

6.14.98 00:02:16

Unnatural resource:

The Story of Pascoag Reservoir

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BURRILLVILLE -- In the winter of 1980, a real estate partnership called Sayles Mill Associates authorized Vincent J. Mesoellella Jr. to represent the firm in all of its ventures.

At the time, Mesoellella was earning \$200 a week managing a lumberyard owned by the same three men who owned Sayles Mill: his father, Vincent Mesoellella Sr.; his uncle, Thomas Mesumuci; and developer Richard Ahlborg. The younger Mesoellella was 30 years old and had little business background.

But Mesoellella was also moving into his second term representing North Providence in the Rhode Island House, carried into the office by the powerful political machine of Sal Mancini, the town's legendary mayor, who died in 1994.

As he rose to become one of the state's most powerful legislators, Mesoellella also worked wonders with his family's real estate acquisitions.

Starting with an initial investment of just \$127,500 in 1980, Mesoellella's company used its ownership of the vacant Sayles Mill complex to gain control of the nearby Pascoag Reservoir, the Canada Rocks Dam that controls the reservoir, and 42 acres of waterfront real estate. Over the last 18 years, companies directed by Mesoellella grossed more than \$1.2 million through rent hikes, land sales and an insurance settlement reaped from a catastrophic fire.

Mesoellella and his partners still control the dam, reservoir, and land with an aggregate assessed value of \$825,500. And this spring Mesoellella renewed his long-time dream of getting the state to pay him and his partners for the lake itself -- a body of water that for decades has been freely used by hundreds of abutting cottage owners, the youth attending nearby Catholic and Episcopal church camps, a private campground and by fishermen using a small state ramp for launching boats.

Two months ago, in a move his lawyer said was an effort to bring the state to the bargaining table, Mesoellella drained half the water from the 2-mile-long lake.

The move outraged property owners and triggered a court order from the state to close the gates.

Last week a Superior Court judge heard arguments on the state's complaint that the draining of the lake violated the state's Freshwater Wetlands Act.

Meanwhile, Mesoellella's lawyer announced the lake was being closed to all users. (State officials say they will continue to encourage the public to use the lake.)

Although he was upbeat and talkative in court, Mesoellella and his partners declined to talk with the Sunday Journal about the dispute. Through a spokesperson they said: "Upon the advice of their counsel, the partners will refrain from making any comment to the press."

In public meetings with the Department of Environmental Management and at court, Mesoellella insists he is being victimized by all the swimmers and boaters who trespass on his lake. He's spent money and incurred liability for the lake, Mesoellella argues, while everyone else uses it without paying him.

Some people, including local officials, express sympathy.

But very few realize how little Mesoellella and his partners actually spent, and how much their investment has already brought them, as they methodically took control of the Pascoag Reservoir.

SOMEONE COMING across Pascoag Reservoir -- it's also known as Echo Lake -- this summer could easily be convinced he was viewing a slice of New Hampshire's Lakes Region. Hundreds of cottages and year-round houses jam much of the northern shoreline -- nearly all of them have a dock and a boat or a diving raft.

Hints to the lake's origins can be found among the rubble where Pascoag Lake nudges the village of Pascoag.

Years ago the lake was not a recreation area, it was an energy storehouse. Ten stone mill buildings embraced a dam here until they were destroyed by a spectacular fire in 1981.

Every other mill that depended on the reservoir eventually burned as well.

The story begins in 1814, the year that Daniel Sayles built a small mill on the banks of the Pascoag River. Farmers carried their homespun wool to Sayles's mill for dyeing and finishing.

Albert Sayles, the eventual patriarch of a vast family empire, bought into his grandfather's mill in 1853.

Albert Sayles rebuilt the mill with granite, creating a massive, four-story structure with a huge bell tower holding a 500-pound bell. For the next 66 years that bell tolled the rhythm of life in Pascoag, summoning workers in the morning, calling them to lunch, ringing an end to the workday.

