

**LONG RANGE CAPITAL PLANNING AND UTILIZATION COMMITTEE**

Legislative Office Building, Room 201

Concord, NH

Tuesday, April 16, 2013

**MEMBERS PRESENT:**

Rep. David Campbell, Chair

Rep. Gene Chandler

Rep. John Cloutier

Rep. Alfred Lerandean

Rep. John Graham

Sen. David Boutin

Sen. James Rausch

Sen. Sylvia Larsen

Sen. Nancy Stiles

**(1) New Business:**

CHAIRMAN CAMPBELL: I'm going to call the Long Range Capital Planning and Utilization Committee together for this Tuesday, April 16<sup>th</sup>, meeting. We have a limited agenda. We came in for a single item that had some time constraints and now we have a special item that's going to come forth as well. We'll go to New Business, and we will talk about Item 13-019, Community College System of New Hampshire. They're requesting approval of a purchase and sale agreement for approximately 90 acres consisting of 100,000 square foot building located at 275 Portsmouth Avenue, Stratham. It used to be the Community College building over there. And this goes back a couple of capital budgets. Somebody want to close that door, please?

This is the former Community College. The way it was left in the RSAs in the Capital Budget was that when this was sold the first 3 million would reimburse the State and any extra money would go to Community Colleges. This purchase and sale agreement which was negotiated and I have to say that the appraised value was less than 2.75. The Community College negotiated it up to that point. You know,

it makes the State practically whole on its side. The Community College, of course, is not going to benefit anything above the 3 million at this price. So we are here to request a waiver of the right of first refusal which the State has retained and subject to the conditions as specified in this request, the request of April 8<sup>th</sup>, 2013. And there is backup information about this.

I would like to recognize the Chairman of the Community College System of New Hampshire, Ross Gittell, and Greg Sancoff who is the option -- who has the purchase and sale agreement with the Community College. He's the CEO of Juliet Marine Systems. Welcome, gentlemen. I'll let you present what the situation is and open up to questions from the Committee.

DR. ROSS GITTELL, Chancellor, Community College System of New Hampshire: Okay. Thank you very much. We really appreciate you scheduling this meeting on short notice and being available. I hope the full Committee had a chance to look over the materials that we provided.

We are very pleased to be here today. We feel like we are bringing the Committee and the State an opportunity that is positive for the Community College System of New Hampshire and very positive for the State of New Hampshire, in terms of economic development, the innovation economy, and for significant job creation, which we all know is so important for the State of New Hampshire.

The prospective buyer Juliet Marine's plans are to establish the Stratham facility as its corporate headquarters and to employ skilled technicians and engineers, as well as corporate executive, and to do research and development in the Stratham facility. The sale of the property will have significant, both short and long-term positive impact for the State of New Hampshire.

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In addition to the job creation, in the range of 200 employees in a relatively short period, the economic impacts include the supply chain and multiplier effects of having a high-technology manufacturing enterprise in the State of New Hampshire, an enterprise that's committed to having suppliers in New Hampshire. It's also positive in terms of addition to the property tax base of the municipality, and also it's very positive in terms of training opportunities and partnerships with Great Bay Community College and also the University System of New Hampshire, particularly the University of New Hampshire.

With regard to the terms of the sale, the purchase price that has been mentioned is 2.75 million. This meets the requirements in the statute that the site be sold for an amount greater than its current appraised value which the Chair has spoken about. The Community College System of New Hampshire will be financing the sale over a 10-year period. We propose to pay the 2.75 million to the State in three equal payments which we propose to make on July 1<sup>st</sup> of this year, 2013, July 1<sup>st</sup> of 2014, and July 1<sup>st</sup> of 2015. So, basically, a little more than a two-year period. So in addition to approving the purchase and sale agreement, we would also ask this Committee to approve the payment timetable for the State of New Hampshire.

