

**Review of the SDEIS for Proposed Belleayre Resort and Unit
Management Plan DEIS of the Belleayre Mountain Ski Center; and
their Cumulative Impacts**

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Review of the SDEIS for Proposed Belleayre Resort and Unit Management Plan DEIS of the Belleayre Mountain Ski Center; and their Cumulative Impacts

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Summary

A review of the proposed resort and UMP decision documents shows them to be unreliable, outdated, and incomplete. This review also shows the decision documents to be unsupportive of the full build-out alternative that envisions a doubling of Belleayre Mountain Ski Center's (BMSC, or "the ski center") comfortable carrying capacity (CCC)¹, a doubling of its skier visits, and the development of a large privately-owned resort/ski village at the base of the ski center, and extending up-slope alongside the former Highmount ski area that is to be acquired by the State to expand the ski-able terrain of the BMSC.

As this review shows, the proposed ski center terrain expansion is unsupported by a realistic skier visit forecast, and the proposed resort is excessive in terms of its size and capitalization.

Based upon available data, approval of the full build-out alternative would lead to an over-supply of lodging units and skier capacity in the Route 28 corridor that could also create spillover effects elsewhere in the Catskills area. The over-supply of lodging units would lead to the transfer of much of the corridor's existing visitor and overnight lodging sector to the proposed resort, while the proposed ski center improvements would fail to generate the expected level of skiers.

Other data not considered by the decision documents are supportive of these conclusions. BMSC's skier visits have declined substantially over the last few years. The shared-ownership market has collapsed. Resort construction costs will be about 20 to 30 percent greater than anticipated, further impairing feasibility. The proposed resort and ski center would have to support as many lodging units per skier as some of the most well-known four-season destination ski resorts in the world that host several times the number of skier visits the UMP optimistically forecasts. The proposed resort would have to overcome these hurdles despite its consultant having determined its hotel element to be only "marginally feasible" in 2008 based upon peak-or near-peak-of-market conditions.

¹CCC is a measure of how many skiers can be accommodated without a significant decrease in the quality of the skier's experience due to crowded lift lines, slopes, and related facilities.

The resort SDEIS does not consider alternatives to its proposed size, configuration, and capitalization. The UMP identifies a conceptual eastern expansion alternative for the ski center, but provides no detailed analyses thereof or actionable comparison.

Approval of the full build-out alternative as proposed is not warranted on the basis of more recent skier data. Skier visits for BMSC's 2012/13 season have fallen dramatically under ORDA management, even after considering snowfall. Price increases and discontinuation of free- and deep-discount tickets appear to be primarily responsible for a loss of roughly 20,000 to 30,000 annual BMSC skier visits. The decline in BMSC's skier visits undermines the UMP's rationale for a substantial expansion of BMSC's ski-able terrain.

All available data show the full build-out alternative to be over-sized and over-capitalized. A more appropriate alternative would be to:

- proceed with identified improvements to the existing ski center that would achieve operational efficiencies, expand parking, upgrade snow-making, and replace outdated facilities,
- eliminate the west-side land acquisition and ski center terrain expansion; and,
- eliminate the proposed resort's Highmount element.

Eliminating the west-side expansion has several advantages over the full build-out alternative:

- It accomplishes the necessary down-sizing and lower capitalization of the proposed resort as the resort's Highmount element is dependent upon slope-side access, which it will not have absent a west-side expansion,
- Down-sizing the resort will mitigate any negative impacts on the region's existing communities and visitor-sector that would otherwise see much of their economic base transferred to the proposed resort,
- It avoids any environmental impacts associated with the Highmount resort and ski center expansion,
- It does away with the need to spend tens of millions of dollars in public funds for capital and land acquisition costs to expand BMSC's ski-able terrain; and,
- It offers operational efficiencies and lower lift ticket prices.

At such time as actual skier demand may warrant, an east side expansion can be considered.

The competitive set of twelve resorts identified in the resort SDEIS clearly demonstrate that a smaller and less capital intensive resort is typical and would not pose an obstacle to the success of a smaller-scale resort alternative.

Finally, it should be noted that the issues identified in this report with respect to the full build-out alternative would be exacerbated should future weather patterns become less conducive to skiing and ski center operations.

Resort SDEIS

- Both HVS's and Ragatz' market and feasibility studies found in Appendix 5 are based upon 2007/08 conditions that do not reflect more recent and current market conditions.
- The hotel component of the proposed resort was determined by HVS to be only "marginally feasible" in 2008 based upon peak- or near-peak-of- market conditions that no longer exist.
- Ragatz' feasibility analysis of the proposed resort's shared-ownership component assumes no long-term deterioration of economic conditions. Shortly thereafter, the U.S. and much of the world's economies entered an extended economic downturn that saw the collapse of the shared-ownership market.
- Claiming HVS to have concluded "...that the proposed project – namely, full development of all project components – is the only feasible and viable approach", the resort SDEIS summarily dismisses any alternatives (Resort SDEIS, Vol. 1, p. xxxvii). No such conclusion, however, is found in HVS' contribution to the resort SDEIS. Nor does HVS' contribution examine, analyze, or evaluate any alternatives to the proposed resort.
- Market conditions, absorption rates for comparable resorts, the ratio of skiers to lodging units, and sub-marginal returns as a result of higher construction costs are all supportive of the conclusion that the proposed resort is over-sized and/or over-capitalized.
- The proposed resort requires a level of absorption that is well above that achieved by twelve comparable northeastern U.S. resorts identified by HVS in the ten-years preceding the onset of the recent economic downturn.
- The shared-ownership component would increase the number of existing and under-construction shared-ownership units in the northeastern U.S. as of 2008 by 42 percent in a market that Ragatz has since documented to have collapsed by 80 percent.
- Under-performance of the resort's shared-ownership component would cause its hotel component to bear a greater burden for shared infrastructure and development costs

while also reducing hotel component cash flows placing further downward pressure on expected returns and feasibility.

- A comparison of the construction cost applied in the decision documents with HVS's annual 2008 Hotel Development Cost Survey and with two comparable base area ski resort projects in Stowe, VT and Ellicottville, NY completed in 2007 shows that its cost can be expected to be about 20 percent greater than the \$364.7 million figure applied in the resort SDEIS.
- A more recent 2012 cost estimate by the developer for the proposed resort's first phase that includes 75 percent of all proposed lodging units indicates its total development cost could be up to as much as 30 percent greater than the figure applied in the SDEIS (\$2007).
- Either of these cost figures would cause the resort's pro-forma returns to fall well below the levels shown in the resort SDEIS.
- For the Route 28 corridor to support its existing inventory of overnight lodging units and those of the proposed resort its ratio of skier visits to lodging units would need to be better (i.e., lower) than that of Killington/Pico, VT, Lake Placid, NY, Vail, CO, and Mammoth Mountain, CA; and, it would need to equal that of the four-mountain Aspen, CO complex.
- To the extent it falls short of equaling or bettering these resort's ratios, the proposed resort would divert overnight visitors, spending, and investment from existing communities and businesses in the Route 28 corridor.

UMP

- The UMP's skier visit forecast is not dependent or contingent upon the proposed resort. New skier visits forecast in the UMP are based solely upon an increase in BMSC's comfortable carrying capacity (CCC) that could be accomplished by other alternatives.
- Skier visits at BMSC peaked in 2008 (the last season examined by the UMP) and have exhibited a downward trajectory since, while New York State and multi-state northeast region skier visits have been flat to declining since 2002/03. Yet the UMP forecasts BMSC's skier visits to double as a result of a doubling of its CCC.
- The UMP's simplistic skier visit forecast is unreliable and reflects a sizable upward bias. The forecast does not account for the discontinuation of free tickets and deep discount policies under DEC management, higher ski center prices as a result of BMSC's transfer to ORDA management, more recent skier visit data, or the effect of demographic factors upon historical skier visits. These factors will cause skier visits to be well below the levels forecast in the UMP.

- The tendency for the proposed resort to draw patrons from other Catskill area ski centers and communities will be exacerbated as forecast skier visits fail to materialize and expected resort and ski center utilization, margins, and revenue do not achieve expected levels.
- Absent the proposed resort, all new and existing direct, indirect, and induced local spending outside of BMSC as a result of ski center improvements would occur in existing communities in the Route 28 corridor.²
- The resort SDEIS estimates direct off-site spending by its guests in the Route 28 corridor to be \$10.64 million annually (Resort SDEIS, Vol. 1, pp. 1-14, and 7-1). This figure, however, does not account for any transfer of spending by existing visitors to the proposed resort which could considerably offset the \$10.64 million figure.
- To the extent that skier visits are significantly less than forecast, and the proposed resort under-performs or elements are not developed as foreseen in the resort SDEIS, ski center and resort employment and related spending would be lower than forecast.
- Unlike the Highmount element of the proposed resort, the Wildacres element is potentially viable without a west-side BMSC expansion, with an east-side expansion, or no expansion.

