April 12, 2018

Mark Rose  
P.O. Box 687  
Brinnon, WA 98320

TO Jefferson County Board of County Commissioners (BOCC)  
Jefferson County Department of Community Development  
Jefferson County Prosecuting Attorney

RE Public Comment, Proposed Brinnon MPR

The County has clearly not done its due diligence on The Statesman Group and Garth Mann. Commissioners and Department of Community Development have not studied how MPRs were developed elsewhere. In its current course BOCC and Department of Community Development are exposing the county and its taxpayers to potentially massive liabilities, financially and environmentally.

In its current course, dismissing grave concerns from the Jefferson County Planning Commission and impacted Tribes, the BOCC and Department of Community Development are way afield from requirements of the Growth Management Act. Most disturbing, there have been many indications through the years that the developer is relying heavily on funding from government sources or unnamed outside investors through every stage of the project.

The developer has not attempted this type of resort in the past and has not demonstrated access to capital to finance such a project. At one point, the developer had a scheme to open an office in Beijing and entice rich Chinese investors to fund the Brinnon MPR. A county commissioner publicly supported this absurd scheme, which has been exposed as fraudulent and illegal (*documented below*).

August 19, 2016 the developer proposed that the state of Washington “grant” Statesman $9, 250,000 and Jefferson County “grant” Statesman $2,000,000. Ostensibly, these funds would be used for a Tribal “interpretive center” and community recreation facilities. This was proposed without consultation with the Tribes or the community. Further, Statesman proposed that the State create $26.5 million tax exempt bond to begin construction. The State would benefit from unverified tax revenue of the project, said Statesman.

The developer has a history of soliciting funds (unsuccessfully) in other development schemes (*documented below*).

Statesman tried to pull a similar scheme in British Columbia, September, 2017. See [Columbia Valley Pioneer](https://www.columbiavalleypioneer.com/news/invermere-mega-development-projct-gauges-rec-centre-support/)

Statesman claims to manage the Toscana of Desert Ridge ( <http://toscanaofdesertridge.com/>) in Phoenix. Toscana is described as “a luxury condominium community located on the [Wildfire Golf Course](https://www.sibbach.com/golfcourses/wildfire-golf-club/) in Desert Ridge. Built by Statesmen Group, home sizes range from 1,000 to 1,500 square feet. This 24 hour guard gated community is located directly across from High Street, where residents will find many upscale shopping and dining options.” Testimonials on the Toscana website do not include a last name, and the only Yelp review on the property in the last two years is highly negative.

Statesman also recently completed Phase 2 of “The Cays” in Ocotillo, Arizona. A promotion reads: “Another major attraction for homeowners is that The Cays is walkable to the quaint Downtown Ocotillo district with restaurants, wine lounges, a coffee shop, salon and professional services just steps from the community.”

Brinnon is a depressed community with no substantial services for 30+ miles, accessed by a two lane highway that is over burdened by tourist traffic in the summer, and is prone to washouts, accidents, and downed power lines. Weather is severe. The environmental considerations are myriad and critical to the health of marine life and wildlife. Often it is overcast, damp, and cool.

This MPR is much a much larger, more complex undertaking than Statesman has ever attempted. Are we prepared for the ‘public-private’ partnership Statesman envisions with no financial assurances from the private partner?

*I urge the Commissioners to insist on an economic analysis of the viability of the plan, a bond, investment targets, development targets, with verifiable confirmation from reputable financial institutions. A resort half built is much worse than one never started. One in 10 MPRs don’t produce a profit (documented below). Other counties have instituted strict financial requirements of an MPR (documented below). Why isn’t Jefferson County doing the same for this MPR, at this stage of the process?*

I urge the Commissioners and Department of Community Development to read *Master Planned Resorts “Washington Style”* - except on economic analysis, investment and development targets, and local hiring requirements below.

Also, below is an except from attorney J. Richard Aramburu. It is from the letter sent by Mr. Aramburu to the BOCC, April 9, 2018. The excerpt addresses issue #5 “No Provisions for Financial or Operational Feasibility of Developer.”

Please read this carefully and determine what must be done to protect the county from potentially catastrophic liabilities.

