

## SPECIAL REPORT

FROM THE METHOW VALLEY NEWS

January 17, 2001

### The yellow brick road...?

Merrill Co. walks away  
from Arrowleaf  
December 9, 1999

Commentary on Arrowleaf  
by Lee Hicks,  
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January 3, 2000

## Merrill walks away from Arrowleaf proposal

*Historic decision lays blame on state Ecology's delays*

Demise of resort plan  
prompts conservation  
quest  
January 3, 2001

by Lee Hicks

After 30 years and the investment of tens of millions of dollars by several developers, the quest is over to build a major destination resort in the upper Methow Valley.

R. D. Merrill Co., owner and developer of the proposed Arrowleaf resort site, announced Tuesday (Dec. 7) that it is withdrawing its plans for the 1,200-acre project.

Merrill officials expressed frustration at continued delays by the state Department of Ecology related to water rights applications. The resort has also faced continued opposition from the Methow Valley Citizens Council, which also fought the Arrowleaf predecessor, the Early Winters ski area, on water and other issues.

But it was the state agency's uncertain decision path and lack of firm timelines to make critical decisions that apparently killed the project.

The announcement came as Merrill was preparing for a Dec. 14 hearing before the county on shorelines issues and a Jan. 24 hearing by the Okanogan County Commissioners to reconsider its July 12 approval of the phase one final development plan.

Particularly troubling for Merrill was the Oct. 15 release by DOE of "tentative findings" for water rights for the project. The rulings were unfavorable for the project, but developers had hoped for prompt action by DOE to issue final reports of examinations for the water rights, thereby triggering possible appeals by Merrill.

Although a DOE letter announcing the tentative findings held out hope of quickly moving to the final decision, DOE officials later said the process could take as much as a year.

Merrill chief executive Charlie Wright said, "We have tried to work with Ecology for seven years and have been frustrated by their inability to, among other things, meet committed deadlines.

"Their refusal to give us a final decision on our water rights, which they've promised to us time and again, simply makes it untenable for us to proceed.

"What's personally disappointing is that our goal all along has been to build something that everyone in the state could feel proud of. We've gone to extraordinary lengths to plan a project that is environmentally without peer," Wright said.

The project would have been guided by a "stewardship plan," emphasizing environmental standards, Wright said. It would also have included a "green points" program in which homeowners would have to show attention to environmentally sensitive design and building methods in order to gain approval of building plans.

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The news release announcing the end of the resort included statements of support for Arrowleaf by Okanogan County planning director Rusty Bonser and Darlene Madenwald, past president of the Washington Environmental Council, who has advised the Arrowleaf team.

Merrill's announcement said Arrowleaf could have generated an estimated 500 jobs in Okanogan County, which in recent years has had a 10 percent unemployment rate—out of step with prosperity on the western side of the Cascades.

"This failure—and it is a failure—sits right at the feet of Tom Fitzsimmons and the water resources people at the Department of Ecology," Bonser said.

Madenwald said Arrowleaf would have represented, "a win for the economy as well as a win for the environment. It's a loss for all of us that the DOE can't get its act together."

She also noted the need to balance economic and environmental issues in rural areas.

"Until the state of Washington recognizes that the goals of rural economic development and environmental protection are not mutually exclusive, we can count on Washington residents continuing to spend their vacation and second-home dollars out of state. And there will continue to be the 'two Washingtons' our governor says he's so concerned about."

But the decision was hailed by Kathleen Hirschstein, vice president of the MVCC, as the proper course of action.

"MVCC applauds Merrill's wise decision to withdraw their too big resort," she said. "The council is looking forward to the opportunity to work together with the parties to continue to protect the environment and social fabric of our community."

Hirschstein said she hopes the entire process with Arrowleaf will lead to better scrutiny of water quality and quantity issues for all proposed development in the upper Methow Valley.

John Arum, MVCC's attorney, also extended credit to the "unsung efforts" of the Okanogan Wilderness League, which raised many of the water issues years ago, he said.

