

West Greenwich Tax Board of Review

April 23, 2009
Minutes

Meeting called to order at 7:01 pm by Chairwoman Elaine Eccleston.

Present – Chairwoman Elaine Eccleston, John Ruzzo, John Pratt, WG Tax Assessor Charlene Randall, Attorney Jean Scott, and Neal Dupuis – President of Certified Revaluation Company.

Elaine read all properties that would be discussed this evening and invited the representatives from Commerce Park to come forward. Nicholas E., Cambio, Partner/Manager/Owner and Melissa Faria, Manager, met with the board on behalf of Commerce Park. Mr. Cambio presented a packet to the board. (Attached)

Plat 1 Lot 4-02 – Children’s Centre of New England – Day Care Facility

Nick stated he recently went before the board in Coventry regarding Primary Colors Day Care located on the Coventry side of Centre of New England. That facility is approximately 12,800 sq. ft. and the facility in WG is approximately 12,050 sq. ft. The land is almost identical – approximately 1.6 acres. The assessment in Coventry was reduced to \$856,000. Claims the assessment date is 12/31/07. States that land is assessed at approximately \$200,000 per acre yet the land abutting the day care the land is assessed at approximately \$100,000 per acre. 1.6 million in his opinion is “way off the mark”. Mr. Cambio stated “I don’t look for comps, I make them. I don’t ask for information at the website, I create the information. People ask me for value. I build, I market and just as an aside, this building is empty. I’ve been trying to market it since August and there are no takers. Zero.” It was then clarified that the daycare in Coventry, Primary Colors, is the one that is empty and on the market, not the one in WG. But he stated business is so bad at the one in WG, the woman who operates it may be closing that one down too. Mr. Cambio states that according to DCYF, 8 day cares have closed or are about to close in RI. Would be difficult to refurbish this day care for another purpose due to its use. He went on to list all the properties in the Coventry side of Centre of NE that are empty. Ms. Faria added that the value in Coventry was in excess of 1.3 million prior to appealing to the board there. Charlene asked if they had brought the breakdown, land & building, but they did not have that with them but said she would get me that information.

Plat 1 Lot 4-03 – Vacant

6.9 acres located on Centre of NE Blvd. Town’s value is \$537,500. Mr. Cambio mentions the slope along the highway and that KCWA has a moratorium on water. First thing he is told by KCWA is “Just because you ask for it, doesn’t mean you’re going to get it.” Said he has been told by KCWA board members that if he wanted to make a contribution of 5 million dollars to run a pipe from the Home Depot on Route 2 several miles up the road, then he could be guaranteed water. In addition, they have some sewerage rights reserved for all the land Commerce Park owns in WG. But it’s no where near enough. He said, “Mr. Breene said call the West Warwick sewer authority and find out how many gallons you need and then come back.” He said for an extraordinary amount of money he could get sewers but he’s not about to ask how much seeing as he doesn’t have any customers. Mr. Cambio stated he dug a well on one of the properties and has an issue. He can’t get water even if he wanted to in the well. (Ms. Faria said a well was dug on lot 4-05 – the former Car Max site.) Mr. Cambio says the well is several hundred feet deep but the water is being contaminated with gravel. Plenty of water but you can’t drink it. They received a notice from

DEM and they won't let them dig another well anywhere because they were affecting the aquifer. "Until I find a customer, I'm not going to go nuts trying to figure out how to find some water, nor am I going to go buy some sewerage because there aren't any customers. So again, a piece of land without water, a piece of land without sewerage, right, is probably not too worth much." Assessor asked if the property was currently being marketed. Mr. Cambio said yes – for 3 weeks. Did not say for how much.