Cumulative Impacts Analysis

- The full build-out alternative would create an excessive supply of lodging units or unbuilt but approved units that could come onto the market over the course of a construction season. This excessive supply would create a self-reinforcing cycle of disinvestment and loss of economic activity in existing communities in the Route 28 corridor.
- Approval of the full build-out alternative would essentially give the developer an indefinite-term option on the region's existing and future overnight visitor-sector.
- Over time, the tendency would be for much of the area's existing and future visitor sector to be transferred from existing communities to the proposed resort. These conditions could persist for some time given the size of the proposed resort.
- These conditions can be avoided by a more appropriately-sized resort consistent with documented absorption rates, recent market conditions, full recognition of associated

²As used herein, the Route 28 corridor generally encompasses the area from Mt. Tremper to Margaretville. For purposes of inventorying overnight lodging units, it also includes Roxbury.

development costs, and a ski center expansion that is based upon a more reliable skier visit forecast.

- In the meantime, the Route 28 corridor would still obtain any economic benefits caused by an increase in BMSC's CCC.

Bifurcation of Area of Impact

- There is no analytical basis for delineating two separate geographic areas of impact – a larger one for the workforce and a more limited one for socioeconomics. If the proposed resort and BMSC expansion and improvements are capable of drawing workforce from a larger area they are just as capable of causing community and socioeconomic impacts within the same area.
- Potential impacts on community character could occur in the workforce area of impact as a result of diversion of existing skier and seasonal visitor spending. Diversion of existing visitor spending has the potential to erode the economic base of communities within the larger workforce area of impact.

Background

The New York State Department of Environmental Conservation (DEC) is considering a draft Combined Unit Management Plan and environment impact statement (UMP) for the State-owned Belleayre Mountain Ski Center (BMSC) and a related supplemental draft environmental impact statement (SDEIS) for the proposed Belleayre resort, together with a cumulative impact analysis for the two plans.

The UMP assesses the impact of planned improvements to the existing ski center, incorporation of the former Highmount ski area into the BMSC, and of connecting the expanded ski center to the proposed resort. The resort SDEIS assesses the impacts of the proposed resort. A cumulative impacts document considers the impacts of the resort SDEIS and the UMP for the full build-out alternative and other less intensive alternatives. The full build-out alternative would consist of proposed improvements to the existing ski center, expansion of the ski center by acquiring the former Highmount ski area and incorporating it into the ski center, and full build-out of the resort as currently proposed.

BMSC is operated by the Olympic Regional Development Authority (ORDA) which recently assumed its operation and management from DEC. Consistent with the full build-out alternative, the ski center will require approximately \$74 million in public outlays for improvements and incorporation of the Highmount ski area into BMSC (Cumulative Impacts, Section 1.9, p. 1). An additional undetermined amount of public outlays would be required to purchase the former Highmount ski area from the developer of the proposed resort.

The proposed resort would essentially create a private base area “village” adjoining BMSC. The village is conceived as a year-round resort that would provide a variety of lodging and related services oriented to overnight-, day-, skier- and non-skier-visitors alike.

The proposed resort would be located on 739-acres of privately-owned land. It would consist of 629 overnight lodging units, an 18-hole golf course, two spas, tennis courts, an activities center, and other related facilities. Many of its lodging units would have slope-side access to the ski center. In addition to two hotels, the resort would offer a range of studio to 3- and 4-bedroom shared-ownership units (including 42 “whole-ownership” units). In total, nearly 40 percent of its lodging units would consist of timeshare, fractional, and whole-ownership units (collectively referred to herein as “shared-ownership” units) geared to overnight, short-stay, or seasonal visitors.

As shown in Figure 1, the two hotels would have a total of 423 hotel and shared-ownership units within their building envelopes. The smaller of the two would consist of a 5-star hotel in the Highmount area with 120 hotel-style units and 53 shared-ownership units within the same building envelope. A larger 250-room 4-star hotel would be located in the Wildacres area of the proposed development.

Both hotels would offer meeting and conference facilities, restaurants, lounges, spas, and retail

space. The balance of the resort’s 203 lodging units would consist of a range of shared-ownership units to be sold to individual purchasers. At times, many and perhaps most, of the shared-ownership units would be made available as overnight lodging units through a rental pool managed by the hotel operator(s), or by individual owners. Overall, shared ownership units consist of 41 percent of all on-site lodging units.

**Figure 1,
Belleayre Resort Lodging Units (“Modified Project”).**

	Hotel (incl. Highmount hotel fractionals)	Shared-ownership (excl. Highmount hotel fractionals)	Total	Subtotal, all shared-ownership
Highmount	173	43	216	96
Wildacres	250	163	413	163
Total	423	206	629	259
Percent of Total	67.3%	32.8%	100.0%	41.2%

Source: Resort SDEIS, p. iv. See also, Ragatz “Preliminary Pro-Formas” in SDEIS, App. 5 following Ragatz p. 352. Hotel column includes 53 shared-ownership “fractional” units within the building envelope of the Highmount hotel. Shared ownership units include 42 whole-ownership units. Per the resort SDEIS, shared-ownership units associated with Wildacres are to be “operated by the hotel”.

The Highmount area of the resort is to be located alongside the slope of the former Highmount ski area. In addition to a hotel (that is to include 53 shared-ownership units within its building envelope), the Highmount area would include a separate private lodge and 43 shared-ownership lodging units outside the hotel building envelope. The Wildacres area would be located lower down the mountain adjoining and near the base of the existing ski center. In addition to a hotel, the Wildacres area would have an 18-hole golf course, outdoor activities center, additional meeting facilities, and 163 shared-ownership units.

The proposed resort would have two inter-dependent revenue-generating components: a shared-ownership real-estate component, and a resort hotel component. The shared-ownership component would generate revenue from the sale of real estate products to individual purchasers. The resort hotel component would generate revenue from the two hotels, the golf course, spa, ski club, resort, activities center, restaurant, retail, conference facilities, the shared-ownership rental pool, and related subsidiary operations.

The development would be served by a new sewer line, pumping station, and a flow-equalization tank that would convey flows to the existing Pine Hill wastewater treatment plan (WWTP). The sewer line, portions of which will require directional drilling, would extend roughly two miles from an interconnect at Academy Street in Pine Hill to the site of the proposed resort and interior thereto. Additional on-site infrastructure is to include wells for potable, fire flows, and irrigation water, a water distribution system, storm water facilities, interior roads and intersections, and parking facilities.

Skier Visits and Comfortable Carrying Capacity

The UMP forecasts average annual skier visits to double to 320,000 (UMP, Section 4.11, p. 37). The forecast is based upon the historic increase in visits at BMSC, particularly in the years following 1998 when the ski center last experienced a substantial increase in its CCC. The only variable affecting DEC's skier visit forecast is BMSC's CCC.

Neither the resort SDEIS, the UMP, or the cumulative impacts assessment offer much insight as to the origin of these new skier visits. According to the UMP, skier visits in the northeastern region of the U.S. have not risen since the mid- to late-1980's (BMSC UMP/DEIS, Section 3, p. 4). Were the UMP to have included more recent skier visit data it would have shown the northeast and New York skier visits to have peaked in 2002/03 and to exhibit a downward trend through at least 2010/11. These data indicate that new BMSC skier visits are not likely to come from growth in the overall northeastern skier market. Accordingly, new skier visits at BMSC can be expected to be drawn primarily from existing northeast, New York, and Catskill-region ski centers.

The UMP acknowledges that "some" new skier visits at BMSC "may come at the expense of other existing" Catskill region ski areas, although it does not offer an estimate or assessment thereof. The cumulative assessment vaguely speculates that, "...much of the additional attendance is anticipated to be new customers who have not previously skied in the Catskills region" (Belleayre Cumulative Impacts, Section 1.9, p. 7). No basis or empirical data is provided to support this statement. Should BMSC's expansion cause the closure of nearby Plattekill ski center, and/or draw from other Catskills region ski centers, a significant share of its new skier visits would represent a re-distribution of existing skier visits and economic activity within the local and larger Catskills area.

Rather than assuming that much, many, or most new skier visits to BMSC would be drawn from areas outside the Catskills or New York State, it is just as plausible that many or perhaps most would be drawn from other existing New York ski areas, including nearby Plattekill, Hunter, and Windham, among others, consistent with what was observed after 1998 when BMSC last experienced a substantial expansion of its CCC.

