

STATE PROPERTIES COMMITTEE MEETING

TUESDAY, OCTOBER 13, 2009

The meeting of the State Properties Committee was called to order at 10:08 a.m. by Chairman Kevin M. Flynn. Other members present were Robert Griffith representing the Rhode Island Department of Administration; Genevieve Allaire-Johnson representing the Rhode Island Department of Attorney General; John A. Pagliarini, Jr., Public Member; and Xaykham Khamsyvovong representing the Rhode Island Office of the General Treasurer, Ex-officio Member. Others in attendance were Anthony Paolantonio from the Rhode Island House of Representatives; Meredith Pickering from the Rhode Island Senate Fiscal Office; John Ryan, Michael D. Mitchell, Marco Schiappa, Deborah White, Nancy Hess and Karen Scott from the Rhode Island Department of Administration; Lisa Primiano and Mary E. Kay from the Rhode Island Department of Environmental Management; William Rivero and Kenneth Burke from the Rhode Island Water Resources Board; Louis Saccoccio from the University of Rhode Island; Daniel Clarke and Eva Bernardo from the Rhode Island Department of Transportation; Lisa Holley from the Rhode Island Department of Public Safety; Carole Ventura from Rhode Island Housing; Peter Bouchard from Valley Affordable Housing Corporation; John Russell from the law firm of Adler, Pollock and Sheehan; Robert Murray from the law firm of Taft & McSally; and John Grady from the Rhode Island Manufacturers Association.

Chairman Flynn noted for the record that the State Properties

Committee did have a quorum present.

A motion was made to approve the minutes from the meeting of September 15, 2009, by Mr. Pagliarini and seconded by Mr. Griffith.

Passed Unanimously

A motion was made to approve the minutes from the meeting of September 29, 2009, by Mr. Pagliarini and seconded Mr. Griffith.

Passed Unanimously

ITEM A – Department of Administration – A request was made for approval of and signatures on a License Agreement by and between the Department of Administration and the Rhode Island Manufacturing Association to allow the Association to utilize the State House for its “A Golden Moment for Rhode Island Manufacturing” event and Black Tie Reception on Saturday, November 7, 2009, from 6:30 p.m. until 11:00 p.m. Mr. Schiappa indicated that the Division of Facilities Management has obtained an executed License Agreement, the assessed usage fee and the appropriate Certificate of Insurance for this event. A motion was made to approve by Mr. Griffith and seconded by Mr. Pagliarini.

Passed Unanimously

ITEM B – Department of Human Services – A request was made for approval to initiate lease negotiations with the Brookwood Middletown Tech, LLC for office space located at 76 Hammarlund Way in the Town of Middletown. Mr. Ryan indicated that Deborah Barclay has not arrived as of yet and requested that said matter be continued subject to Ms. Barclay’s arrival. Chairman Flynn, on behalf

of the Committee, granted said request.

ITEM C – Board of Governors for Higher Education/University of Rhode Island –

A request was made for approval of and signatures on Amendment Two to Building Lease Agreement by and between the Board of Governors for Higher Education/ University of Rhode Island and the Rhode Island Beta Alumni Corporation of Sigma Phi Epsilon for use of the fraternity house located at 17 Fraternity Circle in the Town of Kingston. Mr. Saccoccio explained that the University of Rhode Island has been leasing said building for approximately ten (10) years. The building is referred to as the Rainbow Diversity House and which provides student housing on campus. There were some improvements to the building, which were made by the fraternity when the University initially leased the premises. Mr. Saccoccio stated that this Amendment will extend the term of the Lease Agreement until 2012. With the installation of sprinklers, The Rhode Island Beta Alumni Corporation of Sigma Phi Epsilon brought the building into compliance with the current fire code requirements. Mr. Saccoccio noted that there has been a slight increase in the rental fee, which was never increased during the first ten (10) year term. Said rental increase is consistent with the fee the University is currently charging students per bed in its residence hall and other buildings occupied by students. Mr. Saccoccio stated that this has been a very successful venture; however, the University anticipates

