

**ARFP-0310**  
**DNR1900000004**



*Response to the  
Request for Proposal  
Beech Fork Lodge Feasibility Study and  
Public Hearings*

**WVDNR**

West Virginia Division of Natural Resources

**5.28.19**

**Submitted by**



**GMC**



Response for RFP# ARFP-0310-DNR1900000004

**TECHNICAL PROPOSAL**  
**Beech Fork Lodge Feasibility Study and Public Hearings**

Addressed To:  
Angela W. Negley  
West Virginia Division of Natural Resources  
Property and Procurement Office  
324 4<sup>th</sup> Avenue  
South Charleston, WV 25303-1228

May 28, 2019 1:30 PM EST

Submitted By:



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And its Project Partner



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May 28, 2019

Angela W. Negley  
West Virginia Division of Natural Resources  
Property and Procurement Office  
324 4<sup>th</sup> Avenue  
South Charleston, WV 25303-1228

Dear Selection Committee,

CHM Government Services ("CHMGS") and its' project partner Goodwyn, Mills, Caywood ("GMC") are pleased to respond to the Request for Proposal to Public Hearings and a Feasibility Study for a proposed Beech Fork State Park Lodge and Conference Center.

CHMGS believes its team is exceptionally well qualified to assist the West Virginia Division of Natural Resources ("WVDNR") with this project based upon our collective firms experience in advising and supporting public entities and private companies on issues related to their hospitality and recreation assets.

We look forward to an opportunity to discuss our proposal further with the WVDNR. If you have any questions or comments, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'G Baekey', is written over a light blue horizontal line.

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Entity	Location	Lodge	Cabins	Conference Center	Restaurant	Gift Shop	Recreational Amenities	Successful Completed Feasibility & Project	Vendor was Primary Contractor	Project was in Appalachian Region	Project Used Public/Private Financing Options	Successful Facilitation of Public Meetings
National Park Service	Bryce Canyon National Park	x	x		x	x	x	x	x		x	
	Canyon de Chelly National Park	x			x	x	x	x	x		x	
	Death Valley National Park	x			x	x	x	x	x		x	
	Everglades National Park	x			x	x	x	x	x		x	
	Glen Canyon National Recreation Area	x		x	x	x	x	x	x		x	
	Grand Canyon National Park	x			x	x	x	x	x		x	
	Grand Teton National Park	x		x	x	x	x	x	x		x	
	Hawaii Volcanoes National Park	x			x	x	x	x	x		x	
	Isle Royale National Park	x			x	x	x	x	x		x	
	Lake Mead National Recreation Area	x			x	x	x	x	x		x	
	Mammoth Cave National Park	x		x	x	x	x	x	x	x	x	
	Mesa Verde National Park	x			x	x	x	x	x		x	
	Olympic National Park	x			x	x	x	x	x		x	
	Petrified Forest National Park	x			x	x	x	x	x		x	
Shenandoah National Park	x			x	x	x	x	x		x		
Yellowstone National Park	x			x	x	x	x	x	x	x		
Forest Service	Daniel Boone National Forest	x					x	x	x	x	x	x
	Tongass National Forest		x					x	x		x	
	Mississippi National Forests	x					x	x	x	x	x	x
	Mt. Bike Market Study Southern Appalachian Region Equestrian Market Analysis Visitor Center Market Analysis						x	x	x	x		x
State Parks	Arizona State Parks	x			x		x	x	x		x	
	Arkansas State Parks	x	x				x	x	x			x
	Colorado Land Board - State Park State Forest		x				x	x	x		x	x
	Colorado Parks and Wildlife						x	x	x			x
	Iowa Department of Natural Resources	x	x	x	x	x	x	x	x		x	
	Idaho State Parks	x	x	x		x	x	x	x		x	
	Kentucky State Parks						x	x	x			
	Missouri State Parks	x		x	x		x	x	x	x		
	Ohio State Parks	x		x	x	x	x	x	x		x	
	Oregon State Parks	x	x	x	x	x	x	x	x	x	x	
	South Carolina State Parks	x		x	x		x	x	x	x		x
South Dakota State Parks	x	x	x	x	x	x	x	x			x	
Tennessee State Parks	x		x	x	x	x	x	x	x	x		
Wyoming State Parks	x			x	x	x	x	x		x	x	
County	Maricopa County, AZ	x		x	x	x	x	x	x		x	
	San Mateo County, CA						x	x	x		x	
	Prince Georges County						x	x				x
	Cook County, IL						x	x	x		x	x
USACE	Conchas Lake	x		x	x		x	x				
	Tully Lake						x	x	x			

Source: CHMGS



## **1. APPROACH AND METHODOLOGY TO GOALS AND OBJECTIVES**

### **1.1 UNDERSTANDING OF SCOPE OF WORK AND EXPERIENCE**

CHM Government Services has been providing market, financial, investment and contract structuring services to public agencies for over a decade. Its team of professionals have over 75 years of experience in hospitality operations and consulting. This project, as identified in the RFP, requires a team of professionals that understand the legal, operating and fiscal realities of three different entities: U.S. Army Corps of Engineers (“USACE”); West Virginia Division of Natural Resources (“WVDNR”); as well as the private sector hospitality development and operations industry. Additionally, this project team requires Architects/Engineers that can update the conceptual plan cost estimates for WVDNR. Goodwyn, Mills, Caywood (“GMC”) is a multidisciplinary firm with 15 offices located throughout the southeast. GMC provides architecture, interior design, landscape architecture, civil site and municipal, environmental, transportation, and geotechnical engineering services. While GMC is located in the southeast they work across the country and are licensed in over 30 states. GMC relies on the breadth of their expertise in developing conceptual plans and costs and have completed preliminary analysis on four State Park lodges in Tennessee and Ohio in the last three years. GMC is currently working on 12 hotel projects throughout the company in various levels of planning, design, or construction, with three being done out of the Nashville office proposed for this project.

As will be shown throughout this document, the CHMGS team has completed more feasibility work with State Park agencies than any other organization. CHMGS has worked with the USACE at several locations and understand how the Natural Resource Branch interacts with the Real Estate Branch of the USACE. The CHMGS team has been recognized as collaborative, transparent, rigorous and objective. CHMGS’s past work and our skill set will be invaluable to WVDNR to ensure that the objectives of public engagement and independent and objective feasibility and land planning will be fulfilled in this engagement.

#### ***Documentation of Previous Experience Working on Similar Projects***

CHMGS will present detailed Qualifications and Experience under Section 4.3.1. However, provided on Page 4 is a listing of the project feasibility studies CHMGS has completed for state park agencies as well as federal land management agencies that include lodging, conference center or food and beverage. CHMGS’s work spans the nation’s geography and includes signature destinations and rural communities where hospitality and recreation assets are the key to local and regional economic development.

CHMGS’s experience over the last decade provides our team an understanding of the uniqueness of working in state parks as well as destination environments. Both are important to understand in developing demand forecasts. CHMGS’s experience has illustrated that state park projects have different market segmentation and seasonality from traditional hotels. Additionally, the location of state park development impacts overall development costs since infrastructure typically needs to be delivered to the site (e.g. roads, parking, utilities). Integrating multiple partnerships (e.g. USACE, WVDNR and the private sector) requires an understanding of each entities mission and objectives and the legal authorities upon which a contract structure can be built. Ensuring that contract structures are equitable between the public and private sector requires having processes for market, financial and investment analysis that are based upon private sector real estate investment but adapting them to public sector operating realities. It is critical that the selected firm understands that objectives for

public sector hotel development typically do not match the objectives of the private sector. However, a successful real estate “deal” can be structured that aligns objectives between the public and the private sector. CHMGS has spent over a decade developing such skill sets that have led to successful contract structures.

Entity	Location	Nature of Services Related to WVDNR SOS (1)	Lodge	Cabins	Conference Center	Restaurant	Gift Shop	Recreational Amenities
National Park Service	Bryce Canyon National Park	1,2,5	x	x		x	x	x
	Canyon de Chelly National Park	1,2,5	x			x	x	x
	Death Valley National Park	1,2,5	x			x	x	x
	Everglades National Park	1,2,5	x			x	x	x
	Glen Canyon National Recreation Area	1,2,5	x		x	x	x	x
	Grand Canyon National Park	1,2,5	x			x	x	x
	Grand Teton National Park	1,2,5	x		x	x	x	x
	Hawaii Volcanoes National Park	1,2,5	x			x	x	x
	Isle Royale National Park	1,2,5	x			x	x	x
	Lake Mead National Recreation Area	1,2,5	x			x	x	x
	Mammoth Cave National Park	1,2,5	x		x	x	x	x
	Mesa Verde National Park	1,2,5	x			x	x	x
	Olympic National Park	1,2,5	x			x	x	x
	Petrified Forest National Park	1,2,5	x			x	x	x
Shenandoah National Park	1,2,5	x			x	x	x	
Yellowstone National Park	1,2,5	x			x	x	x	
Forest Service	Daniel Boone National Forest	1,2,5	x					x
	Tongass National Forest	1,2,5		x				
	Mississippi National Forests	1,2,3,4,5	x					x
State Parks	Arizona State Parks	1,2,5	x			x		x
	Arkansas State Parks	1,2,4	x	x				x
	Iowa Department of Natural Resources	1,2,4,5	x	x	x	x	x	x
	Idaho State Parks	1,5	x	x	x		x	x
	Colorado State Park State Forest	1,2		x				x
	Missouri State Parks	1,2	x		x	x		x
	Ohio State Parks	1	x		x	x	x	x
	Oregon State Parks	1,2,5	x	x	x	x	x	x
	South Carolina State Parks	1,2	x		x	x		x
	South Dakota State Parks	1,2,3,4,5	x	x	x	x	x	x
	Tennessee State Parks	1,2,3,4,5	x		x	x	x	x
Wyoming State Parks	1,2,4	x			x	x	x	
County	Maricopa County, AZ	1,2,3,5	x		x	x	x	x
	San Mateo County, CA	1,2,5						x
	Prince Georges County	1,2,4						x
	Cook County, IL	1,2,4						x
USACE	Conchas Lake	1,2	x		x	x		x
	Tully Lake	1						x
OPRD SOS Services Key								
1= Market Analysis								
2= Financial & Investment Analysis								
3 = Design & Construction Services								
4= Public Engagement								
5= Assistance with RFP for Deal Structuring								

Source: CHMGS

GMC has undertaken preliminary and detailed land planning, design and costing for over 20 lodging, food and beverage properties. Over 50 percent of this work has been for state park agencies. The table below provides an overview of the services provided, location, and asset classes analyzed consistent with the requirements of the RFP.

Services	Location	Nature of Services Related to WVDNR SOS (1)	Lodge	Conference Center	Restaurant	Gift Shop	Recreational Amenities
Feasibility Studies & Cost Analysis	OH - Hooking Hills State Park - Lodge Feasibility	1,2,3	X	X	X	X	X
	TN - Fall Creek Falls State Park - Lodge Feasibility	1,2,3	X	X	X	X	X
	TN - Henry Horton State Park - Lodge Feasibility	1,2,3	X	X	X	X	X
	TN - Paris Landing State Park - Feasibility	1,2,3	X	X	X	X	X
	TN - Montgomery Bell State Park - Campsite Renovation Feasibility	1,2,3				X	X
	TN - Montgomery Bell State Park - Youth Group Camp Feasibility	1,2,3					X
	TN - Chickasaw State Park - Restaurant Renovation Cost Study	2			X		X
	TN - Natchez Trace State Park - Lodge Renovation Cost Study	2	X	X	X	X	X
	TN - Fall Creek Falls State Park - Village Green Preplanning and Cost Study	2,3			X	X	X
	TN - Paris Landing State Park - Lodge Renovation Cost Study	2	X	X	X	X	X
	TN - Montgomery Bell State Park - Lodge Renovation Cost Study	2	X	X	X	X	X
	TN - Henry Horton State Park - New Restaurant Feasibility Study	2,3		X	X	X	X
	TN - Henry Horton State Park - New Visitor Center Feasibility and Cost Study	2,3				X	X
	TN - Henry Horton SP - Conference Center Feasibility and Cost Study	2,3			X	X	X
	State of TN - Bristol Veterans Home Site Feasibility Study	2,3					X
<b>Design Services</b>							
	Paris Landing Lodge - Paris, TN	3	X	X	X	X	X
	Lake Guntersville State Park Lodge - Guntersville, AL	3	X	X	X	X	X
	Maniott AC - Brentwood, TN	3					
	Grand Hotel Resort and Spa - Point Clear, AL	3	X	X	X	X	X
	Renaissance Birmingham Ross Bridge Golf Resort & Spa - Birmingham, AL	3	X	X	X	X	X
	Wind Creek Casino Hotel & Spa - Atmore, AL	3	X	X	X	X	X
	Grand National Village Pool and Tennis Complex, Opelika, AL	3					X
	Element Hotel - Bridge Street Town Centre - Huntsville, AL	3	X		X	X	
	Margaritaville Beach Resort - Panama City Beach, FL	3	X	X	X	X	X
	Southern Living Hotel - Birmingham, AL	3	X	X	X	X	X
	Renaissance Hotel & Convention Center - Montgomery, AL	3	X	X	X	X	X
	Renaissance Riverview Plaza Hotel - Mobile, AL	3	X	X	X	X	X
	Foley Convention Center - Foley, AL	3		X			X
	Towne Place Suites - Foley, AL	3	X		X	X	
<b>OPRD SOS Services Key</b>							
1= Market Analysis							
2= Financial & Investment Analysis							
3= Design & Construction Services							
4= Public Engagement							
5= Assistance with RFP for Deal Structuring							

Source: GMC

## 1.2 BUSINESS FOCUS AND EXPERTISE

CHMGS is focused on serving the needs of public sector and nonprofit entities. CHMGS brings private sector experience and approaches for market, financial and investment feasibility, and understands the opportunities and constraints that developing on public sector land includes. This means that CHMGS understands the federal agency contract/lease and permit authorities as well as the statutory authorities that state parks and federal agencies must operate under. Additionally, CHMGS understands public sector financing sources and funding models as well as private sector deal structuring methods. All these factors impact project level feasibility.

One hundred percent of CHMGS work is for public agencies and nonprofits. CHMGS does not undertake feasibility work for private sector developers. This is a unique benefit to WVDNR



Services	Location	Lodge	Conference Center	Restaurant	Gift Shop	Recreational Amenities	Successful Completed Feasibility & Project	Vendor was Primary Contractor	Project was in Appalachian Region	Project Used Public/Private Financing Options	Successful Facilitation of Public Meetings
<b>Feasibility Studies &amp; Cost Analysis</b>	OH - Hocking Hills State Park - Lodge Feasibility	X	X	X	X	X	X	X	X		
	TN - Fall Creek Falls State Park - Lodge Feasibility	X	X	X	X	X	X	X	X		
	TN - Henry Horton State Park - Lodge Feasibility	X	X	X	X	X	X	X	X		
	TN - Paris Landing State Park - Feasibility	X	X	X	X	X	X	X			
	TN - Montgomery Bell State Park - Campsite Renovation Feasibility				X		X	X			
	TN - Montgomery Bell State Park - Yurt Group Camp Feasibility						X	X			
	TN - Chickasaw State Park - Restaurant Renovation Cost Study			X			X	X			
	TN - Natchez Trace State Park - Lodge Renovation Cost Study	X	X	X	X	X	X	X			
	TN - Fall Creek Falls State Park - Village Green Preplanning and Cost Study			X	X	X	X	X			
	TN - Paris Landing State Park - Lodge Renovation Cost Study	X	X	X	X	X	X	X	X		
	TN - Montgomery Bell State Park - Lodge Renovation Cost Study	X	X	X	X	X	X	X			
	TN - Henry Horton State Park - New Restaurant Feasibility Study			X	X	X	X	X			
	TN - Henry Horton State Park - New Visitor Center Feasibility and Cost Study				X	X	X	X			
	TN - Henry Horton SP - Conference Center Feasibility and Cost Study			X		X	X	X			
	State of TN - Bristol Veterans Home Site Feasibility Study						X	X	X		
										X	
<b>Design Services</b>	Paris Landing Lodge - Paris, TN	X	X	X	X	X	X	X			
	Lake Guntersville State Park Lodge - Guntersville, AL	X	X	X	X	X	X	X			
	Marriott AC - Brentwood, TN						X	X	X		
	Grand Hotel Resort and Spa - Point Clear, AL	X	X	X	X	X	X	X			
	Renaissance Birmingham Ross Bridge Golf Resort & Spa - Birmingham, AL	X	X	X	X	X	X	X			
	Wind Creek Casino Hotel & Spa - Atmore, AL	X	X	X	X	X	X	X	X		
	Grand National Village Pool and Tennis Complex, Opelika, AL			X	X		X	X			
	Element Hotel - Bridge Street Town Centre - Huntsville, AL	X		X	X		X	X			
	Margaritaville Beach Resort - Panama City Beach, FL	X	X	X	X	X	X	X	X		
	Southern Living Hotel - Birmingham, AL	X	X	X	X	X	X	X			
	Renaissance Hotel & Convention Center - Montgomery, AL	X	X	X	X	X	X	X	X		
	Renaissance Riverview Plaza Hotel - Mobile, AL	X	X	X	X	X	X	X			
Foley Convention Center - Foley, AL		X				X	X	X			
Towne Place Suites - Foley, AL	X		X	X	X	X	X				

Source: GMC



because it ensures that CHMGS is focused on what is required for a successful contract structure on behalf of WVDNR. However, CHMGS's decades of work for public agencies has resulted in contract structures that have been well received by the private sector hospitality and recreation market. CHMGS has strong working relationships with many major regional and national management companies, as well as concessioners. CHMGS frequently undertakes discussions with these parties to understand what they are looking for in successful contract structures. Finally, CHMGS is tracking national trends in financing sources for hospitality projects and understands the requirements for successful hotel development financing.

CHMGS has conducted several hospitality studies in the Mid Atlantic as well as Southern Region of the U.S. CHMGS is of the opinion that the most important element to understand about a geographic region is how the unique attributes of the region will draw both individuals and group business to the area. CHMGS works across the country and its processes, and procedures provide us the ability to enter a new market area and through in-depth discussions with local, and regional stakeholders, gain insight to factors that drive both day use and overnight demand for lodging and group meeting and conference demand. Additionally, our extensive work within the State Park industry has provided us insight to the performance of State Park lodges throughout the country. CHMGS recently completed a state park lodge benchmarking study for Tennessee State Parks which provides CHMGS insight to success factors for state park lodges.

GMC is a full-service planning and design company located throughout the Southeast. Our team provides a broad range of services to both public and private sector clients ranging from planning, architecture, and construction administration services. Within the last five years, GMC has been sought out by two state park agencies to assist them in undertaking pre-feasibility work for development of hospitality and recreation assets. Additionally, GMC is the state architectural consultant for Tennessee State Parks. As a part of this contract we assist with planning a wide range of projects ranging from lodging to outdoor recreation amenities to assist in budget requests. GMC is also, currently the architect of record for the redevelopment of Paris Landing Lodge in Buchanan, Tennessee.

GMC is familiar with the Appalachian region with offices located in South Carolina and Alabama. GMC has worked in the Appalachian region in Ohio, Tennessee, South Carolina, Georgia, and Alabama completing over 1,500 projects throughout the company's history through one the various planning, design, and engineering services offered.

### **1.3 STAFF EXPERIENCE AND SUBCONSULTANTS EXPERIENCE**

The CHMGS project team will be under the leadership of **Margaret Bailey**, Sr. Vice President of CHM Government Services. Her depth of experience in overseeing public and private sector planning, development and asset management, positions her uniquely for this engagement. Ms. Bailey will be supported by **Geoff Baekey**, Managing Director as a Subject Matter Expert, and **Patrick Michaud** as Market & Financial Analyst. Additional expertise in review of the financial model will be provided by **Carey Stavrevski**, Vice President. The project planning, design and costing will be provided by **Patrick Neuber Goodwin, Mills, Cawood ("GMC")**, supported by Andrew Hostetler. Professional Resumes are found in 4.3.1.2.2.

Staff Name	Engagement Area	Focus	# of Years of Experience	Educational Degree
Margaret Bailey, Project Manager and Lead Analyst	1,2,3,4		33	Bachelor of Science, Hotel and Restaurant Management
Geoff Baekey, Subject Matter Expert	1,2,4		35	Bachelor of Science, Hotel, Restaurant & Tourism Management
Patrick Michaud, Market & Financial Analyst	1,2,3,4		3	Bachelor of Science, Economics & Finance
Carey Stavrevski, Financial Analyst	2		15	Master of Public Administration, Syracuse University Dual B.A., Policy Studies and Advertising, Syracuse University
Patrick Neuber, AIA	2,4		12	Bachelors of Architecture, Drury University
Andrew Hostetler	2,4		4	Masters of Architecture, University of Illinois Master of Civil and Environmental Engineering; Construction Management, University of Illinois
Coding for Focus Area: 1: Market Analysis; 2: Financial & Investment Analysis; 3: Public Meetings; 4. Site Planning and Cost Estimating, 5: Reporting				

#### **1.4 EXAMPLES OF COMPLETED PROJECTS**

WVDNR has requested that the RFP respondent provide examples of:

- successfully completed feasibility studies and projects (e.g. the project feasibility was completed on time and on budget for the proposed client);
- vendor was the primary contractor (e.g. CHMGS was the prime contractor);
- projects developed within the Appalachian region (e.g. West Virginia, and portions of Pennsylvania, Virginia, Kentucky, North Carolina, South Carolina, Georgia, Tennessee, Alabama and Mississippi); and,
- projects that used public, private and public/private financing options (e.g. public means state and/or federal investments of land, structures, infrastructure, capital and private sector financing).

Using the information from the prior table provided, CHMGS provides a listing of projects and then expands on them on the following page. Following page nine, we have also outlined same for GMC.

The chart on the previous page identifies the extensive experience CHMGS has in each of the areas of competencies desired. CHMGS's market, financial and investment analysis has been applied to non-profits, and public agencies at the county, state and federal level. CHMGS's federal level experience includes projects with the USACE. CHMGS's extensive work with public agencies has taught us that the foundational part of a public/private partnership must begin with the statutory rights for entering into partnerships and then must be accompanied by ensuring that the contract structures provides for long term asset stewardship. CHMGS has learned that presenting a potential Business Opportunity for a public sector contract structure requires unique communication and outreach. Specifically, the Business Opportunity must clearly state public sector goals and objectives. Additionally, it must explain the unique public sector procurement, finance and negotiation practices which are fundamentally different than private sector deal structures.

Section 4.3 will provide details of a sample of these engagements including the scope of the engagement and the reference for the engagement. CHMGS has included under separate cover, an example of the work that our team completed for Maricopa County Parks and Recreation Department. CHMGS has received permission from Maricopa County Parks and Recreation to release this document but they have requested that it not become a public document.

GMC has provided in the table below, a similar breakdown of projects requested under this section. Additionally, they have provided an example of prefeasibility completed for Paris Landing State Park Lodge, Buchanan, TN.

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## **1.5 EXAMPLES OF SUCCESSFUL FACILITATION OF PUBLIC MEETINGS**

WVDNR has requested an understanding of the CHMGS' teams experience in the successful facilitation of public meetings, one of which was part of a feasibility study. The prior chart identified projects that included public engagements. CHMGS will be responsible for the public meetings and will engage GMC if needed to participate in the meetings. The following paragraphs will outline three projects that involved public engagement at the beginning, middle or end of the assignment.

- **Arkansas State Parks:** Arkansas State Parks had a master plan for Lake Chicot State Park that included a lodge as part of the proposed plan. Approximately five years after the plan was issued, Arkansas State Parks wanted to undertake additional feasibility work to ascertain if the proposed lodge in the master plan was market and financially feasible. As part of the project, CHMGS was asked to undertake a public meeting as part of the initial project feasibility site visit as well as return to the community after the project feasibility was completed. CHMGS worked with Arkansas State Parks to identify a suitable venue, developed advertising material and the agenda for the meeting. CHMGS then undertook the meeting with the community prior to commencing our fieldwork to ensure that issues that were of concern to the community were understood. Following our feasibility work, which indicated a lack of market feasibility, CHMGS was asked to come back and brief the community on its findings including explaining its methodology and conclusions.
- **Colorado Land Board:** The Colorado Land Board was evaluating the feasibility of a proposed overnight cabin and recreational camping development in northwestern Colorado. As part of the fieldwork, the project team developed a plan for public engagement for public agency partners in the area, as well as private sector landowners and private sector business owners. Working with the Colorado Land Board and Colorado Parks and Wildlife, CHMGS identified the stakeholders, determined suitable locations and undertook discussions to identify opportunities for development as well as constraints for the project.
- **Colorado Parks and Wildlife:** The Republican River Conservation District in Northeast Colorado, received funding from Colorado Parks and Wildlife to undertake a market study for adaptive reuse of a state park that had lost its water resource. CHMGS was engaged to identify suitable future recreation uses without the water resource. As part of this initiative, CHMGS was requested to undertake a public meeting to gather insight from the local community about possible future recreational options. CHMGS was responsible for developing the agenda and undertaking this public meeting.

## **1.6 SAMPLE PUBLIC MEETING AGENDAS**

The following are outlines for each of the proposed public meetings.

### **Agenda Public Meeting One: Site Visit Public Meeting**

#### **Logistics:**

- Estimated Time – 2 hours - Evening
- Theater Seating
- Flip Charts/ And or Wall Postings for comments
- Determination of Coffee or Snacks need to be provided
- Sign-in Sheet at Entrance for All Participants (e.g. phone and email)

#### **Agenda**

##### ***General Attendance – Presentation to Public***

- 1) Introductions: WVDNA and Project Consultants
- 2) History and Background
  - a) WVDNA Overview of Past Efforts Success and Challenges
  - b) Discussion of Why Re-evaluating Now
  - c) How Consultant Selected – Perspectives from WVDNR of consultant strength in selection
- 3) Consultant Team and Background
- 4) Overview of Process (e.g. centralized info sharing and then break outs for subject areas)

##### ***Working Sessions by Public with Areas to Provide Comments***

- 5) Subject Area Groupings
  - a) Discussion of Demand Generators (e.g. Types, Average Length of Stay, Geography, Group Size)
    - i) Transient
      - (1) Leisure
    - ii) Group
      - (1) Corporate
      - (2) Association
      - (3) SMERF
      - (4) Special Events
  - b) Competition/Comparable
    - i) Where and Why
  - c) Community Attributes for Visitors
    - i) Listing of surrounding communities' tourism, recreation and cultural activities.
  - d) Communities of Interest (e.g. who else should we be talking to?)
- 6) Observations of Findings
- 7) Review of Timeline
- 8) Final Questions/Comments



## **Agenda Public Meeting Two: Post Analysis Findings**

### **Logistics:**

- Estimated Time 1.5 hours – Evening
- Theater Seating
- Determination of Coffee or Snacks need to be provided
- Sign-in Sheet at Entrance for All Participants (e.g. phone and email)

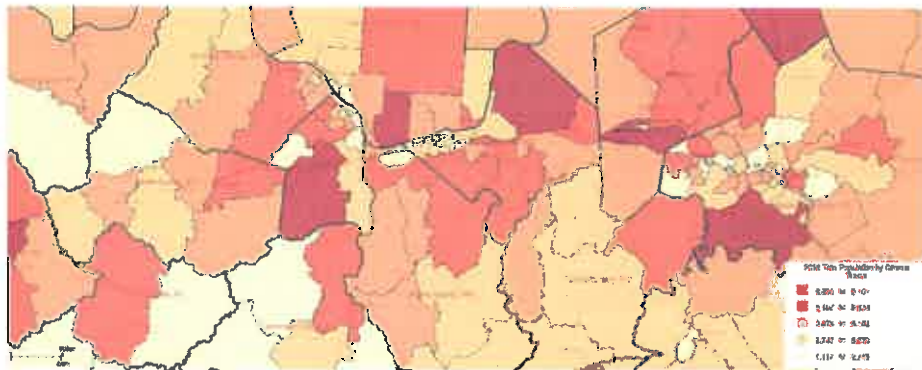
### **Agenda**

#### ***General Attendance – Presentation to Public***

- 1) Introductions: WVDNA and Project Consultants
- 2) History and Background
  - a) WVDNA Overview of Past Efforts Success and Challenges
  - b) Discussion of Why Re-evaluating Now
- 3) Consultant Team and Background
- 4) Overview of Process
- 5) Market Analysis Findings
- 6) Site/Design and Cost Findings
- 7) Financial/Investment Analysis Findings
- 8) Conclusions
- 9) Final Questions/Comments

## **2. APPROACH AND METHODOLOGY TO MANDATORY PROJECT REQUIREMENTS**

WVDNR has requested insight to the approach of the project team to identifying a suitable location for a public meeting that would attract high levels of participation from the three counties surrounding the sites (e.g. Cabell, Lincoln and Wayne County). CHMGS is of the opinion that the best approach would be to develop both an in-person and online option for the first public meeting, followed by an onsite meeting for the final finding’s presentation, with a posting of the findings online. CHMGS has reviewed the site locations and the population concentrations in and around the site for the three counties. Population density is highest in the Huntington metro area followed by Salt Rock, West Hamlin, Wayne and Prichard. However, CHMGS would work with WVADNR to identify the best location based upon past public meeting experiences.



### **1.7 PUBLIC HEARING ONE**

CHMGS’s approach to the public meetings would be similar to our past experience, but the agendas and on-site public meetings would be structured differently. Public Meeting #1 would be structured as both an online and on-site meeting. CHMGS would work with WVDNR to identify the most suitable location for a public meeting based upon past meeting success. CHMGS would contact potential venue locations to verify their availability during evening hours. CHMGS will work with WVDNR to identify traditional and nontraditional outreach mechanisms for communication of the meeting. This could include: reservation data base for individual who have used Beech Fork State Park; working with USACE to advertise in the campgrounds at their locations; USACE concessioners (e.g. marina) to make sure that we develop communication flyers and outreach to these markets. Additionally, CHMGS will work with the county economic development corporations and chambers of commerce to identify an outreach listing or mechanism(s). CHMGS will develop three sets of outreach materials:

1. Public Flyer for Posting or attaching to emails;
2. Instagram or Twitter messages and images for leveraging social media of both WVDNR and other suitable locations; and,
3. Traditional press release for use in newspaper and other traditional print outreach mediums.

CHMGS will launch the use of ArcGIS Survey123 for this engagement. This will include developing a survey related to the same subject areas that CHMGS will be requesting input on for the public

meetings. This link will be included in all communications so that CHMGS can enhance public engagement for those who want to provide input but are unable to participate in the meeting.

The prior section provided an agenda for Public Meeting One. As can be seen in the outline, the first section of the agenda is the more traditional presentation (e.g. Presenters speaking to audience). The second section will be set up to gather input of the public on the three areas of interest. Each of these areas will have some overview of the subject area and some questions for the public to answer. The public will then be encouraged to take time and provide its input to the questions. Following this there will be some time spent reviewing the findings from the public. The meeting will close out with a timeline for next steps as well as opportunities for final question and answers.

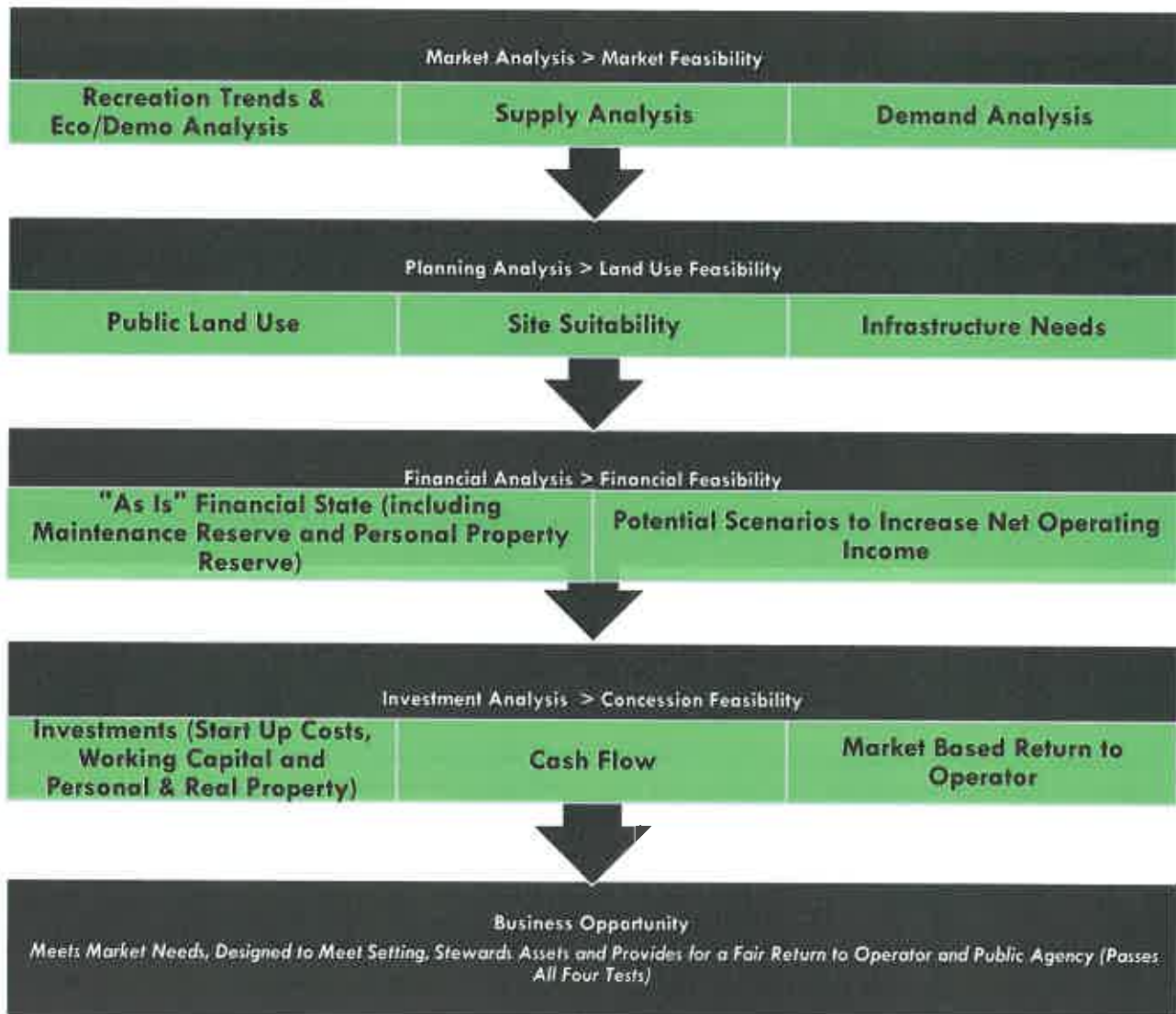
### **1.8 PUBLIC HEARING TWO**

Public Hearing Two is designed to inform the public of the consultant's finding after they have completed their preliminary analysis. As such, while the outreach will be similar, the construct of the meeting will be different. The agenda as provided in the prior section, will be more presentation than public engagement. The nature of feasibility findings will dictate how much information will be presented during the meeting. Market feasibility findings are typically elements that can and should be shared. However, financial and investment findings, are typically elements that need to remain internal, particularly if there will be an RFP for proposed development. A best practice is to keep those elements as internal documents for use by decision makers. If the proposed work identifies positive feasibility, the structure of the presentation will be different than if the findings are negative.

CHMGS would envision developing a presentation that reviews the process, the inputs and the general findings for market feasibility and then more general findings for financial and investment feasibility. CHMGS would then be open to questions about the work completed.

### **1.9 FEASIBILITY STUDY**

CHMGS notes that WVDNA has developed a detailed scope of work for market, financial and investment feasibility within the RFP. CHMGS commends WVDNA for understanding the important elements that are required in order to identify overall project feasibility. CHMGS'S approach mirrors that which is outlined in the RFP and is presented below.



## **MARKET FEASIBILITY**

### ***Pre-Planning***

The purpose of this task is to collect and assemble all the critical information necessary to understand and evaluate the current supply and demand for overnight accommodations and supporting facilities within the Proposed Beech Fork Lodge Subject Area and the competitive market. The initial investment in this phase will result in efficient data collection, enhanced project communication and overall project success. This phase involves the project team developing an Advanced Information Request (AIR) by category regarding types of information needed. Following the issuance of this AIR, the project team lead would coordinate a kickoff call to review all information requested. Key categories of information that are included within the AIR are provided below:

### **Planning Information**

1. Original Master Planning documents for USACE and Beech Fork State Park.
2. Inventory of existing facilities at both the USACE and Beech Fork State Park.
3. Any available visitor surveys conducted by USACE and WVDNR.
4. Copies of Past Feasibility and Planning Studies done for site and project.
5. ALTA and/or Topographic survey of proposed site.

### **Leases and Agreements**

1. Copies of relevant master lease and subleases.
2. Copies of WVDNR statutory authorities for third party agreements
3. Copies of existing concession agreements for WVDNR properties

### **Demand Information**

1. Data from WVDNR lodges and ancillary facilities (Average Daily Rate "ADR" and Occupancy) for the last ten years.
2. Data on food service and banquet events at WVDNR lodges (e.g. Cover counts by meal period, # of banquet events, average food check by meal period and average banquet food check) for last three years.
3. Market demand segmentation of WVDNR lodges for last three years.
4. STR report from WVDNR lodges for last three years.
5. Data on Average Length of Stay (ALOS) and Multiple Occupancy Factor (MOF) for WVDNR lodges.
6. Listing of annual events that occur at the park, time and size of events.

### **Finance**

1. Historical P&L for existing WVDNR lodges for last five years.
2. Description of capital projects completed or planned for WVDNR lodges in the last three and planned for the next three years.

### **Tourism, Economic Development and State Legislature**

1. Statewide and regional STR data and AirDNA data for last three years.
2. POC for State Economic Development to discuss State Development Incentive programs.
3. Discussions with state legislators/staff regarding funding strategies.

The project team will use this information in the development of their market and financial analysis. Based upon this information, the consultant will identify a preliminary competitive supply analysis for use in the development of their site visit plan.

**Deliverables:**

1. Advance Information Request
2. Conference Call to Discuss Data

**Site Visit**

Following the review and analysis of the data collected, this task includes the development of a fieldwork plan and execution of the fieldwork portion of this engagement. The project team will be responsible for developing a fieldwork schedule in advance of the site visit to ensure that all appropriate entities are scheduled for meetings. At a minimum, the following should occur during fieldwork.

**Day 1: Site Evaluation, Community Engagement**

1. Meeting with WVDNR and USACE staff to discuss proposed site for Beech Fork Lodge and review the rationale for site selection and pros and cons of location. Review orientation and siting of structure on site.
2. Meeting with WVDNR and USACE to discuss statutory and regulatory framework that must be considered for a successful contract structure. Discussion will also include the approval processes within the USACE as well as potential investment resources the USACE may be willing to offer for the project.
3. Meeting with WVDNR to discuss current lodge portfolio performance, positions and opportunities and concerns about additions to lodging supply and various management model options. Discussion of overnight strategy with location separate from Park.
4. Evaluation and identification of competitive market.
5. Evening Public Meeting #1.

