

April 7, 2014

Ms. Kristina Berry
Executive Officer
Placer LAFCO
110 Maple Street
Auburn, CA 95603

Re: Olympic Valley Incorporation Proposal (LAFCO #2013-02)

Dear Ms. Berry:

I am writing on behalf of Squaw Valley Ski Holdings, LLC ("Squaw Valley") as an interested party with respect to the Olympic Valley Incorporation proposal ("The IOV Proposal"), which is presently pending review with Placer County Local Agency Formation Commission ("LAFCO"). California Government Code Section 56668(m) provides that "*any information or comments from the landowner or owners, or voters, or residents of the affected territory*" shall be considered by LAFCO in the review of an incorporation proposal. Section 56375 also provides that LAFCO shall have the power to "review and approve with or without amendment, wholly, partially, or conditionally, or disapprove proposals for changes of organization or reorganization, consistent with written policies, procedures, and guidelines adopted by the commission."

In light of this discretion provided to LAFCO in reviewing proposals for incorporation, Squaw Valley urges LAFCO to carefully review the IOV Proposal and any evidence offered in support or against the IOV Proposal throughout the incorporation process, with special emphasis on the economic issues that the new city proposed would face. Given the evidence that is currently available, we are deeply concerned as to the viability of the IOV Proposal. Squaw Valley urges LAFCO in its review of this matter to also consider amended incorporation boundaries that exclude Squaw Valley. (See Attachment #1 (Map of Proposed Amended Boundaries)).

Squaw Valley first opened in 1949. For over 60 years, Squaw Valley has been one the anchors of the community, and today is, by far, the region's largest landowner, employer and economic driver. A few statistics may be helpful:

- Squaw Valley owns 2,300 acres, nearly 40% of the size of the proposed new city
- During peak season, we employ well over 2,000 people and attract over 350,000 guests each year
- We pay approximately \$1 million annually in property taxes
- We collect over \$1.3 million in sales taxes annually
- We collect over \$700,000 in transient occupancy tax ("TOT") annually
- The aquifer that supplies water to all valley residents is located largely within land owned by Squaw Valley
- In the last three years alone, Squaw Valley has invested over \$35 million directly into on mountain and village improvements

At Squaw Valley, we cherish our history and our place in the community. Unlike many ski areas that adopted the names of existing towns - Vail, Aspen, Sun Valley, Telluride to name but a few - Olympic Valley effectively was created through Squaw Valley's hosting of the 1960 Winter Olympics. However, much has changed both in the greater Placer County area and in the ski industry over the last 60 years. Whether it is investment in infrastructure - such as roads and bridges, water and sewer systems, or schools - or private development improvements, a community must continually re-invest to meet the needs of its citizens. This is certainly true for a business such as Squaw Valley. The improvements that were in place at Squaw Valley when it hosted the 1960 Winter Olympics would not be sufficient to allow Squaw Valley to survive today. Squaw Valley must be able to invest to be competitive with an ever changing landscape. Investments by Squaw Valley benefit the entire community through new jobs, new taxes and new amenities for all to enjoy.

The need for investment is especially evident as shown by the stresses borne by Squaw Valley and the greater community over the last several winter seasons resulting from the poor snowfall. Far removed from the summer activities at Lake Tahoe, the success of Squaw Valley today is virtually entirely dependent on the period from December through March. Squaw Valley invested millions of dollars in on-mountain improvements over the last few years. Had we not done so, it is quite likely this year that the mountain would not have opened until well after the Christmas holiday season, would have had much more limited terrain available when opened, and ultimately would have been forced to close earlier. Such a scenario would have resulted in lost jobs and decreased tax revenue. In order for us to serve our current guests and employees and to diversify so as to not be solely reliant on either winter or on mountain activities, additional development at Squaw Valley - well planned and fully vetted through the County's processes - needs to occur. However, if the IOV Proposal that is presently before LAFCO were to be successful, we believe its effect on Squaw Valley could be so negative that it would threaten our ability to undertake future investments.

Squaw Valley would provide the single largest source of revenue to the proposed new city, and the rhetoric that has been employed by the IOV proponents has been troubling. Although the proponents' public relations efforts assert that the incorporation campaign is entirely a local endeavor, this is in fact not the case. The proponents have had to resort to "crowd funding" from individuals and groups who are not residents of the proposed city in an attempt to gain the funds necessary for their efforts. This raises concerns that the incorporation effort is not truly representative of the community, as well as being under-funded. To date, just 159 registered voters of the proposed new city (which is less than 1% of the registered voters in Placer County) have come out in support of the IOV Proposal by signing a petition to proceed with the proposal. In addition, the community of Alpine Meadows rejected the proponents' efforts to include it within the proposed city.

