

# Chapter 1

## Background & History

### Introduction

The idea of developing a winter recreational facility, or possibly a four-season resort featuring alpine skiing at Hatcher Pass, to supplement the more random use of the area that currently exists, has been germinating since the 1970's. Four major attempts have been made to develop ski and recreational facilities since that time. In order to gain a perspective on where we are today and from the lessons learned from past experiences it is important to review the history of this area and to set the stage for "Hatcher Pass - A New Beginning."

### Background and History

Until the late 1990's, efforts to develop Hatcher Pass had been largely controlled by the State of Alaska which owned the site and adjacent lands. The approach being used was similar to that used by the U.S. Forest Service in the "Lower 48", i.e. a private developer becomes a concessionaire or lease-holder, paying an annual fee to the land owner, but incurring all improvement costs as the private operator.

In the late 1980's and through the late 1990's the State tried on two different occasions to see the area developed by private industry. The first was in 1988 when Mitsui & Company, Ltd. entered into a 55-year lease with the State.

#### *Mitsui & Company, Ltd.*

In the mid 1980's there was a hope and a movement to attract the 1994 Winter Olympics to the Southcentral area. In 1989, Mitsui submitted their conceptual development plan for a four-season resort. The plan included site design, conceptual architectural renderings, maps, a host of possible recreational activities, and services maps. Their ambitious plan called for completion of Phase 1 in 1993, with subsequent phases finished in by 1996. Their goal was to create a world-famous ski area and year-round travel destination. The resort included a 300-room first class hotel built in two phases, a 1,000-unit condominium project, restaurants, retail stores, 8 chair lifts with a gondola, a golf course, swimming pools, and a wide range of other year-round outdoor activities.

Mitsui estimated their project would cost \$221,600,000. Shortly after the announcement that the 1994 Winter Olympics would not be held in Alaska, Mitsui concluded the project was not feasible and terminated the lease agreement.



## *Hatcher Pass Development Corporation – Fred Rogers*

In 1991, the State again requested proposals for a lease of the area. The new request encouraged a four-season resort but at a much smaller scale and addressed other lessons learned from the Mitsui experience. The Hatcher Pass Development Company (Fred Rogers) won the bid to lease the land from the State of Alaska in October of 1992 and entered into a lease in September 1993.

Hatcher Pass Development Company (HPDC) proposed to develop a four-season resort through three phases of ski area development, two phases of hotel development, and two phases of golf course and recreational real estate development. Market conditions would dictate the timing of each phase.

Phase 1 of the HPDC initial development was to build a gondola lift system base on the bluff overlooking Mile 11 of the Hatcher Pass Road. The eight-passenger gondolas would climb 3,335 feet, passing through a mid-station and arrive at the top of Peak 4609 eleven minutes after leaving the base station. The 150 gondola cabins were to travel about 7,125 feet to the mid-station, then go another 5,800 feet to the top terminal, a total of nearly 2.5 miles.

The rationale for using a gondola system was that it would serve non-skier well in the summer season, an important consideration when creating a four-season resort, the model commonly used today for contemporary four-season mountain resort developments.

Skiers would have 1,577 acres of skiable terrain with the majority of the area classified for intermediate skiers, a desirable characteristic. Trails below the midway station were to be illuminated for night skiing and snow making equipment would ensure adequate snow to make a longer ski season.

HPDC proposed to have a 4,657 square foot Base Lodge with offices, aid station, equipment rental and repair, retail space, ticket sales and storage lockers. An adjacent space for the gondolas and lift contained another 5,750 square feet. A maintenance/generator/storage building containing 5,719 square feet would be out of sight 1,000 feet north of the base lodge. A Mid-Mountain lodge with food service, a lounge, lockers, and ski school center would contain 6,278 square feet with another 21,750 square feet for the lift and gondola storage and maintenance. The top terminal contained a total of 3,690 square feet; much of it unheated space used to shelter the lift and gondola cars. The heated space would provide a ski patrol office and staging area, and public restrooms. The top terminal would have had decks so visitors could enjoy the panoramic view, including Mt. McKinley.

