A Review and Comparative Assessment of The Vermont Ski Area Land Lease Fee Structure September 2007

Prepared by:

Economic & Policy Resources, Inc.
400 Cornerstone Drive
Williston, VT 05945
www.erpeconomics.com

Table of Contents

A Review and Comparative Assessment of
Vermont the Ski Area Land Lease Fee Structure

Introduction

Purpose of the Report

This study was commissioned by the Vermont Department of Forests, Parks and Recreation to address the question of the relative comparability of the fee structure of seven Vermont ski area public land leases to those on other public lands. The specific question addressed by this study concerns the fee component of the Vermont leases relative to the structure of fees charged ski areas for the use of public lands in comparable situations. The Department of Forests, Parks and Recreation, as land manager, seeks to review its current fee system to understand how that system compares to those currently in use by other public lands managers.

The State of Vermont through the Vermont Department of Forests, Parks and Recreation leases public lands to private entities for the purpose of operating ski areas. Currently there are seven ski area leases dating back to 1942 that allow private entities to develop and operate winter recreation facilities on state forest and parks land. Many of these leases were first established in the 1950s and 1960s and have been renewed subject to the specific provisions of each lease, amended or rewritten for subsequent terms. The leases serve to make public land available to provide winter and summer recreational opportunities to the public for a fee. The State of Vermont was an early adopter and perhaps the originator of the concept of leasing public forest and parks lands for alpine ski area development. Today a large number of the approximately 500 ski areas operating in the United States use public lands for all or a portion of their commercial ski area operations.

It is important to understand what this report does not attempt to address. The underlying analysis does not seek to answer the question of whether the Vermont ski area leases provide a fair market rental return to the State of Vermont. Although that may at first appear to be an obvious and simple question, the analysis of fair market rents for land used in ski areas is a complex and perplexing undertaking beyond the scope of this analysis. The U.S. Department of Agriculture through the United States Forest Service (USFS) has undertaken extensive study of that question over the past 10 years by examining 130 ski area land leases on Forest Service lands. Attempts to estimate fair market value of land used for ski areas have resulted in questionable estimates of value. The USFS concluded that the methods and data available to determine fair market value are not adequate to provide definitive estimates of fair market value.[1] The topic continues to be researched and discussed at the federal level. Changes made in 1986 and again in 1996 to Federal legislation governing land leases on USFS lands have standardized procedures and fee systems, which were based on laws promulgated during the late 1800s and early 1900s.

Methods of the Analysis

The analysis of the comparability of the Vermont ski area leases to leases in other jurisdictions was completed by identifying the criteria by which comparability could be established followed by an examination of a peer group of ski area leases on public lands. The first step in this analysis was to review the Vermont ski area leases in order to understand the nature of the agreement between the lessees and the Department of Forests, Parks and Recreation. Using the Vermont ski area leases, the operative lease characteristics were identified. These include the intended purpose of the lease, the intended use of the land, the lease term, the lease payment calculation determinants, whether or not the lessee had exclusive right to the land, and whether or not the lessee was responsible for maintaining and developing improvements to the land. These criteria then formed the basis for our determination of peer public land leases for examination and comparison to the State of Vermont leases.

A total of 13 public land leases were identified for initial review. Through relationships maintained by the staff at the Vermont Department of Forests, Parks and Recreation copies of each lease were obtained. Contact information was provided to allow for follow up activity if necessary. Additionally, Department and EPR staff identified 7 USFS ski area permits in the White Mountain and Green Mountain National Forests that share similar characteristics as those in Vermont. The USFS permit system and these specific permits were examined as part of the review.

Examination of the peer leases uncovered other considerations by which comparability could be judged such as the distinction between leases, permits and concession agreements. After initial review 10 of the leases and the USFS permit program in general were deemed to be comparable to Vermont ski area leases. From these leases comparisons were drawn as to the function of the leases from a fee revenue generating standpoint. These conclusions along with other knowledge gained from the review of the peer leases was considered to form conclusions and recommendations. The objective of the analysis is to determine if Vermont citizens are realizing a comparative return for use of public lands and are there opportunities to advance the administration of the lease program to improve efficiency and equity.

[1] Fair Market Value of the Use of National Forest Service Lands by Ski Areas, Prepared by the USFS, December 2002.

Executive Summary

Findings

1. Ski area land lease fees can be characterized as those that follow one of two general models—"gross revenue" or "facility based." In a gross revenue lease fees are based on all revenue producing activity at the ski area and may include revenues derived from both public and private land uses. In a facility based lease, fees are based on sales revenue associated with the use of specific facilities and may include those facilities on both public and private lands.

2. All Vermont ski area leases are lift lines leases and follow the general model of facility based leases. In general, the terms of the Vermont ski area land leases are comparable to those in effect in peer situations with regard to the structure and level of fees. Vermont's land lease fees are based on revenues generated by the ski operator prorated to reflect the share of total revenues derived from the use of state lands with the principal operative element being lift ticket sales. Additionally, all but the Bromley lease provide for fees based on gross revenues where state owned facilities, such as warming shelters, are used in the operation of the ski area. Ski areas may also use other state constructed facilities such as parking lots and roads.

3. The original Vermont ski area land leases are unique in that the infrastructure improvements, where not put in place by the State of Vermont, by the terms of the lease become state property once constructed by the lessee. Subsequent revisions have amended this feature in 4 of the 7 current leases, but the existence of this feature complicates a direct comparison of fee structures between lease agreements. A significant benefit of this feature is that the lessee ski area operator does not pay property taxes on the assessed value of improvements put in place on public lands.

4. The most directly comparable public land leases for ski areas are those operating under the United States Forest Service (USFS) permit program structure. USFS permits set fees based on lift tickets and ski school revenues prorated by the share of lift lines on federal lands and gross revenues from ancillary facilities such as restaurants where located on federal lands. Vermont leases universally establish a flat 5.0% fee on prorated lift ticket revenues while the USFS system employs a graduated system with fees starting at 1.5% and capped at 4.0% where covered gross revenues exceeds $50.0 million.

5. The majority of the peer state leases include a fee structure based on total gross revenues of the ski area. These areas generally use public lands

for a broader range of functions than the Vermont leases, which primarily cover land used for lifts and use of state constructed buildings. Where Vermont uses a gross revenue fee structure such as a rental shop on state lands, gross revenue fees at 2.5% equates to $3.0 to $15.0 million of total covered gross revenue currently employed in the USFS permit program. These fees are similar in structure to those employed in the Alaska ski area land lease, which is based on a lower percentage rate.

6. Exclusive of concession based ski area leases, Vermont is unique in its approach to fees collected for use of state constructed facilities. Most peer situations where the public entity constructed the facilities the common practice is to employ a gross revenue fee structure collecting fees across a broad base of uses. In general these situations include a broad range of facilities put in place by the public entity.

Recommendations

1. Significant efficiencies and consistency can be achieved by establishing a uniform payment collection and reporting structure. The opportunity exists to improve efficiency of monitoring and administering the leases through the use of a revenue collections form, definition of terms and a standardized reporting procedure. There appears to be sufficient latitude in the lease language to reach agreement with lessees on the use of such a system.

2. The majority of the Vermont ski area land leases provide for either accountant prepared reports and/or submission of reports to support the determination of lease fee payments. It is particularly important that a means to verify payment calculations exist as the industry matures and evolves to include more sophisticated products, more complex ownership structures and distant management. Either by agreement or in future leases the Department should require more independent review and verification of the lessee's lease payment calculations.

3. Several of the Vermont leases include provisions for auditing by the state. Either by agreement or in future lease agreements, the Department should periodically undertake audits of the lessee's use of the public lands including the determination of fees and other terms of the leases. Such audits will serve to document compliance with the terms of the lease, identify potential issues for resolution before they become problems and in future leases and generally assist the Department in its fiduciary role as public lands manager. In any event, it is strongly recommended that an audit be undertaken whenever a leasehold interest changes hands.

4. A review of historic lease revenues from the Killington land lease indicates that fee revenues have been declining in real dollar terms in the past 18

years while revenues from other leases have remained constant or increased including those from Okemo. There are logical reasons why this result might occur over time. To resolve any doubt however, it is recommended that the Department investigate and resolve any potential conflicting interpretation of the basis for determining land lease payments from the Killington lease. There may be a source of institutional knowledge within the Department that can explain the outcome.

5. The current federal land lease program instituted by the United States Forest Service in 1986 and 1996 includes a uniform set of definitions, more formal language, a graduated fee system with inflation adjusted steps, a forward looking payment schedule and specific provisions for assignment and transfer of interest. Some of these features can also be found in the peer leases. A systematic review of these features and the current land lease language employed in the current leases should be undertaken to determine an appropriate modern model lease. As leases are renewed, assigned and transferred the Department should consider using the updated model language as a matter of practice.