**Day 2 through 3: Meetings with Competitive Market and Local Stakeholders**

The project team shall organize a combination of phone interviews and local visits with government officials, local economic development, chamber of commerce, tourism and other entities. This will provide for insight to the importance of a proposed property as well as potential markets for demand generators. Additionally, CHMGS will coordinate meetings or phone calls with hospitality and resort operators in the competitive marketplace. These discussions would focus on:

1. Insight on importance of proposed development to local and regional economy, potential demand generators as well as any changes to local economic conditions. (e.g. roads, employers, etc.)
2. Discussion of market opportunity for new lodge development including product, clientele, and guest profiles.
3. Discussion of operations, financials and investments.
4. Discussions of competitors within the marketplace.



Following the site visit, the project team shall schedule a conference call with WVDNR to discuss preliminary findings and observations from site visit.

**Deliverables:**

1. Fieldwork schedule
2. Conference Call to Discuss Fieldwork Findings

***Demand Projections***

The purpose of the demand analysis is to ascertain the potential market position of, and expected demand for a proposed lodge and conference center and supporting facilities. The following services shall be completed by the project team.

1. Develop an overview of the economic and demographic trends related to the market drawing area for the proposed overnight accommodations and supporting facilities. This market drawing area will be developed based upon insights gathered from the site visit.
2. Identify the competitive set for the proposed hotel and conference center. Identify the performance of the competitive set including annual and seasonal utilization (occupancy), rates paid (ADR, average checks, etc.), and segmentation of accommodated demand.
3. Provide an overview of the state park lodges performance to inform the market position of the proposed hotel and conference center.
4. Identify the positioning of the hotel and conference center in light of the competitive set findings.
5. Undertake demand analysis to include growth in lodging demand for the competitive market, identify unaccommodated lodging demand, induced demand and estimated penetration of the proposed overnight accommodations.
6. Evaluate and identify details about the group demand market attributes in the competitive market and/or region as to how it should inform meeting and banquet space configuration.
7. Identify the proposed property performance (Occupancy and ADR) for a ten-year period.
8. Evaluate if the initial conceptual plan remains valid in light of the new market position and conditions. This will include evaluating # and mix of guest rooms, conference space requirements and configuration, food and beverage concepts, and supporting facilities and amenities.

**Deliverables:**

1. Completion of Phase 1: Market Feasibility Report
2. Conference Call to Discuss Findings

## **FINANCIAL FEASIBILITY**

The objective of the financial analysis is to identify the financial feasibility of the proposed facilities and their position in the market. The following services shall be completed by the project team.

1. Develop a ten-year financial proforma for the proposed overnight accommodations and supporting facilities. The basis for the financial feasibility forecast will be based upon the CHMGS team's industry experience and database of lodge operations on both state and federal land as well as private sector properties of similar size and orientation. The financial estimates will include:
  - a. Revenue: Estimates of Revenue by Department
    - i. Lodging
    - ii. Food and Beverage
    - iii. Banquet
    - iv. Recreational Services
  - b. Expenses
    - i. Direct
      1. Salaries
      2. Benefits
      3. Direct Operating Supplies
      4. Cost of Good Sold
    - ii. Indirect
      1. Administrative and General
      2. Marketing (This will be developed based upon comparing information on marketing budgets from other state park lodge properties from different management companies.
      3. Repairs and Maintenance
      4. Utilities
      5. Management Fee
    - iii. Fixed
      1. Insurance
      2. Rent
    - iv. EBITDA
  - c. Proforma will be developed to the Earnings Before Interest, Taxes and Depreciation (EBITDA) line item. This will allow for the ability to layer on a variety of financing costs.

### **Deliverables:**

1. Completion of Phase 2: Ten Year Financial Proforma



## **UPDATE OF CONCEPTUAL COSTS**

The proposed project had an initial conceptual plan completed over eight years ago. As such, these costs need to be updated to recognize current regional and national construction cost trends. GMC will undertake the task of updating the Conceptual Plan building Costs on behalf of the CHMGS team.

Preliminary costs are developed to provide a project budget that fits with the financial models and Owner's goals. GMC starts by understanding what the Owner's goals for the project are in regard to design language and level of quality. The CHMGS team will provide insight as to the reasonableness of the program plan from the 2013 feasibility study and 2015 Design Development Plan. This will then form the basis of the program plan which will be used to verify capacities (e.g. number of rooms, meetings space, type of restaurant, etc. and respective square feet.) From this, a preliminary cost model is then developed using square foot unit costs for different areas of the facility based on industry and historical data from published resources and GMC projects. These unit costs are modified based on regional and local trends along with project location factors and constraints. CHMGS is currently working with two other state park agencies who are currently building lodges in Ohio as well as Tennessee. Additionally, GMC is currently the architect of record for a new build state park lodge in Tennessee. Therefore, both CHMGS and its' project partner GMC have a current and relevant understanding of factors impacting lodging construction costs and will apply them to this project.

Regional trends are understood by reviewing the project with other GMC offices as well as reviewing with contractors GMC is working with on similar projects. Costs are given in current amounts with inflation factors added to the end of the budget. Finally, in addition to general cost estimates also included are estimates for other project soft costs including FF&E, Professional Design Fees, and Potential Permitting Costs.

Finally, CHMGS will review the conceptual cost estimates provided by GMC against standard hospitality industry metrics leveraging sources as JN+A and HVS' 2018 Hotel Cost Estimating Guide.

### **Deliverables:**

- 1. Completion of Phase 3: Statement of Estimated Costs**
- 2. Completion of Phase 3: Area chart used for developing costs**

## **INVESTMENT FEASIBILITY ASSESSMENT**

The objective of the financing structure assessment is to ascertain various deal structuring elements that could support a viable development opportunity. Inputs to the development feasibility will come from the prior phase in the form of preliminary cost estimates for proposed development. The consulting team will:

1. Undertake discussions with both the USACE and WVDNR and State and Regional Economic Development entities to ascertain funding sources and strategies for consideration in the investment analysis. Our project partner GMC will be organizing the conceptual cost estimates to allow for identification of different elements that could be suitable for various financing sources. An example of this would be that infrastructure components are a candidate for public financing, while hotel components are likely candidates for private financing.
2. The CHMGS team will discuss with all entities the level of public financing available as well as what public financing options are possible under the terms of the master lease.
3. The project team will leverage insights from both industry comparable data as well as the database of construction and permanent financing from the private sector lodging market both nationally and in the region. CHMGS's sister firm CHMWarnick actively reviews development deals as part of its asset management and has an extensive data base of financing model comparisons.
4. The project team will develop deal structuring options leveraging the information received from the analysis and identify what the potential gap may be in undertaking proposed development.

Deliverables:

1. Completion of Phase 4: Investment Financing Structure

## **PROJECT BUSINESS OPPORTUNITY FEASIBILITY**

At the conclusion of all preceding phases, there will be an understanding of the overall project's feasibility. The results of the analysis will be assembled into a Draft document that will be delivered to WVDNR for their review and comment. This report will be an assemblage of all prior deliverables from each phase of the analysis. It will include an assertion as to whether the project has positive or negative feasibility and where the gaps in feasibility lie. If the findings do not support a feasible project, the report will indicate strategies for consideration by WVDNR.

This phase will also include the attendance at Public Meeting #2, to present the findings of the analysis. Details on the Public Meeting #2 are presented in the prior section. Additionally, this phase includes the meetings with both the Agency and the JC on Government and Finance. CHMGS will assume that prior to each of these meetings that the audience will have copies of the draft feasibility study. CHMGS will develop an MSppt that can be used to summarize key findings for presentation purposes. CHMGS has developed their budget with the assumption that the Public Meeting #2 and the WVDNR Agency meeting can occur at the same time and that the JC on Government and Finance will occur at a separate date. *Also, CHMGS has provided as an option the ability for GMC to attend the JC on Government Finance.*

### 1.10 ABILITY TO MEET DEADLINES PURSUANT TO WEST VIRGINIA CODE

WVDNR has requested the RFP respondent to provide a plan that identifies their ability to meet the deadlines established within this RFP. The table provide below identifies how the CHMGS team will undertake it's methodology within the timeframe that WVDNR has outlined.

Task and Work Step	Week Due	10-Jul-19	7-Aug-19	14-Aug-19	21-Aug-19	28-Aug-19	4-Sep-19	11-Sep-19	18-Sep-19	25-Sep-19	2-Oct-19	7-Oct-19	14-Oct-19	21-Oct-19	28-Oct-19	4-Nov-19	11-Nov-19	18-Nov-19	25-Nov-19
<b>Market Feasibility</b>																			
Introductory Meeting	07/12/19		■																
AIR, Schedule	07/15/19		■																
Site Visit including Public Meeting #1	08/12/19						■												
Demand Projections	08/30/19								■										
Draft Phase 1: Market Report	09/11/19									■									
<b>Financial Feasibility</b>																			
Phase 2: Financial Feasibility/ Completion of Ten Year Financial Forecast	09/20/19										■								
<b>Updating of Conceptual Costs</b>																			
Phase 3: Conceptual Cost Estimates	09/11/19									■									
<b>Investment Feasibility</b>																			
Phase 4: investment Financing Structure	09/20/19										■								
<b>Final Reporting</b>																			
Draft Summary Report	09/27/19											■							
Public Meeting #2	09/30/19												■						
Revised Draft to Agency	11/20/19																	■	
Final Report Issued to JC on Govt and Finance	11/27/19																		■

### **1.11 VERIFICATION OF SUBCONTRACTORS**

CHMGS intends to leverage the expertise of GMC on this engagement to assist in ensuring that there are no changes in land use issues since the prior conceptual plan scoping as well as to verify site development costs for the conceptual plan.

### **1.12 ABILITY TO PROVIDE REQUIRED INFORMATION IN FEASIBILITY STUDY**

CHMGS has provided its approach under Section 1.9, CHMGS interprets this section to focus on how the project team will gather the details supporting the approach.

1. **All assumptions sources and assumptions to be documented:** It is CHMGS' process to ensure that all information from primary and secondary sources are identified and "sourced" or "footnoted" in any documents that are produced within its report(s). Data that comes from our internal databases will be sourced as such, since some data is proprietary.
2. **Evaluation of requirements for project construction by USACE.** The CHMGS team has worked with the USACE on other real estate development projects. CHMGS understands that it will be critical to assemble a meeting with both the Natural Resources and the Real Estate branches of the USACE. CHMGS envisions that on the first day of our site visit, WVNDNR will be able to encourage the proper USACE staff to attend an onsite meeting so that an in-person meeting can occur. The Natural Resource Branch is responsible for site specific stewardship and the Real Estate Branch is the entity that oversees leases and agreements. CHMGS has reviewed the standards USACE lease for other clients and will review this lease as to its impacts on deal structuring fundamentals.
3. **Local Area and Regional Analysis.** As outlined in our approach, identifying and meeting with local economic development, chamber of commerce, tourism and convention bureau entities as well as local government planning entities is a critical component of our work. These in person meetings will be guided by a standard site visit questionnaire to ensure that we ask the same set of questions of each entity. Additionally, local and regional growth trends will be ascertained from secondary resources such as WVU Economic Outlook reports as well as data that CHMGS can gather from ESRI's Business Analyst Online as well as Census and other official data. The ESRI Business Analyst Online provides insight to population trends, traffic trends, business development trends, business categories and leisure time and spending trends. Additionally, CHMGS will look at the research reports available on the WVA Tourism Office as well as conduct information with representatives of this agency to understand unique travel trends in and around the Huntington, WVA area.
4. **Lodging Supply and Demand Analysis:** CHMGS will work to gather data on supply and demand dynamics in the market from both primary and secondary resources. The CHMGS team will undertake on site interviews with the most primary competitive market. It is likely that this primary competitive market will include a subset of the WVDNR lodging operations that are both managed by WVDNR as well as third party operators (e.g. concessions and management contracts). For these properties, CHMGS will gather data directly from the reporting that is provided to WVDNR. For other properties, CHMGS will invest in Smith Travel Research (STR) Competitive Market Reports which provide supply and demand trends in the competitive set for a historical period. Additionally, CHMGS will determine if it is necessary to invest in a development pipeline report to understand any additions to supply.

CHMGS will query WVA Tourism to understand if they subscribe to AirDNA reports which provide insight into the local/regional vacation home market to ascertain if that is an important element of the supply and demand in the area. If they do not, CHMGS will purchase an AirDNA summary report to identify the importance of this sector. As part of the onsite competitive lodging interviews, as well as WVDNR interviews, CHMGS will leverage its standard interview form, which is provided below.

<b>Asset Background</b>
Opening Date
Last Renovation
Type of Contract
Length of Contract
Years Remaining IN Contract
# of Rooms
<i>Supply</i>
1) Please Identify your competitive market and discuss why they are included?
<i>Demand</i>
2) Market Segmentation—What constitutes your user groups. Please discuss their characteristics?
<b>Group</b>
<i>Corp</i>
<i>Government</i>
<i>Association</i>
<i>SMERF</i>
<b>Transient</b>
<i>Corp</i>
<i>Government</i>
<i>SMERF</i>
<i>Leisure</i>
What is the seasonality of this operation? Peak, Off Peak, Shoulder
<b>Usage</b>
Occupancy
ADR
Trends and Why
<i>Financial</i>
1) Pricing Strategy Unique to Your Market ? How often have you changed prices for this service? Have you had any issue with pricing and the consumers.
2) Lets discuss some of your operating ratios and any trends that have occurred that are shifting that we need to be aware of?
3) Any significant shifts in operating costs that we should be aware of ?
4) Staffing Issues- Labor Market, Prevailing Wage. Shortage by Positions?
<i>Changes</i>
1) What is your perspective on what is needed to be changed/ shifted with this operation?
2) How has the agency responded
<i>Proposed Lodge Development</i>
<b>Opportunities at that location? Why</b>
<b>What would you develop if anything</b>
<b>Would you be interested ? And Under what framework</b>
<i>Other</i>
<b>What else do you want us to know that we haven't asked you?</b>

CHMGS has an in-house Supply and Demand model that begins with identification of the competitive supply and an understanding of its fair share and market penetration. This is a sample of the model that will be used with the subject properties shaded due to the confidentiality of the past engagement. The model produces the final estimates of demand as shown in the last table on the next two pages.

COMPETITIVE HOTEL SUPPLY															
Property	Number of Rooms	Percentage Competitive	Competitive Rooms	Estimated 2015						Estimated 2016					
				Occupancy	Average Rate	Rev PAR	Occupancy Penetration	ADR Penetration	RevPAR Penetration	Occupancy	Average Rate	Rev PAR	Occupancy Penetration	ADR Penetration	RevPAR Penetration
<b>Primary Competitor</b>	C	100.0%	0	0.0%	\$0.00	\$0.00	0.0%	0.0%	0.0%	0.0%	\$0.00	\$0.00	0.0%	0.0%	0.0%
	94	100.0%	94	47.4%	113.49	54.73	89.7%	110.4%	99.0%	49.4%	117.75	58.13	97.5%	107.1%	104.5%
	110	100.0%	110	39.9%	113.95	43.47	73.3%	108.9%	82.2%	38.8%	125.49	48.73	74.7%	114.1%	87.6%
	50	100.0%	50	46.4%	92.83	43.04	87.8%	88.7%	77.8%	44.2%	98.27	43.43	87.3%	89.4%	78.0%
	96	100.0%	96	51.4%	112.39	57.75	97.4%	107.3%	104.5%	49.2%	118.62	58.40	97.3%	107.9%	105.0%
	148	100.0%	148	43.2%	106.32	45.98	81.7%	101.8%	83.2%	40.2%	113.95	45.77	79.4%	103.7%	82.3%
	38	100.0%	38	49.7%	103.95	51.66	94.7%	99.3%	93.4%	47.9%	104.23	49.93	94.6%	94.8%	89.7%
	339	100.0%	339	64.3%	98.88	63.58	121.7%	94.5%	118.0%	63.3%	103.31	65.40	125.1%	94.0%	117.3%
	40	100.0%	40	54.0%	112.06	60.51	102.2%	107.1%	109.5%	31.0%	118.55	56.75	61.2%	107.5%	66.0%
<b>Primary-Totals and Averages</b>	915		915	52.8%	\$104.66	\$55.29	100.0%	100.0%	100.0%	50.6%	\$109.99	\$55.64	100.0%	100.0%	100.0%
<b>Overall Totals/Averages</b>	915		915	52.8%	\$104.66	\$55.29	100.0%	100.0%	100.0%	50.6%	\$109.99	\$55.64	100.0%	100.0%	100.0%
Total Room Nights Occupied				175,427				169,038				-4.2%			
Percentage Change from Past Year															

Subject's Projected Penetration, Market Share and Occupancy									
	Historical	2018	2019	2020	2021	2022	2023	2024	
<b>Subject Property Fair Share</b>									
Market Room Supply	915	915	985	1,095	1,095	1,095	1,095	1,095	
Subject Property Room Count	0	0	0	100	100	100	100	100	
Fair Share	0.0%	0.0%	0.0%	9.1%	9.1%	9.1%	9.1%	9.1%	
<b>Room Nights Captured by Subject</b>									
<b>Transient Leisure</b>									
Fair Share	0.0%	0.0%	0.0%	9.1%	9.1%	9.1%	9.1%	9.1%	
Penetration Factor	0.0%	58.0%	58.0%	68.0%	80.0%	95.0%	95.0%	95.0%	
Market Share	0.0%	0.0%	0.0%	5.3%	6.2%	6.7%	6.7%	6.7%	
Demand	122,499	128,948	139,758	142,710	147,288	148,787	150,201	151,680	
Market Share	0.0%	0.0%	0.0%	5.8%	6.2%	6.7%	6.7%	6.7%	
Capture	0	0	0	7,559	12,106	12,904	13,031	13,159	
<b>Group SMERF</b>									
Fair Share	0.0%	0.0%	0.0%	9.1%	9.1%	9.1%	9.1%	9.1%	
Penetration Factor	0.0%	316.0%	316.0%	200.0%	200.0%	200.0%	200.0%	200.0%	
Market Share	0.0%	0.0%	0.0%	18.3%	18.3%	18.3%	18.3%	18.3%	
Demand	21,013	21,776	24,147	24,680	25,467	25,692	25,920	26,150	
Market Share	0.0%	0.0%	0.0%	18.3%	18.3%	18.3%	18.3%	18.3%	
Capture	0	0	0	4,504	4,652	4,693	4,734	4,776	
<b>Group Association</b>									
Fair Share	0.0%	0.0%	0.0%	9.1%	9.1%	9.1%	9.1%	9.1%	
Penetration Factor	0.0%	80.0%	80.0%	80.0%	40.0%	40.0%	40.0%	40.0%	
Market Share	0.0%	0.0%	0.0%	7.3%	3.7%	3.7%	3.7%	3.7%	
Demand	16,688	11,077	11,243	11,243	11,243	11,243	11,243	11,243	
Market Share	0.0%	0.0%	0.0%	7.3%	3.7%	3.7%	3.7%	3.7%	
Capture	0	0	0	821	411	411	411	411	
<b>Group Govt and Corp</b>									
Fair Share	0.0%	0.0%	0.0%	9.1%	9.1%	9.1%	9.1%	9.1%	
Penetration Factor	0.0%	171.0%	171.0%	171.0%	80.0%	100.0%	100.0%	100.0%	
Market Share	0.0%	0.0%	0.0%	15.8%	7.3%	9.1%	9.1%	9.1%	
Demand	14,898	15,377	16,608	16,608	16,608	15,808	15,808	15,808	
Market Share	0.0%	0.0%	0.0%	15.8%	7.3%	9.1%	9.1%	9.1%	
Capture	0	0	0	2,437	1,740	1,425	1,425	1,425	
<b>Total Capture</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,322</b>	<b>18,308</b>	<b>18,433</b>	<b>18,601</b>	<b>18,772</b>	
<b>Subject Property Projected Occupancy</b>									
<b>Calendar Years</b>									
Room Nights Captures		0	0	15,322	18,308	18,433	18,601	18,772	
Available Room Nights		0	0	36,500	36,500	36,500	36,500	36,500	
Occupancy		0.0%	0.0%	42.0%	50.2%	50.2%	50.7%	51.2%	
<b>Overall Market Share</b>		<b>0.0%</b>	<b>0.0%</b>	<b>7.9%</b>	<b>6.2%</b>	<b>6.7%</b>	<b>6.7%</b>	<b>6.7%</b>	
<b>Overall Penetration</b>		<b>0.0%</b>	<b>0.0%</b>	<b>80.4%</b>	<b>100.4%</b>	<b>105.7%</b>	<b>105.7%</b>	<b>105.8%</b>	



Historic Penetration by Market Segment							
Transient Leisure							
Property	Average Room Count	Fair Share	Estimated 2016 Occupancy	Market Segmentation	Estimated 2016 Rooms Occupied	Market Share	Penetration Factor
	0	0.0%	0%	0%	0	0.0%	0.0%
	94	10.3%	49%	75%	12,704	10.4%	101.0%
	110	12.0%	39%	50%	7,795	6.4%	52.9%
	50	5.5%	44%	70%	5,645	4.6%	84.3%
	96	10.5%	49%	52%	8,970	7.3%	69.8%
	148	16.2%	40%	67%	14,468	11.8%	73.0%
	38	4.2%	48%	80%	5,315	4.3%	104.5%
	339	37.0%	63%	84%	65,792	53.7%	145.0%
	40	4.4%	31%	40%	1,810	1.5%	33.8%
<b>Totals</b>	<b>915</b>	<b>100.0%</b>	<b>51%</b>		<b>122,499</b>	<b>100.0%</b>	
Group SMERF							
Property	Average Room Count	Fair Share	Estimated 2016 Occupancy	Market Segmentation	Estimated 2016 Rooms Occupied	Market Share	Penetration Factor
	0	0.0%	0%	0%	0	0.0%	0.0%
	94	10.3%	49%	8%	1,412	6.7%	65.4%
	110	12.0%	39%	18%	2,728	13.0%	108.0%
	50	5.5%	44%	21%	1,694	8.1%	147.5%
	96	10.5%	49%	22%	3,726	17.7%	169.0%
	148	16.2%	40%	12%	2,712	12.9%	79.8%
	38	4.2%	48%	10%	664	3.2%	76.1%
	339	37.0%	63%	8%	6,266	29.8%	80.5%
	40	4.4%	31%	40%	1,810	8.6%	197.1%
<b>Totals</b>	<b>915</b>	<b>100.0%</b>	<b>51%</b>		<b>21,013</b>	<b>100.0%</b>	
Group Association							
Property	Average Room Count	Fair Share	Estimated 2016 Occupancy	Market Segmentation	Estimated 2016 Rooms Occupied	Market Share	Penetration Factor
	0	0.0%	0%	0%	0	0.0%	0.0%
	94	10.3%	49%	8%	1,412	13.2%	128.6%
	110	12.0%	39%	18%	2,728	25.5%	212.3%
	50	5.5%	44%	8%	605	5.7%	103.6%
	96	10.5%	49%	10%	1,656	15.5%	147.7%
	148	16.2%	40%	5%	1,085	10.2%	62.8%
	38	4.2%	48%	5%	332	3.1%	74.8%
	339	37.0%	63%	3%	2,644	24.7%	66.8%
	40	4.4%	31%	5%	226	2.1%	48.4%
<b>Totals</b>	<b>915</b>	<b>100.0%</b>	<b>51%</b>		<b>10,688</b>	<b>100.0%</b>	
Group Govt and Corp							
Property	Average Room Count	Fair Share	Estimated 2016 Occupancy	Market Segmentation	Estimated 2016 Rooms Occupied	Market Share	Penetration Factor
	0	0.0%	0%	0%	0	0.0%	0.0%
	94	10.3%	49%	8%	1,412	9.5%	92.6%
	110	12.0%	39%	15%	2,339	15.8%	131.1%
	50	5.5%	44%	2%	121	0.8%	14.9%
	96	10.5%	49%	17%	2,898	19.5%	186.2%
	148	16.2%	40%	16%	3,436	23.2%	143.2%
	38	4.2%	48%	5%	332	2.2%	53.9%
	339	37.0%	63%	5%	3,622	24.4%	65.9%
	40	4.4%	31%	15%	679	4.6%	104.7%
<b>Totals</b>	<b>915</b>	<b>100.0%</b>	<b>51%</b>		<b>14,838</b>	<b>100.0%</b>	
Overall							
Property	Average Room Count	Fair Share	Estimated 2016 Occupancy	Market Segmentation	Estimated 2016 Rooms Occupied	Market Share	Penetration Factor
	0	0.0%	0%	0%	0	0.0%	#DIV/0!
	94	10.3%	49%	100%	16,939	10.0%	97.5%
	110	12.0%	39%	100%	15,590	9.2%	76.7%
	50	5.5%	44%	100%	8,065	4.8%	87.3%
	96	10.5%	49%	100%	17,250	10.2%	97.3%
	148	16.2%	40%	100%	21,700	12.8%	79.4%
	38	4.2%	48%	100%	6,644	3.9%	94.6%
	339	37.0%	63%	100%	78,324	46.3%	125.1%
	40	4.4%	31%	100%	4,526	2.7%	61.2%
<b>Totals</b>	<b>915</b>	<b>100.0%</b>	<b>51%</b>		<b>169,038</b>	<b>100.0%</b>	

	2020	2021	2022	2023	2024	2025
<b><u>Captured Room Nights</u></b>						
Transient Lelsure	7,559	12,106	12,904	13,031	13,159	13,289
Group SMERF	4,504	4,652	4,693	4,734	4,776	4,698
Group Association	821	411	411	411	411	411
Group Govt and Corp	<u>2,437</u>	<u>1,140</u>	<u>1,425</u>	<u>1,425</u>	<u>1,425</u>	<u>1,425</u>
Total	15,322	18,308	19,433	19,601	19,772	19,823
<b><u>Calendar Year Calculations</u></b>						
Occupancy	41.98%	50.16%	53.24%	53.70%	54.17%	54.31%
Rounded Occupancy	42%	50%	53%	54%	54%	54%
Overall Penetration	86.4%	100.4%	105.7%	105.7%	105.8%	105.2%
Fair Share	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%
Market Share	7.9%	9.2%	9.7%	9.7%	9.7%	9.6%
<b><u>Segmentation</u></b>						
Transient Lelsure	49.3%	66.1%	66.4%	66.5%	66.6%	67.0%
Group SMERF	29.4%	25.4%	24.2%	24.2%	24.2%	23.7%
Group Association	5.4%	2.2%	2.1%	2.1%	2.1%	2.1%
Group Govt and Corp	<u>15.9%</u>	<u>6.2%</u>	<u>7.3%</u>	<u>7.3%</u>	<u>7.2%</u>	<u>7.2%</u>
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

5. **Financial Analysis (Pro-Forma):** Similar to our in-house Supply and Demand model, the CHMGs team has an in-house database of lodging comparable data as well as will invest in a STR Host Report and use the CBRE Trends data. The in-house data base of lodging financial performance includes lodging operations in state and national parks. As such the data set more accurately represents the nature of performance of state park lodges. CHMGS will add to this data-base information received from WVDNR financials from the lodges that the private sector currently manages. The financial and investment model includes both projections of revenue and expenses.

Revenue will be estimated based upon the demand build up during the prior phase as well as from an estimate of the Average Daily Rate based upon the market position of the proposed hotel within the subject set. Expenses will be estimated on a departmental basis and will include either per occupied room, per available room or percent of revenue estimates depending on the line item being evaluated. A listing of lodging comparable data will be established that will be evaluated for expense metrics. The comparable data will be evaluated relative to their geographic location, management model, performance similar to that of the proposed hotel and size and scope of operations. Excerpts from CHMGS financial model is presented below as an example of our tools.



DEPARTMENTAL REVENUES	2018	2019	2020	2021	2022
Projected Occupancy	45.00%	50.0%	55.0%	55.0%	55.0%
Projected Average Rate - Inflated Dollars	\$168	\$172	\$177	\$182	\$187
Average Rate (Inflated Dollar) % Change		2.7%	2.7%	2.7%	2.7%
Projected Average Rate - Constant 2015 Dollars	\$155.00	\$155.00	\$155.00	\$155.00	\$155.00
Average Rate (Constant 2015 Dollars) % Change		0.0%	0.0%	0.0%	0.0%
Projected RevPAR	\$75.55	\$86.22	\$97.40	\$100.03	\$102.73
RevPAR % Change		14.1%	13.0%	2.7%	2.7%
Projected Rooms Revenue (\$000)	\$4,137	\$4,720	\$5,332	\$5,476	\$5,624
Food & Beverage Rev - % of Rooms Rev	0.0%	0.0%	0.0%	0.0%	0.0%
Food & Beverage Rev - \$ POR (2015\$)	\$75.00	\$85.00	\$95.00	\$95.00	\$95.00
Projected Food & Beverage Rev (\$000)	\$2,002	\$2,589	\$3,268	\$3,357	\$3,447
% of Total Revenue	29.4%	31.1%	32.4%	32.4%	32.4%
% of Rooms Revenue	48.4%	54.8%	61.3%	61.3%	61.3%
\$ Per Occupied Room	\$81.24	\$94.56	\$108.54	\$111.47	\$114.48
Spa - \$ POR (2015\$)	\$12.50	\$15.00	\$20.00	\$20.00	\$20.00
Projected Spa Revenue (\$000)	\$334	\$457	\$688	\$707	\$726
% of Total Revenue	4.9%	5.5%	6.8%	6.8%	6.8%
\$ Per Occupied Room	\$13.54	\$16.69	\$22.85	\$23.47	\$24.10
Retail - \$ POR (2015\$)	\$2.50	\$5.00	\$7.50	\$7.50	\$7.50
Projected Retail Revenue (\$000)	\$67	\$152	\$258	\$265	\$272
% of Total Revenue	1.0%	1.8%	2.6%	2.6%	2.6%
\$ Per Occupied Room	\$2.71	\$5.56	\$8.57	\$8.80	\$9.04
DEPARTMENTAL EXPENSES	2018	2019	2020	2021	2022
Rooms Exp - % of Rooms Rev	25.1%	25.6%	25.1%	25.1%	25.1%
Rooms Exp - \$ POR (2015\$)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Rooms Exp - Amount (\$000), (2015\$)	\$0	\$0	\$0	\$0	\$0
Total Projected Rooms Expense (\$000)	\$1,080	\$1,208	\$1,339	\$1,375	\$1,412
% of Rooms Revenue	26.1%	25.6%	25.1%	25.1%	25.1%
\$ Per Occupied Room	\$43.82	\$44.15	\$44.45	\$45.65	\$46.88
% Rooms Flow		78%	79%	75%	75%
F&B Exp - % of F&B Rev	74.4%	72.4%	71.4%	71.4%	71.4%
F&B Exp - \$ POR (2015\$)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
F&B Exp - Amount (\$000), (2015\$)	\$0	\$0	\$0	\$0	\$0
Total Projected F&B Expense (\$000)	\$1,489	\$1,874	\$2,334	\$2,397	\$2,461
% of F&B Revenue	74.4%	72.4%	71.4%	71.4%	71.4%
\$ Per Occupied Room	\$60.44	\$68.46	\$77.50	\$79.59	\$81.74
% F&B Flow		34%	32%	29%	29%

In addition to the financial proforma, CHMGS will undertake investment analysis leveraging the updated conceptual construction costs provided to us by GMC. CHMGS will then identify suitable levels of working capital and undertake analysis of investment models with different levels of debt and equity based upon the discussions that have occurred with the USACE, WVDNR and also WVA Economic Development. This will result in the ability to undertake investment returns looking at both Levered and Unlevered Cash on Cash Returns as well as an Levered and Unlevered IRRs.

6. **Prepare Recommendations for Project Execution:** If the numbers appear to be within the range of market acceptability for the investment risks, the project will be considered to have positive financial and investment feasibility. If the returns are below market rates, the project will be considered to have negative financial and investment feasibility. CHMGS will evaluate other options for improving negative financial and investment feasibility should this situation occur (e.g. longer terms, more public sector contribution, smaller development, etc.). Additionally, the project team will identify the most suitable management model (e.g. concession, management contract, lease, other) based upon the capital commitments that are necessary.

### **3. QUALIFICATIONS AND EXPERIENCE**

#### **1.13 LENGTH OF EXPERIENCE IN PROVIDING RELEVANT SERVICES**

CHM Government Services (“CHMGS”) is comprised of seasoned professionals dedicated to advising public sector clients on their hospitality and recreation portfolios. Our firm has been in existence since 2008 and our teams lead professionals (e.g. Managing Director and Sr. Vice President) have over 65 years of consulting experience. As our listing of projects in Section 1.4 illustrates, the CHMGS team has completed a minimum of 42 relevant studies for this engagement and over 150 market, financial and investment studies within the last decade. CHMGS’s Mission Statement identifies our advisory objectives.

***Mission Statement:** To partner with public agencies who are responsible for visitor-based facilities and services to develop and implement sustainable strategies to operate, maintain and improve these hospitality and recreation assets and programs.*

CHM Government Services (“CHMGS”) provides business advisory services to public and quasi-public agencies with hospitality and recreation assets. Our firm’s depth of experience in county, state and federal public land management and hospitality and recreation is unmatched. Clients regard CHMGS as an innovative partner in creating development strategies on public land. The following points highlight CHMGS’s capabilities and experience specific to our abilities to serve as WVDNR’s representative for the Proposed Beech Fork State Lodge and Conference Center Project.

- **CHMGS** has developed time tested approaches and tools for market, financial and investment due diligence, deal structuring, request for proposal development, selection and negotiation, and asset management. Due diligence is a key component of all of work and our tools provide stakeholders flexibility in decision making. Our professionals leverage local stakeholder knowledge and bring national perspectives to our service provision.
- **CHMGS** is an advisory firm that provides independent advisory services. As a non-local advisory firm, with no future development interests, CHMGS professionals provide objective insight to our client’s benefit.
- **CHMGS** has decades of experience in providing advisory support for hotel development in resort environments. Our team possesses extensive experience with, and understanding of, ancillary operations that support and impact resort development success such as golf courses, marinas, and spas facilities. Our team recognizes how important these recreational components are to the overall resort market positioning and overall operational and financial success.
- **CHMGS** nationwide engagements provide insight to resort trends across the country. Additionally, CHMGS’s work on other USACE lakes outside of urban areas, provides insight as to the role of resort and amenity development on meeting visitor needs.
- **CHMGS** has a working relationship with its sister firm CHMWarnick. This working relationship provides CHMGS direct access to evolving private sector brand standards, best management practices, as well as insight as to current trends in deal structuring for resort properties.

WVDNR is interested in understanding the consultants experience in undertaking market and financial feasibility for hotels and conference centers. All CHMGS's projects include market, financial and investment feasibility. However, because our work is with public agencies vs. private developers our profile of projects is different. CHMGS has found that our public-sector clients need more innovation in the process since they have greater constraints. CHMGS designs our "options analysis" processes around the idea that if the initial feasibility does not work, there are other options available that will meet the client's objectives. This allows us to move through feasibility quickly and then spend more time analyzing and developing alternatives should the initial feasibility not work.

CHMGS is aware that most of the other firms you will be receiving RFP responses from will have a long listing of private and quasi-public-sector hotel feasibility studies. This client pool does not match ours and the product offering is not the same. Therefore, our qualifications will not be the same, but our capabilities are equal, if not superior. Provided below are three completed feasibility study examples with references to document our deep experience.

CHMGS has provided a "sample" of the work that was completed for Maricopa County with the express permission of Maricopa County that this document remains an "internal" document. At the end of this section, GMC has included project qualifications and references. They have also included a "sample of their work, with the understanding from the state of Tennessee that it should remain confidential.

**Maricopa County, Arizona  
Market, Financial and Investment Feasibility Analysis**



Maricopa County desired to evaluate the market potential for a proposed resort development on Lake Pleasant, a Bureau of Reclamation lake outside of Phoenix. Maricopa County engaged CHMGS to undertake market, financial and investment analysis to identify the product scoping, and positioning of the proposed resort. CHMGS' analysis included identifying the competitive market for the proposed new facility, identifying market demand generators by segment, market price points and positioning within both the local market.

CHMGS analysis included identifying the proposed market occupancy and average daily rate, hotel concept and facility elements and preliminary costing of the facility. The costing data supported investment analysis to identify if there was an adequate return on proposed investment to attract a private sector developer. CHMGS' analysis identified that there was not an adequate return to support private sector development.

Period of Performance: June 2013 through May 2016

**Reference:**

**Maricopa County Parks and Recreation**  
**POC: R.J. Cardin, Director**  
**Email: [rijardin@mail.maricopa.gov](mailto:rijardin@mail.maricopa.gov)**  
**Phone: 602.506.9506**

**State of Iowa – Honey Creek State Resort Lodge  
Market, Financial and Investment Feasibility Analysis**

Honey Creek State Resort Lodge is located on Rathbun Lake a USACE lake within the Kansas City District, in east-central Iowa. The Department of Natural Resources (DNR) requested that CHMGS undertake market, financial and investment feasibility to assess the market position of their existing resort under new management models. The resort includes a lodge, cottages, a restaurant, a marina, a golf course, a water park, retail, conference and event space, and an interpretive activities center.



Market analysis included identifying the local and regional market for resort and conference centers. CHMGS undertook demand segmentation analysis to identify the proper market position both currently and prospectively. The analysis identified the need for additional amenities to augment the existing profile and confirmation that the current market position was appropriate. Our analysis concluded with positive financial and investment feasibility. CHMGS' deal structuring also assumed both a management as well as concession contract structure. CHMGS' work assisted IDNR in negotiating and awarding a successful management agreement to a national provider of such services.

Period of Performance: June 2010 through May 2016

**Reference:**

**Iowa Department of Natural Resources, Iowa State Parks**

**POC: Todd Coffelt, Bureau Chief**

**Email: [todd.coffelt@idnr.iowa.gov](mailto:todd.coffelt@idnr.iowa.gov)**

**Phone: 515.725.8485**

This work is considered confidential and cannot be released publicly.

**Hocking Hills State Park Hotel Feasibility  
Market and Preliminary Financial Feasibility Analysis**



Ohio Department of Natural Resources (“ODNR”) needed assistance in identifying market demand, scoping and preliminary financial feasibility for a proposed new hotel and conference center development at their signature state park. CHMGS was engaged to identify the market demand for a proposed new hotel development to replace a facility destroyed due to fire.

CHMGS’ work involved identifying the competitive market for the proposed new facility, identifying market demand segments, market price points and positioning within both the local market as well as the state-wide system of resort parks. CHMGS’ analysis included identifying the proposed market occupancy and average daily rate, hotel concept and facility elements and preliminary financial analysis to support development options. CHMGS’ analysis identified that there was adequate market demand for the proposed project.