Plat 1 Lot 4-04 –Hotel, Pad C & Pad D

"I am going to start off by saying, this one we need to put this on hold and we need to discuss it because it's a little too complicated." "I didn't realize it but, I own the land under the hotel. We lease the land to the Marriott. I don't own the building, they own it." Ms. Faria asked what the breakdown is. Neal answered the hotel value is \$6,433,100. Land is 1,232,000. What Mr. Cambio would like to do is sit down and put a value on the hotel, land and building; Pad C, land and building; Pad D, foundation and land, and then the roadway. "At the very least I would like to put this one on hold and have a meeting with yourself (Neal) and the Tax Assessor, right, and try to come up with how we are going or how the Town is going to assess these three parcels and the road way independent of one another because there is different ownerships on all three lots." Mr. Cambio wants 4 different tax bills for one piece of property. He would prefer to hold up any decision until he completely understands who is getting what piece of the bill then he can argue the bill. In regards to the hotel value Mr. Cambio said to Neal "no disrespect, you're off the wall". Mr. Cambio asked for Neal to show him how a wood framed building not built with steel is worth \$400 per square foot. Mr. Cambio then digresses and talks about what he can build for \$125 per sq. ft. and what is worth \$400 per sq. ft. and what he can build \$70 per square foot. Neal then says the hotel is actually assessed at around \$88 per sq. ft., not \$400. Nick again says this is very complex and he would like to see the tax bills split into 4 parcels and the road. The Assessor asked if he was going to deed these 4 lots out or is he just asking for the bills to be sent out as if he had divided it up. He did not answer but said he wanted to do what was good for the town, good for him, easy for the town and easy for him. Nick said, "As to the value, then you and I and this young lady will discuss it until we are blue in the face and they'll make a decision, maybe they'll say denied, and I'll take you to court."

Plat 1 Lot 4-05 – Vacant

12.9 acres (former Car Max parcel)

No water or sewers. Has the one well that has the contamination issue. Neal asked how much to take if off his hands as is? Nick replied \$800,000. Nick says, "Until someone pays for the sewers and water, it is worthless, in my opinion."

Plat 3 Lot 54 – Vacant strip behind Coventry property

Neal explained the contributory value because it's attached to the land in Coventry. Can't look at the value of just that single strip and land because you could never sell just that strip. It is a part of the whole. Mr. Cambio then stated "Senator Breene wanted to know where the town line was and Councilman McGee wanted to know where the town line was and both of them got together and had a civil war and put me in the middle of it. And said you find out where the town line is and pay for it. Alright. So I had to hire a surveyor, find out where the friggin town line is, alright, and then when I found out they said, Oh my God, alright, it's gonna move. And if it moves from the point of beginning from where East Greenwich, West Greenwich and Coventry meet, near Wendy's and Cracker Barrel, by the time it moves all the way to CT, one town would have had to give the other town thousands of acres. And then you would have had issues of which highway department and which police department which fire department so then when every body found out what I found

out, they said Oh holy shit. So then they said, ya know what Nick, now that you've found this out, move the line further towards Cracker Barrel to the end of your property and call it a day. I had to go get the legislation to authorize to get this town line moved for this very short distance. Alright, cost me a fortune." "Let it go for tax sale."

Plat 1 Lot 10-1

Nick states this is 7 acres on New London Turnpike. "It went from peanuts to a 1,544,000. Now here is what I'm willing to do for you. A special deal." The Assessor interrupts to say that 10-1 was actually 21 acres at the time of assessment. The property has since been subdivided. Nick asked why the jump in value. The Assessor asked if this is the piece of property that he paid 4.5 million for. His response, "This is the piece that I borrowed or negotiated with the land owner which he is now going to get a major hair cut." "Did he and I agree to do a deal for 4 point some odd million? Yeah. Ya know how much money I gave him? A piece of paper that says I promise that I'll pay you 4.5 mil. And I talked to Eddy Lawson as recently as 2 days ago and I talked to him 2 weeks ago. I have a standing offer from Toll Brothers, its not, I can share it with you. I don't care. They will buy 25 acres, all approved, roads all built, stone walls, landscaping, pavement, blah blah blah blah blah, right and they will take it over a period of years, for 7 million bucks with no interest. I'm gonna pay 4.5 million for Eddy Lawson's piece, basically, spend 2 and a half million for a road, right and then sell it to Toll Brothers for 7 million, right and wait 3 to 5 years to get my money. Where's the profit?" Ms. Faria says the appeal was based on the assumption that it was 7 acres, not 21 acres. Then Mr. Cambio explained in order to get sewers there, he has to drill under Route 95. Says he has approval for 131 home sites. "You couldn't fit 131 houses with septic systems on 25 acres of land if your life depended on it. So now we are grappling with how am I going to drill under interstate 95?" Says he took a note, didn't give Mr. Lawson his money, not until "the end of the day". I'm pretty good at politics too. I can get the job done. But I'm not going to get the job done and spend a fortune trying to do it until I know there is a market. Until somebody wants to write some checks. Otherwise I could file bankruptcy." "Purchased it with a loan from the seller." "If I get the sewers, if I get the water and if I get to drill under the highway, this is what you're gonna get, you have a piece of paper, I promise you everything that you and I have agreed could happens, happens you get 4.5 million." Ms. Faria states, "We've only given him less than \$50,000 in total....it's a conditional promissory note." Mr. Cambio said the agreement is that either Mr. Lawson gets the land back or "he gets a major, major haircut".