Even today, the mill's influence is seen in the obituaries of the local men and women who worked there as perchers, inspecting the final cloth; as speckers, taking out imperfections; as doffers, changing bobbins on the looms.

In 1860, Sayles and four fellow mill owners banded together to form the Pascoag Reservoir Association. They bought land upstream from the mills, then flooded that land by building the Canada Rocks Dam in 1862.

The mill owners paid for the dam upkeep with occasional dues and by renting 16 lots on the reservoir to local residents in the know. The rents were cheap -- \$10 a summer for most cottages in 1960 -- but the few hundred dollars they generated, combined with sporadic contributions from the mill owners, paid the taxes and a gatehouse keeper for the dam.

By the 1960s, only three mills contributed toward upkeep of the dam and reservoir:

<Picture>The Sayles Mill was a 10-building complex built throughout the 1800s, the mill was the heart of the Pascoag business district until the last owner of the Sayles Mill finally threw in the towel in 1978 and shut down the mill.

<Picture>The Stillwater Mill built Harrisville and clothed the U.S. Army in olive drab. The company that owned it shut it down in 1973. But it retained three rooms for a small mending operation.

<Picture>The Oakland Mill was also in Harrisville and shut down in 1973. Charles Cove, a Pawtucket scrap dealer, bought the property.

Cove did not use the mill for manufacturing -- the mill became a warehouse for scrap metal such as old textile machinery. But the mill came with membership in the Pascoag Reservoir Corp., and Cove Metal paid its membership dues.

In 1980, Sayles Mill Associates bought Sayles Mill. The three partners -- Mesolella's relatives and Ahlborg, their business associate -- paid \$127,500. They did not buy the mill for manufacturing, but for housing.

Shortly after buying the mill, Sayles Mill Associates announced plans for a 126-unit apartment complex for the elderly.

The proposal met some resistance from the Planning Board, but the Zoning Board gave its imprimatur for the apartments -- 84 in the old mill, with the rest in new buildings adjacent to the mill.

The housing project never came to pass.

In May 1981, arsonists torched the mill on three successive nights. The third fire, on May 14, 1981, was so intense it overwhelmed the effort of firefighters.

"I've had 58 years in the business, by God, and this is the worst one I've seen . . .," now-deceased Pascoag Fire Chief Wilfred Osborne said at the time.

The next day, crane operator Norman Paquet, hired to haul away the rubble, struck the bell tower with his crane. A 110-pound slab of granite slid down the crane's boom and smashed through the cab, killing him.

Because the mill had been torched, the police considered the death a homicide. Within a week they arrested two teenage boys on charges of first-degree arson, death resulting. The 17-year-old pleaded no contest and was sentenced to four years in the state training school; the 18-year-old was exonerated.

SAYLES MILL ASSOCIATES' plans for a housing project went up in smoke with the mill.

But the insurance settlement of \$130,000 more than recouped the initial purchase price. Plus, the company retained the vacant mill land and membership in the Pascoag Reservoir Corp., which gave it a minority interest in the reservoir itself.

Although its members had ceased manufacturing, the Pascoag Reservoir Corp. -- the mill-owners association that controlled the reservoir -- continued to putter along, held together by a quiet, elegant woman named Gladys Gaucher.

Gaucher was an administrative assistant for Stillwater in the 1930s, and she kept the ledger book for the Pascoag Reservoir Corp. from 1935 until Mesolella's company took it over in 1990.

Gaucher tracked the association's good times and bad in her carefully penned ledger.

For four decades, people who wanted to rent cottages could find Gaucher at the Stillwater Mill complex, or in the office she later ran out of the mill owner's stately white house on East Avenue.

As the mill owners fell on hard times, so too did the Pascoag Reservoir Corp. In 1977, the Town of Glocester seized the 10 acres of the Pascoag Reservoir that lie within Glocester, because the corporation failed to pay \$965 in taxes and interest on the reservoir.