Best regards,

Mark Rose

***Master Planned Resorts “Washington Style”* Excerpt**

**Is the Project Economically Viable?**

Resort development is a risky business, although the long term prospects for the industry may be favorable. Master planned resorts are typically large undertakings that will take years (and sometimes decades) to complete all phases. To be successful, resort developers must make a substantial investment in recreational facilities and other amenities. Much of this investment must occur before substantial revenues come in. Like the agriculture business, resort businesses that provide outdoor recreation facilities, such as golf or ski areas, may suffer from the whims of the weather. After reviewing North American resort and recreational projects over a 30-year span, some resort industry leaders estimated that as few as 10 percent were profitable for the original developer (Middleton, 1994). As a result, local jurisdictions should carefully evaluate a proposed MPR’s prospects for success.

Recognizing the level of risk in the resort industry, a number of Oregon communities have adopted minimum investment criteria for destination resorts, based on Oregon’s Statewide Planning Goals and Guidelines. An investment of at least $7 million is required for onsite developed recreation facilities and visitor-oriented accommodations for “destination resorts” (similar in concept to Washington’s MPR and on a site of 160 acres or more). At least one-third of this amount must be spent on recreational facilities. This amount does not include expenditures for sewer, water and road improvements. The same Oregon goal calls for a $2 million investment (one-third of it for recreation facilities) for “small destination resorts” (OAR 660-015-0000(8)). Although this may seem like a lot, an 18-hole golf course is in itself a multi-million dollar project. As one Oregon community development director observes, a serious resort prospect “doesn’t bat an eye” at these minimums (Read, 2001).

Local officials may or may not be interested in adopting specific investment targets. However, they should **look for convincing assurance that the project is economically viable. A developer should present market plans and analysis that demonstrate that a proposed resort can succeed and that benefits to the community will materialize. In addition, a developer should provide evidence of sufficient company experience and financial backing to manage a large-scale, long-term venture.**

Deschutes County, OR (which does have minimum investment requirements) also has adopted the following submittal requirements and approval criteria for economic analysis:

**Economic Analysis Submittal Requirements from Deschutes County, OR**

19. An economic impact and feasibility analysis of the proposed development prepared by a qualified professional economist(s) or financial analyst(s) shall be provided which includes: a) An analysis which addresses the economic viability of the proposed development; b) Fiscal impacts of the project including changes in employment, increased tax revenue, demands for new or increased levels of public services, housing for employees and the effects of loss of resource lands during the life of the project.

Source: Deschutes County Code §18.113.050(B)(19)

**Economic Analysis Criteria from Deschutes County, OR**

C. The economic analysis demonstrates that:

1. The necessary financial resources are available for the applicant to undertake the development consistent with the minimum investment requirements established by DCC 18.113.

2. Appropriate assurance has been submitted by lending institutions or other financial entities that the developer has or can reasonably obtain adequate financial support for the proposal once approved.

3. The destination resort will provide a substantial financial contribution which positively benefits the local economy throughout the life of the entire project, considering changes in employment, demands for new or increased levels of public service, housing for employees and the effects of loss of resource land.

4. The natural amenities of the site considered together with the identified developed recreation facilities to be provided with the resort, will constitute a primary attraction to visitors, based on the economic feasibility analysis.

Source: Deschutes County Code §18.113.070(C)

See also Appendix A that contains Deschutes County’s complete approval criteria.

**Will the Resort Recruit Local Employees?**

Although successful resorts can be expected to generate jobs, the jobs will not necessarily go to local residents. It is not unusual for a resort to bring in top managers from other areas. News of job opportunities in a resort setting may draw job seekers from afar, who compete with local job seekers. For instance, when the Semiahmoo Resort was developed near Blaine, WA, a large percentage of the jobs were filled by college students driving up from Bellingham, WA, according to a consultant who has worked with resort developers (Burke, 2001).

Trendwest agreed to the following condition assuring local job recruitment efforts in a settlement agreement related to the MountainStar MPR in Kittitas County:

**Trendwest/Ridge Agreement to Encourage Recruitment of Local Employees**

“1.8.2 Trendwest will advertise and give written notice at libraries and post offices in Easton, Cle Elum, South Cle Elum, Ronald and Roslyn and recruit locally (Kittitas County), to fill opportunities for contracting and employment, and will prefer local applicants provided they are qualified, available and competitive in terms of pricing.”

The Trendwest developer also agreed to coordinate with school districts, vocational and apprenticeship programs on some vocational training opportunities in the community.

