

August 19, 2024

Chairman Joseph F. Hasenkopf, Jr., Esq.
Town of Cairo Planning Board
512 Main Street
PO Box 728
Cairo, NY 12413

By Email: Joseph Hasenkopf, Edward Forrester, Allen Veverka, Beth Hansen, Kevin Hicks,
Richard Lorenz

Re: Public Comment for Proposed Redevelopment - Blackhead Mountain Lodge (2022-1101P)

Dear Chairman Hasenkopf and Planning Board Members:

Since commenting at the August 1st meeting, I continue to hear that the Planning Board has already made its determination to make a SEQRA negative declaration. The suggestion that the Planning Board is merely going through the motions of public comment to create the appearance of satisfying its obligations as lead agency is alarming. With the hopeful assumption that the Planning Board is conducting a meaningful review, I am writing to urge you to make a SEQRA positive declaration and require the Applicant to provide an Environmental Impact Statement (EIS). As plainly stated in the statutory definition, “[a]n EIS provides a means for agencies, project sponsors and the public to systematically consider significant adverse environmental impacts, alternatives and mitigation.” As a result, I believe that the nature and type of the present Applicant is directly relevant to the Planning Board’s determination, and therefore, must be considered.

As I stated at the August 1st meeting, my family has been friends with the Maassmann family for many years. Because of that friendship, I have been especially thoughtful about whether and how to participate in this process. Ultimately, I chose to comment publicly after extensive research into the Applicant’s business model as a real estate investor and developer. My research made clear that not only is the size and scope of the proposed project unprecedented in Greene County, but perhaps more importantly, the financial structure of the project is also unprecedented.

Based on a review of R Henry Courtemanche’s past real estate development projects, it is apparent that his acquisition of BHML is merely the first step in a complex series of interdependent transactions that if “successful” will result in the property becoming a relatively small piece of a private equity portfolio and/or an even smaller piece of a corporate conglomerate. Courtemanche is not an owner and operator. He is a finder of potential investment assets that fit a targeted model with the goal of maximizing tax benefits and profitability for its investors. That combined goal is the sole priority of the proposed redevelopment. The local government, residents and businesses of Cairo and Round Top are the David to Courtemanche’s Goliath.

I. Courtemanche's past projects, and those of his business partners, provide a clear roadmap of his intention for BHML, which is to position it as an investment vehicle, not a country resort.

According to his website and LinkedIn, Courtemanche is a real estate developer with four completed projects to date. For each, Courtemanche was briefly, if ever, the true buyer, owner or operator of the properties. The actual buyer was Eastern Real Estate, a commercial real estate firm specializing in capital investment, real estate development, and asset management valued at over \$5 billion, with a portfolio of commercial, residential and retail properties throughout the country. A review of Eastern's past real estate development projects, specifically in this sector, adds even more detail to the roadmap of their business model, which includes expertise in navigating local municipalities to extract the most value for its investors.

A brief summary of other Eastern hospitality/residential developments, includes:

- Waterman Hotel (Santa Barbara, CA) (f/k/a The Wayferer Hotel)
 - 2014 – Eastern purchase; 31 keys; \$7.6 million
 - 2021 – Eastern sale to institutional investor; \$15.6 million
- Taj Boston (Boston, MA)
 - 2016 – Eastern purchase; 271 keys; \$125 million
 - 2018 – Eastern sale (95% interest) to institutional investor, ICONIQ Capital; \$196 million
- 200 Quannapowitt (Wakefield, MA)
 - 2018 – Eastern purchase of 24-acre lab/office complex; pivot to pitch for 600 residential keys; approved for 440 residential keys; \$15 million
 - 2022 – Eastern sale to real estate investment trust (REIT)
- Radio Factory Lofts (Melrose, MA)
 - 2020 - Eastern purchase of 100,000 sf industrial building; conversion to 141 residential keys; \$58 million
 - 2022 – Eastern sale to institutional investor

Additional transactions and information related to Courtemanche's and Eastern Real Estate's past developments, and how they fit the business model discussed herein, can be found in the attached spreadsheet (source material included).

II. The National Exchange Hotel: A case study of Applicant's business model.

Courtemanche lists the National Exchange Hotel and Holbrooke Hotel as two of his four completed development projects. On its website, Eastern Real Estate lists both properties, acquired in 2018, as part of their portfolio. Yet, press about the purchase of the historic, 38-room hotel in Nevada City, CA identifies Jordan Fife as the new owner, who described his family's long history in the area and his childhood memories of the property:

“I have been coming to Nevada City since I was a child, and even met my wife here when I was 12, but there has never been anywhere truly wonderful to stay that reflects the charm of the town and the sensibilities of its tourists,” said Fife, whose parents and grandparents have Nevada County roots and who stresses that he’s no ‘carpetbagger’ coming in to take advantage of the town.”

One year later, the true owner, Eastern Real Estate, hired Acme Hospitality, a partner of Eastern on several other properties, to manage the renovation of the property. Fife’s position on the project is clarified:

“Jordan Fife, who was described as the managing partner of the National Exchange Hotel Company at the time of the purchase, will no longer be involved in the renovations of the Holbrooke and the National. ‘Jordan Fife is managing acquisitions of these and other heritage hotels in need of rescue...As (this) project enters the second phase, (he) will be moving on using his considerable talents to focus on property acquisitions in other small towns around the country.’”