the end of said relationship at the expiration of said three (3) year extension. Chairman Flynn asked why the University and/or Fraternity would end a successful relationship at the expiration of the three (3) year term. Mr. Saccoccio indicated that at the expiration of the extension, the Fraternity will take over the building. Mr. Saccoccio explained that around the turn of the century, fraternities became extremely popular as a means of providing housing to students. Fraternities predated dormitories and residence halls and many have arrangements with the University that date back to the 1960(s) and before. Mr. Saccoccio stated that the University retains the right to exercise its option to purchase these fraternity buildings. However, unless the University is interested in acquiring a fraternity building, it is surrendered back to the fraternity, which continues to lease them out to students who are members of that fraternity. The students that currently occupy the building are part of the general population of students attending the University. This particular venture has been an experiment in what is referred to as clustered housing. The students who occupy this fraternity house are extremely dedicated to campus diversity issues and represent a very diverse group of students, which are extremely active in social issues. Chairman Flynn asked if there are a fairly significant number of foreign students residing in this particular fraternity house. Mr. Saccoccio indicated that a significant number of foreign students do in fact reside at the Rainbow Diversity House. Mr. Saccoccio explained that because the vast majority of student housing closes down during school breaks, foreign students have an exceptionally

difficult time securing suitable living arrangement during said breaks. However, this particular building remains open during school breaks, which is very helpful to international students. A motion was made to approve by Mr. Pagliarini and seconded by Ms. Allaire-Johnson.

Passed Unanimously

ITEM D – Water Resources Board – A discussion regarding the management program for leased properties within the Big River Management Area (the “BRMA”) began with Mr. Burke explaining that he is before the Committee to provide updated information regarding the renewal of Lease Agreements for thirty one (31) properties within the BRMA. Mr. Burke stated that subsequent to the last State Properties Committee, his capital budget request was presented to the Capital Review Committee. Mr. Burke indicated that the following issues were addressed and discussed: the feasibility of the Water Resources Board’s ability to continue to management this program; the over-all profitability of the program; the Board’s ongoing responsible to pay for the education of school aged children residing in these properties; and the expenses incurred by the Water Resources Board (the “Board”) to maintain said properties. Mr. Burke stated that he has discussed these issues with the Chairman of the Water Resources Board and is prepared to further discuss said issues at the next Water Resources Board meeting. Mr. Burke anticipates that the Board will take a more aggressive position regarding the demolition of properties within the Big River Management Area, which has always been the Board’s mission. However, it has also been identified as a performance measure in the

recently submitted operating budget. Mr. Burke acknowledged that this is a collaborative effort between the Board, the Department of Administration Budget Office and ultimately the State Properties Committee. Mr. Burke explained that as has been the Board's past practice, it has already increased the rental fees in accordance with the CPI adjustments, which prevents any loss of revenue by the Water Resources Board. Mr. Burke noted that he would like the Committee to advise him of any particular concerns it may have so that he can address said concerns with the Board at its next meeting. Chairman Flynn suggested that when Mr. Burke returns to the Committee regarding the renewal of the Residential Lease Agreements that he provide an aerial map or photograph, which illustrates all of the properties on the site and specifically the ones that are occupied by the original owners. It is Chairman Flynn's understanding that although there was no guarantee of life estates for the original owners, he believes that many of the original owners think there should be a difference between how they are treated versus how other tenants that are perhaps 2nd, 3rd or 4th generation renters are treated. Therefore, Chairman Flynn believes it would be beneficial for the Committee to view the physical location of the original owners' properties in proximity to the others. Chairman Flynn also suggested that the Board allow the tenants adequate time to make other living arrangements. Mr. Pagliarini thanked Mr. Burke for his efforts to bring about progress relative to the Board's management of the Big River Management Area program. Mr. Pagliarini asked that as the residential Lease Agreements will be

renewed for a term of three (3) years, if the Board needs to arrange a demolition schedule prior to extending any of the Leases for said three (3) year term. Mr. Pagliarini noted for example if the Board identified a property to be demolished within the next fiscal year, it would not want to be bound by a three (3) year contract; therefore, he suggested the Board create a demolition schedule prior to the Board's return to the Committee for approval of the renewal of any of said Lease Agreements. Mr. Burke noted that the Board has contemplated creating a demolition schedule and indicated that he met with the Town Manager and Superintendent of Public Works regarding not only a demolition schedule, but actual and historical considerations for the original property owners. Mr. Burke noted that there is a functional issue regarding the engagement of the Town of West Greenwich for road maintenance. There are only a handful of residents that live on one road in the Town of West Greenwich, yet the Board continues to pay the Town to maintain said road. The Board would like the flexibility to perhaps relocate those residents to alternative dwellings, or again, in an appropriate manner, schedule the demolition of those dwellings and renegotiate with the Town of West Greenwich to relieve the Board of the expense associated with the maintenance of said road. Mr. Burke indicated that the Board would be happy to provide the Committee with an aerial map and a schedule that includes some technical and legal foundation. Chairman Flynn thanked Mr. Burke for providing the Committee with this updated information regarding its management of the Big River Management Area. No action is required by the State Properties

Committee relative to this item at this time.

