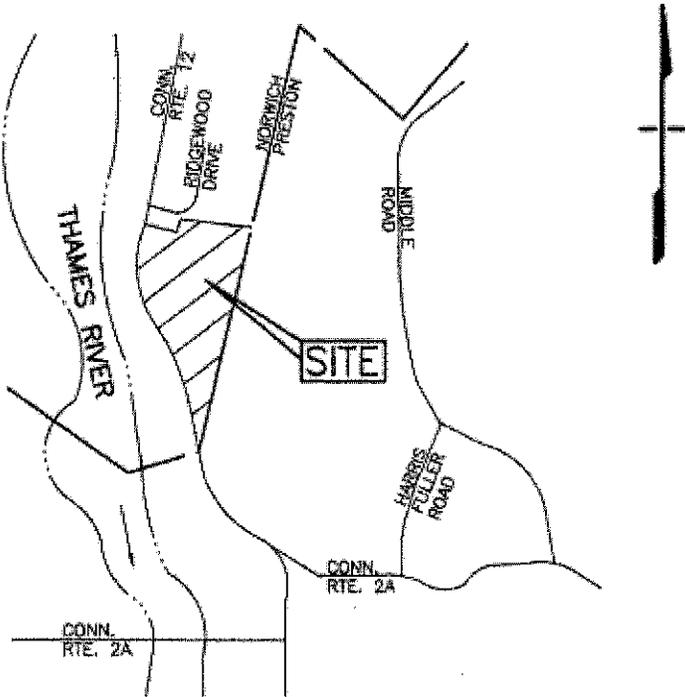
**Property appraisals:** The Department of Administrative Services (DAS) commissioned two appraisals of the site from: (1) Cushman & Wakefield of Connecticut, as of December 21, 2010 (\$560,000); and (2) Miner and Silverstein, LLP, as of January 15, 2011 (\$2,400,000). The significant difference in the appraisers' opinions of value is that the Cushman & Wakefield appraiser deducted \$5.00 per sq. ft. for demolition expense and discounted the value over a three-year holding period and the Miner and Silverstein

appraiser valued the property based strictly on a per-acre valuation, with a separate estimate of environmental cleanup and demolition costs (\$5 million).

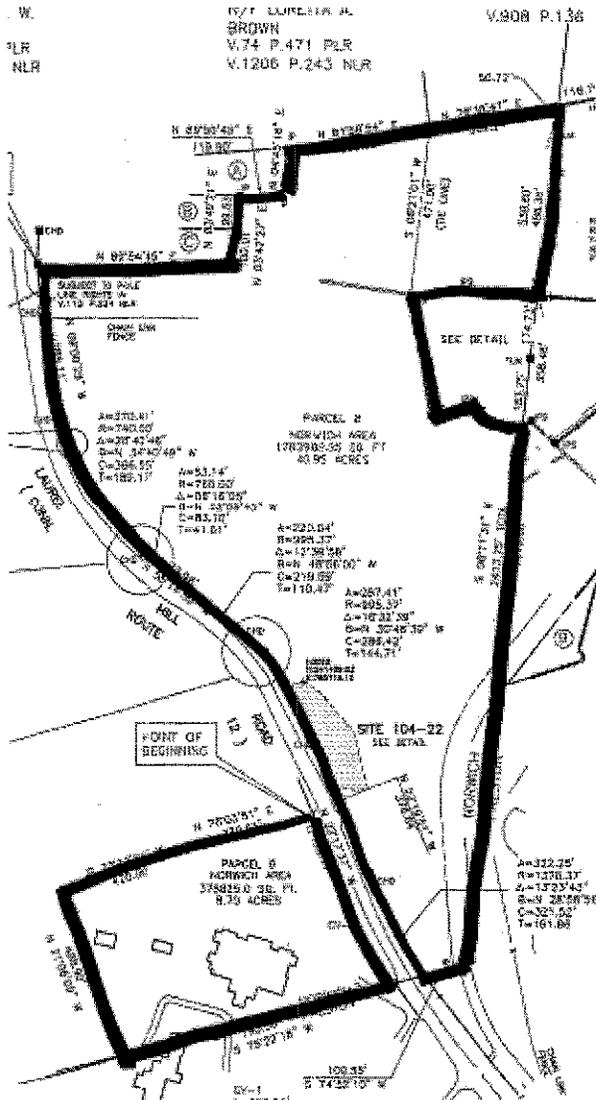
**State savings resulting from the sale:** DAS's total annual care and control cost for the site is \$50,000 (\$25,000 for security and \$25,000 for maintenance) for personnel costs plus materials and equipment. Because the buildings on the site are in such poor condition, there are no administrative or service-delivery costs associated with them.

In addition to the care and control savings, sale of the property will eliminate any potential legal liability to the state, including hazardous waste cleanup, associated with ownership of the site.

**Site maps:** The two maps below show: (1) the general location of the site in relation to the Thames River and (2) the specific boundaries of the parcel.



Map 1: Location of the parcel (labeled "SITE") in relation to the Thames River and Routes 12 and 2A.



Map 2: Surveyor's map showing the boundaries of the parcel.