**Reference:**

**Nick Hall**  
**Business Administrator**  
**Ohio Department of Natural Resources**  
**Division of Parks & Watercraft**  
**614.265.6545**  
[nick.hall@dnr.state.oh.us](mailto:nick.hall@dnr.state.oh.us)

This work is considered confidential and cannot be released publicly.

**1.13.1 EXPERIENCE IN PROVIDING FEASIBILITY STUDIES WITHIN APPALACHIAN REGION**

**USDA Forest Service: Mt. Bike Supply and Demand Analysis, Southern Appalachian Region**



The Southern Region of the USDA Forest Service requested that CHMGS undertake supply and demand analysis regarding Mt. Bike Development within the Southern Appalachian Region. This included evaluating the supply of mountain bike trails within Virginia, South Carolina, North Carolina, Tennessee, Georgia and South Carolina.

CHMGS work involved interviews with local National Forests, State, Local, Non-Profit and other stakeholders within the region regarding proposed demand levels and supply availability to meet the needs. The project included inventorying the supply of Mt. Bike Trails as well as developing an estimate of potential demand for Mt. Biking. The analysis included quantitative penetration analysis as well as qualitative mapping of the inventory and demand. CHMGS analysis is being used by the USDA Forest Service to assist them in developing their state level plans for Mt. Biking.



**Daniel Boone National Forest: Resort Development Market, Financial and Investment Feasibility, Appalachian Region**



CHMGS professionals undertook market, financial and investment feasibility for a proposed resort development on Cave Run Lake to include overnight accommodations, food and beverage, marina and retails operations. The analysis included supply and demand analysis of the resort market in Kentucky and included a review of all Kentucky State Park lodging, cabins and food and beverage operating data and visits to five state resort parks. The study identified that while there was market support for the facilities, however, the development costs and investment requirements would not be attractive to a potential developer. Hence the proposed development was not recommended.

**1.13.2 EXPERIENCE IN PROVIDING LODGING FEASIBILITY STUDIES**

**U.S. Army Corps of Engineers, Conchas Lake, New Mexico: Lodging Market, Financial and Investment Analysis**



The U.S. Army Corps of Engineers needed assistance in determining the most appropriate option for a historic lake lodge as a cultural resource and recreation destination. The Corps wished to determine the market feasibility of continuing to lease the lodge as a lodge, or what other options might exist.

CHMGS conducted a two-part demand analysis: the first assessed the tourism, visitation, recreation, and demographic trends on the lake and in the region; the second was a comparable analysis between the lake and other competitive/comparable lakes in the area. Our analysis determined the type, nature and amount of demand for overnight accommodation on the lake from various demand segments. CHMGS next developed a high-level financial analysis to determine the financial impact of such demand. Our analysis indicated that the level of demand would not be sufficiently profitable to attract an appropriate operator, or to adequately maintain the facility. CHMGS then provided several other alternative options to the Agency for further consideration: these including bundling the lodge with other commercial and visitor services on the lake or renovating the building for an alternative use e.g. an event space.

**Custer State Park Resort, Rapid City, South Dakota: Market, Financial & Investment Feasibility**



CHMGS professionals were engaged to advise South Dakota State Parks (“SDSP”) on a proposed strategy for development of new conference center at Custer State Park. The resort is comprised of four lodges, conference space, food and beverage facilities, retail and extensive recreational activities. CHMGS’s analysis included market and financial analysis to identify the need for the addition of a conference center at the existing location. This analysis involved identifying the local and regional market for

conference facilities within unique resort settings. It also evaluated the type of meeting demand that existed at each of the resort locations to identify the depth of demand for a multi-season conference center operation. CHMGS’s analysis identified that there was not adequate year-round conference center demand but there was an opportunity to expand special event space. As such, the recommendation was to provide an outdoor heated pavilion that would accommodate this unique market segment.

**Tennessee State Parks Statewide Portfolio: Market, Financial and Investment Feasibility**



Tennessee State Parks (“TDEC”) is responsible for a resort portfolio that includes six lodges, nine golf courses, three marinas and eight restaurants. TDEC operates and manages its hotel portfolio which generates top line revenue of approximately \$25 million dollars annually. CHMGS has worked with TDEC as their business advisor over a four-year period supporting the state’s investment and development strategy. CHMGS developed multiple financial and investment deal structures for TDEC including management

contracts, concession contracts and leases. Most recently, CHMGS was selected as the Hospitality Development Asset Manager for two resort hotel new builds and two hotel redevelopments.

In this role, TDEC requested CHMGS provide advisory services regarding the scoping for conference space within each of the properties. This work involved identifying the market position of each of the proposed hotels within their unique competitive market as well as the market position of the resorts within the state resort park competitive market. This two-level analysis identified that a shift in market position was necessary to optimize occupancy at each project and maximize conference center demand within the four properties.

**Idaho State Parks, Market Feasibility for proposed Conference/Event Center**



Idaho State Parks & Recreation engaged CHMGS professionals to support them in their decision-making process regarding construction of a new conference/event center at Thousand Springs State Park. The state's goals were to quantify the market supply and demand for a new conference/event center. CHMGS supported the state in the evaluation of the proposed plans for development. Following this, CHMGS undertook market analysis to identify and quantify the currently existing and potential future demand for the proposed event center venue, as well as the existing competitive and comparable supply in the market. CHMGS was able to define the market drawing area, identify existing, displaced, and induced demand sources, and create a demand build-up for the proposed facility.

**Arkansas State Parks: Lake Chicot Lodge & Environmental Education Center Market, Financial & Investment Feasibility Analysis**



Arkansas State Parks was seeking third party validation of a proposed overnight accommodations as well as an environmental education center at Lake Chicot State Park. Past master planning efforts had identified both facilities as potentially suitable. The State Park system wanted to ensure that the scope and scale of facilities as originally planned were still market supportable. As such, they engaged CHMGS professionals to assist them with their analysis.

CHMGS developed a three-phase project plan for this engagement. The first phase included an assessment of current operations and meetings with community leaders and citizens to ascertain their interests and objectives for the proposed development. The second phase included comprehensive supply and demand analysis including visits to seven sites and desk top analysis for overnight accommodations and environmental education. The demand analysis identified the scope of services and projected occupancy and average daily rate for a proposed lodge. The final phase included briefings to internal stakeholders and the community and a final report regarding future planning decisions.



**Missouri State Parks: Sinking Creek Analysis**



The CHMGS team was brought on by Missouri State Parks to analyze the future feasibility of a campground, cabins, restaurant, and 20-room lodge on an undeveloped site proximate to the Buffalo National River. The project required the CHMGS team to travel throughout Missouri to visit similar State Parks and operations to ascertain the market potential for these new services. Additionally, the CHMGS team was required to analyze the financial feasibility of the operation including various visitor services such as canoe rentals, a camp store, meeting space, and a limited-service grille offering. During the evaluation, CHMGS presented various management strategies to Missouri State Parks including state-operated, concessioner operated, and a management company operated structure. As part of this presentation, CHMGS outlined the specific requirements of each operating structure including capital risk, oversight, and benefits.

CHMGS determined that operation of the facilities through an all-inclusive structure, providing amenities for guests to the lodge and cabins at no fee provided the best financial opportunity for the ongoing operation of the Park. Additionally, CHMGS determined that the use of area and funds to develop the campground was the most valuable use of space and capital within the Park.

**Alaska Native Tribal Health Consortium, Market and Financial Feasibility Lodge and Food Service Market, Financial Feasibility**



The Alaska Native Tribal Health Consortium (ANTHC) engaged CHMGS to assist them with undertaking market and financial analysis to support the development of a new hotel to be located adjacent to their existing hospital in Anchorage, Alaska. ANTHC had developed a preliminary plan for the hotel and food service development but lacked expertise in developing a financial proforma as well as the operation plans for the proposed development. The CHMGS team travel to Anchorage, Alaska to meet with the ANTHC team to understand the goals and objectives for development. These included testing management models of ANTHC management as well as third party management. This required the CHMGS team understand the staffing plans and compensation rates for the ANTHC staff as well as for those of third-party operators. CHMGS developed three financial proformas 1) ANTHC managed 2) Partial ANTHC managed and 3) Full Third-Party Management. CHMGS also assisted in the development of operating and maintenance plans for use in an RFP that was issued. CHMGS supported ANTHC in the selection of a tribal entity to manage both the lodging and the food service elements of the new hotel. The property is open and being managed by an ANTHC employee with contracts with a local tribal entity.

**National Park Service: Market, Financial, Investment Feasibility**

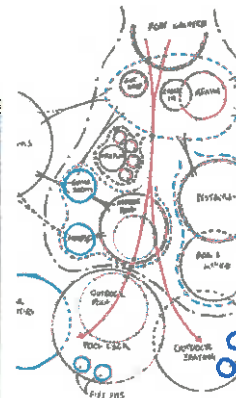


CHMGS undertakes market, financial, investment and facility analysis to support the contract structuring of the Request for Proposal for the NPS's concession program. The land uses evaluated include: overnight accommodations (hotels, lodges, cabins, cottages, campgrounds); food and beverage facilities (snack bars, cafeterias, full service dining, quick service); retail offerings (gift shops, camp stores); marinas, golf courses, outfitter and guide services; and day use activities (picnic, trails). One of our key deliverables is an interactive decision model which combines all business elements. A listing of the over 100 National Parks for which we have undertaken this work is provided below. Those that

involved hotels and conference space are listed in bold.

National Park Listing		
Acadia NP	<b>Glen Canyon NRA (3)</b>	NCR- Belle Haven Marina
Badlands NP	Golden Gate NRA (2)	NCR-Anacostia Marina
Blue Ridge Parkway	<b>Grand Canyon NP (3)</b>	NCR- Langston Golf Course
<b>Canyon de Chelley NP (2)</b>	<b>Grand Teton NP (3)</b>	NCR-Rock Creek Golf Course
Cape Hatteras NS	Haleakala NP	NCR-East Potomac Golf Course
Cape Lookout NS	<b>Hawaii Volcanoes NP</b>	NCR- Hospitality Services
Carlsbad Caverns NP (2)	<b>John D. Rockefeller, Jr MP</b>	NCR-Tourmobile
<b>Death Valley NP (2)</b>	<b>Lake Mead NRA (5)</b>	<b>Olympic NP</b>
Denali NP&P	<b>Mammoth Caves National Park (3)</b>	<b>Petrified Forest</b>
Dry Tortugas NP	<b>Mesa Verde NP (3)</b>	Rocky Mountain NP
<b>Everglades NP</b>	Mount Rainer NP (2)	<b>Shenandoah NP</b>
Fire Island NS	Mount Rushmore NM (3)	Statue of Liberty NM (3)
Fort Sumter NM	Muir Woods NM (2)	Virgin Islands NP
Gateway NRA (4) AM	NCR- Buzzards Point Marina	Voyageurs NP
Glacier Bay NP&P	NCR- Fletchers Boathouse	Whiskeytown NRA
Glacier NP	NCR- Prince William Forest Park	<b>Yellowstone NP (5)</b>

## PARIS LANDING STATE PARK INN REPLACEMENT Paris, TN



The Paris Landing State Park inn Replacement is part of the State of Tennessee's efforts to revitalize its park system. GMC was hired to help identify and enhance the visitor experience at several state parks through facility studies, lodging studies, planning and programming, and development of design guidelines for the entire state park system. The Paris Landing project entails demolishing the existing 155,000-square-foot inn, conference center, restaurant and swimming pools and constructing a new inn and meeting space. The vision for the new facility is that it will become the family room for the park, and to a greater extent the community. The facility will create a place for friends and family, both local and transient, to recreate and celebrate while still meeting the functional needs of Paris Landing State Park visitors. The primary feature of the park is undoubtedly Kentucky Lake, and the activities that it supports. Balancing the creation of views and vistas while meeting the functional needs of families, fishermen, and friends will be the driving force for our design processes. The building will have a waterfront feel reminiscent of the architectural styles of the coastal northeast and great lakes shoreline communities. This coastal style will be blended with rustic and natural elements typically found in traditional state parks to create a unique experience that is inviting, relaxing, light, and open. The new facility will be approximately 102,000 square feet and feature 90 guestrooms, a new restaurant, and meeting space. GMC is providing architecture, civil engineering, geotechnical engineering, construction materials testing, landscape architecture, and interior design services for the project.

### PROJECT DETAILS

SIZE: 102,000 sf

STATUS: 2020

COST: \$28,000,000

OWNER: State of Tennessee

Mr. Ben Dunn  
(615) 812-0807



## TENNESSEE STATE PARKS STATEWIDE PORTFOLIO Multiple Locations



### PROJECT DETAILS

OWNER: State of Tennessee  
Mr. Ben Dunn  
(615) 812-0807

GMC is currently contracted to provide architectural and planning services on an on-call, state-wide basis for the Tennessee Department of Environment and Conservation. Services as a part of this contract include: small project design, project planning and budgeting, building assessments, design guide development services, and other services related to maintenance and improvement of Tennessee State Parks. Sample projects included under this contract include:

- Tennessee State Parks – State Park Design Guidelines. Development of architectural design guidelines for park infrastructure. Guidelines take into consideration long-term goals for Tennessee State Park development
- Paris Landing State Park - Design for the new lodge; Market study and programming for new lodge, conference, food service facilities and campground
- Fall Creek Falls State Park Inn - Market study and programming for new lodge;
- Montgomery Bell State Park - Market study and cost estimate for campground renovations and new yurt campground.
- Henry Horton State Park – Market study and programming for park layout, new restaurant, new visitors center, renovations to inn, renovations to restaurant and renovations to meeting center; Restaurant Structural Repairs and Kitchen Renovation
- Davy Crockett Birthplace State Park - Programming and budget for Visitor's Center Expansion Study and Visitors Center Grant Assistance
- Seven Islands State Park - Modular Bathhouse Building
- Tim's Ford – Pool Deck Structural Analysis and Bathhouse Chase Wall Expansion Feasibility Study
- Norris Dam State Park - Programming and budget for Modular Bathhouse Building and Historic Tea Room ADA Upgrades
- Cumberland Trail – Programming and budgets for Head of Sequatchie Maintenance Area and North Chickamauga Ranger Station
- Natchez Trace Pin Oak Lodge - Inn renovations study and budget; HVAC renovations
- Chickasaw – Restaurant renovations study and budget
- Pickwick Landing – Inn water heating system replacement
- Cumberland Trail – Programming and budgets for Head of Sequatchie Maintenance Area and North Chickamauga Ranger Station
- Johnsonville State Park – Modular restroom building
- South Cumberland State Park – Foister Falls restroom ADA upgrades and renovations
- System-wide picnic shelter design



## HOCKING HILLS STATE PARK LODGE MASTER PLAN Logan, OH



GMC worked with the State of Ohio to develop a preliminary concept for a new lodge at Hocking Hills State park. The facility was planned to be the living room of the park. It will be a space that serves all park visitors and the community as well as the hotel guests. The facility will capture the feel of Hocking Hills State Park to create a sense of place that is unique and identifiable as Hocking. The current vision for the facility includes between 60 and 100 guestrooms, meeting space, and lodge area. The lodge area will capture the feel of the gorge that includes the park's signature feature, recessed caves. GMC developed preliminary plans and concept images along with a project budget to assist in funding the work.

### PROJECT DETAILS

SIZE: 80,000 sq

STATUS: Conceptual

COST: Private

OWNER: Ohio Department of  
Natural Resources  
Samantha Colther:  
614.265.6954



## GRAND HOTEL RESORT & SPA RENOVATIONS Point Clear, AL



GMC was asked to renovate the 405-room Grand Hotel Resort and Spa in Point Clear, Alabama following significant property damage from Hurricane Katrina. GMC had already worked for several years as a trusted partner for the owner on several other hospitality projects. Following the aftermath of Hurricane Katrina GMC was immediately called to perform a damage assessment along with a team of engineers, general contractor and the insurance company so that they could begin work on repairing and renovating the historic coastal resort on the eastern shore of Mobile Bay. Because of its location on the coast the existing structures and site were heavily damaged from the resulting storm surge, and high sustained winds which flooded the buildings, blew out windows, brought down trees, and deposited salt water and sand across the landscape. Work on the resort included the addition of new restaurants along with major repairs, restoration, and upgrades to the guest rooms, European spa, roof, exterior skin, windows, interiors, finishes and fixtures, lagoon, beach, sidewalks, and other major landscaping elements. Improvements to the site resolved circulation conflicts and created a new visitor arrival experience.

### Best Historic Hotel (400+ Guest Rooms Category) Historic Hotels Of America Awards 2013

The landscape design retains the essence of the previous outdoor experience, but now emphasizes sustainable practices with plant materials and sod that is more tolerant to the salt water exposure. The result of losing so many matured plants on the interior portion of the site around the lagoon was an opportunity to replan the landscape for opening new views across the water. The solution was a new landscape theme which created more openness and broader views across the property while maintaining the intimacy and charm of other areas. The resulting renovations were well received and earned the resort a Four Diamond ranking from AAA in 2010 and top honors and recognition from Conde Nast Magazine, Travel & Leisure magazine, Successful Meetings Magazine, Meetings Media, and Meetings and Conventions Magazine.

#### PROJECT DETAILS

SIZE 240,000 SF

STATUS 2010

COST \$32,000,000

OWNER

PCM Hotels & Resorts

Jim Buchanan

334-401-2300

#### AWARDS

Four Diamond Ranking - AAA  
2010

Named Top Golf Resort  
Condé Nast Traveler 2010

Ranked #31 Top 50 Resorts in  
the US And Canada - Travel &  
Leisure 2010

Best of the South Award -  
Meetings South 2010

Top 500 Hotels in the World -  
Travel & Leisure 2010

Ranked #28 Top 100 Spas in the  
US - Condé Nast Traveler 2010

Ranked #15 Top 20 Resorts  
in the South - Condé Nast  
Traveler 2010

Reader's Choice Best Resort  
in the South - Condé Nast  
Traveler 2014

Reader's Choice Best Meeting  
Spa in the South & South's Top  
10 Golf Resorts for Groups -  
Convention South Magazine  
2014

## LAKE GUNTERSVILLE STATE PARK LODGE Lake Guntersville, AL



Goodwyn, Mills and Cawood has been involved with major renovations and upgrades to the 112-room Lake Guntersville State Park Lodge and Campgrounds since 2001. Ongoing renovations, additions, and upgrades were made to the main lodge and grounds to improve their function, aesthetic appeal, and circulation around the site. One of the major additions to the property was a new building which includes the lobby, ballroom/meeting spaces overlooking the lake, concierge desk, business center, and front desk registration. A new spa and fitness center was also added near the renovated zero entry pool and whirlpool to provide guest amenities on par with an upscale commercial resort. This state owned lodge had always been self funded and generated revenue for the state until a tornado hit in 2011.

#### PROJECT DETAILS

SIZE: 132,000 sf

STATUS: Completed 2011

COST: \$25,000,000

OWNER: Alabama Department of Conservation and Natural Resources  
Mr. Gunter Guy Jr.  
334-242-3485

In 2011 Lake Guntersville State Park Lodge was severely damaged by a major tornado outbreak in Alabama which damaged most of the buildings, campgrounds, cabins, and natural beauty of the property. ADCNR immediately contacted GMC once again this time to perform a damage assessment of the park property. Within days of the outbreak, GMC began working with the property management and ADCNR to mitigate further damage to the major structures and roofs and develop a plan for the path to recovery. Since then we have worked to renovate and repair many of the damaged structures and enhance the remaining landscape. Though much of the old growth was destroyed the natural beauty of the park and its location overlooking Lake Guntersville remains an important asset to the Alabama Department of Conservation and Natural Resources and the State.

### 1.14 EXPERIENCE AND QUALIFICATIONS OF STAFF

The CHMGS project team has been developed to provide WVDNR a team of professionals who have a depth of experience in undertaking market, financial and investment analysis for hospitality and recreation assets. The Project Manager for this engagement is **Margaret Bailey**, CHMGS, Sr. Vice President. Ms. Bailey will be responsible for all client project planning, coordination as well as be the lead advisor on all elements of the engagement. She will be supported with Subject Matter Expertise by **Geoff Baeky**, CHMGS Managing Director. The lead analyst on the project will be **Patrick Michaud**, CHMGS Associate, who will directly support Ms. Bailey in the areas of market research, financial and investment analysis and document development. Quality control review of the financial and investment analysis will be conducted by **Carey Stavrevski**, CHMGS Vice President.

CHMGS will be supported by professionals from GMC. The lead project professional from GMC shall be **Patrick Neuber**, Project Manager and he shall receive support from **Andrew Hostetler**, Architect Associate.

### 1.15 ORGANIZATIONAL CHART

Provided below is the current organizational chart of CHM Government Services a small business located in Peabody, MA.



### 1.16 STAFF RESUMES

We have provided a resume for each staff member who would be considered available for this engagement. These resumes included number of years of work experience, professional certifications (if applicable) and educational degree.



**Margaret Bailey**  
**Senior Vice President, CHMGS- Government Services**  
**Project Manager**

Ms. Bailey brings 30 years of hospitality operations and consulting experience to CHMGS, concentrated in advising public sector clients on their hospitality and recreational real estate holdings. Additionally, she has developed strategic policy guidance and implementation support on concessions, pricing and other operational best practices. Visitor-based experience includes lodging, food and beverage, retail, ski areas, campgrounds and day-use activities such as picnic areas, trails and visitor centers. Ms. Bailey is focused on adapting private sector business best practices for public agencies managing visitor services in natural, cultural and historical environments.

**Areas of Expertise**

- Concession Management Operation and Policy
- Strategic Planning and Program Management
- Financial and Market Analysis
- Partnership Analysis
- Marketing and Communication

**Professional Experience**

- CHMGS-Government Services: Senior Vice President, Boston, MA
- PricewaterhouseCoopers LLP: Manager, Boston, MA
- Horwath Landauer: Senior Associate, Boston, MA
- PKF Consulting: Manager, Alexandria, VA
- Hyatt Hotels and Resorts

**Education and Credentials**

- B.S., Hotel & Restaurant Management, California State Polytechnic University, Pomona

**Professional Affiliations and Activities**

- VP Development - Society of Outdoor Recreation Professionals
- Trustees of the Reservation, Business Development Task Force
- Author/contributing expert for park and recreation articles and publications

**Project Lead for CHMGS State Park Business Advisory Services:**

- Project Director responsible for developing and executing business advisory services for State Park agencies including: Arkansas, Arizona, California, Colorado, Delaware, Idaho, Kentucky, Massachusetts, Missouri, New Mexico, Ohio, Oregon, Rhode Island, South Carolina, South Dakota, Tennessee, Vermont and Wyoming.

**US Forest Service Recreation Business Advisory Services:**

- Project Director responsible for two five-year IDIQ's with Forest Service. This engagement has included a full range of business advisory services covering all Recreation, Heritage and Wilderness Program areas. Services have been provided at the District, Forest, Region and National Level.

**National Park Service Concession Program Business Advisory Services:**

- Project Manager for two five-year IDIQ's with the NPS Commercial Services Program. Responsible for managing a multi-disciplinary team of real property engineers, personal property valuation experts, real property appraisers, and market and financial analysts for use in the development of Concessions prospectuses at numerous National Parks. Policy development for small concession contracts and organizational assessment of Concession Program.

**Project Lead for CHMGS Bureau of Land Management Concession IDIQ:**

- Project Director responsible for developing and executing business advisory services for BLM 17 concession assessments nationwide.

**Geoffrey A. Baekey,  
Managing Director, CHMGS Government Services  
Subject Matter Expert**

Mr. Baekey brings over 30 years of experience with both private and public sector hospitality clients with a wide-variety of visitor-based assets, supporting his current role as Managing Director of CHMGS. Mr. Baekey is responsible for the strategic direction and financial performance of the practice, client management, service delivery and quality control. For the past ten years, Mr. Baekey has spearheaded the redesign of key business processes for the National Park Service and United States Air Force Services Headquarters and United States Air Force Air Staff. Other selected public and private sector clients include, United States Fish and Wildlife Service, United States Forest Service, United States Army, Marriott International, Starwood Hotels and Resorts, Palm Restaurant Corporation, Burger King and numerous financial institutions relative to their hospitality and real estate issues. Mr. Baekey also possesses extensive experience in commercial and resort lodging, recreation and food and beverage strategic planning, asset management, business development and operational analysis.

**Areas of Expertise**

- Concession Management, Operation and Policy
- Strategic Planning
- Operational Efficiency Analysis
- Asset Management
- Market Analysis
- Financial Analysis
- Marketing & Communication
- Asset management and monitoring
- Facility Management Planning

**Professional Experience**

- CHM Government Services – Managing Director, Boston, MA
- PricewaterhouseCoopers: Director, Boston, MA
- Horwath Landauer: Managing Director, Boston, MA
- Hospitality Consulting Inc.: Principal, Boston, MA
- Laventhal & Horwath: Manager, Boston, MA
- Associated Inns and Restaurant Company of America: Denver, CO

**Education and Credentials**

- Bachelor of Science in Hotel, Restaurant and Tourism Management, Denver University

**Professional Affiliations and Activities**

- Board Member – Outdoor Recreation Roundtable
- Executive Advisory Board of the Fritz Knoebel School of Hospitality Management, University of Denver
- Testified before the Subcommittee on National Parks, Historic Preservation and Recreation, on National Park business practices - July 2005
- Frequent speaker/presenter at meetings of the National Park Service Concession Advisory Board
- Frequent speaker/presenter at National Parks Hospitality Association (NPHA) events on National Park Service Concessions



**Carey Stavrevski**  
**Vice President, CHM- Government Services**  
**Lead Financial Analyst**

Ms. Stavrevski brings 15 years of consulting experience to CHM Government Services and is focused on devising effective business solutions for complex challenges faced by such public sector clients as the National Park Service, the U.S. Forest Service, the Bureau of Land Management, the Department of Defense, and state and local land management agencies. In addition, Ms. Stavrevski has worked with several U.S. and multi-national private sector hotel investors and operators, convention and visitor bureaus and other tourism-related organizations.

In her capacity as a Vice President, Ms. Stavrevski oversees the development and refinement of CHM Government Services' analytical models. Ms. Stavrevski performs and oversees market, financial and investment analyses for a wide-variety of visitor-based operations. Visitor-based experience includes lodging, food and beverage, marina, retail, equestrian, campgrounds, and day-use activities such as picnic areas, trails, various recreation activities, and visitor centers.

**Areas of Expertise**

- Financial and investment analysis and modeling
- Market research
- Full spectrum of recreation real estate: marina, campground, lodging, food and beverage, visitor centers, trails (including equestrian, off-highway vehicles, mountain bike), etc.
- Project management
- Operational analysis and market positioning

**Education and Credentials**

- Master of Public Administration, Maxwell School of Citizenship and Public Affairs, Syracuse University
- Dual B.A., Policy Studies and Advertising, Syracuse University

**Professional Experience**

- CHM-Government Services: Vice President, Washington, D.C.
- PricewaterhouseCoopers, LLP: Manager, Hospitality & Leisure, Miami, FL
- PricewaterhouseCoopers, LLP: Senior Associate, Public Sector Practice, San Francisco, CA
- Office of Budget Services: Budget Analyst, Broward County, FL

**Professional Affiliations and Activities**

- Urban Land Institute

**National Park Service Concession Program Business Advisory Services:**

- Project Manager for two, five-year IDIQ's with the NPS Commercial Services Program. Responsible for managing a multi-disciplinary team of real property engineers, personal property valuation experts, real property appraisers, and market and financial analysts for use in the development of Concessions prospectuses at National Parks. Policy development for concession contract oversight, training NPS leadership, and real property management.

**Bureau of Land Management Concession IDIQ:**

- Project Manager responsible for developing and executing business advisory services for 13 BLM concession assessments nationwide.

**US Forest Service Recreation Business Advisory Services:**

- Project Analyst responsible providing a full range of business advisory services covering all Recreation, Heritage and Wilderness Program areas. Services have been provided at the District, Forest, Region and National Level.

**Patrick Michaud**  
**Associate, CHM Government Services**  
**Analyst**

Mr. Michaud assists in market research analysis, financial due diligence, prospectus development, and project viability. For approximately two years, Mr. Michaud has been providing support on advisory assignments to public sector clients, including county, state, and federal clients. Prior to working at CHMGS, Mr. Michaud worked as a mergers and acquisitions intern at Anthem Inc. He spent his time there working with the Integration Project Management Office tracking projects and developing an integration “playbook” as a reference for future integration projects. Mr. Michaud also interned with North Star Resource Group, where he was primarily responsible for client relationship management.

**Areas of Expertise**

- Financial Analysis
- Market Analysis
- Investment Analysis
- Data Management

**Professional Experience**

- CHMGS-Government Services-Associate
- Anthem Inc.-Mergers & Acquisitions Intern
- North Star Resource Group-Client Relationship Coordinator

**Education and Credentials**

- Bachelor of Science in Economics & Finance, Bentley University

**National Park Service Concession Program Business Advisory Services:**

- Assisted with market analysis, financial analysis, and business opportunity development for Bryce Canyon, Isle Royale, and Ozarks National River National Park. Land uses include lodging, food and beverage, retail, RV park, and fuel service.

**State Park Advisory Services:**

- Undertook market, financial and investment analysis for the following state parks: Oregon, Rhode Island, Tennessee and Vermont. Undertook development of analysis and reporting tools for Oregon and Tennessee State Parks.

**County and Non Profit:**

- Lead market and financial analyst on engagements for city and counties as well as nonprofit land trusts. Land uses assessed include special event venues as well as full suite of municipal recreation services.



**Patrick Neuber, AIA, NCARB**

*Goodwyn, Mills and Cawood, Inc.  
Project Manager*

**CAREER SUMMARY**

Patrick is a licensed architect with over 12 years' experience managing a diversity of project types, including hospitality, municipal, education, retail and office. He provides master planning, programing, and facility design services for these projects. His experience extends beyond the planning and design side with experience as a project manager for a contractor. He directs projects, with his team, from planning through Owner occupancy. His experience in all areas allows him to keep the details in mind early while still looking at the big picture. He blends his knowledge gained working in a diversity of market segments for different client types to plan, design, and build projects that meet client's unique needs. In addition to practice, he is a published writer and frequent presenter at outdoor recreation conferences, on planning and design for the current and future user groups.

**EDUCATION**

Drury University, Bachelor of Architecture, Minor in Art History, Fine Arts and Global Studies

**PROFESSIONAL LICENSE/ CERTIFICATION**

Registered Professional Architect Construction Specifications Institute (CSI)

**PRESENTER**

"Development and Positioning Park Lodges for the Next Generation of Park Users" 2017 National Association of State Park Directors Conference, Missoula, MT

"What are Your Instagrammable Moments" 2018 National Outdoor Recreation Conference, Burlington, VT

"The Collaborative Approach to Storytelling" 2019 National Outdoor Recreation Conference, Rapid City, SD

**PUBLICATIONS**

Schema Publication

**HIGHLIGHTED PROJECT EXPERIENCE**

**STATE PARK PROJECTS, TENNESSEE DEPARTMENT OF ENVIRONMENT AND CONSERVATION- VARIOUS LOCATIONS THROUGHOUT TN** Project Manager for studies at Fall Creek Falls, Henry Horton, and Paris Landing State Parks to determine feasibility and potential costs for new lodge and/or park facilities; multiple renovations and alterations at various state parks; State Park Design Guidelines.

**PARIS LANDING STATE PARK INN REPLACEMENT - PARIS, TN** Project Manager for the planning and design of the new Inn; Project entails demolishing the existing 155,000 SF Inn, conference center, restaurant and swimming pools and constructing a new Inn and meeting space. The new facility will be approximately 103,000 square feet and feature 90 guestrooms, a new restaurant, bar, and meeting space. GMC is providing funding support, market study, architecture, landscape, interior design, civil engineering, geotechnical, and construction materials testing services for the project.

**HOCKING HILLS STATE PARK INN MASTER PLAN - LOGAN, OH** Project Manager developing the preliminary concept and budget for a new lodge at Hocking Hills State park. The study went through multiple iterations to balance the market data with the Owner's vision. The final result recommended a property with approximately 80 guestrooms, meeting space, bar and restaurant, and multiple amenities both indoor and outdoor. The work was successful in helping to secure funding from legislature.

**AC HOTEL BY MARRIOTT - BRENTWOOD, TN** Project Manager for the 148-room, 90,000 SF hotel which features a restaurant, lounge, 5000-SF conference center and gift shop, as well as a catering prep kitchen, lobby bar, and a rooftop bar. The project blends the feel of a boutique hotel with a select service property that meets the needs for urban travelers. The brand is uniquely designed properties that speak to their surroundings and tell the story of where they are while offering the efficiency of standardized guest rooms.

**HOTEL VANDIVORT - SPRINGFIELD, MO** Project Manager for historic renovation of property on the National Register. The project renovated an existing historic building into new boutique hotel. The project is approximately 50,000 sqft with 50 guestrooms, bar and restaurant, small meeting rooms, and banquet space for 200 people. As PM, Patrick managed various consultants and contractors to meet the requirements of the Owner, budget, and NPS historic.

\*completed with previous employer





**Andrew Hostetler, A.AIA**  
*Goodwyn, Mills and Cawood, Inc.*  
*Architecture Associate*

**CAREER SUMMARY**

Andrew has 7 years of experience in architecture design for new and renovated hotels, conference centers and restaurants. As an associate architect, his tasks throughout the project include internal communication and organization, design, presentations, etc. Over the course of the project Andrew is involved from programming through construction documents and construction administration. Andrew will assist Patrick in external communication as needed.

**EDUCATION**

University of Illinois: Master's of Architecture; Master's of Science in Civil & Environmental Engineering; Construction Management

Ball State University:  
 BS Architecture

**AWARDS**

ALA Merit Award 2015  
 Chicago Award Nominee: Fall 2013 & Spring 2014

**CERTIFICATIONS**

OSHA 30 Hour Certified

**HIGHLIGHTED PROJECT EXPERIENCE**

**STATE PARK PROJECTS, TENNESSEE DEPARTMENT OF ENVIRONMENT AND CONSERVATION:- VARIOUS LOCATIONS THROUGHOUT TN** Project Manager for studies at Fall Creek Falls, Henry Horton, and Paris Landing State Parks to determine feasibility and potential costs for new lodge and/or park facilities; multiple renovations and alterations at various state parks; State Park Design Guidelines.

**PARIS LANDING STATE PARK INN REPLACEMENT - PARIS, TN** Project Manager for the planning and design of the new Inn; Project entails demolishing the existing 155,000 SF Inn, conference center, restaurant and swimming pools and constructing a new Inn and meeting space. The new facility will be approximately 103,000 square feet and feature 80 guestrooms, a new restaurant, bar, and meeting space. GMC is providing funding support, market study, architecture, landscape, interior design, civil engineering, geotechnical, and construction materials testing services for the project.

**HOCKING HILLS STATE PARK INN MASTER PLAN - LOGAN, OH** Associate Architect developing the preliminary concept and budget for a new lodge at Hocking Hills State park. The study went through multiple iterations to balance the market data with the Owner's vision. The final result recommended a property with approximately 80 guestrooms, meeting space, bar and restaurant, and multiple amenities both indoor and outdoor. The work was successful in helping to secure funding from legislature.

**DREAM HOTEL - NASHVILLE, TN** Managed document development from design development into construction for a 12-story, 138,000 SF hotel in the historic district of downtown Nashville. This boutique hotel incorporated a new infill structure between two historic buildings, each undergoing expansive renovation to preserve historic design details. Once completed the more modern 144-room expansion juxtaposed the existing buildings, which feature 25 historic themed rooms. A one-of-a-kind hotel with an impressive number of amenities including a full-service restaurant, three additional bars, two meeting spaces, a music venue, and coffee shop.

**BROWNWOOD HOTEL & SPA- BROWNWOOD, FL** Design quickly progressed with a repeat client on the 150-room, 215,000 square foot facility. Located on the perimeter of the Villages in Florida, this unique hotel was designed and built to have a connection with the Hospital next door and included a level of guest rooms with special amenities for outpatient overnight stays in lieu of expensive hospital stays. Amenities associated with the hospital include 10,000 square feet of ballrooms and banquets, conference rooms, restrooms, fitness center, outdoor pool, 5,000 square foot spa, expansive amenity decks, meditation patio, and a unique bar bridging the exterior and interior amenities.





#### 4. WVDNR FORMS



**DESIGNATED CONTACT:** Vendor appoints the individual identified in this Section as the Contract Administrator and the initial point of contact for matters relating to this Contract.

Geoff Baekey, Managing Director  
(Name, Title)  
Geoff Baekey, Managing Director  
(Printed Name and Title)  
8 ESSEX CTR DRIVE #4 FBABODY, MA 01960  
(Address)  
978 232 3609  
(Phone Number) / (Fax Number)  
gbaekey@chm.gov.com  
(email address)

**CERTIFICATION AND SIGNATURE:** By signing below, or submitting documentation through wvOASIS, I certify that I have reviewed this Solicitation in its entirety; that I understand the requirements, terms and conditions, and other information contained herein; that this bid, offer or proposal constitutes an offer to the State that cannot be unilaterally withdrawn; that the product or service proposed meets the mandatory requirements contained in the Solicitation for that product or service, unless otherwise stated herein; that the Vendor accepts the terms and conditions contained in the Solicitation, unless otherwise stated herein; that I am submitting this bid, offer or proposal for review and consideration; that I am authorized by the vendor to execute and submit this bid, offer, or proposal, or any documents related thereto on vendor's behalf; that I am authorized to bind the vendor in a contractual relationship; and that to the best of my knowledge, the vendor has properly registered with any State agency that may require registration.

CHM Government Services  
(Company)

  
(Authorized Signature) (Representative Name, Title) Geoff Baekey, Managing Director

Geoff Baekey, Managing Director  
(Printed Name and Title of Authorized Representative)

5/13/19  
(Date)

978 232 3609  
(Phone Number) (Fax Number)



ADDENDUM ACKNOWLEDGEMENT FORM  
SOLICITATION NO.: ARFP DNR19\*04

Instructions: Please acknowledge receipt of all addenda issued with this solicitation by completing this addendum acknowledgment form. Check the box next to each addendum received and sign below. Failure to acknowledge addenda may result in bid disqualification.

Acknowledgment: I hereby acknowledge receipt of the following addenda and have made the necessary revisions to my proposal, plans and/or specification, etc.