ITEM E – Water Resources Board – A request for was made for approval of and signatures on a Purchase and Sale Contract by and between Mae L. Kaven; Miriam L. Eldridge and the Water Resources Board for the acquisition of 21.2 acres of land located at 52 Heaton Orchard Road in the Town of Richmond. Mr. Burke stated that this matter was previously before the State Properties Committee on September 29, 2009, and at that time, the Committee requested some additional information, which has been provided in the submission package. Mr. Burke indicated that the Board granted approval to initiate acquisition proceedings as well as some additional information regarding the Lease Agreement. Chairman Flynn suggested that a representative of the Board provide a summary of the chronology of this acquisition, which was partially accomplished by the submission of the information provided to the Committee today. However, Chairman Flynn believes that one of the Committee’s concerns is the lapse of time between the offer to purchase and the request for approval of the Purchase & Sale Contract, as there is an assumption that land values have decreased since 2007. Chairman Flynn noted that a request for conceptual approval to initiate the acquisition of the subject property originally came before the Committee in 2004. Chairman Flynn believes the Committee is interested in hearing what has taken place and why this acquisition has been delayed for so long. Mr. Pagliarini asked if the Board acquires the subject property for future water use, who will ultimately benefit from said acquisition. Mr. Pagliarini asked if this

water source would filter into the statewide system or if it would it ultimately be filtered into the Town of Richmond's system. Mr. Burke indicated that not only is Mr. Pagliarini's question a good question, but it is a question that frequently arises throughout South County as this program has been represented to all municipalities. Mr. Burke stated that this week the Board will be receiving and reviewing new applications for additional properties to be acquired. The manner in which the bond was structured, the Water Resources Board must maintain ownership interest in any property that it acquires; that is a function of both the 2000 and 2004 bonds. Mr. Burke explained the Board has coordinated with the Town of Richmond relative to this particular property. The Town of Richmond is the likely candidate to produce water at this site; the Water Resources Board is not particularly interested in becoming a water supplier or interested in attempting to produce water in different areas throughout South County in regard to this particular bond program. Mr. Burke stated that the pro forma for why and how the Board is going to acquire property is such that the Board will work with the towns based upon its knowledge regarding the locations of sites most likely to produce the necessary quality and quantity of water throughout South County.

The Board will acquire the property and when the town is ready to produce water at the site, the Board will enter into a subsequent agreement with the town, which he presumes will have to be presented to the State Properties Committee in terms of how the town will interact with State of Rhode Island to operate a water production facility. Mr. Burke addressed Mr. Pagliarini question as to whether

this water source will filter into the State system and indicated the answer is yes. The Board will always want to make sure that if a property is situated in close proximity to another municipal boundary that it's cognizant of regional water needs. Chairman Flynn clarified that there are no immediate plans for this site; the purpose of this acquisition is to protect the site for the future development of a water system. Mr. Burke stated that is correct. Mr. Burke stated that the site was specifically selected because it was one of the original sites identified by the United States Geological Survey (the "USGS") as a water bearing site and it made sense to the Water Resources Board to pursue ownership of said property in perpetuity. Mr. Burke indicated that he will defer to either Ms. Kay or Ms. Primiano to walk the Committee through the chronology of this transaction. Ms. Kay stated that the Committee can see from the items provided by the Water Resources Board that certain sites have been identified as water bearing sites. The Board appeared before the State Properties Committee in June of 2004, and asked for permission to appraise, survey, title search and negotiate the acquisition of these sites. Ms. Kay noted that approval for the Board to enter into initial negotiations relative to this parcel as well as additional well head points to be considered is evidenced by a memorandum from Ann Lanni to Paul Sams, dated June 22, 2004. Ms. Kay indicated that since 2004, the Water Resources Board conducted numerous technical evaluations of approximately ten (10) properties in South County that were eligible for the bond funds to determine that said properties would produce water at the necessary levels in the event they were chosen

