Douglas Wilson Companies

An Inside Peek at a Receiver's Turnaround of a Failing Ski Resort: Tamarack Resort

By Douglas Wilson

Located two hours north of Boise, Idaho, the Tamarack Resort was envisioned as an all-season resort and residential community whose mountain base rises to a summit of nearly 8,000 feet. The 7,000-acre property offered world class alpine, snowboarding and cross-country skiing, championship golf, biking and hiking trails, white water rafting and fishing on the Payette River, and recreational boating on the adjacent Lake Cascade.

In October 2008, Tamarack's developer threw in the towel, a victim of the real estate meltdown, thus becoming one of the worst casualties of The Great Recession. When foreclosure proceedings began, the value of the loan was $247.7 million, plus several million owed to contractors.
On October 18, 2008, the District Court of the Fourth Judicial District of the State of Idaho appointed Douglas

P. Wilson as Receiver to take over all resort operations and coordinate the winterization of various buildings. The agent in charge, Credit Suisse, led a cadre of a dozen lawyers, representing creditors from around the nation. This was not going to be a simple rents and profits receivership, and the Receiver could not anticipate the scope of tasks that would need to be performed in short order to prepare the Resort for the rapidly approaching ski season.

Five participants lenders included regulated banks and unregulated hedge funds, whose goals were not always in alignment. To achieve consensus and avoid controversy among these disparate interests required the Receiver to present a constant and compelling cost vs. benefit analysis. With winter approaching, efficiency was essential.

As with any receivership, the underlying goal at Tamarack was to preserve and protect the collateral. This project was essentially a land play with high-gloss amenities including a golf course and ski mountain. With so many moving parts, task one was a complete a physical inventory of assets, to be followed by repairs, completion of infrastructure, and winterization of the golf course and numerous structures - including partially built condominium buildings. This case highlights the breadth of problems that a receiver can face in a sizeable case and the importance of speed, organization and efficient to preserve the assets.

The inventory - all 300 pages of it - was comprised of lodging and conference facilities, food and beverage outlets, retail and rental shops, warehouse storage, vehicle and maintenance, construction materials, executive offices, recreational facilities (i.e. golf, ski) and employee housing.

The Receiver had two days to initiate the seasonal closing and winterization of the golf course. Designed by Robert Trent Jones, Jr., the course was a high value asset, ranked that year as #79 of #100 top courses by Golf Magazine.

All irrigation lines were drained (to prevent broken pipes), fertilizers and chemicals were applied to tees, greens and fairways (to prevent mold and frozen turf damage), and tees and greens were staked (to discourage snowmobile trespassing damage).

With the mountain scheduled to open in 54 days, the Receiver urgently focused on ski operations, which included ski patrol, ski passes, snow equipment, rentals, a medical clinic, five food and beverage outlets, and lodging. Seven lifts serviced 1,100 acres of lift-accessed

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terrain, a 22' SuperPipe and two Terrain Parks, plus 16 miles of machine-groomed trails for cross-country, as well as nine miles of snowshoe trails, and snowmobiling opportunities.

Concurrently, security upgrades were prioritized, including new locks and key cards for more than 400 access points around the resort. Surveillance equipment and alarms were repaired and new cameras were added to areas considered high risk: safes and liquor storage areas in the Lodge, as well as in the children's day care center.

Another life/safety issue was the installation of vehicle guardrail systems throughout Tamarack's three residential areas. With a December 31 deadline looming, the installation was successful because the earth had not yet frozen (which would have prevented driving pilings into the ground).

On the development side, weatherproofing began immediately at the Village Plaza (six condominium and retail buildings located in the center of the resort). Six buildings were divided into two groups: (1) buildings that were largely completed on the exterior, with a significant amount of interior work underway, and (2) buildings that were far from completion.

Winterization procedures included waterproofing, securing to wind-driven rain and snow, lining and wrapping piping and drainage systems, and sealing with a continuous commercial grade weather-resistant barrier.

Two of the condominium buildings - comprised of approximately 40 units - had to be partially built in order to winterize them or they would have been lost completely.

Personnel issues also fell to the Receiver, who worked with all department heads to hire more than 200 workers, from ski instructors to housekeepers, from security guards to snow plow drivers.

Existing homeowners were also part of the mix. Seven days after the Receiver was in place, a Town Hall meeting was held with resort homeowners, broadcast via teleconference to those who couldn't attend in person. Disgruntled and anxious, homeowners were relieved to know that the court had stepped in to secure and operate the resort in the coming winter season.

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In addition to routine tasks of bank accounts and insurance, bigger challenges loomed for Tamarack.

If the lifts didn't run for a 365-day period, the Forest service would have been within is rights to pull the permit and Tamarack would have lost the ski resort. The loss of Tamarack's ski permit would have devastated property values for existing and future homeowners and would have greatly diminished the value of the collateral.

Therefore, the maintenance of permits, licenses and inspections were non-negotiable elements in the successful operation of the resort. That list included a childcare license, recreational activities permit (including ski and snowboard runs, river trips and snowmobile tours), lift insurance inspections, fire inspections and liquor licenses.

Last, but certainly not leas, was the challenge of marketing a ski resort mired in a high-profile receivership. With no media plan in place for the winter, the Receiver created a marketing program for locals from nearby Valley County and Boise, and the western regional markets of Washington, Oregon and California.

The immediate focus was on ski season pass sales, typically purchased by local/regional patrons (the target market) and providing a steady source of cash flow/revenue for the resort. Without a mass marketing campaign, sales predictably fell sharply. But just keeping the lifts running - thus preserving the Forest Service permit to protect future value - achieved the Receiver's goal.

Ultimately the lender group worked out a form of forbearance with the existing owner and receivership services were no longer needed. Reflecting on the assignment, the Receiver describes it as akin to a SWAT operation: rushing in under serious time pressure and multiple complications, assessing the threat, and resolving the situation with the best possible outcome for all parties. One lesson learned is the importance of building the right team as a Receiver to address the diverse needs of a particular case.