

A Rockies saga: Telluride tries to stop San Diego developer

by Bruce V. Bigelow

First there was the gold, which drew miners by the hundreds to Colorado's San Miguel River Valley in the summer of 1875. Then came the railroad, silver lode discoveries, mining companies, merchants and hotels.

Another century passed, though, before the next boom hit - and that was only after the little mountain town of Telluride reinvented itself in 1972 as an exclusive ski resort. Mix the stunning, alpine scenery with the historic, Victorian-era mining town, and it was obvious that someday, real estate in the vicinity would be worth a fortune.

San Diego's Neal Blue presumably saw that bargain in 1983, when a company he controlled acquired about 880 acres in the valley immediately west of Telluride for a reported \$6 million.

Within a few years, Blue's San Miguel Valley Corp. had prepared development plans for the river valley that included a golf course, hotel, condominiums and luxury mountain homes.

But one thing wasn't apparent in the scenic meadow or the steep granite peaks that surround Telluride like a high-altitude cul-de-sac and rival Switzerland for snow-capped beauty.

"What you have in Telluride is a large constituency of people who moved here because they are of the mind that the Earth is imperiled," said Seth Cagin, publisher of *The Telluride Watch*, one of two local newspapers. "To them it's important to draw the line and take a stand - and just say no."

After battling the community for two decades, Blue has never realized the potential of his investment in Telluride real estate. The scion of a prominent Colorado family has made his fortune elsewhere, largely from his successful reign at General Atomics, San Diego's largest privately held government contractor.

But now the 71-year-old industrialist is fighting off a power play by Telluride to take nearly two-thirds of his property.

In a series of ballot measures that began in 2002, the town of 2,339 people has voted to use Telluride's power of eminent domain to acquire 570 acres held by San Miguel Valley Corp. for preservation as open space.

Their efforts to legally condemn the property culminated last month in a court ruling that triggered a countdown for local activists, who are trying to raise about \$24 million in private donations to help buy the land.

A spokesman for General Atomics said Blue would not comment on the controversy. But his Denver lawyer, real-estate specialist Thomas J. Ragonetti, says the community's bid to condemn private property has infuriated the conservative-minded Blue.

"The owner is very, very angry at the notion that he should have property expropriated by Telluride that is outside the borders of Telluride, that is bigger than the town of Telluride itself, and that is to be used for their own private playground," Ragonetti said.

Eminent domain laws grant local governments the power to seize property for a public benefit, such as roads, parks and libraries. But local governments have stirred controversy in recent years by their creative use of eminent domain.

In 2005, for example, the U.S. Supreme Court ignited a firestorm by upholding moves by New London, Conn., to take private property so a developer could build a hotel and offices to complement a new Pfizer research facility.

In Telluride, environmental activists maintain that seizing private property for open-space conservation is a tried-and-true use of eminent domain.

The activists contend that the 570-acre parcel, along the south side of the highway leading into town, represents a unique landscape that frames the approach to Telluride and defines the town itself. The San Miguel River runs through the grassy meadows, shimmering aspens and piles of mine tailings.

Acting on a petition submitted by local activists, the National Trust for Historic Preservation named the Telluride Valley Floor in 2001 as one of America's 11 most-endangered historic places.

"It's more like entering a national park than entering a ski resort," said Joan May, a longtime environmental activist who serves on the San Miguel County Board of Commissioners.

"I don't think anybody looks at it as a playground," May said in response to Ragonetti's comment. "I think we look at it as preserving a really environmentally sensitive piece of land."

Yet publisher Cagin, who has been critical of the way the dispute has played out, contends an air of elitism and high-minded utopianism permeates the preservationists' camp.

He said the community "snatched defeat from the jaws of victory" in 2006 by rejecting a compromise that would have preserved more than 500 acres of the parcel through a conservation easement, while allowing construction of some luxury homes and a commercial shopping area.

The Feb. 14 vote, which was 603 to 439, sent a Valentine's Day message from the community to Blue by directing city officials to proceed with the condemnation.

