March 20, 2015

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Re:  Forest Service Should Reject Town of Tusayan’s Special Use Application Designed to Facilitate Huge Resort Development Near Grand Canyon National Park Because the Use Is Not in the Public Interest

Dear Under Secretary Bonnie, Chief Tidwell, Forester Joyner, and Supervisor Williams:

The Kaibab National Forest (NF) is currently evaluating an application for a special use authorization from the Town of Tusayan for rights-of-way to facilitate a giant housing and commercial resort development planned for Forest inholdings on the doorstep of Grand Canyon National Park. The Forest Service has the duty to reject such applications prior to conducting any environmental analysis where approving the application would not be in the public interest.

On behalf of National Parks Conservation Association, Grand Canyon Trust, Sierra Club, and Center for Biological Diversity, Earthjustice requests that the Forest Service reject Tusayan’s application because it is not in the public interest. We urge the Forest Service to review our request promptly because the Kaibab NF intends to begin scoping under the National Environmental Policy Act (NEPA) for the application as soon as April 1, 2015.

The purpose of the rights-of-way at issue is to enable construction of a huge resort development which will almost exclusively benefit a private company – foreign-owned Gruppo Stilo USA (Stilo). However, the rights-of-way will harm a broad spectrum of the public. The resort development is considered by Grand Canyon National Park to be one of the gravest threats to the Park in its nearly 100-year history because it threatens groundwater pumping that could reduce
flows of seeps and springs that support wildlife and recreation on the Park’s South Rim – the 
most popular entryway for millions of Americans each year to the iconic Park. Groundwater 
pumping accompanying the development could also lower the aquifer that is the exclusive source 
of all water for, and is the cultural foundation of, the Havasupai Tribe. The rights-of-way are 
opposed by nearby businesses, the City of Flagstaff, and a variety of conservation groups, 
including the undersigned. The development will also transform the forest in the area from an 
undeveloped landscape to a busy resort complex. The public interest thus strongly supports 
denial of the application before beginning an environmental analysis that will ignite controversy 
and will take years to resolve.

Legal Background: The Forest Service’s Authority to Regulate Special Uses.

“All uses of National Forest System lands, improvements, and resources, except those authorized 
by [certain specified] regulations … are designated ‘special uses.’” 36 C.F.R. § 251.50(a). 
Those seeking to conduct a special use on National Forest lands must in most cases “submit a 
proposal to the authorized officer and must obtain a special use authorization from the authorized 
officer.” Id. A special use authorization is defined as: “a written permit, term permit, lease, or 
easement that authorizes use or occupancy of National Forest System lands and specifies the 
terms and conditions under which the use or occupancy may occur.” Id. § 251.51.

Before the Forest Service will analyze an application for a proposed use pursuant to the National 
Environmental Policy Act (NEPA), agency regulations require the Forest Service to undertake 
two levels of screening. The Forest Service’s “initial screening” must “ensure that the 
[proposed] use meets … minimum requirements applicable to all special uses.” Id. 
§ 251.54(e)(1). Among other things, the Forest Service must “ensure” that:

The proposed use will not unreasonably conflict or interfere with administrative 
use by the Forest Service, other scheduled or authorized existing uses of the 
National Forest System, or use of adjacent non-National Forest System lands.

Id. § 251.54(e)(1)(v). “Any proposed use … that does not meet all of the minimum requirements 
of [36 C.F.R. § 251.54 (e)(1)(i) – (ix)] shall not receive further evaluation and processing. In 
such event, the authorized officer shall advise the proponent that the use does not meet the 
minimum requirements.” Id. § 251.54(e)(2) (emphasis added).

Where the Forest Service concludes a “proposal … passes the initial screening,” the agency then 
datares a “[s]econd-level screening.” Id. § 251.54(e)(5). As part of the second-level 
screening, the Forest Service “shall reject any proposal … if, upon further consideration, the 
officer determines,” among other things, that:

[t]he proposed use would not be in the public interest … .

Id. § 251.54(e)(5)(ii) (emphasis added). Where the special use authorization “does not meet [any 
of] the criteria” evaluated for second-level screening, the Forest Service need not prepare 
“environmental analysis and documentation” pursuant to NEPA before rejecting the application. 
Id. § 251.54(e)(6). Thus, the Forest Service has a duty to reject special use authorization
applications before the agency begins the NEPA process if, among other reasons, the proposed use is not “in the public interest.”