The corporation also had tax troubles in Burrillville. In 1982, the corporation was more than \$16,000 in arrears on tax payments for the dam and the reservoir. On March 30, 1982, representatives of Cove Metal, Stillwater Worsted, and Sayles Mill Associates authorized Mesolella to act as their spokesman.

Mesolella quickly made himself known to his new neighbors.

That July, Mesolella stood before 250 irate people who owned homes on the reservoir. Residents had heard that Mesolella planned to open the dam's gate to drain the lake at the height of the summer season.

Mesolella told the angry crowd that vandals had damaged the dam's gatehouse and fence, and he didn't feel it was fair for his corporation to bear the costs of upkeep, liability, and taxes for the reservoir and lake.

Later that year, Mesolella offered to sell the dam and reservoir to local property owners for \$300,000.

That was far higher than the assessed value of \$14,550 that the town placed on the reservoir in 1983.

Austin Smith, who owned a house on the lake, didn't like Mesolella's tactics. "He's trying to intimidate us . . . to make money on the dam," Smith said at the time.

The homeowners refused to give Mesolella any money. But they did concede that maintaining the dam was a hardship best borne by the people who lived on the lake.

So in the spring of 1983, Smith helped form a nonprofit group to maintain the old Canada Rocks Dam. More than 300 families with waterfront homes each contributed \$10 to the Pascoag Reservoir Upper Dam Association, and the group set about repairing the dam.

Members of the nonprofit group went to work, heaving boulders away from the dam, rebuilding the gatehouse, installing a new fence. Gerald Miller, who owned an iron-works company, donated a crane to ease a new iron grate into place to filter the sluiceway.

For the past 15 years, the Upper Dam Association has paid all the costs of maintaining the dam, rebuilding a pedestrian bridge across the sluiceway, replacing the gatehouse roof, mending fences.

Association members had keys to the gatehouse, and a couple of dozen times each year they'd enter to raise or lower the dam's gate to control the level of the reservoir.

The gate's gears are cranked by hand, and "it's a lot of work, it's heavy work," said Raymond Cloutier, who has lived on the lake for years and operated the dam's gates. "You shouldn't do it alone."

Every year Cloutier has opened the gate on Columbus Day to drop the water level so that docks don't get crushed when the pond freezes. Throughout the winters, the association has kept the water level at the dam at 4 feet 6 inches. By Memorial Day, the Association lets the water level at the dam rise to 9 feet to ensure plenty of water for the summer boating season.

"We've taken as good a care of that (dam) as if it did belong to us," said Cloutier. "It may be that we've maintained it as well as we did so we would not have any trouble" with the dam's owners.

IN MARCH 1985, Pascoag Reservoir Corporation's tax debt to Burrillville had grown to more than \$17,000.

Jack Alpert, a lawyer for Stillwater Worsted, sought an abatement. In a letter to the town's tax assessor, he noted that the corporation "made no use of the reservoir for approximately 50 years" and "we tried to impress the taxing authorities that the ownership of the property was a liability and not an asset."

The corporation was just days away from losing the dam and the roughly 300 acres of water it owned in Burrillville for failure to pay taxes. But Charles Cove, a corporation member, paid the tax bill of \$17,617.

That spring the corporation stepped up its efforts to increase revenues. It advised people who rented summer cottages that by 1987 their rents would be incrementally increased to \$1,200 to \$1,500 per season, a three-fold increase in most cases. In 1987, the corporation earned more than \$18,000 from its camp rentals, and the Upper Dam Association was paying all the maintenance costs for the dam.

Mesolella also decided that year to seek a different buyer for his reservoir -- the State of Rhode Island.

Then-Gov. Edward D. DiPrete's office ordered Malcolm Grant, an associate director at the state DEM, to a meeting at the State House on Sept. 23, 1987. The governor's staff refused to tell him the meeting's purpose.