I am pleased, very pleased, to be joined today by Greg Sancoff, the entrepreneur who is CEO of Juliet Marine Systems. Greg has a very impressive record of successful business start-up and growth and he will present to you a brief overview of the company, including its exciting plans for the purchase of the Stratham site. I would hope you will -- you will all receive the article on the GHOST ship technology which I think Shannon had sent to you and which we have copies of. But it describes the technology and all the commercial applications that could come from that

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technology. I truly believe that this is the kind of company we want to support and grow here in New Hampshire.

In assessing the merits of this sale, I tapped into my background as an economist and there is a very strong and positive economic impact resulting from this company developing and building its products here in New Hampshire, which I can go into detail, if desired by this Committee. But I don't think there's anybody better to speak about the company and the exciting economic potential of this company than Greg himself. So I would leave that to him.

GREG SANCOFF, CEO, Juliet Marine Systems: Thank you. Thank you, Committee. Let me just tell you a little bit about myself. I've been a perpetual entrepreneur for the last 30 years starting different companies. I've been involved in analytical instruments in the medical device industry. I've not only started start-up companies with my own inventions that grew to very large corporations, one of my companies, Block Medical, my first company grew from 18 employees to 360 in 18 months. And we opened four different manufacturing facilities in San Diego.

My career would show a history of successful start-ups, my last company being Onux Medical located in Hampton, New Hampshire, where I employed over 150 people in the course of three years. I started this company, Juliet Marine Systems, for one reason, one reason only, because I want to give something back to my country. I've been extremely successful. I live in New Hampshire. I have two homes in New Hampshire. My family's in New Hampshire. And this company's really about protecting America. This company's about water-borne IEDs and that's what we are focused on right now. We created a science that the Navy found very, very surprising. And we have patents on that science as indicated by the press release that came out in the newspapers. But we -- we plan to employ over 200

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employees in the next 36 months. We currently have 15. We'll have 30 by the end of this year. We are going to employ engineers, vice-presidents, technicians, lab technicians, inspectors, assemblers, secretaries, the entire gamut of what a company needs to operate.

We have been looking for a facility for about two years over at Pease, and most recently the inventory has gotten very low and I was introduced to the facility that we are talking about today that's owned by the University System. And this facility is ideal for what we actually want to use it for as a manufacturing facility. And it offers us what I would consider extreme privacy from neighbors. It's on 88 acres which allows us to apply for a very high level security clearance for this facility. The type of work we do is usually very, very classified. And this facility will enable us to get government contracts right now which we actually cannot secure until we have a manufacturing facility because before you can supply product to the government, you have to have a facility that can produce that product. So we are very, very excited about this.

About 75% of our current employees do live in New Hampshire. We have two facilities. We have one in downtown Portsmouth, New Hampshire, which we call our corporate office that we would close down and move to this facility. And we also have a 6,000 square foot facility in Portsmouth Navy Shipyard, which they have encouraged us to take more space there, but since it's in the State of Maine, and it's difficult to get in and out of frequently, I'd much rather be sitting in New Hampshire with New Hampshire tax situation, also. So we are very, very excited about this facility, and we believe it's going to be a great benefit to us.

Besides myself being involved with the company, I have

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surrounded myself with, I would consider, the best expertise of senior level officials that were both either in the military or providing the services to the government at a very high level for many, many years. And our consultants are listed here. And our Board of Directors are listed here on our little paper that we submitted to you today. So we are very, very focused at being very successful. We are solving a very important problem for the government and we really want to build this business.

What we see as the future of this -- of this site and this facility is this technology that we have can be used in many, many applications, from submarines to surface craft. We plan to effectively move into this facility as soon as we can and start operations.

CHAIRMAN CAMPBELL: Thank you, Mr. Sancoff.

MR. SANCOFF: You're welcome.

CHAIRMAN CAMPBELL: Questions of Mr. Gittell or Sancoff? Yes, Senator Boutin.

SEN. BOUTIN: Thank you, Mr. Chairman. Mr. Sancoff, I'll thank you for being here this afternoon. My question is directed to Mr. Gittell. The 916,667 payment over the -- annually for three years, when is that payment due, the first one?