When Merrill took over the project from a previous developer, the company negotiated an agreement with MVCC and Friends of the Methow, a Seattle group, whereby Merrill would not pursue downhill skiing on Forest Service land at Sandy Butte. Merrill downsized the project to include a single 18-hole golf course, instead of two, and reduced proposed lodging and housing units to about 650 rather than up to 4,000 sought by earlier developers.

The agreement fell apart when MVCC appealed the August 1996 approval by the Okanogan County Commissioners of the resort's state environmental impact statement. That issue went to Chelan Superior Court, where Judge Carol Wardell ruled in favor of the developers on most points, but said more detail was needed on water availability and wastewater management. A subsequent EIS addendum addressed those issues.

The court still has jurisdiction over matters related to the final development plan and the EIS.

Apart from the larger phase one of Arrowleaf, Merrill has built the 24-room Freestone Inn and lake in addition to renovating and building new resort cabins along Early Winters Creek. The Freestone facility has captured land use and architectural awards and been featured in several national and regional publications.

Wright did not provide details on plans for the Arrowleaf property. The site is now approved under county zoning for as many as 50 parcels of 20 acres. A separate

subdivision in the area, Rainbow Pines, has 35 lots of one acre each which might be consolidated into 17 larger lots.

The Arrowleaf announcement suggested that such amenities as public recreation trails, open space, wildlife corridors, salmon habitat projects and music festivals that either exist or were planned, "may be at risk."

Wright said the developers are, "considering all our options."

The agreement with MVCC gave the organization a first right of refusal to purchase the land for conservation purposes if Merrill decides to sell it. But MVCC's appeal of the resort EIS and other opposition could have left that possibility in question.

Hirschstein and Arum, however, both said they believe that MVCC's right of first refusal on the property remains intact.

Arum said the intention would be to purchase the entire parcel and retain it as open space. He added that even if the land were sold to individual property owners, the environmental and social impact would be less than that of the planned resort.

"It'll take people some time to digest this and figure out where we're going from here," Arum said.

The dream of a destination resort near Mazama began with the efforts of a local group in the late 1960s to assess the possibility of a downhill ski resort at Sandy Butte. About that time, Aspen Ski Corp. was searching for new ski sites to develop on Forest Service land in the west.

The local group and Aspen together identified land at the base of Sandy Butte for lodging, retail and other facilities in the early 1970s. Aspen purchased options on the base land in 1974 while proceeding to develop master plans for the Early Winters ski area with golfing, lodging and retail services.

Faced with continued opposition in the permitting stages by the MVCC, which was formed to fight the project, Aspen left the project in favor of guiding redevelopment of the Whistler Resort area.

In 1985, Aspen sold its options on the 1,200 acres to a group led by Harry Hosey, a Bellevue engineer. Among investors in the Hosey venture were descendants of R. D. Merrill, a timber entrepreneur and the maternal great-grandfather of current Merrill Co.'s CEO, Wright.

Merrill took over the project in 1992, heading off a trustee's sale that resulted from the Hosey group's default on loans.

Some sources said Arrowleaf has cost Merrill Co. about \$15 million in permitting, court battles and construction of the Freestone Inn facilities. Aspen and the Hosey group spent millions more before Merrill assumed ownership.

Merrill officials said after the announcement that no layoffs were planned at the Arrowleaf project office or at the Freestone Inn operation.

Officials also said they would continue to work on obtaining water rights for 20 cabin sites dispersed around Freestone Lake and other parts of that property, also known as Wilson Ranch. There are no plans to sell the Freestone facility, a spokesman said.

## SPECIAL REPORT

## Arrowleaf and Early Winters:

A long-running land-use drama closes

*Compiled by  
Lee Hicks, Publisher*

*With this special report the News traces the path of what will be recorded as an historic and unsuccessful 30-year attempt to develop a resort in the upper Methow Valley, culminating last month in the conservation sale of the property to the Trust for Public Lands.*

**1968:** President Lyndon Johnson signs the North Cascades National Park Act, creating the park and the Ross Lake National Recreational Area. The act directs the National Park Service and the Forest Service to study potential sites for a ski area outside the park.