When Grant arrived, he was met by Mesolella and Governor DiPrete's chief fundraiser, James Taft.

Mesolella asked DEM for \$3.5 million to \$4 million for the reservoir and some 20 acres of land, according to a memo by Grant that the Sunday Journal obtained through a Freedom of Information request.

After the meeting, Grant fired off a letter to DEM Director Robert Bendick, saying: "I was particularly concerned about the gubernatorial involvement in this matter since Rep. Mesolella's proposal appears to be such a transparently bad deal for the state."

After a review, DEM experts concluded the steep, rocky property was essentially worthless and there was no need to buy the lake because it had long been open for use by abutting property owners, hundreds of cottages, two church camps, a public campground and those who used a small DEM boat launching ramp.

Also, during the period, a number of companies owning dams in other parts of the state, deeded those dams to the state to free themselves from a possible liability. But no one could recall the state actually paying for a dam and a lake.

The DEM turned down Mesolella's offer.

In the next few years, Mesolella's partnership consolidated control of the reservoir corporation.

Stillwater Mills liquidated all of its Rhode Island real estate in 1988, selling its membership in the Pascoag Reservoir Corp. to Sayles Mill Associates and Cove Metal for an undisclosed sum.

Gladys Gaucher closed out Stillwater's account, recording a final disbursement to Stillwater Inc. of \$7,097.

In 1989, an arsonist torched Stillwater's old mill, wiping out the heart of Harrisville's history.

Stillwater's departure left just two companies in the Pascoag Reservoir Corp.: Cove Metals and Sayles Mills Associates.

Cove's Oakland Mill burned down in April 1993.

In March 1988, Sayles Mills Associates sold most of the land that it had acquired when it bought the historic Sayles Mill in 1980. It sold the property to Independent Realty, headed by Eugene Carlino, for \$650,000.

It was little more than a rubble-strewn lot, covered with the remains of the old mill, and the sales price surprised many in town.

"I'll tell you, that's a ton of money for that land," Burrillville Tax Assessor Shelby Jordan said recently. "Let's be generous and say \$200,000," for a 1988 market value. "\$650,000 is way out of line."

Carlino financed the purchase through Rhode Island Central Credit Union, one of several credit unions that failed in the state's 1991 banking crisis. The loan was inherited by DEPCO, the taxpayer-financed agency created to bail out depositors whose money was tied up in failed credit unions. DEPCO foreclosed on the loan, and Carlino retired the debt. A DEPCO spokesman declined to say under what terms the debt was settled.

Mesolella's partnership might have given up its ownership of the reservoir when it sold the mill property to Carlino -- an ownership that Mesolella has claimed was a liability. But, in fact, Mesolella initiated a series of steps to ensure the partnership had complete ownership of the reservoir.

In a document filed with the Carlino deed, Sayles Mill Associates made it clear that the company was not selling its membership in the Pascoag Reservoir Corp.

On Jan. 5, 1990, the 130-year-old Pascoag Reservoir Corp. held the last meeting of its board of directors.

It was a meeting that would wipe the slate clean, clearing away any possible claims the old mill owners would have on the reservoir, and transferring title to the Mesolella partnership.

Mesolella and Ahlberg were the only voting members recorded in attendance.

Mesolella was elected secretary. A motion was made to sell all of the Pascoag Reservoir Corp.'s property in Burrillville to the Pascoag Investment Corp., a new company founded by Mesolella, Cove and Ahlberg. The purchase price was \$1. The vote to sell was unanimous.

The Pascoag Investment Corp. now had 100 percent ownership of the Canada Rocks Dam, most of the Pascoag Reservoir, an island in the reservoir, a boathouse, and nearly 40 waterfront acres on a peninsula.

A month later, Mesolella oversaw one more step for his partnership to gain control of the entire lake.

