

HOW DID THIS PLACE GET MISSED?

Big Sky, Yellowstone Club witness
construction of 100 new homes



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BIG SKY – This is not Big Sky Country, where waist-tall grass blows against an alpine backdrop and ranchers in chaps and Stetsons herd cattle. This is Big Sky, Montana, where media moguls, Hollywood superstars and dot-com investors own second and third homes in wealthy, private communities. Ski resorts are their corrals and multi-million dollar mansions their ranches.

Tucked into the southwest corner of Montana, Big Sky is part of the elite corps of American ski towns that includes Aspen and Vail, Colo., and Jackson, Wyo. in terms of snowfall, terrain and amenities. Just 11 miles from Yellowstone National Park, it has three blue-ribbon fly fishing streams within casting distance. The nearby college town of Bozeman was ranked fifth in Outside Magazine's Best Town's list.

With world-class ski terrain and stunning views, along with a free summer concert series and an award-winning Professional Bull Riders event, Big Sky would seem to have it all.

Now, in this place long known for its short lift lines and empty ski slopes, change is in the mountain air.

A NEW BOSS IN TOWN

An outfit by the name of CrossHarbor rode into Big Sky in 2005, buying approximately \$99 million in Yellowstone Club lots and property, and has spent the eight years since wrangling up the area's ski resorts and private developments and

branding them with a capital C.

As of this fall, Big Sky Resort, Moonlight Basin, the Club at Spanish Peaks and the Yellowstone Club now sit under one large umbrella stretching from Boston, Mass. to cover this unincorporated town and its approximately 2,400 year-round residents.

On Oct. 1, Boston-based CrossHarbor Capital Partners, LLC and Boyne Resorts closed on the purchase of Moonlight Basin, a 1,900-acre ski area adjacent to Big Sky Resort – which Boyne owns – with an additional 10,000 acres of developable land and a master plan for 400-plus residential units. The purchase followed on the heels of the partnership's July 19 acquisition of the assets in the previously bankrupt Club at Spanish Peaks, a 5,300-acre private community adjacent to both Big Sky and the Yellowstone Club.

Combined, the new mega-resort now boasts the largest acreage at any ski resort in the U.S., with 5,750 skiable acres and 4,350 feet of vertical drop. If you include the private ski terrain within the Yellowstone Club, it's in fact the largest in North America, at 7,950 skiable acres.

The merger, alongside the recovering national economy, is

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yielding a boom in construction reminiscent of a 2005/2006 building spike that Big Sky locals remember well.

Currently, the Yellowstone Club, The Club at Spanish Peaks, and the former Moonlight Basin Ski Resort have more than 100 front doors under construction – “a number that’s sure to be surpassed next year,” said local broker Ryan Kulesza, of L&K Real Estate.

At the Yellowstone Club – 5 1/2 miles west of Big Sky Town Center and the world’s only private ski and golf community – home prices range from \$3 million to \$35 million, and membership fees are currently set at \$300,000, Kulesza said.

Although the Yellowstone Club and CrossHarbor declined to comment for this story, Spanish Peaks club member John Romney, a Big Sky developer close to the situation, said area construction will have a major impact on the local community.

“I could see \$1 billion being invested in Big Sky-area real estate in the next 4-7 years,” said Romney, also owner of a number of buildings in the Big Sky Town Center. “When you think of the impact on jobs and the impact on the local tax base, it’s significant.”

THE DYNAMICS OF A BOOM

Michael Neal, senior economist for the National Association of Home Builders in Washington, D.C., isn’t surprised that the construction business is on fire in this neck of the woods.

“While Montana did experience the decline in housing starts that every state experienced, it was nowhere near the level of decline as in Nevada, Florida, California and Michigan [among others],” said Neal, who studies local, state and national trends in housing recoverability. “Because [Montana] did not fall as far, it was able to recover more quickly.”

The market is more insulated than most others nationwide, Neal says, since many of Big Sky’s new housing starts are high-end vacation homes – indeed, Gallatin County land use permit applications are up 155 percent over last year in the Big Sky zoning district. The area is also indicative of a state-wide housing trend.