6. The simplicity of the fee structure found in the Vermont leases has served well in some cases for over 50 years. The ski industry has changed significantly over this time period with a product that is very different from that of the 50s, 60s, and even the 90s and now appears to be on the edge of additional maturing. At the time the Vermont leases were first initiated lift tickets explained the bulk of ski area revenues but that is not the case in today's environment. A graduated gross revenue fee structure appears to be evolving as seen in some of the peer leases and in the hybrid approach employed in the United States Forest Service program and may be more equitable to lessor and lessee. Over the 1986 to 2006 period a great deal of public discussion and debate has generated thinking that may be informative to consideration of such an approach in the future as Vermont considers renewing expiring leases. Such a change over could be completed on a revenue neutral basis.

Background

<u>The Vermont Leases</u>

The State of Vermont owns about 343,000 acres of public land that include 52 state parks and 37 state forests in parts of over 200 Vermont towns. The first state purchase of lands occurred in 1909 when the lands comprising L.R. Jones State Forest in Plainfield were acquired. In the 1930's the Civilian Conservation Corps (CCC) cut ski trails on Mount Mansfield and in 1940 they built the current base lodge at Stowe Mountain Resort. During that time skiers had no choice but to hike up the mountain for the pleasure of skiing down. Three years later the first public state lands were leased to a private company for the purpose of operating a ski area. An estimated 100 acres of the Hapgood State Forest were leased to Ski Tows, Inc. creating the beginnings of Bromley Mountain.

Throughout the 1950s and 1960s six more ski areas would be created on public lands with the encouragement of the State of Vermont who not only leased the lands but also built infrastructure such as ski shelters, some of which have become base lodges, and access roads. These early developments support the well over 4 million skier visits that are now annually recorded and help support Vermont's travel and tourism sector of the economy.[2]

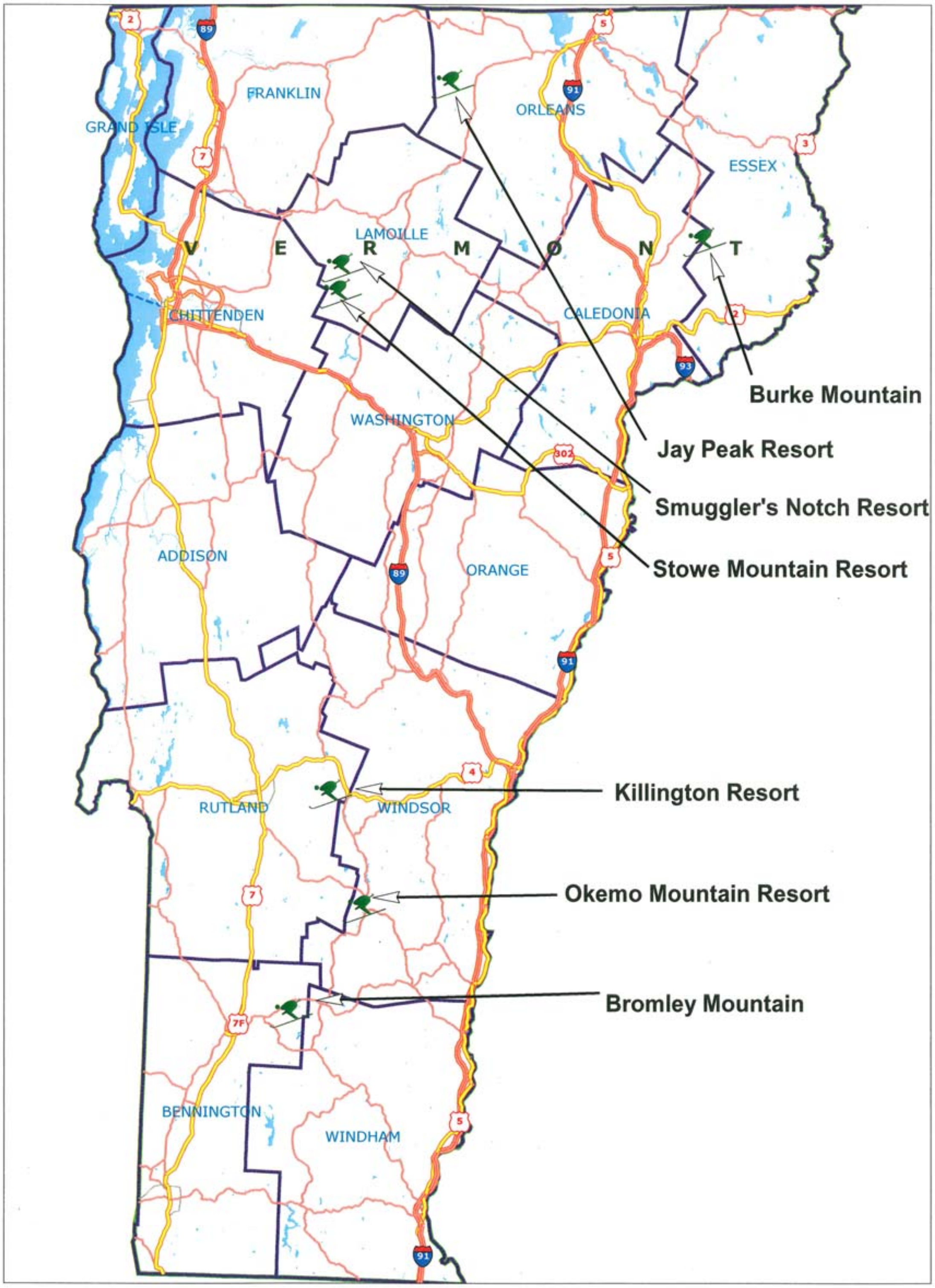
All of the Vermont ski area leases in effect today are modeled on those put in place in the 1950s and 1960s. Then Commissioner, Perry Merrill, saw the opportunity to develop public lands to provide recreational opportunities to Vermonters and visitors while encouraging entrepreneurial activity in the Vermont economy. His efforts were to support the Vermont state park system while encouraging the use of public lands for the benefit of Vermonter's. We will never fully know what his vision was but we cannot doubt the importance of the initiatives launched with those early land leases for ski area development.
As of 2007, the State of Vermont leases seven blocks of public land for ski area development and operation. Figure 1 displays a map and Table 1 a summary of these leases and shows the size and uses of the lands presently leased.

Ski area land lease fees can be characterized as those that follow one of two general models—"gross revenue" or "facility based." In a gross revenue lease fees are based on all revenue producing activity at the ski area and may include revenues derived from both public and private land uses. In a facility based lease, fees are based on sales revenue associated with the use of specific facilities and may include those facilities on both public and private lands.

All Vermont ski area leases are lift lines leases and follow the general model of facility based leases. Vermont's land lease fees are based on revenues generated by the ski area operator prorated to reflect the share of total revenues derived from the use of state lands with the operative element being lift ticket sales. Ski areas may also use other state constructed facilities such as warming shelters and roads and pay fees for use of these facilities.

[2] Although VT now has seven ski areas that operate facilities on state forest land under lease agreement, the Department leased land to an eight area at one time. Hogback ski area leased a portion of Molly Stark State Park for nearly 20 years (from 1975 – 1994). In 1994, the ski area became insolvent and was released from any further lease liabilities. Hogback's lease fee amount was established by the standard 5% of gross revenues times the percent of lift line within the leasehold or $500/yr. (whichever amount was greater). The ski area generally ended up paying the $500 figure throughout the life of the lease.

Figure 1: Vermont Ski Areas on State Land



A comprehensive discussion and copies of each Vermont ski area land lease is provided as an attached sourcebook. Over time with amendments and extensions the language of the leases have been revised and updated to address relevant issues of the moment. Many of these changes have improved the ability of the lessee to obtain financing for improvements or as part of a merger or sale transaction.

In general, the Vermont leases all convey the same basic rights and responsibilities to the lessee. These rights and responsibilities can be summarized as follows:

Rights:

- Lessee is allowed to construct lifts, trails, and buildings on the parcel with approval from the state.
- Lessee has exclusive rights to operate ski lifts on state lands within 10 miles of the parcel—applies to certain leases.
- Lessee can cut trees as necessary and pay the state for the value of stumpage.
- Lessee has exclusive privilege to operate a ski school.

Responsibilities:

- Lessee must maintain all facilities on site.
- State can purchase the rights of the lessee after the original 10 year lease using a predetermined calculation method of determining value. [Note: This feature is not included in all leases.]
- Lessee must run the lifts when it is reasonable to do so and may run lifts in the summer. Lifts shall run a minimum of 40 days a year unless prevented by unusual circumstances.
- The lessee must provide the public with access to state land and facilities at all times subject only to safety issues.
- The lessee must maintain and heat the state ski shelter associated with the ski area where such shelters exist.
- The lessee is required to maintain liability insurance.