The resort SDEIS' treatment of this subject allows only for it "...to capture a larger percentage of skiers already traveling north from New York, New Jersey and Connecticut. Currently, these potential guests regularly continue past the Catskills ski centers on the New York State Thruway, intent on spending time and money in the resorts of the Adirondacks, Vermont and New Hampshire" (Resort SDEIS, Appendix 5, HVS, p. 2-13).

There are a number of problems with the treatment of the origin of BMSC's new skier visits in the decision documents before DEC:

- These documents are not based upon any empirical data or evidence pertaining to the origin of new skier visits at BMSC.

- Among those “traveling north” of the proposed resort are many bound for other Catskills-region ski centers to the north of BMSC. There is no basis for assuming only (or primarily) those bound for destinations north of the Catskills would divert to the proposed resort, but not those bound for other Catskills destinations that also lie north of the proposed resort such as Hunter, Windham, or Plattekill.
- Those traveling north have already shown a preference and willingness to travel longer distances. This could be due to previous investment, more reliable snow conditions, more varied or challenging terrain, longer runs, more vertical, prestige or cachet, and other seasonal amenities associated with destination resorts to the north of BMSC. It is just as reasonable for those traveling north to be among those who are less likely to divert to the proposed resort.
- Those already bound for other Catskills-area resorts have already shown a preference for the region, and a lower preference for traveling further. Accordingly, it is just as reasonable for those bound for other Catskills-area resorts to be among those who are more likely to divert to the proposed resort.

That a portion of the potential market for the proposed resort could consist of existing visitors to the Catskills is supported by a “white paper” commissioned by the owners of nearby Hunter and Windham ski areas in the aftermath of the last major increase in BMSC’s CCC in 1998. The white paper concluded: “It is not a coincidence that Hunter and Windham’s combined attendance has decreased over this same time period by almost the same amount that Belleayre’s has grown”. The white paper found that as of 2007/08, the post-1998 increase in BMSC’s CCC “...has not succeeded in ‘growing the pie’ in the Catskill’s ski industry, it has merely ‘reallocated the pie’ which has resulted in a redistribution of revenues away from the Greene County ski areas and their communities to Belleayre and Ulster County”.³

In the case of the proposed resort, this tendency to divert existing visitors would not be limited to other Catskill ski areas. Rather, the proposed resort would cause existing communities and visitor-related proprietors in the Route 28 corridor to see some of their economic base (consisting of businesses, valuation, taxes, and jobs) dependent upon visitor spending transferred to the proposed resort.

In contrast to the full build-out alternative, the eastern alternative – which is only conceptually sketched out in the UMP – would be more supportive of existing communities within the Route 28 corridor. As would be the case for a no-terrain expansion alternative.

Erosion of the economic base of existing communities in the Route 28 corridor would affect their viability, character, and fiscal health. Direct, indirect, and induced spending by employees of the proposed resort would be offset by loss of jobs and related spending among the region’s

³ See: http://blog.nj.com/skiing/2008/01/excerpts_from_the_hunter_windh.html.

existing lodging and visitor sectors which the UMP does not assess. Accordingly, the aggregate level of economic benefits in the region attributable to the proposed resort have not been fully accounted for in the UMP.

Were the proposed resort to be approved but only partially developed, its large inventory of approved but unbuilt units would present an obstacle to investment in the corridor's existing community-based lodging and visitor-related sectors. Future investment in existing communities would be at risk as a result of the resort's size and its inventory of approved but unbuilt units that could come onto the market over one or two construction seasons subject only to the developer's election. Lacking the advantage of slope-side and near slope-side access and scale, existing communities would see an erosion of their visitor-dependent economic base.

The UMP's Skier Visit Forecast Methodology is Not Reliable

As noted above, the UMP forecasts skier visits to double from an average of about 160,000 to about 320,000 annually as a result of a doubling of BMSC's CCC. The forecast is based upon the long-term increase in BMSC's skier visits from 1980 to 2008, and more particularly from 1998 to 2008 when the ski center last experienced a major increase in its CCC.

The simplistic trend-line skier visit forecast in the UMP has a number of issues that cause it to be unreliable and to reflect a sizable upward bias: a) it omits more recent skier visit data including the first year of ORDA management, b) an undetermined though sizable portion of the increase in BMSC's post-1998 skier visits was due to heavy discounting and free ticket policies under DEC management, c) transfer of the ski center to ORDA is likely to result in higher lift ticket prices as DEC operating subsidies are eliminated and full- or near full-cost pricing is implemented by ORDA, d) the UMP is based upon there being "no plan" to increase the price of lift tickets (UMP, Section 4.11, p. 37), e) prices have since increased substantially; and, f) the effect of demographic factors and the contribution of snow-boarding on post-1980 skier visits have not been considered.

Based on a FOIL request to DEC, local newspapers reported that BMSC provided 16,000 free lift tickets in the 2009/10 season. This figure represents nearly 10 percent of total skier visits in that season before considering other deep discounts and promotional offers.^{4,5} Other promotions under DEC management reportedly included buy-one get-one free and a free ticket for those claiming a birthday. These policies are not acknowledged, discussed, or accounted for in the UMP. The full duration and extent of DEC's free ticket and deep discount policy is unknown.

⁴Harris, L. "Ski VIPs: Cops skied free at Belleayre", Watershed Post, May 31, 2012.

⁵_____, "Belleayre Introduces 'Kids Ski Free, Stay Free' for Children 17 and Under, January 5, 2010.

The following Figure 2, which shows BMSC's 1998 to 2013 season skier visits, suggests these policies contributed substantially to BMSC's post-1998 skier visits.

Figure 2 shows 2013 ski season skier visits of 118,000 to have been substantially lower than preceding seasons.⁶ Notably, the 2013 season corresponds with the first full year of ORDA management and the curtailment of DEC's free ticket and deep discounting policies. Although the 2013 season corresponded with a somewhat below-average amount of snowfall, skier visits in that year only moderately exceeded the 2002 season when total snowfall was only 30 inches. With virtually the same amount of snowfall, the 2002 and 2006 ski season registered 137,000 and 162,000 skier visits, respectively (skier visits in the 2002 season were likely lower due to the events of September 11, 2001).

BMSC's skier visit data shows the discontinuation of DEC's ticket discounting to have contributed to the observed decline in BMSC's skier visits. Discontinuation of DEC's policies appears to have affected attendance by individual skiers who would have otherwise claimed a free ticket, and accompanying skiers as well. This is not unexpected as skiers tend to come with other members of a party – either friends or family. Lack of a free ticket for one member of a party appears to cause that skier and other members of the accompanying party to choose to either not ski at all, or to ski elsewhere.

Nor does the UMP's forecast account for recent or continued price increases. ORDA's enterprise fund operating structure will tend to cause BMSC's ski center lift, rental, and other prices to converge towards that of ORDA's other ski venues and is contrary to the UMP's assumption of no "planned" price increases.

As Figure 2 shows, BMSC's revenue per skier under DEC management was \$31.86 in 2009/10 and \$33.53 in 2010/11. Under ORDA management its 2012/13 revenue per skier jumped to \$46.47 (2012/13 Annual Report, ORDA, p. 9), which amounts a nearly 46 percent increase from the 2009/10 season.

⁶The 2012 season was a transition year between DEC and ORDA management that also coincided with the lowest snowfall during the period examined which limits its usefulness for assessing the impact of higher prices and discontinuation of DEC's free ticket policies and practices.

**Figure 2,
BMSC Skier Visits, Total Snowfall, and Revenue by Ski Season.**

Ski Season, ending	Skier Visits	Snowfall, Nov 1 to Mar 30 (inches), Arkville / Margaretville	Snowfall, Nov 1 to Mar 30 (inches), Binghamton	Snowfall, Nov 1 to Mar 30 (inches), Kingston	Revenue (\$ millions)	Revenue per Skier
1998	83,854	66.0	not avail	not avail		
1999 *	84,042	15.4	not avail	not avail		
2000	107,211	29.7	not avail	not avail		
2001	141,886	66.3	not avail	not avail		
2002	136,819	39.0	not avail	not avail		
2003	175,661	75.0	not avail	not avail		
2004	168,177	64.1	not avail	not avail		
2005 *	171,524	25.1	81.3	not avail		
2006	162,120	37.8	55.7	not avail		
2007	146,560	not avail	52.7	not avail	\$4.382	\$29.90
2008 *,**	181,509	30.1	64.6	41.7	5.975	32.92
2009	154,726	40.0	54.2	35.3	5.604	36.22
2010	169,163	68.0	66.4	23.4	5.393	31.88
2011	167,036	61.5	79.9	43.4	5.601	33.53
2012	87,341	19.0	26.9	9.5	3.623	41.48
2013	118,359	37.5	48.0	28.1	5.500	46.47
Average	140,051					

Source: UMP DEIS, Section 1, p. 37 for 1998 to 2011. ORDA Annual Report 2012/13 for 2012 and 2013 skier visits and revenue. National Climate Data Center, for snowfall; Arkville station with Margaretville station as fill-in for missing Arkville data.