Addendum Numbers Received:

(Check the box next to each addendum received)

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Addendum No. 1 | <input type="checkbox"/> Addendum No. 6  |
| <input type="checkbox"/> Addendum No. 2            | <input type="checkbox"/> Addendum No. 7  |
| <input type="checkbox"/> Addendum No. 3            | <input type="checkbox"/> Addendum No. 8  |
| <input type="checkbox"/> Addendum No. 4            | <input type="checkbox"/> Addendum No. 9  |
| <input type="checkbox"/> Addendum No. 5            | <input type="checkbox"/> Addendum No. 10 |

I understand that failure to confirm the receipt of addenda may be cause for rejection of this bid. I further understand that any verbal representation made or assumed to be made during any oral discussion held between Vendor's representatives and any state personnel is not binding. Only the information issued in writing and added to the specifications by an official addendum is binding.

CONCESSIONS HOSPITALITY MANAGEMENT GOVERNMENT SERVICES (CHMG)  
Company

[Signature]  
Authorized Signature

5-17-19  
Date

NOTE: This addendum acknowledgement should be submitted with the bid to expedite document processing.







# **Lake Pleasant Resort Development Summary Report**

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**Maricopa County Parks and Recreation  
Department**

**DRAFT - INTERNAL DOCUMENT**

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[www.chmgov.com](http://www.chmgov.com)

July 10, 2015

R.J. Cardin  
Maricopa County Parks and Recreation Department  
41835 N. Castle Hot Springs Rd.  
Morristown, AZ 85342

Dear Mr. Cardin,

We are pleased to present our observations and findings as contained within this report for the market, investment, and financial analyses of a resort development at Lake Pleasant Regional Park. The following report summarizes our fieldwork and analysis.

Our report is subject to the Assumptions and Limiting Conditions stated therein.

It has been a pleasure to be of service to the Maricopa County Parks and Recreation Department. If we may be of further assistance, please do not hesitate to contact us.

Respectfully Submitted,

**DRAFT**

Geoff Baekey  
Managing Director  
CHM Government Services

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## Introduction

### ***Purpose and Scope***

The purpose of this report is to summarize the results of the market, financial, and investment analysis performed by CHM Government Services ("CHMGS") to assist the Maricopa County Parks and Recreation Department ("County" or "Agency") with its internal decision making process in regards to a resort development project at Lake Pleasant Regional Park.

This report was prepared solely for the purpose of the Maricopa County Parks and Recreation Department as set forth in RFP 13014. As such, any party who may receive a copy of this report - - other than Maricopa County -- should not use or rely upon the information set forth in the report for their own purposes nor should they in any way consider such receipt as creating a third-party beneficiary relationship with either the Maricopa County or CHM Government Services.

This analysis provides information that may be contained within a prospectus to be developed to competitively advertise this opportunity. Since it is the intention of the County to competitively bid this opportunity, distribution of this document outside the County could significantly affect the competitive bid process, resulting in probable harm to the County.

### ***Assumptions and Limiting Conditions***

CHMGS ("we") was retained by the Maricopa County Parks and Recreation Department to conduct the referenced analysis.

The Services do not include the provision of legal advice and we make no representations regarding questions of legal interpretation. Client should consult with its attorneys with respect to any legal matters or items that require legal interpretation, under federal, state or other type of law or regulation, changes in the law or in regulations and/or their interpretation that may have taken place after the date that our engagement commenced, or may be retrospective in impact. We accept no responsibility for changes in the law or regulations or their interpretation which may have occurred after the effective date of our engagement.

Client has provided us information relevant to the Services and any reasonable assistance as may be required to properly perform the Services. Client represents and warrants to us that all such information is accurate and complete in all material respects. The overall definition and scope of the work performed, and its adequacy in addressing Client's needs, is Client's responsibility. Client acknowledges that we did not perform any management functions or make any management decisions in connection with the Services. Client is also responsible for the implementation of actions identified in the course of this engagement and results achieved from using any Services or Deliverables.

To the best of our knowledge and belief, the statements of fact contained in this report, upon which the analysis and conclusion(s) expressed are based, are true and correct. In the preparation of this analysis and the report, we have relied on information, estimates, and opinions furnished to us by third-party sources ("Source Information"). We make no warranty or representation as to the accuracy of the Source Information or any information set forth in our report that is based, in whole or in part, on the Source Information.

Our analyses are based on estimates and assumptions developed in connection with the contract to provide these services. Some assumptions, however, inevitably will not materialize, and



unanticipated events and circumstances will occur; therefore, actual findings and results achieved during the period covered by the accompanying analyses will vary from the estimates contained therein and the variations may be material.

Unless otherwise stated, no effort has been made to determine the possible effect, if any, on the estimates contained herein from future federal, state, or local legislation, including any environmental or ecological matters or interpretations thereof.

The analysis contained herein is based on a point-in-time analysis of the market for real estate as well as lodging and other activities in and around Arizona. We take no responsibility for any events, conditions or circumstances that may affect the subject facilities that take place subsequent to the delivery of this report, but recognize that certain events may occur between that time and delivery of the scenario analysis and franchise fee analysis report. The estimates and underlying analyses presented herein are time sensitive, as changing market conditions inevitably will require that this analysis be updated. We believe that the observations and recommendations expressed in this report will remain valid for a period of six months beyond the issue date of this report. Subsequent to that date, the information contained herein is likely not reliable and must be updated to remain valid.

## Executive Summary

### Introduction

CHM Government Services was retained by Maricopa County Parks and Recreation Department to perform an analysis of the market, financial and investment feasibility for a proposed resort located at Lake Pleasant Regional Park. The estimated opening date for the resort has been determined to be January 1, 2018.

### Market and Financial Feasibility Analysis

In order to determine the proper scope and scale of the subject property, it is important to evaluate the performance of the existing resort market. CHMGS spoke with resort operators, the County, local hospitality professionals, and gathered data from various internal and external sources. With an understanding of the current performance of the market, CHMGS added economic and demographic data as well as the historical growth of the region to understand demand levels for this project. The CHMGS analysis indicates that there is market feasibility for the proposed resort development. Specifically, CHMGS has estimated the following occupancy and average daily rate for the proposed facility.

**Exhibit 1** Summary of Occupancy and Rate

	Occupancy	ADR (inflated \$)
2018	45%	\$168
2019	50%	\$172
2020	55%	\$177
2021	55%	\$182
2022	55%	\$187

Source: CHMGS

### Recommended Facilities

The resort market in the Phoenix metropolitan area has been in a recovery from the economic recession and the Phoenix lodging market as a whole has been slow to regain rates. CHMGS determined that the location of the subject site gave the resort a unique attribute that could not be found anywhere else within the Phoenix market. Therefore, CHMGS recommends the following facilities and amenities at an upper upscale to non-luxury resort:

- One three-meal food and beverage outlet
- 4,500 square feet of meeting space
- 600 square foot spa
- Swimming pool and deck
- 750 square foot fitness center
- Small retail space
- 120 guest rooms and 30 casitas
- Appropriate surface parking
- Appropriate back-of-house and circulation space including kitchen, offices, and storage space.

**Revenue, Net Operating Income, and Financial Feasibility**

The following table shows the estimated operating performance of the subject site for the five years of operation. These estimates are based on assumptions regarding resort occupancy, rate, demand for additional amenities, and their associated expenses. The Net Operating Income line is before taxes, depreciation, and interest charges but does include a reserve for personal property replacement. The CHMGS analysis indicates that the proposed resort results in positive financial feasibility.

**Exhibit 2** Summary of Operating Results

Year	Total Revenue	Net Operating Income	Ratio to Revenue
2018	\$6,803,795	(\$219,249)	-3.2%
2019	\$8,312,047	\$420,883	5.1%
2020	\$10,095,385	\$1,181,147	11.7%
2021	\$10,367,961	\$1,109,358	10.7%
2022	\$10,647,896	\$1,032,832	9.7%

Source: CHMGS

**Proposed Development Costs**

The proposed development costs include costs associated with infrastructure, hard and soft facility development costs and personal property required for the development. The chart below outlines the elements of the proposed development costs. These costs have been developed through a combination of sources. The infrastructure costs were developed by Stantec based upon the proposed scope and scale of facilities and research regarding systems that would need to be put in place to service the site. The hard and soft development costs along with personal property estimates were based upon a variety of publicly available hospitality development costing guides as well as data CHMGS has access to from other recently developed projects. These development costs should be considered high level and only order of magnitude. If a proposed development is considered, a detailed facility costing would be required.

**Exhibit 3** High Level Development Costs

Total Development & Infrastructure Costs	
Development	
150 rooms at \$364,425	\$54,664,000
+	
Infrastructure	
Stantec estimate	\$14,678,500
<b>Total Cost</b>	<b>\$69,342,500</b>

Source: CHMGS and Stantec

**Investment Feasibility**

Investment feasibility assesses whether the forecasted cash flows from the proposed project provide for a market based investment return for a developer/investor. CHMGS' analysis indicates that the proposed project does not provide for a positive return on investment. The Exhibit below

illustrates the resulting investment returns on this project based upon an evaluation of the net operating income available to cover total investment costs.

**Exhibit 4 Investor Return Summary**

<b>INVESTMENT RETURNS</b>						
<b>Fiscal Year</b>	<b>0</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Adjusted NOI</b>		<b>(\$219)</b>	<b>\$421</b>	<b>\$1,181</b>	<b>\$1,109</b>	<b>\$1,033</b>
Unlevered Cash-On-Cash Return		-0.3%	0.6%	1.7%	1.6%	1.5%
Asset Management Fee		<b>(\$68)</b>	<b>(\$83)</b>	<b>(\$101)</b>	<b>(\$104)</b>	<b>(\$106)</b>
Net Sales Price						11,676
<b>Unlevered Net Cash Flow</b>	<b>(\$69,887)</b>	<b>(\$287)</b>	<b>\$338</b>	<b>\$1,080</b>	<b>\$1,006</b>	<b>\$12,602</b>
<b>Unlevered IRR</b>	<b>-27.5%</b>					
Senior Loan Balance		\$45,427	\$44,772	\$44,084	\$43,362	\$42,604
Payment		\$2,926	\$2,926	\$2,926	\$2,926	\$2,926
Interest		\$2,271	\$2,239	\$2,204	\$2,168	\$2,130
Principal		\$655	\$688	\$722	\$758	\$796
<b>Cash Flow to Equity</b>		<b>(\$3,214)</b>	<b>(\$2,589)</b>	<b>(\$1,846)</b>	<b>(\$1,921)</b>	<b>(\$2,000)</b>
Levered Cash-On-Cash Return		-13.1%	-10.6%	-7.5%	-7.9%	-8.2%
Equity Contributions for CapEx		\$0	\$0	\$0	\$0	\$0
Equity from Refinancing		\$0	\$0	\$0	\$0	\$0
<b>Net Cash Flow to Equity</b>		<b>(\$3,214)</b>	<b>(\$2,589)</b>	<b>(\$1,846)</b>	<b>(\$1,921)</b>	<b>(\$2,000)</b>
<b>With Disposition</b>	<b>(\$24,461)</b>	<b>(\$3,214)</b>	<b>(\$2,589)</b>	<b>(\$1,846)</b>	<b>(\$1,921)</b>	<b>(\$32,132)</b>
<b>Levered IRR</b>	<b>#NUM!</b>					
<b>Equity Return Multiple</b>	<b>(1.70)</b>					

Source: CHMGS

**Final Report Conclusions**

CHMGS' analysis indicates that while the proposed resort provides a positive market and financial feasibility, the investment feasibility is negative. This is in part due to the imbalance between market factors for occupancy, rate and development costs. CHMGS has run analysis to identify if the market occupancy and average daily rate could be increased to provide for a more favorable investment return. The resulting analysis identified that the occupancy and rate would need to match the luxury resort market, 71 percent occupancy and \$245 rate, in order to earn a 1.2 percent unlevered rate of return. This would still not yield a positive levered rate of return. Resultantly, CHMGS recommends that Maricopa County not consider issuing an RFP for resort development on this parcel at this time.

**Sensitivity**

The existing market occupancy and rate in the Phoenix non-luxury resort market does not support the investment required to develop the proposed project. The market has been showing improvement since the depths of the recession and rising occupancy rates may support greater development costs in the future. CHMGS ran a sensitivity analysis based on 55, 60, and 65 percent occupancy levels in order to determine what levels of development could be supported in the future. Based on this analysis, no development is supportable at a 55 percent occupancy rate. If the estimated \$15 million dollars of site infrastructure costs were covered by a public entity (e.g. Maricopa County, or City of Peoria) at 60 percent occupancy, the project cash flows could support a budget/economy hotel and at 65 percent occupancy, the project could support a midscale development without food and beverage facilities.

DRAFT

## Facility Recommendations

### Description of the Subject Site

The subject site is located at 41835 N. Castle Hot Springs Rd. in Morristown, Maricopa County, Arizona. This site is within Lake Pleasant Regional Park located on Lake Pleasant, approximately 40 miles north of Phoenix, AZ. Visitors can access the area via car along Interstate 17 heading north out of the Phoenix metropolitan area. The nearly 24,000 acre Park is managed by the Maricopa County Parks and Recreation Department under a lease from the Bureau of Reclamation.

#### Exhibit 5 Geographical Representation of Lake Pleasant Regional Park



Source: Google Maps

The most outstanding feature of Lake Pleasant Regional Park is the 10,000 acres of water in Lake Pleasant. The lake was originally created by the Old Waddell Dam in 1927 from the Agua Fria River as an agricultural dam project. The New Waddell Dam was completed in 1994 and holds water as a part of the Central Arizona Project ("CAP"). This project increased the surface area of the lake by approximately three times from roughly 3,500 acres to 10,000 acres. As a part of the holding system along the CAP, the water levels can fluctuate from 60-150 feet throughout the year.

Due to the rugged topography surrounding the lake and conservation efforts, only a limited portion of the landscape is suitable for potential development. The most likely area is on a peninsula located west of the Park Headquarters and south of the Scorpion Bay Marina. The following map provides more details on the proposed development location.

**Exhibit 6** Proposed Development Site

Source: Google Maps

### **Relationship to Demand Generators**

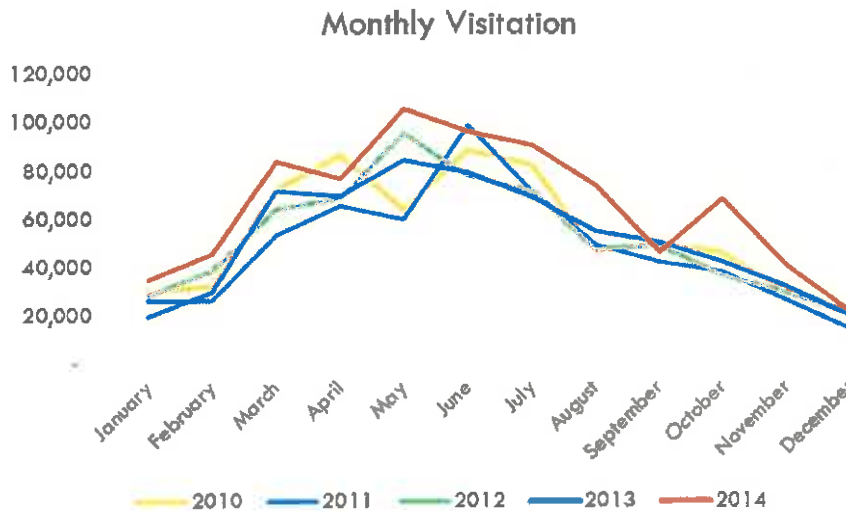
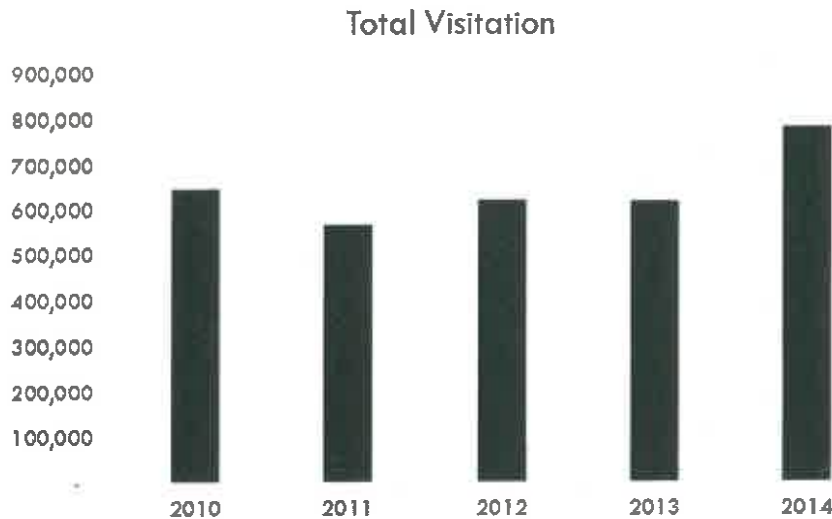
#### **Lake Pleasant Regional Park**

As previously mentioned, Lake Pleasant Regional Park represents the only water-based recreation area within Maricopa County. Park visitors are expected to provide the bulk of the transient demand for the proposed development during the peak visitation periods. The Park hosts a variety of outdoor recreation activities including boating, canoeing/kayaking, sailing, swimming, camping, hiking, fishing, mountain biking, and wildlife viewing. The park includes two boat launches with a total of 14 lanes, restroom facilities, and paved parking for 467 vehicles with trailers at two parking lots. Camping is primarily focused at two campgrounds, Desert Tortoise and Roadrunner, with a combined 148 sites ranging from developed sites with water, electricity, dump station, ramada, picnic table, and barbeque to semi-developed and tent sites, which include a ramada, picnic table, and barbeque grill. The Park also permits primitive shoreline camping depending on water levels.

Due to the proximity to the metropolitan Phoenix area, the water-based activities at Lake Pleasant will act as the primary demand generator for the proposed resort development. The following chart provides historical visitation trends for the Park as provided by Maricopa County.



**Exhibit 7** Lake Pleasant Regional Park Visitation



Source: Maricopa County & CHMGS

As seen above, total visitation to Lake Pleasant Regional Park has been increasing at a compound annual growth rate (“CAGR”) of 4.9 percent over the last five years to 780,000 visitors in 2014. Overall, visitation averaged approximately 645,000 visitors per year over the five years from 2010 through 2014. The majority of the growth came in 2014 as visitation increased to over 700,000 visitors for the first time over the last eight years of available data.

Due to the extreme heat in Arizona, this visitation does not come steadily throughout the year. The second chart in the figure above breaks out visitation for the last five years on a monthly basis. Peak season occurs during the spring and summer months from March through July. Approximately 60 percent of total visitation occurs during these five months. The shoulder season is from August

through October, which accounts for 24 percent of visitation and the off-season is from November through February, which accounts for the remaining 16 percent.

### **Scorpion Bay Marina**

The Scorpion Bay Marina is an existing County concessioner that has been operating since 2009. The marina includes a full service food and beverage outlet "Dillon's Scorpion Bay", 300 covered and uncovered slips, boat and kayak rentals, dry storage, and a convenience store. Dock slips run nearly fully occupied during the summer months, 295 out of 300, but demand drops during the winter to about 85 percent as demand for water activities lessen. Management is currently in the permitting phase to add an additional 94 slips as demand has been increasing post-recession. Under the existing contract, the marina can expand up to 600 slips. Other projects currently under the planning and evaluation phase include new shower and restroom facilities and plans to finish paving the parking lot. Dillon's is currently only open for lunch and its popularity attracts demand year round from Peoria and other local markets.

### **Transient Demand**

Lake Pleasant represents the most proximate recreational water to the Phoenix metropolitan area. Other recreational lakes near phoenix include Apache, Bartlett, Canyon, and Saguaro lakes, all of which are less than 2,500 acres in surface area compared to the 10,000 acres of Lake Pleasant. These other recreational lakes are also at least 40 miles from Phoenix making Lake Pleasant as proximate as the comparable and competitive areas.

The size and scale of Lake Pleasant makes it an attractive option for Phoenixians to access the Lake for a day trip or weekend camping vacation. The lack of overnight lodging accommodations in the area limits visitors' ability to extend their length of stay unless they are camping. Many families do not have access to an RV or wish to tent camp with the entire family. These day trip visitors represent the pool of transient demand for the proposed resort development at Lake Pleasant. The peak visitation periods as described above will flow over to the resort and provide a significant portion of demand during peak visitation periods.

### **Group Demand**

The resort would need to attract group demand from corporate, social, military, education, religious, and fraternal groups during the fall and winter seasons. There would be competition with the Phoenix and Scottsdale resort market to attract corporate and association events due to the number of competitors and their proximity to the Sky Harbor International Airport. The prime location would be advantageous for smaller corporate events and ("SMERF") events including the potential for a unique wedding venue, lakeside, which is not prevalent in the Phoenix market. The proposed resort would include meeting space to accommodate meeting and event demand of area companies, organizations, and individuals.

**Facility Recommendations**

The proposed Lake Pleasant Resort is proposed to be an upper upscale to non-luxury, resort with related facilities and amenities. The concept would be a family-friendly resort that focuses on the environment, sustainability, and getting outdoors through various activities and programs with connections to the Regional Park.

Based on CHMGS' review of the proposed Lake Pleasant Resort plans, CHMGS recommends the subject resort contain the following amenities, which are detailed in the following pages:

- One three-meal food and beverage outlet
- 4,500 square feet of meeting space
- 600 square foot spa
- Swimming pool and deck
- 750 square foot fitness center
- Small retail space
- 120 guest rooms and 30 casitas
- Appropriate surface parking
- Appropriate back-of-house and circulation space including kitchen, offices, and storage space

**Positioning**

The positioning of the subject resort would be upper upscale to non-luxury. This positioning is primarily based on the County's Master Plan. The proposed resort is projected to offer an integrated resort experience including spa, local dining, and outdoor adventure through connections to the Lake Pleasant Regional Park trails and Scorpion Bay Marina. The family-friendly atmosphere, proximate location to Phoenix, and access to the lake would attract families seeking to escape the intense summer heat and looking to get outdoors.

**Guestrooms**

The subject resort would offer 150 guestrooms within the lodge and casitas. Out of the 150 total rooms, CHMGS recommends that 120 be located within the main lodge building. Lodge rooms would consist of 115 standard rooms and five deluxe rooms. The remaining 30 rooms are proposed to be two bedroom casitas that will be separate from the main lodge building. The Casitas provide extra space for families to spread out without having to purchase additional rooms.

**Exhibit 8** Proposed Room Mix

Proposed Lake Pleasant Resort Room Mix			
Location	Room Type	Quantity	Size (sf)
Lodge	Standard	115	375
Lodge	Deluxe	5	500
Casitas	Casitas	30	800
<b>Total</b>		<b>150</b>	

Source: CHMGS

Due to the small size of the resort, 150 rooms, and the preponderance of transient demand coming to the lake during the summer months, the group meeting space would play a secondary role to the transient demand. A greater room count, 400+, would be necessary to attract and compete in the group meeting market.

### Food and Beverage

The proposed subject resort is planned to include a food and beverage program with the following facilities. All food and beverage facilities would be available to resort guests and day visitors to the resort.

- Three-meal full service restaurant
- Banquet/event catering
- Room service

### Meeting and Event Space

Meeting and event space should be designed for multi-purpose uses and wide-ranging flexibility. CHMGS recommends 4,500 square feet of meeting space including a ballroom, boardroom, and multiple breakout rooms. This space would allow for SMERF groups and small corporate groups while allowing flexibility based on group size and event purpose. This space would also provide the ability to promote a wedding catering and reception business that takes advantage of the unique lakeside location.

### Spa and Fitness Center

The proposed resort will not be known as a destination spa resort due to the distance to a local residential area. CHMGS recommends that the resort have a small number of spa facilities available. At a minimum, the spa should include treatment rooms, a couple's treatment room, a manicure pedicure space, locker rooms, a fitness center, and a pool. Although the proposed resort is situated on the water, the variable lake levels prevent the ability to construct a beach and designated swimming area. Therefore, the swimming pool is necessary for the proposed development.

## Other Amenities

The proposed resort is also planned to have the following facilities and amenities:

- Trail connections to the Scorpion Bay Marina. This would provide resort guests with direct access to the Marina including rental boats, dock slips, kayak and stand up paddleboard rentals, and Dillon's restaurant.
- The facility will also have paved parking for 150 guests and visitors.
- Hotel guests will have easy access to all the recreational amenities of Lake Pleasant Regional Park including boat launches, hiking trails, fishing, star gazing, and wildlife viewing.

## Other Recommendations

In addition to the above facilities and recommendations, CHMGS would also recommend that the proposed resort include multi use outdoor courts for tennis and basketball, small-scale golf amenities including a putting and chipping green, and a carefully manicured landscape including gardens and scenic views. Based upon the proximity to horseback riding trails, CHMGS would also suggest consideration of stables to be developed on one of the out parcels. These other recommended facilities, which are considered secondary to the initial resort development, were not included in the estimated development costs.

## Area Review

The subject location is in Maricopa County, Arizona approximately 50 minutes north of the Phoenix Sky Harbor International Airport.

### **Maricopa County**

Maricopa County is located in South Central Arizona and encompasses several major cities such as Phoenix (the county seat and state capital), Mesa, Chandler, Glendale, Scottsdale, Tempe, and Peoria. The U.S. Census Bureau estimated the total population for Maricopa County to be approximately 4.1 million in 2014. This represents 61 percent Arizona's total residential population living within Maricopa County. The population also makes the County the fourth largest County in the United States. Despite its size, the population has grown by 7.1 percent since 2010, above the 5.1 percent growth rate for the state of Arizona and the 3.3 percent growth rate for the nation.

Adjacent counties include La Paz and Yuma to the west, Pima to the south, Pinal to the southeast, Gila to the east, and Yavapai to the north. Maricopa encompasses over 9,200 square miles in land area making it larger than seven states. Of the 9,200 square miles, only 24 square miles are water.

### **Economic and Demographic Indicators**

Maricopa County's population increased by 74,000 from 2013 to 2014. This represents the second largest numeric increase in the country second only to Harris County, Texas (Houston). The Arizona State Demographer's Office projects the population to continue growing at an average annual growth rate of 1.9 percent through 2020. This is on par with the projected increase for the state of Arizona and above the national average of 0.8 percent.

Overall, residents of Maricopa County earn a higher median income, \$53,595, compared the state as a whole, \$49,774, and roughly the same as the national average, \$53,046. The following chart outlines the population and income metrics described above.

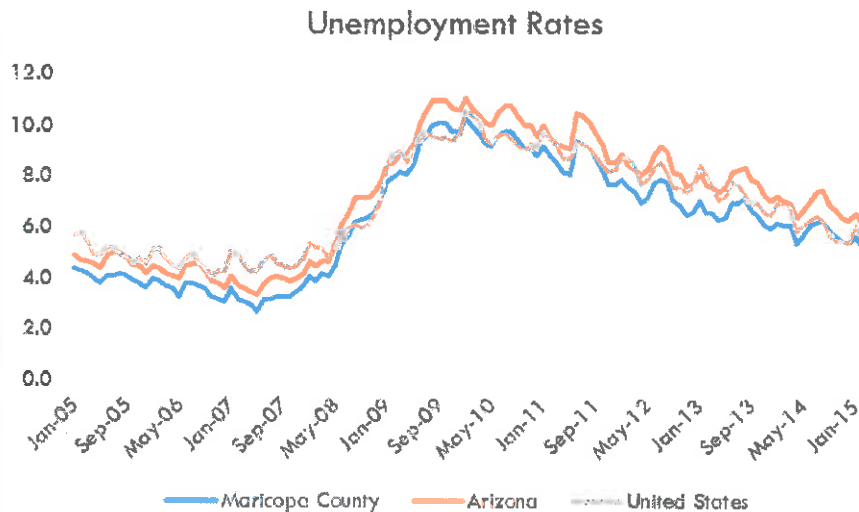
**Exhibit 9** Population and Income Statistics

	2014 Population	2010-2014 Growth	Growth rate through 2020	Median Income
Maricopa County	4,087,191	7.10%	1.90%	\$ 53,595
Arizona	6,731,484	5.30%	1.90%	\$ 49,774
United States	318,857,056	3.30%	0.80%	\$ 53,046

Source: U.S. Census Quick Facts and Arizona State Demographer's Office

The unemployment rate for Maricopa County reached 4.7 percent in March 2015, the lowest rate since the onset of the global recession in May 2009. This is below the statewide unemployment rate of 5.4 percent and the national unemployment rate of 5.6 percent. While unemployment rates have been steadily declining since the peak of the recession in 2010, they have yet to reach pre-recessionary levels at the county, state, and national levels. Generally, the county unemployment rates are consistently below state and national averages.

**Exhibit 10** Unemployment Rates



Source: Federal Reserve Economic Data

According to Bureau of Labor Statistics data, the major employer industries for the Phoenix-Mesa-Glendale metropolitan area are Trade, Transportation, and Utilities, and Professional and Business Services. These include national brands such as Fry's Food and Drug Stores, U.S. Airways, Wal-Mart, and Safeway Inc. Other important industries to the local job market include Education and Health Services, Government, and Leisure and Hospitality.



**Exhibit 11** Employment by Industry

Number of Jobs by Industry		
	March	% of Total
Mining and Logging	3.3	0.2%
Construction	99.6	5.2%
Manufacturing	116.8	6.1%
Trade, Transportation, and Utilities	371.5	19.5%
Information	34.9	1.8%
Financial Activities	165.9	8.7%
Professional and Business Services	313.4	16.4%
Education and Health Services	277.7	14.6%
Leisure and Hospitality	209.2	11.0%
Other Services	69.3	3.6%
Government	243.6	12.8%
<b>Total Nonfarm</b>	<b>1,905.2</b>	<b>100.0%</b>

Source: Bureau of Labor Statistics

### **Transportation**

Lake Pleasant is served by Interstate 17, a north-south-highway connecting Interstate 10 at its southern terminus to Interstate 40 at its northern terminus. Approximately 25 miles north of Phoenix, Interstate 17 intersects with Arizona State Route 74, which runs east-west from Interstate 17 to west to U.S. Route 60. This road primarily serves as a northern bypass to congested portions of Route 60 and as an access road to Lake Pleasant Regional Park. The park is located just three miles off Route 74 via N. Castle Hot Springs Rd. and Lake Pleasant Access Rd. The only way to access the park is by personal vehicle. There are no bus routes to the park and no air capacity.

Air service to the Phoenix metropolitan area is provided by Phoenix Sky Harbor International Airport. Sky Harbor is ranked as one of the top ten busiest airports in the United States with over 42 million passengers, enplanements and deplanements, in 2014. Most major operators provide transportation to Sky Harbor including Delta, American, United, Frontier, and Southwest.

### **Tourism**

Arizona tourism revolves around the natural setting and geographical beauty of the desert landscape and history. The Arizona Office of Tourism divides the state into five distinct regions including Northern, North Central, Phoenix and Central, Tucson and Southern, and the West Coast. The top destinations within the state include Grand Canyon National Park, Monument Valley Navajo Tribal Park, Lake Powell, Hoover Dam, the Painted Desert, and Petrified Forest National Park. All of these attractions are located north of Phoenix and are at least 2.5 hours away from Sky Harbor.

While none of these major attractions is located within Maricopa County, the vast majority of visitors utilize Phoenix as the main travel hub to access the rest of the state. The state estimates that there were 33.8 million domestic overnight visitors in 2013 compared to 33.1 million in 2012. Of these visitors, 83 percent were traveling for leisure in an average group size of 2.9 persons. The average group spent 2.8 nights in Arizona and spent an average of \$668, not including transportation to Arizona.

**Exhibit 12** 2013 Visitor Profiles

2013 Domestic Overnight Visitors	
Domestic Overnight Visitors	33,800,000
Leisure/Business	83%/17%
Non-resident/Resident	72%/28%
Party Size	2.9
Paid Accommodations	71%
Expenditures	\$668
Nights Stayed	3.8
Average Household Income	\$67,000
Average Age	43.9

Source: Arizona Office of Tourism

Maricopa County and the subject site are located in the Phoenix and Central Arizona region. This region is known as a cosmopolitan center with relaxing resorts and award winning golf, restaurants, shopping, and nightlife within the Sonoran Desert. With Phoenix at its heart, the sixth largest U.S. city, this region is rich with Native American spirit and strong pueblo, rancher, minor and visionary roots.

There are four major sports teams located within Phoenix and Glendale competing in football, baseball, basketball, and baseball. In addition to the major sports teams that call Arizona home, Major League Baseball's spring training Cactus League is also based in the Phoenix metropolitan area. This league draws visitors from all over the country as 15 teams compete for a month prior to the start of the regular season.

With more than 300 days of sunshine and no shortage of open spaces, Arizona has over 400 golf courses with varying topography. Visitors can choose from the desert, traditional, and links layouts at over 200 courses within the greater Phoenix area.

The Phoenix-Scottsdale area is also widely known for its numerous resort spas and shopping. Visitors can choose between destination and day spas of various sizes and themes throughout the region. The local resort market is also very busy appealing to a range of visitors from the ultra-luxurious getaways to the family retreats.

Home to 22 American Indian tribes, Arizona is the home to one of the most extensive American Indian artifact collections in the country at the Heard Museum. Phoenix is also home to the largest collection of desert plants at the Desert Botanical garden and the Taliesin West. Home of the Frank Lloyd Wright Foundation. This is in addition to the Phoenix Art Museum, Arizona Science Center, the Musical Instrument Museum and several others.

**City of Peoria**

The city of Peoria is in the northwest corner of Maricopa County and is the proximate city to the subject site. Peoria borders Phoenix to the east, Glendale to the south, and Surprise, Sun City, and Wittmann to the west. The city is approximately 180 square miles making it the sixth largest city in Arizona based on area.

Peoria's population totaled 163,000 in 2013, up from 154,000 in 2010. This represents a growth rate of 5.5 percent compared to just 3.8 percent for the state of Arizona. The city ranks as the 12<sup>th</sup>

fastest growing city or town in Arizona with a CAGR of 1.7 percent over the same period. When looking at the numeric value, the city ranks as the 8<sup>th</sup> fastest growing city/town increasing by 8,200 residents. As the population has been growing, local government officials and business owners noted that the city has been expanding north towards the Lake Pleasant area. The median household income for Peoria is 25 percent higher than the state average at \$62,013 compared to \$49,774.

The city prides itself on being home to the second largest lake in Arizona, Lake Pleasant, where visitors can enjoy water access via two marinas. Other major attractions include the Challenger Space Center, Spring training at the Peoria Sports Complex, and the Peoria Performing Arts Center. There is also shopping and dining at the P83 Entertainment District for a family friendly experience.

## **Market Demand Analysis**

The future performance of the subject site is in part related to the existing supply and demand for similar products within the market area. CHMGS has therefore included a macro level analysis of the Arizona resort market with a broad discussion of the competitive and comparable market.

### ***Market Analysis***

Without precise knowledge of the development, CHMGS evaluated the market in order to determine the most likely size, theme, and lodging tier. The luxury resort market for Phoenix is highly competitive with a heavy focus on golf and spas. In order to differentiate and relate to the existing clientele, the market opportunity is for a smaller, non-luxury resort that emphasizes the lakeside views and family friendly nature of the property's surroundings. Comparable and competitive hotels that fit this description are non-existent in the Phoenix lodging market. There are niche, non-luxury dude ranches, large luxury hotels with spas, pools, and golf courses but no lakeside resorts. The few lakeside-lodging facilities within Arizona, Apache Lake Hotel and Havasu Springs Resort, are not nearly the appropriate theme or rating as the proposed resort.

Without any direct competition for water-based lodging within an hour's drive of Phoenix, there is no direct competitive set to undertake in-depth demand analysis. As such, CHMGS evaluated the smaller niche resorts for themes and size similarities while also relying on overall Phoenix resort market trends in forecasting market demand.

### ***Additions to Supply***

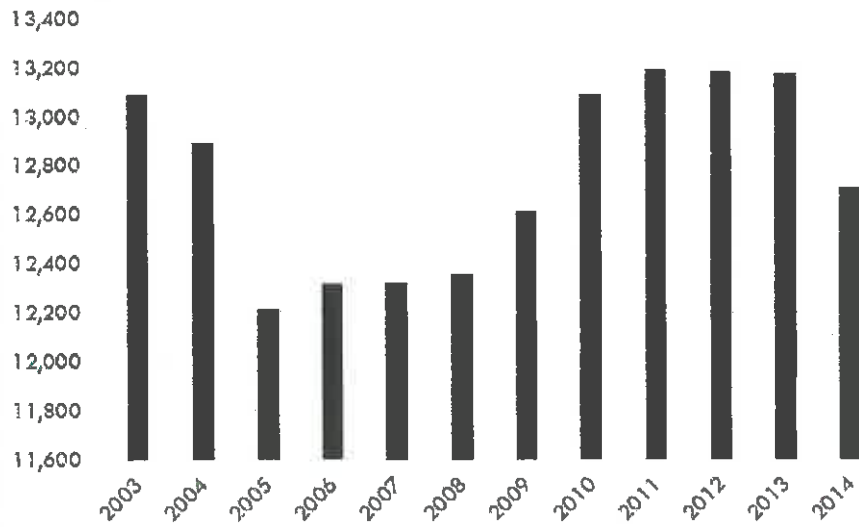
CHMGS contacted the Peoria Economic Development Office to determine if there were any new hotel developments in the planning stage. The office responded that they have been contacted about a single development with plans for a 140-room hotel. The entire project is still pending funding so the City will not know for sure if the development is moving forward until the fall.

Smith Travel Research notes that 63 hotels have opened in the Phoenix metropolitan area since 2007. Of those 63 hotels, 50 opened between 2007 and 2010 and only 11 were full service. In fact, total available rooms in the Phoenix metro market actually declined in 2014 as seen in the chart below. The lack of resort development is an indicator that the resort market is efficiently meeting the existing demand in the area.

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**Exhibit 13** Metropolitan Phoenix Resort Market Total Available Rooms

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Source: CHMWarnick and STR

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**Hotel Rooms Demand**

Demand for lodging can be observed by looking at occupancy rates for the type of accommodation and the specific region of the subject site. Smith Travel Research also tracks these metric for the Phoenix luxury and non-luxury resort markets. As the chart below displays, the Phoenix resort market has been on a steady climb out of the recession since 2009. Occupancy levels have reached pre recessionary levels but not the highs seen in 2005 and 2006. The depths of the most recent recession and overall pace of the macro U.S. economy have left many developers seeking safer investments or hotter markets such as New York, San Francisco, and Miami.