Unsurprisingly, the ownership of the two hotels gets even more attenuated when they are both listed for sale in 2024. A statement from the hotels’ publicist said,

"The National Exchange Hotel and the Holbrooke Hotel properties are owned by a group of private investors with asset management provided by Eastern Real Estate. The property owners are exploring a recapitalization as the existing loan is scheduled to mature at the end of the year. This may mean a refinancing of the existing loan or a sale of the real estate assets. This is common in the hotel industry to ensure the long-term sustainability of the two properties. Acme Hospitality manages all aspects of the operations. As such, we see no interruption in the operations of either property and continue to be committed to serving our guests with gracious hospitality and to maintaining a positive and stable work environment for our team."

Is Courtemanche for BHML what Jordan Fife was to The National Exchange Hotel? Who knows. Courtemanche told a story similar to Fife’s about his personal ties to the area where he developed the Azure Sky hotel that Fife did about The National Exchange. Certainly, it would be unreasonable to expect the Planning Board to conduct endless research into every possible future use of a project as part of its review. However, now that we have this information and we know more about the Applicant and his business model, it becomes on the Planning Board to factor this information into its decision making process.

III. Private Equity is not your average Town of Cairo Applicant for Site Plan Review.

It is no surprise that Private Equity has reached our corner of the world. Stories about how Private Equity is entering seemingly unrelated business sectors are pervasive. Examples include stories about how Private Equity investments in certain real estate markets are ultra gentrifying communities (i.e., the billionaires are pushing out the millionaires); stories about how Private

Equity investments in health care may negatively impact patient outcomes; and even a story about how Private Equity enabled Scooter Braun to acquire Taylor Swift's early recordings.

As you probably know, in simplest terms, Private Equity investments are used to acquire, own, manage, securitize and/or sell businesses and companies so that investors earn profits and potential tax advantages. The investments, whether within a fund or in a portfolio, are continually balanced to maximize returns, off-set losses and provide tax benefits. The rate of returns vary based on, among many other factors, the type of investment pool (e.g., a fund or joint venture), the investment strategy employed, and the risks associated with that strategy.

One example of a type of private equity investment is a value-add fund, in which the potential for returns is potentially greater because, in part, appreciation on the underlying asset(s) is a significant part of the overall investment returns. These kinds of funds can offer 11% - 15% net equity rates of return to investors. Fund sponsors and asset managers, analyze the sector in which they are considering investing, and identify key factors that can be used to find companies or properties that they believe could fit their investment strategy. The sponsors and asset managers may put up additional capital to co-invest with the investors and often secure significant debt using the targeted property as future collateral. Both the sponsors and the investors in the fund are often structured as limited partnerships, so if the project fails or circumstances change and the sponsor is no longer confident that the projected profits are likely, they can abandon the project with limited liability. Of course, the sponsors and other asset managers earn fees for their efforts in addition to any future returns.

In this case, BHML fits a value-add model because it requires moderate to heavy rehabilitation on a mid to long term time horizon. That means that the potential for significant profits due to appreciation is high. It also enables certain capital gains tax benefits due to the projected time horizon for the redevelopment construction and improvements. Perhaps most notably, BHML is an especially attractive private equity investment because it is a triple threat. First, it offers the beauty of the Catskill Mountains near major cities. Add the combination of our seemingly lax local regulations and our small-town local government. The result is a prime investment opportunity for wealthy and sophisticated investors to extract its value.

To be clear, there is nothing inherently wrong about the businesses of real estate development or private equity. Yet, to ignore or fail to take seriously the nature of that business model and its implications for any non-investor/non-shareholder, particularly at this scale, would be gross negligence. Wherever the aim of maximizing profitability conflicts with anything else, maximizing profitability for the investors and shareholders will win.

The Planning Board is authorized to review and approve site plans by employing a review process that includes “carefully weigh[ing] the **specific circumstances surrounding each application...**” The importance of considering the specific circumstances of each application is clear. That's why proposed site plan approvals have an expiration date. Things change - the environment, the Town's needs, the nature of our infrastructure, the need for revenue, etc. We have a Planning Board because there is no one-size-fits-all answer, and most importantly, because of the importance of the responsibility in its charge.

IV. **The proposed project is precisely the type for which an EIS is essential.**

By definition, the EIS is the means by which the Planning Board can “analyze reasonable alternatives” to proposed potentially adverse action. The intent is to “identify ways to reduce or avoid [those] potential impacts,” and, if appropriate, to impose substantive conditions on a site plan. The nature and type of the Applicant and its business model is central to the Town’s and the Planning Board’s ability to assess the viability and likelihood of success for those reasonable. Furthermore, the nature and type of this Applicant is relevant to the credibility of early claims by the Applicant’s agents.

In other words, the EIS is not an obstacle to development, rather it is a path to the project moving forward. A positive declaration and EIS will enable the Planning Board, Applicant and our Community to efficiently and effectively plan for this project’s success. The scope and scale of the proposed development and its location, both individually and combined, provide sufficient basis for a positive declaration. Now that we also know the nature of the Applicant and its business model, an EIS is even more essential to the protection of the Town’s best interests.

Our local Site Plan Review Law charges the Town and Planning Board to ensure “optimum overall conservation, protection, preservation, development and use of our natural and man-related resources.” Those goals were given equal billing. The conservation, protection and preservation of our natural resources should not be afforded more weight than the development of the Community. Likewise, the promise of possible future and very uncertain tax revenue should not tempt us to unknowingly sacrifice some of our most finite resources.

I urge the Planning Board to issue a positive SEQRA declaration immediately and begin the draft EIS process.

Sincerely,

Sandra Landron

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Enclosure

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