

A Black Butte Ranch Perspective

Part 1 - The Mission Statement

by Philip Gerber

Black Butte Ranch Mission Statement

“Maintain and enhance a high quality, family oriented recreational and residential community preserved in its naturalness, with limited commercial activities and necessary regulations to preserve the safety, tranquility and future value for its owners, their families and guests.”

Preface

Words on a page are worthless - until someone actually reads them and endeavors to understand what they are saying. The reading part is easy, it's the understanding that we tend to ignore or take for granted. The Black Butte Ranch Mission Statement is no exception.

What does this Mission Statement mean to you? Are they just words thrown together so a box on the business plan could be checked off? Or is it a historical statement representing someone's vision, with little or no relevance to current conditions? Or does it define the fundamental values that determine how Black Butte Ranch should be managed?

For over 30 years this mission statement served Black Butte Ranch well. However, since 2008 it has been all but forgotten. Seeing rising pressure on homeowner dues, the solution seemed obvious. The Ranch just needed more revenue. As a result, Homeowners approved a \$100/month dues increase and additional commercial opportunities were pursued. Since then we have seen increased Ranch revenues AND increased expenses AND much higher dues. The solution has now become the problem. Where do we go from here? Before we attempt to answer this, let's review a little history. *(If you haven't read Peggy Lucas' book "There is a Place", get it!)*

A Little History

Black Butte Ranch was the brain child of Michael Hollern, the manager of the Brooks Scanlon lumber mill in Bend. In 1969 he proposed to the Brooks Scanlon board of directors that they consider diversification to better utilize some of the 200,000 acres of

land on its books. As a result, Brooks Resources and the Black Butte Development Corporation were formed.

Marketing research had presented a clear image of what Oregonians were seeking in a resort. They definitely wanted an environment where commercialism and “glitz” were non-existent, where conventions and crowds of tourists would not be allowed. They were seeking an owner-oriented environment which would offer a tranquility similar to that of the Metolius area, where so many Oregonians had sought summer refuge for generations.

“There is a Place” page 57

Limiting commercial activity was critical to the design concept for Black Butte Ranch. However, Brooks Resources realized in order to attract potential buyers to this remote location, homeowners would need local access to various commercial services. To satisfy this need, Brooks Resources looked 8 miles down the road to the little town of Sisters. At the time, Sisters was a struggling, shell of a town, having lost its last lumber mill in 1963. To help revitalize the town and give it a new identity, Brooks proposed all buildings on the main street, Cascade, get a western theme facade, and they would cover most of the costs. The transformation was a hit, and in 1978 the City of Sisters passed an ordinance requiring 1880s style store fronts.

Back at the Ranch, property sales began in August 1970. Demand for lots was strong and additional land and a second golf course were proposed. The Glaze Meadow section was added and the first 9 holes of the Glaze Meadow course was opened in 1978 with the second 9 added in 1981.

Prior to 1982, Brooks Resources owned and operated all facilities at Black Butte Ranch. In 1982, Brooks Resources negotiated the transfer of all Ranch roadways, bike paths, swimming pools, tennis courts, water distribution system and green belt areas, including the meadow, to the Black Butte Ranch Homeowners Association. Brooks Resources then formed the Black Butte Ranch Corporation to manage the Association and Condominiums under contract. Commercial assets, including the golf courses and restaurants were transferred to the new corporation.

In 1986 Brooks Resources notified the homeowner association that the Corporation assets at Black Butte Ranch would be offered for sale and asked if they were interested. The Association had the assets appraised and eventually negotiated a sales price with Brooks Resources. But this required a positive vote from at least two-thirds of the homeowners to consummate the deal. A survey of over 400 homeowners revealed 67% were in favor, 14% opposed and 19% were undecided. Homeowners favored the proposal to retain the Ranch’s non-commercial, private character. As a result, ballots

were mailed to all homeowners to accept the buyout plan which included a \$1,500 assessment. When the votes were counted 1001 were for the plan and 112 against. Homeowners were advised on March 14, 1987 that Black Butte Ranch now totally belonged to them.

It's your wallet...

This made Black Butte Ranch somewhat unique in that it was entirely owned by the homeowners. Other comparable resort areas consisted of privately owned homesites with commercial assets owned and operated by third parties. This has significant implications. In these resort areas, homeowners have little or no control over the commercial activities on the resort, nor do they have financial responsibility for them. On the other hand, while Black Butte Ranch homeowners have total control (theoretically) over the Ranch's commercial activities, they also have total financial responsibility for those activities. In other words, if revenues from Ranch operations do not cover expenses, homeowners dues and assessments are the ultimate source of funds. (Bank loans can provide temporary relief, but must ultimately be repaid by homeowners.)