**1970:** The *North Cascades Winter Sports Study* designates Sandy Butte as the feasible location for a destination ski resort. The *North Cascades Recreational Plan* is also revised and The Early Winters area is designated for ski area development. The National Environmental Policy Act (NEPA) requires Environmental Impact Statements on all major federal actions, including ski hill special use permits.

**1972:** The North Cascades Highway opens.

**1972-1978:** Mazama Investors (later to become known as Methow Recreation, Inc. or "MRI") begins purchasing land near Sandy Butte for base facilities of a ski area. The project would involve 3,900 acres of U.S. Forest Service land on Sandy Butte for downhill skiing under a special use permit, and about 1,200 acres of private property for base facilities including accommodations.

**1972:** Okanogan County begins comprehensive land-use studies to address the proposed resort and related development. Okanogan County and the Forest Service sign a Memorandum of Understanding agreeing to cooperation and coordination in planning efforts on Early Winters and related matters.

**1974:** Aspen Skiing Company obtains an option to acquire Mazama Investors' stock and real estate. A house is constructed to serve as the company's on-site office and the home of the project manager. The National Park and Forest services issue a Joint Plan for the North Cascades area, with the Early Winters area designated as a potential ski area.

**1974-1976:** Aspen retains Design Workshop to develop a site analysis and master plan for skiing on the 3,900-acre Sandy Butte Forest Service site and facilities on 1,200 acres of base land. The company conducts numerous public workshops and meetings during the two-year planning process.

**1976:** Previously pending litigation (Sierra Club vs. Butz) challenges the Nixon Administration's RARE I process and related wilderness designations. The litigation enjoins the Forest Service from developing any roadless areas (such as the top one-third of Sandy Butte) until wilderness issues under the new RARE II process are resolved by the courts and Congress. Aspen has to put its development plans on hold pending resolution of the RARE II process.

**1978:** Aspen Skiing Company exercises its option with Mazama Investors/MRI and purchases the 1,200 acres of private land at the base of Sandy Butte.

**August 21, 1978:** The Forest Service decides to accept a special use permit application for a ski area on Sandy Butte and proceeds with a federal EIS, although it cannot issue a Final EIS (FEIS) Record of Decision until Congress and the courts resolve the RARE II issue. Methow Recreation, Inc. files an application for a special use permit to develop skiing on

Sandy Butte (and Aspen Skiing Company retains the option to buy out MRI if MRI is successful in its application). The Forest Service begins scoping the NEPA.

**1979:** The Forest Service completes the RARE II re-evaluation of potential wilderness areas, but the Early Winters plan remains on hold pending passage by Congress of a wilderness bill that would preserve roadless areas, but free some land for timber and recreation development.

**1982:** Congress fails to act on RARE II recommendations. The Forest Service's appeal of the RARE II injunction is denied by the Ninth Circuit Court of Appeals.

**August 27, 1982:** The Early Winters draft EIS is released for public review with a 95-day public comment period. Nearly 2,000 persons respond with comments, including more than 1,000 letters.

**Sept-Nov. 1982:** The Okanogan National Forest and the Okanogan County commissioners hold three open houses (public meetings) in September, October and November as part of the NEPA DEIS process.

**November 1982:** Okanogan County publishes a Comprehensive Sewer Plan for Mazama/Early Winters (prepared by R.W. Beck Engineers) to accommodate the proposed resort development.

**Early 1984:** Congress passes the Wilderness Act of 1984, designating the Pasayten and Lake Chelan/Sawtooth Wilderness areas and specifically permitting the Forest Service to allow the planning and permit process for the Early Winters Recreation Area to proceed.