as well sites. Said evaluations were reviewed by the Department of Environmental Management to ensure that said sites would in fact supply the amount and quality of water in the event the properties were purchased. Also during that time period, the Water Resources Board spoke to land owners of the sites to determine whether they had an interest in working with the Water Resources Board toward an acquisition of the property. Ms. Kay stated that it is her understanding that at this time the property owners were contemplating a subdivision of the property in order to develop the property. Following the identification of a viable water producing sites, appraisals were conducted to determine the values of the properties. There were a number of appraisals done over a period of approximately two years by Advanced Appraisals. Ms. Kay indicated that more than one appraisal was preformed, because while working with the property owners and conducting the site investigation, the Water Resources Board decided it would prefer to purchase two (2) lots rather than just one. Ms. Kay indicated that from a ground water protection stand point, it is prudent to purchase the maximum amount of land the owners are willing to sell. Once the Board reached this point in the process, the Board submitted the appraisals to the Department of Environmental Management and as the Department acts as a consultant to the Water Resources Board with regard to the acquisition of open space and provides two (2) specific services. The first is that Ms. Primiano reviews the appraisals just as she does for all of the Department's acquisitions to ensure that they meet certain standards, which are based upon standards employed

by the federal government in terms of the qualification of the appraiser and information it must contain. The other service the Department provides to the Board is Ms. Kay's review of legal documents such as purchase and sale contracts, deeds, title insurance commitments and policies throughout a transaction. As these services are rather unique, it would be very costly to commission them on an external basis. Therefore, the Department of Environmental Management and the Water Resources Board have a cooperative agreement for said services, which has been in place since approximately 1992, and the agencies have worked together on approximately fifty (50) bond issues. Ms. Kay stated that Ms. Primiano approved the appraisals made a recommendation to Juan Mariscal, the General Manager of the Water Resources Board at that time, to offer of \$70,000 to purchase the property. At its October 9, 2007 meeting, the Water Resources Board granted its approval to purchase the property for the recommended amount of \$470,000 and subsequently Mr. Mariscal forwarded a letter to the property owners dated October 10, 2007, confirming that the Water Resources Board had voted to purchase the property for said amount. However, the delay occurred because one of the conditions of the purchase was that the sellers appear before the Town of Richmond to obtain the proper subdivision approval for said property. Ms. Kay stated that Will Rivero was involved in many of the meetings with the Town of Richmond. The Town changed its requirements for subdivision approval several times, which necessitated additional site and survey work. Numerous sets of plans were prepared because the Town

demanded buffer zones, driveway access and placed many other conditions on this subdivision application again requiring additional engineering and survey work as well as returning to the Town for several appearances before finally obtaining subdivision approval in May of 2009. Chairman Flynn stated that what is confusing is that approval for a typical subdivision where an applicant is seeking to develop a property is when these types of requirements may be imposed; however, in this situation, the applicant is actually seeking a subdivision to protect a property from being developed. Ms. Kay stated that the Town of Richmond wanted to ensure that there was access for the abutting property as well as access to the well in the event a well was ever constructed. Another issue was that the Town wanted a buffer of trees to surround the entire property in order to protect the aesthetic value of the property. Mr. Pagliarini noted that Director Sullivan of the Department of Environmental Management was on the Richmond Town Council when these conservation ordinances began being adopted in approximately 2003/004; an appraisal of the property was originally completed in that timeframe. Mr. Pagliarini asked if the appraisal took into account all of the restrictions placed on the property and whether it could actually be satisfied under the new Richmond conservation regulations. Mr. Pagliarini suggested that all of the restrictions placed on the property together with all the necessary approvals finally obtained in May of 2009, may have caused a decrease in the property's value since the original appraisal was conducted years earlier. Ms. Primiano addressed Mr. Pagliarini's concerns indicating that the appraisals of

the property were done based upon the zoning in place at the time of the appraisal, in fact, a twenty-one (21) acre site was appraised as two (2) house lots so it included a substantial open space component to the subdivision. However, if there were changes in the zoning today, and Ms. Primiano indicated that she was unsure as to whether there has been any substantial changes to the zoning since the appraisal reports were completed, those reports and the values would not reflect any change. Mr. Pagliarini asked if it would be possible to place two houses on this parcel today. Ms. Primiano indicated that she believed two houses could be placed on said parcel at this time. Chairman Flynn stated that the better question may be whether you could have placed two (2) houses on the property in 2007, when the offer was made. Ms. Primiano stated that yes two houses could have been placed on said property in 2007. Ms. Primiano stated that the property-owners in fact had Planning Board approval for the two (2) house lots with the large open space area. The property owner's initial appraisal was conducted on the basis of their preliminary appraisal report. Mr. Pagliarini asked if the value of the property, from a development point of view, is derived from the frontage on the road, why is the Board purchasing what he estimates to be approximately 100,000 square feet of land so far removed from the road. Mr. Pagliarini indicated that it appears that the Board is purchasing an extra house lot, which is completely unnecessary. Mr. Burke indicated that the former General Manager of the Water Resources Board felt it was prudent to purchase said land for additional watershed protection and to make the purchase and sale