The Forest Service has previously rejected proposals as not in the public interest where those proposals would have led to development for private gain at the public’s expense. For example, the GMUG National Forest in Colorado in 2009 rejected without NEPA analysis a proposed master development plan for expansion of the Crested Butte ski area. The Forest Service based its rejection on its conclusions, among others: that the local community was deeply divided about the expansion; that the expansion threatened to harm significant natural resource values (roadless lands and wildlife habitat); that the expansion would increase area visitation, thus burdening local infrastructure; and that completing the NEPA process “would require a large commitment” of Forest Service and other agency resources. Letter of C. Richmond, Supervisor, GMUG National Forest to T. Mueller, Pres., Crested Butte LLC (Nov. 5, 2009), attached as Ex. 1.

**The Town of Tusayan’s Special Use Application**

On June 5, 2014, the Town of Tusayan submitted a special use application to the Kaibab NF. See Town of Tusayan, Application For Transportation And Utility Systems And Facilities On Federal Lands (June 5, 2014) (Tusayan Application) at 8, attached as Ex. 2. The purpose and intent of the application, and the reasonably foreseeable impacts of approving it, will be the transformation of two undeveloped properties on the threshold of the Grand Canyon into a major resort facility that could not and would not exist but for the Forest Service’s approval.

According to Tusayan’s application,

> The use requested in this application is in support of the requirements of the Pre-Annexation and Development Agreement (PADA) No. 2011-11-02 … and the First Amendment to the PADA No. 2011-11-02 … between the Town of Tusayan (Town) and Stilo Development Group USA, LP (Stilo). The applicant proposes to make improvements to segments of existing forest roads and construct new segments to provide all weather access and utility service to two in-holding properties (TenX Ranch and Kotzin Ranch). Kotzin Ranch includes land owned by Stilo and the Town, and Ten-X is wholly owned by Stilo.

Id. at 1. The Kotzin Ranch is located just northwest of Tusayan; the ranch’s northern boundary is less than a mile from Grand Canyon National Park, and it is less than two miles from the Park’s South Rim entrance. The TenX Ranch is to the southeast of Tusayan; the northern boundary of the ranch is less than three miles from the Park’s southern boundary.

The rights-of-way Tusayan seeks include the right to:

- improve about five miles of existing dirt road (which can become impassable following rain or snow) into two-lane paved roads 28 feet wide to facilitate year-round, all-weather access to the two parcels;

- construct about one-half mile of new road;
- construct and use 16-foot wide shoulders on both sides of the two-lane roads to accommodate utilities;

- construct a further 8-foot wide pedestrian and bike path on one side of the road beyond the utility corridor;

- construct utility lines including:
  - water transmission and distribution mains;
  - reclaimed water mains;
  - sewer mains;
  - electric lines;
  - natural gas pipelines; and
  - telecommunications facilities (for cable, phone and internet).

- construct facilities to assist in the movement of water and sewer flows, including:
  - two wastewater lift stations, one for the TenX Ranch and one for the Kotzin Ranch, each requiring an area of Forest Service land 100 feet by 100 feet, to convey wastewater flows from the private property; and
  - two booster pump stations, one for reclaimed water and one for potable water, each requiring an area of Forest Service land 100 feet by 100 feet, to move water to/from TenX Ranch.

Tusayan Application (Ex. 2) at 2-4. “Construction and maintenance funding for the roadway and utilities is the responsibility of Stilo.” Id. at 5.

The purpose and effect of the special use authorization is to permit the private development of the two parcels, development that would not and could not occur but for the Forest Service’s approval of Tusayan’s application. The application states that the nature and scope of the infrastructure that Tusayan seeks is that necessary to permit “anticipated build out” of the TenX and Kotzin Ranches. See id. at 5 (“Utility infrastructure for the private parcels that will be served by these roadways across Forest Service lands will be sized based on the anticipated build out of the private parcels. The utility corridors within the roadway section are of sufficient size to support all of the utility infrastructure contemplated for the private parcels at build out.”). The application also explains that without the infrastructure made possible by the special use authorizations, development of the two private parcels cannot occur as planned. “Improved, all-weather access is necessary to ascertain reasonable use and enjoyment of these privately held
lands.” Id. at 6 (emphasis added). The First Amendment to the PADA, which the special use application states it was submitted to support, defines the easements Tusayan seeks as “necessary infrastructure” for Stilo’s development of the Kotzin and TenX parcels. See First Amendment to the PADA No. 2011-11-02 (Jan. 22, 2014) at 2-4 (emphasis added), excerpts attached as Ex. 3.