**July 1984:** The Forest Service's Record of Decision and Early Winters Alpine Sports Study — Final Environmental Impact Statement are released.

**October 19, 1984:** An administrative appeal of the Record of Decision and EIS is filed by the Methow Valley Citizens Council along with three other environmental groups (Sierra Club, Washington Environmental Council, and the Washington Sportmen's Council).

**January 1985:** The Hosey Group, whose principal is engineer Harry Hosey, purchases Aspen's option to buy the private base land, development rights and shares of Methow Recreation, Inc. In 1986, the project's environmental analysis is completed and a conceptual master plan is developed. Several years later, the Hosey Group exercises the option, buying out Aspen Skiing Company's entire interest in the project.

**Jan. 1985-Aug. 1992:** The Hosey Group works with Okanogan County to satisfy Forest Service mitigation measures contained in the final EIS and Record of Decision. These include adoption of a dog control ordinance to protect deer, adoption of a county air quality management program (including a wood-smoke control and burning ban ordinance), development of a multi-agency Memorandum of Understanding for management of the mule deer herd (including protecting zoning measures), updating land-use codes to comply with state enabling legislation, development of a foundation to address Methow Valley community needs, and a cost-reimbursement Memorandum of Understanding with Okanogan County to pay for processing of the project's various permit applications.

**December 1985:** Forest Service Chief Dale Robertson dismisses the EIS appeal after formally reviewing the record compiled by the agency's regional office. Three of the four environmental groups appeal the dismissal to U. S. District Court (Robertson, et al. vs. Methow Valley Citizens Council, et al.). Methow Recreation, Inc. is named a party to the appeal (as permit holder) and fights the appeal.

**May 1986:** U. S. District Court in Portland decides for the Forest Service and Methow Recreation, Inc. and dismisses the appeal.

**June 1986:** Appellants appeal District Court decision to the Ninth Circuit Court of Appeals.

**December 1987:** The Ninth Circuit Court of Appeals finds four issues in the federal EIS to be inadequately analyzed (mule deer impacts, worst-case analysis, alternative sites and air pollution impacts on the Pasayten Wilderness Area) and requires that mitigation plans be in place prior to issuing a Record of Decision.

**January 1988:** The Hosey Group joins the Forest Service in appealing two of the issues (mitigation planning and worst-case analysis) to the U.S. Supreme Court.

**March 1988:** After two public meetings, the Department of Ecology designates the Methow River Basin a groundwater management area. The Groundwater Advisory Committee (June 19, 1989 - October 23, 1990) and the Methow Regulation Review Advisory Committee (October 24, 1990 - February 19, 1991) are formed to advise Ecology over the next three years. The Hosey Group retains Golder & Associates to develop an overall water resources plan for the project consistent with Ecology's groundwater management planning. Ecology accepts the Golder report on September 13, 1991. The project enters into extensive consultation with affected agencies and tribes concerned with instream resources (including the U.S. Fish and Wildlife Service, Department of Fisheries, state Department of Fish and Wildlife, Yakama Indian Nation and Colville Confederated Tribes).

**May 1989:** The U.S. Supreme Court decision rules on the Ninth Circuit Court of Appeals decision in Robertson, et al. vs. Methow Valley Citizens Council, et al. Issues that were not appealed must still be resolved by completing a Supplemental EIS.

**September 1989:** Early Winters Resort files applications to establish a priority date for three water rights. The Department of Ecology decides it cannot grant a water right until the project has received all other required permit approvals. Ecology says its policy is not to grant a water right if water cannot be immediately put to "beneficial use." Ecology also halts processing of any further water right applications in the Methow Valley until after completion of the groundwater management planning process.

**Feb 8 - May 17, 1990:** The Forest Service solicits public comments for the Draft Supplemental EIS. Public meetings are held in Winthrop and in Seattle.