The corporation bought back 10 acres of the reservoir located in Glocester -- a small tip of water that had been lost years before when the owners failed to pay taxes of \$965. With interest, the 10 acres of water cost Mesolella's corporation \$19,908.

Finally, Mesolella and his partners had 100 percent ownership of the lake.

In 1994, Mesolella's new company subdivided some of the land it acquired from the old Pascoag Reservoir Corp. The subdivision created eight new waterfront lots.

Pascoag Investment Corp. has since sold four of the lots for a total of more than \$400,000. The company retains four lots plus a 25-acre parcel, with a total assessed value of \$451,600.

In 1995, Mesolella and Ahlberg chartered yet another corporation -- Pascoag Reservoir & Dam LLC, a limited liability company. Pascoag Investments then transferred the dam, the reservoir, and the island to the new corporation.

In 1996, Mesolella renewed his efforts to sell the reservoir to the state. And he suggested for the first time that he was concerned about the appearance of a major political leader trying to get the state to buy his property.

In May of that year his lawyer, John Dean, informed the DEM that Mesolella would abstain from the company's efforts to sell the dam and reservoir to the DEM. Dean wrote:

``Because of Mr. Mesolella's position as a State Legislator, the Company and Mr. Mesolella do not deem it appropriate for him to be involved in such negotiations."''

Mesolella, however, didn't disclose many of his potential conflicts in disclosure forms required by the Rhode Island Ethics Commission.

The disclosure forms require elected public officials to identify any corporations for which they serve as a director.

Mesolella, deputy majority whip of the state House of Representatives, is a member of the State Properties Review committee, which rules on all state land transactions; he also is chairman of the Narragansett Bay Commission and was, until recently, chairman of the Underground Storage Tank Responsibility Board. He has never disclosed his involvement with the Pascoag Reservoir Corp., Pascoag Investments or Pascoag Reservoir & Dam.

Mesolella missed this year's filing deadline at the end of April and has failed to file any disclosure form.

In 1995, when DEM sought to widen its boat ramp, which the state has owned since 1964, Pascoag Reservoir & Dam LLC, renewed pressure on the state to buy the reservoir and dam.

On Nov. 7, 1995, Ahlborg sent DEM a letter stating that the company might build "physical barriers" across the boat ramp to keep boats from its property.

Ahlborg attached a memo from Dean, the company's lawyer, advising the company to "minimize its exposure" by posting no trespassing signs at the boat ramp, imposing a user fee on anyone who uses the reservoir, and "lowering the level of the Reservoir" in order to "minimize" the company's liability.

Ahlborg again offered to sell the reservoir and the 25-acre parcel on a peninsula to the DEM. This time, the asking price for both properties was \$550,000, with an option to buy just the reservoir for \$350,000.

In a May 2, 1996 memo, Ahlborg wrote, "We feel these are very fair proposals to the state. The purchase price that is quoted is consistent with the price we asked for over ten years ago."

DEM officials declined to buy the reservoir, so in 1997 Ahlborg offered the reservoir to the Town of Burrillville for \$395,000. Burrillville didn't take the offer, and in July 1997 Pascoag Reservoir & Dam LLC posted a No Trespassing sign on the state's boat ramp.

"We own the lake, we pay taxes on the lake, we pay the insurance," Mesolella said at the time. "The DEM put a dock in our lake."

DEM administrator Malcolm Grant countered that the dock had been there for 30 years and "the deed of the property allows us and our guests, the public, to use the lake."

The DEM posted its own sign telling the public that it was okay to use the ramp.

The two sides were at impasse.

Then attention shifted to the dam.

The U.S. Army Corps of Engineers classified the old earthen dam as a "high hazard" because it is upstream of Pascoag's village center, a densely populated area. An Army Corps study concluded that if the Canada Rocks Dam broke, people in the village would have 200 seconds to flee before a 29-foot wall of water swept through town.