Note: The 2005 and 2008 seasons (*) for Arkville/Margeretville are missing March snowfall data, and the 2008 (**) season for Kingston is missing October data. Binghamton and Kingston, NY are presented as the nearest data centers to the east and west of BMSC reporting relevant snowfall data. Binghamton is about 80 miles west of Arkville and approximately 1,100 feet lower than the foot of BMSC lower ski slopes. Kingston is about 40 miles southeast of Arkville and approximately 1,800 feet lower in elevation. The Arkville/Margaretville stations are approximately 10 miles west of BMSC and approximately 500 feet lower in elevation than the base of BMSC. The Binghamton and Kingston snowfall data for 2008 indicate the Arkville/Margaretville snowfall data for that season is incomplete.

The differential in lift ticket prices between BMSC and other ORDA ski venues suggests the potential for a continuation of price increases at BMSC. Since ORDA is operated similar to an enterprise fund (as compared to DEC's departmental structure) it has little ability to subsidize

BMSC's operations. Figure 2 suggests the UMP's skier forecast is off by roughly 20 to 30 percent as a result of its having not considered curtailment of free tickets, deep discounting, and recent price increases under ORDA management.

As can be seen in Figure 3, the cost of a BMSC lift ticket remains well below ORDA's other ski venues. As BMSC's skier visits and operating expenses begin to reflect ORDA management and polices its lift ticket prices could tend to increase towards that of ORDA's other ski venues. Figure 3 suggests the influence of future BMSC price increases and discontinuation of free and deep-discount lift tickets will continue to exert a dampening effect on future growth in skier visits.

**Figure 3,
Single-Day Adult Lift Ticket Rate, 2012/13, ORDA-Operated Ski Venues.**

	Weekday	Weekend
Belleayre Mountain	\$47	\$59
Gore (non-holiday)	59	75
Whiteface	84	84

Source: GoreMountain.com, Store.whiteface.com, belleayre.com; viewed June, 2013. Peak season.

A reliable skier forecast would need to account for the curtailment of previous free and deep discount ticket policies (including the loss of accompanying parties), recent and expected price increases, recent skier visit data, and relevant demographic factors.⁷

Resort SDEIS Market and Feasibility Study is Flawed and Outdated

A review of Appendix 5 ("Fiscal and Marketing Information") of the resort SDEIS finds it to be outdated, flawed, and unreliable.

Much of Appendix 5 is based upon peak- or near-peak-of-market conditions that no longer exist. Accordingly, market data and pro-formas in this Appendix have little relevance to current and prospective market conditions.

As noted earlier, the proposed resort would consist of two separate but related revenue centers: I) a resort hotel component; and, ii) a shared-ownership real estate sales component. The two revenue centers are mutually dependent through linked cash flows, management, and shared infrastructure. A change in the prospects of one component would have a similar directional affect upon the other.

⁷For current promotions, see: <http://www.belleayre.com/promotions/promo.htm> (Viewed June, 2013).

Specifically: Some shared-ownership units are to be within the same building envelope as one of the hotels. Many or most shared-ownership units are to be managed by the hotel operator on a fee-basis. The hotels are to provide rental-pool leasing (i.e., offered as part of the hotel inventory) to shared-unit owners that are to generate additional hotel-component cash flows. Hotel subsidiary operations such as the golf, ski club, and spa components would also obtain some of their cash flows from patronage, membership sales, and annual fees paid by owners of shared-ownership units. Other hotel-based operations such as restaurants and other on-site services and retail depend, in part, upon occupancy of shared-ownership units. The sale and occupancy of shared-ownership units is dependent, in part, upon the golf course, resort, and other hotel- and membership-based amenities. And, both the hotel and shared-ownership components are dependent upon construction and permanent financing for commonly shared infrastructure and facilities.

HVS' contribution to Appendix 5, dated October 1st, 2008, is concerned with the hotel component. A few weeks later marked the commencement of what became a nearly worldwide economic downturn sparked by a crash in the U.S. real estate, financial, and credit markets. Ragatz' contribution to Appendix 5 is dated May, 2008 and concerns the resort's shared-ownership component. Ragatz' contribution is also based upon peak- and near-peak-of-market conditions.

Ragatz specifically acknowledges the proposed resort's prospects to be dependent upon continuation of then-prevailing market conditions through its assumption of "no long-term major decline in the U.S. and global economies" (SDEIS, Appendix 5, Part 3, p. 303). A few months thereafter, the U.S. and many other world economies entered the most extended and severe economic downturn since the Great Depression.

Shared-Ownership Market has Collapsed

The market for shared-ownership real estate products peaked in 2007, and has decreased precipitously through 2012. A subsequent study by Ragatz shows the volume of shared-ownership sales to have decreased by nearly 80 percent from 2004 to 2012 – from \$2.3 billion to \$497 million as shown in Figure 4.

**Figure 4,
Shared Ownership Real Estate Sales Volume, New Closed, Pre-sales, and In-house Resales, 2004 to 2012.**

Year	Sales Volume (billions)	Percent of Peak Year (2007)
2004	\$1.544	67.1%
2005	1.968	85.6%
2006	2.152	93.6%
2007 (Peak Year)	2.300	100.0%
2008	1.473	64.0%
2009	0.860	37.4%
2010	0.530	23.0%
2011	0.552	24.0%
2012	0.497	21.6%

Source: Ragatz, “The Shared-Ownership Resort Real Estate Industry in North American”, 2013. See: <http://ragatzassociates.com/files/images/12089/files/2013%20Ragatz%20Executive%20Summary.pdf>

Ragatz (2013) cites several factors to have contributed to the collapse of the shared-ownership market that have persisted “...since the last quarter of 2008:

- uncertainty about the country’s long-term economic stability
- almost complete lack of consumer financing
- decrease in primary home equity funds for purchasers who previously paid cash
- concern with making “conspicuous consumption” purchases
- lack of marketing funds
- a glut of whole-ownership vacation homes on the market, with significantly decreasing prices
- increasing competition from vacation home rentals and rental clubs
- consumers waiting for all types of resort real estate prices to drop further”.

Returning to the resort SDEIS, Ragatz inventories a total of 490 existing and under-construction shared-ownership units in the northeast as of 2008 (Appendix 5, Ragatz, p. 165). The proposed resort’s shared-ownership units would increase the then-current existing inventory by 42 percent in a market that has since collapsed by 80 percent.

The largest shared-ownership project identified by Ragatz in the resort SDEIS is the Jackson-Gore Inn at Okemo Mountain Resort, VT.⁸ The Jackson-Gore Inn had 155 existing (current or under-construction) units and 144 additional planned but unbuilt units at that time. Whiteface Lodge in Lake Placid, NY had the third largest number of units (86 existing, 11 planned).

⁸The Jackson Gore Inn at Okemo Mountain (VT) is incorrectly located by Ragatz as being in Hunter, NY; Resort SDEIS, Appendix 5, Ragatz, p. 166.

Okemo, VT has been among the most rapidly growing ski resorts in Vermont over the last three decades. Its skier visits are reported to have increased from 95,000 in the early 1980's to over 600,000 more recently, nearly rivaling the Killington/Pico, VT complex.⁹ Adjusted for skier visits, the proposed resort would have about 2.5 times as many existing shared-ownership units than Okemo, and about 1.75 time more than Lake Placid.

The SDEIS forecasts the majority of the proposed resort's shared-ownership units to sell within four to five years (Resort SDEIS, Appendix 5, HVS, p. 5-63). The foregoing discussion indicates the shared-ownership component of the proposed resort would under-achieve its sales forecast causing expected cash flows to be lower than forecast in the SDEIS. Significantly, the shared-ownership component represents 41 percent of the proposed resort's total overnight lodging units, as shown earlier in Figure 1.

Appendix 5 of the resort SDEIS shows the performance of the golf course and the shared-ownership units of the proposed resort to be highly dependent upon each other. Golf course membership cash flows are dependent upon sale of shared-ownership units for which the purchase of a golf membership and ongoing dues is to be mandatory. Likewise, projected cash flows from other membership elements (e.g., spa, fitness center, tennis, and the ski club membership add-ons) depend upon payment of "base" resort membership fees by purchasers of shared-ownership units (Resort SDEIS, Appendix 5, HVS, page 5-67,70). Failure to meet Ratagz' projected sales forecast would negatively impact all expected resort cash flows, most notably for the golf course.