**June 1990:** Discussion draft of the Draft Supplemental EIS (re-analyzing those issues not appealed to the U.S. Supreme Court) is circulated to agencies by the Forest Service

**August 1992:** The Hosey Group loses its interest in Early Winters (land, plans, studies, MRI stock, etc) through foreclosure to its lender, R.D. Merrill Co.

**September 1992:** Merrill Co. begins community meetings and review of the project possibilities. Merrill hires Lowe Development Resorts as project developer.

**Fall 1993:** Merrill signs an agreement with the Methow Valley Citizens Council and Friends of the Methow that eliminates downhill skiing as a possibility at Sandy Butte in exchange for the environmental groups' assurance they will not file suit against the project. The agreement also gives the group a "right of opportunity" to purchase the site if Merrill withdraws development plans.

**1993:** R.D. Merrill applies for and receives preliminary approval from Okanogan County of Wilson Ranch Planned Development.

**April 1994:** The state Department of Ecology issues its decision approving changes to seven existing water rights to provide water for Wilson Ranch.

**May 1994:** The DOE water rights decision is appealed to the Pollution Control Hearings

Board by Aaron Burkhart (a property owner in the vicinity) and the Okanogan Wilderness League (a non-profit corporation comprised of Lee Bernheisel and Lucy Reid).

**January 1995:** R.D. Merrill Co. submits a preliminary development plan to Okanogan County for a planned destination resort, then known as River Trace, designed as a year-round resort including a village center with a lodge, retail, and commercial uses, an 18-hole golf course, residential units, a trail system, and other recreational amenities. Okanogan County begins the process of environmental review of the proposal under SEPA.

**April 1995:** The Pollution Control Hearings Board generally upholds the DOE water rights decision with the exception of a right the board says was not valid and could not be used for the Wilson Ranch project.

**May 1995:** Both sides appeal the Pollution Control Hearings Board decision to Okanogan County Superior Court.

**June 1995:** Merrill meets with WDOE staff and requests amendments to the 1989 and 1991 Early Winters water rights applications to provide water supply for the Arrowleaf PDR.

**1995:** R.D. Merrill Co. and Lowe Development Resorts form the Methow Valley Limited Liability Corporation (LLC).

**December 1995:** Okanogan County issues the Draft Environmental Impact Statement required by the State Environmental Policy Act for the Arrowleaf PDR (formerly known as River Trace).

**May 1996:** In response to comments from Okanogan County staff, agencies, and the public, MVLLC revises the Arrowleaf PDR proposal to increase open space and wildlife habitat and reduce environmental impacts. Okanogan County issues the Final EIS for the project.

**June 1996:** Judge Jack Burchard of the Okanogan County Superior Court hears arguments in the appeal of the Pollution Control Hearings Board decision on the Wilson Ranch water rights.

**June 1996:** The Freestone Inn opens at Wilson Ranch.

**July 1996:** Okanogan County commissioners conduct a two-day hearing on the Arrowleaf PDR, including a 29-page appeal by the Methow Valley Citizens Council of the adequacy of the EIS for the project.

**August 1996:** County commissioners approve the Arrowleaf PDR and reject the EIS appeal.

**September 1996:** The Methow Valley Citizens Council appeals the Board's decision to Chelan County Superior Court.

**September 1996:** Judge Burchard upholds the PCHB ruling on the Wilson Ranch water rights, except for the Wilson Irrigation Claim, which he reinstates as a valid water right.

**October 1996:** OWL and Aaron Burkhart appeal Judge Burchard's decision on the Wilson Ranch water rights directly to the Washington Supreme Court.

**November 1996:** Merrill Co. (dba Methow Valley Limited Liability Corporation) applies for shoreline permits for portions of the golf course and improvements to floodplain channels in the proposed Arrowleaf village area.

**December 1996 and January 1997:** Okanogan County issues shoreline permits. MVCC

and OWL file appeals of the permits to the Washington Shorelines Hearings Board.

**January 1997:** Merrill Co. files with Okanogan County its application for approval of the Final Development Plan for Phase 1 of the Arrowleaf PDR.

