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The Town: Bankruptcy at Mammoth Lakes

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## **ABSTRACT**

### **The Town: Bankruptcy at Mammoth Lakes**

In July 2012, Mammoth Lakes, California declared bankruptcy.

After disputing with a developer for nearly a dozen years, the town faced a judgment nearly three times its annual budget. The mood of the ski resort, a town of 8,000 tucked in an isolated patch of the Eastern Sierra, was darkened and anxious as reality set in; jobs would be lost, services would be cut. People questioned if the Town would be able to continue to function, or if the Mammoth dream would soon die.

“The Town: Bankruptcy at Mammoth Lakes” is an interactive video documentary about an ambitious small resort town. We start in the early 1940s with the dream of a man named Dave McCoy. With only a rope tow, McCoy eventually founded the Mammoth Mountain Ski Area. He helped the town become a popular destination for vacationers all over the state.

By the 1990s, big development arrived in Mammoth Lakes. Intrawest, a resort developer known for shaping a number of North American ski resorts, bought a stake in Mammoth Mountain, and additionally acquired all of the available real estate in the area. The developers wanted to transform the town into a world-class tourist destination.

Mammoth chose development to ensure its financial fortunes. But there was a missing link to the grand design: a destination resort needed a modern airport.

The town drafted an agreement with a developer named Terry Ballas. Ballas would make improvements at the airport, in return, he would retain the right to develop at the airport, including a hotel and/or condominium complex. In December 2000, the Federal Aviation Administration approved the airport layout plan.

But not everyone liked the FAA’s decision. Conservationists grew concerned. An expanded airport meant potentially tens of thousands of visitors to the Eastern Sierra, which would leave an unknown tread on the environment.

These conservationist organizations, along with the state of California, sued the US Department of Transportation — including the FAA — for approving the project. They argued the environmental impact on the Town was never fully considered.

The judge sided with the state and conservationists. He blocked the plan, saying it would move forward only if the airport performed an additional environmental examination. The FAA, now on the defensive, told the Town it needed to reevaluate the Development Agreement with Ballas if they wanted to continue to receive FAA grants.

But the development agreement between the Town and Ballas had already been signed, granting him the rights to develop regardless of the FAA’s grant assurances. The Town would not move forward with Ballas until the FAA issues were resolved. Ballas and his partners sued Mammoth Lakes for breach of development agreement.

The jury ruled in favor of the developer, and the town was ordered to pay \$32 million in damages. The verdict struck the nerves of residents. Some felt the jury, culled from outside of Mammoth Lakes, sought to punish the posh ski town with its verdict. Others blamed the Town’s legal defense team for not calling the proper witnesses.

The Town pushed all the way to California's Supreme Court. In March 2011, the Town was told its appeal was denied. More troubling, interest had been accruing on the Town's judgment, and now exceeded \$42 million.

By the summer of 2012, the Town Council had run out of options.

The town settled a few months later for approximately \$43 million. Mammoth must pay \$2 million a year for the next 23 years.

Despite the painful settlement, the mood of the local government is optimistic. Town Council members believe an ambitious new marketing campaign coupled with increased development will pull them out of the mess. Their designs strongly resemble the approach that got them into this mess in the first place. The project concludes with a reflection about the cyclical nature of Mammoth Lakes.

## **SOURCE LIST**

### **Interviews**

Dave McCoy — Founder and Former CEO, Mammoth Mountain Ski Area

Rusty Gregory — CEO, Mammoth Mountain Ski Area

John Eastman — Mammoth Lakes Town Council, 1994-present

Rick Wood — Mammoth Lakes Town Council

Michael Raimundo — Mammoth Lakes Town Council

Matthew Lehman — Mayor, Mammoth Lakes

Dan Watson — Chief of Police, Mammoth Lakes Police Department

Bill Manning — Former Manager, Mammoth Yosemite Airport

Steve Searles — Mammoth Lakes Wildlife Officer

Daniel Hansen, Officer, Mammoth Lakes Police Department

### **Articles and Other Documents**

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*Mammoth Lakes Land Acquisition, LLC, v. Town of Mammoth Lakes*, No. C059239, COURT OF APPEAL OF CALIFORNIA, THIRD APPELLATE DISTRICT, 191 Cal. App. 4<sup>th</sup> 435; 120 Cal. Rptr. 3d 797; 2010 Cal. App. LEXIS 2172, December 30, 2010, Filed, Review denied by *Mammoth Lakes Land Acquisition v. Town of Mammoth Lakes*, 2011 Cal. LEXIS 3076 (Cal., Mar. 23, 2011)

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Town of Mammoth Lakes, California. (2012). Town and MLLA Announce Terms of the Settlement [Press release]. Retrieved from [www.ci.mammoth-lakes.ca.us](http://www.ci.mammoth-lakes.ca.us).

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Town Council of the Town of Mammoth Lakes, California. "Resolution of the Town Council of the Town of Mammoth Lakes, State of California, Adopting the Restructuring Plan Necessary to Make Payments on a Settlement with Mammoth Lakes Land Acquisition (MLLA) and Ballas Entities." Resolution No. 12-71. December 5, 2012.

"Summary of Proposed Balancing Measures and Alternatives." 7 Nov. 2012, Settlement Agreement & Restructuring Plan Attachment #1A, Town of Mammoth Lakes: <http://www.ci.mammoth-lakes.ca.us/index.aspx?NID=498>

"Summary of General Fund Financials – Five-Year Plan." 5 Dec. 2012, Settlement Agreement & Restructuring Plan Attachment A-1, Town of Mammoth Lakes: <http://www.ci.mammoth-lakes.ca.us/index.aspx?NID=498>

"General Fund Revenues by Revenue Type." 5 Dec. 2012, Settlement Agreement & Restructuring Plan Attachment A-2, Town of Mammoth Lakes: <http://www.ci.mammoth-lakes.ca.us/index.aspx?NID=498>

"Town Council Meeting: Town of Mammoth Lakes, July 2, 2012." 02 July 2012. Online video clip. Town of Mammoth Lakes, California. Accessed on March 2013. < [http://mammothlakes.granicus.com/ViewPublisher.php?view\\_id=2](http://mammothlakes.granicus.com/ViewPublisher.php?view_id=2)>

United States Bankruptcy Court, Eastern District of California, Sacramento Division. "Declaration of David Wilbrecht in Support of Motion Pursuant to Bankruptcy..." Case

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