DR. GITTELL: The plans are to start July 1<sup>st</sup> of 2013, then July 1<sup>st</sup> of 2014, and then July 1<sup>st</sup> of 2015. So be about -- I'm saying it's about over a two-year period if we look from July 1<sup>st</sup> of 2013 of this year.

SEN. BOUTIN: All right. Thank you. That's all, Mr. Chair.

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CHAIRMAN CAMPBELL: Yes, Senator Rausch.

SEN. RAUSCH: Thank you, Mr. Chairman. Thank you. I did read everything on JMS and I am a very strong proponent of economic development. So I wish you well and I'm happy you're looking at this property. But I do have major concerns on the terms of this sale. Not the purchase price, 2.75, we all know what's happened, but the terms of the sale are problematic for me. I don't know why this isn't just a clear purchase, 2.75 million, here's your deed and we're done.

I don't know of any bank that loans at 3% for commercial for 10 years with -- 10 years and 20-year amortization is normal. But it's five years, re-evaluate, and if you get a 10-year fix, you'll never find a bank that will do it for 3%. My other concern is the fact that way back when when we made the transition from here to Pease, we had to bond a huge sum of money. You're getting 3% on this, can you tell me what we are paying for those bonds?

DR. GITTELL: I'll have to -- our CFO Mike Marr. As far as the financing, we did work with the real estate agents and tried to benchmark our rates that we were going to provide the buyer with the current market rates and especially with regards to -- I mean, the rates also reflect the risk involved. And so we did our assessment and also as far as the availability of funds. Because we are over \$100 million a year operation through effective cash management, which our CFO, Mike Marr, could speak to. We are able to finance this arrangement in such a way that we're receiving on our cash flow 3%, which if we didn't engage in this, we would have difficulty getting that in the market. But that would be the introduction. If, Mike, you could address that.

SEN. RAUSCH: If I may, I will continue.

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DR. GITTELL: Okay.

SEN. RAUSCH: We also are taking a mortgage back but JMS is also looking. Do we have to subordinate ourself to a bank?

CHAIRMAN CAMPBELL: The State is taking a mortgage back, Senator. The Community College is.

SEN. RAUSCH: I'm saying we, Community College, we put a lot of money into the college.

CHAIRMAN CAMPBELL: I understand, but it's not State of New Hampshire.

SEN. RAUSCH: Are you subordinating yourself to a bank?

DR. GITTELL: I believe we will not be doing that. No.

SEN. RAUSCH: So they can go out and get additional mortgages and Community College System will retain a first mortgage?

DR. GITTELL: Yes, that's correct.

SEN. RAUSCH: Well, I'm not sure where they'll get that financing, unless they're going to self-finance that component. Banks don't subordinate themselves to anybody else.

CHAIRMAN CAMPBELL: Can be a contingency of the agreement.

SEN. RAUSCH: I don't see it in this. I don't see it here or anything on subordination or non-subordination.

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DR. GITTELL: I'm going to ask Ron Rioux, our Vice-Chancellor who's the former president of St. Mary's Bank who's involved in this deal. So I'm going to ask Vice-Chancellor Rioux to speak to these questions.

RON RIOUX, Vice-Chancellor, Community College System of New Hampshire: As we spoken to --

CHAIRMAN CAMPBELL: Please identify yourself if you would. Come right up.

MR. RIOUX: Ron Rioux.

CHAIRMAN CAMPBELL: Come right up to the front.

MR. RIOUX: I'm currently Vice-Chancellor Ron Rioux, and I think it might get back to what we understand Mr. Sancoff is going to do with the property. And I'll let you maybe speak to the specifics on the dollar amount, but he intends on improving the properties of a significant level. I think I've heard numbers up through a million dollars or more.

MR. SANCOFF: Could be over the million, between 500,000 and a million two we are going to end up investing in this building within 12 months.