The five-year dispute reached a high point six weeks ago in a courtroom in Delta, a blue-collar community near Grand Junction, Colo., where a trial determined the fair market valuation for the 570-acre parcel.

Telluride had appraised the land at \$26 million, but a panel of six jurors set the value at \$50 million. The ruling ignited a furor in Telluride, which culminated in an opinion-section commentary published by The Telluride Watch that denounced "the jurors from Jerkwater Junction."

"Like many longtime locals," wrote Rob Schultheis, "I have a long memory regarding the Delta knuckle-draggers' long antipathy toward those of us who live so high above them in every sense of the word."

The jury's findings left the town with a \$24 million shortfall in its condemnation plans.

The city itself has more or less exhausted its financial resources by raising almost \$26 million for the valley floor acquisition - mostly by incurring bond debt.

So the \$50 million valuation set by the jury left the preservationists scrambling to make up the \$24 million difference - by a self-imposed deadline that expires Friday.

"As daunting as it appears, they said we couldn't bring the Grateful Dead here in 1988, and we did," said Telluride Mayor John Pryor. "Anything is possible in Telluride."

The group leading the fundraising effort, the Valley Floor Preservation Partners, said last week it had raised \$19 million since mid-February in pledges and donations. But the group must raise at least \$5 million more over the next five days.

With the groundswell to "save the valley floor" reaching fever pitch, the effort to raise millions has prompted waiters to donate tips and third-graders to empty their piggy banks.

Organizers said last week that they had received pledges and donations from 877 individuals in 35 states, Canada, Jordan, England, Germany and Bermuda.

But Blue's lawyer pointed out that a community of 2,300 doesn't raise almost \$20 million in contributions from piggy banks and pocket change.

"Telluride likes to talk about Mr. Blue as an extraordinarily wealthy man," Ragonetti said. "But this is an extraordinarily wealthy community" that includes luxury vacation homes owned by people such as actor Tom Cruise, eBay Chief Executive Meg Whitman and retired U.S. Army Gen. Norman Schwarzkopf Jr.

The symbols of wealth range from the private jets parked at the Telluride airstrip on the valley floor to the luxury homes in the mountains surrounding the town. The median home price in Mountain Village, the incorporated community that surrounds the Telluride Ski Resort, was \$2,017,500 in 2002, according to a Worth magazine survey of "America's Richest Towns."

Telluride, which failed to make the 2002 list, ranked No. 200 in the magazine's 2001 survey, with a median home price of \$547,500.

"We have 26 people at this point who have pledged or donated six- or seven-figure gifts," said Jane Hickox, a spokeswoman for the Valley Floor Preservation Partners. "This is a very capable community financially, so it's very possible to say this could happen in the next few days."

A recent decision by the judge overseeing the valuation trial has given Telluride some flexibility in its fundraising campaign, but the question remains: Can it be done?

"If they're expected to pay \$50 million, there has to be real cash there," Ragonetti said. "It can't be promises."

As chairman and chief executive of General Atomics, Blue also commands considerable resources of his own. With his brother Linden, he purchased the San Diego company in 1986 from Chevron Oil for a reported \$50 million.

The company has expanded dramatically since then.

Today, General Atomics and its affiliated companies specialize in a range of industries, from nuclear reactor technology to oil and gas production, uranium mining, nuclear waste management, electromagnetic systems, life sciences research and robotic aircraft.

A study released this year by the San Diego Regional Chamber of Commerce ranked General Atomics as the region's fourth-biggest government defense contractor. Pentagon procurement contracts alone represented more than \$1.4 billion worth of business for the company from 2001 through 2005.

Much of that is related to the success of the Predator, a robotic surveillance aircraft developed for the U.S. military by General Atomics Aeronautical Systems, an affiliated company.

Yet even if the community of Telluride can raise the entire \$50 million, it's unclear whether Blue will accept the condemnation or continue the legal battle.

"It is possible we will appeal," Ragonetti said.