**February 1997:** DOE intervenes in the pending shoreline appeals on the side of the project opponents. A DOE attorney provides a written list raising new issues criticizing the site plan and the shoreline permit decisions.

**March 1997:** Merrill Co. decides to attempt to work with DOE to negotiate site plan revisions and resolve shorelines concerns. The company withdraws applications for shorelines permits from the County pending work with DOE.

**March 1997:** County commissioners approve the Final Development Plan for Phase 1 of the Arrowleaf PDR.

**April 1997:** MVCC appeals the Final Development Plan approval to Chelan County Superior Court.

**January to April 1997:** Merrill works for passage of several legislative proposals and obtains amendments to the state Water Code to provide support for the Arrowleaf water rights applications which are still pending before DOE.

**May 1997:** Merrill begins a lengthy process of meetings, site visits, and negotiations with DOE staff to address shoreline issues raised by the golf course routing and trails plans, including the location of the ordinary high-water mark, wetland delineations, and retention of significant vegetation. Over the course of the next year, the PDR site plan is revised numerous times to reduce the impacts of trails in the riparian area and move the golf course farther away from the Methow River.

**July 1997:** Chelan County Superior Court Judge Carol Wardell hears four days of testimony on the Arrowleaf EIS appeal.

**October 1997:** The Washington Supreme Court hears oral arguments on the Wilson Ranch water rights appeal.

**Fall 1997:** Merrill Co. and DOE officials agree to work on a coordinated permit process intended to streamline decisions on different issues such as water rights, shorelines, air quality and others.

**December 1997:** Judge Wardell of Chelan Superior Court issues the first of two rulings on the MVCC lawsuits against Arrowleaf. She remands the EIS to the County for additional analysis and information regarding impacts of golf course pesticides on water quality, and effects on water quantity from groundwater withdrawals. Judge Wardell upholds the other aspects of the EIS, and simultaneously announces her resignation from the bench to become counsel for the Chelan Public Utility District.

**January 1998:** Judge Wardell issues a second ruling, directing Okanogan County to provide additional detail on Arrowleaf's conformance with the County's planned destination resort code definition, and remanding the Final Development Plan approval for reconsideration in light of the new EIS information required on water quality and water quantity.

**January 1998:** Merrill Co.'s consultants begin preparation of the additional EIS information required by the Superior Court.

**May 1998:** Okanogan County issues an addendum to the Arrowleaf EIS addressing the new information on water quality and water quantity in response to the court's remand.



**June 30, 1998:** County commissioners unanimously accept the EIS addendum after hearing more objections from project opponents.

**January 1999:** Judge Wardell rules that the additional water quality and quantity information satisfies her earlier ruling. Resort opponents do not appeal.

**January 1999:** A state Supreme Court ruling appears to clear the way for sales of 18 cabin sites around the Freestone Inn on the Wilson Ranch planned development, a forerunner of Arrowleaf, owned by Merrill Co. A state assistant attorney general advises DOE that the ruling leaves water for the sites in question and Merrill delays lot sales.

**Summer 1999:** County commissioners approve the Phase 1 Final Development Plan for Arrowleaf.

**October 1999:** DOE issues "tentative findings of fact" that two water rights planned for Arrowleaf were not beneficially used and therefore relinquished, and that three others were issued under the 1977 Family Farm Act and could only be used for agriculture. DOE also concludes that plans for a resort were only in an exploratory, feasibility stage until the mid-to-late 1980s.

**November 1999:** One DOE official says it could be six to eight months before final reports of examinations on the water rights can be issued. Another says it could be a year or more.

**December 7, 1999:** Merrill announces it is withdrawing the proposal for a destination resort and will consider marketing the site for more than 50 parcels of 20 acres each as already permitted. MVCC and FOM elect to exercise a "right of opportunity" to purchase the site and designate the Trust for Public Lands to represent them.

