

LONG RANGE CAPITAL PLANNING AND UTILIZATION COMMITTEE

Legislative Office Building, Room 201

Concord, NH

Tuesday, May 28, 2013 - Continued meeting

MEMBERS PRESENT:

Rep. David Campbell (Chair)
Rep. John Cloutier
Rep. John Graham
Rep. Katherine Rogers (Alt.)
Sen. David Boutin
Sen. Jim Rausch
Sen. Nancy Stiles

(Reconvened meeting at 1:02 p.m.)

(3) New Business:

CHAIRMAN CAMPBELL: We'll open the Long Range Capital Planning and Utilization Committee that was recessed from a couple weeks ago. Before we get started, I just want to clarify something from the last time we met. On item number LRCP 13-018, we announced the vote as 5 to 2 in favor. It was actually 6 to 2 in favor. So thank you for that.

And we are here to discuss the item of the ground leases for the Hooksett Rest Areas. Commissioner, are you going to make the presentation?

CHRISTOPHER CLEMENT, Commissioner, Department of Transportation: Yes, Mr. Chairman, along with Chris Waszczuk.

CHAIRMAN CAMPBELL: Commissioner Clement and Director Waszczuk from Turnpike Bureau will give you a quick overview.

MR. CLEMENT: I think for these a picture is worth a thousand words. They really help you visualize the new Welcome Center.

REP. GRAHAM: I'm waiting so the House Members can see something, too.

CHAIRMAN CAMPBELL: Go ahead, please.

MR. CLEMENT: Good afternoon, Mr. Chairman, Members of the Committee. Thank you for taking time out of your afternoon to allow us to talk about the proposed redevelopment of the Hooksett Welcome Centers and liquor stores out on I-93.

Really, if you turn to your Exhibit F, it's almost -- it's probably the second to the last page, third to last page in your packet. I'll go down through the bullets and give a highlight and then we can get into the financials in terms of what this means for the State of New Hampshire. So I'm going to move right along. If you have any questions, just, please, feel free to jump in.

By the way, my name -- for the record, my name is Chris Clement, Commissioner of New Hampshire Department of Transportation. With me is Chris Waszczuk, our Administrator of the Turnpikes Bureau of the New Hampshire Department of Transportation.

So this is a 35-year ground lease that we're looking at here. The group that's bringing this forward is Granite State Hospitality, also doing business as the Common Man Group, also the Common Man. They're the Developer/Operator. They're going to design, build, finance, maintain, and operate these service centers, both on the northbound and southbound side. \$8.4 million -- Chris, please jump in if I misstate anything or please -- 'cause Chris has really done all the heavy lifting here. Exception of the \$8.4 million which will come back from the liquor stores. Construction of a single building of both the northbound and southbound sites -- excuse me -- to house a 16,000 square foot Welcome Center and a 20,000 square foot liquor store, liquor and wine outlet. And that's all under one

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roof, both the 20,000 square foot liquor store and the 16,000 square foot Welcome Center. Again, all under one roof. The building will exhibit a New Hampshire mill building architectural style and will include a 1950's style diner, an Italian farmhouse, old-time deli, coffee and breakfast shop, a country convenient store, liquor store, and an interactive informational Welcome Center. You can see from the placards graphically what they'll look like.

Other amenities will include 20 fuel stations for passenger vehicles, rest stops, bank, vending space, drive-through window, pet walking area, and landscaping. Okay. Parking will be provided for passenger vehicles only, trucks and buses. There will be approximately 310 parking spaces on the northbound site and 240 parking spaces on the southbound site. Excuse me. Granite State Hospitality will finance the total estimated project cost of \$32 million; again, with \$8.4 million being reimbursed back from the New Hampshire State Liquor Commission. And what we estimate is over the 35-year term, Granite State Hospitality will expend nearly \$38 million in the operation, maintenance, and refurbish costs of these sites.

Okay. Granite State Hospitality proposes a guaranteed minimum rate of 30 -- excuse me -- \$23 million over the 35-year term. And also there's a tier percentage rent based on gross sales on sales of the Welcome Center site, and then also on fuel and Chris will get into that in a little bit. Okay. And then, basically, if you're looking at the last bullet, both the northbound and southbound service area of completion will be about April 2015.

Before we go on, I'd just like to recognize Chris Waszczuk and the Bureau of Turnpikes and our consultants in bringing this forward. This is our, as you know, our third time through. There's been tremendous amount of effort in this. And I just wanted to say, you did a really, really great job, very

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professional.

