

REPORT ON

PROPOSED LONG-TERM LEASE

BETWEEN

THE DEPARTMENT OF
ENVIRONMENTAL PROTECTION

AND

MANSION CATERERS, INC.

AT

RINGWOOD STATE PARK

[N.J.S.A. 13:1D-52]

PREPARED BY
DEPARTMENT OF ENVIRONMENTAL PROTECTION
NATURAL AND HISTORIC RESOURCES
OFFICE OF LEASES
July 3, 2008

STATUTORY REFERENCE

Pursuant to P.L. 1993, c. 38, codified at N.J.S.A. 13:1D-51 through N.J.S.A. 13:1D-58, no lands acquired or developed by the State with Green Acres funds, or developed by the State in any other manner and administered by the Department of Environmental Protection (DEP), may be conveyed unless the DEP first prepares a report on the proposed conveyance in accordance with N.J.S.A. 13:1D-52a(1), transmits the report to the individuals listed at N.J.S.A. 13:1D-52a(2), makes the report available to the public in accordance with N.J.S.A. 13:1D-52a(3) and conducts one or more public hearings as required by N.J.S.A. 13:1D-52a(4). A “conveyance” is defined to include leases of twenty-five years or more. N.J.S.A. 13:1D-51. Public notice requirements for the hearings are specified at N.J.S.A. 13:1D-53 and 54. A summary and/or transcript of the public hearing(s) is provided to the DEP Commissioner, the State House Commission and the public under N.J.S.A. 13:1D-55. The methodology for valuing lands to be conveyed and the terms of such conveyances are governed by N.J.S.A. 13:1D-56.

Once these procedural requirements have been met, the conveyance proposed in the report requires the approval of the DEP Commissioner and the State House Commission. N.J.S.A. 13:1D-55; N.J.S.A. 13:8A-48; N.J.S.A. 13:8C-1 et seq.

RATIONALE FOR CONVEYANCE

PROPOSED ACTION

In June 2004, the Department of Environmental Protection (DEP), Division of Parks and Forestry, entered into a 20-year lease with Mansion Caterers, Inc. (Mansion Caterers), for the improvement, maintenance, and operation of a catering facility and the restoration, renovation, furnishing, maintenance, operation and use of Skylands Manor as a bed and breakfast. As explained in detail below, Mansion Caterers has requested that DEP extend the lease term to 30 years due to the substantial investment they have made in the facilities. In addition to extending the term of the lease, the DEP will be seeking to renegotiate other terms, including payment of utilities, responsibility for air conditioning and walk-in freezer, and accommodation of public tours.

In 1998, the DEP, Division of Parks and Forestry, advertised for bids for a concessionaire to operate a first class catering and restaurant operation within Skylands Manor (Manor) and to coordinate activities at the Chapel (Chapel) located at Shepherd Lake Recreation Area, both administered through Ringwood State Park. The DEP sought a concessionaire for the catering of social affairs and events, and to schedule and operate the Chapel for religious and non-religious ceremonies. The successful bid (sole bidder) was received on November 16, 1998 from Mansion Caterers, and the bid was awarded on April 6, 2000. Since April 2000, Mansion Caterers has successfully operated the Manor and Chapel for weddings, corporate functions, galas and other events.

In 2002, the DEP decided to convert the original concession agreement to a 20-year lease. This decision was based on the successful operation of the concession and the extensive renovations undertaken by Mansion Caterers to convert the aging facility into a modern, first class catering hall. By the end of 2002, Mansion Caterers had invested \$800,000.00 in the renovation and improvement of the catering facilities. The improvements included both aesthetic improvements and compliance with code requirements. No State funds were available for this work.

The DEP received approval from the State House Commission on September 25, 2003 to enter into a 20-year lease with Mansion Caterers, which was fully executed on June 29, 2004. The rent due under lease is \$100,000.00 per year plus 15.1 percent of the yearly total gross revenue exceeding \$2,300,001.00. The lease

revenue is deposited by the DEP in the Ringwood State Park revolving account for the upkeep of Ringwood State Park.

Beginning in 2004 and pursuant to the lease, Mansion Caterers began an extensive rehabilitation of the residential portion of Skylands Manor to convert it into a bed and breakfast/conference center. To date, they have invested \$1,100,000.00 in the bed and breakfast/conference center portion of the manor (in addition to the \$800,000.00 they expended in renovating the catering facility portion of the building). Under the terms of the lease, Mansion Caterers is solely responsible for the renovations, although the renovations were done in consultation with DEP and received the approval of the State Historic Preservation Office. Due to this substantial investment and the need to obtain adequate financing in light of the recent renovations, Mansion Caterers has requested a longer term lease.

The DEP has forged an exemplary private/public partnership with Mansion Caterers over the last ten years -- through both the concession agreement and the lease agreement. The catering operation has been successful, and both parties anticipate the same success for the bed and breakfast/conference center operation.

