

Issues of concern re: the proposed Adirondack Club and Resort
February 2007

The Adirondack Council was pleased that Adirondack Park Agency staff and commissioners agreed to send the Adirondack Club and Resort project to an adjudicatory hearing during their February meeting.

The following text contains excerpts from recent project reviews by the Adirondack Park Agency staff and the Hudson Group, LLC, an independent consultant reviewing the project on behalf of the Town of Tupper Lake.

Adirondack Park Agency

Excerpted from Adirondack Park Agency Staff Memorandum of January 31, 2007 with the Recommendation to Proceed to Public Hearing on the Adirondack Club and Resort, based on the APA Criteria to Conduct an Adjudicatory Public Hearing:

“The size and/or complexity of the project, whether measured by cost, area, effect upon municipalities, or the uniqueness of the resources likely to be affected.

“The Adirondack Club and Resort project is one of the largest, if not the largest project ever to come before the Adirondack Park Agency based on a combination of estimated project costs (\$45 million for wastewater, water, roads, and electric infrastructure); \$600 million in projected value of residential units (387 buildings and 759 units); and area (6,236± acres). The project will add 30% to the number of housing units in the immediate Tupper Lake community, has substantial public service requirements, has the potential for far reaching effects on both the Town and Village of Tupper Lake as it relates to economic stimulus, community character, quality of life and need for local government services, and public vulnerability should the project fail or not proceed at its projected pace.”

The APA staff memo describes additional criteria and justification for the ACR project to proceed to a hearing. A list of the major issues is paraphrased below:

- Potential to affect water, land and visual resources;
- Natural resource features that pose severe difficulty for the proposed development (e.g., exposed bedrock, rock ledges, steep slopes and shallow soils);
- Degree of public interest in the project (one area of unanimity among both the proponents and opponents of the project is for the re-opening of the former Big Tupper Ski Area);
- Compliance with the intent of the Adirondack Park Land Use and Development Plan, especially in regard to the Great Camp lots and associated development and management proposals (whether 52-149 acre lot sizes constitute “substantial acreage” or should clustering be required), and issues regarding the forest management and open space;

- Conformance with Overall Intensity Guidelines for a Resource Management land use area regarding the number (110) of principal buildings allowed;
- Non-compliance with “Development in the Adirondack Park” (DAP) regarding safety and emergency service concerns on dead-end subdivision roads, and on-site sewage guidelines;
- Undue adverse impacts upon the natural, scenic, aesthetic, ecological, historic, recreational and open space resources of the Park, including: fragmentation of wildlife habitat by Great Camp lots, lack of information to assess potential impacts on species composition, diversity, functional organization, or changes to the biotic integrity of the site and adjacent properties, visual impacts from development at higher elevations, intrusion of Orvis Shooting School on rural residential uses and open space recreation, increased traffic, “valet service quick boat launch”, downstream impacts from stormwater runoff, and nighttime visual impacts;
- Possibility that the project can only be approved if major modifications are made, including: alternative off-site locations for the Orvis Shooting School, elimination of the East Ridge Development, elimination or scaled back West Slopeside Development, scaled back West Face Expansion, reassessment of the NYSDEC State Boat launch as a valet quick launch, elimination of the wastewater treatment plant for Simon View subdivision, temporary use (if any) of Cranberry Pond for snowmaking;
- Project sponsor should pay for independent professionals to provide oversight of water supply improvements, sewer, water, roads and electric;
- Possibility that information presented at a public hearing would be of assistance to the APA in its review, including financial assumptions, projections and guarantees for a project of this scale in a rural community, including: cost-sharing for off-site water plant infrastructure between the developer and local government, road infrastructure to be dedicated to the Town, maintenance payments to be made to the Town for roads and stormwater systems, on-site sewage treatment infrastructure that may be subject to eventual operation by the Town in the event of project failure, ski slope improvements and commitment of long term public access at a reasonable price, marketing assumptions, affordable housing, electric demand and cost, insufficient detail on management structure, impacts on DEC managed lands and waters, impacts on marina wetlands.

Hudson Group, LLC

Excerpted from the Hudson Group, LLC Report of January 23, 2007 Memorandum to the Tupper Lake Planning Board:

- Conclusion on Residential Demand Analysis: “...the quantitative market research...prepared for this Application, does not in any meaningful manner demonstrate sufficient support that the upscale ACR project located in the heart of the Adirondacks can be successfully marketed given the number of units and prices being proposed.”