Additionally, all of the current leases have a term of 10 years with rights to renew for a series of additional 10 years. Most leases provide for extension up to 60 years through renewals. One provides for extension through 90 years. All leases have identical fee payment structures where comparable facilities are concerned. Not all leases include use of a state constructed shelter so these leases are absent these provisions. A strict reading of the Okemo and Killington leases seems to imply that gross receipts from all lessee constructed facilities are included in the base for purposes of determining lease payments to the State of Vermont. In reviewing this language with the staff of Vermont Department of Forests, Parks and Recreation we learned that this had been reviewed and interpreted by the Department many years ago to include only those facilities constructed by the lessee that were located on state lands. The seven leases fit into three general categories:

1. Leases that only require payment based on revenue from lift ticket sales (Lift Line Leases);
2. Leases that require payment based on lift ticket sales and sales at restaurant and retail establishments at the site (Gross Revenue Leases); and,
3. Leases that require payment based on both of these factors and revenue from state constructed facilities (Combination Leases).

Table 1 shows the locations of each Vermont ski area that operates using lands leased from the state. Tables 2a and 2b on the following pages provide more lease details and indicate which Vermont Ski areas fit into each category.

Table 1: Vermont Ski Area Public Land Leases, Locations and Lessees

Ski Area Name	Lease Holder	Location	State Park/Forest
Bromley Mountain	Bromley, Inc.	Peru, VT	Hapgood State Forest
Killington Resort	Powdr Corp. and SP Land Co.	Killington, VT	Calvin Coolidge State Forest
Okemo Mountain Resort	Okemo Limited Liability Company	Ludlow and Mt. Holly, VT	Okemo State Forest
Burke Mountain Resort	Ginn-LA Burski Ltd., LLLP	East Burke, VT	Darling State Park
Jay Peak Resort	Jay Peak, Inc.	Jay and Westfield, VT	Jay State Forest
Stowe Mountain Resort	Mt. Mansfield Company, Inc.	Stowe, VT	Mt. Mansfield State Forest
Smuggler's Notch Resort	Smuggler's Notch Management Company, Ltd.	Cambridge, Morristown, and Stowe, VT	Mt. Mansfield State Forest

Prepared by: Economic & Policy Resources, Inc.

Vermont Lease Revenues

In the fiscal year ending June 30, 2006 ski area land leases generated over $2.6 million in revenues for the Vermont Department of Forests, Parks and Recreation. Those revenues have historically been dedicated to the operation of state parks. Killington Resort generates the largest portion of these revenues, producing 45.6% of fiscal year 2006 ski area lease revenues. The pie chart in Figure 2 shows the portions of the lease revenue each lease generated in fiscal year 2006.

Table 2a: Vermont Ski Area Public Land Lease - General Ski Area Lease Details

Ski Area Name	Location	State Park/Forest	Date of Original Lease	Lease Term	Lease Exparation Date	Current Lease Date	Number of Extensions
Bromley Mountain	Peru, VT	Hapgood State Forest	6/15/1942	10	2/22/2013	2/22/1983	4
Killington Resort	Killington, VT	Calvin Coolidge State Forest	12/2/1957	10	11/10/2010	3/6/1961	9
Okemo Mountain Resort	Ludlow and Mt. Holly, VT	Okemo State Forest	11/30/1955	10	12/1/2013	12/1/1963	5
Burke Mountain Resort	East Burke, VT	Darling State Park	10/2/1956	10	12/1/2014	4/21/1975	3
Jay Peak Resort	Jay and Westfield, VT	Jay State Forest	5/15/1957	10	1/1/2016	4/18/1977	6
Stowe Mountain Resort	Stowe, VT	Mt. Mansfield State Forest	4/12/1946	10	6/28/2007	4/18/1972	8
Smuggler's Notch Resort	Cambridge, Morristown, and Stowe, VT	Mt. Mansfield State Forest	4/9/1962	10	6/30/2015	6/19/1987	Final Term Ends

Prepared by: Economic & Policy Resources, Inc.

Table 2b: Vermont Ski Area Public Land Leases - Lease Fee Structure

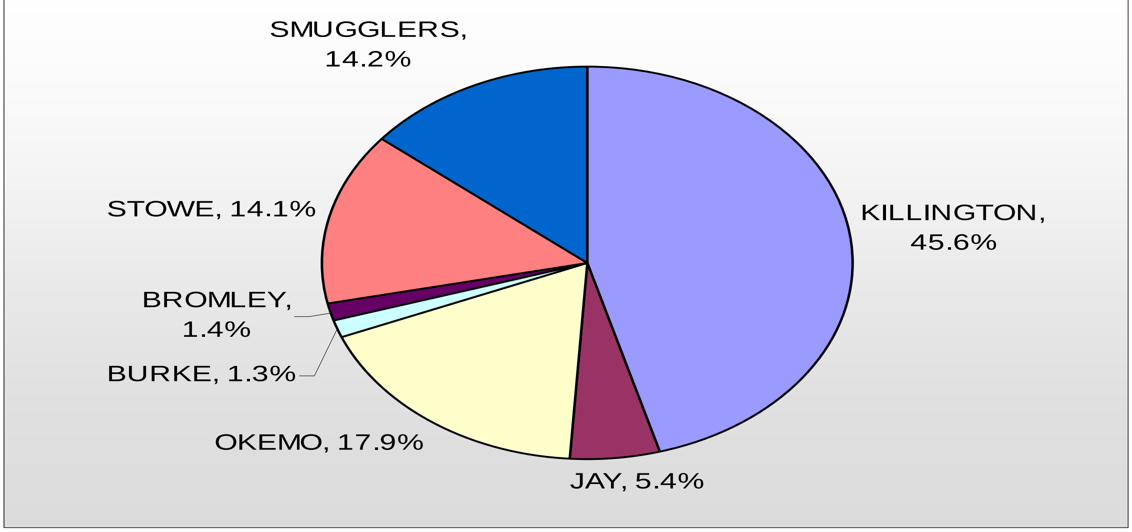
Ski Area Name	Lift Receipts	Ancillary Services	State Constructed Facilities
Bromley Mountain	Percent of total linear feet of lifts on state land multiplied by 5% of the gross lift ticket sales.		
Killington Resort	Percent of total linear feet of lifts on state land multiplied by 5% of the gross lift ticket sales. [See note 1.]	2.5% of receipts from restaurants, sport shops and warming shelters constructed by the lessee on State land.	3% of revenues created in buildings the state built.
Okemo Mountain Resort	Percent of total linear feet of lifts on state land multiplied by 5% of the gross lift ticket sales. (Minimum of 20% of lift lines must be on State land)	2.5% of receipts from restaurants, sport shops and warming shelters constructed by the lessee on State land.	
Burke Mountain Resort	5% of gross receipts from lifts on state land.	2.5% of receipts from restaurants, sport shops or warming shelters constructed by the lessee on State land.	5% of receipts from other facilities such as the Toll Road, Campground and Picnic Area
Jay Peak Resort	Percent of total linear feet of lifts on state land multiplied by 5% of the gross lift ticket sales. (Minimum of 20% of lift length must be on state land) [See note 1.]	2.5% of receipts from restaurants, sport shops or warming shelters constructed by the lessee on State land.	3% of revenues created in buildings built by the state and operated by the lessee.
Stowe Mountain Resort	5% of gross receipts from all lifts on state lands. [See note 1.]	2.5% of receipts from restaurants, sport shops or warming shelters constructed by the lessee on State land.	3% of revenues from the sale of food beverages, souvenirs and the sale rent or repair of sporting equipment by the lessee in buildings owned by the state.
Smuggler's Notch Resort	Percent of total linear feet of lifts on state land multiplied by 5% of the gross lift ticket sales. (Minimum of 20% of lift length must be on state land) [See note 1.]	2.5% of receipts from restaurants, sport shops or warming shelters constructed by the lessee on State land.	$200 for rent of employee lodge, $2,000 for lease of effluent disposal site and 3% of revenues created in buildings the state built.

Notes:

[1.] Lease terms provide for a progressive rate schedule for new lift lines constructed; 2 and 1/2 percent first five years and then 5 percent if revenues all lifts exceeds $750,000 or 2 and 1/2 percent if less than $750,000. After 10 years 5 percent all lifts.

Prepared by: Economic & Policy Resources, Inc.

Figure 2: Share of Lease Revenues by Lessee



The change in revenues between 1989 and 2006 is displayed in Table 3 and in Figure 3 below. Revenues have remained essentially flat since 1989 in inflation adjusted dollars. During the history of these leases there have been significant fluctuations in the amount of revenue collected that generally follow the published estimates of skier visitors. The average difference in total lease payments from the year before is almost $150,000 with the largest year-to-year change occurring between 2001 and 2002 when lease revenues jumped over $320,000. The smallest fluctuation occurred between 1994 and 1995 when revenues only gained about $5,000.