The only public benefit the application identifies is “improved access to the in-holdings, and the surrounding lands of the Kaibab National Forest.” Tusayan Application (Ex. 2) at 7 (emphasis added). Access on dirt roads to the parcels already exists; the “improved access” is only necessary to turn the parcels into developed resort properties.

**Stilo’s Development Plans for the Two Parcels**

In 2014, Tusayan adopted a plan that describes the anticipated build-out of the properties that the special use authorization is designed to enable. That build-out includes more than 2,000 new housing units and more than 120 acres of commercial development. Such development would hugely expand the commercial footprint of Tusayan (which is now less than 150 acres) and could increase by more than ten-fold the town’s population.

The plan states that “approved zoning for [the Kotzin and TenX] parcels allows a maximum of 2,176 dwelling units (446 single family units and 1,730 multi-family units, which includes 300 dormitory rooms).” Town of Tusayan, Tusayan General Plan 2024 (Apr. 16, 2014) at 26, attached as Ex. 4. The National Park Service noted that Stilo’s legal representative projected the development would increase Tusayan’s population from 550 to between 5,500 and 6,000, and that others have estimated a population increase to as high as 8,000. Grand Canyon National Park, Issues and Concerns Regarding Proposed Groundwater Developments Near the South Rim, Grand Canyon National Park (June 6, 2012) (GCNP Report) at 8-9, attached as Ex. 5.

The plan also anticipates significant commercial development for a resort at the two sites. Much of the Kotzin Ranch and TenX Ranch parcels are zoned PC, or “planned community,” permitting more than 120 acres of commercial development on the properties. “The potential on the Kotzin Ranch parcel is for 77.1 acres of commercial development. The development plan for the TenX Ranch parcel would allow 44.4 acres of commercial development. It should be noted that a substantial portion of the permitted commercial development on these two parcels is projected to be lodging (i.e. hotel, resort hotel or motel).” Tusayan General Plan 2024 (Ex. 4) at 36-37. The entire footprint of the existing Town of Tusayan, not including the two parcels, is 144 acres. The General Plan places no limits on the square footage that could be built on the 120 acres zoned for commercial development.

Stilo’s promotional materials confirm the nature and breadth of the residential and commercial facilities whose construction will be made possible by the special use authorization. According to Stilo’s website:

1 The only conceivable purpose for Tusayan seeking all-weather road access, water and sewer connections, and electricity for the two parcels is to serve the massive private development of those lands to suit Stilo’s plans.
The 65 [hectare] Kotzin Ranch property is planned for a wide range of visitor services that will include lodging, a pedestrian-orientated retail village, an Insight educational campus, a Native American Cultural Center, a conference hotel, other services and limited residential uses.

The 78 [hectare] TenX Ranch, located just east of Tusayan, is planned as a residential community for area residents of the Grand Canyon region. Housing diversity will include single-family homes, apartment, condominiums and townhouses. A recreational vehicle park will be included as a replacement for the Camper Village RV Park and land is reserved for parks, trails, houses of worship and other community amenities. Neighborhood commercial services are conveniently located on site for area residents. A dude ranch and spa hotel are planned for the southern tip of the property. ….

The Town Council approved the re-zoning of the … properties in November of 2011 allowing for the contemplated land uses.

Gruppo Stilo USA, Under Development United States, Grand Canyon, Arizona USA, available at http://www.gruppostilousa.it/UNITED STATES.html (last viewed Mar. 20, 2015), attached as Ex. 6. Media reports indicate that the resort’s commercial space will total at least three million square feet, or about the footprint of ten average Walmarts, and that development plans include a “water park.”

**The Forest Service Must Reject the Town of Tusayan’s Special Use Application Because It Is Not In The Public Interest.**

Because the purpose and effect of the easements sought is to make possible the build-out of Stilo’s mammoth development, the Forest Service must consider whether making that development possible is in the public interest and whether the development will unreasonably conflict and interfere with adjacent non-National Forest System lands. See 36 C.F.R. § 251.54(e)(1)(v) & (e)(5)(ii). The evidence overwhelmingly demonstrates that the development

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is not in the public interest and that it will unreasonably conflict and interfere with the protection of Grand Canyon National Park.

First and foremost, building the resort the easements will make possible threatens the water that is the lifeblood of springs that nourish wildlife and habitat within Grand Canyon National Park. This is so because the most likely source of water for the giant commercial development and the thousands of new residents and overnight guests is groundwater pumping from the regional aquifer. Stilo has repeatedly refused to commit to not using groundwater to supply the development, although it claims it is exploring other potential water sources.