- Infrastructure (includes roads, water, sewer, and electric): “The capital costs, totaling \$45,225,448, for these components are intended to be financed through the issuance of Franklin County IDA bonds.”
- IDA Financing: “IDA purposes would seem to be limited to industrial and commercial development...The legal issue of the Franklin County IDA using its financing powers to support residential development is not discussed and needs to be. An IDA to protect itself generally takes title to a project’s real property until the bonds have been paid off. Presumably, it would be necessary for the Franklin County IDA to take title to the residential homes and associated land. The payments back to the IDA for the principal and interest on the bonds do not distinguish between improvements and land. There is no discussion in the Project of how Franklin County IDA would secure its interest in the property and there needs to be.”
- Infrastructure Financing: “The infrastructure costs to be bonded for the Project are projected to be \$45,228,448. The interest payments at 6.5% are projected to be \$9,404,615...The total bond issue would be \$54,630,063...”

“Issuing bonds for the costs of construction is normal and anticipated. There is no explanation as to why bonds need to be or should be issued to cover the interest costs resulting from the issuance of bonds for capital expenditures. Of the \$54,630,063 in bond proceeds, \$45,228,448 will be used to pay the capital costs anticipated by the Applicant for the infrastructure costs of the residential portion of the Project. As such, it is a subsidy to encourage economic development since it will not be repaid by the developer. The payment of \$9,404,615 for interest costs to the developer, for which there is no responsibility for payment, provides a direct windfall...”

“All infrastructure costs of the residential portion of the Project are to be financed by Franklin County IDA Bonds. The mechanism for paying off the bonds is coming from what would otherwise be property revenues received by the town, school district, and county. From each tax levy on property homeowners will be taken sufficient revenues to pay the principal and interest on the bonds, with the remainder of the tax levy becoming a variable PILOT to the town, school district, and county. In effect, this procedure creates a “backdoor” way of getting municipal financing for the capital costs.”

- Assessment Issues: “...The Proposal contemplates that as long as Preserve Associates, the developer, holds title that there will be no change in the tax rate for the town, school district, and county taxes. It also contemplates that the assessments will be frozen at the sales price paid for the nine parcels of \$5,775,000 (\$1,300,000 for the ski area, \$475,000 for the marina, and \$4,000,000 for the Oval Wood Dish properties). Once residential properties are sold, their assessments would be frozen at the sales price and the tax rate allowed to be the same as other properties in the town, school district and county.”

“There is no authority, in state law or otherwise, that would allow tax rates to be frozen on a particular property or properties...There is no legal authority that authorizes freezing of assessments...Partial construction under the Project proposal would remain unassessed and untaxed...Newly completed and unsold residential homes would remain unassessed and untaxed under the Project proposal.

- Open Space: “The project will be on 6,356.72 acres made up of nine parcels. The development area is 951.3 acres, with approximately 5,405.42 acres left as open space. At the outset of the project, the proposal calls for the assessment of the 6,356.72 acres to be frozen at the sales price of \$5,775,000. As residential homes are sold, they would become subject to an assessment equal to the sales price. At the completion of the project, 5,402.42 acres would still be undeveloped.

“There is no discussion about the assessment and property taxation of the 5,402.42 acres of open space. Table IV-1 shows the property tax payments for the property as it now exists dropping from \$154,019 to \$163 in Year 11. This indicates that the intent is that the open space will not be subject to property taxation. There is not discussion of exempting the open space from property taxation and if so, how it will be done.”

- Other governmental services: “Currently the Town is receiving \$14,830 in property taxes from the nine parcels in the project area. The Applicant’s proposal would increase the property taxes paid to the Town to \$29,859, which would be remain constant until residences were sold and the PILOT began. If there is any delay, and perhaps even if there is not, in building and selling the residential structures, the Town’s expenditures related to the Project may exceed \$28,859. The Town should be aware that in the start-up period, their costs may exceed any revenues received.”

Other concerns raised in the Hudson Group report include: the PILOT arrangement, impacts on the New York State proportion of funds for the Town’s schools in light of rising real estate values, the Town’s share of the Franklin County property tax base in the future, availability of worker housing, and the long term management commitment for the ski slope.