The weakest growth in revenue has been from Bromley Mountain showing decline of 3.6% over the time period. In absolute terms, Killington has shown the largest dollar value decline in revenues, dropping by about $0.4 million over the time period. Okemo Mountain Resort has shown the strongest growth (3.0% over the period) resulting in increasing lease revenues to the state by about $0.2 million in inflation adjusted terms.

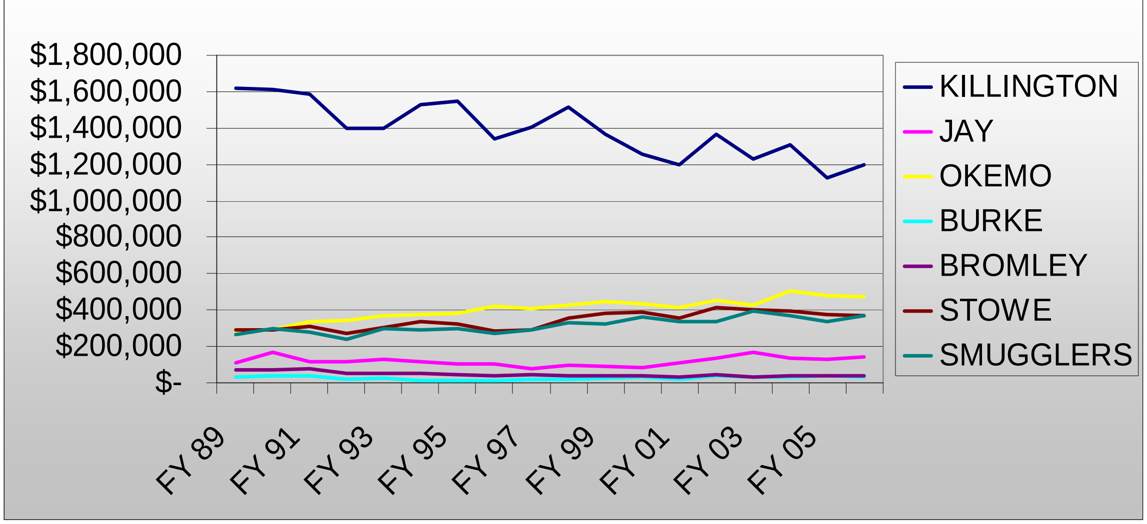


Figure 3: Ski Area Lease Revenues (2006$s)

Comparing the aggregate revenue from all leases in inflation adjusted terms to skier visit data over the 1989 through 2006 seasons is instructive. The Vermont Ski Areas Association data on skier visits shows a declined by a rate of -0.5% per year during the 1989 through 2006 season. The data indicate that in the aggregate the number of skier visits is correlated with the amount of revenues paid to the Department of Forest, Parks and Recreation. This is shown in Figure 4 below.

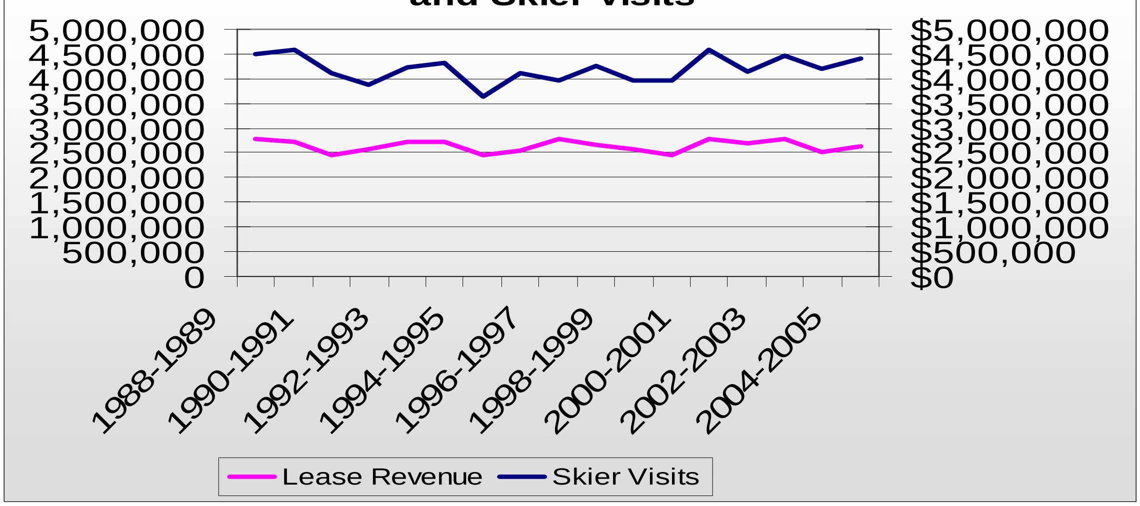
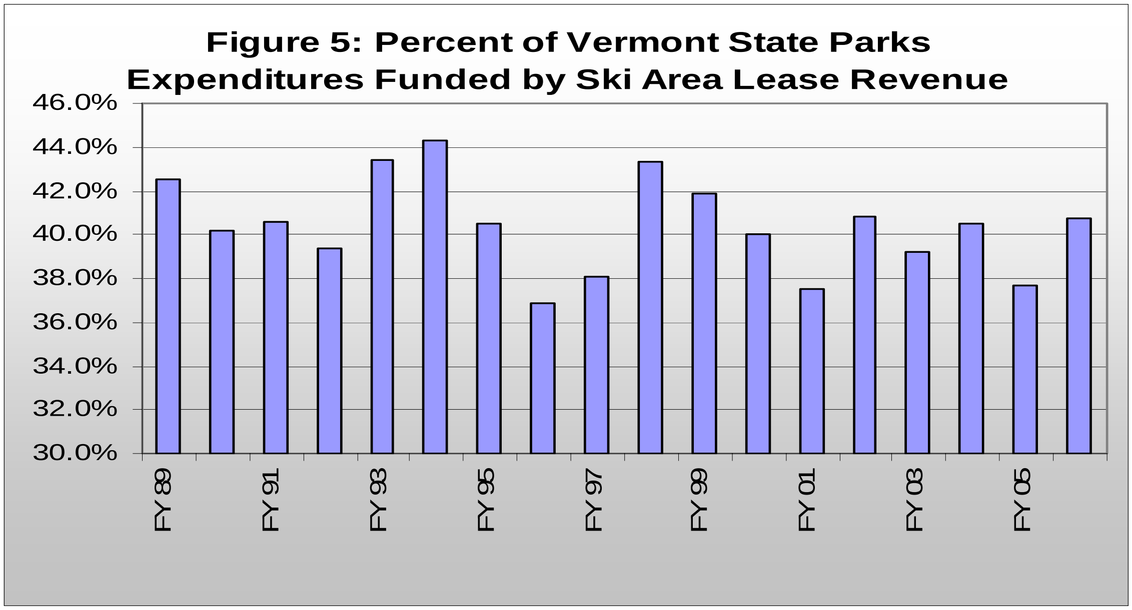


Figure 4: Vermont Ski Area Lease Revenues and Skier Visits

Historically, ski area lease revenues on average have accounted for approximately 40.0% of the total State Parks expenditures. This proportion has fluctuated between a low of 37.5% in fiscal year 2001 and a high of 44.3% in fiscal year 1994 as displayed in Figure 5.



The percentage from 1988, 1989, 1991, and 1993-1995
are estimated due to reporting issues in expenditure data.

Comparability of Leases

Ten public land leases and the US Forest Service Ski Area Permit Program were found to meet the criteria to be considered sufficiently comparable to the Vermont ski area leases for further examination. Three of the leases were determined to be more of a concession agreement than a lease even though they were renewable for periods of up to ten years. Including in the analysis federal lands managed by the US Forest Service (USFS) under the Ski Area permit system is advantageous as there are 7 areas in Vermont and New Hampshire that utilize Forest Service lands under permit as part of their ski areas. Table 4 and 5 display the ski area leases most directly comparable to the Vermont ski area land leases. [Tables 4 & 5 are located at the end of the narrative.]

<u>Types of Land Leases</u>

The Vermont ski area land leases follow traditional real property lease structure and terms in most respects. The lease conveys a long-term interest in the land to the lessee. As such, the leasehold interest is an asset of the lessee and would appear on their financial statements as such. The specific terms of the lease govern the rights of the lessor and lessee with regard to the use of the land and responsibilities to each other. The Vermont leases provide for the right of public access to the land as do all of the public land leases reviewed as part of this study but this feature does not negate the lessee's interest in the land. The lease records reflect assignments of the lease for financing purposes indicating that the market views these leases as corporate assets that have value and reflect the ability of the lessee to utilize the assets in commerce to generate revenues and repay debt.

