

The Horse Shoe Crab

May 8, 2014

Motto: Of Crabs, By Crabs, For Crabs

Greetings from Commodore Batchelder

We are six weeks away from the start of our 83rd season on Stage Harbor. In our last newsletter, we included our calendar of events, along with a description of some of the exciting new activities we have planned for the summer. Earlier this week, we sent members information regarding Sailing School and Race Teams registration. We look forward to seeing everyone in Chatham soon!

In this newsletter, we wanted to provide you with an update on where we stand relative to paying off the remaining debt on the Sailing School's purchase of the adjoining property from Mark Simonitsch in 2006, and get your input on some exciting proposed plans for the use of the property beginning in the summer of 2015. Since 40% of our members joined the Club after the Sailing School acquired the property, we thought we should begin with a brief history of the purchase.

Sailing School Purchases Pier and Building on Shore from Mark Simonitsch

Mark Simonitsch bought the pier immediately to the east of our pier in 1972, and added the building on shore in 1996. Five years later, Simonitsch put the property on the market for \$2.2 million, but it remained unsold for several years. The Club first began discussions internally about whether to consider purchasing the property in 2003, and in February 2004, the Executive Committee sent members a brief survey to get their thoughts on a potential purchase. The vast majority of the members who responded to the survey favored exploring a potential purchase.

In the summer of 2004, the Executive Committee decided to move ahead with a potential purchase, which required changes to the by-laws of both the Club and Sailing School. The Club held a Special Meeting on August 14, 2004 to discuss the potential acquisition. At that meeting, the Club distributed the following "Mission Statement" to members, explaining the purposes behind the potential acquisition:

SHYC has a once in a generation opportunity to purchase an adjacent waterfront property. In order to ensure that the Club will have adequate and appropriate facilities for all of our future needs, and, equally importantly, to protect the Club from alternative uses of the property that would be inconsistent with the Club's mission, we are committed to raising

**the funds necessary to purchase the property
at a fair price, without burdening members
with too heavy debt, dues or assessments.**

The Club also had on display for members the following rendering of the property post-acquisition, with the building on shore labeled "Sailing School Center."



At the Annual Meetings later that month of both the Club and Sailing School, the members voted to change the by-laws to enable the Club and Sailing School to purchase the property, provided that a Special Committee appointed by the Executive Committee to negotiate the purchase concluded, after consulting with the membership, that such purchase was in the best interest of the Club and Sailing School.

Negotiations continued into 2005, and on August 8, 2005, Commodore Bainbridge sent a letter to the members announcing that the Sailing School had signed a P&S Agreement to purchase the property for \$1.75 million (20% less than the original asking price). The Special Committee determined that the Sailing School - acting through a LLC - should be the purchaser, as it is a 501(c)(3) organization and able to receive tax deductible donations. The seller agreed to finance the purchase, with the following payment schedule: \$500,000 at closing, and then three principal payments of \$416,667 in years 3, 5, and 8. The interest rate was 5% initially, went to 5.25% in year 3, and 5.5% in year 6.



At a question and answer session on August 14, 2005, the Special Committee explained how the Sailing School intended to pay for the purchase: the initial payment of \$500,000 was to be paid by member donations, and the payments in years 3 and 5 were to come from a combination of pier revenue, assessments (\$1,500 over three years for active members), dues increase (\$150 increase in year 4), and auction revenue. The third and final payment - \$416,667 plus interest - was to be paid for by a second round of fundraising in year 8 (2013).

Over 50% of the members pledged, and the Sailing School raised approximately \$560,000, which went to the initial payment at the time of closing on January 31, 2006. Since that time, the debt has been steadily reduced through prudent financial management and pre-payments, even though projected pier revenue dropped off dramatically due to an unanticipated reduction in fishing stocks.

Sailing School Refinances Debt with 20-year Mortgage

In 2011, the Board decided to have the LLC enter into a 20-year mortgage on the remaining debt on the property, which was then \$417,000 (the amount of the final payment then due on January 31, 2014). The Sailing School used the mortgage proceeds to pay off the remaining balance to Simonitsch. The Board obtained the mortgage to take advantage of low interest rates at the time (which were not available at the time of purchase for commercial property), and to backstop the ability of the Sailing School to raise the funds necessary to make the final \$416,667 payment on the purchase. While the mortgage gave the Sailing School some breathing room, the Board still hoped to be able to pay off the remaining debt in 2014, along the lines originally contemplated by the members back in 2005.