Incorporation proponents have also made promises about improving roads, increasing snow removal and providing other services, but have failed to provide any substantial analysis showing that a new city could even match the level of services already provided by Placer County. They have presented very little information as to financial viability of a new city, and have disclosed none of the unintended consequences that will flow from incorporation that have not been well thought out. If the IOV Proposal leads to incorporation, tax revenue that would otherwise benefit all of Placer County would flow to a city covering a number of square miles but containing, as we understand only 538 registered voters. We believe that this revenue will be insufficient to support a viable city, and that removing it from Placer County will deprive both Olympic Valley and the greater Placer County of economies of scale and much needed dollars to fund services and improvements that benefit all of us.

There are approximately 7,500 homeowners (property owners, time share owners and/or part time residents) within the boundaries of the proposed incorporation who are not residents for voting purposes of the proposed city and thus do not have the ability to vote on the IOV Proposal. These “non-represented” homeowners are approximately 13 times greater in number than those entitled to vote on the IOV Proposal. In addition, Squaw Valley, despite being the owner of roughly 2,300 acres or 40% of the proposed city, also has no vote in the election because it is not a “registered voter.” This is a highly unusual situation for an incorporation effort. LAFCO therefore must provide particularly careful analysis of the proposed city’s likely viability.

The rhetoric that has characterized the incorporation effort by IOV casts serious doubt on whether the financial viability of the proposed new city is first and foremost in the minds of the proponents. Various news articles show that the predominant justification advanced for the IOV Proposal has been the proponents’ opposition to development within the valley, particularly that proposed for Squaw Valley. As one proponent succinctly put it at a meeting on November 13, 2013, the purpose of the IOV proposal is to “bring KSL to their knees.”¹ At one point, the Incorporate Olympic Valley website read that their goal was to “*delay development [at Squaw Valley] by at least seven years.*” It has been further reported that the purpose of the IOV Proposal meetings was to determine whether Olympic Valley and Alpine Meadows could “*form a new city as a way to exert control over the outcome of KSL Capital Partners’ plans to expand the Squaw Valley Village.*” At one meeting, Peter Schweitzer, an IOV Proposal proponent, presented the reasons for seeking a new city, one of which was for the newly formed city to stop or change development that was already underway. Schweitzer further indicated that the year and a half to three year period of the incorporation process left “*plenty of time to impact the [Squaw Valley] village expansion project, especially if it gets tied up in court.*” (See Attachment #2, Moonshine Ink article, “Residents look to incorporation as a way to fight Squaw Valley village expansion. Is it a viable option?” published February 8, 2013.)

Another cited objective behind the IOV Proposal, as reflected in numerous media articles, is control of tax revenue (as well as of land use and development). (See Attachment #3, San Francisco Chronicle article, “Olympic Valley Group Pursues Town hood to Control Growth,” published January 2, 2014; see also, Attachment #4, Sierra Sun article, “Effort to Create Town of Olympic Valley moves ahead,” published December 26, 2013). However, “control of tax revenue” in a setting in which the new city has inadequate financial resources raises significant issues. Based on the statements of IOV proponents referenced above, we believe it is probable that, in such a setting, a new city motivated by the objectives of the IOV proponents would seek to impose higher taxes and fees for services on Squaw Valley with the intent both to supplement inadequate city finances and to restrict existing and proposed future operations. In such a scenario, we would then likely be forced to significantly increase the annual cost of services, whether in the form of ticket prices, season passes, or members’ locker fees, and begin charging for parking to create off-setting revenue sources to pay for these tax increases. These steps could impact members’ locker room and free parking, which are highly valued “local” benefits for residents both inside and outside the new proposed city boundary.

The IOV Proposal is based on two exceedingly important assumptions. First, the IOV Proposal assumes that if incorporation is successful, Squaw Valley will continue to be competitive in the market place and will provide rising revenues annually to fund operations of the new city. Second, the IOV Proposal seems to assume that any development which does proceed at Squaw Valley will automatically be economically successful. Each of these assumptions could easily be wrong, based on

¹ KSL refers to KSL Capital Partners, the ultimate owner of Squaw Valley.

a variety of factors. If development that is necessary to keep Squaw Valley competitive is restricted, or if weather, economic factors, or the new city's failure to invest in public infrastructure or services serve to depress profitability, this will likely leave the new city without sufficient funds to be self-supporting. It cannot be denied that the success of a new city as proposed is inextricably linked to and dependent on the success of Squaw Valley.

Regardless of any new development at Squaw Valley, business owners and other taxpayers in the valley will also likely be faced with higher taxes and fees because the IOV Proposal proponents have not considered all costs that will be required for a new city. These include but are not limited to preparation of a General Plan and the associated and required environmental impact report, provision of planning and other administrative services, and providing for the city's fair share of affordable housing requirements under State law.² The incorporation proponents seem to believe that virtually all municipal services can be contracted out to others to provide, which is manifestly not the case. If additional services and planning needs and necessary administrative staff are not provided, the city will not be able to meet its basic public service obligations. In this scenario, badly needed improvements to amenities and lodging for guests and employees at Squaw Valley could well become infeasible. Placer County would be irreparably harmed, since a weakened Squaw Valley would harm not only us but also our employees, the overall economy of the region, and the residents of Placer County as a whole.