Montana’s new housing starts fell from 4,500 in 2005, to just 1,700 in 2009. But based on permit data from the U.S. Census Bureau, NAHB estimates there will be 3,300 new home starts in Montana by year’s end. Neal expects the Montana market to remain relatively flat for 2014 and 2015, at approximately 3,200 new housing starts each year.

“It reflects the fact that Montana has recovered,” he said.

According to an NAHB model, construction of 100 new single-family homes (averaging \$321,000) in a metro area would generate \$21.1 million in local income, between job generation, the resulting income for local residents, and the effects on local businesses.

To calculate the economic effect that 100 new Yellowstone Club homes could have on the Big Sky economy in one year, Paul Emrath, NAHB’s Vice President of Survey and Housing Policy Research, explained that the formula is to subtract the raw land value from the total purchase price, and then multiply by 100.

At the Yellowstone Club, the average undeveloped plot of land is approximately \$2 million, according to Kulesza. Using Emrath’s model, say with a new \$5 million property, the greater Big Sky market stands to benefit somewhere in the realm of \$300 million.

Part of the reason builders are focusing on these high-end homes is a matter of supply and demand, Neal says.

“On the supply side, higher-priced homes reflect increasing materials prices ... as well as more competition for a lot on which to build,” he said. “On the demand side, [contractors] want to build higher-priced homes because the market supports this – more people [are] buying them.”

Neal also pointed to the fact that many first-time homebuyers are being pushed out of the market by higher interest rates and under-employment. Often overlooked, the national under-employment rate – currently at 13.8 percent – reflects the national unemployment rate – near 7.3 percent. Both are significantly higher than they should be, according to Neal.

To determine under-employment rates, studies factor-in people who have stopped looking for work and workers who are not employed in a field for which they’re qualified – neither component is reflected in the unemployment rate.

“If you’re working as a barista, it’s more difficult for you to save up the capital needed, which is rising, to buy a home,” Neal said.

Big Sky’s housing boom is employing a large number of local construction workers, many of whom are happy just to be employed after the economic downturn of the past six years.

“We’re lucky to have the jobs we have,” said Jeff Knaub, Construction Division Manager at Andesite Construction in Big Sky, who spent the last few years working the oil patch in and around Williston, N.D. “It’s not at ‘06/’07 levels, but based on the [construction] work I did this summer, it’s starting to come back. It’s a positive sign.”

MOMENTUM

In summer 2006, cars and pickups full of construction workers from Bozeman, an hour north of Big Sky, queued up among dump trucks and tractor-trailers each evening on their way home. Backed up behind what was then a stop sign at the intersection of U.S. Highway 191, the vehicles clogged the three miles of Lone Mountain Trail to the Town Center, and eventually forced the Montana Department of Transportation to install a stoplight at the junction.

An average of 6,500 vehicles per day in 2006 crossed the vehicle counter on Lone Mountain Trail, approximately one mile west of the Highway 191 junction, according to MT-DOT annual average daily traffic reports. It was the highest number of vehicles AADT data has recorded since the DOT began collecting this information in 1985, and the traffic was unlike anything Kulesza, a 15-year local, had seen in this small community. Until now.

Trucks loaded with crushed stone and building supplies are once again turning one after the next from 191, en route to Big Sky neighborhoods, the Yellowstone Club and the ski resort. As of Nov. 12 this year, an average of 5,355 vehicles per day have crossed the counter, the highest count since 2008, when the number was 5,470. And 2013 isn't over yet.

"The trends in the real estate market right now are at or ahead of 2006 numbers, both in dollar volume and in units sold," Kulesza said. "As a result, construction activity has ramped up dramatically and contractors are returning to the area."

Highline Partners, a custom home and contracting company based in Bozeman and Big Sky, is currently building seven homes in the area – three in the Yellowstone Club – and remodeling two others. Co-owner Todd Thesing sees the ski areas' merger as a catalyst for growth in Big Sky, and a portent of stability.

"The recent transactions have given buyers confidence," Thesing said. "There's a unified developer now who's doing great things for the Yellowstone Club, [and] finally delivering what was promised many, many years ago."