CHRISTOPHER WASZCZUK, Administrator, Bureau of Turnpikes,
Department of Transportation: Thank you.

MR. CLEMENT: I think you'll see in terms of the financials on this, there was a lot of going back and forth between us and Granite State Hospitality. But when I look at all my 20 years of private sector experience, and look at the deal we struck here, this is -- this is a very good thing for our great State of New Hampshire.

SEN. STILES: I have a question.

CHAIRMAN CAMPBELL: Yes, please, Senator Stiles.

SEN. STILES: 24/7?

MR. CLEMENT: Yes.

SEN. STILES: Thank you.

CHAIRMAN CAMPBELL: Any other questions?

****** REP. GRAHAM: I would move -- if there are no further questions, I would move item 13-023, Replacement #2 dated May 20, 2013.

CHAIRMAN CAMPBELL: Representative Graham moves the item, second by Senator Boutin.

SEN. RAUSCH: I do have a question.

CHAIRMAN CAMPBELL: Yes.

SEN. RAUSCH: Because this is -- one of the original plans was the liquor store was going to be separate. Now that it's

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all under one roof and because part of it certainly is going to be food services, which certainly, I think, we all know once in a while have potential for fire, the liquor store, what are we doing or how are they doing it for insurances should there be something? Because the liquor store, not only would it be a, you know, multi-million dollar building, but the inventory in there, do we -- how are we dealing with insurance should there be an adverse event?

MR. WASZCZUK: If I may? Chris Waszczuk for the record. This has been -- the last couple weeks this has been some of the back and forth that has been going on between our AG's Office, the vendor, Liquor Commission, as well as the banks that are -- the bank situation involved in this. And they included several sections in the ground lease document to handle catastrophic events, like a fire, to one section of the building during construction, after construction, when the facility is in-service. They also worked out any kind of default provisions, what happens in cases where someone like this entity may default. So there's a pretty, pretty detailed language in the ground lease document to cover those different events.

The Developer/Operator needs to carry a level of insurance, I forget the exact amounts, to cover damage to his portion. There are also other protections that we have in place in the ground lease to protect the State during construction. For example, we have a \$32 million construction bond that the Developer/Operator needs to carry. We have a \$5 million performance bond during -- to cover five years' of revenue in case there are issues during the performance of this contract. So there are sections in here in the ground lease that will cover those kind of issues.

CHAIRMAN CAMPBELL: Follow-up.

SEN. RAUSCH: You made one comment, I don't know if you meant it to be accurate, that he's got insurance to cover his section.

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And I don't know what we do as a state. Maybe -- I'm sure Mike does -- is that will the liquor store have its own insurance then or -- or I don't -- you know, my concern would be because it's at one roof that we make sure that the liquor store is somehow --

MR. CLEMENT: Yes.

SEN. RAUSCH: -- is covered.

MR. WASZCZUK: I believe the way the ground lease document covers that is that the State is self-insured. The liquor store is self-insured. So I don't believe there is any separate insurance.

CHAIRMAN CAMPBELL: Including the inventory? Including liquor inventory?

MR. WASZCZUK: Yeah, I don't believe that is covered. Mike could --

MICHAEL CONNOR, Deputy Commissioner, Department of Administrative Services: I can't speak to inventory. As far as the State-owned facilities, we have catastrophic insurance. We have a million dollar deductible on all of our facilities. If this, in fact, is a State-owned facility, which I believe it would be, the liquor part, then they will be part of that. But the contents, I don't know what they do now to be honest with you. We can certainly get a policy, but I'm not sure.

CHAIRMAN CAMPBELL: Senator Stiles.

SEN. STILES: Thank you. Maybe during the building process are there any fire walls, like block walls or anything from the liquor store to the rest of the facility? Is there that breakage?

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MR. WASZCZUK: That interior wall separating the space will be designed as a fire wall.

CHAIRMAN CAMPBELL: Senator Rausch.

SEN. RAUSCH: And in no way is it going to stop me from voting on this, because I think this is really important. But I do think that, you know, DOT and Administrative Services, one of my concerns would be, because it's one roof, is that should the fire start in the food service area and spread, my concern is, is we could lose a liquor store through no-fault of the liquor store because there's probably nothing in there that would, you know, it be difficult to originate a fire as opposed to grease in a food service entity. And I don't know if we self-insure --

CHAIRMAN CAMPBELL: The policy would cover that from where it originated.

SEN. RAUSCH: Well --

CHAIRMAN CAMPBELL: I mean, that's the way it should be written.

MR. CLEMENT: It's a good question, yes.

SEN. RAUSCH: I would not want to lose --

MR. CLEMENT: Right.