more feasible. Ms. Primiano addressed some of the problems the Water Resources Board was having relative to a number of these acquisitions. Ms. Primiano stated that most of the well sites that were proposed on the USGS list were basically back land wetland sites which had very little real estate development value and there were a series of failed acquisitions due to that fact that landowners were unwilling to sell their property for virtually \$1,000 to \$2,500 per acre for potential water supply purposes. Therefore, the Department and the Board had met with appraisers a number of times to see if there was some way to value the actual water capacities of the sites, and were informed that in the State of Rhode Island you cannot base a value on actual water capacity because the private land-owner does not own those water rights. The Department and the Board struggled for years to come up with a way to entice landowners, short of condemnation, to work with the State to protect these sites. In the meantime, a few sites were lost to development making the Board anxious to find a way to make it financially attractive to land owners to sell these properties. Ms. Primiano stated that in many cases, if the Board offered landowners adequate compensation to purchase open space property, said offer was swiftly rejected as there was no motivation for them to sell their land. Therefore, the Board and the Department had to examine a broader project, which in some cases the Board had to purchase land that was developable; otherwise, there was no way to persuade a landowner to sell their property for purposes of a future well site. Ms. Primiano stated that short of condemnation, which the program was not interested in doing at that

time, the property owners lacked motivation. Therefore, the Board had to become more creative in terms of which land area it would pursue for the acquisition; otherwise, no properties would have been made available for sale to the Board. In fact the subject property is the first land acquisition that has proceeded to this point. This process took eight (8) years to accomplish and of all the sites identified there is not a single other landowner willing to sell their land to the Board. Ms. Kay explained that from a condemnation standpoint, if the Board did go in and simply take land from property-owners, and in essence destroy any development potential on the front of the land, certainly the value would decrease. However, if the landowner opted to initiate litigation, the State's exposure would well exceed the fair market value of the property. Mr. Pagliarini commented that Ms. Kay's statement contradicted Ms. Primiano's previous assertion that the Board must purchase two (2) lots in order to obtain the desired well site property. Ms. Kay noted that the General Manager of the Water Resources Board at that time, made the decision to purchase both lots, which was not only an economic decision, but a strategic decision necessary to ensure well head protection in the future. Mr. Pagliarini commented that the bottom line is that it is necessary to purchase two (2) lots in order to obtain the desired lot. Chairman Flynn stated that the Board had to decide to purchase both lots or just the single lot; it is his recollection that originally the plan was not to acquire both lots, but subsequently Mr. Mariscal made the decision to purchase both lots. Mr. Burke explained that the well head protection areas are statutorily required;

however, what happens in practice with any water supplier is that they will continue to grow and acquire property surrounding the initial acquisition in order to further protect their investment. Therefore, Mr. Burke noted that the purchase of two lots is consistent with water supply practice; and to continue to building your protection area is actually good well head protection practice. Mr. Pagliarini noted from the site map that a large turf farm appeared to be in the near vicinity of the subject property. Ms. Primiano indicated that is correct. Mr. Pagliarini if the State acquired the development rights to or a conservation easement over the abutting property. Mr. Burke explained that the State neither acquired the development rights to nor a conservation easement over the abutting property; however, both acquisitions were contemplated in the initial engineering. Mr. Burke stated that it is his understanding relative to the Queen River, the groundwater flows away from the subject property so a conservation easement over the abutting property was not necessary. The Board also investigated the possibility of existing nitrates and any other potential impacts the abutting property may have on the well site protection area. Chairman Flynn noted that the timeline of this acquisition process has been explained up until the time when the Board's General Manager forwarded a letter to the property owners dated October 10, 2007, offering \$470,000 to purchase the subject property and asked Ms. Kay to please continue. Ms. Kay stated that following the forwarding of said letter, the Board went through the process with the Town of Richmond and at that time the Town agreed to approve the subdivision of the subject property,