Elaine asked him about the value he listed on his appeal for the former Car Max site is \$645,000 however he stated he would take \$800,000 for it. She said she's curious as to how they arrived at the value he listed on the appeal. Ms. Faria stated, "I think we were more in line with what your prior value was because you had it at \$672,000 and it went up to a million but nothing changed and it was the same as it was before." Elaine explained the market had changed since the last reval in 2004.

Elaine wanted to clarify the hotel ownership. Nick says he only owns the land under the hotel even though the land lease was not recorded until after the hotel was finished. He then again tells Neal that his value is incorrect and that "I've got more money than you". He also stated why he didn't have appraisals done – basically because of the cost. Elaine asked he felt that he had had plenty of opportunity to present his information and Mr. Cambio said yes. After asking the board members if they had any additional questions, which they did not, she closed this portion of the hearing for public discussion. She requested that the board postpone making any decisions on these appeals until they have time to look at the information provided by Mr. Cambio. Motion made by Elaine, seconded by John Ruzzo – all in favor.

Elaine then asked representatives from West Greenwich Tech Park to come forward to the table.

John Kozar, Director of Corporate Taxes – GTech Corporation; John O’Connor, Senior Tax Manager - Thomson Property Tax Service; Brian Watts, Director of Property Management – Condyne; and Ethan Colaiace, Director of Real Estate & Facilities – GTech Corporation.

GTech Manufacturing portion – Current lease that was signed in 2006 is 170,000 sq. ft. and \$9.60 per sq. ft. on a triple net basis. Based on that, they put together what they felt it would be worth on an income approach using a 9% cap rate – 17 million dollars. The rent has been in place since January 1, 2008. Was signed mid 2007. Lease payment is stable, no increases since lease was signed. Operating costs are basically still the same. What they are netting from the rate is affectively 9.10 per sq. ft. and that was the figure used for the income approach. Condyne and GTech both concerned with taxes and need to know going forward what their taxes would be. Ethan stated that since GTech sold the building to Condyne and leased it back, there have been no changes to the building in terms of improvements. Tax bill has gone up by 32%. GTech has over 500 people working in the WG facility. Increased tax burden makes it difficult to sustain this type of manufacturing business in RI. Hoping last year was a one time increase but would like some assurance going forward to plan and budget. The Assessor asked Ethan if the appeal was more about the taxes being paid as opposed to the value. He said it was both. He feels the methodology used to determine the value was high compared to the appraisal that they had done. Making two appeals – value and taxes. Elaine explained that the tax rate and taxes being paid is not something that can be brought before the board. They can only consider the value of the property as of 12/31/2007.

Neal explained the zone change was one of the major components in the value increase. Neal explained how the office component of the development once the zone changed, increased the scope of what was allowed to be developed on the property, therefore increasing the value. Charlene explained this zone was created specifically for this piece of property.

