

Date: July 26, 2016

To: THE TRUSTEES

From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER

Subject: Lake St. Lawrence Yacht Club and St. Lawrence University – Renewal of Leases

SUMMARY

The Trustees are requested to authorize new leases with the Lake St. Lawrence Yacht Club ("Club") for use of approximately 1.4 acres of Authority-owned real property for operation of a boating club and with St. Lawrence University ("SLU") for use of approximately one acre for operation and maintenance of its rowing facilities.

BACKGROUND

The Authority's Expenditure Authorization Procedures governing real estate require the Trustees' approval for leases of Authority property where the annual value exceeds \$100,000 or the term exceeds ten years.

Under the terms of the Recreational Plan appended to its 2003 renewal of the FERC license for operation the St. Lawrence-FDR Power Project (the "Project"), the Authority is required to "improve, construct and maintain recreational opportunities at the Project." The Recreational Plan specifically identifies a range of sites within the FERC Project boundary as recreational facilities maintained pursuant to this licensing obligation. In addition to those sites, the Authority has historically considered certain other sites, not specifically referenced, to be in support of its mission to bolster the institutions and economy of the North Country. Among these are the properties leased to the Club and SLU.

The Club has leased approximately 2.5 acres of Authority property on Lake St. Lawrence in the Town of Louisville since 1963. As a recreational association with deep historical roots, it hosts many public functions which are beneficial to the greater community. Contrary to its name, the Club is not an exclusive organization, but rather a local organization of boaters which charges relatively low dues and requires its members to invest significant volunteer time to keep the organization afloat. There are approximately 60 members, with significant annual membership turnover. The Club has made significant improvements to the property during its half-century of tenancy and continues to maintain the premises without additional financial input from the Authority.

SLU is a well-respected educational institution and a major economic driver in the North Country. It has leased approximately one acre of property on the St. Lawrence River in the Town of Waddington since 2002 for rowing crew training and competitions. The site is improved by a boathouse and floating dock maintained by the SLU. Rowing competitions draw significant numbers of spectators to the site, which is also open periodically to the public for recreational purposes.

The leases with both tenants, which have now expired, predated the adoption of the Public Authorities Law ("PAL"). The new leases must comply with the PAL and, in particular, section 2897, which sets forth the requirements for disposal of public authority property. Subject to Trustee approval and the requirements set forth in the PAL, the parties have negotiated the terms and conditions of new leases with 15-year terms, at rents set forth below.

DISCUSSION

A reevaluation of the premises required for the Club's purposes determined that the property subject to the lease could be reduced from 2.5 acres to 1.4 acres. An independent appraisal of the subject premises determined the fair market fee value of the premises to be \$64,400, with an estimated fair market rental value of approximately \$5,175 per year. The fair market value of the SLU property in fee was appraised at \$80,000, with an estimated fair market rental value of \$7,200 per year.

Property values for shoreline property in the St. Lawrence County have risen significantly since the now-expired leases were negotiated. The present-day fair market rentals represent a major increase from the sums previously paid by both the Club and SLU. Staff is concerned that were the rents to be immediately increased to their present fair market value, this would result in significant economic hardship to both tenants and would be detrimental to the fragile economy of the North Country. Indeed, since the Club has recently struggled to maintain sufficient membership, a significant increase could result in the club's dissolution.

In order to ameliorate the effects of this drastic increase, the parties have negotiated escalating payment schedules, commencing below fair market value but increasing to the appraised fair market rental over a period of years. It is proposed that the Club's initial rent will be \$3,000 for the first year, rising in annual increments of \$500 for four successive years and then to the fair market of \$5,175 for the balance of the 15-year term. The proposed initial rent for SLU is \$3,600 for the first year, rising to \$5,400 for the second year and then to the fair market value of \$7,200 for the remainder of the 15-year term.

Transfers of authority property for less than fair market value are contemplated in the PAL. PAL Section 2897(7)(iii) requires that when an authority seeks to transfer an asset for less than its fair market value, the Authority notify the governor, the speaker of the assembly and the president of the senate via explanatory statements of the proposed disposal of Authority assets, which is then subject to denial by the governor, the senate or the assembly. Upon Trustee approval, the required explanatory statements will be filed, as required. The Authority will not execute the leases until all necessary approvals are acquired.

FISCAL INFORMATION

Rental payments received will be deposited into the Authority's Operating Fund.

RECOMMENDATION

The Vice President – Enterprise Shared Services and the Director of Licensing recommend that the Trustees approve the leases between the Authority and the Lake St. Lawrence Yacht Club and St. Lawrence University, respectively.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.

Gil C. Quiniones
President and Chief Executive Officer

RESOLUTION

RESOLVED, that the President and Chief Executive Officer and the Vice President -- Enterprise Shared Services be, and hereby are, authorized to enter into leases between the Authority and the Lake St. Lawrence Yacht Club and St. Lawrence University, respectively, on substantially the terms set forth in the foregoing memorandum of the President and Chief Executive Officer and subject to the approval of the documents by the Executive Vice President and General Counsel or his designee; and be it further

RESOLVED, That the Vice President – Enterprise Shared Services, or designee, is hereby authorized to execute any and all other agreements, papers or instruments on behalf of the Authority that may be deemed necessary or desirable to carry out the foregoing, subject to the approval by the Executive Vice President and General Counsel; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.