Concession agreements are typically the least comparable of the different types of ski area operation agreements to Vermont Leases. The reason for this is that concessions agreements do not convey any interest in the lands or infrastructure on the lands themselves. The concessionaire may be responsible for maintaining the property but is not typically encouraged to continue to develop it. Because of this concession agreements are fundamentally different from ski area leases in Vermont where one of the original purposes of the leases was to develop the leased parcel into a ski area. The purpose of a concession agreement is simply conveying the right to operate existing ski area facilities, in many cases for a short period of time.

Federal Lands Ski Area Rental Fees

The USFS was landlord to approximately 130 ski areas in the United States in 2002 and as such is the single largest public lands manager with experience leasing land for ski area operation. In Vermont 3 ski areas utilize USFS lands under a permit to operate a ski area. Another 4 are operated in New Hampshire and administered by staff of the Green Mountain National Forest in Vermont. It was felt that adding the federal program to the review would be valuable given the vast amount of experience of the USFS, the significant public policy discussion at that level during the past 10 years and the proximity of such areas to Vermont ski areas.

Federal law (16 U.S.C. 497b) establishes a formula and certain provisions related to the fees charged for the use of U.S. Forest Service (USFS) lands permitted for commercial ski area operation. An entity receiving a permit to operate a ski area on USFS lands after the Act was passed in 1996 is required to calculate lease fees using the established formula.[3] Ski areas receiving permits under earlier land lease authorization may elect to adopt the new schedule or continue with the earlier formula at their option.[4]

The fact that the USFS system provides a permit and the Vermont program is a lease is a distinction without a difference for purposes of determining fees. The intent of either program is to provide an exclusive long-term right to operate a ski area on public lands. Each is renewable for an extended period of time sufficient to amortize investments in infrastructure. Both provide for public access to the land under permit or lease subject to public safety considerations. Both the lease and the permit can be capitalized for accounting purposes and assigned for financial lending with the permission of the appropriate authorities. The land lease is a recognized legal concept under law covered by statute and a long history of case law governing interpretation of meaning. Generally, the land

[3] Omnibus Parks and Public Lands Management Act of 1996.
[4] Earlier authority to lease lands and collect permit fees may arise from Act of June 4, 1897—Surveying of Public Lands and Act of March 4, 1915—Department of the Interior.

lease is recognized to convey an interest in the land while the permit does not. The USFS permit is a relatively new concept and lacks the long history of case law to support interpretation of meaning. In terms of the fee structure these differences are of little meaning so the USFS system provides a useful comparison.

The permit fee established by the 1996 law prescribes a graduated formula based on the permittee's gross revenues from lift ticket sales, use pass sales and ski school revenues relative to the proportion of lift line linear footage on USFS lands. In general terms, the 1996 federal fee establishes a mechanism that could have been modeled on the Vermont lease fee standard. The significant difference between the Vermont fee structure and the USFS is that the USFS fee structure is a graduated system with a progressively higher fee charged as covered revenues increase.

USFS permit fees are calculated in a two step process. In the first step, gross revenues attributable to the use of federal lands is determined by summing covered gross revenues from lift tickets and ski schools and multiplying the total by the product of dividing the linear length of the lift line on federal lands by the total length of all lift lines on public and private lands.[5] To this amount is added the gross revenues attributable to facilities located on federal lands such as lodging and restaurant sales. In the second step, the fee is calculated on a sliding scale based on the amount of gross revenues determined by step one of the formula. Gross revenues under $3.0 million are charged at the rate of 1.5%, gross revenues of between $3.0 million and $15.0 million are charged 2.5%, gross revenues of between $15.0 million and $50.0 million are charged 2.75% and all gross revenues over $50.0 million are at 4.0%. In all cases there is a minimum annual fee of $2.00 per acre due. At the discretion of the Secretary of Agriculture, the minimum fee may be established as a percentage of appraised land value.

In algebraic terms the federal permit fee formula looks like this:

Step 1:

Adjusted Gross Revenues ($ADJ) = (($LT + $SS) X STFP) + $GRA

Where:
$LT = Revenues from lift ticket sales
$SS = Revenues from ski school sales
STFP = Slope transport feet percentage as determined by prescribed procedures established in the Forest Service Manual.
$GRA = Gross revenues from ancillary services

[5] The Act establishes a concept of "Slope Transport Feet Percentage" abbreviated as STFP to determine the pro-rata share of gross revenues attributable to public lands verses private lands. The STFP apparently recognizes that uphill transport may be provided by means other than a traditional ski lift such as a sno-cat or helicopter.

Step 2:

Permit Fee = $ADJ X F% (as appropriate to the level of ADJ)

Where:
F% is determined by the sliding scale set out in the above paragraph.

The revenue brackets are adjusted each year by the Consumer Price Index for the proceeding year. In this manner the revenue bracket stays fixed in real dollar terms with a lower percentage applied to higher gross revenue as prices move upward—a form of indexing. Fee payments are due June 1 of each year or at such other time as the specific permit provides. In some instances fee payments are made in advance and may be paid quarterly. The USFS provides a standard form and worksheet to its ski area permittee's to be used for fee calculations. These forms are submitted with the lease fee payment and enable the land manager to cross check the permit payment with the permit fee requirements. The existing fee structure became effective on June 1, 1996. Transition rules provide for a five-year phased adjustment to the new fee structure from those in place earlier.

The federal fee structure put into place by the 1996 Act is a relatively simple mechanism for assessing and collecting fee revenues from federal land leases for ski areas. Specific definitions establish a means to determine revenues covered by the formula, a consistent methodology to determine the ratio of lift lines on public verses private land and prescribed collection forms all serve to provide a uniform and equitable permit fee and payment collection system. A uniform system is fair to ski area operators as all are treated in the same manner and is more efficiently managed by public land managers.

The fee structure of the USFS Ski Area Permit Program compares directly with the Vermont leases in structure with a couple of minor exceptions. The USFS permits provide for a means to prorate ski area revenues from facilities on public lands. Lift ticket fees are assessed based on the portion of lift lines on public verses private lands. This component includes ski school revenues in the USFS program while the Vermont program would only catch the lift ticket portion of ski school revenues where reported by the ski area. The balance of ski school revenues is captured in the Vermont lease only to the extent that the ski school is operated out of a facility on state land or a state constructed building. The USFS permit program employs a graduated fee structure. The percentage fee rate increases as adjusted gross revenues increase with the top rate equaling 4.0% with revenues exceeding $50.0 million. The Vermont program set the percentage rate at 5.0% for adjusted gross ski lift revenues. Vermont sets a separate rate for fees from non-lift facilities on state lands and for state constructed facilities.

Comparable Peer Leases

The most basic criteria for comparing ski area public land leases are based on the prescribed use of the lands. All of the land leases examined were created for the purpose of operating a ski area. In many cases the identified uses of the lands go beyond that of alpine skiing to include other recreational uses. These uses range from Nordic skiing to special events and in the many leases including Vermont's simply state that both summer and winter outdoor recreation should be promoted without mentioning specific activities that are allowed. A total of 7 of 13 peer leases examined specifically identify summer uses such as hiking and mountain biking as an allowed use of the leased premises. Federal land leases do not identify any summer recreational uses but do have provisions for special events that may be held on Forest Service lands. Such uses can include music concerts or festivals, conventions and conferences. In all cases the peer leases contained provisions allowing for uses that can be considered similar to the uses Vermont leases are designed to promote.

The term of the lease is important because to be comparable to a Vermont lease it must allow the lessee to have rights to use the land for a term sufficient in duration to amortize the infrastructure investments. Without these provisions the lessee would have no incentive to develop the lease parcel beyond its original state. In every case accept for the 3 concession agreements land leases are long-term comparable to the Vermont leases. The concession agreements are typically shorter term than the minimum 10 year time frame provided for in the other 10 peer leases.

A similarly important criterion shared by all of the Vermont leases and the peer leases is the concept of assignability. This provision gives the lessee the right to assign the rights granted to them under the lease to a third party with the approval of the lessee. This is important because it provides the lessee with access to capital markets when investing in improvements. The lessee can mortgage their leasehold interest to a third party and gain access to financing to support their spending on the capital improvements made the ski area. This is an important feature to lenders as collateral for loans made to the lessee.

Lease terms making the lessee responsible for the maintenance, construction and operation of the leased premises are an important characteristic of the Vermont leases. This has the effect of transferring all of the operations to the lessee and in doing so giving the lessee responsibility over all ski area operations. This provision is shared among all of the peer leases, federal permits and concession agreements. In the case of three of the Vermont leases infrastructure once constructed becomes the property of the state and remains in place at the termination of the lease. The federal leases require the lessee to remove all infrastructures upon termination of the permit. Other state leases are mixed on this point.