MR. RIOUX: Even getting the property up to a level of security which he's described earlier, he's going to take some additional funds to get it to that level. So the point is the property is going to be improved beyond where it is now. That will -- that will add to his value, frankly. And I think any bank coming in would be loaning to the company and getting additional benefit because they'd be having the deposits which is something we are not going to have. And those relationships, overall, will mean something to the institution.

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SEN. RAUSCH: Well, my question is will the bank or whoever they are getting their additional 500 or million dollars, will the bank subordinate itself to Community College Systems or will the Community College System have to take a second --

MR. RIOUX: No, no. It really depends on the company, its credit risk, its reputation, a lot of other factors will come into play, because they --

SEN. RAUSCH: Is there anywhere in the documentation that Community Technical College will retain a first mortgage?

MR. RIOUX: It can be included in the documentation we prepare which we have not yet developed because we are not --

CHAIRMAN CAMPBELL: You have any objection making it a condition of the approval today, any objection to that?

MR. RIOUX: No objection.

DR. GITTELL: No objection.

MR. RIOUX: Okay.

DR. GITTELL: Thank you.

MR. RIOUX: Sure.

CHAIRMAN CAMPBELL: Representative Graham.

REP. GRAHAM: Senator Rausch raised the questions and concerns I had.

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CHAIRMAN CAMPBELL: Thank you. Senator Boutin?

SEN. BOUTIN: Anybody else presenting?

CHAIRMAN CAMPBELL: No one else presenting? No.

DR. GITTELL: No. If you have more questions, we have a strong financial management team here. I'm on the academic side and also an economic development person but having Mike Marr and Ron Rioux here on the details of the finances. So if there's any questions, they are available to support our presentation here.

REP. GRAHAM: I do.

CHAIRMAN CAMPBELL: Okay, Representative Graham, please.

REP. GRAHAM: Thank you, Mr. Chairman. And this is for the Community College. You talked about managing your cash to pay the State back sooner than the 10 years that you are going to be getting the money. Where's that money coming from, the tuition from the students or -- or what source?

DR. GITTELL: I'll start and then ask Mike to speak to that. It's a, you know, over \$100 million a year operation, it's the cash management, and Mike could explain it in detail to us. Mike Marr.

MICHAEL MARR, Chief Financial Officer, Community College System of New Hampshire: Good afternoon. What we are planning to do is just to pay it back out of cash flow. You know, as we operate, we are ahead of our expenditures, our revenue is ahead of our expenditures. So then on any given time we're not going to be in a position where we can't meet payroll, our largest expenditure, because our revenue hasn't come in. So like most organizations, you

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know, we are front-loading the revenue and delaying the expenditures so that we're in that position that we've got more revenue than we need for that day. So we think that if we can spread it out over three fiscal years as is outlined in the proposal that we can finance it just out of our normal cash flow the amount of money that we have on hand in the normal course of operations.

CHAIRMAN CAMPBELL: Any other questions? So the answer to that basically is that the cash flow you have, you manage your cash flow properly, and your cash flow is about how much a year?

MR. MARR: We take in about a little over 100 million in tuition, General Funds, and then we also take in in refunds about 42 million in Federal funds so it's significant.

CHAIRMAN CAMPBELL: Thank you. Further questions?  
Senator Boutin.

SEN. BOUTIN: Mr. Chairman, I am prepared to make a motion if you'll entertain one.

CHAIRMAN CAMPBELL: Sure, go ahead.

**\*\*** SEN. BOUTIN: I move ought to pass on Item 13-019 and the motion is four-part. One is to approve the purchase and sale agreement between Community College System of New Hampshire and Juliet Marine Systems, each member has in their possession now.

Part two, to approve the waiver of the State's right of first refusal for the sale of the subject property.

Part three, to approve payment by Community College System of New Hampshire of 2.75 million sale price to the

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State in three equal payments; 916,000 -- 916,667 on July 1<sup>st</sup>, 2013, July 1<sup>st</sup>, 2014, and July 1<sup>st</sup>, 2015. The first due upon the sale or closing, the second 12 months later, and the third 24 months later of the closing which are the dates that I indicated. And the fourth piece is that the --

CHAIRMAN CAMPBELL: Approval.