Another important tax issue relates to the shifting of tax revenues from Placer County to the new city, especially with respect to TOT and resulting legacy costs. Any Revenue Neutrality Agreement will require that incorporation be revenue-neutral as to Placer County. We anticipate that the County's loss of TOT and other revenues through the incorporation will certainly require that Placer County continue to receive a portion of the tax revenues brought in by the proposed city. We believe that, in such a setting, the proposed city will likely face serious pressure to either raise taxes or reduce levels of service provided to residents. The consequences of reduced TOT tax funds in Placer County will also harm development, business and the quality of life in the entire region.

We also have concerns with respect to water supply resources within the valley in the event of incorporation. Pursuant to Government Code Section 56668, in its review process LAFCO must consider the timely availability of water supplies adequate for projected needs. Squaw Valley is an overlying landowner in the groundwater basin from which a large portion of the valley's water supply is drawn. Squaw Valley's lodging and business needs, environmental requirements, and snowmaking capacity are all dependent on water availability. If the new city were to seek to restrict water availability to Squaw Valley, this could force Squaw Valley to form a third water service provider (a mutual water company) in the valley to insure water will be delivered for future demand. Any such restrictions on water availability could also impact users outside the boundaries of the city.

What will be the result of this potential incorporation? We fear that higher taxes and reduced levels of service will result. Placer County will be deprived of tax revenue which could be used to fund services and improvements needed within the County. What purpose will incorporation serve, if it does not provide better public services than are currently being provided by the County? Will incorporation insure that a better level of land use review for any potential development at Squaw Valley will result? We do

² The city's affordable housing requirements would be assigned by the Sacramento Area Council of Governments ("SACOG") pursuant to California's Housing Element Law. (See <http://www.sacog.org/rhnp/rhna.cfm>.) The city's Housing Element must identify adequate sites within the city for housing, including rental housing, and must make adequate provisions for the existing and projected needs of all economic segments of the community, including low and very low income, as may be allocated. It must also update its Housing Element every five years. (See Gov. Code §§ 65580, 65581-65583.)

not believe that this would be the case. Nearly three years have elapsed since our initial proposal for Squaw Valley was presented. Since that time, Squaw Valley has undertaken hundreds of meetings, large and small, and has solicited the input of the entire region as to potential new development at Squaw Valley. As a result of this extensive public outreach effort, we have modified our plans and submitted a substantially revised and downsized proposal that we believe incorporates the views of all who have participated in the process to date. It will likely take several more years before final action on this proposed development could take place and any meaningful development could occur. We believe that the County's land use review processes are more than adequate to insure that any proposed development at Squaw Valley is properly reviewed, acted upon and controlled.

Given the importance of Squaw Valley to the overall community which extends far beyond the boundaries of the newly proposed city, it is a sad commentary that neither we nor persons who own residential property in the proposed city but are registered to vote elsewhere are able to vote upon the IOV Proposal. Of course, residents of Placer County as a whole are similarly deprived of the ability to vote on an incorporation measure that could have a significant effect on them as well. We request that LAFCO include in its review of the IOV Proposal the consideration of alternate boundaries for the proposed City that would exclude Squaw Valley and the non-voting property owners from the proposed new city. This would preserve the status quo that has worked well for over 60 years. As shown in the attached map of the proposed amended boundaries, such an amendment would conform to Squaw Valley's assessment and ownership boundaries. Excluding Squaw Valley from the incorporation would not create an unincorporated island inconsistent with Placer County LAFCO Policies. Such exclusion would also prevent potential duplication of service and administrative staff responsibilities that could otherwise occur with a new city, including snow removal and overlap in staffing for the administration of ski area-related services.

In conclusion, Squaw Valley respectfully requests, should a complete application be filed for the proposed IOV incorporation and LAFCO commence its formal review of this proposal that LAFCO consider the alternative municipal boundaries recommended in this letter. Squaw Valley also respectfully requests that a thorough and well-documented Comprehensive Fiscal Analysis ("CFA") – examining both the boundaries proposed by the IOV proposal and excluding Squaw Valley - be prepared that addresses in detail the substantial organizational and fiscal problems that it seems clear the proposed new city would face. In addition to the CFA, Squaw Valley also believes that a full EIR must be prepared to study the numerous potential environmental impacts that could arise from this incorporation effort (please see the attached letters from Remy, Moose, Manley, LLP and Economic & Planning Systems, Inc.). Squaw Valley believes that a full and comprehensive study, including consideration of alternate boundaries, is the only way LAFCO can effectively consider and weigh all relevant factors as required during the incorporation review process.

We greatly appreciate LAFCO's courtesy and consideration of this matter.

Sincerely,

Andy Wirth
President and Chief Executive Officer
Squaw Valley Ski Holdings, LLC