Cash flows from the shared-ownership component could be further diminished by the need to bundle anticipated initial membership joining fees with purchase of the shared-ownership real estate products. Initial golf membership joining fees are to range from \$5,500 (1/12th share) to \$25,000 (whole unit share) per shared-ownership unit which will raise the effective price of these units. Annual dues are to be \$500 for a 1/12 share unit to \$4,750 for whole-share units (Resort SDEIS, Appendix 5, HVS, p. 5-76 to 5-83).

Moreover, the resort SDEIS expresses uncertainty towards the shared-ownership bundled financing plan, describing its legality as something that needs "to be explored" (Resort SDEIS, Appendix 5, HVS, p. 5-75). Should bundling of purchase and initial membership fees be precluded, initial membership fees would need to be paid out-of-pocket by prospective purchasers. Purchasers might also seek an independent source of financing such as a personal or home equity loan, or other means. Either alternative would create an additional hurdle for prospective purchasers.

⁹"America's Most Visited Ski Resorts", Travel+Leisure, January 2013.

Hotel Component; Cost, Feasibility, and Absorption

HVS' feasibility analysis determines the hotel component to be only "marginally feasible" based upon near- or peak-of-market conditions (Resort SDEIS, HVS, p. 7-8). The marginally feasible determination is found at the end of the final substantive chapter of HVS' hotel component feasibility analysis and does not appear to be found elsewhere in the resort SDEIS, or in DEC's cumulative impact assessment.

As will be demonstrated, HVS' "marginally feasible" determination overstates the proposed resort's prospects.¹⁰

The cost of development of the hotel component is a key factor affecting HVS' assessment of its feasibility. Holding other factors constant, higher development costs diminish feasibility. HVS's marginally feasible determination is based upon the omission of tens of millions of dollars of associated development costs from its calculated internal rate of return (IRR). Minimally, costs excluded by HVS include FFE, financing costs, start-up costs, and possibly engineering.

The resort SDEIS dismisses a "no build Highmount alternative", speculating that without the Highmount portion it would be "...unlikely that this alternative would ever attract sufficient equity investment or financing or, if built, would be marginally performing or scaled back to a substantially lower quality development" (Resort SDEIS, p. xxxvii). No analysis of a no build Highmount alternative can be found in HVS or Ragatz's contributions. The foregoing statement, however, does accurately characterize the result of HVS' feasibility analysis of the proposed resort. Accordingly, there is no valid basis for the dismissal of a no build Highmount alternative, or other alternatives that would decrease its size and/or capital intensity.

HVS's analysis is based upon a selected "competitive set" of twelve comparable northeastern U.S. resorts it considers to be prospective competitors of the proposed resort. Among the competitive set are resorts that, similar to the proposed resort, offer a range of overnight lodging units, including standard hotel units and various shared-ownership products. HVS acknowledges the competitive set to consist of a mix of unit styles noting, "Destination resorts are notorious for ... variations in rentable inventory to the capricious inclusion or exclusion of quasi hotel room products such as on-site town-homes and condominiums". HVS makes the reasonable determination that such variations are "not relevant" in the "broader scheme of this analysis" (Resort SDEIS, Appendix 5, HVS, p. 4-6).

Consistent with HVS's determination, the comparable supply of overnight lodging units at the proposed resort consists of all of its proposed overnight lodging units. As noted earlier, the large majority of these units are to be closely associated with the two hotels. Any or all could be

¹⁰Hotel component feasibility is based upon factors that include size, market, capitalization, rate of return, occupancy, room rates, ancillary revenue, operating and maintenance costs.

placed into the hotel rental pool at one time or another, or independently leased by one or more of their shared-owners.

Among the competitive set, all but one (the Sagamore at Bolton Landing, NY on Lake George with 350 lodging units) have less than half the number of overnight lodging units of the proposed resort. Among the competitive set are some of the most venerable resort properties in the U.S. All but two are long-established resorts with operating histories dating from before 1959. Some were established in the 1800's and 1700's. The most recent of the proposed resort's competitive set opened 43 years ago. None are located at the base of a major destination ski area, or of any ski area. Only two appear to be located within a few miles thereof.

HVS documents the absorption of new overnight lodging units among the competitive set between 1997 and 2007. As previously mentioned, the competitive set "rooms" to which HVS refers are not limited to standard hotel rooms. Rather, they include a mix of overnight lodging units reflecting an assortment of standard hotel rooms, in addition to "...quasi-hotel room products such as on-site town-homes and condominiums" which accurately describes the proposed resort. HVS correctly observes that the distinction between standard hotel rooms and other on-site (i.e., shared-ownership) lodging units among the competitive set is not relevant noting their unit mix to be "highly reliable" and "representative of the broader market trends" (Resort SDEIS, Appendix 5, HVS, p. 4-6).

Thus, for purposes of gauging absorption rates it is the total number of overnight lodging units available or potentially available for overnight lodging that is of relevance, irrespective of variations in configuration, size, or ownership status. Like HVS' competitive set, the proposed resort is to include a diverse selection of shared-ownership units under central management that would contribute to the resort's inventory of overnight accommodations.

HVS shows the twelve comparable resorts to have added a total annual average of just 25 lodging units (inclusive of standard hotel rooms and other "quasi-hotel" units) between 1997 and 2007. The resort SDEIS is based upon its adding 2.6 times as many units annually over a similar period. The largest total year-over-year expansion for the competitive set amounted to only 115 units between 2002 and 2003. The proposed resort would add 423 units consisting of 370 standard hotel rooms and 53 shared-ownership units of various sizes and configurations in a single year. This amounts to 3.7 times more than the competitive set combined managed in a single year.

Bearing this in mind, HVS's dismissal of the significance of IntraWest's difficulties is not justified (Resort SDEIS, HVS, p. 4-17). Amounting to 41 percent of its overnight lodging units, the proposed resort would contain a sizable shared-ownership real estate sales component. As discussed elsewhere in this review, the overall resort and the hotel component's feasibility are directly related to the absorption, yield, and cost of the shared-ownership component. IntraWest's experience, which reflects the collapse of the shared-ownership market, demonstrate the shared-ownership feasibility analysis in the resort SDEIS to be unrealistic on the basis of post-2008 market conditions.

Resort Feasibility Analysis is Optimized

The resort SDEIS contains a highly aggregated construction cost estimate that includes “site preparation and hard costs (actual construction), and de-sign [*sic*], legal and related costs”. However, it excludes “other values (such as financing, the value of the land, marketing, etc.) not directly a part of the expenditures for construction” (Resort SDEIS, Appendix 3, p. 36 and 37). The exclusion (at minimum) of FFE, construction-related financing, pre-opening, and initial costs causes HVS’s feasibility analysis to be optimized and to reflect a significant upward bias on forecast returns.¹¹

The SDEIS applies a total resort development cost of \$364.7 million which amounts to an overall average unit cost of about \$580,000. The hotel component is estimated to cost \$190 million for an average cost of \$514,000 per unit (Resort SDEIS, HVS, Appendix 5, p. 7-1).

Elsewhere, however, the resort SDEIS estimates the cost of the Highmount portion at \$182.19 million (Resort SDEIS, p. 5-6). This amounts to an average unit cost of about \$843,500. Adding the \$182.2 million Highmount portion plus the \$190 million cost of the Wildacres hotel and its associated elements (Resort SDEIS, Appendix 5, HVS, p.xxx) yields a development cost of \$373 million. This is about \$12 million more than the figure applied in the resort SDEIS. The \$373 million figure, however, does not include the cost of Wildacre’s 163 shared-ownership units (Resort SDEIS, Appendix 5, HVS, p. 7-3) that account for 25 percent of the resort’s 629 proposed units. Inclusion of these units could push the proposed resort’s total construction cost towards \$450 million.

There are other factors that would tend to cause the proposed resort’s development cost to exceed that applied in its SDEIS. It is to bear an unspecified amount of the cost of some ski facility improvements (the “Spa Village lift”, Resort SDEIS, Volume 1, p. 2-15). It is located in a mountainous environment subject to weather conditions that would limit the construction season. It is accessible by a mountainous two-lane road that winds around a reservoir over which most construction materials would travel. Much of the site and infrastructure will require significant grading and costly blasting. The site requires extensive infrastructure improvements, including a lengthy sewer line – portions of which will require directional drilling – a wastewater pump station, a flow equalization tank, and an on-site water distribution system. One or both hotels are to be recessed into a mountainside, and one is to feature an earth-covered roof.