with numerous conditions, including the Town's requirement to hold a conservation easement restriction over the property to ensure the at the Board would not turn around and utilize the property for another purpose. The Water Resources Board took a final vote relative to the acquisition on December 15, 2008, approving a final purchase price of \$479,528.67. Said amount includes the cost of surveying the property, the site investigation and the cost of obtaining the additional information required by the Town of Richmond and represents the Board's reimbursement of said expenditures originally borne by the sellers. Subsequently, negotiations commenced between the parties relative to the terms and conditions of the Purchase and Sale Contract as well as the Deed. Ms. Kay stated that before the Committee today is the result of said negotiations, which is in the form a final Purchase and Sale Contract and an attached draft Deed that is essentially the form of Deed, which includes the Town of Richmond's conservation restriction, that will be presented for the acquisition of said property subject to the approval of the State Properties Committee. Chairman Flynn directed Ms. Kay's attention the second to the last paragraph of the letter authored by Mr. Coyle and addressed to legal counsel for the sellers that asked if anyone knows why Mr. Coyle references four (4) developable lots rather than two (2) lots. Ms. Primiano explained that when the first subdivision analysis was conducted, based upon conservation development zoning and the agricultural overlay, it revealed that four (4) separate lots could be developed. Ms. Primiano clarified that she is not one hundred (100%) percent certain that Mr.

Coyle is referring to the same, as said correspondence was written during the very beginning of this process and refers to previous plan created well in advance of the plan prepared in 2008. Chairman Flynn clarified that the appraisal review by Ms. Primiano was based upon only two (2) lots. Ms. Primiano stated that is correct. Mr. Pagliarini asked why the Board is relying on an appraisal commissioned by the seller to confirm the fair market value of the property many years after the State had the property appraised. Mr. Pagliarini stated that, with all due respect to Mr. Coyle, he would be astonished if his appraisal of the property had established a lesser value on behalf of his client. He questioned why the Board does not have its own updated appraisal conducted by an expert explaining the current market conditions and representing the best interests of the State of Rhode Island in this matter. Ms. Primiano indicated that when Mr. Burke joined the Board as its General Manager, he wanted to have a sense of the current fair market value of the land versus the land values paid. Ms. Primiano stated that the Department/Board did not request an updated appraisal as Mr. Burke certainly wanted a sense of the current fair market value. Ms. Primiano noted that the appraiser clearly indicated, in writing, that land values have decreased since the original appraisal. Subsequent to receiving said information, discussions took place between legal counsel and the Board/Department to further discuss said matter. Chairman Flynn suggested that the Committee hypothesizes that in 2009, land values were less than they were in 2007; however, the more important questions are whether, based upon representations made to the

seller through both the actions of the Water Resources Board and its General Manager, constitute a good faith offer on the part of the State and whether the State is legally bound to pay the amount offered regardless of changes in market conditions. Chairman Flynn noted that in the reverse situation, he does not believe the State would obligate a buyer to pay compensation to the State based upon an obsolete appraisal conducted under entirely different market conditions. Ms. Kay stated that the Water Resources Board has reviewed this issue and based upon the theory of detrimental reliance, the sellers, in good faith, made substantial expenditures to facilitate the sale of the property based upon the State's offer. The sellers had absolutely no way of either foreseeing the impending downturn in real estate market conditions or anticipating the delays and obstacles associated with the sale of said property. Mr. Pagliarini asked Mr. Burke what the Water Resources Board's intentions are relative to this property; when does the Board anticipate installing a well on the subject property. Mr. Burke explained that the Water Resources Board does not intend to install a well on the property itself; however, he has discussed well water potential with the Town of Richmond. Mr. Burke indicated that the Town does not have any immediate plans to produce water on the site. Over the past several years, there have been opportunities in the nearby vicinity to produce water from this site and pipe it a reasonable distance to low/moderate income housing development of Route 138. Mr. Burke stated that there are opportunities out there; however, at this point in time, he does not have a timeline in terms of

producing water from this site. Mr. Burke noted that the Board has discussed this very issue and is very interested in how it can put this property to use. The Board does recognize the value of the property as a water bearing site, which is the primary reason for proceeding to the State Properties Committee for its consideration relative to the acquisition of this site. A motion was made to approve by Ms. Allaire Johnson and seconded by Mr. Griffith.

Passed Unanimously

ITEM G – Department of Transportation – A request was made for conceptual approval to sell approximately 6,363 square feet of State-owned land located adjacent to Ten Rod Road in the Town of Exeter. Ms. Bernardo stated that the applicant is Virginia Mae Miller. Mrs. Miller intends to utilize the subject property to update her septic system and to improve her property with additional frontage. The property was acquired by the State of Rhode Island via condemnation on February 15, 1935. The property has not yet been appraised to determine a fair market value. The former owner of the property will be notified of the Department’s intent to sell the same in accordance with statutory requirements. Ms. Bernardo presented a site map and illustrated the exact portion of the property that the Department intends to sell. A motion to grant conceptual approval to dispose of the subject property was made by Mr. Pagliarini and seconded by Mr. Griffith.