Source: Settlement Agreement Regarding MountainStar Master Planned Resort, Cle Elum Urban Growth Area and Supporting Infrastructure and Services, 2001

**ARAMBURU & EUSTIS, LLP April 9, 2018 Page 8**

**5. NO PROVISIONS FOR FINANCIAL OR OPERATIONAL FEASIBILITY OF DEVELOPER.**

As described above, this applicant has offered inconsistent site plans that do not qualify even as “back of the napkin sketches.” The lack of standard drawings showing project elements raises concerns for what is intended for the project as a whole. As discussed below, the applicant must demonstrate that it has the financial and managerial capability to carry through with the project.

JCC 18.15.125(I) requires the following showing in a master plan: . . . . (i) A description of the intended phasing of development of the project, if any. The initial application for an MPR shall provide sufficient detail for the phases such that the full intended scope and intensity of the development can be evaluated. This shall also discuss how the project will function at interim stages prior to completion of all phases of the project, and how the project may operate successfully and meet its environmental protection, concurrency, and other commitments should development cease before all phases are completed.

The Municipal Research and Services Center of Washington (MRSC) was established 80 years ago to provide assistance to local governments in Washington. MSRC is, as described on their website, “a nonprofit organization that helps local governments across Washington State better serve their citizens by providing legal and policy guidance on any topic.” MRSC serves all 281 cities and 39 counties of the state and provides information; “when the legal landscape changes, we are here to clarify the issues and help local government leaders make the right decisions for their communities.” See <http://mrsc.org/Home/About-MRSC.aspx>

Several years ago, the MSRC prepared a guidebook on MPRs called: “Master Planned Resorts “Washington Style.” <http://mrsc.org/getmedia/d954c9de-24ca-44859416-a04c3e64b48e/Master-Planned-Resorts.pdf.aspx?ext=.pdf> . The preface of the publication states its purpose:

The guidebook will provide information about how local jurisdictions can better anticipate and evaluate the potential benefits and impacts of these developments. This publication suggests criteria to help local jurisdictions decide whether it makes sense for a county to allow for such exceptions within its rural areas. It provides criteria for assessing whether a specific proposed resort (or small-scale recreational use) is a net benefit to the community, and whether the location is suitable.

One section of the publication addresses the question: “Is the Project Economically Viable?” at pages 10-12. In that section, MSRC states:

After reviewing North American resort and recreational projects over a 30year span, some resort industry leaders estimated that as few as 10 percent were profitable for the original developer (Middleton, 1994). As a result, local jurisdictions should carefully evaluate a proposed MPR’s prospects for success.

Local officials may or may not be interested in adopting specific investment targets. However, they should look for convincing assurance that the project is economically viable. A developer should present market plans and analysis that demonstrate that a proposed resort can succeed and that benefits to the community will materialize. In addition, a developer should provide evidence of sufficient company experience and financial backing to manage a large-scale, long-term venture.

The proposed Pleasant Harbor MPR to be approved by the development agreement is a complex undertaking with a large proposed recreation/community center, a golf course, a waste water treatment plant, a utility district and commitments to not discharge stormwater into Hood Canal. However, as described above, the plans presented for the resort are minimal and completely lack project detail. Benefit to the community is dependent on the features that provide community benefit, thus the Board must be assured that the applicant, and its final plans, guarantee their provision.

First, does the Statesman Company have sufficient company experience to manage a facility of this nature? **A careful review of Statesman projects indicates no experience in running a resort with a golf course and a large recreation center.** Under the proposed master plan, 65% of the 890 units on the site, or 578 units must be short term rentals, but Statesman has no experience that we have been able to find in operating or managing hotels or similar short term rental operations. As described above, the master plan does not disclose which of the proposed units will be short term rentals, as opposed to permanent residences.

Second, does the project proponent have sufficient financial backing and market analysis to demonstrate it can successfully build a facility of this nature? **No independent market analysis supports the financial viability of the proposal. Our November 29, 2016, correspondence addressed this subject in relation to the “Vision” for the project, as referenced above. That proposal indicated that the success of the project required some $37,750,000 of public funds to form a “public private project.” As pointed out in our correspondence, the scheme to use public funds was likely illegal under Washington law.**

We have also investigated another proposal from Statesman called the “Pine Ridge Mountain and Lakeview Community” located in central Alberta, Canada. This proposal is for a 700 unit resort community with substantially all units for sale. See Statemans’ promotional video at http://www.discoverpineridge.com/. From video time 2:36 to 3:18 this advertising promo includes details on a proposed recreation center. A separate video describes the same facility, referencing it as the “Columbia Valley Recreation and Community Centre.” See <http://www.discoverpineridge.com/columbiavalley-recreation-community-center/>

This second video describes the features of the proposed Rec Center beginning at video time 1:03, making claims about community benefits, including “Toby Canyon Slide,” hockey, fitness center and “medical tourism,” bistros, a theater, weddings and conferences. Without the hockey rink, the proposal is remarkably similar to that proposed at Pleasant Harbor in the Phasing Plan and “The Vision”.

