



STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

July 29, 2004

Robert Congdon, First Selectman – Town of Preston
Arthur Lathrop, Mayor – City of Norwich
Members of the Norwich Hospital Recommendation Committee

Dear First Selectman Congdon, Mayor Lathrop, and Members of the Recommendation Committee:

I am writing to you today to inform you of the status of the submissions received under the Norwich Hospital "Request for Proposals" (RFP) process and our anticipated next steps.

This letter will provide you with some background information regarding the process, general findings concerning the RFP submissions, a detailed discussion of each RFP submission and the next steps that will be taken by the State of Connecticut.

BACKGROUND

In order to divest itself of the Norwich Hospital property, the State of Connecticut (State), on March 19, 2004, issued a "Request for Proposals" (RFP) which required each interested proposer to submit detailed information in several categories, which were designed to capture information relating to each proposer's previous development experience, their master plan for the Hospital campus, their projected capital expenditures, their financial and business plans, etc. Responses to the RFP were to be submitted to later than 5:00 PM on July 26, 2004.

In order to review and rank the responses to the RFP, the State established the "Norwich Hospital Recommendation Committee" (NHRC). The NHRC was comprised of voting members from the State, Town of Preston, City of Norwich and the Southeastern Council of Governments. The NHRC's also included technical members from the Departments of Economic and Community Development, Public Works, Environmental Protection, Transportation and the Office of Policy and Management.

On July 26, 2004 two (2) submissions to the RFP were received prior to the 5:00 PM deadline. These submissions were from: (1) Evan Blum, and (2) William Cutler. In addition, one (1) additional submission was received from Utopia Studios at approximately 5:02 PM (after the deadline).

Although Utopia Studios clearly submitted their proposal after the mandatory deadline, I used my discretion as the Secretary of OPM and instructed my staff to accept their submission since we were informed prior to the deadline that the submission was held up in traffic. In addition, it should be noted that the lateness of Utopia's submission was in no way held against them.

Once the submissions were received, I instructed my staff to review each submission to determine if they met the minimum submission requirements set forth in the RFP document, and present their findings to me. Their detailed review is attached to this document.

GENERAL FINDINGS

After reviewing the findings prepared by my staff, consulting with the Commissioners of Economic and Community Development and Public Works, and reviewing much of the submissions myself it is my conclusion that none of the three (3) submissions to the Norwich Hospital RFP met the minimum submission requirements.

In addition, I can confidently state that each of the submissions were so lacking in any meaningful detail and that each submission fell so far "below the bar" that the decision to exclude each of them from any further consideration, while extremely regrettable, was not terribly difficult to make due to the fact that the information necessary to perform any sort of analysis was lacking.

Therefore, pursuant to the RFP document, which states that "*The State reserves the right, at its sole and absolute discretion, to terminate the RFP process at any time prior to execution of a purchase or land disposition agreement*". I am officially terminating this RFP process.

SUBMISSION OF EVAN BLUM

Mr. Blum submitted a one (1) page letter which stated his keen interest in acquiring the property and restoring the existing buildings without changing their historical character. He also indicated his development would consist of residential and commercial use – including the development of a marina facility. He has indicated a willingness to post a "good faith" deposit of \$1 million subject to an agreeable contract.

However, with the exception of submitting the required 25 copies, Mr. Blum did not provide any of the information required as part of the RFP.

SUBMISSION OF WILLIAM CUTLER

Mr. Cutler submitted a four (4) page letter which outlines his efforts to market the property, his plan to develop the property as a education center to be financed from private funding, ground leases, tuition, etc. Mr. Cutler recommends the creation of a

"Blue Ribbon" panel to assess the concept, however, he did not provide any of the information required as part of the RFP.

SUBMISSION OF UTOPIA STUDIOS

While, Utopia Studios clearly submitted a greater volume and more detailed information than the other two (2) respondents they still failed to provide almost 75% of the information required under the RFP.

Although Utopia submitted approximately 780 pages of information on 25 CDs, almost 600 of those were comprised of printouts of web pages, generic PowerPoint presentations, newspaper articles, and letters of support.

Unfortunately, the remaining pages provided little or no meaningful information as to shed any light on the details of the project, such as its feasibility, market assessments, projected employment, tax generation, long term viability, etc.

Specifically, Utopia failed to provide us with even the most minimal information which could allow the State to perform the necessary economic analysis to assess their proposal.

The RFP document contained requirements for each proposer to provide the State with information regarding their projected expenditures, tax generation, equipment purchases, the number and types of jobs to be created, etc. This is information that our Department of Economic and Community Development earmarked as vital to performing a detailed economic analysis, however, none of it was supplied as part of Utopia's submission.

In response to our request for detailed information regarding their anticipated source of funding, we were provided no documented evidence showing any firm financial commitment which we would normally rely upon.

When we asked for a market analysis that would show that their project was viable, no information was received other than being told that that 1/3 of the nation lives within a days drive of the site and that Wall Street and Hollywood support Utopia because it "makes sense."