The timing of the fee payments themselves is a criterion that is examined, Vermont leases require payment for revenue after that revenue has been generated. In 6 out of the 10 comparable peer leases and the federal permits, rent payments are due in advance. In many cases a minimum payment is required in advance followed by the additional payment generated as a percentage of revenues. In other cases an advance payment is due based on past revenues with a reconciliation to come after the period that has been paid for in advance ends. The frequency of payment is also a criterion that is examined. In most cases, 8 out of 10, peer leases require an annual payment. The remaining leases require payment on a quarterly basis while the federal permits require payment monthly. Also related to the payment of lease fees is the provision for auditing the relevant determinants of the lease payments. 7 out of 10 peer leases and the federal ski area permits contain provisions allowing the lessor to audit the statements of the lessee. While these lease characteristics do not settle the question of comparability of leases, they do provide some guidance for recommendations.

Although not a lease provision itself, the original creator of the facilities is something that can be considered in comparing lease terms. In many of the peer leases the current lessee has assumed facilities that were originally created by a prior operator. This is very common in Vermont where although ski lifts were not built other important facilities were. At both Killington and Jay Peak access roads and lodges were built by the state. At Burke, a campground and road to the top of the mountain preceded the ski area. Stowe's original trails and lodge were cut by the Civilian Conservation Corps. This has also occurred in many of the peer leased areas. Mount Sunapee Ski Area in New Hampshire was developed by the State of New Hampshire and later leased to Okemo. In many cases it is difficult to ascertain who built the improvements to the parcels without the original lease but it can be reasonably assumed that in over half of the peer leases, the current lessee is not the original developer of the parcel. Because of the nature of the original improvements made to the leased lands in Vermont and the fact that in some cases no improvements were made to the parcel, this is not a make or break criterion for comparability.

In most cases these criterion allow for closer comparison of 10 of the 13 peer agreements and the federal permits with the concession agreements being the only non-comparable agreements. The most important criteria used for comparison is the actual use of the lease lands and how use relates to the lease fee structure. The use of the ski area as a whole and the types of uses that actually occur on state land are in many cases separate and because of this the fee structures differ. Vermont leases and federal permits with some notable exceptions are leases for parcels that consist of steep mountain sides. With the exception of Wildcat Mountain and Waterville Valley Ski Resort in New Hampshire, the borders of federal permits extend down the mountain sides ending just above the bottoms of the lifts and the areas containing the lodges and other services. This is also true with many of Vermont's ski area leases. Bromley, Vermont's original leased ski area only leases the top of Bromley

Mountain and also leases federal lands surrounding the Vermont owned parcel. The owners of Burke Mountain lease an area that ends just above the lodges.

Seven of the 10 peer leases cover land in the base area where services are located as part of the leased public land parcel. The remaining 3 are similar to Vermont ski area public land leases and generally only include alpine slopes consisting of lift lines and trails. These 3 include Porcupine Mountain in Michigan where the lift ticket sales office is leased to the lessee but no other facilities other than the lifts and ski school; Alpine Meadows in the Lake Tahoe Basin of California where only a small amount of the lift line is actually on state land; and, Alyeska Resort in Alaska. The lease boundaries of these ski areas make them the most comparable to Vermont ski area leases because they share all of the lease characteristics outlined so far, they are all long term leases, promote similar activities, require the lessee to responsible for improvements, provide public access and are assignable. The only characteristic these 3 land leases do not share with the Vermont leases is that the original infrastructure was not built by a public entity. This is not a concern however, because not all of the leased Vermont ski areas were originally created by a public entity. This characteristic is also dissimilarity with federal permits.

Comparability of Lease and Permit Fee Structures

With the comparable leases identified based on lease and parcel characteristics it is possible to compare fee structures. Alpine Meadows, Alyeska Resort and Porcupine Mountain have the most similar leased parcel characteristics to the Vermont leased ski areas but the remaining 7 non-concession agreements also share important characteristics that are comparable. The key difference between the lease payment structures in these 7 leases and the Vermont ski area leases and federal ski area permits is that fees in these leases are based on gross receipts of the entire ski area operation. Simply stated, where the leased parcel contains all of the ski area amenities all of the revenue from those amenities are included in the fee calculation uniformly. In most of the Vermont leases and federal permits, the ski area facilities are not included in the leased parcel and lease or permit fees are not charged uniformly across all ski related revenue sources. This is the key distinction between leases considered comparable to Vermont's ski area leases and leases that aren't. Please see Table 6 following text.

The fees based on the gross revenues at ski areas where all of the ski area operations are on leased land range from a flat fee on revenues below certain thresholds to 5% above certain thresholds depending on the ski area in question. From a broad perspective, these percentage levels are comparable to Vermont's percentage of revenue levels which are 5% for lift receipts, 2.5% for other services and 3% or 5% for revenue other than lift revenue generated on state land.

The comparable ski areas that have been defined mostly share a common fee structure that is fees based on lift ticket sales. Fees at Alpine Meadows in California are based on 6% of lift ticket revenues prorated for the length of the lift on state land. Butternut Basin in Massachusetts charges fees based on a graduated system calculated on a percentage of ski lift ticket sales revenue. This is directly comparable to lease fees for the state lands at Killington, Okemo, Jay Peak, Burke, and Smuggler's Notch although the Department also charges fees based on other revenue sources at those mountains. Butternut Basin in Massachusetts also charges fees based on a percentage of ski lift ticket sales revenue but is system is graduated. Porcupine Mountain in Michigan also charged fees based on lift revenue and ski school operations. This is slightly different than the Vermont system because it includes ski school revenue in the lift revenue calculation and like the Butternut Basin lease, the system is graduated. The details of the Vermont fee structures and the comparable lease are displayed in Table 6. [Table 6 is located at the end of the narrative.]

Results of the Analysis

The US Forest Service Ski Area Permits system and 3 selected ski areas where lease payments are based on prorated lift revenues appear to be the most directly comparable to the Vermont situation in terms of the structure of the fee payment. Permit revenues are calculated based on activity on public lands in a direct parallel fashion to the Vermont fee formula. Lift revenues are prorated for the share of total lift lines on public lands. A specific procedure for measuring lift line length incorporating gradient and length of run is prescribed for federal lands as it is in the leases for ski areas in Michigan, Massachusetts and California. The Forest Service fee is graduated beginning at 1.5 % for adjusted gross revenues of $3.0 million to a maximum fee of 4.0% for covered revenues of $50.0 million or more (expressed in 1996 dollars).

The Vermont leases uniformly specify a 5.0% fee for lift lines on state lands. In some circumstances leases provided for a phase in period of 5 to 10 years where lease fees were set at 2.5% for new lift facilities. However, the leases that have such provisions are beyond the 10 year phase in period as of this writing. As the Federal Ski Area Permit system is graduated and does not reach a level of 5.0%, the Vermont fee is higher than the Federal Permits and two of the three comparable state leases. Only Alpine Meadows in California charges more at 6% of prorated lift revenues.

The peer state land leases that were not considered comparable are for entire ski areas with the majority or nearly the entire infrastructure on public lands. These leases favor a gross receipts approach to the fee structure with a graduated system based on total receipts.

Recommendations

Vermont was an early adopter of policies to lease public lands to encourage commercial recreational development as an economic development strategy. Many of the public land ski area leases in effect in the United States today share the characteristics and features of the early Vermont ski area land leases. Although there is no way to confirm this it is quite possible that these similarities arise because Vermont's program served as a model in the early days of the industry's development. As is common in the development of public policy initiatives as the concept expands to subsequent jurisdictions innovative approaches evolve through experience and creativity. Refinements and improvements become apparent with experience and exposure.

The ski area public land leases in place today are extensions of those first put into place over fifty years ago. However, the ski industry of the 1950s, 1960s and 1970s has evolved and taken on new dimensions. The ski industry today has all the characteristics of an economically mature industry. Skier visits have remained relatively flat for the past 20 years. Many small locally owned ski areas have closed and many intermediate areas have merged with larger neighbors, broadened their offerings and developed destination resort business models to attract and maintain market share. Nationally, and in response to changing market forces, ski area ownership has undergone a major consolidation with a few corporations owning the largest ski areas and accounting for more than half of all estimated skier visits in recent years.[6] More recently, many ski areas have become the assets of publicly traded companies. These changes present different challenges to both ski area businesses and public entities as land manages than those existing when the present lease program was formulated.

The Vermont ski area public land lease program evolved in a more simplistic financial world. In the financial environment faced today by both ski areas and public agencies fairness and equity suggest that steps be taken to evolve a more adaptable, efficient and uniform lease system. This is not to suggest a wholesale change in the current system but rather the adoption of a model that serves current and anticipated future financial requirements of both the business entities that operate ski areas and the fiduciary responsibility of the Vermont Department of Forests, Parks and Recreation to Vermont citizens.