The proposed resort’s development cost can be validated utilizing HVS’ 2008 “Hotel Development Cost Survey”, and the reported development costs of the Spruce Peak resort in Stowe, VT and the Tamarack Club resort in Ellicottville, NY. As shown in Figure 3, these

¹¹The \$364.7 million figure may also exclude engineering fees, as these are not specifically mentioned and are not typically included in “design” (e.g., architecture) costs. It is also unclear whether the \$364.7 million figure includes a construction contingency and landscaping.

sources do not support the \$364.7 million figure applied in the SDEIS. Had a more realistic construction cost been applied, HVS' feasibility analysis would have generated much lower rated sub-par returns. This would have necessitated a re-conceptualization and/or down-sizing of the proposed resort to lower its cost.

As Figure 5 demonstrates, the average unit cost of a luxury resort hotel in 2008 as reported by HVS in its annual survey, and that associated with the Spruce Peak and Tamarack resorts, are in close agreement.¹² Accordingly, the proposed resort can be expected to exceed the costs applied in the resort SDEIS by about 20 percent, causing the project's IRR to be 20 percent lower than indicated in HVS feasibility analysis.

Information obtained from the developer's website, however, shows the cost of the proposed resort could be greater still. A 2012 document prepared by the developer and linked on its website states the "first phase" of the proposed resort is to be built at an investment of "...approximately \$400 million".¹³ This figure is stated to include the cost of the golf course, both hotels, and 95 (37 percent) of the shared-ownership units for a total of 465 lodging units representing about 75 percent of the total units proposed. After adjusting for inflation, this amounts to a first phase cost of \$352 million (\$2007) – which is nearly the same amount applied in the SDEIS as the total project cost. As Figure 5 shows, were first phase costs of \$400 million costs to be reflective of the full project the proposed resort's total development cost could be about 30 percent more than applied in the SDEIS, causing its IRR to be 30 percent lower than HVS's feasibility analysis concludes.

¹²HVS' most recent survey shows lower unit costs for the luxury/resort category but attributes the decrease to a smaller number and lower value/quality projects as a result of the economic downturn, rather than a decrease in comparable unit costs.

¹³"Executive Summary", belleayreresort.com/documents/CRVGreenBrochure08232012.pdf. Viewed, May 2013.

**Figure 5,
Belleayre Resort Development Cost Sensitivity, \$2007.**

	Units	Per SDEIS	Per HVS, 2008 Survey (Avg)	Per Spruce Peak, Tamarack	Per Belleayreresort.com
Total Belleayre Development Cost		\$364,700,000	\$443,759,500	\$438,856,000	\$476,146,237
as % of SDEIS			121.68%	120.33%	130.56%
Per unit	629	579,809	705,500	697,704	756,989
5-star (Highmount)	216	not provided	not provided	994,000	not provided
4-star (Wildacres)	413	not provided	not provided	504,000	not provided

Source: PEFA.¹⁴

Notes: 1) Belleayreresort column based upon first phase cost of \$400 million cost for two hotels and 95 shared ownership units (465 total lodging units), adjusted for inflation to \$352 million \$2007.

2) Cost of golf course is included in Total for Spruce Peak, Tamarack.

The 5-star Spruce Peak resort in Stowe, Vermont has 312 hotel-style slope-side units that share a building envelope with 23 larger condominium-style shared-ownership units. Eleven other nearby luxury shared-ownership units were also part of the development for a total of 346 units. Spruce Peak was completed in 2007 at a reported cost of \$400 million. Like the proposed resort, it includes a spa, 18-hole golf course, restaurants, retail, pool, conference and meeting facilities, in addition to a performance space. Excluding \$40 million in reported lift and ski area improvements and \$16 million for the golf course from its reported construction cost shows an average cost of \$1.04 million per overnight lodging unit for this high-end luxury resort.

The Tamarack Club in Ellicottville, NY is a slope-side, 79-unit, 4-star condominium hotel with a range of hotel-style rooms and suites and 2- and 3-bedroom units. It was built at a reported cost of \$40 million, or about \$504,000 per unit.¹⁵

¹⁴See also:

online.barons.com/article/SB50001424052748703827804577056183569848446.html;
forbes.com/forbes-life-magazine/2007/0618/047.html; 2008 Hotel Development Cost Survey,
HVS; and, belleayreresort.com/documents/CRVGreenBrochure08232012.pdf. Web pages
accessed May, 2013.

¹⁵See: fractionalstrategies.com, and HoliMont.com; accessed May 2013. The Tamarack Club may not offer as extensive an amenity package or quality-level as is contemplated for the Wildacres hotel. Accordingly, the cost of the Wildacres units could be higher than shown here.

Resort Economic Benefits

The UMP DEIS projects BMSC's annual skier visits to increase to 320,000. Its methodology would forecast a similar or a pro-rata amount for any alternative that increases CCC irrespective of the proposed resort. Accordingly, much of the associated economic activity outside the ski center associated with an increase in skier visits can be expected to accrue to existing businesses and communities in the Route 28 corridor for any alternative with a similar (or proportionate) increase in CCC.

Based upon its assessment of visitor spending patterns at Gore and Whiteface, the UMP estimates off-site spending in the Route 28 corridor associated with the full build-out alternative to increase to \$32 million from existing levels (UMP, Executive Summary, p. 19). Unfortunately, the UMP provides no estimate of spending by existing visitors so the net increase in off-site spending is not known. Absent the proposed resort, off-site spending associated with an increase in BMSC's skier visits would occur in existing communities hosting existing (or new) businesses in the Route 28 corridor.

The resort SDEIS estimates off-site spending by resort guests at \$10.64 million (Resort SDEIS, p. 1-14). This figure, however, does not reflect any transfer in spending by existing visitors in the Route 28 corridor to the resort. That is, the \$10.64 million estimate of off-site spending by resort visitors is not the net impact of the proposed resort upon existing businesses and communities. The associated transfer in spending from existing communities and businesses to the resort could largely offset, and possibly exceed, the \$10.64 figure. Neither the resort SDEIS or the UMP, however, provide an estimate of this transfer in spending to the resort.

Expansion of BMSC absent the proposed resort will cause virtually all economic benefits to occur in existing communities and among existing or new proprietors located therein. With the proposed resort, however, most new visitor spending will occur within the confines of the proposed resort. In addition, a sizable but undetermined amount of spending attributable to existing visitors that currently occurs among existing proprietors in existing communities throughout the Route 28 corridor will also be transferred to the proposed resort.

It is beyond the scope of this review to estimate the net effect of the UMP's full build-out alternative. The UMP, however has not accomplished this. This is a serious omission as this review indicates that the full build-out alternative is likely to result in the transfer of a sizable share of the economic base of the corridor's existing communities to the proposed resort.

Potential Impact on Existing Route 28 Corridor Lodging Sector

HVS' competitive set shows the proposed resort to be oversized based on absorption rates of comparable properties. As previously discussed, data elsewhere in the resort SDEIS, from HVS's annual survey, and from two comparable base-area resort projects completed in 2007 show its likely development cost to have been significantly underestimated. Consequently, the

resort's IRR would be well below that which caused HVS to deem its prospects to be "marginally feasible".

This section focuses on the relationship between demand (as reflected by skier visits) and supply (overnight lodging units). This ratio serves as a general indicator of the Route 28 corridor's ability to absorb additional lodging units compared to top-tier major destination ski resorts. The ratio may fluctuate based upon variation in yearly skier visits and the accounting of overnight units within each market area.

As with HVS's inventory of the competitive set, the ratio of skiers to overnight lodging units is useful for determining overall tendencies, though it is more specific to destination ski resorts. Lacking visitor data for other seasons, skier visits are a reasonable proxy for destination ski resort year-round visitation.

As shown in Figure 6, in order for the proposed resort to avoid negatively impacting the economic base of the Route 28 corridor's existing communities, the UMP's 320,000 forecast skier visits would need to support more overnight lodging units than the third-largest destination ski area in the U.S (Mammoth, CA), the largest destination ski area in the northeast U.S (Killington, VT), and the Olympic complex at Lake Placid, NY. The corridor's ratio would need to rival that of the four-mountain Aspen ski complex (Ajax, Buttermilk, Snowmass, and Highlands) to avoid causing negative impacts on the economic base of its existing communities.

To the extent that the UMP's skier forecast is unreasonably high (for reasons previously discussed), skier visits in the Route 28 region would need to support an even greater number of overnight lodging units.