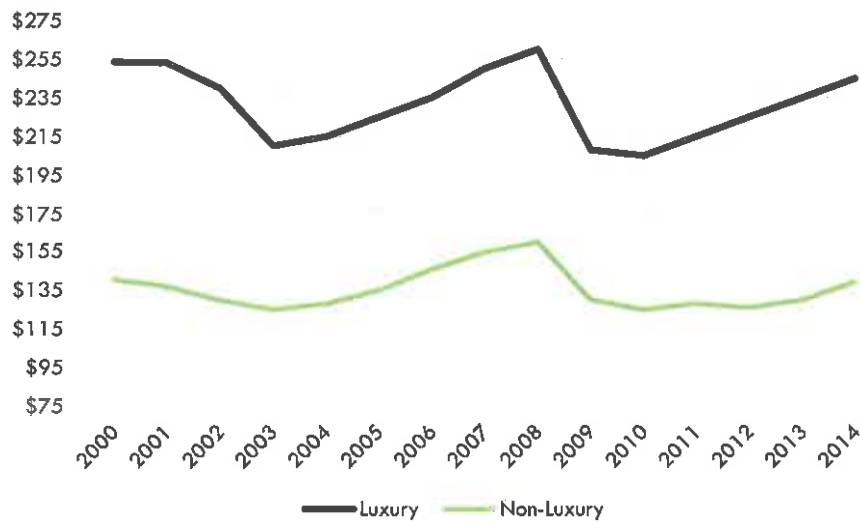
**Exhibit 14** Metropolitan Phoenix Luxury and Non-Luxury Occupancy Rates



Source: CHMWarnick and STR

Another important factor to determine the resort market performance is the average daily rate (“ADR”). This number is calculated by taking rooms revenue and dividing it by the total number of rooms sold. ADR should be reviewed alongside occupancy in order to determine how rates have influenced the number of visitors staying at a property. As seen below, the Phoenix resort market has been improving since the recession but has failed to generate any substantial rate increases over the last 15 years. This lack of growth in rates is a major concern for the market. Market factors are such that rate increases cannot occur without losing occupancy.

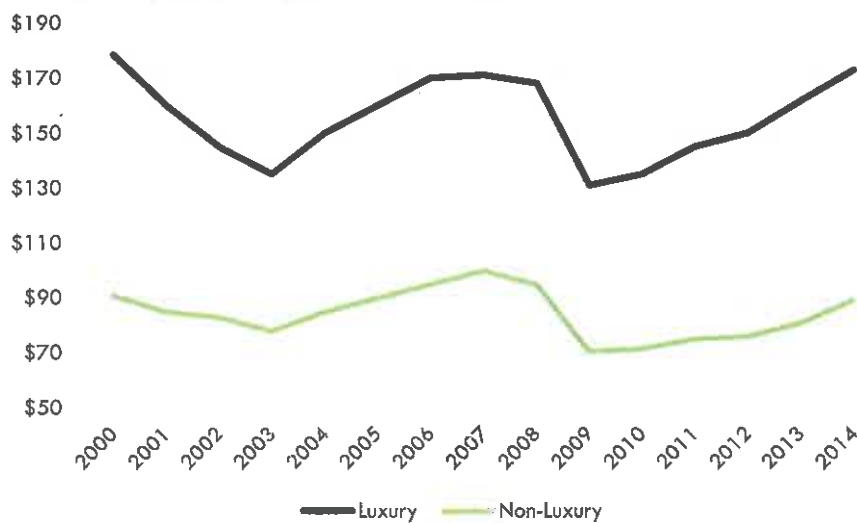
**Exhibit 15** Metropolitan Phoenix Luxury and Non-Luxury ADR



Source: CHMWarnick and STR

General Managers are constantly trying to adjust rates to bring guests into their property and maximize revenue. The hotel industry has actually combined these metrics into a single metric called revenue per available room (“RevPAR”). This is calculated as occupancy multiplied by ADR. This single metric combines both occupancy and average daily rate into one number that can be used to evaluate a market. The following graph shows the RevPAR for the Phoenix resort market over the same period as above.

**Exhibit 16** Metropolitan Phoenix Luxury and Non-Luxury RevPAR

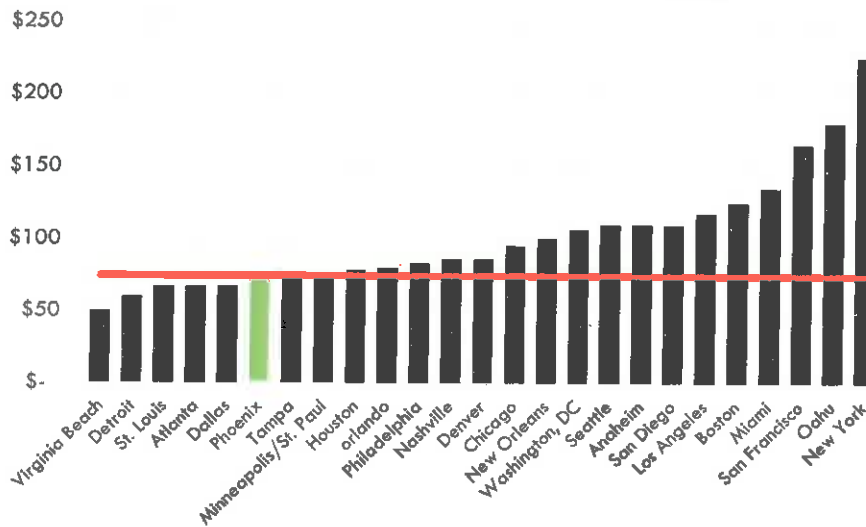


Source: CHMWarnick and STR



Overall, the Phoenix resort market has been improving at a steady pace since the recession. Occupancy, ADR, and RevPAR have all gained but have not reached pre-recession peaks. The Phoenix market is one of only four top-25 markets that have not recovered to pre-recession peak RevPAR levels. The chart below shows 2014 Phoenix RevPAR compared to the top 25 markets in the U.S. for comparison. The Phoenix market is still trying to absorb the last round of new supply and the industry remains worried about the low rate growth affecting profits. Brands are currently more focused on spending capital expenditure dollars on renovations and competitive positioning than building new and costly resorts. From an overall market perspective, Phoenix would be considered a low priority for new resort development.

**Exhibit 17** 2014 RevPAR for Top 25 U.S. Markets



Source: CHMWarnick and STR

## Estimated Annual Operating Performance

### Estimated Occupancy and Average Daily Rate Performance of Proposed Resort

To prepare estimates of future operating results for the subject property, CHMGS has assumed the results that could be achieved with proper management in a stabilized market. In developing its forecast for demand, CHMGS evaluated the performance of the competitive and comparable market metrics. These are outlined in the exhibit below.

**Exhibit 18** Metrics for Relevant Competitive and Comparable Resort Properties

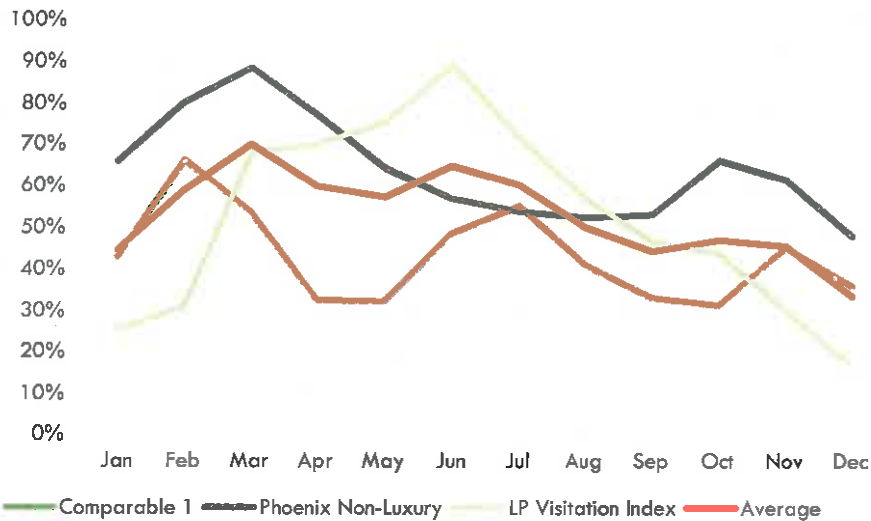
Segment	Name	Location	Size	Occupancy	ADR	Group	Transient
Luxury	Resort Market	Phoenix, AZ	12,704	71%	\$245		
Non-Luxury	Resort Market	Phoenix, AZ	12,704	64%	\$139		
Lake	Havasu Springs	Parker, AZ	34				
	Glen Canyon	Page, AZ	346				
	Honey Creek	Moravia, IA	133				
	<b>Weighted Average</b>		<b>513</b>	<b>44%</b>	<b>\$130</b>	<b>46%</b>	<b>54%</b>
Niche	Rancho De Los Caballeros	Wickenburg, AZ	79				
	Tanque Verde	Tuscon, AZ	69				
	Gold Canyon Golf Resort	Gold Canyon, AZ	85				
	<b>Weighted Average</b>		<b>233</b>	<b>51%</b>	<b>\$181</b>	<b>16%</b>	<b>84%</b>

Source: CHMWarnick, CHMGS, STR, Various Interviews

In order to project demand for the proposed resort at Lake Pleasant, CHMGS narrowed down the available information from the previously described comparable sources and Phoenix resort market trends as cited by Smith Travel Research. The typical Phoenix lodging seasonality peaks in the early spring and late fall and enters a trough during the summer months. The major cause for this seasonality is the extreme summer heat in Arizona where the average high temperature is over 100 degrees from June through August.

Lake Pleasant Regional Park experiences a peak season that begins in the early spring and extends through June. The off-season at the park is late fall through the winter months. In order to combine these different elements, CHMGS created an index of the Lake Pleasant Regional Park visitation statistics utilizing the greatest visitation number over the last five years as a maximum. This allows for comparability between occupancy and visitation. The following graph shows the three sources of CHMGS' occupancy estimates.

**Exhibit 19** Occupancy Build Up

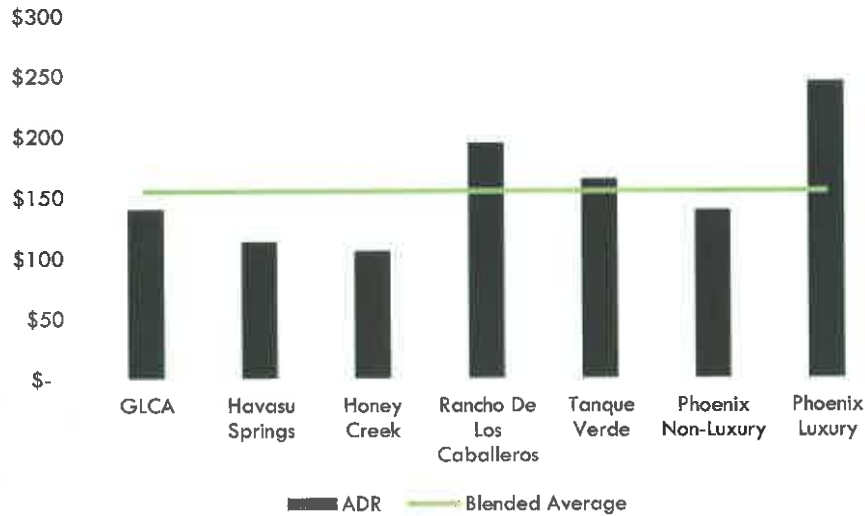


Source: CHMWarnick, STR, CHMGS

Based on the information above, CHMGS determined that the occupancy at the proposed site would build up to an annualized rate of 55 percent. This is below the non-luxury market occupancy but above the regional comparable lakeside resort. This annualized occupancy of 55% occurs during the third year of operations providing adequate time for the property to establish itself, deliver an effective marketing program, and smooth out operations. While there is significant demand during the spring and summer months, the resort will have to work diligently to generate group demand during the off-season with stiff competition from the Phoenix resort market that offers a variety of products closer to a metropolitan area.

Based on the average daily rates achieved by the comparable set and interviews with the market, CHMGS used a blended average of lodge ADR and Casita ADR to come to a 2015 average daily rate of \$155 for the subject site. The following chart shows the ADR achieved by a subset of the comparable set. The mixed ADR was determined by taking the weighted average of standard lodge room rates and the casita room rates.

**Exhibit 20 ADR Determination**



Source: CHMWarnick, STR, CHMGS

The standard room rate is set at \$135 per night while the casitas run at \$235 per night, in 2015 dollars. The standard room rate is determined by the comparable set while the increased rate for the casitas are based on markups seen at other comparable, fieldwork interviews, and a review of local Airbnb and VRBO results.

**Estimated Annual Operating Performance**

**Comparable Financials**

In developing its financial projections for the future operating performance of the proposed hotel, CHMGS has used information on the operating performance from 10 different sources including seven resort properties and three compilations of resort properties. The sources range from national averages as compiled by PKF Consulting's *Trends in the Hospitality Industry Report*, a Custom HOST report from Smith Travel Research on a hand-selected combination of four Phoenix resort properties, internal databases from CHMGS and CHMWarnick, and information obtained during site visit interviews. A summary of information gained from the site visit is shown in the Exhibit 19. Information on the comparable hotels is provided below.

- A 159-room resort located in Coconut Grove, Florida. The resort has a rooftop pool, over 15,000 s.f. of group meeting space, and a 4,500 s.f. spa. Guests have access to a single upscale three-meal restaurant and bar lounge on site.
- A 214-room lodge and spa resort is located in the Florida Keys in Islamorada, FL. The property has 1,200 ft. of beachfront in addition to a Jack Nicklaus designed par-3 golf course, 4,600 s.f. of group meeting space, a seven-treatment room spa with fitness center and pool, and three restaurants ranging from fine dining to family casual.
- A resort and spa located in Santa Fe, NM. This 157-room resort has 4,500 s.f. of meeting space, two restaurants including an upscale and family casual option plus a bar/lounge, and a spa with four massage rooms, two facial rooms and a fitness center.

- A resort located in Moravia, IA. The resort has 105 rooms plus 28 cottages, an 18-hole golf course, nearly 10,000 s.f. of meeting space, an indoor water park, one three meal family casual restaurant, and boat rentals.
- A resort located in Havasu Springs offering 34 rooms, access to one family casual restaurant and bar. Also onsite are an RV park, marina, and water rentals.
- A proposed lakeside development in Upstate New York. This proposed resort includes 130 rooms, three food and beverage outlets, 9,500 s.f. of group meeting space, 10 to 11 treatment room spa with pool, fitness center, skating pond, and access to several hiking trails.
- Other comparable lakeside resorts in New England, These hotels are located in New York and Vermont and range in size from 114 rooms to 226 rooms. All resorts include food and beverage services, fitness centers, spas, and golf amenities.
- A 242 room hotel located in Chandler, AZ. The data available is only for the hotel portion of the development without the casino, food and beverage, and retail aspects that exist on site.
- PKF Resort Trends (national average): This information comes from PKF Consulting in their annual review of hotels in the U.S. based on operating and financial data. The data comes from voluntary contributions from the properties. For the purpose of this analysis, CHMGS utilized the Resort Hotels market mix.
- Custom HOST STR Report: Smith Travel Research collects and organizes operating and financial data from participating hotels across the country. CHMGS requested a custom report that provides the average financial operating performance across a select group of hotels. For the purpose of this analysis and based on the participating properties, CHMGS requested a report that includes the Kimpton Fire Sky Resort and Spa, Marriot Scottsdale Suites Old Town, Marriott Scottsdale at McDowell Mountain, Omni Scottsdale Resort and Spa at Montelucia, and the Westin Downtown Phoenix.

The following chart will show the operating performance for these hotels and averages as a percent of revenue and on a per room basis. Each property is labeled under a unique identifier to protect confidential information.

**Exhibit 21 Financial Comparables**

Property Name	Hotel A	Hotel B	Hotel C	Hotel D
Number of Rooms	159	213	157	105
ADR	\$149	\$326	\$211	\$106
Occupancy %	66.7%	57.2%	61.4%	49.8%

	Hotel A		Hotel B		Hotel C		Hotel D	
	Ratio	Per Room	Ratio	Per Room	Ratio	Per Room	Ratio	Per Room
<b>REVENUES</b>								
Rooms	27.5%	\$36,189	33.2%	\$67,636	59.8%	\$46,352	52.7%	\$30,590
Food & Beverage	5.1%	\$6,717	11.8%	\$24,007	29.9%	\$23,180	29.6%	\$17,163
Telephone	0.0%	\$0	0.0%	\$0	0.0%	\$23	0.0%	\$0
Minor Operated	6.4%	\$8,497	5.9%	\$11,995	0.0%	\$0	0.0%	\$0
Golf Course	28.4%	\$37,434	4.0%	\$8,191	0.0%	\$0	11.4%	\$6,644
Spa	19.0%	\$24,969	27.6%	\$56,197	7.4%	\$5,717	0.0%	\$0
Gift Shop/retail	8.5%	\$11,220	5.6%	\$11,439	0.0%	\$0	1.0%	\$558
Rental & Other	0.4%	\$566	2.4%	\$4,838	0.0%	\$0	0.0%	\$0
Other	4.7%	\$6,151	9.4%	\$19,169	2.9%	\$2,252	5.3%	\$3,102
<b>TOTAL</b>	<b>100.0%</b>	<b>\$131,742</b>	<b>100.0%</b>	<b>\$203,473</b>	<b>100.0%</b>	<b>\$77,524</b>	<b>100.0%</b>	<b>\$58,057</b>
<b>Departmental Expenses</b>								
Rooms	13.9%	\$5,019	14.6%	\$9,862	30.5%	\$14,127	30.5%	\$5,751
Food & Beverage	0.0%	\$0	0.0%	\$0	89.0%	\$20,639	87.4%	\$15,004
Telephone	0.0%	\$0	0.0%	\$0	1017.0%	\$231	0.0%	\$541
Minor Operated	409.4%	\$34,786	5.5%	\$664	0.0%	\$0	0.0%	\$0
Golf Course	14.1%	\$5,264	105.7%	\$8,655	0.0%	\$0	103.1%	\$6,850
Spa	17.8%	\$4,447	7.9%	\$4,422	79.4%	\$4,541	0.0%	\$0
Gift Shop	125.3%	\$14,063	422.4%	\$48,320	0.0%	\$0	95.6%	\$534
Other	38.5%	\$2,585	33.6%	\$8,078	32.0%	\$720	0.0%	\$0
<b>TOTAL</b>	<b>50.2%</b>	<b>\$66,164</b>	<b>39.3%</b>	<b>\$80,001</b>	<b>51.9%</b>	<b>\$40,257</b>	<b>54.6%</b>	<b>\$31,708</b>
<b>UNDISTRIBUTED EXPENSES</b>								
Administrative & General	2.0%	\$2,648	0.0%	\$0	11.7%	\$9,079	9.7%	\$5,654
Sales & Marketing	4.6%	\$6,063	17.3%	\$35,110	7.1%	\$5,481	10.3%	\$5,974
Utilities	2.6%	\$3,415	14.0%	\$28,412	3.8%	\$2,939	6.8%	\$3,972
Property Operations & Maint.	0.0%	\$0	0.0%	\$0	5.5%	\$4,258	6.4%	\$3,688
<b>TOTAL</b>	<b>9.2%</b>	<b>\$12,126</b>	<b>31.2%</b>	<b>\$63,521</b>	<b>28.1%</b>	<b>\$21,757</b>	<b>33.2%</b>	<b>\$19,288</b>
<b>FIXED EXPENSES</b>								
Base Management Fee	0.0%	\$0	0.0%	\$0	2.7%	\$2,087	3.6%	\$2,113
Property Taxes	0.0%	\$0	0.0%	\$0	2.2%	\$1,722	0.0%	\$0
Property Insurance	0.1%	\$69	0.0%	\$0	0.9%	\$681	3.6%	\$2,082
Reserve for Replacement	0.6%	\$752	0.3%	\$556	4.0%	\$3,101	0.0%	\$0
Equipment Leases and Other	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0
Ground Lease	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0
<b>TOTAL</b>	<b>0.6%</b>	<b>\$845</b>	<b>0.3%</b>	<b>\$556</b>	<b>9.8%</b>	<b>\$7,591</b>	<b>7.2%</b>	<b>\$4,195</b>
<b>EBITDA</b>	<b>39.9%</b>	<b>\$52,608</b>	<b>29.2%</b>	<b>\$59,394</b>	<b>10.2%</b>	<b>\$7,918</b>	<b>4.9%</b>	<b>\$2,867</b>



Property Name	Hotel E	PKF Resort Trends	Hotel G	Hotel H
Number of Rooms	34	460	130	
ADR	\$102	\$222	\$300	
Occupancy %	44.6%	69.3%	65.0%	

	Hotel E		Hotel F		Hotel G		Hotel H	
REVENUES	Ratio	Per Room	Ratio	Per Room	Ratio	Per Room	Ratio	Per Room
Rooms	48.7%	\$93,783	53.3%	N/A	42.0%	\$70,846	45.4%	N/A
Food & Beverage	20.5%	\$39,588	34.9%	N/A	32.7%	\$55,223	34.8%	N/A
Telephone	0.0%	\$0	0.0%	N/A	0.0%	\$0	0.0%	N/A
Minor Operated	0.0%	\$0	0.0%	N/A	5.7%	\$9,662	4.9%	N/A
Golf Course	0.6%	\$1,069	0.0%	N/A	0.0%	\$0	0.0%	N/A
Spa	0.0%	\$0	0.0%	N/A	14.7%	\$24,762	8.8%	N/A
Gift Shop/retail	8.3%	\$15,971	0.0%	N/A	2.1%	\$3,546	2.1%	N/A
Rental & Other	11.6%	\$22,328	2.1%	N/A	1.4%	\$2,362	1.3%	N/A
Other	10.3%	\$19,918	9.7%	N/A	1.4%	\$2,362	2.7%	N/A
<b>TOTAL</b>	<b>100.0%</b>	<b>\$192,657</b>	<b>100.0%</b>	<b>N/A</b>	<b>100.0%</b>	<b>\$168,762</b>	<b>100.0%</b>	<b>N/A</b>
<b>Departmental Expenses</b>								
Rooms	0.0%	\$0	26.2%	N/A	24.0%	\$17,000	25.2%	N/A
Food & Beverage	0.0%	\$0	70.8%	N/A	72.0%	\$39,762	72.4%	N/A
Telephone	0.0%	\$0	0.0%	N/A	0.0%	\$0	0.0%	N/A
Minor Operated	0.0%	\$0	0.0%	N/A	85.0%	\$8,208	91.0%	N/A
Golf Course	0.0%	\$0	0.0%	N/A	0.0%	\$0	0.0%	N/A
Spa	0.0%	\$0	0.0%	N/A	72.0%	\$17,823	71.2%	N/A
Gift Shop	0.0%	\$0	0.0%	N/A	49.9%	\$1,769	55.0%	N/A
Other	0.0%	\$0	73.7%	N/A	100.0%	\$2,362	124.5%	N/A
<b>TOTAL</b>	<b>62.4%</b>	<b>\$120,260</b>	<b>45.9%</b>	<b>N/A</b>	<b>51.5%</b>	<b>\$86,923</b>	<b>51.9%</b>	<b>N/A</b>
<b>UNDISTRIBUTED EXPENSES</b>								
Administrative & General	5.6%	\$9,987	7.6%	N/A	9.3%	\$15,715	10.3%	N/A
Sales & Marketing	0.5%	\$868	6.6%	N/A	5.0%	\$8,500	6.1%	N/A
Utilities	4.7%	\$8,397	3.8%	N/A	3.3%	\$5,500	3.8%	N/A
Property Operations & Maint.	7.9%	\$14,183	4.5%	N/A	5.0%	\$8,500	6.2%	N/A
<b>TOTAL</b>	<b>18.6%</b>	<b>\$33,435</b>	<b>22.6%</b>	<b>N/A</b>	<b>22.6%</b>	<b>\$38,215</b>	<b>26.3%</b>	<b>N/A</b>
<b>FIXED EXPENSES</b>								
Base Management Fee	0.0%	\$0	2.7%	N/A	3.0%	\$5,062	2.2%	N/A
Property Taxes	0.1%	\$200	2.5%	N/A	1.4%	\$2,400	1.3%	N/A
Property Insurance	3.2%	\$6,075	1.3%	N/A	1.2%	\$2,000	1.2%	N/A
Reserve for Replacement	0.0%	\$0	0.0%	N/A	4.0%	\$6,754	0.4%	N/A
Equipment Leases and Other	0.0%	\$0	0.0%	N/A	0.0%	\$0	0.1%	N/A
Ground Lease	3.5%	\$6,754	0.0%	N/A	0.0%	\$0	0.0%	N/A
<b>TOTAL</b>	<b>6.8%</b>	<b>\$13,028</b>	<b>6.5%</b>	<b>N/A</b>	<b>9.6%</b>	<b>\$16,215</b>	<b>5.2%</b>	<b>N/A</b>
<b>EBITDA</b>	<b>13.5%</b>	<b>\$25,934</b>	<b>25.0%</b>	<b>N/A</b>	<b>16.2%</b>	<b>\$27,408</b>	<b>16.8%</b>	<b>N/A</b>

Property Name	Hotel I	HOST Report	Average
Number of Rooms	241	1,248	305
ADR	\$147	\$179	\$194
Occupancy %	78.0%	70.5%	62.5%

REVENUES	Hotel I		Hotel J		Average	
	Ratio	Per Room	Ratio	Per Room	Ratio	Per Room
Rooms	85.8%	\$41,916	54.1%	N/A	50.2%	\$55,330
Food & Beverage	0.0%	\$0	34.9%	N/A	23.4%	\$23,697
Telephone	2.7%	\$1,320	0.0%	N/A	0.3%	\$192
Minor Operated	0.0%	\$0	0.0%	N/A	2.3%	\$4,308
Golf Course	0.0%	\$0	0.0%	N/A	4.4%	\$7,620
Spa	0.0%	\$0	0.0%	N/A	7.7%	\$15,949
Gift Shop/retail	0.0%	\$0	0.0%	N/A	2.8%	\$6,105
Rental & Other	6.8%	\$3,300	2.1%	N/A	2.8%	\$4,771
Other	4.7%	\$2,310	9.0%	N/A	6.0%	\$7,895
<b>TOTAL</b>	<b>100.0%</b>	<b>\$48,847</b>	<b>100.1%</b>	<b>N/A</b>	<b>100.0%</b>	<b>\$125,866</b>
<b>Departmental Expenses</b>						
Rooms	25.7%	\$10,757	24.8%	N/A	21.5%	\$8,931
Food & Beverage	0.0%	\$0	64.3%	N/A	45.6%	\$10,772
Telephone	100.0%	\$1,320	0.0%	N/A	111.7%	\$299
Minor Operated	0.0%	\$0	0.0%	N/A	59.1%	\$6,237
Golf Course	0.0%	\$0	0.0%	N/A	22.3%	\$2,967
Spa	0.0%	\$0	0.0%	N/A	24.8%	\$4,462
Gift Shop	0.0%	\$0	0.0%	N/A	74.8%	\$9,241
Other	44.1%	\$2,475	67.6%	N/A	51.4%	\$2,317
<b>TOTAL</b>	<b>29.8%</b>	<b>\$14,552</b>	<b>41.9%</b>	<b>N/A</b>	<b>48.0%</b>	<b>\$62,838</b>
<b>UNDISTRIBUTED EXPENSES</b>						
Administrative & General	7.6%	\$3,729	8.8%	N/A	7.3%	\$6,687
Sales & Marketing	9.7%	\$4,753	8.0%	N/A	7.5%	\$9,536
Utilities	3.6%	\$1,739	3.3%	N/A	5.0%	\$7,768
Property Operations & Maint.	5.5%	\$2,666	4.0%	N/A	4.5%	\$4,756
<b>TOTAL</b>	<b>26.4%</b>	<b>\$12,887</b>	<b>24.1%</b>	<b>N/A</b>	<b>24.2%</b>	<b>\$28,747</b>
<b>FIXED EXPENSES</b>						
Base Management Fee	1.0%	\$488	2.6%	N/A	1.8%	\$1,393
Property Taxes	0.0%	\$0	2.1%	N/A	1.0%	\$617
Property Insurance	1.4%	\$696	0.6%	N/A	1.3%	\$1,657
Reserve for Replacement	4.0%	\$1,954	1.4%	N/A	1.5%	\$1,874
Equipment Leases and Other	0.0%	\$0	0.0%	N/A	0.0%	\$0
Ground Lease	0.0%	\$0	0.0%	N/A	0.4%	\$965
<b>TOTAL</b>	<b>6.4%</b>	<b>\$3,138</b>	<b>6.7%</b>	<b>N/A</b>	<b>5.9%</b>	<b>\$6,510</b>
<b>EBITDA</b>	<b>37.4%</b>	<b>\$18,270</b>	<b>27.3%</b>	<b>N/A</b>	<b>22.0%</b>	<b>\$27,771</b>

Source: CHMWarnick, STR, PKF, CHMGS

**Stabilized Year Estimate**

As previously mentioned, CHMGS has estimated the performance of the subject resort for five years from opening through a sale. This estimate is based on the estimated occupancy and rate forecasts described previously. The following paragraphs will outline the basis for the financial forecasts for the proposed resort development.

**Departmental Revenues and Expenses**

In developing a financial forecast, CHMGS uses the Uniform System of Accounts for the Lodging Industry. In this system revenues are categorized based on the department from which they are earned. Direct expenses are charged to the revenue department that they are associated with. General overhead items that are applicable to the entire operation, not just an individual department, are classified under undistributed operating expenses.

**Rooms Revenue**

Rooms revenue is based on the number of occupied rooms multiplied by the ADR for each respective year. As previously described, CHMGS has determined that the stabilized occupancy rate for the subject resort is 55 percent and the weighted average ADR is \$155 in 2015 dollars. Occupancy rates start out at 45 percent during year one and build up to 55 percent in year three as the property works through a marketing campaign and builds up a demand base.

**Food and Beverage Revenue**

Food and beverage revenue is generated by the sale of meals to resorts guests and outside visitors in the restaurant, room service, banquet, and other associated revenues. The following chart shows food and beverage revenue at the comparable hotels as a percent of rooms revenue, per occupied room and as a percent of total revenue. Information is only filled in where it was available and the ratios may vary based on the type of resort, number of food and beverage outlets, etc.

**Exhibit 22 Food and Beverage Revenue**

REVENUES	Hotel A	Hotel B	Hotel C	Hotel D	Hotel E	Hotel F	Hotel G	Hotel H	Hotel I	Hotel J
Food & Beverage	1,068,000	5,113,533	3,639,190	1,802,133	1,345,992	0	7,179,000	0	0	0
% of Rooms rev	18.6%	35.5%	50.0%	90.9%	42.2%	0.0%	0.0%	0.0%	0.0%	0.0%
\$ POR	\$27.56	\$115.54	\$103.36	\$97.18	\$245.08	\$145.87	\$232.76	\$292.27	\$0.00	\$115.54
% of Total Rev	5.1%	11.8%	29.9%	29.6%	20.5%	53.3%	32.7%	34.8%	0.0%	34.9%

Source: CHMWarnick, STR, CHMGS

The proposed food and beverage department at the subject resort includes a single three-meal restaurant in addition to dining for group and corporate events. Based on the smaller scale of the resort and food and beverage facility, CHMGS has projected food and beverage revenues at \$95.00 per occupied room in 2015 dollars. The projections begin at \$75.00 per occupied room in year one and build up to \$95.00 per occupied room in year three as the resort builds up its group events through marketing and promotions.

**Other Revenue**

The Other Revenue category is comprised of spa revenue, retail revenue, and other operated revenue.

**Spa Revenue**

Spa revenue at the subject site will be generated by the full service spa facilities. The proposed spa is smaller than the spas included in the financial comparables with a minimal number of treatment rooms, manicure and pedicure stations, and access to the pool and fitness center. The following chart shows spa revenue and the relevant metrics from the financial comparables.

**Exhibit 23 Spa Revenue**

REVENUES	Hotel A	Hotel B	Hotel C	Hotel D	Hotel E	Hotel F	Hotel G	Hotel H	Hotel I	Hotel J
Spa	3,970,000	11,969,973	897,634	0	0	0	3,219,000	0	0	0
% of Rooms rev	69.0%	83.1%	12.3%	0.0%	0.0%	0.0%	35.0%	0.0%	0.0%	0.0%
\$ POR	\$102.46	\$270.47	\$25.49	\$0.00	\$0.00	\$0.00	\$104.37	\$56.40	\$0.00	\$0.00
% of Total Rev	19.0%	27.6%	7.4%	0.0%	0.0%	0.0%	14.7%	8.8%	0.0%	0.0%

Source: CHMWarnick, STR, CHMGS

CHMGS has forecasted spa revenue as \$20.00 per occupied room in 2015 dollars. This builds up from \$12.50 in year one to \$20.00 in year three. This is below the range seen in the comparable resorts due to the size of the proposed spa and the saturated market for spas in the metropolitan Phoenix market. While a spa is a necessary part of the resort, it is not a unique differentiator. Therefore, CHMGS has determined that a small facility would be suitable for the subject resort.

**Retail Revenue**

Retail revenue is associated with the proposed retail/gift shop at the resort. The shop is proposed to sell various memorabilia and apparel related to the Lake Pleasant and Sonoran Desert surroundings. The following chart shows retail revenue and the relevant metrics for the financial comparables.

**Exhibit 24 Retail Revenue**

REVENUES	Hotel A	Hotel B	Hotel C	Hotel D	Hotel E	Hotel F	Hotel G	Hotel H	Hotel I	Hotel J
Retail	1,784,000	2,436,598	0	58,615	543,018	0	461,000	0	0	0
% of Rooms rev	31.0%	16.9%	0.0%	3.0%	17.0%	0.0%	5.0%	0.0%	0.0%	0.0%
\$ POR	\$46.04	\$55.06	\$0.00	\$3.16	\$98.87	\$0.00	\$14.95	\$14.97	\$0.00	\$0.00
% of Total Rev	8.5%	5.6%	0.0%	1.0%	8.3%	0.0%	2.1%	2.1%	0.0%	0.0%

Source: CHMWarnick, STR, CHMGS

CHMGS has forecast retail revenue at \$7.50 per occupied room. The builds up from \$2.50 in year one to \$7.50 in year three. This is below the comparable set as seen above based on the size and scope of offerings at the subject resort.

**Other Operated Revenue**

Other operated revenues vary significantly among the comparable properties and the subject resort depending the nature of additional revenue generators. For the proposed resort, this revenue department will include revenue from telephone business services, guest laundry, and in-room entertainment. The following chart shows retail revenue and the relevant metrics from the financial comparables.

**Exhibit 25 Other Revenue**

REVENUES	Hotel A	Hotel B	Hotel C	Hotel D	Hotel E	Hotel F	Hotel G	Hotel H	Hotel I	Hotel J
Other	978,000	4,083,010	353,559	216,234	25,326	0	307,000	0	0	0
% of Rooms rev	17.0%	28.3%	4.9%	10.9%	0.8%	0.0%	3.3%	0.0%	0.0%	0.0%
\$ POR	\$25.24	\$92.26	\$10.04	\$11.66	\$4.61	\$40.70	\$9.95	\$17.23	\$0.00	\$29.80
% of Total Rev	4.7%	9.4%	2.9%	3.5%	0.4%	9.7%	1.4%	2.7%	0.0%	9.0%

Source: CHMWarnick, STR, CHMGS

CHMGS has forecasted Other revenue at \$10.55 per occupied room in 2015 dollars. This is an average based on a selection of the financial comparables that is most similar to the proposed resort. Revenue build up from \$5.55 in year one to \$10.55 in year three.

**Rentals and Other Revenue**

Rentals and other income reflect net revenue associated with the rental of retail, restaurant and office space, concessions commissions, cash discounts, service charges, interest income, and other. The following chart shows retail revenue and the relevant metrics from the financial comparables.

**Exhibit 26 Rentals and Other Revenue**

REVENUES	Hotel A	Hotel B	Hotel C	Hotel D	Hotel E	Hotel F	Hotel G	Hotel H	Hotel I	Hotel J
Rental & Other	90,000	1,030,523	0	0	759,150	0	307,000	0	0	0
% of Rooms rev	1.6%	7.2%	0.0%	0.0%	23.8%	0.0%	3.3%	0.0%	0.0%	0.0%
\$ POR	\$2.32	\$23.28	\$0.00	\$0.00	\$138.23	\$8.46	\$9.95	\$9.13	\$0.00	\$7.10
% of Total Rev	0.4%	2.4%	0.0%	0.0%	11.6%	2.0%	1.4%	1.3%	0.0%	2.1%

Source: CHMWarnick, STR, CHMGS

CHMGS has projected Rentals and Other Revenue at \$5.39 per occupied room based on an average of select comparable resorts. This number increases from \$4.39 in year one to \$5.39 in year three.

The following chart shows revenue projections for the first five years of operations based on the assumptions described above.

**Exhibit 27 Revenue Projections**



**Projected Five-Year Operating Performance  
Lake Pleasant  
Peoria, AZ**

	2018	2019	2020	2021	2022
Occupancy	45.0%	50.0%	55.0%	55.0%	55.0%
Average Rate	\$167.90	\$172.43	\$177.09	\$181.87	\$186.78
RevPAR	\$75.55	\$86.22	\$97.40	\$100.03	\$102.73
Number of Rooms	150	150	150	150	150
Available Rooms	54,750	54,750	54,750	54,750	54,750
Occupied Rooms	24,638	27,375	30,113	30,113	30,113
<b>Revenue:</b>					
Rooms	\$4,137	\$4,720	\$5,332	\$5,476	\$5,624
Food & Beverage	2,002	2,589	3,268	3,357	3,447
Other Operated	548	854	1,309	1,344	1,381
Remain & Other Income, net	117	149	185	190	196
<b>Total Revenue</b>	<b>\$6,804</b>	<b>\$8,312</b>	<b>\$10,095</b>	<b>\$10,368</b>	<b>\$10,648</b>
	100.0%	100.0%	100.0%	100.0%	100.0%
		\$276.16	\$303.64	\$335.26	\$344.31
		\$45,359	\$55,414	\$67,303	\$69,120
		1.7%	1.8%	1.8%	1.8%
		781	993	1,237	1,270
		4.76	5.44	6.16	6.33
		22.26	31.21	43.47	44.65
		3,656	5,695	8,777	8,963
		13.44	17,257	21,789	22,377
		13,344	17,257	21,789	22,377
		81.24	94.56	108.54	111.47
		\$167.90	\$172.43	\$177.09	\$181.87
		60.8%	56.8%	52.8%	52.8%
		\$27,577	\$31,469	\$35,550	\$36,510
		29.4%	31.1%	32.4%	32.4%
		13,344	17,257	21,789	22,377
		8.1%	10.3%	13.0%	13.0%
		781	993	1,237	1,270
		4.76	5.44	6.16	6.33
		22.26	31.21	43.47	44.65
		3,656	5,695	8,777	8,963
		13.44	17,257	21,789	22,377
		13,344	17,257	21,789	22,377
		81.24	94.56	108.54	111.47
		\$167.90	\$172.43	\$177.09	\$181.87
		52.8%	52.8%	52.8%	52.8%
		\$37,496	\$37,496	\$37,496	\$37,496
		32.4%	32.4%	32.4%	32.4%
		22,981	22,981	22,981	22,981
		13.0%	13.0%	13.0%	13.0%
		9,205	9,205	9,205	9,205
		1.8%	1.8%	1.8%	1.8%
		1,304	1,304	1,304	1,304
		6.50	6.50	6.50	6.50
		\$70,986	\$70,986	\$70,986	\$70,986

Source: CHMGS

### Rooms Expense

The rooms expense consists of salaries and wages, employee benefits, commissions, cleaning, guest transportation, laundry and dry cleaning, linen, operating supplies, reservation costs, uniforms, and other items related to the rooms department. The following chart shows room's expense and the relevant metrics from the financial comparables.