Timber baron Tim Blixseth founded the 13,600-acre Yellowstone Club in 1997. Eleven years later, amid a number of member-led lawsuits filed against Blixseth, the club filed for Chapter 11 bankruptcy protection in November of 2008, its master plan still incomplete.

In 2009, CrossHarbor, led by co-founder and principal owner Sam Byrne, brought the Yellowstone Club out of bankruptcy and back into the forefront of private community development. Since then, the club has seen consistent growth.



And there's plenty of room left to expand, Kulesza says. Between it, Spanish Peaks and Moonlight, there are more than 1,200 front doors still to be developed and sold, he said. "This will represent billions of dollars in sales in the coming years. The math is just staggering."

L&K Real Estate, where Kulesza is a partner, is a market leader both in Big Sky and the Yellowstone Club, representing the largest listing portfolio of any independent brokerage in the club.

In one example, it represents three-time Tour de France winner Greg LeMond's 17-acre property, West Fork Camp. The rustic estate holds three cabins, two outbuildings, a stone fire tower built with local and regional materials and reclaimed lumber, as well as three trout ponds and panoramic views of the private ski area, 9,859-foot Pioneer Mountain. West Fork Camp is currently listed at \$18 million.

L&K also holds the keys to Four Peaks Lodge at the Yellowstone Club. At 10,451 square feet, this seven-bedroom, 10-bath home sits on just over two acres on the western flank of Andesite Mountain, "in the saddle between the Yellowstone Club and Big Sky, where literally out the backdoor you can ski to either resort," Kulesza said. Listed at \$10.9 million, Four Peaks features a movie theater, a custom wine cellar, and an "adventure room" where kids can play on slides, tunnels and bridges, and explore hidden lofts.

As of September, regional real estate sales for 2013 had actually surpassed the previous boom: 259 single-family residential, condo and land sales have been recorded in Big Sky, Gallatin Canyon and West Yellowstone this year, according to the Multiple Service Listing statistics, compared to fewer than 200 for the same period in 2005/2006.

The economic uptick has builders optimistic, many of whom believe a plateau is not, in fact, on the horizon.

"A good word would be 'momentum'," Thesing said.

THE MORNING COMMUTE

Sitting at the turnoff to Big Sky from Highway 191, the Conoco is the only gas station between Big Sky and Gallatin Gateway, the small, also unincorporated, town en route to Bozeman. On a cold morning at the end of October, newspaper headlines at the convenience shop announced the Boston Red Sox were one game from winning the World Series, but Conoco owner Renae Schumacher was too busy to notice.

"From a quarter to seven to nine o'clock [a.m.], we're full of guys trying to get on a job site," Schumacher said. "It's back. This is how it was before the bust."

Pickups lined up at the gas pumps, while concrete workers, contractors and carpenters waited at the coffee counter inside for egg and cheese breakfast sandwiches. Their Carhartts were splattered with mud, and their work boots left clover-shaped imprints on the floor.

"[Sales] have doubled in a year," said Eric Ross, manager of the Sliders Deli located inside the Conoco. "We sell about 200 breakfast items between 6 a.m. and 9 [a.m.]. The traffic is unbelievable."

"[Construction] has increased 100 percent in the last two years from a low point four years ago when the bubble burst," said Rich, a local contractor who declined to give his last name since his boss hadn't granted him permission to speak with the press.

Clark Bergquist pushed a white lock of hair behind his ear where an iPhone had rested for the last five minutes. He owns Big Sky Dirt Works, specializing in foundation work, roads and excavation, and rides the Skyline bus from Bozeman to Big Sky each day, where he gets off at the Conoco. He's lived in the area for 33 years, and was now waiting for a ride up the hill to the Y.C.

"It's rocking and rolling," Bergquist said, smiling and gesturing toward the ski resorts. "[Construction is] not quite what it was during the boom in '05 and '06, but talk on the street is that next year it'll really go off."

He was interrupted when a dump truck full of gravel, another bed in tow, turned right onto Lone Mountain Trail and led a long line of trucks west toward the snow-dusted mountains. All but a few lucky homebuyers and visitors have missed Big Sky so far. Perhaps they're just now discovering it.