These changes can be instituted administratively by working cooperatively with the lessees. These suggestions can be detailed in the appropriate documents as leases expire or are amended.

[6] Fair Market Value of the Use of National Forest Service Lands by Ski Areas, Prepared by the USFS, December 2002.

Create a Uniform Reporting Structure

A. Significant efficiencies and consistency can be achieved by establishment of a uniform payment collection and documentation process. The current process is based on historic practice by specific lease. Over time, staffing at both the lessee and state change and the process has evolved without uniformity. This results in a system that lacks uniformity over time and between leases and is less efficient to administer by the lands manager. A simple form can be created where fee determinants can be entered, supporting data can be provided and the calculation of the fee due can be quickly verified.

The Department should develop a standardized form and worksheet to assist lessees in calculating and making annual lease payments. The standardized form will improve efficiency for both parties to the lease as well as provide a means to make year-over-year comparisons.

B. The language of the Vermont land leases although rather simple, is still subject to differing interpretations of specific terms.

The Department should develop a standard set of definitions for application to the ski area leases. A review of current but more recent leases employed by peer organizations contains definitions of key terms and the determinants of the fee structure such that there is agreement and understanding of how to determine fees. The United States Forest Service addresses the potential for differing interpretations by reference to a regulatory publication, the Forest Service Manual. Alternatively, the Department can promulgate rules or publish guidelines in agreement with the lessees.

Provide for a Means to Validate Lease Payments—Trust but Verify

The current seven Vermont ski area leases survive from the 1940s, 1950s and 1960s. The average age of the current lease is 33 years. At the time of origination of the current leases state government and ski area operators functioned in a relatively less complicated world than in exists in today's environment. The state forests and parks department annual budget in those days was about $650,000 for the operation of 28 forests and 26 state parks. Most ski areas were locally owned, consisted of the operation of a ski lift and a few amenities and were operated by the same people year after year. Today's ski industry environment is dramatically different. Ski area operation has evolved to encompass a much broader range of activities including real estate development. Many of today's ski areas are operated by large corporations, employing professional managers that come and go and often ownership changes hands during the term of the lease.

The Department should require independent review and verification of lease payment calculations by lessees. This can be completed as a review by an independent CPA. A lessee should be required to show the determinants of the payment calculation provide documentation to support the data employed in the calculation.

Undertake Periodic Audits

Several of the Vermont ski area leases have a provision for auditing by the State, which has not been utilized in the past. Documents supporting the payment of fee revenues to the Department are required to be prepared by an accountant or auditor on behalf of the lessee. The concept appears to be that an independent entity will review the determination of revenues due to the state.

The Department from time to time should commission an independent audit of a lessee's payment determination. This could be undertaken on a revolving but random basis to avoid increased workload. At any time when a ski area changes hands or when consent to assignment or Estoppels Certificate is required as part of a refinancing, merger or sale, an independent audit should be undertaken of the subject lease. An audit at that time would confirm that the terms of the lease regarding payment have been met by the lessee. This will confirm that the Department has met its fiduciary responsibilities as land manager and close out the relationship with a clean slate. Additionally, an audit at the time the lease changes hands has the added advantage of establishing a known starting point with the new lessee.

Review of the Killington Lease

Historic comparisons of lease payments by each lessee were examined in the course of undertaking this review. The Killington lease, which produces the single largest payment to the Department of Forests, Parks and Recreation reflects a real dollar decrease in rents over the past 17 years. There may be logical reasons for this outcome but on its face the downward track appears illogical. The Department should investigate the lease payments and review the documentation supporting past payments with a responsible representative of the lessee as a means to confirm mutual understanding of the fee determinants and calculation methods.

Forward Looking Considerations

The simplicity of the fee structure found in the Vermont leases has served well in some cases for over 50 years. At the time the Vermont leases were first initiated lift tickets explained the bulk of ski area revenues but that is not the case in today's environment. A graduated gross revenue fee structure appears to be evolving as seen in some of the peer leases and in the hybrid approach employed in the National Forest System permit program and may be more equitable to lessor and lessee. Over the 1986 to 2006 period a great deal of public discussion and debate has generated thinking that may be informative to consideration of such an approach in the future as Vermont considers renewing expiring leases. Such a change over, if determined to be desirable, could be completed on a revenue neutral basis.

Conclusion

The Vermont ski area lease program has a positive history of providing economic stimulus, outdoor recreation opportunities and benefits to Vermonters. The early concepts of Perry Merrill served to encourage the evolution of an industry that has grown and matured over the 60 plus years since the first public land leases for ski area development were initiated in Vermont. The program was innovative at the time and continues to be the standard for ski area public land leases today.

The structure of the fees charged under the Vermont program is directly comparable to those employed in similar circumstances and in many instances produces higher revenues for the use of public lands. The Vermont fee structure is most directly comparable to the National Forest Service Ski Area Permit Program to the extent that one could conclude that the Vermont program was the model for the USFS.

Table 4: Vermont Ski Area Public Land Leases - Comaprison of Peer Ski Area Leases by Relevant Feature

	State	Long Term Lease	Activities On Public Land: Alpine	Nordic	Summer Use	Other	Lands Leased: Lifts/Trails	Restaurants/ Services	Lodging	Lessee Responsible for Improvement	Original Facilities Built by Public Entity	Provides Public Access	Lease Assignability	Minimum Operating Requirement	Fee Structure Based On: Lift Ticket Sales	Food Sales	Retail Sales	Ancillary Services	Total Gross Revenue
Tamarack Resort	ID	X	X	X	X	X	X	X	X	X		X	X	NM					**X**
Butternut Basin	MA	X	X	NM	X	X	X	NM	NM	X	X	X	X	NM	**X**				
Wachusett Mountain Ski Area	MA	X	X	NM	X	X	X	X	NM	X	X	X	X	X					**X**
Porcupine Mountain	MI	X	X	X	X	X	X		NM	X	X	X	X	X	**X**				
Mount Sunapee Ski Area	NH	X	X	X	X	X	X	X	NM	X	X	X	X	X					**X**
Granite Peak Ski Area	WI	X	X	X	X	X	X	X	NM	X	NK	X	X	NM					**X**
Alyeska Resort	AK	X	X	NM	NM	NM	X			X		X	X	NM	**X**	X		X	
Alpine Meadows	CA	X	X	NM	NM	NM	X			X		NK	X	NM	**X**				
Camelback Ski Area	PA		X	NM	X	NM	X	X	NM	X	NK	X	X	X		**X**			
Winter Park Resort	CO	X	X	NM	X	X	X	X	X	X	X	NK	X	X					**X**
Federal Land Permits																			
Mount Snow Ski Area	VT	X	X	X	NM	NM	X			X	NK	X	X	NM	**X**	**X**	**X**	**X**	
Bromley Mountain	VT	X	X	X	NM	NM	X			X		X	X	NM	**X**	**X**	**X**	**X**	
Sugarbush Resort	VT	X	X	X	NM	NM	X			X	NK	X	X	NM	**X**	**X**	**X**	**X**	
Wildcat Mountain	NH	X	X	X	NM	NM	X	X		X	NK	X	X	NM	**X**	**X**	**X**	**X**	
Attitash Bear Peak Resort	NH	X	X	X	NM	NM	X			X	NK	X	X	NM	**X**	**X**	**X**	**X**	
Waterville Valley Resort	NH	X	X	X	NM	NM	X	X		X	NK	X	X	NM	**X**	**X**	**X**	**X**	
Loon Mountain Ski Resort	NH	X	X	X	NM	NM	X			X	NK	X	X	NM	**X**	**X**	**X**	**X**	
Vermont Areas																			
Bromley Mountain	VT	X	X	NM	X	NM	X			X		X	X	X	**X**				
Killington Resort	VT	X	X	NM	X	NM	X	NK		X	X	X	X	X	**X**	X	X	X	
Okemo Mountain Resort	VT	X	X	NM	X	NM	X	NK		X		X	X	X	**X**	X	X	X	
Burke Mountain Resort	VT	X	X	NM	X	NM	X			X	X	X	X	X	**X**	**X**	**X**	**X**	
Jay Peak Resort	VT	X	X	NM	X	NM	X	NK		X	X	X	X	X	**X**	**X**	**X**	**X**	
Stowe Mountain Resort	VT	X	X	NM	X	NM	X	NK	X [1]	X	X	X	X	X	**X**	**X**	**X**	**X**	
Smuggler's Notch Resort	VT	X	X	NM	X	NM	X	NK		X		X	X	X	**X**	**X**	**X**	**X**	

Notes:

[1] Refers to State Ski Dorm

X = Comparable
NM = Not Mentioned
NK = Not Known
Notes below relate to the "Fee Structure Based On" columns.
X = Includes revenues from all facilities including those located on leased public lands and those not located on leased public land.
X = Includes revenues from facilities that are only on leased public land.
X = Revenue only from portion of facility on public land.