SEN. BOUTIN: -- approval is subject to the Community College System of New Hampshire having first mortgage position, and that's my motion.

SEN. STILES: I'll second.

CHAIRMAN CAMPBELL: Moved by Senator Boutin, seconded by Senator Stiles. Is everybody clear on the motion, the four parts to it? Any -- any further questions? Any debate? Seeing none; all those in favor of the motion say aye? Opposed? None opposed. It's unanimous. Thank you, gentlemen.

\*\*\* {MOTION ADOPTED}

DR. GITTELL: Okay. Thank you.

CHAIRMAN CAMPBELL: Good luck and thank you for what you're doing there. It's going to be a great thing for the State.

MR. SANCOFF: Thank you very much.

DR. GITTELL: Okay. Thank you.

**(2) Miscellaneous:**

CHAIRMAN CAMPBELL: Now we have a special item that is

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the item you see here with the black clips on it. And I would have the gentlemen from DOT come up, if they would.

You recall some time ago we had some debate about an access point off of Hackett Hill Road in the Town of Hooksett, access to the Palazzi property, and there was some feeling that the right-of-way was or the access point, the appraisal was such that it didn't seem in line with the market. We asked DOT to revisit it. I'd like DOT to explain to us what methodology they used, what they went through to get to this new number. And Jeff -- excuse me.

SEN. RAUSCH: I just was hoping he'd wait till after this.

CHAIRMAN CAMPBELL: Would you stay for this item? We need the expertise of the Legislative Budget Assistant himself.

JEFFRY PATTISON, Legislative Budget Assistant, Office of Legislative Budget Assistant: Okay.

CHAIRMAN CAMPBELL: Thank you. So with that said, Mr. Miles or Mr. Janelle, whoever wants to make the presentation, would you let us know what the methodology was and how you arrived at this number?

PHIL MILES, Chief, Division of Property Management, Department of Transportation: Good afternoon. Just to introduce myself, my name is Phil Miles. I'm the Chief of Property Management, Department of Transportation. With me at the table here is Harry Hadaway. He's an appraiser for the Bureau of Right-of-Way, Department of Transportation. And I guess I'll start at this point concerning our methodology.

What we did basically was to determine currently the

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property now has one access point off of New Hampshire Route 3-A, which there's a -- there's about an 80 to 100% difference in grade between the roadway and the main part of the property. So currently at Route 3-A the -- the Palazzi Corporation is looking to get an access point off of Hackett Hill Road which is at level grade and would be a superior access to what's currently there. So to determine the value of the access point we had an appraiser determine the current market value of the property owned by Palazzi first with just having existing access point to New Hampshire Route 3-A and then having the -- then the second part would be to do the -- to determine the value of the property with the proposed access point off of Hackett Hill Road. And the State had an appraisal done on the property and we determined that contributory value of \$670,000.

The second appraisal is also done by the Palazzi Corporation and they determined a value of \$400,000. And the difference in the values we feel is the amount that would be necessary for the construction of the -- well, the improvements to the existing driveway that was there. For our value, the Department's appraisal, we did extensive computations on what was needed engineering-wise. There were several meetings on what was necessary, why the Crafts Appraisal tend to not get into great detail about expenses. And we feel that's why there's a lower value there.

CHAIRMAN CAMPBELL: So as I understand it then the DOT, you hired your consulting engineer -- consulting appraiser, I should say, engineer and appraiser. Is that how that works?

HARRY HADAWAY, Department of Transportation: We hired Freneau Appraisal out of Manchester, MAI firm. We also -- they subcontracted the engineering to CLD Consultants out of Manchester who did the engineering study for the new driveway off of Route 3-A. By the way, my --

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CHAIRMAN CAMPBELL: Yeah, please, for the record.