This first phase would have cost more than \$20 million and did not include any recreational development or amenities on the south side.

In March of 1995, an interdisciplinary team of consultants delivered a Hatcher Pass Ski Resort Financial Feasibility Report to the Alaska Industrial Development and Export Authority (AIDEA). The study said that, if the resort opened in 1995, it could have experienced 96,400

skier days; largely from Borough residents supplemented by skiers from Chugiak, Eagle River, and Anchorage. By the year 2000, skier days would rise to about 150,000. HPDC in developing their master plan assumed 250,000 skier days by this same time. This was a significant difference.

The study concluded that the developer had overestimated net income and, because of the cost of developing the project as proposed, it was unfeasible unless the developer was able to raise more venture capital and lower the debt. To be feasible, the developer had to use less leverage than is customary for such projects. The report concluded, “The challenge is to find a mechanism by which to leverage the operating surplus through a creative funding mechanism to enable the development to proceed.”

AIDEA commissioned its consultants to devise a plan that would be more feasible. The August 1995 report recommended building a 22,000 square foot day lodge with three parking lots. In phase 1, a short double chairlift would serve a beginner’s slope and also transport skiers from the lower parking lot to the day lodge. A triple lift would transport skiers from the day lodge up the mountain. A second triple lift would start from midway to lift skiers further up the mountain. Lighting would have permitted night skiing. This scenario would serve 2,570 skiers on the lifts and on the slopes. Phase 1 would cost \$9,078,070 to build.

Phase 2 involved installing two additional triple chairlifts to increase capacity and skiable area, serving 4,260 skiers at one time. Snowmaking equipment was not included. The consultants expected a 150-day season and a \$29.00 charge for an adult day ticket. To pay all operating and capital expenses, including the cost of capital, Phase I required 144,002 skier visits each season. The ski area was expected to start with 110,000 skier visits the first year, rising to 145,000 by its fifth-operating season.

Mr. Rodgers was unable to raise money to develop the project at either scale and withdrew from the project.

### *Hatcher Pass Development Corporation – Davis Constructors and Engineers*

The principals of Davis Constructors and Engineers bought the HPDC in 1997 from Mr. Rodgers and reviewed the studies and plans produced by their predecessors and came up with a new business plan.

The new plan intended to team up with a ski area operator and private investors to develop the area. They proposed construction of two quad chair lifts with a combined vertical rise of nearly 3,100 feet. Chair 1 would start on a bluff above Milepost 11 of the Hatcher Pass Road. That lift would climb 1,340 feet, from elevation 1,470 to elevation 2,820. It would have length of 5,855 feet with an average slope of 23%. A second chair lift climbing to Peak 4062 would start at elevation 2,330, just below the top of Chair 1. Its vertical rise of 1,732 feet would provide a slope length of 5,013 feet, with an average slope of 34%. Two smaller lifts near the base of Chair 1 would serve beginners and “tubers.”



The ski area would have night lighting, snowmaking equipment and groomers to ensure that skiers would experience a consistent, high-quality mountain experience.

At the base, the Day Lodge would provide space for ticketing, ski school, rental and repair shop, restaurant and beverage service, retail space and an area for the ski patrol and emergency services. Two smaller buildings would provide the shelter and storage space for lift equipment and the ski patrol at midway and at the top of Chair 2.

Under this scenario, the total cost of the ski area would be \$13,000,000, including infrastructure.

It is important to note at this point, that other than the Mitsui proposal, neither Mr. Rodgers or Davis Constructors and Engineers formally proposed any development on the South side although both indicated that some commercial/residential development would be necessary in order to make the project feasible.