Projected Debt at end of 2014 -- \$148,000

We are now in the very good position of having reduced the mortgage to approximately \$165,000, and project owing \$148,000 by year end. Consistent with the goals set at the time of purchase, the Board hopes that with your help, the Sailing School can retire the mortgage by the end of this year, and enter 2015 debt free.

New Sailing School Center

2015 is also when the Sailing School will gain occupancy of the entire building on the shore, making this a perfect time to assess where we are financially, and plan for the day when the Sailing School will have full use of the property it acquired nearly ten years ago.

Aquaculture Research Corp. ("ARC") has leased the building on shore (everything except the shanty on the eastern end) since shortly after it was built, first from Simonitsch, and then from the Sailing School. ARC has been a good tenant, and the Sailing School has not raised the rent on ARC since it took over the lease in 2006. ARC's most recent lease was set to expire on February 28, 2014, and in late December 2012, we informed ARC of the likelihood that the Sailing School would not renew the lease upon its expiration. The Board formally voted not to renew the lease at its May 4, 2013 meeting. On October 9, 2013, ARC informed us that it had an opportunity to take over a shellfish nursery on Saquatucket Harbor, but that it would not be able to move to the new facility until after ARC's 2014 season (which runs from April through December). ARC requested an extension of its lease to allow it to have another season on Stage Harbor before moving to Harwich. The Board agreed to the extension, which runs through January 31, 2015, at which time ARC will move its operations. We have had a good relationship with ARC over the past eight years, and wish ARC the very best when it moves to its brand new facility next year.

With ARC's impending departure, thoughts turn to converting the space to the "Sailing School Center" originally contemplated when the Club first presented to members the idea of purchasing the property back in 2004. There are a number of potential uses of the building - which has approximately 1,800 square feet of space - and we welcome your input as to how best to use the space for our members. **Please click on the link at the end of this newsletter to complete the short survey by May 31**, which will help inform the Board of what uses are the most important to our members. All responses are anonymous, and we will announce the results of the survey in advance of the Opening Meeting. There are no current plans to do any work other than annual maintenance on the pier, which the Sailing School put to good use last summer.

Financing Cost of Improvements

There will be some cost associated with converting the portion of the building currently leased by ARC to space that can be used by the Sailing School. Under existing regulations, the Sailing School can obtain a building permit to spend up to one-half of the current appraised value of the building on improvements. The building is appraised for \$143,000, which means we can spend up to \$71,500 on improvements. Based on feedback from experts on our Board, we believe this amount is more than adequate to do the necessary conversion, including new floors, some new windows, new doors facing the water, lighting, means of egress, and so forth. The cost for routine maintenance and upkeep is not subject to these limitations, and will proceed as needed (e.g., new shingles). This work could all be completed in the period between the expiration of the lease on January 31, 2015, and the start of our 2015 season in June. The opening of the new Sailing School Center will be a milestone in the history of the Club, and will validate the members' faith (and very generous financial support) when they voted ten years ago to acquire the property.

We need to come up with the \$71,500 to pay for the improvements, and the Board would also like to honor the initial intention of retiring the debt on the purchase this year. In order to do so without a dues increase or assessment, we will need to raise the funds from our members as we did back in 2005 when we had our first fundraising campaign. We raised \$560,000 then, and our goal this time is more modest. We hope to raise \$219,500 -- \$148,000 to pay off the mortgage and \$71,500 to pay for the projected improvements to the new Sailing School Center.

We are confident that with your help and generosity, we will be able to meet this goal (which is \$200,000 less than what the Club originally contemplated it would need to raise at this time under the original financing plan for the purchase of the property). All funds raised in excess of the goal will be deposited in a capital reserve fund. At this time, there is no major capital improvement project planned, but we believe it makes sense to take advantage of the current favorable financial climate to raise money now. A successful fundraising campaign will have the added benefit of enabling future Boards to keep any increases in dues and fees relatively modest.

We are optimistic that the members will support this important initiative, and have already received several pledges toward our goal. We want to hear from you, though, and the survey below seeks to gauge your interest in retiring the debt and raising the necessary funds for the improvements to the new Sailing School Center. We do not intend to have an auction this summer, so that we can concentrate our donations toward this larger objective.

Many thanks for your continued support of Stage Harbor Yacht Club and Stage Harbor Sailing School. May the Crab keep marching on!

[Click here to complete the survey](#)

Richard D. Batchelder, Jr., Commodore
Elizabeth C. Patten, Vice Commodore
Matt Evans, Rear Commodore