MR. HADAWAY: Harry Hadaway with New Hampshire DOT. So we relied on essentially the value of this access is what it would cost to put a new driveway off of Route 3-A. They currently have an emergency access which hasn't been used for years and comes off at a very severe angle that couldn't be used for access to the property. So that would be -- have to be totally redesigned.

CHAIRMAN CAMPBELL: So the applicant had its appraisal and engineering. The State DOT had its appraiser and your appraisal came to 671.

MR. HADAWAY: Right.

CHAIRMAN CAMPBELL: I understand from conversations with the applicant that they're willing to come up to the State's appraisal. There's no reason for you to not think that your appraisal is accurate and the State is getting its proper share here.

MR. HADAWAY: We are very comfortable with the appraisal.

CHAIRMAN CAMPBELL: Mr. Janelle.

WILLIAM JANELLE, Director of Operations, Department of Transportation: We are very comfortable with the price.

CHAIRMAN CAMPBELL: Representative Chandler.  
Representative Boutin -- Senator Boutin. Sorry.

**\*\*** SEN. BOUTIN: Thank you, Mr. Chairman. I move approval of 13-020 granting authorization to the Department of Transportation to sell an access point through the limited

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access right-of-way of Hackett Hill Road in the Town of Hooksett directly to the Palazzi Corporation for the sum of 671,100, which includes a sale price of \$670,000, plus an administrative fee of \$1,100.

REP. CLOUTIER: I second the motion.

CHAIRMAN CAMPBELL: Motion made by Senator Boutin and seconded by Representative Cloutier to pass item number 13-020 from the DOT. Is there any conversation, any debate? Ready for the question? All those in favor say aye? Opposed? The item passes. Thank you, gentlemen. Thank you for everybody's hard work. Thank the applicant. Good luck.

\*\*\* {MOTION ADOPTED}

**(3) Date of Next Meeting and Adjournment:**

\*\* SEN. BOUTIN: Move to adjourn.

CHAIRMAN CAMPBELL: Senator Boutin moves to adjourn. Now before we do, one thing, let's set up a date if we could for the next meeting because there are several DOT items that are pressing. I think there's another item in the North Country that needs to be addressed. What's everybody's schedule for meeting in two or three weeks from now?

SEN. BOUTIN: You ask that question.

CHAIRMAN CAMPBELL: Well, I know.

REP. GRAHAM: The 23<sup>rd</sup>.

CHAIRMAN CAMPBELL: Sometime in May. We have some pressing items. We really do need to get together sometime

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in May. What day?

SEN. RAUSCH: Probably Tuesday. No, no. Let's see. Wait. No, Tuesdays we have Transportation.

SEN. BOUTIN: Will we be done?

CHAIRMAN CAMPBELL: Tuesday late in the day?

SEN. RAUSCH: Maybe by May we will be.

SEN. BOUTIN: Second Tuesday.

SEN. RAUSCH: Later in Tuesday we'd be done in the afternoon.

CHAIRMAN CAMPBELL: We'll let you know officially, but we'll shoot for the second Tuesday in May, the 14<sup>th</sup>. Now what time's the best, 2:30, three o'clock?

SEN. BOUTIN: Two would be better.

SEN. RAUSCH: Two o'clock.

CHAIRMAN CAMPBELL: Two o'clock. All right. Let's schedule it now subject to change, 14<sup>th</sup> of May, two o'clock. Senator Boutin moves we adjourn. All those in favor? Opposed? We are adjourned.

SEN. BOUTIN: Thank you.

CHAIRMAN CAMPBELL: I seconded that.

\*\*\* {MOTION ADOPTED}

(Concluded at 2:32 p.m.)

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## CERTIFICATION

I, Cecelia A. Trask, a Licensed Court Reporter-Shorthand, do hereby certify that the foregoing transcript is a true and accurate transcript from my shorthand notes taken on said date to the best of my ability, skill, knowledge and judgment.

Cecelia A. Trask  
Cecelia A. Trask, LSR, RMR, CRR  
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