However, an article in the local newspaper, the Columbia Valley Pioneer, from September 14, 2017, discloses that “Statesman is looking for a low-interest government loan to build the center through a private/public partnership.” See <https://www.columbiavalleypioneer.com/news/invermere-mega-development-projctgauges-rec-centre-support/>

In addition, “the company would like to see an interested community entity take over the rec center operations once it is built.” The article includes quotes from several governmental officials skeptical of the proposal. The article also reports that though the proposal was for 300 single family and 400 multifamily units (similar to the Pleasant Harbor plan at 890 units), only about 55 units have been sold. **The promotional video clearly discusses the need for a massive injection of local and state funds to build the $40,000,000 facility, a number very similar to the $37,750,000 funding request in “The Vision” for Pleasant Harbor.**

Over the recent years master planned resorts have failed due to lack of financial and managerial capabilities. Our November 29, 2016, correspondence describes the situation at Tamarack, near Donnelly in west central Idaho, where financial problems and bankruptcy resulted in significant community disruption. As noted in the recent article from the New York Times, home owners have had to rescue the facility. <https://www.nytimes.com/2017/02/07/business/tamarack-idaho-ski-resort.html>

The golf course which was a centerpiece of the resort has failed and has returned to nature. As noted, the developer has largely skipped town and the burden of picking up the pieces has fallen to individuals that bought property in the development and Valley County government.

The current proposal is very similar in structure and financing to Stateman’s Pine Ridge resort, with the developer promoting a facility but lacking any resort management experience or financial ability to complete the proposal.

Closer to home, the Pleasant Harbor proposal has many similarities to the Paradise Ranch proposal in southern Oregon. As described in the attached letter from David Wechner, the Josephine County Planning Director at the time, the Pleasant Harbor project has many similarities to the Paradise Ranch proposal.

As noted, there was no showing of a current or projected market analysis of the economic viability of that project. “The Vision” also includes no such analysis (the only information offered is projected population increases for the state as a whole). See page 9. The “Success Stories” described on page 10 of “The Vision” do not refer to developments by the applicant, but rather the following:

Amongst many other initiatives, the communities of Gig Harbor & San Juan Islands have embraced the demand of the local residents to offer year-round recreational and community opportunities.

Pictures of Gig Harbor and a Washington State Ferry (somewhere in the San Juans) are offered on the same page with the additional reference:

Additionally, these centers continue to attract visitors through recreation in terms of Sports Tourism and Medical Health Rejuvenation which then contribute to amenity migration as well as family vacations.

No sources are listed for these statements and we have found no support for claims that “Sports Tourism and Medical Health Rejuvenation” have contributed to the success of either Gig Harbor or the San Juans.

The applicant has not offered evidence of any financial or managerial experience that suggests it has the ability to successfully complete a master planned resort on this property. Quite to the contrary, even after ten years to do so, Stateman has not even submitted a site plan that provides a meaningful description of its proposal, much less meeting the minimum standards of applicable ordinances. Jefferson County should not enter into a development agreement with Statesman without demonstrated financial capacity and management ability to complete the facility.

**One of many schemes from the Statesman Group to attract investors.**

Statesman to open office in China, seek investors for Brinnon resort

* By Allison Arthur of the Leader
* Jun 10, 2010Top of Form

Bottom of Form

The Statesman Group of Companies is looking to wealthy investors in China and an increasingly popular immigration program to help finance its $300 million Pleasant Harbor Marina and Golf Resort in Brinnon.

M. Garth Mann, president and CEO of Statesman Group, believes the project could create “hundreds, if not thousands” of jobs over the life of the resort, which he would like to see started in 2011.

Proposed on 256 acres at Black Point are an 18-hole golf course, hotel and conference center and up to 890 residential units. Proponents say it would be a boon to the rural and economically depressed South County; opponents argue the project is too large and would change the character of the area.