Much of the Route 28 corridor's existing lodging and visitor sector is located in its villages and communities upon which they depend for much of their economic base and community character. Currently, there are approximately 330 overnight hotel, motel, and inn-type lodging units within about 15 miles of BMSC.¹⁶ These consist of a range of small to medium-size establishments, most of which are locally owned. With approximately 177,000 average annual skier visits (inclusive of estimated Plattekill skier visits), each of the corridor's existing lodging units are supported by about 536 skier visits.

The ratio of overnight lodging units is an inverse ratio – a lower ratio indicates a higher level of demand for overnight lodging, while a higher ratio indicates a lower level of demand for overnight lodging.¹⁷ For example, an inventory of 1,000 overnight lodging units supported by 500,000 skier visits would yield a ratio of 500 : 1 (500 skiers support one lodging unit), while an

¹⁶BMSC web site, and web search for area lodging establishments.

¹⁷The ratio of skier visits to overnight lodging units implicitly captures other visitors demand for overnight lodging units.

inventory of 1,000 lodging units supported by 250,000 skier visits would yield a ratio of 250 : 1 (250 skiers support one lodging unit). In the second case, only half as many skiers are required to support each lodging unit.

Figure 6 shows the existing ratio of skier visits to lodging units in the Route 28 corridor is nearly half (i.e., better by twice) than Ellicottville, NY, and to compare well with Killington/Pico, VT. Notably, Ellicottville's Holiday Valley ski area attracts the largest number of skier visits of any New York ski area. The Killington/Pico complex attracts the largest number of skier visits of any northeastern U.S. ski area. The ability of the corridor to surpass or equal these area's ratios with only a fraction of their skier/winter visits has not been assessed by the relevant decision documents.

The Route 28 corridor's existing ratio of skier visits to overnight lodging units surpasses that of Ellicottville, NY which hosts two ski areas, Holiday Valley and HoliMont.¹⁸ The village of Ellicottville serves as the base lodging, commercial, and services area for its two adjoining ski areas in much the way Aspen, CO does for the immediately adjoining Ajax Mountain ski area. Together, Holiday Valley and the adjacent Holimont ski areas are estimated to draw about 700,000 skier visits annually, nearly rivaling Killington, VT. Unlike Killington and BMSC, Ellicottville has a virtual monopoly on the regional destination skier market within an area that extends from Cleveland, OH through northeastern PA and western NY, to Canada's Toronto, ON metropolitan area.

The Lake Placid area attracted 532,000 winter-season visitors to its various winter activities centers in 2008. With approximately 1,400 overnight lodging units, the Lake Placid area has a ratio of about 380 winter visitors per overnight lodging unit.

¹⁸Ellicottville's ratio is lower (better) to the extent that some of its demand for overnight lodging units is accommodated by two large interstate-oriented hotels in Salamanca, NY- one of which is also part of a large regional casino. Allocation of Salamanca's overnight lodging units between Ellicottville, the interstate, and the casino is beyond the scope of this review.

**Figure 6,
Skier Visits per Overnight Lodging Units, BMSC and Selected Ski Resorts.**

	Average Annual Skier Visits	Lodging Units (approximate)	Skier Visits per Lodging Unit
Route 28 Corridor			
Existing (BMSC + Plattekill)	177,000	330	536
Full build-out	337,000	959	351
Lake Placid, NY (all winter venues)	532,610	1,400	380
Ellicottville, NY	703,000	636	1,105
Killington/Pico, VT	750,000	1,600	469
Mammoth Mountain, CA	1,150,000	3,027	380
Aspen ski complex, CO	1,570,000	4,525	347
Vail, CO	1,600,000	3,706	432

Source: PEFA.¹⁹

Notes: 1) Lake Placid visits for 2008 for ORDA winter sport facilities.

2) Ellicottville skier visits for Holiday Valley, and HoliMont estimated based on reported employees.

3) Plattekill visits not available; estimated at 17,700 (+/-) based on reported employees.

With about 1.15 million annual skier visits, Mammoth Mountain, CA is reported to have the third-highest skier visits in the U.S. Mammoth's lodging sector also benefits from its proximity to Yosemite National Park which attracted 4.0 million visitors in 2012 (National Park Service). Mammoth is also served by a regional airport ten miles from the ski area and the adjoining Town of Mammoth Lakes. The airport offers charter and scheduled service to the southern California and the San Francisco Bay markets. Mammoth's geographic market includes central and southern California, the Bay area, and extends into Nevada and Arizona. The population within this area rivals or exceeds that of BMSC's geographic market area.

Vail, CO is one of the most renowned and recognized resort destinations in the world. It obtains a majority of its skier visits from overnight skiers and other seasonal visitors. Vail is served by charter and scheduled flights to Eagle County regional airport about 20 miles down-valley. Vail attracts visitors from throughout North America, and internationally. Within driving range of the Denver metropolitan area, Vail's ratio of skier visits to lodging units reflects a somewhat greater share of local day skiers than the Aspen, CO complex. The drive time to Vail from Denver (1

¹⁹Annual skier visits from BMSC and ORDA, and secondary sources for other ski areas.

Overnight lodging units identified from ski area web site lodging listings, hotels.com, telephone inquiry, other secondary on-line sources, and from HVS for Mammoth Mountain. Winter visitors for Lake Placid Olympic complex from ORDA, SUNY TAC, 2008, p. 19. Aspen lodging units from "Aspen's Lodging Sector", Aspen Community Development Department, 2012. Aspen skier visits from Aspen Times, 2008. Vail units from "Vail Lodging Inventory Study, 2008" and includes hotel and shared-ownership units in Vail Village and proximate environs. Vail skier visits from vailvalleypartnership.com, accessed May 2013. Overnight units generally include hotel, motel, inns, and centrally-managed units available for overnight lodging within a roughly 15-mile radius.

hour, 44 minutes) is somewhat less than from Manhattan, NY to BMSC (2 hours, 15 minutes), although winter driving conditions and traffic may cause them to be more similar at times.

Like Vail, the Aspen, CO complex is also one of the most renowned and recognized resort destinations in the world, attracting visitors from throughout North America and internationally. The Aspen complex obtains the large majority of its visits from overnight skiers and other seasonal visitors. Aspen is also served by charter and scheduled service to the Aspen-Pitkin County airport located a few minutes from the Town and its four ski mountains. Aspen attracts visitors from throughout the U.S. and internationally, and also attracts a sizable number of off-season and Summer visitors.

With the exception of the Emerson resort about 15 miles to the south of BMSC, the Route 28 corridor's existing lodging establishments are smaller "Ma and Pa"-type operations. Most would have little ability to compete with a sizable slope-side resort, particularly should failure to realize its pro-forma cause the proposed resort to rely on discounting and promotion to increase its market share and cash-flow at the expense of existing communities and proprietors.

No-Highmount Alternative

Without the Highmount element there is no reason for a west-side expansion of BMSC. The Highmount element has no viability without a west-side expansion as lacking slope side access it loses, value, convenience, market, and cachet. Without a west-side expansion Highmount is isolated and cut-off from the ski center. Unlike the Highmount element, the proposed resort's Wildacres element remains potentially viable either without a west-side BMSC expansion, with an east-side expansion, or no expansion.

Much of the premise for the Highmount element relies upon the developer and HVS' assertion that the proposed resort's market is "worldwide" (e.g., Resort SDEIS, Appendix 5, HVS, p. 3-1), similar to international ski resort oriented destinations as Vail and Aspen, Colorado, Chamonix/Mont Blanc, FR, Banff/Lake Louise, and Whistler/Blackcomb, CA.²⁰ The Highmount element is presumably geared more towards the resort's presumed worldwide clientele which would tend to gravitate more to a 5-star hotel.

²⁰Approximately 1.66 million skiers visited the Alberta Rocky Mountain Ski Resorts during the 1998/99 season; 7 percent were from the U.S. and 23 percent were from other international destinations. Source: "The Economic Impact of Downhill Skiing on Alberta's Rocky Mountain Ski Resorts", Price Waterhouse Coopers, February, 2000. Skier visit data for Whistler/Blackcomb are not available. Whistler/Blackcomb reportedly issues about 160,000 season passes annually, a figure that greatly exceeds total BMSC skier visits in 2012/13; see: www.whistlerrealestate.ca/whistler-news/market-news/11-05-19/Skier_visits_return_to_pre-Olympic_levels_Whistler_Blackcomb.aspx, viewed July 2013.

The decision documents cite no examples of skier-oriented and snow-making dependent destination resort(s) with a significant international clientele with as limited in terrain and as few skier visits (as forecast by the UMP) as the proposed resort. The premise that the proposed resort would be a destination for a significant international clientele appears to be based only upon conjecture. More so given that the resort would be the base area village for a publicly-owned ski center dependent upon the largesse of State legislators for much of its capital funds.