### *Borough Involvement*

In the late 90's the Matanuska-Susitna Borough became much more actively engaged in a program to facilitate construction of the ski area. The Borough obtained management authority of the existing lease that was issued to Hatcher Pass Development Company, Inc. from the State of Alaska. The Borough obtained funding to bring electricity into the area, had geotechnical work done on both the north and south sides of the Government Peak Sub-Unit where the Alpine and Nordic ski areas could be located, identified and partially developed water sources to support ski area development, built an access road into the area where the Alpine base facilities should be located, and conducted economic and design studies for the area. The Borough also helped secure funding to upgrade the Hatcher Pass Road north of the Edgerton Park Highway and helped secure funding to upgrade the State Park facilities at Independence Mine and the surrounding area.

Other important milestones occurred at the turn of this century. The Borough obtained the lease from Hatcher Pass Development Company, Inc. who no longer showed an interest in developing the area. The Borough also obtained title to approximately 3,000 acres of the land where the Alpine base facilities would be located on the north side, and where possible commercial/residential development and the Nordic trails and facilities would be located on the South side. By the early 2000's the Borough owned the land where the main activities and development could occur, and owned and managed the long-term lease for the entire Government Peak Sub-unit area.

### *JL Properties*

In 2004, the Borough made another attempt to develop the area, this time with a private-public partnership. JL Properties was the only firm that responded to the Borough's Request for Qualifications.

JL Properties proposed to provide a regional Alpine ski area and an extensive Nordic ski trail system with associated amenities. On the south side they proposed a recreation-based community that would have strict design standards, sensitive to the stewardship of the area's unique environmental attributes. Overall the project was intended to maximize both recreational and economic benefits.

The project scope involved three inter-dependent elements; Alpine Ski Area and Visitor Center, Nordic ski trail system with stadium and chalet, and a Southside Residential Area. As proposed by JL Properties, they included the following:

#### Alpine Ski Area and Visitor Center:

- Designed as a regional ski resort
- Day lodge/visitor center
- Detachable high speed quad lift
- T-bar lift
- Platter lift and "Magic Carpet" lifts
- Maintenance building
- Capacity of 2,300 skiers per day
- Snow making and lighting coverage
- Ski area with 2,000 of vertical rise
- Ability to expand ski terrain in the future

#### The Nordic ski trail system with stadium and chalet:

- Extensive trail system for a variety of year-round uses
- Trails designed to host competitive races at the high school, collegiate, and international levels
- Trail designed to utilize bypasses and cutoffs creating less demanding loops for recreational use.
- Stadium area to provide a base for recreational trails and start/finish area for competitive events.
- The area would also include; recreational trails, multi-use trails, motorized trails, hiking trails, sledding hill, and equestrian center and trails.

#### The Southside Residential Area included:

- 450 residential lots ranging from 1 – 5 acres, lying within development pods separated by large open space areas developed over 25 years.
- Strict design guidelines would ensure an appropriate standard of architecture and landscaping
- All homes and other buildings to be constructed to blend within the natural environment.
- Nearly all lots would border an extensive trail system, connecting residents to the natural environment and direct access to amenities.

- Development on the Southside would leave 68% of the available land as open space
- Primary access would be off the Hatcher Pass Road with a bridge crossing the Little Susitna River.

Overall, the project was estimated to cost \$41,250,000, with the Borough covering approximately one-quarter of these costs, excluding the real-estate value.

After having an independent third-party review the proposal and upon further analysis of public support for such a plan, both JL Properties and the Borough decided not to pursue the proposed project any further.

### Summary of Former Development Proposals

GROUP	DATE	CONCEPT	COST
Mitsui	1988	Olympic/International 4-season Alpine Resort	\$221.6 million
HPDC – Fred Rogers	1993-1995	4-season Alpine Resort Three phases	Phase I \$20.0 million
HPDC – AIDEA	1995	4- season over three phases	Phase I \$9.1 million
HPDC – Davis Constructors & Engineers	1997-1998	Regional expanding to 4- season in phases with undefined real estate component	\$13 million
JL Properties	2004-2005	Public-Private Partnership Year-round recreational and residential concept including Nordic and multi-purpose trails	\$41.3 million