 Immigration approach

Mann has requested help designating Jefferson County and part of Mason County as a “regional center” under a federal immigration program called an EB-5 visa program. It connects “high net-worth” foreigners with projects in areas of high unemployment in exchange for possible citizenship status.

If created, the center, under the auspices of the United States Citizenship and Immigration Services, would be the first rural regional center in the state and the only one on the Olympic Peninsula.

Statesman also is in the process of setting up an office in Beijing to help find those investors.

To qualify as a regional center, Mann is seeking the help of various state agencies.

The state Employment Security Department certifies areas as having high unemployment. Brinnon has an unemployment rate of 15.5 percent, according to state employment officials.

Employment Security spokesman Jamie Swift said Statesman has not formally asked to validate Brinnon’s unemployment rate, although they have communicated informally.

“Based on the estimated annual average unemployment rate for 2009, the Brinnon area has an unemployment rate of 15.5 percent, which is 150 percent of the national average,” Swift said. The 150-percent threshold would qualify Brinnon for the EB-5 designation, which has grown popular as bank lending has tightened.

In 2009, the state provided labor market information for three EB-5 requests. This year so far, the state has had 11 requests for information, Swift said.

“We’re looking for investors and also the opportunity to create employment in the area,” Mann said Monday from Statesman’s Canadian headquarters in Calgary.

No bank loans

Like other companies in Washington and around the United States, Mann said he is looking outside the country for funding because banks are no longer lending for projects such as his.

“Where do you get financing today? Look around your backyard. There’s no money left. Where else can you get money?” Mann asked Monday.

“If you look at the economies around the world that are doing well, which countries are those? It’s China, for sure. India is plus 8 percent. Brazil is plus 5 percent. Canada and Australia are growing. But the rest of the world isn’t doing well,” he said.

The EB-5 proposal for Brinnon would be a first for the company and the Olympic Peninsula, Mann said.

“The United States is in dire need of employment,” Mann said. “I think it’s an ingenious program if you think about it. The country could use some immigration of people who are coming in to contribute and provide financing and provide jobs and interest in the community.”

Mann was quick to point out that in Arizona, where Statesman has its U.S. headquarters, residents are protesting that poor immigrants from Mexico are costing taxpayers when they use schools, roads, facilities and services. That state’s controversial response was a new law allowing police to ask anyone for documents to prove he or she is legally in the state.

$500,000 to $1 million

Conversely, the EB-5 immigration program is aimed at attracting wealthy investors who can pay up to $500,000 or even $1 million to invest in an area in exchange for visas. The immigrants Mann wants to attract must prove to U.S. immigration authorities they have the means not only to live in the United States but also to invest in businesses like the Brinnon resort, which in turn would create jobs.

Mann said he does not envision those investors would live in Brinnon.

“We envision a lot of them being students,” Mann said.

He noted that China has had a one-child-per-family policy and he expects that he will be looking to attract wealthy people who would want a child to attend universities in Washington.

“The applicants are all individuals. Whether they come from China or India, no one knows,” he said.

“The mandate is for everyone who qualifies under EB-5, we would be required to create eight to 10 jobs. We’re not bringing over people to seek employment. They would be interested in investing,” Mann said.

Other regional centers

The U.S. Citizenship and Immigration Service (USCIS) has final say over whether a “regional center” is created.

Regional centers in Washington have been set up by American Life, Inc. in Lakewood to support a variety of industries from warehouses to hotels. Centers also have been established in Renton, Everett, Federal Way, Tacoma and  Bellingham.

 “It’s one of the few rural areas that have been applied through the program so this is certainly unique from that perspective,” Mann said of his request. He hopes to know by the end of the year if the area can be designated as a regional center.

“I think the whole county could use some help,” Mann said.

Letter of support

Jefferson County Commissioner John Austin, D-Port Ludlow, has written a letter of support for Mann’s proposal.

“Anything we can do to encourage them to continue to move forward on their project I think will help South County,” Austin said Tuesday.

“The analogy that comes to mind is that when Hong Kong was transferred from British to China [control], a lot of folks came to the West Coast of Canada and brought their foreign funding with them and I understand that was a real boon to Canada in particular,” he said.

“It’s very fortunate that the federal government has created this avenue for foreign dollars to come forward to finance local construction,” he added.