**Exhibit 28 Rooms Expense**

Departmental Expenses	Hotel A	Hotel B	Hotel C	Hotel D	Hotel E	Hotel F	Hotel G	Hotel H	Hotel I	Hotel J
<b>Rooms</b>	<b>\$798,000</b>	<b>\$2,100,560</b>	<b>\$2,217,899</b>	<b>\$603,877</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,210,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
% of Rooms rev	13.9%	14.6%	30.5%	30.5%	0.0%	26.2%	24.0%	25.2%	0.0%	24.8%
\$ POR	\$20.59	\$47.46	\$62.99	\$32.56	\$0.00	\$58.20	\$71.65	\$73.51	\$0.00	\$44.45
% of Total Rev	3.8%	4.8%	18.2%	9.9%	0.0%	0.0%	10.1%	0.0%	0.0%	0.0%

Source: CHMWarnick, STR, CHMGS

CHMGS forecasted the rooms expense as 25.1 percent of rooms revenue. This starts out at 26.1 percent in year one and works down to 25.1 percent in years three as occupancy builds up and efficiencies are worked out. The 25.1 percent determination is an average of a select portion of the financial comparables.

### Food and Beverage Expense

Food and beverage expenses include the cost of food and beverage, payroll and related expenses, and other items such as laundry, linen, china, glassware, silverware, uniform costs, supplies and other related expenses. The following chart shows food and beverage expense and the relevant metrics from the financial comparables.

**Exhibit 29 Food and Beverage Expense**

Departmental Expenses	Hotel A	Hotel B	Hotel C	Hotel D	Hotel E	Hotel F	Hotel G	Hotel H	Hotel I	Hotel J
<b>Food &amp; Beverage</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,240,297</b>	<b>\$1,575,408</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,169,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
% of F&B rev	0.0%	0.0%	89.0%	87.4%	0.0%	70.8%	72.0%	72.4%	0.0%	64.3%
\$ POR	\$0.00	\$0.00	\$92.03	\$84.95	\$0.00	\$103.50	\$167.59	\$162.20	\$0.00	\$74.30

Source: CHMWarnick, STR, CHMGS

CHMGS forecasted the food and beverage expense at 71.4 percent of food and beverage revenues. This ratio begins at 74.4 percent in year one and decreases to 71.4 percent in year three. The 71.4 percent is an average based on a subset of the comparable properties.

### Other Operated Expense

The other operated expense includes expenses for the combined spa, retail and other operated departments as described below.

### Spa Expense

Spa expenses include all expenses associated with the operation and maintenance of the proposed spa including payroll and benefits, supplies, linen, laundry and other related expenses. The following chart shows spa expenses and the relevant metrics from the financial comparables.



**Exhibit 30 Spa Expense**

Departmental Expenses	Hotel A	Hotel B	Hotel C	Hotel D	Hotel E	Hotel F	Hotel G	Hotel H	Hotel I	Hotel J
<b>Spa</b>	<b>\$707,000</b>	<b>\$941,937</b>	<b>\$712,948</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,317,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
% of Spa rev	17.8%	7.9%	79.4%	0.0%	0.0%	0.0%	72.0%	71.2%	0.0%	0.0%
\$ POR	\$18.25	\$21.28	\$20.25	\$0.00	\$0.00	\$0.00	\$75.12	\$40.15	\$0.00	\$0.00

Source: CHMWarnick, STR, CHMGS

CHMGS forecasted the spa expense at 74.2 percent of spa revenue. This number is held constant throughout the term of the operation. The 74.2 percent is an average of a subset of the comparable operations, removing unattainable and extreme results from the calculation.

**Retail Expense**

Retail expenses include payroll and benefits, operating supplies, cost of goods sold, and all other expenses related to the retail operation. The following chart shows retail expenses and the relevant metrics from the financial comparables.

**Exhibit 31 Retail Expense**

Departmental Expenses	Hotel A	Hotel B	Hotel C	Hotel D	Hotel E	Hotel F	Hotel G	Hotel H	Hotel I	Hotel J
<b>Retail</b>	<b>\$2,236,000</b>	<b>\$10,292,231</b>	<b>\$0</b>	<b>\$56,056</b>	<b>\$0</b>	<b>\$0</b>	<b>\$230,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
% of Retail rev	125.3%	422.4%	0.0%	95.6%	0.0%	0.0%	49.9%	55.0%	0.0%	0.0%
\$ POR	\$57.71	\$232.56	\$0.00	\$3.02	\$0.00	\$0.00	\$7.46	\$8.24	\$0.00	\$0.00

Source: CHMWarnick, STR, CHMGS

CHMGS forecasted the retail expense at 52.4 percent of retail revenue. This is an average of a subset of the comparable hotels and removes the extreme outliers. Retail expense remains constant over the five-year term.

**Other Operated Expense**

Other operated department expenses includes payroll, benefits, and all other associated costs related to the other departments. The following chart shows other operated expenses and the relevant metrics from the financial comparables.

**Exhibit 32 Other Operated Expense**

Departmental Expenses	Hotel A	Hotel B	Hotel C	Hotel D	Hotel E	Hotel F	Hotel G	Hotel H	Hotel I	Hotel J
<b>Other</b>	<b>\$411,000</b>	<b>\$1,720,546</b>	<b>\$112,981</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$307,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
% of other rev	42.0%	42.1%	32.0%	0.0%	0.0%	73.3%	73.3%	124.5%	0.0%	67.6%
\$ POR	\$10.61	\$38.88	\$3.21	\$0.00	\$0.00	\$29.98	\$29.98	\$21.46	\$0.00	\$20.14

Source: CHMWarnick, STR, CHMGS

CHMGS forecast the other operated expenses as 71.4 percent of the other operated revenue. This is an average of a subset of the comparable resorts that removes outliers. Other operated expenses remain constant over the term of the project.

The following charts shows gross operating income for the first five years at the subject property.

**Exhibit 33 Gross Operating Income**

	2018			2019			2020			2021			2022		
	Amount	%	PAR FOR	Amount	%	PAR FOR	Amount	%	PAR FOR	Amount	%	PAR FOR	Amount	%	PAR FOR
<b>Revenue:</b>															
Rooms	\$4,137	60.8%	\$27,577	\$4,720	56.8%	\$31,469	\$5,332	52.8%	\$35,550	\$5,476	52.8%	\$36,510	\$5,624	52.8%	\$37,496
Food & Beverage	2,002	29.4%	13,344	2,589	31.1%	17,257	3,268	32.4%	21,789	3,357	32.4%	22,377	3,447	32.4%	22,981
Other Operated	548	8.1%	3,656	854	10.3%	5,695	1,309	13.0%	8,727	1,344	13.0%	8,963	1,381	13.0%	9,205
Rentals & Other Income, net	117	1.7%	781	149	1.8%	993	185	1.8%	1,237	190	1.8%	1,270	196	1.8%	1,304
<b>Total Revenue</b>	<b>\$6,804</b>	<b>100.0%</b>	<b>\$45,359</b>	<b>\$8,312</b>	<b>100.0%</b>	<b>\$53,414</b>	<b>\$10,095</b>	<b>100.0%</b>	<b>\$67,303</b>	<b>\$10,368</b>	<b>100.0%</b>	<b>\$69,120</b>	<b>\$10,648</b>	<b>100.0%</b>	<b>\$70,986</b>
<b>Departmental Expenses:</b>															
Rooms	\$1,080	26.1%	\$7,198	\$1,208	25.6%	\$8,057	\$1,339	25.1%	\$9,924	\$1,375	25.1%	\$9,165	\$1,412	25.1%	\$9,412
Food & Beverage	1,489	74.4%	9,928	1,874	72.4%	12,494	2,334	71.4%	15,557	2,397	71.4%	15,977	2,461	71.4%	16,409
Other Operated	388	70.8%	2,589	594	69.5%	3,959	905	69.1%	6,034	930	69.1%	6,197	955	69.1%	6,364
<b>Total</b>	<b>\$2,957</b>	<b>43.5%</b>	<b>\$19,715</b>	<b>\$3,676</b>	<b>44.2%</b>	<b>\$24,510</b>	<b>\$4,577</b>	<b>45.3%</b>	<b>\$30,515</b>	<b>\$4,701</b>	<b>45.3%</b>	<b>\$31,339</b>	<b>\$4,828</b>	<b>45.3%</b>	<b>\$32,185</b>
<b>Gross Operating Income</b>	<b>\$3,847</b>	<b>56.5%</b>	<b>\$25,644</b>	<b>\$4,636</b>	<b>55.8%</b>	<b>\$30,904</b>	<b>\$5,518</b>	<b>54.7%</b>	<b>\$36,788</b>	<b>\$5,667</b>	<b>54.7%</b>	<b>\$37,781</b>	<b>\$5,820</b>	<b>54.7%</b>	<b>\$38,801</b>

Source: CHMGS

### Undistributed Expenses

Operating expenses that are not chargeable to a particular operating department are presented as undistributed operating expenses.

### Administrative and General

Administrative and general ("A&G") expenses include salary and wages of the general manager and administrative staff, credit card commissions, security, payroll, data processing, and professional fees. The following chart shows A&G expenses and the relevant metrics from the financial comparables.

**Exhibit 34** Administrative and General Expense

UNDISTRIBUTED EXPENSES	Hotel A	Hotel B	Hotel C	Hotel D	Hotel E	Hotel F	Hotel G	Hotel H	Hotel I	Hotel J
Administrative & General	\$421,000	\$0	\$1,425,429	\$593,681	\$339,567	\$0	\$2,043,000	\$0	\$0	\$0
Per Available Room	\$7.25	\$0.00	\$24.87	\$15.49	\$27.36	\$0.00	\$66.24	\$0.00	\$0.00	\$0.00
% of Total Revenue	2.0%	0.0%	11.7%	9.7%	5.2%	7.6%	9.3%	10.3%	0.0%	8.8%

Source: CHMWarnick, STR, CHMGS

The administrative and general expense is broken into two pieces for forecasting purposes. CHMGS uses 2.5 percent of gross revenue to cover credit card expenses. Additionally, there is a \$5,000 per room fixed expense. Combined, total A&G expenses equal approximately 11 percent of gross revenue in year three.

### Sales and Marketing Expense

Sales and marketing includes costs related to advertising, printing brochures, salary and benefits for dedicated sales and marketing positions, and all other related sales and promotional expenses. The following chart shows sales and marketing expense and the relevant metrics from the financial comparables.

**Exhibit 35** Sales and Marketing Expense

UNDISTRIBUTED EXPENSES	Hotel A	Hotel B	Hotel C	Hotel D	Hotel E	Hotel F	Hotel G	Hotel H	Hotel I	Hotel J
Sales & Marketing	\$964,000	\$7,478,331	\$860,547	\$627,268	\$29,523	\$0	\$1,105,000	\$0	\$0	\$0
Per Available Room	\$16.59	\$96.59	\$15.02	\$16.37	\$2.38	\$0.00	\$23.29	\$0.00	\$0.00	\$0.00
% of Total Revenue	4.6%	17.3%	7.1%	10.3%	0.5%	6.6%	5.0%	6.1%	0.0%	8.0%

Source: CHMWarnick, STR, CHMGS

CHMGS forecast marketing based on a variable and fixed component. The variable piece starts out at eight percent of total revenue in year one and decreases to a stable three percent in year three. This reflects the greater costs necessary during the early years of a new development in order to build up a demand base. The fixed component is set at \$2,700 per available room. Combined, the sales and marketing expense averages out to 7.5 percent of revenue in year three.

### Property Operations and Maintenance

Property operations and maintenance expenses include engineering salaries and benefits, maintenance of the building, ground, and landscape, electrical and mechanical equipment, operating supplies, cleaning, and uniforms. The following chart shows property operations and maintenance expense and the relevant metrics from the financial comparables.

**Exhibit 36 Property Operations and Maintenance Expense**

UNDISTRIBUTED EXPENSES	Hotel A	Hotel B	Hotel C	Hotel D	Hotel E	Hotel F	Hotel G	Hotel H	Hotel I	Hotel J
Property Operations & Maint.	\$0	\$0	\$668,536	\$387,215	\$482,205	\$0	\$1,105,000	\$0	\$0	\$0
Per Available Room	\$0.00	\$0.00	\$4,258	\$3,688	\$14,183	\$0	\$8,500	\$0	\$0	\$0
% of Total Revenue	0.0%	0.0%	5.5%	6.4%	7.4%	4.5%	5.0%	6.2%	0.0%	4.0%

Source: CHMWarnick, STR, CHMGS

CHMGS has projected this expense as \$3,800 per available room. This is an average of a subset of the comparable data that represents a new build. Since the age of the property is a major factor for this expense, the subject is lower than many of the comparable resorts see in the table above.

**Utilities**

Utilities include the expenses related to electric, fuel, water, and sewer charges. The following chart shows utilities expense and the relevant metrics from the financial comparables.

**Exhibit 37 Utilities Expense**

UNDISTRIBUTED EXPENSES	Hotel A	Hotel B	Hotel C	Hotel D	Hotel E	Hotel F	Hotel G	Hotel H	Hotel I	Hotel J
Utilities	\$543,000	\$6,051,740	\$461,355	\$417,043	\$285,481	\$0	\$715,000	\$0	\$0	\$0
Per Available Room	\$9.35	\$78.16	\$8.05	\$10.88	\$23.00	\$0.00	\$15.07	\$0.00	\$0.00	\$0.00
% of Total Revenue	2.6%	14.0%	3.8%	6.8%	4.4%	3.8%	3.3%	3.8%	0.0%	3.3%

Source: CHMWarnick, STR, CHMGS

CHMGS has forecasted the utilities expense at approximately \$3,900 per available room. This is an average based on a subset of the comparable resorts and averages out to be 6.6 percent of revenues in year three.

**Fixed Expenses****Base Management Fee**

A management fee is an allocation of the corporate expenses normally charged by parent companies. The industry standard is for owners to be reimbursed for corporate services provided and be entitled to a return on operations through a management fee. CHMGS has forecast this expense at three percent of gross revenue throughout the five-year term. This equals \$303,000 in year three.

**Property Taxes**

CHMGS referred to Peoria, Maricopa County, and the State of Arizona Department of Revenue to research the correct methodology for personal property tax rates. Arizona uses a system that takes the full cash value of the property, multiplies this by an assessment ratio based on the assets legal class, which is then multiplied by the property tax rate as determined by the county. CHMGS followed these steps and came up with a property tax of approximately \$170,000 in 2015 dollars. In the stabilized year, this equals 1.9 percent of gross revenue that is in line with the comparable resorts within the state of Arizona.

**Insurance**

Insurance for liability, buildings and contents is forecasted at approximately \$2,050 per available room. The equates to 3.5 percent of gross revenue in year three or approximately \$350,000. The following chart shows insurance expense and the relevant metrics from the financial comparables.

**Exhibit 38 Insurance Expense**

FIXED EXPENSES	Hotel A	Hotel B	Hotel C	Hotel D	Hotel E	Hotel F	Hotel G	Hotel H	Hotel I	Hotel J
<b>Property Insurance</b>	\$11,000	\$0	\$106,847	\$218,613	\$206,546	\$0	\$260,000	\$0	\$0	\$0
<i>Per available room</i>	\$0.19	\$0.00	\$1.86	\$5.70	\$16.64	\$0.00	\$5.48	\$0.00	\$0.00	\$0.00
<i>% of total revenue</i>	0.1%	0.0%	0.9%	3.6%	3.2%	0.0%	1.2%	1.2%	0.0%	0.6%

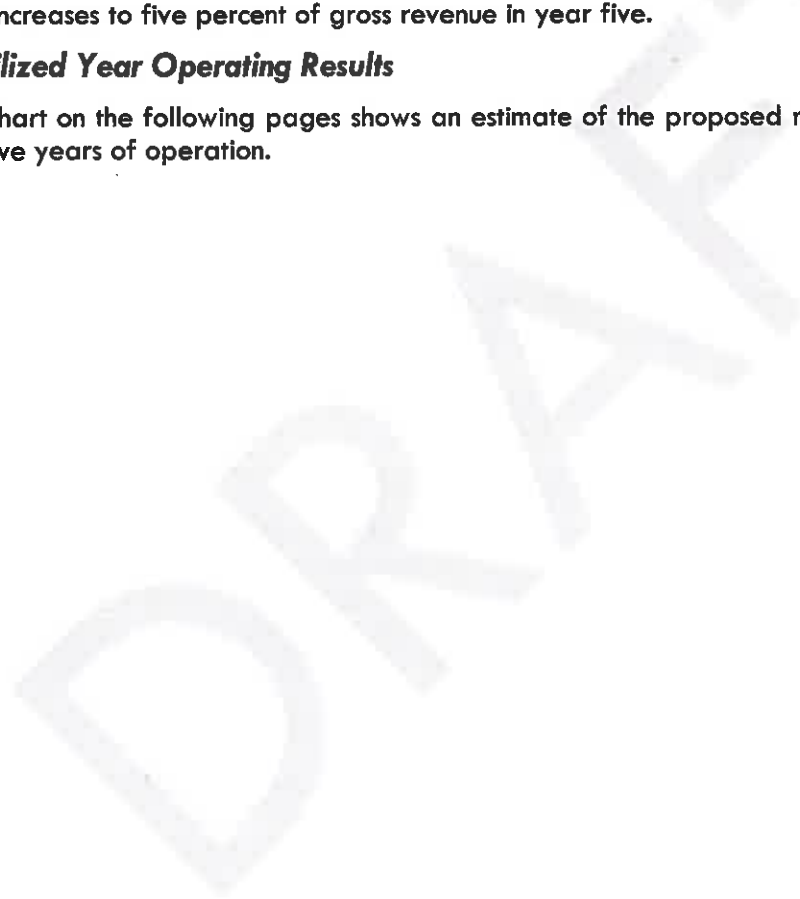
Source: CHMWarnick, STR, CHMGS

**Reserve for Replacement**

The reserve for replacement is typically calculated based on the useful life of short-lived assets such as carpeting, drapes and furniture, fixtures, and equipment. Reserves are often lower in the first few years at a new resort since very few capital improvements will be necessary. CHMGS has gradually increased the reserve amount each year. Year one starts at two percent of gross revenue and increases to five percent of gross revenue in year five.

**Stabilized Year Operating Results**

The chart on the following pages shows an estimate of the proposed resorts operating results for the five years of operation.



**Exhibit 39** Stabilized Year Operating Results



**Projected Five-Year Operating Performance**  
**Lake Pleasant**  
**Peoria, AZ**

	2018			2019			2020			2021			2022		
	Amount	%	PAR	Amount	%	PAR	Amount	%	PAR	Amount	%	PAR	Amount	%	PAR
<b>Revenue:</b>															
Rooms	\$4,137	60.8%	\$27,577	\$4,720	56.8%	\$31,469	\$172,43	\$2,332	52.8%	\$35,550	\$177,09	\$5,476	52.8%	\$36,510	\$181,87
Food & Beverage	2,002	29.4%	13,344	2,589	31.1%	17,257	94.56	3,268	32.4%	21,789	108.54	3,357	32.4%	22,377	111.47
Other Operated	548	8.1%	3,656	854	10.3%	5,695	31.21	1,309	13.0%	8,727	43.47	1,344	13.0%	9,963	44.65
Rentals & Other Income, net	117	1.7%	781	149	1.8%	993	5.44	185	1.8%	1,237	6.16	190	1.8%	1,270	6.33
<b>Total Revenue</b>	<b>\$6,804</b>	<b>100.0%</b>	<b>\$45,359</b>	<b>\$8,312</b>	<b>100.0%</b>	<b>\$58,414</b>	<b>\$303.64</b>	<b>\$10,095</b>	<b>100.0%</b>	<b>\$7,303</b>	<b>\$355.26</b>	<b>\$10,366</b>	<b>100.0%</b>	<b>\$9,120</b>	<b>\$344.31</b>
<b>Departmental Expenses:</b>															
Rooms	\$1,080	26.1%	\$7,198	\$1,208	25.6%	\$8,057	\$44.15	\$1,339	25.1%	\$8,924	\$44.45	\$1,375	25.1%	\$9,165	\$45.65
Food & Beverage	1,489	74.4%	9,928	1,874	72.4%	12,494	68.46	2,334	71.4%	15,557	77.50	2,397	71.4%	15,977	79.59
Other Operated	388	70.8%	2,589	594	69.5%	3,959	21.69	905	69.1%	6,034	30.06	930	69.1%	6,197	30.87
<b>Total</b>	<b>\$2,957</b>	<b>43.5%</b>	<b>\$19,715</b>	<b>\$3,676</b>	<b>44.2%</b>	<b>\$24,510</b>	<b>\$134.30</b>	<b>\$4,577</b>	<b>45.3%</b>	<b>\$30,515</b>	<b>\$152.00</b>	<b>\$4,701</b>	<b>45.3%</b>	<b>\$31,339</b>	<b>\$156.11</b>
<b>Gross Operating Income</b>	<b>\$3,847</b>	<b>56.5%</b>	<b>\$25,644</b>	<b>\$4,636</b>	<b>55.8%</b>	<b>\$30,904</b>	<b>\$169.34</b>	<b>\$5,518</b>	<b>54.7%</b>	<b>\$36,788</b>	<b>\$183.25</b>	<b>\$5,667</b>	<b>54.7%</b>	<b>\$37,781</b>	<b>\$188.20</b>

**Source: CHMGS**



**Exhibit 40**      **Stabilized Year Operating Results**

**Projected Five-Year Operating Performance**  
**Lake Pleasant**  
**Peoria, AZ**

	2018	2019	2020	2021	2022
<b>Undistributed Expenses:</b>					
Admin. & General	\$983	\$39,88	\$38,07	\$1,139	\$37,83
Sales & Marketing	978	6,517	5,737	780	5,202
Franchise Fees	0	0	0	0	0
Property Operations & Maint.	616	4,107	4,218	667	4,448
Utilities	634	4,225	4,339	686	4,576
<b>Total</b>	<b>\$3,210</b>	<b>\$21,399</b>	<b>\$16,639</b>	<b>\$3,273</b>	<b>\$3,362</b>
	47.2%	38.3%	31.6%	31.6%	31.6%
		\$130,28	\$21,242	\$105,85	\$108,70
		\$1,449	\$2,331	\$2,994	\$2,458
	9.4%	17.4%	23.1%	23.1%	23.1%
		\$25,84	\$52,94	\$77,41	\$79,50
		\$1,361	\$1,662	\$311	\$319
	3.0%	8.28	9.11	10.06	10.33
		1,228	1,261	194	1,330
	2.7%	7.47	6.91	6.45	6.62
		2,211	2,271	359	2,395
	4.9%	13.46	12.44	11.62	11.93
		0	0	0	0
	0.0%	0	0	0	0
		0	0	0	0
	0.0%	0	0	0	0
		0	0	0	0
	0.0%	0	0	0	0
		907	1,662	415	532
	2.0%	5.52	9.11	10.06	13.77
		\$34,74	\$37,57	\$38.18	\$42.65
	12.6%	12.4%	11.4%	12.4%	13.4%
		\$5,706	\$6,856	\$8,563	\$9,504
		\$421	\$1,181	\$1,109	\$1,033
	(3.1%)	5.1%	11.7%	10.7%	9.7%
		(\$8,90)	\$15,37	\$7,874	\$36,84
		\$2,806	\$39,22	\$7,396	\$6,886
		\$34,74	\$38.18	\$39.22	\$47.34
		\$34,74	\$38.18	\$39.22	\$47.34

**ADJUSTED NOI**

**Source: CHMGS**



***Estimated Annual Operating Results***

The previous analysis shows estimated annual operating results for each year of the estimated five-year holding period. This includes a three-year build up period where the resort builds up occupancy and revenues while costs fall into industry averages. The property loses money during year one but then earns a positive earnings before interest depreciation and amortization ("EBITDA") ranging between five and 12 percent in years three through five.

**Inflation**

CHMGS used an inflation rate of 2.7 percent for both revenues and expenses. This is based on the 25-year average rate of inflation from the Federal Reserve Economic Data website for monthly inflation across the country.

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## Investment Analysis

As explained in the “Introduction”, the purpose of this analysis is to assist Maricopa County in its determination of the feasibility of a lodging development at Lake Pleasant Regional Park. This analysis includes the market, financial and investment analysis that collectively results in a proposed cash flow against the proposed required investment. This section of the analysis weighs the potential earnings from operations and sale of the property compared to the costs to construct the resort.

### Resort Construction and Development Costs

CHMGS collected hotel development costs from a variety of sources including HVS Hotel Development Cost Survey, detailed information on two recently developed international resorts, publicly available information about the Talking Stick resort, in house CHMGS resort development and brand standard data and industry averages from JLC Hospitality Consulting. Further investigation into these sources ultimately ended with CHMGS relying on the HVS hotel development costs over the individual comparable resort development costs due to variance in the location, size, data quality, and quality of the product.

These development costs include hard construction and site improvement, soft costs, furniture fixture and equipment, and pre-opening and working capital. The following table shows the average per-room development cost by source for a blend of full service – luxury hotels and resorts.

**Exhibit 41** Per Key Development Costs (Less Land)

Per Key Development Cost (Not Including Land)	
HVS	\$339,567
JLC	\$354,209
Montserrat	\$399,500
Average	\$364,425
<b>Total Estimated Cost</b>	<b>\$54,664,000</b>

Source: HVS, JLC Hospitality Consulting & Montserrat Development Corp.

The average per key development cost is approximately \$364,000 per key. When multiplied by the 150 room proposed development, the total cost to construct the resort is approximately \$54,664,000.

### Infrastructure Costs to Support Resort Development

Stantec has calculated preliminary cost estimates for the infrastructure for the proposed development. These costs are very preliminary as no detailed planning or design has been completed. These costs are intended to be conservative, and as no design is complete, it is unlikely that they include all items. The costs are based on discussions with the utility companies and Stantec’s experience with similar projects. A full copy of the Infrastructure Report and associated costs is included as an appendix to this report. The following chart shows the estimated costs by infrastructure category.

**Exhibit 42**      Estimated Infrastructure Costs

Description	Estimated Cost
Roads and Parking	\$3,850,000
Water System	\$1,950,000
Wastewater System	\$2,950,000
Private Utilities	\$720,000
<b>Sub-Total</b>	<b>\$9,470,000</b>
Contingency (30%)	\$2,841,000
Planning, Engineering and Permitting (25%)	\$2,367,500
<b>Total</b>	<b>\$14,678,500</b>

Source: Stantec

**Project Feasibility**

The total development costs must be weighed against the rate of return to the developer based on available cash flows. The typical hotel investor holds on to their investments for the shortest time possible in which they can recoup their investment threshold. This provides enough time for the investor to improve operations and increase cash flow to the property thereby increasing the sales price of the hotel. The longer that an investor holds on to a property, the greater the required rate of return becomes to account for the prolonged exposure to market risks and the lost liquidity of cash that could be invested elsewhere. Once an investor meets their predetermined rate of return, they will look to sell. CHMGS has identified that for this project a suitable holding period would be five years and thus we have developed our investment return analysis using this time frame.

The following chart shows the total cash flows back to the developer for each year of the project and then computes an internal rate of return ("IRR") based on the cash flows. The internal rate of return is the required return that makes the net present value ("NPV") of the cash flows equal to zero. The higher the IRR, the more attractive the project. Typically, the industry needs an unlevered IRR that is greater than 12 percent to move forward on a project.

**Exhibit 43** Investment Summary on Total Resort and Infrastructure Development Costs

<b>INVESTMENT RETURNS</b>						
<b>Fiscal Year</b>	<b>0</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Adjusted NOI</b>		<b>(\$219)</b>	<b>\$421</b>	<b>\$1,181</b>	<b>\$1,109</b>	<b>\$1,033</b>
Unlevered Cash-On-Cash Return		<b>-0.3%</b>	<b>0.6%</b>	<b>1.7%</b>	<b>1.6%</b>	<b>1.5%</b>
Asset Management Fee		<b>(\$68)</b>	<b>(\$83)</b>	<b>(\$101)</b>	<b>(\$104)</b>	<b>(\$106)</b>
Net Sales Price						11,676
<b>Unlevered Net Cash Flow</b>	<b>(\$69,887)</b>	<b>(\$287)</b>	<b>\$338</b>	<b>\$1,080</b>	<b>\$1,006</b>	<b>\$12,602</b>
<b>Unlevered IRR</b>	<b>-27.5%</b>					
Senior Loan Balance		\$45,427	\$44,772	\$44,084	\$43,362	\$42,604
Payment		\$2,926	\$2,926	\$2,926	\$2,926	\$2,926
Interest		\$2,271	\$2,239	\$2,204	\$2,168	\$2,130
Principal		\$655	\$688	\$722	\$758	\$796
<b>Cash Flow to Equity</b>		<b>(\$3,214)</b>	<b>(\$2,589)</b>	<b>(\$1,846)</b>	<b>(\$1,921)</b>	<b>(\$2,000)</b>
<b>Levered Cash-On-Cash Return</b>		<b>-13.1%</b>	<b>-10.6%</b>	<b>-7.5%</b>	<b>-7.9%</b>	<b>-8.2%</b>
Equity Contributions for CapEx		\$0	\$0	\$0	\$0	\$0
Equity from Refinancing		\$0	\$0	\$0	\$0	\$0
<b>Net Cash Flow to Equity</b>		<b>(\$3,214)</b>	<b>(\$2,589)</b>	<b>(\$1,846)</b>	<b>(\$1,921)</b>	<b>(\$2,000)</b>
<b>With Disposition</b>	<b>(\$24,461)</b>	<b>(\$3,214)</b>	<b>(\$2,589)</b>	<b>(\$1,846)</b>	<b>(\$1,921)</b>	<b>(\$32,132)</b>
<b>Levered IRR</b>	<b>#NUM!</b>					
<b>Equity Return Multiple</b>	<b>(1.70)</b>					

Source: CHMGS

As seen in Exhibit 43, the unlevered IRR for this project is negative 27.5 percent and the levered IRR returns an error message since the formula does not work when all the numbers are negative. These projections include the sale of the resort in year five as noted under the net sales price. This is calculated based on a nine percent capitalization rate of year five cash flows. This investment return methodology is a standard practice in the hospitality industry.

**CHMGS Recommendation**

Based on the negative investment returns forecasted for this project, CHMGS does not recommend that Maricopa County Parks and Recreation pursue an RFP for resort development at Lake Pleasant Regional Park.

The resort market in the Phoenix metropolitan area is still working to recover from the recession and post meaningful ADR growth. As such, market factors are such that occupancy and ADR are not high enough to provide market based returns for the proposed resort development costs. CHMGS evaluated what the investment feasibility would be if the occupancy and ADR increased to match the luxury resort market. Even at this market position, the results did not provide for an unlevered return rate that would be acceptable to a proposed developer.

Despite the unique geographical location and views that could be designed at Lake Pleasant, the visitation patterns and competition from larger resorts that are located proximate to shopping, golf, and destination spas create a challenging market development environment. Resultantly, the current resort development costs in addition to the high infrastructure costs, do not lend themselves to supporting a proposed resort development at Lake Pleasant at this time.

**Sensitivity**

Although current market conditions do not provide a favorable development scenario for non-luxury resorts in the Phoenix market, this does not imply that a development will not be feasible under improved future market conditions. In order to quantify the supportable level of infrastructure under potential future market conditions, CHMGS adjusted the occupancy levels within the financial and investment model. While rate and occupancy are variable, the only metric that is likely to show improvement in the short term is occupancy. Typically, rate increases only occur once the market occupancies move higher than 70-75 percent occupancy. With no surplus supply, hotels can then raise rates accordingly. Since this is unlikely to happen in the short term, CHMGS has focused the sensitivity analysis on occupancy rates.

The following table shows the impact that higher occupancy rates have on the level of supportable investment. This table is calculated based on the total cash flows generated by the property, as described by the assumptions previously stated in this report, and then calculating the total investment that would result in the developer generating a 12.5 percent unlevered rate of return. Based on the resulting per key development cost, the right column then shows the equivalent classification type based on investment levels.

**Exhibit 44**                      Sensitivity Analysis

Occupancy	Total Investment	Per Key Cost	Associated HVS Classification
55%	\$8,031	\$53,543	None
60%	\$11,709	\$78,063	Budget/Economy
65%	\$15,381	\$102,540	Midscale w/o F&B

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Source: CHMGS

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As outlined above, increasing the occupancy by 10 percent still does not cover the necessary infrastructure development costs associated with the Lake Pleasant development site. If a developer were to move forward with this project, the County and City would need to provide assistance to cover the estimated \$15 million dollars of site infrastructure costs. . Additionally, the highest level of lodging classification that the project can cover is a Midscale development without food and beverage. This is below the non-luxury/ upper upscale development previously described in this report.

DRAFT

## **Appendix A: Infrastructure Costs Analysis**

*Provided by Stantec*

### **1.0 Introduction**

The purpose of this section of the report is to discuss servicing, access, and parking strategies for a potential development to be located at Lake Pleasant. Order of magnitude construction costs to provide these services are also presented.

#### **1.1 Background**

In 2012, a development group was selected by Maricopa County Parks and Recreation Department to enter into negotiations for the development of a Resort and Commercial Property. This project was extensive and included a resort/spa with up to 300 rooms consisting of standard rooms, suites and bungalows, commercial development of 594 acres, golf course and a campground and RV park. In 2013, Maricopa County and the developer discontinued negotiations. In early 2015, Maricopa County requested CHMGS and Stantec to complete a high-level feasibility study to look at a future resort at Lake Pleasant. This study would aid the County with determining whether future RFP should be issued for a development parcel at Lake Pleasant.

As part of the initial development proposal, the developer's engineer completed a preliminary assessment of the requirements for roadways, water, wastewater, and dry utilities.

The developer's engineer estimated that the water supply requirement for the development was 1.5 MGD for the resort/spa and another 1.2 MGD for the commercial development. For the wastewater systems, they estimated 800,000 GPD for the resort/spa and 650 GPD for the commercial area. They provided a summary of existing facilities in the area and a brief discussion of the potential requirements.

With the dry utilities and roadways, the developer's engineer provided some general discussion of requirements and a discussion of the private utility companies in the area.

The developer's engineer did not discuss infrastructure system capacities or the ability of the service providers to accommodate the proposed development. Preliminary costs for servicing were included in the Pro Forma, but no breakdown was provided or basis for the costs.

#### **1.2 Proposed Development**

The proposed development under consideration for this report consists of a 150-room hotel, with a restaurant, a spa, store, and meeting rooms, as well as a swimming pool and fitness center. This calculates to approximately 180,000 square feet as discussed in previous sections.

It is anticipated that the development will be located in the same general area as was proposed by the developer, adjusted to suit the smaller development. A schematic layout has been presented on Figure 2, based on the development proposal, scaled back for the reduced size of this development. No actual planning in support of this layout has been completed as it is beyond the scope of this study.



## **2.0 Infrastructure Discussion**

### **2.1 Access, Parking and Drainage**

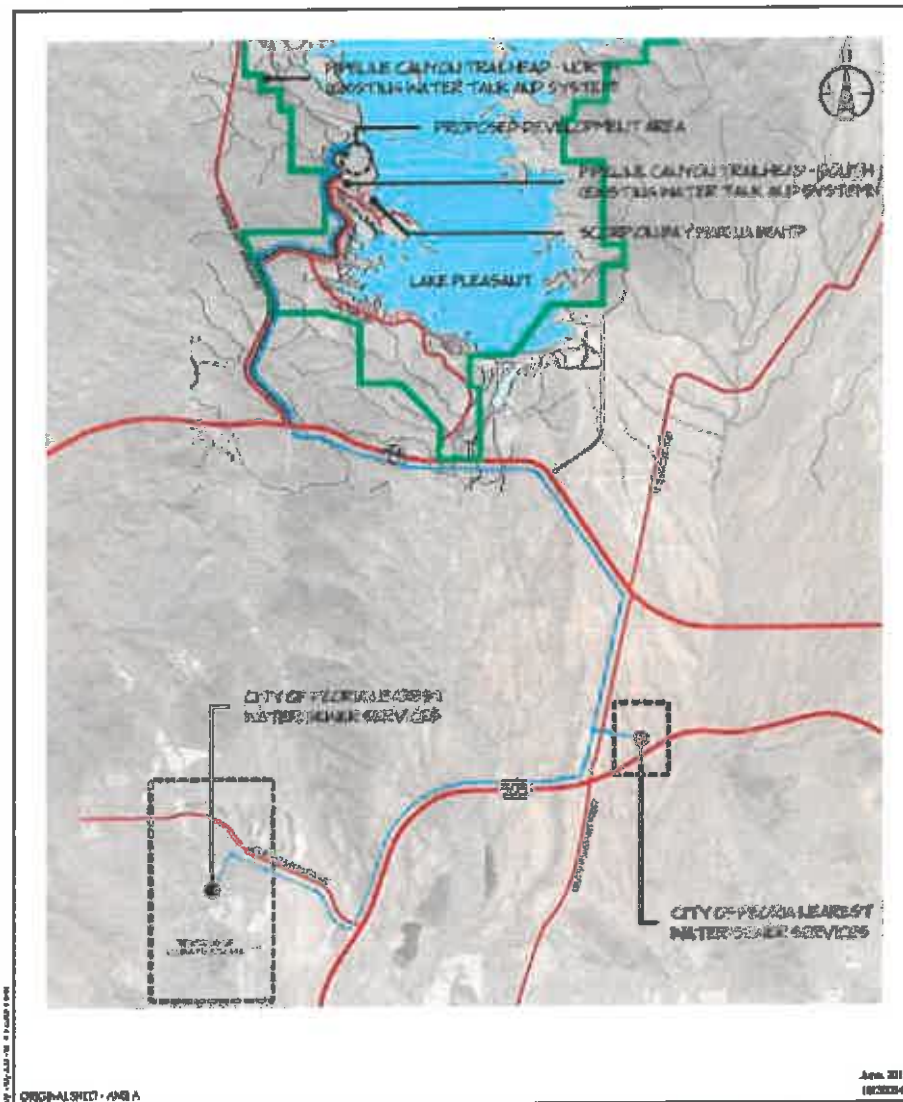
#### **2.1.1 Site Access**

It is anticipated that the site will be accessed from North Park Road, which would be extended from Peninsula Boulevard to the proposed development area. This extension may impact a piece of the existing pipeline trail. The access to Lake Pleasant Park is illustrated on Figure 1 and an approximate routing within the park to the hotel development is presented on Figure 2. Upgrading of the existing Castle Hot Springs Road, Lake Pleasant Access Road and North Park Road may be required to accommodate the increase to traffic from the resort, as these portions of the road also access the Scorpion Bay Marina, the Day Use area and the Visitor Center. However, as it is anticipated that the highest use for the hotel will be the winter, spring and fall months, which is not concurrent with the highest use for the marina and park, major upgrading may not be required. A Traffic Impact Study will be required to determine the requirements. An allowance for minor upgrading of the existing roads, such as adding turn lanes, as well as trail replacement and construction of the new access road has been included.

