



The Gilbert & Bennett Wire Mill Site: Challenges and Solutions

What's Happening Now, and What's Next

A Presentation by the Town of Redding's
Board of Selectmen and Town Counsel

Redding Community Center
37 Lonetown Road
7:30 p.m. on May 15, 2017

REDDING CONNECTICUT

How We Got Here

1860s – 1980s: Site used for manufacturing wire and related industrial applications. Several buildings on 55 acres

1988 - 1998: G&B is fined for hazardous waste mismanagement, ceases operations at the site, and goes bankrupt. Significant contamination remains.

1997-2001: Town comes to be owed \$1M in unpaid real estate tax liens



How We Got Here

2002: Town takes bids to buy its tax liens and redevelop the site. GLDC is selected, forecloses, obtains approval of master plan, and builds infrastructure

2005: State legislature creates GSTD district by Special Act 05-14 to help GLDC finance and operate the project. GLDC controls GSTD, which taxes GLDC as the landowner.

GSTD is governed by a 5-member Board

- Town has one appointed representative
- Board holds monthly posted public meetings



How We Got Here

2007-2012: Financial crash of 2008 is followed by the Great Recession. GLDC can't access new capital to continue development and cannot pay its creditors, including the Town. GLDC buys time with investors by giving them GSTD's tax liens.



The Town is told that GLDC has interested parties, but no deal ever comes to fruition

2014: Town starts foreclosure for millions in unpaid real estate taxes and sewer liens, and holds public forum

Where We Are Now

The Town and Georgetown Fire District are the plaintiffs in a lawsuit against GLDC and all of the other lienholders to foreclose the property

Over 1800 tax and sewer liens on over 100 parcels which make up the site

-Town owed \$3.5M in taxes and \$2.2M in sewer liens

-Fire District owed \$180,000 in fire taxes

GLDC continues to own the property until all litigation is completed

“Delta Payments” – town subsidy - \$250k unsecured



Where We Are Now

14 defendants hold tens of millions in other liens; some assert defenses

-US Bank, Trustee for Bondholders claims to be owed \$18.8M

-JAST Tax Anticipation Note claims to be owed \$3.4M

-RJ Tax Lien claims to be owed \$1.3M

-other mortgages and subcontractor liens

September 2016: Town wins motion to determine priorities, declaring Town's tax liens superior to all other creditors. Parties are referred to a judge-mediator to attempt to resolve the litigation by settlement

April 2017: Town files motion for judgment against the smaller lienholders; should narrow issues and parties remaining to be litigated

US Dept. of Agriculture owed \$6.5M bonded loan, which is not currently part of the litigation

Where We Are Now



All construction and environmental cleanup halted, awaits new developer

The Town is not responsible for the District's debts

Wastewater treatment plant had been expanded for users which never came

- so now operating far below capacity
- over \$2.2M loaned by Town to date

What's Taking So Long?

Town doesn't own the property and can't force anyone to develop it

GLDC still owns the property today, but is effectively out of business



So no owner/developer exists to finish environmental cleanup, resume construction, or run GSTD

Investors will not give more money without plan in place for debt and development

Challenges Ahead

OBSTACLE #1: Creditors claim GSTD's tax liens give them priority equal to Town, which would force joint ownership or sale burdened by their debts

Court has ruled against them, meaning Town and Fire District can eventually take ownership free and clear of all other liens

But some lienholders threaten to appeal, which would add at least 2-3 years more litigation and possibly end in reversal

Equal priority would make Town minority joint owner

Challenges Ahead

OBSTACLE #2: GSTD still owes tens of millions in unliened general obligation bonds, tax anticipation notes, and federal loans which will survive foreclosure

State law says GSTD cannot terminate existence without repaying its debts unless Town agrees to assume its debts (Public Act 05-14 Sec. 3)

Other creditors could obtain a court order obligating GSTD to levy taxes against any non-governmental owner to raise money to pay its debts