The resort SDEIS mentions eliminating the Highmount element in the Executive Summary and Chapter 5 (Resort SDEIS, Executive Summary, p. xxxvi and p. 5-8). Its discussion of eliminating Highmount consists of assertions, surmise, conjecture, and a description of HVS's study (found in Resort SDEIS, Appendix 5) of the full build-out of the proposed resort that is not relevant to a no-Highmount alternative.

The resort SDEIS erroneously claims “the HVS study to conclude that the proposed project – namely, full development of all project components – is the only feasible and viable approach” (Resort SDEIS, Executive Summary, p. xxxvii, and p. 5-7). This statement is false. HVS' contribution to the SDEIS does not examine or analyze a no-Highmount alternative, or any other alternative to the full build-out of the proposed resort.²¹

Without any basis or analysis, the resort SDEIS arbitrarily concludes a no-Highmount alternative “is unlikely” to “ever attract sufficient equity investment or financing or, if built, would be marginally performing or scaled back to a substantially lower quality development...” (Resort SDEIS, p. 5-8). Although HVS makes no conclusion about a no-Highmount alternative (since it does not analyze such an alternative), it does conclude the hotel component, inclusive of the Highmount element, to be marginally performing.

As to scale, none of the competitive set resorts identified by HVS have anywhere near the scale of the proposed resort. The Sagamore, in Bolton Landing NY has 350 overnight lodging units. The Marriott Seaview in Galloway, NJ has only 297 lodging units. The nearest of the competitive set, Mohonk, in New Paltz, NY, has only 266 lodging units. Eight of the competitive set have less than 100 lodging units. Each of the three nearest to a major ski area have fewer than 130 lodging units. The competitive set clearly demonstrate that a lower scale does not impose an impediment to success as the resort SDEIS asserts.

Accordingly, there is no basis or validity to the statement that “...the proposed Resort represents an attractive investment opportunity only when considered collectively, in its entirety” with the Highmount element (Resort SDEIS, p. 5-8).

²¹The Executive Summary also attributes HVS to have relied upon “in-house market data” and “other documents prepared for the Belleayre Resort project”. A review of HVS' contribution to Appendix 5 finds no reference to such data or documents. Any such data and documents would need to be accessible or included in the decision documents for review, applicability, and validation.

Being more remote makes the Highmount element more likely to impose greater linear and pumping costs for water and sewer. The Highmount hotel is to be recessed into the side of the mountain which together with its 5-star fit-out also contributes to its higher unit cost.

A no-Highmount alternative presents cost savings that would enhance feasibility by eliminating the need for internal roads and the need to circulate traffic between Highmount, Wildacres, and the BMSC's base area. Likewise, the cost of storm water facilities, and site preparation such as grading, road cuts, and blasting will also be reduced with a no-Highmount alternative.

The Highmount element will also be more cost intensive to operate – with 274 jobs it is more labor intensive than the larger Wildacres element that would have 267 jobs. (Resort SDEIS, p. 1-19).

Public savings would also be achieved to the extent that the capital and operating costs associated with a west-side expansion of BMSC exceed those of an east-side expansion, or no expansion. To the extent it reduces BMSC operating and/or capital costs a no-Highmount alternative will also relieve upward pressure on lift tickets prices and other ski center services.

Accordingly, there is no basis for the resort SDEIS and/or the UMP to dismiss or omit analysis of a no-build Highmount alternative, particularly as all objective evidence shows the proposed resort to generate sub-par returns, to be too large, and too highly capitalized. All of which are mitigated by a no-Highmount alternative.

Bifurcation of Areas of Impact

The resort SDEIS Appendix 3 delineates two areas of impact. The smaller of the two is the “socioeconomic study area”. This area includes the Towns of Middletown, Shandanken, and Olive. The larger (roughly 2.5 times the area of the socioeconomic study area) is the “workforce study area”, which in addition to the aforementioned Towns, includes the Towns of Bovina, Andes, Hardenbaugh (to the west and south), and Halcott, Lexington, Hunter, Woodstock and Hurley (to the north and east).

The UMP's bifurcation of the areas of impact is arbitrary. If the resort and the ski center are capable of drawing workforce from the larger area they are just as capable of drawing skier and other seasonal visitors from within the same area.

The effect of bifurcating the impact area is to delimit the area of socioeconomic impacts to exclude consideration of potential or reasonably expected impacts on other Catskills towns and communities that are dependent upon existing ski areas and/or seasonal visitors. Socioeconomic and community impacts in the workforce area are as potentially significant as those in the socioeconomic area, yet they have not been acknowledged, considered, or evaluated by the SDEIS.

The proposed resort and ski center expansion will compete for both workforce and market share (including skiers, second home purchasers, and other visitors) with nearby towns and communities elsewhere in the Catskills region. Windham and Hunter, for example, are located in the SDEIS' workforce area of impact but not the socioeconomic area of impact. These and other communities in the socioeconomic area have sizable skier and seasonal-visitor based economies that could be impacted by the proposed resort and ski center expansion.

Accordingly, the SDEIS's consideration of the full range, size, and scope of potential impacts on socioeconomic and community character within the area of impact (consistent with the workforce area) is incomplete.

Conclusion

This review shows the decision documents currently before DEC to be unreliable and unsuited for decision-making purposes.

The UMP's skier visit forecast is out of date as a result of a change in operating policies that accompanied the turnover of the ski center to ORDA operation and management. The changes have had a substantial affect upon BMSC's skier visits that could cause some of the proposed ski center improvements, and terrain expansion, unnecessary.

The cost of constructing the proposed resort is shown to be 20 to 30 percent greater than the figure utilized in the decision documents which will reduce returns well below the level that caused HVS to determine the prospects for its hotel element to be only marginally feasible. The number overnight lodging units is not supported by absorption rates of other comparable properties documented in Appendix 5 of the resort SDEIS.

The aggregate impact of the proposed resort on the local and regional economy has not fully been adequately assessed or fully accounted for. The decision documents assume the proposed resort to be fully additive to the local economy, but this assumption is shown to be highly questionable. For example, the likelihood that the Route 28 corridor can support the same ratio of skiers to lodging units as the marquee Aspen and Vail, CO, Killington/Pico, VT, and Mammoth, CA ski complexes with only fraction of their annual skier visits and terrain has not been assessed by the decision documents, but appears highly dubious.

The collapse of the shared-ownership resort market and the residual effects of the 2007/08 economic downturn are not accounted for in the decision documents. Most of the key data upon which they rely stops at 2007/08. Even under what were peak- or near-peak-of-market conditions, the hotel element of the proposed resort was determined by the resort SDEIS to be only marginally feasible. Buried deep in the resort SDEIS, this conclusion by the resort developer's consultant is at odds with how its prospects are otherwise portrayed therein.

Reasonable alternatives to the proposed resort that would generate significant economic benefits to the Route 28 corridor and its existing communities exist. These alternatives would include more limited improvements to the ski center, an east-side expansion, an east-side expansion, no expansion, and a down-sized and less capital-intensive resort centered in the Wildacres area that would omit intensive development in the Highmount area.

About the Author

Mr. Michael Siegel is an independent consultant with over 32 years of experience. He specializes in public and environmental finance, regional and project impact analysis. His clients consist of state and local governments, federal agencies, local development authorities, non-governmental organizations, and citizen groups.

Projects include an assessment of the impact of a proposed Walmart in Orange County, Virginia, four proposed Walmarts in the District of Columbia, two casinos proposed to be located near Gettysburg, Pennsylvania, a study of the proposed reversion in corporate status of the City of Bedford on Bedford County, Virginia, an annexation analysis in Washington County, Virginia, development of an economic and fiscal impact model for Shelby County (Memphis), Tennessee and others for Loudoun County, Virginia, the U.S. Virgin Islands and Lincoln/Lancaster, NE, an assessment of the impact of casinos on Vicksburg, Mississippi, an assessment of the impact of a major new theme park in Northern Virginia, analysis of a proposed municipal reservoir for Virginia's Lower Peninsula, a feasibility and fiscal impact analysis of re-development of a former NSA listening and signals station; and, an analysis of tax-base and revenue enhancement opportunities for Clarke County, Virginia.

Mr. Siegel's work also includes utility tariff and demand analysis for water, wastewater, and electrical utilities, and K-12 public education finance.

Mr. Siegel is a past Assistant Director of the Government Finance Officer's Association, and was the Director of the Office of Commercial Revitalization and the Main Street Programs for the State of Maryland. Earlier, he worked on evaluating the impact of large-scale military facilities on local governments, and was the lead energy impact specialist for the Colorado West Area Council of Governments.