**January 2000:** Merrill settles a lawsuit by the Okanogan Wilderness League and some members of the late Aaron Burkhart's family that challenges water for its Wilson Ranch/Freestone Inn project. In return for enabling Wilson Ranch expansion, Merrill relinquishes some water rights for Arrowleaf.

**July -Oct. 2000:** The Trust for Public Lands misses deadlines to complete the Arrowleaf purchase for about \$17 million. After missing the October deadline, Merrill agrees to another date of Dec. 21 to close the transaction with suggestions that it could be TPL's last chance to finish the transaction.

**December 29, 2000:** TPL buys the Arrowleaf site from Merrill Co. for \$15.165 million, reflecting a discount for cash and 80 acres that the company's family owners will retain for their own use. TPL in turn sells about 450 acres as homesites for three individual landowners. Conservation easements and deeds guarantee recreation trails access, with some revisions from previous use.

*Publisher's note: The more than 30-year chronology of the Early Winters/Arrowleaf resort property was assembled from documents of the various owner-developers, the archives of the Methow Valley News and other sources.*

## The yellow brick road...?

Publisher's Comment by Lee Hicks

*"A timely infusion of government dollars can help bring peace and prosperity to the Methow Valley."*

*The Seattle Times  
Jan. 11, 2001 editorial*

Maybe Seattle papers shouldn't be expected to understand all the complexities and nuances

of eastern Washington and Methow Valley issues.

But at times it seems at least they could make a credible effort.

Seattle papers have struggled to understand development, water and endangered fish issues—beyond the obvious point of view that everyone would like to see salmon survive. Most often, Seattle news coverage implies that stubborn eastern Washington ranchers are defending an outdated lifestyle by wasting water and resisting change.

Granted, this may be an overly simplified assessment of the Seattle print media.

The Post-Intelligencer in particular has provided some excellent coverage of local fish issues, including an analysis of the hatchery versus native salmon stock debate. The writer happens to have a Methow connection.

And a year ago the Seattle Times did a respectable job of reporting the decision to end plans for Arrowleaf resort.

Most recently, however, the Times has come out with a puzzling Jan. 11 editorial that, without a byline, makes a pitch for government funds to apparently bail out the Trust for Public Lands, which bought the Arrowleaf site. The legislature and federal BPA should spend \$5 million for wildlife and fish habitat on the "pristine" Arrowleaf property, the Times concludes. Presumably this would make up part of the amount that TPL did not raise from private buyers.

Optimistically, the Times predicts that the funds will enable the Methow to "reap the kind of tourist whirlwind" that thrives along the Columbia River for wind-surfers.

Spending any public funds for "fish habitat" on the Arrowleaf site should be deferred until the basin watershed plan is completed to address endangered fish issues.

Otherwise, the money might be better spent to build a yellow brick road to help all those tourists get here

## Merrill gives up Arrowleaf site

January 3, 2001

*Lands trust buys property but questions remain*

*by Lee Hicks*

In a transaction filed with Okanogan County Friday (Dec. 29), the Trust for Public Lands paid R. D. Merrill Co. \$15.165 million for about 1,100 acres the company had planned for the Arrowleaf resort.

The purchase capped TPL's effort over the past year to raise funds for the deal after Merrill Co. decided to abandon plans for the project that has stymied several prospective developers, including the Aspen Skiing Co., for more than 30 years.

Merrill had given TPL several extensions to complete the purchase, after the national conservation organization was named to represent the Methow Valley Citizens Council and Friends of the Methow--long-standing opponents of a resort in the upper Methow Valley.

Last week's transaction does not include about 80 acres that will be reserved by the family of Merrill chief executive Charlie Wright. Merrill was believed to have asked about \$17 million for the property, but the final price apparently reflects removal of the family acreage and a cash discount, some sources said.

While the sale insures the property will not be split into 20-acre parcels as allowed by

current zoning, the final division of the site remains unclear. Merrill had initially proposed a resort with about 650 housing units, a lodge, conference center, retail village and 18-golf course.