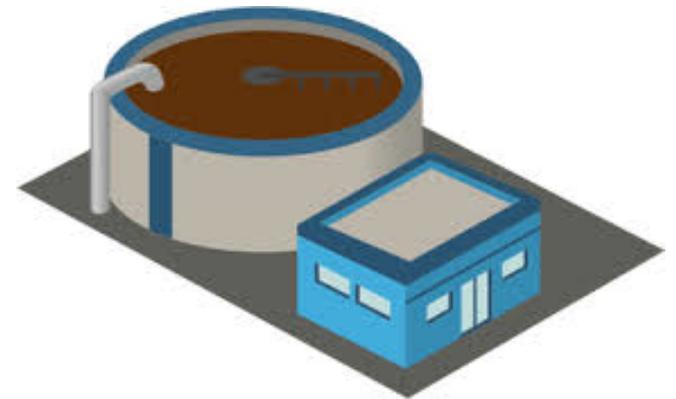
Bankruptcy: requires Governor's approval and restructuring of debt (payment over time) rather than discharge. Also could give bankruptcy court control of property's disposition, And other creditors might try to use bankruptcy to relitigate lien priority



Challenges Ahead

OBSTACLE #3: site still has significant environmental problems which will be expensive to clean up for whoever owns it next

OBSTACLE #4: wastewater treatment plant running far below capacity, incurring huge carrying costs to Town and high charges to small group of users



Possible Solutions

OPTION #1: Town and Fire District take title through foreclosure, and try to either sell or find developer for residential/commercial use

Problems: new owner or owners would effectively inherit GSTD debt and cleanup costs far exceeding property's value

OPTION #2: Town and Fire District take title through foreclosure, and devote to public use

Problems: Town would inherit cleanup costs, forego all past and future tax revenue, and might never recover excess sewer capacity costs

Possible Solutions

OPTION #3: explore discussions with other creditors to allow redevelopment under agreement to share proceeds

Since Town and creditors each have the power to prevent anyone from recovering any money, the Court is currently helping to negotiate a proposed settlement to present to Redding's voters, in which all parties can recover portions of what they're owed over time, and the property can be marketed for sale and developed

Problems: Would require Town to share sale proceeds and tax revenue for decades



Possible Solutions

OPTION #3 (continued): explore discussions with other creditors to allow redevelopment under agreement to share proceeds

Both the Town and the creditors each have the power to prevent anyone from recovering any money – Town by dedicating the site to public use, and creditors by enforcing GSTD's tax obligations against new owner

If creditors release their debts in exchange for share of future redevelopment income, Town can also recoup taxes and sewer costs going forward

Town would also control what gets built and avoid years of litigation/appeals

Would also enable \$5.6M state riverwall/intersection improvement grant

Possible Solutions

OPTION #3 (continued): explore discussions with other creditors to allow redevelopment under agreement to share proceeds

Court is currently mediating a global settlement proposal for voters

Proposed Structure at present:

- Court gives title to Town and Fire District, all other liens extinguished, all appeals and further litigation waived
- Town solicits bids with creditor input, and Town selects developer
- purchase price and subsequent tax revenue divided between Town and creditors proportionate to what each is owed over 30-50 year period
- Fire District paid discounted lump sum from purchase price only

Possible Solutions

OPTION #3 (continued): explore discussions with other creditors to allow redevelopment under agreement to share proceeds



“Tax Increment Finance District” (TIF):

- new state law lets towns share increased tax revenue to encourage development
- requires voter approval of plan to share collected taxes for up to 50 year

Details still being negotiated

What Will be Built?

Intent: productive use which preserves historic structures and access to open space and civic/cultural aspects/revenue positive for the Town

Existing plan: mix of homes, retail, transit, and commercial; expires 2018

Submitted proposal to GLDC (outside of mediation): one offer of \$8.5M for use as for-profit medical office buildings, senior assisted and independent living; more details needed

Proposed settlement would have broker search for qualified buyers for up to two years

Town would select buyer based on development proposed, and would control project with normal planning/zoning oversight

Nothing has been decided or agreed yet



Questions