In addition to changing the term of the lease from 20 years to 30 years, the DEP will also be seeking to renegotiate various provisions of the lease to lessen its financial responsibilities under the lease. Specifically, the DEP will be seeking to require Mansion Caterers to be solely responsible for utility costs (electric, heating oil, propane and water), and maintenance and repairs of the air conditioning system and a walk-in freezer. Under the current lease, Mansion Caterers and the DEP divide the cost of the utilities pursuant to a formula set forth in the lease, and the DEP is solely responsible for repairing and maintaining the walk-in freezer and air conditioning system. The current air conditioning system is not effective and DEP has expended a significant amount of funding (from the rental payments it receives from Mansion Caterers) for emergency repairs and short-term fixes for the air conditioning problems. The DEP has committed capital expenditure funding to build a new air conditioning system, but will be seeking to amend the current lease, giving Mansion Caterers sole responsibility for maintaining and repairing the new system once it is constructed. Lastly, the DEP will be seeking to amend the lease to accommodate public tours of the leased premises, provided that such tours do not reasonably interfere with Mansion Caterers' business operation.

The property that has been leased is designated as Block 1000, Lot 2 in the Borough of Ringwood, Passaic County. The lands and structures were acquired by the Department of Environmental Protection under the Green Acres Land Acquisition Act of 1974 and assigned to the Division of Parks and Forestry for administrative purposes as a part of Ringwood State Park. Skylands Manor was built in the 1920s with native stone and half-timbers in the English Jacobean style. The 44-room mansion contains rooms with antique paneling as well as new American Oak paneling and large windows, some of which contain 16th-century stained glass medallions. The house is also notable for its molded plaster ceilings and an elaborately carved staircase.

Robert and Gerald Frungillo, Owners and Linda Pergola, General Manager have been operating the facilities proposed to be leased.

Additional information regarding the proposed lease amendment is available from Marci Green, Administrator of the Office of Leases, Department of Environmental Protection, at (609) 633-7575.

ADVANTAGES AND DISADVANTAGES

The lease currently allows for year-round use of the Skylands Manor and Chapel, continued daily maintenance, renovation and improvements to these facilities, introduction of the park environment to a clientele who may not normally visit Ringwood State Park, infusion of new revenue sources from both the lessee and new visitors, support for friends groups within the park, opportunity for a new community meeting place and increased employment opportunities.

ENVIRONMENTAL ASSESSMENT

Assessment of Environmental Impact and Impact on Plants, Endangered and Non-Game Species

There has been no adverse environmental impact to any plants, endangered and/or non-game species as a result of the lease, and none is anticipated as a result of the proposed lease extension. To the contrary, the operation of the Botanical Gardens located adjacent to the Manor is enhanced by the infusion of funds to the Ringwood State Park revolving account.

Assessment of Recreational Impact

There has been no adverse recreational impact to Ringwood State Park, Skylands Manor or Shepherd Lake Recreation Area as a result of the lease, and none is anticipated as a result of the proposed lease extension. As discussed above, the lease increases the use of these facilities over the long term.

ECONOMIC ASSESSMENT

Based on a fair market appraisal of comparable businesses within the market area and like type businesses in the region, return on investment and amortization calculations (by Mansion Caterers), evaluation of the highest and best use of the facilities, compensation to be paid to the State, decrease in maintenance costs of these facilities by the State, long-range plans for continued improvement to the Manor, the lease and lease extension will result in an economic benefit to the State greater than could be realized without entering into the agreement.

The State currently receives an annual income in the amount of \$100,000.00 guaranteed and 15.1 percent of the yearly total gross revenue exceeding \$2,300,001.00. As discussed above, the DEP will be renegotiating portions of the lease to lessen its financial responsibility for the repair, upkeep and maintenance of utilities, appliances and the air conditioning system. The lease revenues are deposited in the existing Ringwood State Park revolving account for use for the upkeep of Ringwood State Park.

To date, Mansion Caterers has invested almost Two Million Dollars in the renovation and improvement of the leased facilities. In light of this extensive investment and the success of the public/private partnership to date, the DEP is seeking to extend the term of the lease at the request of Mansion Caterers. Without a lease extension, Mansion Caterers' economic viability may be jeopardized in light of the substantial investment it has made. If Mansion Caterers were to default on the lease agreement and the agreement was terminated, the DEP would not be in a financial position to maintain Skylands Manor.

PUBLIC HEARINGS

In accordance with N.J.S.A. 13:1D-52a(4), two public hearings have been scheduled on the proposed conveyance:

The **first public hearing** will be held on **August 22, 2008** at 3:00 pm at:

Skylands Manor, Ringwood State Park
1304 Sloatsburg Road
Ringwood, New Jersey 07456
973-962-7031

The **second public hearing** will be held on **September 8, 2008** at 3:00 pm at:

Department of Environmental Protection
3rd Floor Conference Room
501 E. State Street
Trenton, New Jersey 08625

CONTACT INFORMATION

For further information, please contact:

Department of Environmental Protection

Marci D. Green, Administrator
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609-633-7575

Steve Ellis, Regional Superintendent
Northern Region Office
973-827-8848

Rebecca Fitzgerald, Superintendent
Ringwood State Park
973-962-7031

Borough of Ringwood

Mayor Walter Davison
Borough of Ringwood
973-962-6107

DISTRIBUTION LIST

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Acting Administrator, State Historic Preservation Office, DEP
John Flynn, Administrator, Green Acres Program, DEP

Hon. Walter Davison, Mayor, Borough of Ringwood
Kelley Rohde, Clerk, Borough of Ringwood

Karen Brown, Esq., Clerk, County of Passaic

Hon. Barbara Buono, Chair, Senate Budget and Appropriations Committee
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