Access around the site will also be achieved by new roads. On-site access has been included as well as access to the site.

It is assumed that all roads will be paved. It is anticipated that typically no curb and gutter will be provided, to aesthetically blend the development with the surrounding area as much as possible. Curbs would only be included where required to direct drainage flows.

Figure 1: Access to Lake Pleasant Regional Park



ORIGINAL SHEET - AND A

June 2019  
180303-01



8211 South 48th Street  
Phoenix, AZ  
www.stantec.com

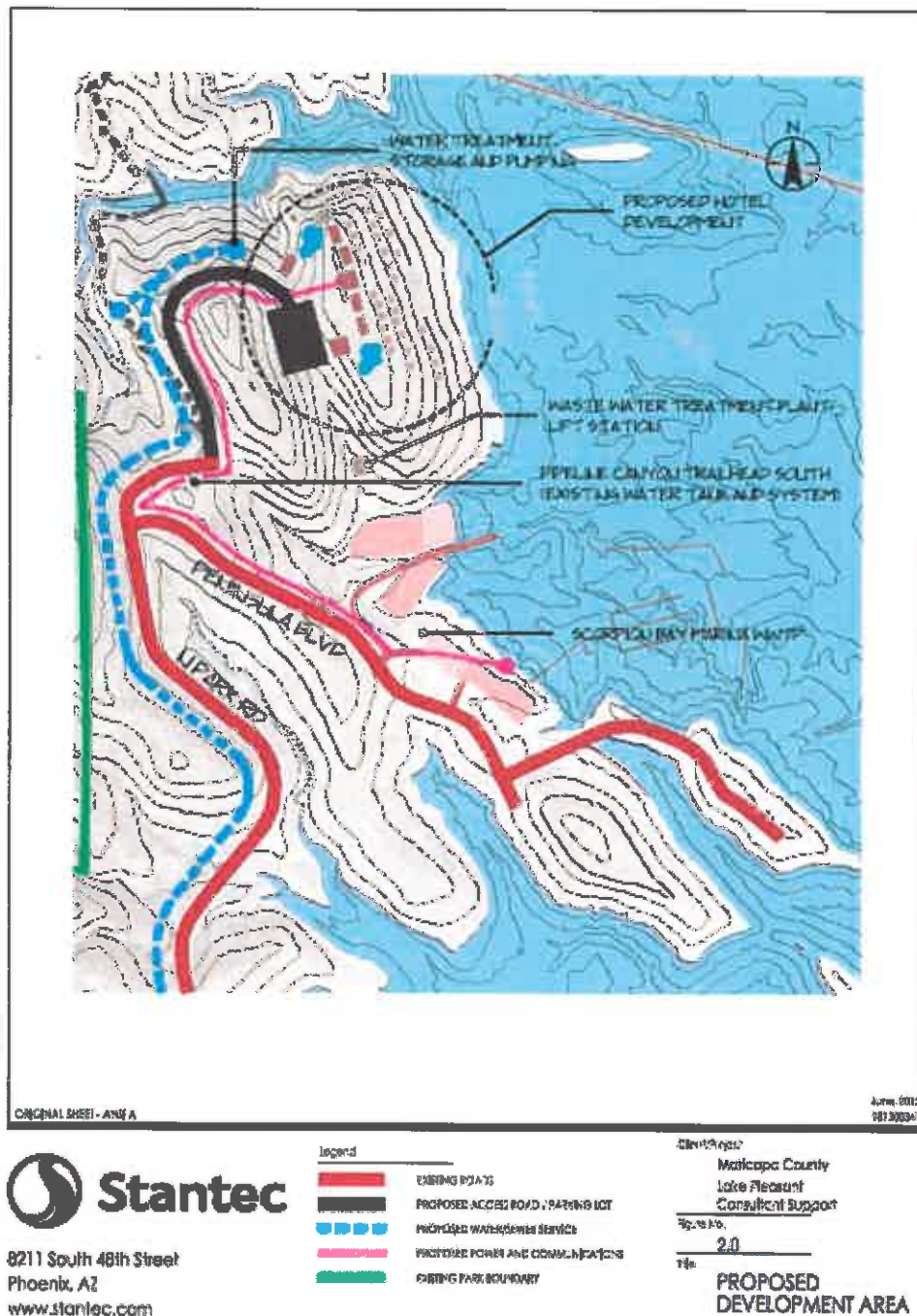
- Legend**
- EXISTING ROADS
  - PROPOSED ACCESS ROAD / FARMHO LOT
  - PROPOSED WATER SERVICE
  - EXISTING PARK BOUNDARY

Client/Project:  
Maricopa County  
Lake Pleasant  
Construction Support

Figure No. 1.0

of **OVERALL SITE PLAN**

Figure 2: Hotel Development



### 2.1.2 Parking

Parking will be required to accommodate the employees and guests to the hotel and hotel facilities. We have estimated the following parking needs at this time, which we anticipate are conservative:

- 150 spaces for room guests, allowing for 1 car per room. This will accommodate more than 1 car during normal occupancy conditions.
- 100 spaces for hotel/facility employees. We have estimated a total of 150 employees at the hotel, but it is anticipated that they would typically be working shifts. An allowance for some overlap as one employee leaves and another arrives at shift change has been included.
- 100 spaces for the meeting room(s). It is anticipated that a percentage of the people using the meeting facilities would be staying in the hotel. However, that is not required, so sufficient spaces for all attendees has been included.
- 80 spaces for the restaurant. Based on the square footage allowance for the restaurant, the occupancy is 120 people. We anticipate that 20 of those would be employees and 100 patrons. We have included 20 spaces for employees, 60 for guests as more than one person will travel per car, and some of the patrons will be hotel guests.

We have included costs for 430 parking spaces as outlined above. It is anticipated that the parking will be interspersed throughout the site and adjacent to the facilities. It is anticipated that 50% of the parking spots may be located in larger parking areas a bit further away from the hotel to minimize the visual impact adjacent to the hotel.

### **2.1.3 Drainage**

It is anticipated that drainage at this site will mostly be achieved using overland flows, with piping in some areas to accommodate the development, with outlets to the natural drainage paths that ultimately lead to the Lake. An allowance for retention per Maricopa Standards has been included, however, due to the limited development and the negligible downstream impact, the County may determine that it is not required. This is something that will need to be reviewed at the time of design. If retention is required, it is assumed that it will be combined with some landscaping features.

## **2.2 Water Infrastructure**

### **2.2.1 Introduction**

There are presently two water systems in the Lake Pleasant Area, one serving the park and one serving the Marina and other development. There is no water service in the direct vicinity of the proposed hotel.

### **2.2.2 Water Design Criteria**

The following assumptions regarding the water system design criteria have been made to determine approximate water system demands, treatment alternatives, and distribution system needs. All criteria is based on ADEQ Bulletin 12 and the Arizona Administrative Code. This criteria assumes that fire protection will be required at the site.

**Table 2.1 Water Design/Performance Criteria**

Design/Performance Criteria	Unit	Criteria
Density (persons per room)		2 per 1 bedroom unit
		4 per 2 bedroom unit
Average Water Usage Rate per room guest	gpd/guest	60
Hotel staff, including restaurant, retail and spa	gpd/employee	20
Restaurant guests	gpd/guest	16
Meeting Attendee, spa guest, pool guest	gpd/attendee	10
Hotel laundry	gpd/room	30
Landscaping	gpd/acre	500
Peaking Factor: Max Day (MDD/ADD)		2
Peaking Factor: Peak Hour (PHD/ADD)		3.5
ADD Minimum System Pressure	psi	40
PHD Minimum System Pressure	psi	35
Maximum System Pressure	psi	120
Minimum Pressure During Fire Flows	psi	20
Pressure Zone	ft	150
Storage	gal	FFC + PHD x Fire Flow duration
Water Supply	gal	MDD
Water Treatment	gal	EPA Drinking Water Standards, MDD
Booster Station Capacity	gal	Max Day Demand + Fire Flow
Minimum Available Fire Flow	gpm	1500- 2500

gpd = gallons per day    ADD = Average Day Demand    MDD = Maximum Day Demand  
FFC = Fire Flow Capacity    PHC = Peak Hour Capacity

**2.2.3 Water Demands**

A summary of estimated water demands based on the preliminary concept for this development are summarized in the table below.

Table 2.2 Water Demands

Item	Performance Criteria	Unit	Flow/ unit	No.	Flow (gpd)	Flow (gpm)
Standard Rooms	Flow per room (2 person)	gpd/room	120	120	14,400	10.00
2-Bedroom Rooms	Flow per room (4 person)	gpd/room	240	30	7,200	5.00
Hotel staff	Demand per employee	gpd/employee	20	150	3,000	2.08
Restaurant	Demand per employee	gpd/employee	20	20	400	0.28
Restaurant	Flow per customer	gpd/customer	16	100	1,600	1.11
Spa	Flow per customer/employee	gpd/customer	10	17	170	0.12
Retail	Demand per employee	gpd/employee	20	3	60	0.04
Meeting Space	Demand per attendee	gpd/attendee	10	370	3,700	2.57
Swimming pool/Fitness	Demand per attendee	gpd/attendee	10	45	450	0.31
Laundry	Demand per room	gpd/room	30	150	4,500	3.13
Landscaping	Landscape usage	gpd/acre	500	1	500	0.35
Pool make up water	Usage per day	gpd/acre	0.25	2,000	500	0.35
	Average Day Demand, ADD				36,480	25.33
	Peaking Factor: Max Day			2	72,960	50.67
	Peaking Factor: Peak Hour			3	127,680	88.67



### **2.2.5 Water System Options**

As indicated in the introduction, there are existing water systems in the area. We have identified four potential options for the water supply to the new facility:

1. Construct a new water system at the site that serves the hotel only. This would include a new well, treatment if required, storage, a booster pump station, and distribution piping.
2. Connect to the existing park system. The park system is reported to have a well capable of supplying up to 300 gpm. It may be necessary to upgrade the pump system and a portion of the water supply, but it is anticipated that this well would have capacity for the park facilities as well as the proposed hotel. Based on the location and size of the existing tanks, it is likely that these would be inadequate and new or supplemental storage facilities would be required.
3. Connect to the existing system, which is operated by Maricopa Water District (MWD). We were unable to discuss this possibility with MWD, but similar to option 2 above, it is unlikely that their system has adequate capacity to supply this development and the distance from the proposed development would make it more costly than option 1.
4. Connect to the City of Peoria water system. This option has the most reliable supply and may be beneficial to other areas between the connection point and the proposed development, so some cost reductions or sharing may be possible. It is anticipated that due the distance it is likely that a storage facility and a booster pump station would still be required at the site.

Water supply, treatment, storage and distribution are discussed in the following sections followed by a brief comparison of options.

#### **2.2.5.1 Water Supply**

The Arizona Department of Water Resources (ADWR) website indicates that there are a number of small wells in the Lake Pleasant area. The County owns one of the largest wells, with a yield of 300 gpm. This well is approximately 1000 ft deep with the recorded water level at 680 ft.

As indicated in Table 2.2, the Maximum Day Demand for the development is estimated at 50 gpm. Therefore, it is possible that a new groundwater well could be developed to supply this hotel. The new well would need to be in compliance with ADWR's requirements and permitting for new water supplies.

Adequate water supply would be available from the City of Peoria. The nearest Peoria water line to the site is located approximately 6 miles away as illustrated on Figure 1.



### **2.2.5.2 Water Pumping, Treatment and Storage**

Based on the data in Table 2.2, it is anticipated that a water storage facility with a capacity of approximately 200,000 gallons will be required with any of the options. A booster pump station to pressurize the system will also be required. It is anticipated that the pump station will be a multi-pump system, which will provide fire flows as well as meeting domestic needs. It is possible that an elevated location for the storage tank could be located which will provide sufficient pressure to eliminate the need for the booster pump system. However, this will require additional piping and will disturb more parkland, so for the purpose of this study, it is assumed that the storage tank and booster station will be located adjacent to the development, with screen walls to minimize the visibility to the hotel.

It is not anticipated that any extensive treatment will be required. Costing for disinfection will be included.

### **2.2.5.3 Water Piping**

Piping will be required from the water supply to the storage tank, and pumping facilities and then throughout the development. Pipe sizes will likely be between 6 and 12-inch diameter depending on the option selected.

### **2.2.5.4 Water System Permit Process**

An Approval to Construct/of Construction (ATC/AOC) from Maricopa County Environmental Services will be required for the water system, for a new system, or any extension to existing water system. New source approval will also be required if a new well is developed.

**2.2.6 Water System Discussion**

As indicated in Section 2.2.4, it is anticipated that options 1, 2 and 4 are the most feasible. Therefore, a description of these 3 options and comparison level cost estimates are provided in Table 2.3 below. These options are illustrated on Figures 1 and 2.

**Table 2.3 Water Option Comparison**

No.	Description	Comparison Cost	Advantage	Disadvantage
1.	New water system. Includes well, storage tank, pump station, disinfection and distribution piping.	Well \$200,000 Tank \$250,000 Supply piping \$100,000 Booster pump sta. \$200,000 Distribution piping \$1,500,000 Total \$2,250,000	<ul style="list-style-type: none"> <li>• Least cost</li> <li>• New system</li> </ul>	<ul style="list-style-type: none"> <li>• New well permitting required</li> </ul>
2.	Connect to existing Park system. Includes connection to existing system, new storage tank, pump station and distribution piping. Assumes adequate well supply.	Water Supply piping \$300,000 Tank \$250,000 System Upgrading \$200,000 Booster pump sta. \$200,000 Distribution piping \$1,500,000 Total \$2,450,000	<ul style="list-style-type: none"> <li>• Low cost</li> <li>• County owned system</li> <li>• No well permitting</li> </ul>	<ul style="list-style-type: none"> <li>• May need to upgrade existing pipe sizes</li> </ul>
4.	Connect to City of Peoria. Includes supply piping, storage tank, pump station and distribution piping.	Water supply pipe \$6,000,000 Tank \$250,000 Booster pump sta. \$200,000 Distribution Piping \$1,500,000 Total \$7,950,000	<ul style="list-style-type: none"> <li>• Most reliable supply</li> <li>• May be some potential for cost recovery</li> <li>• No well required</li> </ul>	<ul style="list-style-type: none"> <li>• Most expensive</li> </ul>

As illustrated, connecting to the existing park system and constructing a new system have similar costs. Due to the permitting issues with a new source, connecting to the existing system, if adequate supply is available is recommended.

**2.3 Wastewater Infrastructure**

**2.3.1 Introduction**

The majority of the existing facilities in the vicinity of the development presently use on-site systems for wastewater disposal such as septic tanks and leach fields or evapotranspiration beds. The Scorpion Bay Marina operates a package wastewater treatment facility.

**2.3.2 Wastewater Design Criteria**

The wastewater flow criteria based on the ADEQ Arizona Administrative Code is presented in Table 2.4 below.

**Table 2.4 Wastewater Criteria**

Design/Performance Criteria	Unit	Criteria
Density (persons per room)		2 per 1 bedroom unit
		4 per 2 bedroom unit
Average Water Usage Rate per room guest	gpd/guest	60
Hotel staff, including restaurant, retail and spa	gpd/employee	20
Restaurant guests	gpd/guest	16
Meeting Attendee, spa guest, pool guest	gpd/attendee	10
Hotel laundry	gpd/room	30
Peaking Factor: Max Month		1.2
Peaking Factor: Max day		2
Peaking Factor: Peak Hour		3
Package Treatment Plants		Up to 1.5 MGD
Lift Station pumps		Peak Hour
Pipes		Peak Hour
Wastewater Treatment Facility		Max Month/Max Day
Wastewater Treatment Facility		Class A+ Effluent per AAC Title 18

**2.3.3 Wastewater Flows**

The estimated flows per section, based on the above criteria and the preliminary development plans are presented in Table 2.5.

**Table 2.5 Wastewater Flows**

Item	Performance Criteria	Unit	Flow/unit	No.	Flow (gpd)
Standard Rooms	Flow per room (2 person)	gpd/room	120	120	14,400
2-Bedroom Rooms	Flow per room (4 person)	gpd/room	240	30	7,200
Hotel staff	Demand per employee	gpd/employee	20	150	3,000
Restaurant	Demand per employee	gpd/employee	20	20	400
Restaurant	Flow per customer	gpd/customer	16	100	1,600
Spa	Flow per customer/employee	gpd/customer	10	17	170
Retail	Demand per employee	gpd/employee	20	3	60
Meeting Space	Demand per attendee	gpd/attendee	10	370	3,700
Swimming pool/Fitness	Demand per attendee	gpd/attendee	10	45	450
Laundry	Demand per room	gpd/room	30	150	4,500
Average Daily Flows					34,870
Peaking Factor: Max Month				1.2	41,845
Peaking Factor: Max Day				2	69,741
Peaking Factor: Max Day				3	104,611

### 2.3.4 Wastewater System Options

We have identified three potential options for the wastewater collection, treatment, and disposal for the new facility:

1. Construct a new wastewater system at the site that serves the hotel only. This would include a collection system, a treatment system, and disposal.
2. Connect to the existing Scorpion Bay system. Conversation with Chris McSparen of Scorpion Bay indicates that they operate a package wastewater treatment plant that treats to a Class A+ level. Chris indicated that they are currently running about ½ capacity and over the Memorial Day weekend, flows of 16,000 gpd were recorded. Additional information has been requested regarding the plant, its plant capacity and expansion options.

3. **Connect to the City of Peoria wastewater system.** It is anticipated that a lift station would be required due to the frequent grade changes between Lake Pleasant and Peoria. It is also anticipated that a portion of gravity main and some force main would be constructed. This option eliminates the need for treatment and disposal.

#### **2.3.4.1 Wastewater Collection**

A wastewater collection system will be required for all options. It is anticipated that the system will consist of 8-inch mains and manholes that will flow downhill by gravity to a treatment plant or lift station. It is anticipated that a lift station will be required with option 3, connection to Peoria and may be required to serve some of the cabins, depending on the final layout.

#### **2.3.4.2 Wastewater Treatment**

Based on the calculated flows wastewater treatment will be required for the proposed development. The flows are too high for an on-site system as is currently used for most of the developments at Lake Pleasant.

However, the calculated flows are in the range that would be suitable for a small package treatment plant. There are a number of different technologies available including but not limited to Extended Aeration, Sequencing Batch Reactor, Membrane Biological Reactor, and Biolac.

It is anticipated that treatment will include the following components: influent pumping, flow metering, screening, grit removal, sedimentation, biological treatment reactor, depending on the level of treatment desired.

The required treatment level will depend on the disposal options and will determine the final treatment requirements. Class A+ effluent as is achieved with the Scorpion Bay system is suitable for reuse and could be used for landscaping irrigation, golf course irrigation if a golf course was to be constructed in future, and possibly for decorative ponds and fountains at the site. A lower level may be feasible for an alternate disposal method. For the purpose of this assessment, treatment to Class A+ is assumed.

#### **2.3.4.3 Wastewater Disposal**

Once sewage is treated in a WWTF, disposal is required. The water can be discharged to a receiving body of water, recharged through infiltration systems, or it can be reclaimed directly for beneficial use.

For this assessment, a combination of recharge through infiltration basins and reclamation is assumed with option 1. With option 2, it is assumed that the existing disposal system will be maintained and expanded if necessary to accommodate the increased flows. The disposal method used for the Scorpion Bay system is not known at this time. It is known that some of the effluent is used for reuse. As indicated previously, additional information has been requested, but not yet received.

#### **2.3.4.4 Wastewater System Permit Process**

Any new wastewater system must be permitted and approved by the regulatory agencies responsible for said approval. It is anticipated that the following agencies and agency permits will be involved in this process:

1. 208 General Plan Amendment.
2. Maricopa County Planning and Zoning (MCPZD) Building Permit.
3. Aquifer Protection Permit (APP) through ADEQ or Maricopa County
4. Approval to Construct/of Construction (ATC/AOC) through Maricopa County Environmental Services
5. ADEQ Reclaimed Water Use (RW) permit if reuse is proposed

##### **2.3.4.4.1 208 Plan Amendment**

A 208 Plan amendment may be required for a new wastewater treatment system. The 208 Plan Amendment includes a lengthy public input process.

##### **2.3.4.4.2 Building Permit**

The wastewater treatment plant will require a County building permit. The primary driver for approval of the building permit is compliance to the applicable Building Codes.

##### **2.3.4.4.3 Aquifer Protection Permit (APP)**

This is the primary permit required for a wastewater treatment facility. The APP process is lengthy and involved. The purpose of the APP is to allow ADEQ and the County to make sure that the proposed plant will not have a negative impact on the environment. The application process includes a pre-application meeting and the application requires detailed explanations of the system, the monitoring, and the operation.

##### **2.3.4.4.4 Approval to Construct/of Construction**

Maricopa County's Approval to Construct/of Construction permits allow the owner to construct and operate the sewage collection system that discharges to the WWTF.

##### **2.3.4.4.5 Reclaimed Water Use Permit.**

This permit is required for facilities that generate and distribute reclaimed water. A Type 2 Reclaimed Water General Permit would be required to reuse the treated effluent for landscape irrigation and decorative ponds.

#### **2.3.5 Wastewater System Discussion**

As indicated in Section 2.3.4, it is anticipated that all three options are feasible for this site. Therefore, a description of these 3 options and comparison level cost estimates are provided in Table 2.3 below. These options are illustrated on Figures 1 and 2.

**Table 2.6 Wastewater Option Comparison**

No.	Description	Comparison Cost	Advantage	Disadvantage
1.	New wastewater system. Includes collection system, new treatment plant and new disposal system.	Collection piping \$1,500,000 Treatment system \$1,500,000 Disposal \$1,000,000 Total \$4,000,000	<ul style="list-style-type: none"> <li>• Low cost</li> <li>• New system</li> </ul>	<ul style="list-style-type: none"> <li>• Extensive permitting required</li> <li>• Disposal system required</li> </ul>
2.	Connect to existing Scorpion Bay system. Includes collection system, connection to existing plant and expansion of existing plant. Assumes adequate disposal and space for expansion.	Collection piping \$1,500,000 Treatment system \$1,000,000 Disposal \$200,000 Lift Station \$100,000 Piping to Plant \$150,000 Total \$2,950,000	<ul style="list-style-type: none"> <li>• Least cost</li> <li>• Regional plants are preferred</li> <li>• Operator in place</li> </ul>	<ul style="list-style-type: none"> <li>• May need to upgrade existing components</li> <li>• Agreement with Scorpion Bay required</li> </ul>
3.	Connect to City of Peoria. Includes collection system, lift station(s), gravity mains, forcemain.	Collection piping \$1,500,000 Disposal Piping \$6,000,000 Lift Station(s) \$200,000 Total \$7,700,000	<ul style="list-style-type: none"> <li>• May be some potential for cost recovery</li> <li>• Least permitting requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Most expensive</li> </ul>

As illustrated, connecting to the existing Scorpion Bay system, assuming adequate space and disposal, is the least cost option.

**2.4 Private Utilities**

**2.4.1 Introduction**

The Park and Scorpion Bay have power, telephone and cable service. No gas service is provided in this area. Power is provided by Arizona Public Service (APS), telephone by ZONA Communications (ZONA) and cable through DirecTV.



#### **2.4.2 Power**

As indicated above, Lake Pleasant is located within the APS service area. Service is currently provided to Scorpion Bay and other developed area by APS through overhead lines.

We have estimated that between 2.0 and 2.2 Megawatts of power will be required for the proposed development, based on the preliminary building sizes and usage and the Handbook of Practical Electrical Design.

Based on these loads, Mr. Mark Gawlitta of APS indicated that they have sufficient capacity to serve the proposed development in the area. Extension of the system from Scorpion Bay will be required. It is expected that a combination of overhead and underground lines would likely be used. For this project, it has been assumed that overhead lines would be used along the existing roads and underground following the new roads into the site.

#### **2.4.3 Telecommunications**

Telephone service is currently provided by ZONA Communications. Based on our discussions with Bernie Armstrong at ZONA and review of the document prepared by the developer's engineer, ZONA have capacity to serve the proposed development. It is assumed that a connection from the existing development would be extended to the site. It is assumed that it would be installed with the power, and therefore would be overhead where power is overhead and underground where power is underground.

Discussion with Century Link indicated that they have no service currently in the area and no plans at this time to extend service to this area. Therefore, it is anticipated that ZONA will be the telecommunications provider.

#### **2.4.4 Cable**

Cable service to the new resort would likely be provided by DirecTV through ZONA. Therefore, no additional extensions would be required.

Cox has a franchise to provide service to the City of Peoria, however, they have no service nearby. Should Cox extend service in the future, this could be a good option for communications and cable.

### **3.0 Preliminary Infrastructure Costs**

Preliminary cost estimates for the infrastructure have been prepared for the proposed development. These costs are very preliminary as no detailed planning or design has been completed. These costs are intended to be conservative, but as no design is complete, it is unlikely that they include all items. The costs are based on discussions with the utility companies and our experience with similar projects. The costs for the water and sewer systems are based on connection to the existing systems in the area (options 2 for both), as discussed previously.

**Table 2.7 Preliminary Cost Estimate**

No.	Description	Quantity	Unit	Unit Cost	Estimated Cost
<b>Roads and parking</b>					
1.	Access Road to Site	3,000	ft	\$200	\$600,000
2.	Access Roads on site	12,000	ft	\$100	\$1,200,000
3.	Upgrading Existing Roads, allowance	1	LS	\$500,000	\$500,000
4.	Parking	90,000	sq. ft.	\$15	\$1,350,000
5.	Drainage allowance				\$200,000
<b>Water System</b>					
6.	Water Supply piping	3,000	ft	\$100	\$300,000
7.	Storage Tank	1	LS	\$250,000	\$250,000
8.	Booster Pump Station	1	LS	\$200,000	\$200,000
9.	Distribution piping	12,000	ft	\$100	\$1,200,000
<b>Wastewater System</b>					
10.	Collection Piping	15,000	ft	\$100	\$1,500,000
11.	Treatment system Expansion	1	LS	\$1,000,000	\$1,000,000
12.	Disposal Upgrading	1	LS	\$200,000	\$200,000
13.	Lift Station	1	LS	\$100,000	\$100,000
14.	Piping to Plant	1,500	ft	\$100	\$150,000
<b>Private (dry) Utilities</b>					
15.	Power overhead	8,000	ft	\$20	\$160,000
16.	Power underground	8,000	ft	\$40	\$320,000
17.	Communications overhead	8,000	ft	\$10	\$80,000
18.	Communications underground	8,000	ft	\$20	\$160,000
<b>SUB-TOTAL</b>					<b>\$9,470,000</b>
<b>Contingency, 30%</b>					<b>\$2,841,000</b>
<b>Planning, Engineering and Permitting, 25%</b>					<b>\$2,367,500</b>
<b>TOTAL</b>					<b>\$14,678,500</b>





# A NEW PARIS LANDING VISION STATE PARK RESORT

Market Analysis, Repositioning and Conceptual Vision

Report prepared  
for the State of Tennessee  
Department of  
Parks and Recreation by  
Goodwyn Mills & Cawood, Inc.  
and IDM Hospitality

August 2016





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**one**  
**EXECUTIVE**  
**SUMMARY**





# one EXECUTIVE SUMMARY



The State of Tennessee contracted consultants to analyze the current and future business model with a primary focus on the potential redevelopment of a lodging & dining facility, with meeting and conference facilities in the Paris Landing State Park located in Buchanan, TN. The purpose of the study was to analyze the existing business, surrounding community, competition and market to determine the type of product and services to be provided in the programming of the new facility.

The primary questions that this report will answer through a factual and statistical analysis are as follows:

- What are the current and future hotel growth market trends?
- What are the existing competitors in the market area?
- How are they performing?
- How will new facilities improve the position of the hotel and tourism market?
- Are the desires for quality and amenities in the subject hotel consistent and competitive with what the market can support?
- What are the demand and financial projections for the proposed project?

Paris Landing State Park is an 841-acre park located on the western shore of the Tennessee River, which is dammed to form Kentucky Lake (160,000 acres in surface area). The Tennessee Valley Authority created the Kentucky Lake when the Tennessee River was dammed in 1944 for the purposes of navigation, flood control, electricity generation and economic development.

The vision for the facility is for modern and tranquil lodging facility that delivers a unique lakeside getaway experience that not only meets the Vision and Mission set forth by the state but directly competes with surrounding facilities. The goal should be for it to be more than just the meeting facility that it is today; the goal should be for it to become a feature destination of the state's park system and a valuable asset to the state of Tennessee.

**Paris Landing Vision Statement**  
 "Paris Landing State Park was constructed on the shores of Kentucky Lake to create an unforgettable recreational experience and add impact to the local economy, while protecting, interpreting and enhancing the cultural and natural resources."  
 (Source: TDEC)

**SECTION SUMMARY**

- The purpose of the study was to analyze the position of the park and its facility in the competitive market and make recommendations.
- The study recommends replacing the outdated hotel tower with an upscale inn and conference center focused on the lake.
- The vision for the facility is for modern and tranquil lodging facility that delivers a unique lakeside getaway experience.
- Other suggested improvements include a new restaurants and upgraded meeting and event spaces.

**Paris Landing Mission Statement**  
 "To promote and provide quality and diverse recreational opportunities, while maintaining the integrity of the natural resources and cultural heritage of the Park." (Source: TDEC)



## 1. EXECUTIVE SUMMARY

### The Park's Future

The consultant's recommendation is to demolish most all of the main hotel section and redevelop the site to maximize the land use and provide a competitive resort in the region. The park provides a unique location and a diversity of lodging types throughout the park, including lodge, campsites and cabins, all of which appeal to many different travelers and market segments; this should remain true once the facility is redesigned. Site redevelopment for the lodging and restaurant facilities should maintain high visibility from the roadways yet utilize the park's lakeside location and showcase the park's features which in turn will drive visitation and accommodations. Site selection should also consider how visitor density will impact all park visitors' experiences and attractions.

The park sits on the widest part of the lake making it the perfect location for water sports such as fishing, boating, swimming and waterskiing. On land, there are plenty of activities including golfing, hiking, camping or just relaxing and enjoying the natural beauty and wildlife. The future of the facilities should provide a connection to the outdoors through the creation of views, space, use of lake and its amenities to drive park use. Visitors to the lodging facilities will be primarily families and couples on vacations and those looking for meeting and event space. Spaces that cater to both families and adults should be included in the design with

activities that encourage social interaction.

The repositioned "new inn" should be comfortably appointed with a design that will offer a memorable experience. The units will need to be functional and thoughtfully designed to be sustainable well into the future. The park should include 90-100 units, varying in size, positioned along the Kentucky River. The guestrooms should feature the expected in room amenities such as comfortable bedding, television, Wi-Fi, modern heating and cooling but also use the uniqueness of the park and views of the outdoors and balconies where available. They should have areas and comfortable seating for the guests to spend time relaxing. Food service should be not only provided for inn guests in multiple formats, but become a major attraction of the park for meetings and events. The restaurant facilities should take advantage of the lakeside setting of the park and offer breakfast, full service lunch and full service dinner in areas both indoors and outdoors. The inn currently provides food service and buffet or fast casual style of service popular with the local community and park visitors. This should remain mindful and would be a good option for service once redeveloped.

The design should support the activities of park guests and focus on creating an environment that helps them connect to the outdoors while offering a unique destination experience.

Our research found that there is high lodging demand in the greater market and a repositioned or new facility at the subject site should be competitive with that market and see an increase in demand and occupancy. When comparing the greater market to the trends of the park we see similar seasonal and day-of-week trends throughout the area competition. With a refined facility, not only is it possible to increase occupancy rates but the average rates as well which will allow for overall growth in hotel and food & beverage revenues. It is also evident that there is demand for cabin rental in the area. There is potential for increasing rates for these lodging offerings as well.

For these reasons it is logical that a remodeled and repositioned lodging facility, utilizing the existing facilities that embrace the park surroundings and providing adequate lodging options, in conjunction with a new restaurant and renovated meeting and event spaces in the existing site facilities, would not only be a success but a regional destination for events, lodging and park activities. This will be a step above the regional competition that will grow over time into a viable business model, while enhancing one of the State's assets.

---

The study recommends replacing the outdated hotel tower with an upscale inn and conference center focused on the lake. The goal is to create a unique resort offering for visitors.

---

1. EXECUTIVE SUMMARY



Figure 1. Conceptual Site Plan of New Resort. See Section 3 for more information.



**1. EXECUTIVE SUMMARY**





**two**

**BUSINESS  
CASE**

Table 1. Mean (SD) age, height, weight, body mass index (BMI), and body fat percentage of the 100 children in the study

Variable	Mean (SD)
Age (years)	10.2 (0.4)
Height (cm)	141.5 (10.5)
Weight (kg)	36.5 (10.5)
BMI (kg m <sup>-2</sup> )	23.0 (3.5)
Body fat (%)	15.5 (3.5)

### 3.1. Anthropometric characteristics of the children

The mean (SD) age, height, weight, BMI, and body fat percentage of the 100 children in the study are shown in Table 1. The children were aged 10.2 (SD 0.4) years, with a mean height of 141.5 (SD 10.5) cm, weight of 36.5 (SD 10.5) kg, BMI of 23.0 (SD 3.5) kg m<sup>-2</sup>, and body fat percentage of 15.5 (SD 3.5) %.

### 3.2. Anthropometric characteristics of the parents

The mean (SD) age, height, weight, BMI, and body fat percentage of the 100 parents in the study are shown in Table 2. The parents were aged 39.5 (SD 5.5) years, with a mean height of 170.5 (SD 10.5) cm, weight of 75.5 (SD 15.5) kg, BMI of 25.5 (SD 3.5) kg m<sup>-2</sup>, and body fat percentage of 18.5 (SD 3.5) %.

### 3.3. Anthropometric characteristics of the mothers

The mean (SD) age, height, weight, BMI, and body fat percentage of the 100 mothers in the study are shown in Table 3. The mothers were aged 39.5 (SD 5.5) years, with a mean height of 165.5 (SD 10.5) cm, weight of 70.5 (SD 15.5) kg, BMI of 25.5 (SD 3.5) kg m<sup>-2</sup>, and body fat percentage of 18.5 (SD 3.5) %.

### 3.4. Anthropometric characteristics of the fathers

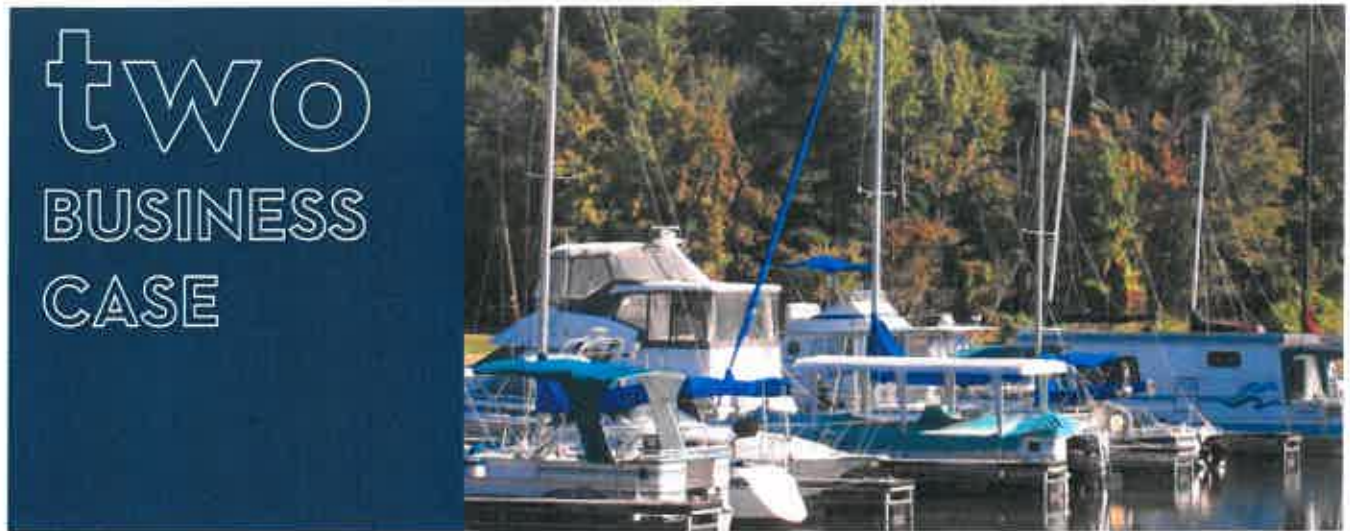
The mean (SD) age, height, weight, BMI, and body fat percentage of the 100 fathers in the study are shown in Table 4. The fathers were aged 39.5 (SD 5.5) years, with a mean height of 175.5 (SD 10.5) cm, weight of 80.5 (SD 15.5) kg, BMI of 25.5 (SD 3.5) kg m<sup>-2</sup>, and body fat percentage of 18.5 (SD 3.5) %.

### 3.5. Anthropometric characteristics of the siblings

The mean (SD) age, height, weight, BMI, and body fat percentage of the 100 siblings in the study are shown in Table 5. The siblings were aged 10.2 (SD 0.4) years, with a mean height of 141.5 (SD 10.5) cm, weight of 36.5 (SD 10.5) kg, BMI of 23.0 (SD 3.5) kg m<sup>-2</sup>, and body fat percentage of 15.5 (SD 3.5) %.

### 3.6. Anthropometric characteristics of the twins

The mean (SD) age, height, weight, BMI, and body fat percentage of the 100 twins in the study are shown in Table 6. The twins were aged 10.2 (SD 0.4) years, with a mean height of 141.5 (SD 10.5) cm, weight of 36.5 (SD 10.5) kg, BMI of 23.0 (SD 3.5) kg m<sup>-2</sup>, and body fat percentage of 15.5 (SD 3.5) %.



# INTRODUCTION

The State of Tennessee contracted consultants to produce a business case study for the potential redevelopment of a full service lodge with multiple meeting and conference facilities and restaurant in the Paris Landing State Park. The purpose of the study was twofold: 1) to analyze the existing operation's financial performance in comparison to the local, regional and national market for tourism hotels and park facilities 2) to assess and propose alternative product and services to be provided in the programming of a new facility.