Utopia's response to the request for detailed financial information was to state that their "...accountants and analysts determined that same was not remotely applicable to the nature of our proposed development. Accordingly, same would not provide benefit of a kind and would be unprofessional..." Not only is this response wholly unacceptable, it was the first inclination provided to the State that the required information would not be provided, in spite of the fact that all parties knew what information was being requested since March of this year.

The State of Connecticut, through the Office of Policy and Management and the Department of Economic and Community Development, has significant experience with

large scale, commercial development and assessing the viability of business plans. I am confident that, based upon this experience, that what was required by the RFP document was reasonable and necessary for a responsible and informed economic analysis.

In fact, the level of detail required in the RFP was similar to that needed for the State to consummate the agreements for Adriaen's Landing, of which OPM has direct supervision. Much of the financial and economic data required in the RFP was recommended by the DECD based on their experience in determining which economic proposals submitted to them are viable.

In addition, the RFP required each proposer to submit detailed Business Plans, however, in their submittal Utopia specifically notes *"The Balance of the Business Plan has been intentionally withheld as it represents millions of dollars of research and development, and cannot be disclosed without a confidentiality agreement or a written statement stating the entire document will be treated as proprietary in accordance with Federal law."* Once again, this is a wholly unacceptable answer and the first notification that the information required of them would not be provided.

The RFP document clearly informed proposers that with the exception of information believed to be a trade secret or of a proprietary nature, all information submitted under the RFP is considered a public record or file subject to disclosure under the Connecticut Freedom of Information Act and its concomitant regulations.

In order for trade secrets to be exempted from disclosure pursuant to the Connecticut General Statutes, reasonable efforts must be taken to maintain their secrecy. All proposers were asked to identify any and all commercial or financial information that they claimed was being submitted in confidence, including the particular section(s) that proposers believed to be a trade secret or of a proprietary nature. Further, any and all information submitted in confidence by a proposer was required to be separated from the remainder of the RFP process and enclosed in a separate envelope.

The RFP stressed that the claimed confidential information must be accompanied by a convincing explanation and rationale sufficient to justify each exemption from release consistent with Section 1-210(b) of the Connecticut General Statutes. Such rationales and explanations were to be stated in terms of the prospective harm to the competitive position of the proposer that would result if the identified were to be released, and state the reason why the proposer believed the materials were legally exempt from release pursuant to the FOI statutes.

In spite of this fact, Utopia claimed that its entire submission should be withheld from public disclosure since it *" . . . is site specific, reveals trade secrets, commercial and/or financial information and other private information not otherwise known to the public."* The Utopia Studios proposal contained information that clearly was not proprietary. Further, even if said proposal contained any proprietary information, such material was not labeled clearly and separated from the remainder of the proposal. Although Utopia

subsequently requested that OPM sign a confidentiality agreement whereby OPM agreed not release any of the submitted material, OPM, in consultation with the Connecticut FOI Commission, has concluded that it cannot enter into a confidentiality agreement with any proposer without violating the FOI statutes.

None of the proposers properly adhered to the RFP provisions and Connecticut FOI statutes with respect to trade secrets and proprietary information; therefore, consistent with OPM's endeavor to make this a public process, OPM will release all proposals and place copies in the local libraries.

From the beginning, OPM has striven to make this an open and public process. We created a committee which gave both municipalities and the entire southeastern region a voice in the process. We have placed volumes of information on our website. We held a public meeting to allow individuals to express their views and concerns regarding this process. Each of these meetings were open to the public and many were broadcast on CT-N allowing those unable to attend in person the ability to monitor the process.

By releasing the Utopia proposal and placing it on file with the local libraries, local officials and individual citizens may judge for themselves the quality of the submission and determine if their communities should proceed with Utopia's development plans. In essence, the release of this information supplements and completes the information that towns may wish to use as they move forward.

While I am aware of Utopia's recent public proclamations that they are willing to provide the State with an 2,800 pages of additional information if the State is willing to withhold Utopia's July 26, 2004 submittal from public scrutiny, I fail to comprehend why the information, if it exists, was not submitted on July 26th as required under the RFP.

Regardless, the deadline for submission has passed and I believe that allowing any proposer to submit such a volume of missing information may be a violation of State procurement procedures.

NEXT STEPS

As you are aware, I have previously stated that if this RFP process did not prove fruitful, the State would move to immediately offer the property for sale to the municipalities. Therefore, each municipality will be receiving an offer from the State, through DPW and in accordance with the applicable statutes, to purchase the property in the near future.

Each municipality will be offered the opportunity to purchase the property within their respective towns for the total cost of \$1. with the sole being that the property is accepted "as is" and the municipalities assume all environmental liabilities and costs.

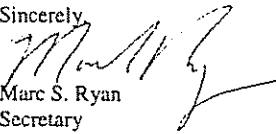
However, I am committing the State to continue its process of finishing the remaining environmental and archaeological assessment studies and title search process. Once these

studies have been completed, the results will be given to each of the municipalities at no cost.

The State will continue to provide property management and security services at the site until a mutually agreed upon point in time as well as expending any reasonable funds necessary to address the existing water leak on the property.

Please feel free to contact me if you have any questions concerning this matter.

Sincerely,



Marc S. Ryan
Secretary