



**CONNECTICUT  
STUDIOS**

**For Immediate Release**

**Contact: Craig Stevenson, 860-306-8325  
cstevenson@connectedtoct.com**

October 25, 2012

***Written Comments from Ralph Palumbo and Anthony DelVicario, Principals of Connecticut Studios, LLC***

***To: The Honorable Mayor Thomas A. Delnicki  
Members of the South Windsor Town Council***

Ladies and Gentlemen:

Thank you for calling this special meeting tonight and allowing my partner and me to come before you to provide an update regarding our efforts to construct a motion picture studio here in the Town of South Windsor. To say that this effort has been a challenge would be an understatement, but as daunting as this task has been, it would have been far greater without your support and patience.

Little did we know when we celebrated the transfer of the Town's surplus land from the construction of I-291 that it would take an additional three years to reach the point that we now find ourselves. Despite the obvious disappointment that there is not yet a studio on the property we can take pride in the fact that working together we have navigated the worst economic recession of since the Great Depression and have somehow been able to maintain the viability and possibility of Connecticut Studios. Over the past year the project has been moving forward. Several important tasks have been completed that will lead directly to this project coming to fruition. They have not been easy, they have not been cheap, they have not been simple, but they have been achieved.

As you may know, the soil conditions on the site required a redesign of the site plan approved by the Planning & Zoning Commission in March of 2010. In May of this year, the P & Z approved our changes allowing us to save millions in construction costs but forcing us to go with a phased approach to construction. Initially two buildings containing two sound stages each, each sound stage with an adjoining set of production offices will be constructed. Each sound stage will consist of 21,000 square feet and each production office 12,500 square feet. So when Phase I is completed we will have a total of 84,000 square feet of sound stages and 50,000 square feet of production offices. It is significant to note that our single sound stages are larger than any sound stage currently available in Connecticut. This will open up an entirely new market of film making for the State. Because we lost the ability to construct our on-site mill building in Phase 1, again due to soil conditions, we needed an alternative; we found this in the 170,000 square foot former Mestek Building at 515 John Fitch Boulevard. This facility will be refitted for Connecticut Studios. It will house not only space for set production but also provide the venue for three major players in the film industry each will locate a new equipment depot at the site and locate over \$20 million in film equipment. This equipment will be made available

not only to users of Connecticut Studios but to those filming in locations throughout the Northeast. The ability to refit and use this building has saved the project millions of dollars and has become a crucial component of our business model. I am pleased to announce that we have negotiated a 39 year capital lease with the owners of the building.

In addition to completing the site plan approval process, we also had to address some other fundamental regulatory issues. We were required to modify our State Traffic Commission Certificate and that has been completed. This change will allow the construction of a 120 room business class hotel on the former town property. Construction on that will begin within six months of the start of construction on the sound stages. We have completed our agreements with First Bristol Corporation of Fall River, Massachusetts and they are committed to the project. A marketing study has been completed by an industry leader and First Bristol is eager to move forward. We expect them to fly the flag of national extended stay hotel. First Bristol has constructed owned and manages five existing hotel properties and works with both the Hilton and Marriott chains.

Another regulatory issue we were required to address was the approval of a Sub-Division Plan. This was an important precursor to financing the various components of the mixed use project. This effort required us to obtain approval from Planning & Zoning Commission to change the regulations for the I-291 Gateway Zone to allow a minimum lot size of 3 acres. Once this was approved we requested and received approval of our sub-division plan. This will create three lots. One for the studio campus, one for the hotel and one for the commercial – retail parcel.

With these above approvals in hand we had one more change to make to our site plan. We needed to add the security-construction office. This small building will house important functions of securing the site and providing workspace for construction management during the building process. This change was approved several weeks ago and with that we had our final site plan.

The next step was to finalize our construction plans with our architects, site engineers and other professionals so we could begin applying for building permits. To do this we had to provide final plans that showed all the conditions of p & Z approval, erosion and sedimentation control and detailed construction drawings. A \$25,000 bond was required and paid.

All the final planning and engineering has now been completed, the estimated cost of this work exceeds \$700,000. The project is now at a stage when building permits can be sought for not just the construction – security office but the sound stages as well.

As you may know we have received our first building permit and have begun construction of the construction – security office. We have also initiated efforts to create a grass hopper sparrow habitat in Wapping Park. I am pleased to announce that we have engaged Jay's Landscaping of South Windsor in that effort. The creation of this habitat was required because the Town is using State funds from previously received Small Town Economic Assistance grants to engineer and design the public infrastructure on site. Years ago, Connecticut Studios agreed to take care of the birds, as the Town had taken care of the beetles using their grant funds.

Finally we come to the last and of course most important question? When can this deal close and when will the studios be built? For the past year we have been working to make this a less speculative deal for the Town. As you know, the Town agreed to provide TIF (tax incremental financing) to fund the public infrastructure as part of our agreement for the land transfer. We headed down that road and worked long and hard trying to make it work. What we found was

that it would be costly and expensive with the structure of Connecticut Studios as it was. Basically, the core businesses, the studio and hotel are pretty speculative. Despite having marketing studies completed by industry professionals that show they can be successful, there are no guarantees. This made the bonds a risk the Town was not willing to take. So we were challenged to improve our business model and find away to make this a less risky deal for the Town. Because my partner and I have had some success in developing energy projects, specifically solar, we opted to look at doing a project like that in conjunction with the studio. By developing a large scale alternative energy project that could sell energy to an electric distribution company, we could introduce an investment grade business and provide a rock solid revenue stream that could pay the taxes and insure the payback of the investment of the infrastructure.

In fact the business model looked so good; your Town Manager identified an even better way for the Town to pay for this infrastructure. This new method is currently under consideration by you, it involves financing the infrastructure through a program called lease back. This methodology will save the Town millions in future taxes and shorten the time in which the Town can enjoy the full return on their investment in Connecticut Studios. Kudos to Matt for coming up with this idea.

But what makes this final part work is Connecticut Studios executing a power purchase agreement with an electric distribution company. Now I hope you understand, we in the very final process of negotiating this document and have an agreement in principle but have not yet finalized the agreement. We are very limited on what we can say as we have signed a non-disclosure agreement with this power purchaser. I can confirm that the project will generate enough taxes to pay the vast majority of the infrastructure payments and removes the risk of the Town's existing taxpayers having to pay anything toward this. We had hoped to be able to announce tonight that this agreement was signed but unfortunately like town government, the electric distribution company has a process and procedures it most abide by. There is a committee that must approve this and that committee had some additional questions that could not be answered before this meeting. We have been told that the questions can be answered within a reasonable amount of time. I know that this entity has been in direct contact with your Mayor and Town Manager to verify where we are in the process.

Solidifying our agreement with this electric distribution company is the last step in our process. We have commitments for all our financing including a first mortgage, State DECD loan, bridge loan, commitment for the purchase of our tax credits and our own equity which by the time we start construction will exceed \$4 million. The Town Manager had said that within 9 weeks of our providing him with a signed power purchase agreement he can be ready to close. Once that happens, we can complete this project.

Times are still very difficult; through this project we can create hundreds of construction jobs, thousands of film industry jobs and bring an unprecedented amount of new business and economic development into this community and the State of Connecticut. We understand and share your disappointment that we are not farther along. We regret having to ask for your patience as we wrap up this process. Please try to understand we are trying to do an extraordinary thing during extraordinary time. You all bargained with us to build a motion picture studio that is what we are working to do. Through continued cooperation we can reach that goal, it is within our reach. Let work together to finish the job.

xxxxxxx