(Tape 2)

A discussion regarding what portion of the building is used strictly for manufacturing, what portion is office and what portion is common/shared area. Ethan stated again that if this building continues to cost more and more each year, GTech will have to decide if it’s worth it for them to stay in WG. Would Neal agree that a 9% cap rate was appropriate for that period of time? Neal said he did not have an issue with the cap rate however, the rental value on the facility at 9.60 he might have more of an issue with. It was not exposed to the market as it was negotiated between the two parties – buyer and seller as part of a lease back from the sale. There could be a lot of things involved in that that might not necessarily be market based. Neither Ethan nor Brian were part of the negotiating team and could not offer comments or information regarding the lease pricing. Neal stated the zone change has increased the future use of the property and therefore added value to the building. Brian asked if the portion of the building allocated to manufacturing vs. office space would be revisited. It was determined that Ethan would forward Charlene a copy of the current floor plan and that plan would be forwarded to the board, as well as Neal, for review. He is questioning areas such as the cafeteria and support spaces like storage, wood shops, mechanical rooms, hall ways, etc. on the first floor that would support manufacturing. The plan would show how the building breaks down by use.

Amgen Portion – John O’Connor states the building is vacant. He believes it is over market rent for this property. Lease dated 9/1/2007 at \$14.94 per sq. ft. with a 7 year lease – triple net lease. This deal would never had happened several months after it did. Amgen has tried to sublet it – can’t find anybody to even look at it. Brian said he’s been asked by Amgen to approach the Town regarding this appeal. Elaine stated this value has been in place since 12/31/07 but is not being questioned and is that more because of the tax increase as opposed to the actual value and Brian answered yes. John O’Connor is concerned about keeping this value until 2010.

John O’Connor discussed the day care appraisal. Elaine asked if Citizen’s Bank has given them approval in writing to use the appraisal. They did not have it tonight. Jean Scott stated the appraisal could be admitted but what weight the Board gave it was up to them based on its purpose of appraisal for refinance. The appraisal is for the day care and a 2 acre parcel, not the entire 30 acre lot. John showed a copy of the lease from Bright Horizons for \$8 per sq. ft. Neal pointed out that you can not appeal a portion of the assessment. He asked what they thought the day care and the entire parcel was worth. They did not know. Neal has issues with appraisal and cannot ask the appraiser because he is not present. Brian said he did walk through with the appraiser at the time. They did not walk all the undeveloped land but they did walk through the buildings. Charlene asked if the appraiser measured the day care. She then pointed out that when she went out to remeasure it, the original sketch on the town’s website was incorrect and that the appraiser’s sketch mimics the sketch on the website. Brian said no he did not believe the building was remeasured for the appraisal. The recalculated square footage is 14,116 as opposed to 13,224. Elaine asked Jean if the Board can even consider this appeal seeing as it is only for a portion of the property and not the whole property. She said the building portion of the appraisal could be considered. Neal noted the 4 rental comparables – 3 being in this region, the 4th being in Central Falls which is a considerably different market. “But knowing it was for a refinance, they are only looking at the leased fee analysis. Out of the fee simple, the lease hold plus the lease fee, that’s really in my mind all that was appraised here is the leased fee interest which is only a portion of the full value, the market value of the property. Why they would choose to weight their rate per square foot at the lowest rate that they come up with in their own analysis when it was distinctly different from the other three to me is beyond comprehension except that it made the numbers work for the matter of what this appraisal was trying to do which is why right in the appraisal it says you can’t use this for any other purpose – page 35.” Neal said that this parcel went through a zone change and Charlene stated it has master plan approval and showed the plan as presented by GTech to the planning board. That approval created additional value since the 2004 reval. Brian said back to Elaine’s question as to what they think the whole thing is worth.....Brian thought it would be worth more like 3.5 instead of 4.2 in today’s market. Brian and John stated they did not have any thing additional to present to the board. Elaine asked the board if they have additional questions. Elaine then closed the portion of the public hearing.

Elaine wanted to make a note that additional information on the GTech site would be forth coming within 7 days for the board to review. Elaine made the motion to request the board table any decision until all the information has been received and can be reviewed and then a date can be set to render a decision; seconded by John Ruzzo – all in favor.

Elaine made motion to adjourn at 9 pm, seconded by John R – all in favor.

Respectfully submitted,

Charlene Randall