Passed Unanimously

ITEM H – Department of Transportation – A request was made for conceptual approval to sell approximately 7,977 square feet of

State-owned land located at 80 Lambert Lind Highway in the City of Warwick. Mr. Clarke introduced himself as a representative of the Department of Transportation (the “Department”) and Mr. Robert Murray representing Richmond Center, LP (the “Center”) for the record. Mr. Clarke explained that the property has been under lease to the Center for a period of time. The current lease is due to expire in March of 2012. Mr. Clarke indicated that a series of discussions have been on going between the Department and the Center concerning its expressed interest in purchasing the subject property. Mr. Clarke indicated that the Center has proposed a value of \$12.50 per square foot for the property. Mr. Clarke indicated this value is slightly less than the value established by the Department, but certainly within the range of value for said property. A motion granting conceptual

approval to dispose of the property was made by Mr. Pagliarini and seconded by Mr. Griffith.

Passed Unanimously

ITEM I – Department of Transportation – A request was made for approval to sell 20,718 square feet of State-owned property located at Old East Avenue in the City of Warwick. Mr. Pagliarini asked that he be allowed to recuse himself from participating in any discussion or vote relative to said item as the applicant, as Warwick Associates is one of his clients. Chairman Flynn asked that the record reflect that Mr. Pagliarini has recused himself from participating in any discussion and/or vote relative to said item.

Mr. Clarke noted that he has been asked on behalf of the Department

of Transportation to present an offer in the amount of \$50,000 for a parcel of State owned land located on Old East Avenue in the City of Warwick. Mr. Clarke presented a site map of the subject property for the Committee's review. Mr. Clarke reminded the Committee that the Department issued a Request for Proposals back in 2007, with an established minimum bid of \$185,000 for the property and there were no interested parties at that time. Subsequently, the Department periodically returned to the Committee with proposed offers, which the Committee rejected. Mr. Clarke stated that the Department has once again asked him to present the present offer in the amount of \$50,000 to the Committee for its consideration. Chairman Flynn wished to clarify that the State's appraisal established a value of \$185,000; the abutting property owner then proposed an offer of \$100,000, which was rejected as the Committee believed said offer was inadequate in view of the Department's valuation. However, at the present time, the same applicant is proposing, and the Department is presenting an offer, which equates to a mere one half of the previously inadequate offer. Mr. Clarke indicated that he was asked to make said presentation on behalf of the Department; in other words, he is simply the messenger. Chairman Flynn asked if the Department has an updated version of the original appraisal. Mr. Clarke stated that there is no updated appraisal at this time. Mr. Walker indicated that he is here today representing the Economical Development Corporation (the "EDC"). The EDC supports the subject application before Committee. The EDC supports this type of high quality, well financed development project, for which this developer

has a proven track record. Mr. Walker stated that land adjacent to the subject property has already been developed and the EDC anticipates similar development to occur on the subject parcel of land. For the reasons stated above, the EDC supports the request being presented to the Committee today. A motion to deny the request was made by Ms. Allaire Johnson and seconded by Mr. Griffith. Said motion passed with three (3) votes “Aye and one (1) recusal.

Three (3) Votes “Aye”

Mr. Griffith

Ms. Allaire Johnson

Chairman Flynn

One (1) Recusal

Mr. Pagliarini

Under discussion, Chairman Flynn suggested that the Department re-appraise the

subject property promptly in order to provide the Committee with something upon which

to make a judgment relative to the property’s current value. Mr. Khamsyvoravong

stated that if the State is going to consider an offer significantly lower than the initial minimum bid requirement indicated on the invitation to bid, that the Department should specify its intention to do so in a public forum. Chairman Flynn agreed and reiterated his concern that the Committee is being asked to consider an offer with absolutely no information or documentation upon which it can possibly make an informed decision and strongly suggested that the Department rectify the same prior to returning to the Committee with any further offers to dispose of the subject property.