Prepared by: Economic & Policy Resources, Inc.

Table 5: Vermont Ski Area Public Land Leases - Comaprison of Peer Ski Area Leases by Lease Detai

	PAYMENT PROVISIONS					MISCELLANEOUS TERMS					
SKI AREA	Payment Due Date Post Period	Payment Frequency	Paid in Advance/Arrears	Payment Documentation required	Audit Provision (Y/N)	Public Agency Purchase Option	Indemnification/Liability Insurance	Exclusive Rights in Geographic Area	Title to Property Rests With	Improvements Subject to Property Tax	Assignability of Lease
Tamarack Resort	Jan. 1 for coming calendar year	Annual	Advance	Documentation must be Maintained for 3	Yes	NM	Yes	NM	Lessee	Yes	Yes
Butternut Basin	Minimum payment due July 10 for coming fiscal year with balance due May 31.	Annual	Advance	Statement Prepared by CPA	Yes	NM	NM	NM	NM	Yes	Yes
Wachusett Mountain Ski Area	Minimum payment due Jan 15 for coming year with balance due Aug. 31 of same year	Annual	Advance	Statement Prepared by CPA	Yes	NM	Yes	NM	Lessee	Yes	Yes
Porcupine Mountain	31-May	Annual	Arrears	Yes	NM	NM	Yes	NM	Lessor at end of lease	No	Yes
Mount Sunapee Ski Area	31-Dec	Annual	Arrears	Statement Prepared by CPA	Yes	NM	Yes	NM	Lessor at end of lease	Yes	Yes
Granite Peak Ski Area	31-May	Annual	Arrears	Yes	Yes	Yes	Yes	NM	Lessee		Yes
Alyeska Resort	Payments due 10/30 for Q3, 1/30 for Q4, 4/30 for Q1 and 7/30 for Q2	Quarterly	Arrears	NM	Yes	NM	Yes	NM	Lessee	Yes	Yes
Alpine Meadows	Minimum rent is due in 2 equal installments on 1/1 and 3/1 for coming year with payments above the minimum due at end of each calendar quarter	Quarterly	Both	Yes	NM	NM	Yes	NM	Lessee	No	Yes
Camelback Ski Area	Minimum payment due 6/30 with percentage based payment due annually on 9/28	Annually	Both	Yes	NM	Yes	Yes	NM	Lessee	No	Yes
Winter Park Resort	Rent due on the first day of each calendar quarter for the first 10 years of the lease, then annually on 9/30 for the remainder of the lease.	Quarterly then Annually	Advance then Arrears	Yes	Yes	NM	Yes	NM	Lessee	No	Yes
Federal Land Permits	20% of the lessee's average annual permit fee from the past 3 years is due before the beginning of the lessee's payment cycle. Monthly fees due by end of the month. The remaining balance of the fee is due 90 days after the end of the lessee's payment cycle.	Monthly	Both	Yes	Yes	NM	Yes	NM	Lessee	Yes	Yes
Vermont Areas											
Bromley Mountain	Due 12/31 for fiscal year running from 4/1 to 3/31	Annual	Arrears	Yes	Yes	Yes	Yes	NM	NM		Yes
Killington Resort	Due 12/31 for fiscal year running from 8/1 to 7/31	Annual	Arrears	Yes	NM	Yes	Yes	Yes	Lessor	No	Yes
Okemo Mountain Resort	Due 12/31 for fiscal year running from 5/1 to 4/30	Annual	Arrears	Yes	NM	Yes	Yes	Yes	Lessee	Yes	Yes
Burke Mountain Resort	Due 8/1 for fiscal year running from 5/1 to 4/30	Annual	Arrears	Yes	NM	Yes	Yes	Yes	Lessor	No	Yes
Jay Peak Resort	Due 8/1 for fiscal year	Annual	Arrears	Yes	Yes	Yes	Yes	Yes	Lessee	Yes	Yes
Stowe Mountain Resort	Due 12/31 for fiscal year running from 11/1 to 10/31	Annual	Arrears	Yes	Yes	Yes	Yes	Yes	Lessor	No	Yes
Smuggler's Notch Resort	Payment for previous calendar year is due 6/1	Annual	Arrears	Yes	Yes	Yes	Yes	Yes	Lessee	Yes	Yes

Prepared by: Economic & Policy Resources, Inc.

Table 6: Vermont Ski Area Public Land Leases - Ski Area Lease Details - Lift Line Based Lease Fee Structures

Ski Area Name	Lift Receipts	Ancillary Services	State Constructed Facilities
Bromley Mountain	Percent of total linear feet of lifts on state land multiplied by 5% of the gross lift ticket sales.		
Killington Resort	Percent of total linear feet of lifts on state land multiplied by 5% of the gross lift ticket sales. [See note 1.]	2.5% of receipts from restaurants, sport shops and warming shelters constructed by the lessee.	3% of revenues created in buildings the state built.
Okemo Mountain Resort	Percent of total linear feet of lifts on state land multiplied by 5% of the gross lift ticket sales. (Minimum of 20% of lift lines must be on State land)	2.5% of receipts from restaurants, sport shops and warming shelters constructed by the lessee.	
Burke Mountain Resort	5% of gross receipts from lifts on state land.	2.5% of receipts from restaurants, sport shops or warming shelters constructed by the lessee on State land.	5% of receipts from other facilities such as the Toll Road, campground and picnic area.
Jay Peak Resort	Percent of total linear feet of lifts on state land multiplied by 5% of the gross lift ticket sales. (Minimum of 20% of lift length must be on state land) [See note 1.]	2.5% of receipts from restaurants, sport shops or warming shelters constructed by the lessee on State land.	3% of revenues created in buildings built by the state and operated by the lessee.
Stowe Mountain Resort	5% of gross receipts from all lifts on state lands. [See note 1.]	2.5% of receipts from restaurants, sport shops or warming shelters constructed by the lessee on State land.	3% of revenues from the sale of food beverages, souvenirs and the sale rent or repair of sporting equipment by the lessee in buildings owned by the state.
Smuggler's Notch Resort	Percent of total linear feet of lifts on state land multiplied by 5% of the gross lift ticket sales. (Minimum of 20% of lift length must be on state land) [See note 1.]	2.5% of receipts from restaurants, sport shops or warming shelters constructed by the lessee on the Premises	$200 for rent of employee lodge, $2,000 for lease of effluent disposal site and 3% of revenues created in buildings the state built.
Federal Land Leases [See note 2.]	1.5% of portion of revenue up to $3,000,000 multiplied by portion of lift line on Federal lands. 2.5% of portion of revenue between $3,000,000 and $15,000,000 multiplied by portion of lift line on Federal lands 2.75% of portion of revenue between $15,000,000 and $50,000,000 multiplied by portion of lift line on federal lands. 4% of portion of revenue above $50,000,000 multiplied by portion of lift line on Federal lands.	1.5% of portion of revenue up to $3,000,000 multiplied by portion of lift line on Federal lands. 2.5% of portion of revenue between $3,000,000 and $15,000,000 multiplied by portion of lift line on Federal lands 2.75% of portion of revenue between $15,000,000 and $50,000,000 multiplied by portion of lift line on federal lands. 4% of portion of revenue above $50,000,000 multiplied by portion of lift line on Federal lands.	
Peer Land Leases			
Porcupine Mountain [See note 3.]	Payments based on all revenues whether on or off the premises directly resulting from the operation of the premises as follows: 0% of Gross Revenue up to $500,000 3% of Gross Revenue $500,000 to $1,000,000 6% of Gross Revenue above $1,000,000		
Alpine Meadows	$20,405 minimum fee and the percentage of the length of the lifts that is on leased land times 6.0%. The minimum rent will be adjusted every 5 years by the CPI.		
Butternut Basin	Lease payments are based on gross revenues from lift ticket sales as follows: 1.68118% of all gross revenues up to $2,200,000 2.9% of all gross revenue above $2,200,000 Lease payments will never be less than $1,000		

Notes:

[1.] Lease terms provide for a progressive rate schedule for new lift lines constructed; 2 and 1/2 percent first five years and then 5 percent if revenues all lifts exceeds $750,000 or 2 and 1/2 percent if less than $750,000. After 10 years 5 percent all lifts.

[2.] The graduated fee levels are escalated annually by the CPI. The base year levels of 1996 are displayed.

[3.] The lessee is responsible for the operation of the ski school and revenues created by it are included in the revenue calculation

Prepared by: Economic & Policy Resources, Inc.