Continued flow from the springs below the Grand Canyon’s South Rim depends on groundwater supply from the Redwall-Muav regional aquifer, which underlies the Town of Tusayan and which has been tapped to provide for the Town’s water demands. Groundwater pumping in Tusayan is almost certain to have a direct negative effect on spring flows in Grand Canyon National Park. Modeling done in 1999 to assess a prior version of Stilo’s development projected that 50 years of groundwater pumping at 300 gallons per minute (gpm) in Tusayan would reduce spring flows at critical springs in the Park – including Indian Gardens by 14% and at Hermit Spring by 8% – and would also reduce annual flows at Havasu Spring within the Havasupai Reservation by about 275 acre-feet per year. The pumping rate required to satisfy the water demands of the Stilo development is likely to be much higher than 300 gpm, potentially resulting in even greater reductions in flows of springs and seeps.

Flow reductions to South Rim springs gravely threaten the wildlife and visitors that rely on them. In a report prepared to evaluate the impacts of Stilo’s proposal, the Park’s Division of Science and Resource Management warned that “[r]educing spring flows can ... make perennial springs intermittent or seasonal, harming or eliminating spring-obligate species or endemic flora and fauna that do not have the ability to spread across the arid landscape to a more suitable location. Reliable sources of water to backcountry hikers and wildlife may be threatened, creating a hazard to human safety and the health of animal communities.” GCNP Report (Ex. 5), at 24. Species diversity in the Park is 100 to 500 times greater near springs than in surrounding habitats. Id. at 5. The impacts of groundwater pumping would exacerbate effects to springs and seeps likely to be caused long term by reductions in precipitation resulting from climate change.

The development also threatens the “life-blood of the ... the Havasupai.” Bureau of Reclamation, North Central Arizona Water Supply Study (2006), at 17. The Havasupai people rely on flows from the Redwall-Muav aquifer into Havasu Creek for their water supply. And the Havasupai Reservation contains dozens of other springs and seeps that help meet local water demands and that “are of paramount importance for cultural and religious purposes.” Id.

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4 In 2011, Tusayan’s wells were pumping 123 gpm of water to serve approximately 500 residents and commercial businesses in a town 142 acres in size. GCNP Report (Ex. 5), at 7-8. A ten-fold increase in population and the addition of 120 acres of commercial space would very likely increase water demand well above the 300 gpm withdrawal that was modeled in 1999.
Springs and seeps on the Reservation provide water not only for domestic and cultural purposes but also for livestock, wildlife and unique riparian habitats. Flows from these waters are threatened if Stilo taps into the regional aquifer to meet its water demands.

The easements, and the development they are intended to make possible, are also likely to harm resources beyond Grand Canyon National Park’s water and wildlife. The Park’s superintendent, David Uberuaga, has stated that the Tusayan development threatens to harm the Park’s night sky with light pollution, and will degrade visitor experience in the park by causing increased noise, increased crowding in the Park, and more use by jets of the airport in Tusayan. The Park Service believes that Stilo’s proposal could result in the Park’s infrastructure becoming further overwhelmed. Superintendent Uberuaga testified to these impacts in 2011:

> With a large residential community on the boundary of the park, and with increased visitation will come additional operational demands on park infrastructure and staff that provide emergency services, law enforcement, visitor programs, maintenance and other visitor related services such as the visitor transportation system, and on the local clinic and school – both located within the park boundary.

> Beyond water, wildlife, visitor experience, park infrastructure … and the long term impacts that can occur to these resources, we are also greatly concerned about park vegetation – such as the invasion and spread of exotic species; for cultural sites – knowing that increased development and additional roads can lead to looting of archeological sites both within and outside of the park; threats to proposed wilderness adjacent to the South Rim that could be impacted by degraded air quality, noise impacts to natural sounds, impacts to view sheds and vistas from installation of infrastructure, and clearing and grading for roads to name just a few. We are also concerned about large increases in visitation and local populations and how we might manage those with limited resources and an aging infrastructure. What will be the environmental and fiscal effects … we don’t know, as no analysis has taken place, and concerns that we and others have expressed, have not been addressed in an adequate manner.

> Ecological processes cross park boundaries, and park boundaries may not incorporate all of the natural resources, cultural sites, and scenic vistas that relate to park resources or the quality of the visitor experience. Therefore, activities proposed for adjacent lands may significantly affect park programs, resources, and values.