ITEM J – Rhode Island State Police/Department of Administration – A request was made for approval of and signatures on an Option Agreement by and between the State of Rhode Island and Rhode Island Housing regarding the disposition of property located at 1116 Putnam Pike in the Town of Glocester. Mr. Ryan directed the Committee’s attention to one minor revision to the Option Agreement, which was provided to the Committee. The revised document now states that paragraph five (5) has been intentionally omitted. Mr. Ryan indicated that said paragraph is omitted because it previously committed the parties to close on the property within ninety (90) days of the execution of the Option Agreement. Mr. Ryan explained that said stipulation is simply not practical relative to this transaction because the HUD award will not be announced until March of 2010. Mr. Ryan indicated that said revision was brought to the attention of Ms. Allaire Johnson who indicated it would not be an issue. Mr. Ryan explained that the entire purpose of the subject Option Agreement is to evidence that Rhode Island Housing will retain control over said

property so that Valley Affordable Housing may submit its application and secure a fund reservation from the Department of Housing and Urban Development under its 2and 2 Housing Program. Mr. Ryan noted that as indicated to the Committee this proposal, which is being put forth by Valley affordable housing is for an elderly affordable housing project consisting of twenty (20) units. Chairman Flynn clarified that the Department did receive a letter of support regarding this project. Mr. Ryan indicated that the Department did in fact receive a letter of support. Mr. Pagliarini indicated that after a review of the Option Agreement, it appears to him that in accordance with said Agreement, the purchase price of the property can only decrease. Mr. Ryan indicated that the appraisal of the property was conducted by Mr. Andolfo in 2007, and at that time Mr. Andolfo was not aware of some of the restrictions associated with the site and the Department believes his valuation will decrease substantially due to the market changes during that period of time as well as the restrictions previously mentioned. Mr. Ryan explained that the Department of Transportation (the "DOT") with the approval of the State Properties Committee secured a fairly substantial portion of the subject property for a retention pond in connection with the improvements of Route 44, which would affect the value in terms of potential of commercial development. Mr. Ryan also indicated that a substantial portion of the property is wetlands. Mr. Pagliarini asked what is projected for Phase II of this project, as it was recently represented that twenty (20) units are planned at this time. Mr. Pagliarini asked how many total units and how many

phases are anticipated. Ms. Ventura stated that there is just one phase and only twenty (20) units; that is essentially all this site will support. Ms. Ventura reiterated that there are considerable site constraints associated with this property in terms of wetlands and access to the Town dump. There is a very small foot print and small window of opportunity to be able to add on to the existing building and preserve the facade of the structure and add twenty units to the back of the site. Mr. Pagliarini asked if this property was offered publicly via the issuance of a request for proposals. Mr. Ryan stated that Rhode Island Housing claimed it during the State Properties Committee's surplus property circulation process prior to the property going out to RFP. A motion was made to approve by Ms. Allaire Johnson and seconded by Mr. Griffith. Motion passes three (3) votes "Aye to one (1) vote "Nay"

Three (3) Votes "Aye"

Mr. Griffith

Ms. Allaire Johnson

Chairman Flynn

One (1) Vote "Nay"

Mr. Pagliarini

Chairman Flynn asked Mr. Ryan if he would like to present Item B absent Ms. Barclay, or if he would prefer to defer said item to a future

meeting of the State Properties Committee. Mr. Ryan indicated that given the time constraints associated with Item B, he would like to proceed with the presentation at this time.

ITEM B – Department of Human Services – A request was made for approval to initiate lease negotiations with the Brookwood Middletown Tech, LLC for office space located at 76 Hammarlund Way in the Town of Middletown. Mr. Ryan stated that the Department of Human Services appeared before the State Properties Committee seeking authorization to issue a Request for Proposals to solicit bids for suitable office space, which was eventually accomplished. The Department received three (3) responses to said advertisement. The Department of Human Services reviewed and scored each of the proposals. The first property located at 1235 West Main Road is a former car dealership and the space which was offered was basically the service space which was to be retrofitted into office space. Mr. Ryan indicated that the time and expense required to accomplish these renovations made said proposal less desirable. The two other properties 28 Chacomb Way and at 76 Hammarlund Way are both located in the Acquidneck Industrial Park. Both office buildings are similar to the office building presently occupied by the Department of Human Services. However, some renovations would be necessary to suit the Department of Human Services' operation. Mr. Ryan indicated that the 76 Hammarlund Way location is the top rated property. The Department of Human Services is now seeking authorization to initiate negotiations with the owner of said property. Chairman Flynn noted from the information provided to the

Committee that said property was also the lowest price property. Mr. Ryan stated that is correct. A motion to approve was made by Mr. Pagliarini and seconded by Mr. Griffith.

Passed Unanimously

There being no further business to come before the State Properties Committee, the meeting was adjourned at 10:56 a.m. A motion was made to adjourn by Ms. Allaire -Johnson and seconded by Mr. Griffith. Passed Unanimously

**Holly H. Rhodes, Executive Secretary
State Properties Committee**