What is "Limited Commercial Activity"?

Assume every homeowner agrees with the concept of limited commercial activity. The problem arises when you attempt to define and measure it. Is it defined in terms of type of activity, facility size, cost to build and operate, capacity, number of employees required or something else? To answer this question, consider the Ranch's history and original intent.

Brooks Resources is a land development company, not a commercial operating company. For sake of argument, assume Brooks Resources defined limited commercial activity in terms of the targeted market, Black Butte Ranch homeowners. Homeowners were their focus and primary customer. In today's terminology one could say Brooks outsourced commercial activity to Sisters, rather than duplicate or compete with Sisters merchants.

As a result, Ranch employees were focused on serving homeowners' needs. Operating and marketing costs were minimized. Naturalness and tranquility were preserved.

That was Then, This is Now

Assume you bought property at Black Butte Ranch in 1990. At that time, all lots were sold and all but about 50 had houses on them. Since then, 2 lots have been added (the old administration building site) and sold with about 25 lots still vacant. The Ranch

Master Design limits the maximum number of lots (units) at Black Butte Ranch to 1253. In other words, the number of homeowners paying dues is fixed and there is virtually no opportunity for this number to increase.

While the number of homeowners has not increased, cost have exploded. In 1990, homeowner dues were \$54 per month. Using the CPI, \$54 in 1990 adjusted for inflation would be \$99.26 in 2016. However, actual dues have gone from the \$54 per month to **\$415 per month**. Plus, over this same period each homeowner has paid in **an additional \$17,000** in special assessments! What happened?

Granted, there has been major investment in replacing and upgrading virtually all the Ranch's commercial and administrative facilities, including the golf courses. In addition to the capital cost of these upgrades, their associated operating costs have significantly increased. Since homeowners own all Ranch assets, these costs are the responsibility of the homeowners.

In 2008 The Black Butte Ranch Business Model Evaluation Task Force presented their findings. As a result, the Association Board began looking for new revenue sources and directly, or indirectly, charged Ranch management with increasing corporate revenues to reduce pressure on homeowner dues. This had the subtle effect of changing the definition of limited commercial activity. Instead of marketing commercial activities to homeowners, the focus shifted to marketing to non-homeowners, specifically, vacationers, wedding planners, and golf groups.

So, how's this working for homeowners?

Total revenues have been significantly increased, but so have expenses and staffing requirements. Since 2000, homeowner dues have **increased 169%**. The 2016 marketing budget for the total ranch was approximately **\$850,000**. The Lodge had been converted to a wedding venue and haute restaurant. Summer crowds now overwhelm most facilities and contribute nothing to the Ranch's tranquility. Basically, homeowners are subsidizing commercial activities for non-homeowners while being financially responsible for any shortfalls. This has overcrowded the ranch reducing homeowner access to and enjoyment of the assets they paid for.

The Black Butte Ranch mission statement has been shredded, and it was done by good-intentioned Board members.

Epilogue

While writing this I marveled at the wisdom and vision exhibited by the developers of Black Butte Ranch. Or was it just dumb luck? Regardless, what they created has endured and prospered for over 45 years and could not be replicated in today's regulatory environment. Black Butte Ranch is unique, however, it is also fragile.

Times have definitely changed since Black Butte Ranch was created. Are the values that created the Ranch still valid? Is the Mission Statement obsolete? Ultimately, the answer to these questions rests with the Association's Board of Directors and the commitment of home owners to hold them accountable. There are no right and wrong answers, just different opinions. And now I think you know mine.

Sidebar

My wife and I built our first vacation house at Black Butte Ranch in 1990. We became full-time residents in 1996 and built a new Black Butte Ranch home in 2003. I served on the Black Butte Ranch Association Board for 6 years, and have been active in the Sisters community. Having lived at Black Butte Ranch for 20 years the thought of moving occasionally comes up. However, the result is always the same. We can't think of ANY place we'd rather be.

I encourage all homeowners and prospective homeowners to read Peggy Lucas's book, *There Is A Place - Black Butte Ranch*. The copyrights to the book are owned by the Black Butte Ranch Corporation, and copies are for sale in the Black Butte Ranch Welcome Center.