Remarks by Superintendent David V. Uberuaga, Grand Canyon National Park, presented to the Tusayan Town Council (Oct. 26, 2011) at 3, attached as Ex. 11

For all of these reasons, Superintendent Uberuaga has declared the private development, for which the Kaibab NF’s approval of the special use authorization is the “on/off switch,” to

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5 See A. Nagourney, “Where 2 Rivers Meet, Visions for Grand Canyon Clash” (Ex. 8).
“constitute [one of] the greatest threat[s] to the Grand Canyon in the 96-year history of the park.”

For similar reasons, representatives of the Havasupai Tribe – whose culture and life are based on the waters of Havasu Creek that spring from the at-risk aquifer – have expressed grave concerns about the impacts of the Forest Service special use authorization that is designed to facilitate Stilo’s proposed resort development.

Stilo’s planned development also threatens to harm the Kaibab NF’s resources through increased vehicle traffic, noise, lights, and air pollution. The TenX Ranch has been identified as providing habitat for fawning antelope, and is directly adjacent to Forest Service lands that include elk calving grounds, deer and antelope fawning grounds, and an “important wildlife water source.” See U.S. Forest Service, Final EIS for Tusayan Growth (Aug. 6, 1999) at 200-203, excerpts attached as Ex. 14.

The threat of these myriad impacts has prompted significant public opposition to the resort development and to the Forest Service’s approval of the easement application. Just this month, the nearby city of Flagstaff adopted a resolution opposing the Forest Service’s intent to approve the special use authorization, citing the threat to the city’s businesses and the environment. A prior effort by Stilo to develop a similarly grandiose resort complex near Tusayan – the so-called “Canyon Forest Village” proposal – ended in 2000 when Coconino County voters rejected a rezoning proposal necessary for the project to go forward, reflecting the depth of local opposition.

Conservation groups, including the undersigned, have long opposed the development – and the Forest Service’s approval of any easements to facilitate it – due to development’s potential impact to the Park’s water and other resources.

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7 See letter of M. Vick, attorney for Havasupai Tribe, to N. Larson, Kaibab NF (Mar. 13, 2013) at 1 (urging the Forest Service to prepare an EIS to examine the potentially significant impact of the Forest Service’s approval of a special use authorization due to the potential impacts “from the proposed development to Havasupai water resources and to the cultural resources in the area of [the Tribe’s] aboriginal territory”), attached as Ex. 13. The undersigned groups do not speak for the Havasupai Tribe. We urge the Forest Service to coordinate and consult directly with that sovereign government on this issue.

8 City Council of the City of Flagstaff, Resolution No. 2015-08 (Mar. 10, 2015), attached as Ex. 15.
In fact, beyond the private interests of Stilo and some businesses in Tusayan (the smallest town in Arizona), it is difficult to locate any voices that argue in favor of the massive development that the Forest Service’s special use authorization is designed to enable.

There is thus ample basis for the Forest Service to conclude that approving Tusayan’s special use application is not in the public interest, and no rational basis exists to conclude otherwise. As with the Crested Butte ski area expansion rejected by the Forest Service, the Tusayan proposal is deeply controversial, is opposed by local communities, would likely further stress local and Park infrastructure, will transform a rural landscape into an intensely-developed resort, and will require a significant commitment of resources to complete the NEPA process. Most importantly, the proposed easements represent a significant threat to a unique, irreplaceable, and iconic landscape and crown jewel national park – the Grand Canyon – and the water upon which its wildlife relies to survive. For these same reasons, approving the easements would unreasonably conflict and interfere with the protection of Grand Canyon National Park and adjacent lands, further requiring that the application be denied.

We therefore urge the Forest Service to reject the Town of Tusayan’s special use application before commencing a NEPA process.9 We further request the opportunity to meet with the Forest Service to discuss this issue as soon as possible.

Thank you for your time. Please contact me at 303-996-9622 or at tzukoski@earthjustice.org if you have any questions about this matter.

Sincerely,

Edward B. Zukoski, Staff Attorney
Christopher D. Eaton, Associate Attorney

Attorneys for

National Parks Conservation Association
Grand Canyon Trust
Sierra Club
Center for Biological Diversity

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9 If the Forest Service nonetheless decides to undertake a NEPA review, the agency must prepare an environmental impact statement (EIS). As noted, the purpose and reasonably foreseeable effect of the special use application is to facilitate Stilo’s resort development. Because approving the special use application is certain to have significant impacts, regulations and caselaw require preparation of an EIS.
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Exhibit 15. City Council of the City of Flagstaff, Resolution No. 2015-08 (Mar. 10, 2015)