Real estate excise tax affidavits filed Friday with the Okanogan County assessor indicate that TPL purchased the property from Merrill and subsequently sold part of it to three individual buyers, two with Seattle addresses and a private trust.

The Seattle buyers were Dr. Theodore Wagner, 216 40th E., Seattle, who paid \$1.696 million for nine tax-roll parcels; John and Barbara O'Halloran, 177 37th E., Seattle, \$1.4 million for eight parcels.

A warranty deed for the other transaction involving 10 parcels for \$3.3 million lists the buyer as Key Trust of Ohio, in care of trustees Edson Spencer Jr. and David Washawsky.

However, the warranty deed for that transaction notes that the buyer is a trust set up in June of 1946 by Edith Corning for the benefit of Maud-Allison Long. No address was specified for Long, but the tax affidavit references an address in Corte Madera, Calif., in the northern San Francisco Bay area.

Perhaps most important, 34 of the 61 tax parcels listed on the excise tax papers name the Washington Department of Fish and Wildlife as buyer of conservation easements in three groups ranging from nine to 15 tax parcels for \$10 per group. Each excise statement has the handwritten notation that "in a couple of months the sale will go through."

A preliminary site plan provided by TPL to realtors and potential buyers showed five home sites ranging from 143 to 232 acres, and a 105 acre "habitat lot."

Late Tuesday at the News' deadline, county officials were trying to match tax parcels with acreage and reviewing hundreds of pages of documentation, including recreation trails easements. Year-round trails use will continue to be allowed under deeds and easements to the Methow Institute and the Methow Valley Sport Trails Association, although permitted summer activities will be revised along the Methow River.

It appears from a preliminary site plan provided by TPL to realtors and potential buyers that the Seattle buyers split one homesite of 222 acres into two of about 111 acres. The trust with California representatives apparently purchased about 173 acres with a parcel separating it from the other two buyers.

With the three individual site sales totaling about 400 acres, that would leave more than 600 acres in some form of control by TPL at the time of last week's filing with Okanogan County.

It's known that TPL had hoped federal Interior Department funds would be available for the Forest Service to buy about 400 acres. The effort missed one funding cycle but TPL officials said in October that funds might be available later. That portion of Arrowleaf borders Forest Service land under Driveway Butte and onto the upper Valley floor.

TPL had also sought "emergency" funding from the Northwest Power Planning Council, which in December voted 4-2 not to provide \$3.75 million to purchase fish habitat on portions of the Arrowleaf site along the Methow River. The power council administers Bonneville Power Administration funds to mitigate wildlife impacts resulting from dams and other activities.

A report on the NWPPC's decision said that TPL and state Fish and Wildlife had requested the funding, but that it would have involved an exception to the council's regular application review procedures.

The council's Independent Scientific Review Panel said the Arrowleaf site, "is clearly a

desirable property with many wildlife and habitat features that approximate pristine condition."

The ISRP said, "the property is situated where development can have a major effect on the Methow River and its immediate environs, through various means including water withdrawals. Recent analysis by WDFW identified the Arrowleaf property and the property immediately downstream as the most important elements in the watershed."

The report said the council would accept applications for "high priority" projects in December with recommendations for funding scheduled in March.

TPL vice president Craig Lee said Tuesday he hopes the power council will favorably consider funding the habitat purchase at that time.

"We've got a lot of details we're working out this week and next week," Lee told the News at deadline Tuesday. He said a "formal announcement" of the transaction and further plans was expected in the near future.

Lee said last October that the organization at that time had commitments of about \$13 million in the form of grants, bequests or guarantees by individual buyers. These included funding from foundations created by Microsoft billionaire Paul Allen and the Bullit family, heirs to the King Broadcasting fortune.

The three parcel blocks that were sold last week after TPL bought the property from Merrill for \$15.165 million amount to only \$6.4 million.

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