Last October, the DEM inspected the old Canada Rocks Dam and made several recommendations for shoring up the dam, including new masonry work for the spillway, cutting brush sprouting from the dam, and replacing some stone "riprap", or breakwater, upstream of the dam.

On Feb. 18, an earthen dam in South Kingstown breached. California Jim's Pond -- just a fraction of the size of the Pascoag Reservoir -- flowed into the village of Peace Dale, flooding streets waist deep.

About a week later, Raymond Cloutier unlocked the gatehouse to the Canada Rocks Dam to release some water from the Pascoag Reservoir, a procedure he followed every year before the spring runoff. Cloutier cranked open the gate, then went home with plans to return in a few days to close the gate.

He has not operated the gate since.

On March 3, Dean sent a letter to the group that had maintained the dam for 15 years, advising it that its members were no longer welcome in the gatehouse.

The company, Dean said, "decided that it needs to protect itself from potential liability relating to a possible break of the dam."

When the South Kingstown dam broke, "My heart definitely did a little pitter-patter," said Dean, lawyer for the Pascoag Reservoir & Dam LLC. "If you're going to own a pit bull, do you really want someone else training it?"

The company changed the locks on the gatehouse, shutting out Cloutier and other members of the Pascoag Reservoir and Upper Dam Association.

"I was in shock, disbelief," Cloutier recalled. He thought, We are losing our lake. We are losing our lake.

For weeks, Mesolella and Ahlborg left the dam's gate open. Water level at the dam dropped from seven feet, to six feet, to five feet. Docks sat high and dry, threatening to spoil the summer for the thousands of people who use the lake regularly. On the shores of the Pascoag Reservoir sit 350 houses and cottages, a campground with 400 sites, a children's camp run by the Episcopal Church and another camp run by the Roman Catholic Diocese of Providence.

Of the 65 ponds and lakes monitored by the University of Rhode Island's Watershed Watch, the Pascoag Reservoir is the ninth clearest. Cloutier's wife has owned a place on the Pascoag for 50 years. "We are so proud of this lake," he said.

Throughout the month of March, Cloutier watched as his pride and joy slipped away through the locked gatehouse that he had done so much to maintain. By late March, the water level at the gatehouse dropped to a historic low of 3 feet 6 inches. Docks stood high and dry and waterfront lots now looked out on vast expanses of mud.

Again, Mesolella and Ahlberg offered to sell the reservoir to the state. Though he was still a state representative, Mesolella became an outspoken figure in the negotiations. But the price had gone up again: This year, he wanted \$425,000.

At first, DEM officials seemed ready to look into his proposal. But finally Governor Almond announced there would be no deal. The state might help the towns work out something, Almond said, but the state has no interest in Mesolella's reservoir.

Burrillville and Glocester initiated negotiations, which are still open.

On March 24 -- 21 days after changing the locks on the gatehouse -- Mesolella called Cloutier to say that he would close the gate on the following morning, according to Cloutier.

"I told him he'd better bring some help and he said, 'I lift weights, I can do that,'" Cloutier recalled.

Cloutier went down to the gatehouse on March 25, and he found Mesolella Jr. closing the gate while Mesolella Sr. watched.

After some discussion about how the dam's gears operate, Cloutier asked Mesolella how he had come to place a \$425,000 value on the reservoir.

"He said," Cloutier recalled, "That's what we calculate to be a fair return on our investment."

LAST WEEK brought more unsettling news for users of Pacoag Lake.

Lawyers for Mesolella and the state argued in Superior Court over the state's assertions that Mesolella violated the state's Freshwater Wetlands Act by draining the lake this spring.

Judge Michael A. Silverstein said he will issue a decision on or after June 22.

Near week's end, Mesolella's lawyer announced he was closing the lake. He planned to put up No Trespassing signs and send letters to local police and to neighbors threatening legal action if they trespassed.

With the weekend's heavy rain, few people were expected to use the lake anyway. And DEM said it will ignore the letter and continue to encourage the public to use the reservoir.