SEN. RAUSCH: -- you know, an inventory and a structure because of a fire that originated in a part of the building that we're not responsible for.

MR. CLEMENT: Somewhere else.

SEN. RAUSCH: I guess that's the best way for me to put it.

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MR. CLEMENT: Understood. And we'll look at that and if it's not in there, we'll make sure it is. I'm sure -- I'm sure we as a state are covered but we'll see.

REP. CLOUTIER: Excuse me, Mr. Chairman. I do have one question on Exhibit F of your presentation about the fifth bullet point down about the parking. You say that there will be approximately 310 parking spaces on the northbound site and 230 on the southbound site. Why are there going to be 70 more parking spaces on the northbound site as opposed to southbound site?

MR. CLEMENT: We are space constrained on the southbound.

REP. CLOUTIER: Space constrained.

MR. WASZCZUK: Also, on the northbound side we are providing overflow parking. There is an area, we bought the adjacent parcel to the south to relocate utilities on and there's area there that is pretty flat and gravel that we are going to include that area as expanded parking, in essence, just in case the facility becomes overburdened on the holidays and such, so that area will be utilized, you know, for like secondary overflow parking and that's the primary difference between the numbers.

MR. CLEMENT: Representative Cloutier, they're not symmetrical lots so that's why. We wedged in as much as we could. We maximized the footprint and the parking based on the parcels and nearby wetlands and geometry drop-off, so on and so on.

REP. CLOUTIER: Follow-up. Do you have any space to expand on the southbound site in case it proves to be so popular you need to provide more parking?

MR. WASZCZUK: No, no.

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REP. CLOUTIER: That's the way it's going to be.

CHAIRMAN CAMPBELL: Even though the liquor store and the food service and everything else is under one roof, there's still separate entrances for the liquor store. So you can go in there without going through the main entrance right? Liquor store is still -- you want to just go for liquor, you can get into the liquor store; correct?

MR. WASZCZUK: No. There is one entrance into this facility and then the liquor store has within that one entrance, the liquor store has their entrance, then you can go into the rest of the Welcome Center. So there's one focal point, one entrance.

CHAIRMAN CAMPBELL: So you go into the main entrance, the vestibule, the one entrance. Liquor store is immediately --

MR. WASZCZUK: Right there. Which -- I mean, they have their separate doors and they're certainly not going to be open 24/7.

CHAIRMAN CAMPBELL: Except for emergency exits, of course.

MR. WASZCZUK: Right.

CHAIRMAN CAMPBELL: Right. Any other questions? So the State's lucky to have the Common Man Group as a partner of public/private partnership in this, given the fact that they have been around for 40 years and as good a corporate citizen and restaurateur throughout the state I think you could ask for. So I think it's a pretty exciting project.

MR. CLEMENT: We agree.

CHAIRMAN CAMPBELL: Any other questions, comments?

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SEN. RAUSCH: I guess my only comment is I would like to thank the DOT. I mean, it's been a process to get here, but I think the product is great. I think it's going to be good for tourism, going to be good for our citizens. And, like I say, it's taken awhile; but I think the end result is very good and I commend the Department for all the work you've done on it.

MR. CLEMENT: Thank you. I think this model -- I mean, this is -- this Welcome Center here on northbound/southbound Hooksett is going to be the model, not only for New England, but I think if you look across the rest of the country, as we start to look at what we are going to do with the rest of our Welcome Centers and what they're going to be, I think from an aesthetic perspective on the 1950s farmhouse style, and I think that going forward with the rest of the Welcome Centers it really be great if we could emulate what we are doing here on a much smaller scale, of course, from an aesthetic perspective.

CHAIRMAN CAMPBELL: As long as they don't have liquor stores in the other states.

MR. CLEMENT: Well, yeah.

CHAIRMAN CAMPBELL: Anything else? We all set for the vote? All those in favor of the accepting the item as moved, signify by saying aye? Opposed? There are none. Unanimous. So thank you very much.

***** {MOTION ADOPTED}**

MR. CLEMENT: Thank you.

MR. WASZCZUK: Thank you.

CHAIRMAN CAMPBELL: Any other business? Seeing none. We'll adjourn the meeting. We will have another meeting probably in June, but we'll -- I'll check with Senator Boutin and we'll

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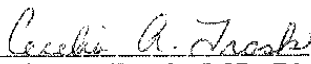
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do at the call of the Chair. Thank you.

(Concluded 1:18 p.m.)

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, LSR, RMR, CRR
State of New Hampshire
License No. 47