In light of the outdated lodge facilities and limitations to the meeting and event space, it is apparent that with modern and up-to-date facilities, visitors would be enticed to pay higher rates, stay longer and visit/meet more frequently. The consultants were engaged to verify this market demand and overall market conditions and to assess the viability of replacing the present facility with upscale lodging accommodations.

The consultants provided a competitive market overview, comprehensive statistical review of current operations and all project economics from oper-

ations to development. This included operational speculations providing an overview of market, potential development information concerning the market area, and market factors that would affect the possible development or redevelopment of a hotel at this location.

The consultants have extensive hospitality development and management experience and are therefore qualified to offer market analysis that would stand up to an independent review.

NOTE: This report may or may not be acceptable for external investing and/or lending purposes and may depend upon this market's ability to support this hotel, additional requirements and the desire for more specific information.

## ENGAGEMENT SCOPE

The State of Tennessee desires to create a viable business model thus repositioning the facilities to be more competitive in this destination market. The redevelopment could include the removal of the existing inn and restaurant/meeting facilities at Paris Landing State Park. For the purposes of this study, the State requested a thorough

## SECTION SUMMARY

- The consultants conducted extensive market analysis for lodging accommodations.
- The study addressed room mix, meeting spaces, and amenities.
- The study focused on supply and demand in regional hotel accommodations.
- Using independent statistical data, the consultants projected demand and considered the viability of a new facility based on market trends.
- It is apparent that more modern facilities would entice visitors to pay higher rates and stay longer.





## 2. BUSINESS CASE

investigation of the existing product and the market needs to determine the appropriate redevelopment of the facility to include the number and size of guestrooms, conference facilities, restaurant and amenities necessary for the customer profile.

This study investigated the current and potential demand for hotel accommodations and analyzed existing competitive facilities in the greater surrounding market. It recommended the scope and general characteristics of the lodging facility and other project amenities necessary to the development. These characteristics will be driven by architectural site limitations, functionality of the operation, and the market's ability to sustain the business.

### PROCESS OVERVIEW AND SCOPE

For market analysis, the consultants investigated substantial data supplied by the State of Tennessee and the Tennessee Department of Environment and Conservation (TDEC). Information was also gathered from the State Tourism reports, major franchise lodging chains, and independent hotel facilities regarding the status of their businesses and future plans for each market addressed in the analysis. Forecasts were made based on the market's historic performance, the growth in demand, and anticipated supply. The proposed hotel's accommodation occupancy levels through the first several years of operation were based on those historical trends.

The market analysis determined the current and potential market for lodging accommodations and amenities, including the necessary components and further determined the appropriate size, positioning, and scope of facilities to best serve the market, including market share and competitive advantages and disadvantages. These recommendations are presented in a narrative and tables that set forth the hotel description, meeting space, breakout rooms,

potential mix and type of guest rooms, recommended facilities and amenities, and other commentary on the development of a conferencing facility. The consultants also identify recommended price points and estimated levels of utilization.

Based on recommendations regarding project design, the consultants provided a consolidated statement of estimated annual operating results for the proposed facility, complete with sources and level of revenues, related and unallocated expenses for the property through available cash flow for debt service and return on equity. The estimate addressed a typical year in the property's operation in current value dollars and set forth the anticipated first several years of operating results in inflationary dollars.

The first step of this process involved an extensive market visit and tour by the consultants. The consultants investigated the site location and existing facility conditions, reviewed amenity sites, discussed objectives and gained an understanding of the competitive markets to be analyzed.

To be competitive and successful within a subject market is of major importance. Factors important to this hotel's success were provided. Site issues affecting the hotel were also addressed. The key factors addressed in the market study were:

#### Backdrop & Perspective

- Develop an understanding of the current park site and its accessibility and amenities as it relates to the greater market
- Develop an understanding of the State's vision of master development for the Paris Landing State Park and Inn
- Develop an understanding of the market history and future development

#### Facility Amenities & Design

- Determine ideal inn room mix of suites and traditional guestrooms of various sizes
- Determine target room count
- Review available and proposed meeting and banquet spaces in the community; including additional meeting and banquet space in the proposed subject facility
- Determine other retail business, lease space, or office space within the inn facility
- Determine amenities such as pool, exercise room, sauna, other recreational elements, and food service options—not to compete with surrounding businesses but to complement them
- Determine necessary meeting space size and number

#### Competitive Set Investigation & Market Statistical Review

- Identify and define benefit of support amenities and services
- Identify hotels within a defined area that will compete for business with the project hotel's development
- Use competitive set data to identify trends in occupancy and revenue (STR Data) and draw correlation to subject property- Hospitality industry reports (STR) identifying actual past six years of occupancy, average, rate, and revenue within the identified market
- Comparison to competitive facilities and like characteristics
- Detailed 10-year operational projections for sales and expenses for guest rooms, food & beverage—including banquet and catering departments and overall facility operation
- Rate management positioning
- Market segment contribution projections to determine hotel amenities
- Forecast hotel and market projections for five and ten years

- Potential economic impact on the city, county and state
- Perform a market rate analysis to identify recommended market room rental rates

### Conclusions, Concerns, Risks

- Present an Executive Review Summary of all findings
- Executive Review Summary of all findings
- Review of study, comments on economic analysis
- Estimated development costs 20%
- Space allocation and space programming for subject hotel
- Continuity with project's overall development strategy
- Areas of potential improvement or concern
- Project valuation and investment analysis
- Provide a 20-year investment analysis on the operation of the facility- focus on revenue, expense and return on initial investment
- Provide an estimate on a 20-year capital budget forecasting major reinvestment at the property level

## RESEARCH

This study focused on the supply and demand in regional hotel accommodations within the subject market in order to best understand the current market dynamics and relative positioning of potential redevelopment. Consultants reviewed data from independent resources and a physical inspection of the existing facility and park. Research on amenities and facilities of the competitive parks in the state and comparable hotels, meeting, and banquet facilities was performed. The research identified the historic and projected occupancy, Average Daily Rate (ADR), market segmentation mix, and operational positioning of the project. The research led to the review of the facilities, amenities, services, and general condition of the competition to position the hotel.

Similar trends affect the economics of hotel operations and the demand for hotel accommodations. To forecast these operational projections, the consultants used industry standards, relevant data from managed properties and industry statistics. To determine if the business environment could sustain the added hotel supply, relevant data such as current and proposed demand generators, tourism reports and interviews with staff were gathered and analyzed.

## MARKET PERFORMANCE AND FACILITIES RECOMMENDATIONS

The consultants used independent statistical data to project both the supply of and the demand for hotel lodging and meeting facilities in the competitive set or potential market. The consultants looked at the market history and existing facility and considered the viability of a new or repositioned facility based on market trends.

Next, in detailed fashion, the occupancy, average rate, and revenues were projected for the first 10 years of operation based on historical trends within the subject market. Those projections were used to recommend the size, type, and characteristics of the hotel and the amenities offered.

## DEVELOPMENT COSTS & OPERATIONAL COSTS: ECONOMIC ANALYSIS

The economic analysis and development costs was presented to show development and construction estimates based on our experience and industry-supplied data (such as industry averages) to complement the revenue and expense pro forma analysis for this hotel project. These figures were compared with the estimated development costs for a full understanding of risk level. Whole debt service assumptions and equity return are not modeled or directly addressed.

---

It is apparent that more modern and up-to-date facilities would entice visitors to pay higher rates and stay longer.

---



2. BUSINESS CASE

# THE PARK AND ITS FACILITIES

## ASSIGNMENT LOCATION—PARIS LANDING STATE PARK

The park is located in Henry County in Northwest Tennessee; on the Tennessee and Kentucky border. See Figure 2.

## PARIS LANDING STATE PARK OVERVIEW

Paris Landing is located along the west bank of the beautiful Tennessee River. The park features lodging, golf course, restaurant, camping, marina, and meeting facilities. The park offers several lodging options, including an inn with 130 guestrooms, 10 cabins, and 48 campsites for RV's and 36 sites for tent camping. There are also three group campsites available. The Inn features The Riverboat Restaurant, open seven days a week for breakfast, lunch and dinner and can seat more than 200 people. The property also has several meeting rooms and versatile event space.

Kentucky Lake is a major navigable reservoir along the Tennessee River in Kentucky and Tennessee. The reservoir was created in 1944 by the Tennessee Valley Authority's creating Kentucky Dam. The 160,309-acre lake is the largest artificial lake by surface area in the United States east of the Mississippi River, with 2,064 miles of shoreline, over 3 miles wide and hundreds of secluded coves. Fishing on Kentucky Lake is a seasonal attraction with more than 100 species of fish scattered over broad expanses of fresh water. The park is

equipped with one large boating pier making it accessible from the water.

The park attracts an estimated 1,500,000 visitors per year. The park encompasses nearly 1,100-acres and attractions include lake activities, golf course, marina, swimming facilities, and lodging in the form of an inn and cabins. The park beckons those who enjoy nature and offers overnight accommodations from camping to full service lodging.

The inn and overall park accommodation occupancy has been declining in large part to the deteriorating condition of the inn and the outdated furnishings, fixtures and equipment of the overall facility. Renovations and/or new facilities are needed to stay competitive with similar facilities in the surrounding area and continue to attract travelers.

## PARK HISTORY

The park was founded in 1945 after the damming of the Tennessee River and creation of Kentucky Lake. Paris Landing State Park was named after an old steamboat and freight landing on the Tennessee River which is now under the waters of Kentucky Lake. In the 1800s, the river landing was an important spot for the delivery of goods to serve the settlements of the region and shipping point for produce and other agricultural products. The site has long afforded good access along the Tennessee River.

## SECTION SUMMARY

- need these

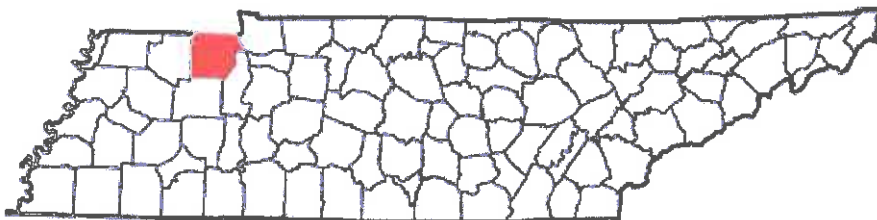


Figure 2: Assignment Location

## ACCOMMODATIONS

The Paris Landing Inn is situated on scenic Kentucky Lake and has 130 guestrooms (in a single loaded corridor) with balconies that provide views of Kentucky Lake. The property was built in 1970 and its architecture is of the Brutalist period of architectural design which uses mostly exposed concrete exteriors which is not best suited for hotels and lodges of a resort nature. The facility features more than 3 styles of rooms built over the years. The building units are referred to as buildings A, B, and C. The A building has 40 rooms, B has 60 units and C has 27 units of which only 9 are currently rentable due to maintenance. The hotel units all use hard keys for guestroom entry and not electronic key cards.

The park noted issues in several reports indicating shoreline erosion and trees impeding the views of Kentucky Lake which need a long-term solution to maintain the facility. An aerial shot of the existing facilities are shown below.

## PARK AMENITIES

### Swimming & Picnic Facilities

Paris Landing State Park has a public swimming area, picnic area and beach on Kentucky Lake with restrooms nearby. The park also has an Olympic-size public swimming pool with a children's pool which is open from Memorial Day until the first week of August. The pool complex features a white-sand beach

volleyball court, two diving boards and a snack bar.

### Paris Landing State Park Marina

The park features a full-service marina with annual and transient slips which have been a popular venue for boaters since it opened in 1978. The marina is open year round and offers dynamic seasonal views of Kentucky Lake. The marina features a four lane public boat launch ramp. The ramp will accommodate wave runners and boats up to 72 feet in length. A courtesy dock is available at the inn for restaurant guests.

The marina provides for 295 wet slips and transient dock slips. Tie-up slips, uncovered and covered slips are available at monthly or yearly rates. Certain slips come equipped with water, cable & various electrical services and range from \$4.00-\$6.00 per linear foot of the boat being stored long term and about \$1.00 per foot for nightly rates. Guests of the inn pay \$.50 per foot for nightly boat storage. The facility has showers and internet Wi-Fi available all guests. The marina sells non-ethanol gas, diesel fuel, has a pump-out service, and offers free transportation to the park Inn, restaurant, lounge and golf course. It also has fishing bait, licenses, ice beer and general supplies. A three lane boat ramp is available for no fee.

### Meeting and Event Spaces

Paris Landing currently features 5 meeting rooms at the inn and a separate conference center or large

trade center that is 10,500 sq. ft. of event space. The conference center is divisible into three separate rooms which combined can host events for up to 1200 individuals. The inn features 5 meeting rooms that when the largest are combined are approximately 4,000 sq. ft. in size (and 5,000 sq. ft. total non-contiguous space in total) and can accommodate more than 200 people. The facility also has an outdoor garden area that can host outdoor events and receptions seasonally. All meeting rooms are catered by the onsite restaurant, The Riverboat Restaurant.

The meeting rooms are very utilitarian in style consisting of exposed concrete walls, acoustic panel ceiling tiles (many of which need repair) and painted concrete masonry units (CMU). Lighting in these units are 2'x4' acrylic fluorescent fixtures which are very challenging in meeting rooms because of the lack of dining abilities. These rooms were refinished and subdivided into divisible rooms in 1998.

### Golf Course

The Paris Landing golf course is situated on the western shore of Kentucky Lake and several holes skirt the lake, producing a natural balance of rolling land, trees, and water. Through the years Paris Landing has hosted numerous collegiate and high school championships. The course opened in 1971 and went through minor changes in hole placement, greens and improvements in 1994, 1996 and 1997. The park pro shop provides golfing supplies, lessons, rental clubs and carts. The pro shop snack bar is open (March - October) for breakfast and lunch.



## SUBJECT SITE ANALYSIS

### Lodge

The Paris Landing Inn is a full-service lodging facility with rooms, cabins, restaurant and meeting facilities. All rooms have outdoor decks with lake views, full baths, cable TV (with outdated tube televisions) and coffeemakers. One and two-bedroom suites are





## 2. BUSINESS CASE

available with microwaves, mini-fridges and sitting areas. The Inn also features an outdoor swimming pool, fitness room and gift shop for guest use.



The inn is an interior corridor facility with outdoor balconies and features 116 double bed rooms, 5 king rooms and 9 parlor rooms with a sleeper sofa. The guestrooms are approximately 325 sq. ft. to 360 sq. ft. on average and are considered small by today's standards in the resort marketplace. The Inn has a sizable 2 story lobby and restaurant area, sitting area, front desk and gift shop. A few rooms are out of working operation due to the age of the building. The buildings are brick and masonry and are located on a peninsula surrounded by Kentucky Lake. Rooms are air conditioned, carpeted, and equipped with TV and phone. The suites have a small refrigerator, microwave, toaster and coffee maker. The Inn has handicapped accessible rooms and pet-friendly rooms. Internal analysis of the park and its accommodations by its managers rated the quality of the rooms as poor and in need of a dramatic update.

The park also features an outdoor heated swimming pool, fitness room and game room for guest use.

### Restaurant

The existing restaurant named The Riverboat Restaurant seats 250 people (in 2 separate rooms) and serves southern style buffet cuisine and some ala carte dining daily. The property was built in the 1950's and currently the restaurant operates breakfast, lunch and dinner and bar service. In order to service inn guests, park visitors, and campers, the facility offers buffets as well as table service and menu offerings. The facilities bar and lounge features a selection of imported beers and wines although no liquor is available. The restaurant kitchen also services the existing meeting and event space at the inn.

### Cabins

The Park features 10 three-bedroom lakeside, two-bath cabins, each furnished to sleep up to 10 people that were built in 1998. The bedding consists of 5 double beds in each of the units. All cabins are fully equipped for housekeeping with linens, cooking and serving utensils, appliances, microwave, telephone and cable TV. Cabins have a minimum two-night stay requirement and a three-night minimum stay on Memorial Day and Labor Day. Additionally, Paris Landing cabins have a six-night minimum in June and July.



### Campsites

Paris Landing State Park provides 45 campsites situated across the street for the main lodge facility and adjacent the park's marina. The sites have water and electric providing 30-amp service for guests and the RV sites can accommodate vehicles up to 38 feet in length. There are also 18 primitive camp sites

available. The campsites are serviced by two bathhouses and a dump station for self-contained trailers or RV's. Camping is open year round and the dump station is operated March through November.

### Swimming

The park has an olympic-sized pool with bathhouses and a concession stand. The pool is open from Memorial Day weekend through Labor Day. Ample sunbathing space is provided with the pool area and there is a wading pool for small children. The pool has passes to the local community residents. Lifeguards are on duty during swimming hours. Registered hotel and cabin guests swim free. Camping guests swim at discounted rate with a camping receipt.

### Hiking

The park is challenged in that it offers very little outdoor hiking for visitors. The park's self-guided trail system is only four miles long and consists of three trails ranging from easy to moderate. The park is in close proximity to the Land Between the Lakes which offers over 100 miles of trails.

## ACCESSIBILITY

The park is located in the northwestern region of Tennessee north of the city of Paris, TN in Buchanan, TN. The park is located in Henry County and in very close proximity to the Land Between the Lakes National Park. The park and its facilities are entered from Highway 79.

The park is accessible by automobile or air travel. Below is a list of major regional cities, their distances, and approximate drive times to the subject site:

- Clarksville, TN—46 miles (1 hour)
- Nashville, TN—96 miles (2 hours)
- Chattanooga, TN—228 miles (3.75 hours)
- Knoxville, TN—277 miles (5 hours)
- Memphis, TN—158 miles (2.75 hours)
- Gatlinburg, TN—315 miles (5.5 hours)

Paris Landing Park Visitor Trends				
Visitation	2013/14	2014/15	2015/16	2013-2015 Avg
July	263,290	245,471	204,894	237,885
August	184,802	157,313	116,216	152,777
September	137,674	165,623	160,667	154,655
October	140,979	93,686	101,850	112,172
November	93,516	67,925	62,500	74,647
December	51,008	52,239	41,178	48,142
January	58,068	53,778	51,214	54,353
February	68,438	32,859	56,805	52,701
March	86,134	109,568	112,184	102,629
April	80,203	120,540	149,659	116,801
May	114,501	93,194		103,848
June	171,107	232,369		201,738
<b>Annual</b>	<b>1,449,720</b>	<b>1,424,565</b>	<b>1,057,167</b>	<b>1,412,346</b>

Table 1. Fall Creek Falls Visitor Trends

(Source: IDM and TDEC)

- Paducah, KY—67 miles (1.5 hours)
- St. Louis, MO—240 miles (3.75 hours)

**Location**

The location of the State Park is of particular interest to the overall market analysis. The park is located in Henry County approximately two hours (96 miles) northwest of Nashville via Interstate 24 North and US 79 West. Highway 79 runs east and west alongside the park to the north separating it from the campgrounds and marina.

It was already identified that the subject park is located on Kentucky Lake. Paris Landing is across the water to the west of a National Recreation Area called The Land Between the Lakes. This park is a U.S. National Recreation Area located in Kentucky and Tennessee between Lake Barkley (to the east) and Kentucky Lake (to the west). The National Parks consist of over 170,000 acres of forests, wetlands, and open lands on more than 300 miles of shoreline. Unlike many other National Parks, the Land Between the Lakes offers licensed hunts for deer, turkey, squirrel, and other small game throughout the year.

After the Cumberland River was dammed in the 1960s and a canal constructed between the two lakes, Land Between the Lakes became the largest inland peninsula in the United States. The area was designated a national recreation area by President John F. Kennedy in 1963. The recreation area was originally managed by the Tennessee Valley Authority but jurisdiction has since been transferred to the United States Forest Service & United States Department of Agriculture. The area has significant historical roots in early commerce of the Cumberland Valley and Gulf of Mexico. The parks features more than 500 miles of trails for hiking, biking, off-road riding and horseback riding. The park also has 26 boat ramps, an off-road vehicle area, 1,400 camp sites, and group lodges and a few cabins; most attractions require a user fee. The Land Between the Lakes services more than 1.4 million visitors annually. Paris Landing State Park is in close proximity to the Land Between the Lakes with 2 park entrances within 2.5-4.4 miles.

**ANNUAL VISITORS**

See Table 1. The annual visitor trend is identified above and is calculated on the park’s fiscal year, which runs from July 1st through June 30th annually. The park visitation has decreased slightly from 2013-2016 and its three-year average at 1.412 million visitors. Peak months consist of April, May, June, July, August, September, and sometimes October. This facility has the meeting and event space to target groups and meetings to both draw overnight accommodations to the newly repositioned lodge and utilize food and beverage services at the lodging facility. Between the visitation of Paris Landing and the Land between the Lakes this area attracts nearly 3 million visitors annually.

**LODGING INVESTIGATION (GMC REVIEW)**

It is important that the subject property lodging and its support amenities be a viable business in the regional tourism industry and should complement the overall State Park system. The scope of repositioning will include the complete Paris Landing Inn, conference area, and restaurant within the park, which are all necessary amenities to the park.

TDEC had Goodwyn Mills and Cawood, Inc. (GMC) in collaboration with Jones Lang LaSalle perform a feasibility and comprehensive Inn renovation plan and recommendation on Paris Landing State Park in August of 2013. A team of professional architects, engineers, designers and consultants visited the park. The following information was obtained from that report and considered during this evaluation of the facilities:

Paris Landing State Park Inn and Conference Center’s primary customer segments split evenly between group and individual leisure. Their groups consist of TN State associations, civic clubs, reunions including military, family and high school, golfers, religious, weddings, college sports teams and a small number of corporate outings.



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Tennessee State related organizations groups are decreasing due to less available funds and Fort Campbell groups are declining due to cutbacks resulting from troop reduction.

The individual leisure customer visits the Inn for fishing tournaments, Tennessee State employee discount program, and an increasing number of people in the senior segment. Due to the split of group and individual leisure customers, Paris Landing has broader competitive exposure including local branded hotels (Hampton Inn and Super 8) in Paris, TN along with the Lake Barkley State Park Resort and Kenlake State Park Resort in Kentucky.

Common with Tennessee State organizations and State Associations, there is a rotation schedule for meetings across the state where competition with Montgomery Bell and Pickwick Landing State Parks occur. The expressed reasons for lost business are outdated and worn conditions with the additional concern for lack of a facility to provide secure and well-lighted parking for boats, trailers, and trucks along with recharging stations for boat batteries.

Competitors have had updated lobby, meeting space, and guest room design and furnishings. In addition to brand requirements for regularly scheduled refurbishment and renovation. Kentucky State Park Resorts have invested in renovating their facilities with Kenlake currently in progress.

To maximize Paris Landing Inn and Conference Center's occupancy potential while ultimately increasing average rate; guestrooms, meeting facilities, and public space must have an up to date appearance, be comfortable, pleasant smelling, and functionality to achieve the guest's intent for visiting.

There is a common public perception that publicly funded facilities should not provide a luxury level of lodging. Visitors expect a state park facility to maintain a lodging rate that is affordable and offer amenities relatively consistent to competing lodging facilities of the same

price range. Based on rate there is then a minimum level of expectation for the guest experience for the facility, and it is quite simply compared to other, similar priced, lodging facilities. Unfortunately, Paris Landing State Park has been subject to deferred maintenance, finish material replacement efforts, and soft goods replacements. As such, the Inn has recently been unable to provide this minimum expectation.

### CURRENT PERCEPTION FINDINGS

Both the interior and exterior of the space is outdated relative to what today's guest expects relative to other hospitality venues. The existing interior decor concept is a combination of relevant materials (exposed stained wood and veneers, carpets, brick, siding) along with exposed concrete construction consistent with brutalist architecture of the 1970s. This results in a building that conveys a cold, institutional (referred by some as "prison-like"), and unfriendly environment. Considering the definition of hospitality is "the friendly and generous reception and entertainment of guests, visitors, and strangers", there is a contradiction between the intent of the facility and the ability for the architecture and interiors to successfully provide the intent.

GMC also noted that the guestroom and bath are the most important elements of a lodging facility and that the current conditions are inadequate. The existing HVAC system is not functioning at optimum level (in the overall facility) and there could be a public health concern given the variety of mold found throughout the property due to the water infiltration and age of the building.

### LODGING FUTURE RECOMMENDATIONS

Given the current conditions of the facility and its outdated overall design and use of space; it is recommended that a new facility be built to best po-

sition the resort in the greater market. In review of the GMC analysis there is too many overall existing condition challenges to effectively upgrade the facility making it competitive to regional lodging facilities. An overall better design on the placement of the amenities, lodge, restaurant, piers and shoreline improvements will secure the future of the state park.

The purposes of this study was to validate the necessary amenities, relocation of existing facilities consideration, identify the optimal facility size and amenities to be offered based on area competition and evaluate and update the costs to build a competitive facility that will last for years to come.

### INN AND CABIN HISTORICAL TRENDS

One of the park's most popular lodging offerings (based on historical occupancy) is the cabins. The facilities have been under renovation in the last few years but historically have been popular for visitors to the park. The cabins are open year round and are located within walking distance of the inn and restaurant. All cabins have a guaranteed check-in time of 4 PM and check out time of 10 AM. All cabins can be reserved year-round and there is a two-night minimum.

Currently the park features the following types of cabins:

#### Standard Cabins

Rates: \$170.00 to \$180.00

Paris Landing State Park features 10 three-bedroom, two bath standard cabins accommodating up to ten people. All cabins are situated facing the lake. The cabins master bedroom contains 2 beds and has an attached bathroom. One of the additional bedrooms has two beds and the third contains one bed.

Each cabin is fully equipped for house-keeping with full kitchens including cooking and serving utensils, linens, gas

log fireplace, telephone, and cable TV. The cabins also have central heat and air.

Cabins have a minimum two-night stay requirement, with select holidays requiring a three-night stay, and weekly rentals required during the summer. Pets are allowed in the two designated pet-friendly cabins with an additional charge per pet per night.

### Cabin Rental History

Table 2 shows the 5-year trend in occupancy for the cabins at Paris Landing State Park based on a calendar year not the state's fiscal year.

### Key Points of Cabin Performance

- The Cabin rental for the calendar year 2010-2012 reported the strongest occupancies for the units at 56.3% in 2010, 51.0% in 2011 and 53.5% in 2012. The average rate for this three-year period was \$64.46 and average revenue was \$936,704.
- With the 2 to 5-night minimum length of stay requirement during July - the rental ran on average 73.1% in July from 2010-2012. The average occupancy for the summer months from 2010-2012 area as follows: June 74.3%, July 73.1%, August 48.8%, September 60.8% and October 58.9% occupancy. April, a popular month, ran 74.4% from 2010-2012 on average with a reported ADR of \$170.10.
- The occupancies decreased in 2013 with the updates to the cabins and having them off-line.
- The summers months of June through August 2010-2012 yielded the following average rates and occupancies:
  - 2010 \$148.35 & 71.3% Occupancy
  - 2011 \$150.57 & 58% occupancy
  - 2012 \$150.33 & 66.9% occupancy
  - 2013 \$145.99 (for June - closed July & August) & 75% occupancy
  - 2014 \$119.75 & 16.5% occupancy
  - 2015 \$163.98 & 14.8% occupancy

- The winter months of January, February, March, November and December 2010-2012 yielded the following average rates and occupancies:
  - 2010 \$126.45 & 38.8% Occupancy
  - 2011 \$129.04 & 37.7% occupancy
  - 2012 \$124.79 & 38.4% occupancy
  - 2013 \$118.21 & 33% occupancy
  - 2014 \$126.45 & 10.7% occupancy
  - 2015 \$172.20 & 7.9% occupancy
- The revenues in 2010 were reported at its peak at \$251,705. The average revenue for 2010-2012 was \$236,489 or \$23,648 per unit available.
- There was a variance from peak season months (April, May, June, July, August, September & October) of approximately \$25 in ADR and 30 occupancy points from the off-peak months (January, February, March, November & December). In the winter months of January and December the park averaged rates near \$122.00 from 2010-2013.
- Cabin rentals are very popular at the park (and the overall area) given the lakeside location close proximity to park attraction. Additional cabins should be considered for future expansion or the addition of new facilities in this next phase of development.

See Table 3.





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Parks Lodging Cabin Historical Trend of Occupancy & ADR															
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	% Chg Previous Yr	
2016 Occupancy	16.2%	11.4%	10.6%	22.8%	28.8%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Revenue	\$ 7,466	\$ 2,483	\$ 3,230	\$ 11,980	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,849	-65.9%
ADR	\$ 158.15	\$ 93.33	\$ 124.23	\$ 359.28	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 153.39	-3.3%
Available Rooms	248	248	248	248	248	248	248	248	248	248	248	248	248	0	-11.6%
Sold Rooms	40	27	36	89	0	0	0	0	0	0	0	0	0	0	-83.8%
Rev % Chg	249%	100%	150%	6%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	0	-83.8%
ADR % Chg	3%	-28%	-28%	6%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	0	-83.8%
2015 Occupancy	4.3%	0.0%	17.3%	32.3%	20.8%	24.2%	4.3%	37.1%	35.3%	37.1%	30.2%	12.3%	4.8%	36.2%	-0.4%
Revenue	\$ 2,160	\$ -	\$ 7,245	\$ 12,479	\$ 11,417	\$ 4,733	\$ 2,078	\$ 5,631	\$ 6,392	\$ 4,989	\$ 12,129	\$ 3,942	\$ 5,095	\$ 76,057	13.7%
ADR	\$ 180.00	\$ -	\$ 151.47	\$ 359.59	\$ 154.28	\$ 191.57	\$ 174.17	\$ 137.34	\$ 168.21	\$ 136.63	\$ 157.50	\$ 93.71	\$ 134.00	\$ 136.55	0.0%
Available Rooms	248	248	248	248	248	248	248	248	248	248	248	248	248	248	0.0%
Sold Rooms	12	0	43	78	74	58	32	41	38	41	75	30	12	12	-13.2%
Rev % Chg	-13%	0%	196%	-10%	-13%	95%	-83%	13%	10%	13%	-2%	25%	-53%	47%	-13.2%
ADR % Chg	23%	0%	28%	1%	15%	98%	20%	-18%	21%	-18%	1%	71%	34%	34%	-13.2%
2014 Occupancy	6.2%	0.0%	24.1%	36.3%	30.5%	9.6%	31.0%	31.0%	8.9%	31.5%	31.0%	17.1%	15.3%	18.6%	-69.1%
Revenue	\$ 2,194	\$ -	\$ 4,533	\$ 13,404	\$ 13,198	\$ 1,763	\$ 21,088	\$ 3,047	\$ 3,047	\$ 4,989	\$ 12,129	\$ 3,942	\$ 5,095	\$ 76,057	-2.7%
ADR	\$ 148.72	\$ -	\$ 131.37	\$ 358.67	\$ 134.67	\$ 76.74	\$ 344.00	\$ 124.63	\$ 124.63	\$ 157.50	\$ 157.50	\$ 93.71	\$ 134.00	\$ 136.55	0.3%
Available Rooms	248	248	248	248	248	248	248	248	248	248	248	248	248	248	-47.7%
Sold Rooms	17	0	35	87	88	23	77	30	22	30	77	42	39	545	-47.7%
Rev % Chg	-22%	-100%	-85%	-50%	-48%	-93%	-47%	-15%	-10%	-10%	-4%	-66%	30%	-69%	-47.7%
ADR % Chg	54%	0%	1%	-4%	-35%	-47%	-47%	31%	31%	31%	4%	-61%	6%	6%	-47.7%
2013 Occupancy	13.3%	38.6%	71.8%	69.2%	64.1%	75.0%	0.0%	0.0%	0.0%	39.2%	37.5%	29.2%	22.1%	35.7%	-35.8%
Revenue	\$ 3,405	\$ 8,375	\$ 23,078	\$ 27,584	\$ 25,211	\$ 26,279	\$ -	\$ -	\$ -	\$ 5,856	\$ 11,174	\$ 11,174	\$ 3,860	\$ 149,492	-3.7%
ADR	\$ 55.50	\$ 93.97	\$ 138.23	\$ 165.93	\$ 158.50	\$ 145.89	\$ -	\$ -	\$ -	\$ 27.30	\$ 252.27	\$ 158.63	\$ 128.67	\$ 143.47	-0.3%
Available Rooms	248	234	248	248	248	248	248	248	248	248	248	248	248	248	-33.3%
Sold Rooms	35	87	178	166	159	180	0	0	0	46	93	70	30	30	-33.3%
Rev % Chg	-30%	13%	40%	4%	-5%	9%	-100%	-100%	-100%	-75%	-37%	-40%	-70%	-36%	-33.3%
ADR % Chg	-17%	-19%	3%	-1%	-5%	1%	0%	0%	0%	-20%	-1%	13%	2%	2%	-33.3%
2012 Occupancy	15.7%	27.2%	52.8%	65.3%	64.3%	69.2%	70.2%	61.3%	57.5%	59.2%	58.9%	55.0%	41.1%	53.3%	3.6%
Revenue	\$ 4,485	\$ 7,320	\$ 16,522	\$ 26,537	\$ 26,561	\$ 24,012	\$ 28,141	\$ 23,729	\$ 21,940	\$ 34,022	\$ 18,573	\$ 14,070	\$ 126.59	\$ 148,977	-1.4%
ADR	\$ 150.00	\$ 116.19	\$ 126.11	\$ 266.90	\$ 166.01	\$ 144.65	\$ 150.24	\$ 156.21	\$ 58.90	\$ 164.53	\$ 140.70	\$ 126.59	\$ 148.97	\$ 148.97	0.3%
Available Rooms	248	232	248	248	248	248	248	248	248	248	248	248	248	248	4.9%
Sold Rooms	39	63	131	159	160	166	174	152	138	146	146	102	102	102	4.9%
Rev % Chg	-15%	56%	-17%	-12%	-12%	-7%	-4%	-10%	-5%	-5%	-3%	8%	-16%	3%	4.9%
ADR % Chg	-2%	-5%	-5%	-3%	3%	-8%	-8%	-1%	-2%	-2%	-1%	-8%	0%	0%	-1%
2011 Occupancy	18.1%	24.5%	54.3%	71.5%	50.3%	70.4%	65.3%	59.2%	59.2%	59.2%	59.7%	46.7%	48.8%	51.0%	-10.6%
Revenue	\$ 5,300	\$ 4,689	\$ 19,807	\$ 30,025	\$ 21,521	\$ 25,729	\$ 22,949	\$ 14,983	\$ 22,998	\$ 24,713	\$ 37,139	\$ 15,217	\$ 225,075	\$ 225,075	-3.3%
ADR	\$ 137.78	\$ 92.93	\$ 146.72	\$ 272.56	\$ 153.72	\$ 152.24	\$ 148.66	\$ 157.82	\$ 161.92	\$ 162.98	\$ 153.03	\$ 125.76	\$ 151.16	\$ 151.16	-3.3%
Available Rooms	248	234	248	248	248	248	248	248	248	248	248	248	248	248	0.0%
Sold Rooms	45	46	135	174	140	169	162	96	142	142	112	112	148	148	0.0%
Rev % Chg	-25%	-24%	30%	-13%	-10%	-10%	-27%	-8%	-25%	7%	-1%	28%	28%	28%	-11%
ADR % Chg	-6%	-8%	8%	3%	-7%	6%	-6%	21%	-17%	-17%	6%	8%	3%	3%	-1%
2010 Occupancy	22.6%	25.4%	45.6%	64.6%	58.5%	83.1%	81.6%	65.6%	65.6%	65.6%	58.1%	57.9%	42.7%	56.5%	13.7%
Revenue	\$ 7,050	\$ 8,865	\$ 15,292	\$ 34,680	\$ 24,016	\$ 30,361	\$ 31,325	\$ 30,860	\$ 30,860	\$ 23,163	\$ 39,472	\$ 12,910	\$ 151,705	\$ 151,705	13.7%
ADR	\$ 125.88	\$ 108.16	\$ 138.33	\$ 170.84	\$ 165.63	\$ 152.81	\$ 120.60	\$ 124.85	\$ 124.85	\$ 107.72	\$ 340.30	\$ 121.79	\$ 151.11	\$ 151.11	0.0%
Available Rooms	248	224	248	248	248	248	248	248	248	248	248	248	248	248	0.0%
Sold Rooms	56	57	113	208	145	200	208	158	158	158	144	138	106	106	0.0%

Table 2. Cabin Historical Trend of Occupancy and ADR

(Source: IDM)

Tennessee State Parks Cabin Rental Comparison			
Park Name	Low	High	Notes
Roan Mountain	\$ 125	\$ 140	Porch, wood stove, gas and electric heat firewood. No TV
Norris Dam	\$ 120	\$ 135	3 bedrooms, microwave, TV gas fireplace, central air
Big Ridge	\$ 60	\$ 80	One bedroom for 6 ppl, lakeside, fireplaces, and heat no air.
Cumberland Mountain	\$ 95	\$ 135	2 bedroom 2 bath, heat and air
Fall Creek Falls	\$ 145	\$ 180	8-10ppl, TV micro fireplace
Montgomery Bell	\$ 155	\$ 170	2 bed 2 bath patio, outdoor fireplace & TV
Pickwick Landing	\$ 110	\$ 125	2 bed 1 bath 8ppl heat & air, TV, fireplace
Paris Landing	\$ 170	\$ 180	2 & 3 bedroom, fireplace, tv, heat and air, up to 10 ppl
Cabins in the Chattahoochee National Forest			
Fort Mountain	\$ 145	\$ 250	15 cottages- 2 and 3 bedroom Oct rate 3 bedroom weekend \$250 Aug/Sep \$200 Oct Rates \$309-\$339
Amicalola Falls	\$ 139	\$ 289	14 cottages 1-3 bedroom cabins June 1 bedroom \$229 to 3 bedroom \$289
Vogel	\$ 100	\$ 250	35 cottages TV & wifi TV, screened porch, micro dishwasher some with fireplace
Smithgall Woods	\$ 165	\$ 515	6 cottages with up to 5 bedrooms Oct rates \$210 2 night min
Black Rock Mountain	\$ 160	\$ 210	10 cottages 2 bedroom heat air micro fireplace Oct rates \$482 2 bedroom 2 night min
Unicoi	\$ 131	\$ 392	30 cottages lakeside 1-3 bedrooms

Table 3. Tennessee State Parks Cabin Rental Comparison (Source: IDM)

## REVENUE MANAGEMENT CABIN REVIEW

Reviewing the cabin offerings regionally exposed some potential opportunity for those in Tennessee State Parks. The majority of the parks in the Land Between the Lakes Area of Kentucky and neighboring State of Georgia have lodging available in various cabin sizes and décor. The facilities varied from newly renovated to aged and rustic. In spite of the fact that the website did not use photography to market the amenities offered in the various cabins, many of the cabins were well over \$200 and the average range was about \$100 per bedroom offered. The cottages increased their rate in the peak season and rates seeming to double from high to low season and many required a 2- to 3-night minimum. This was found throughout the 10 properties in the Land Between the Lakes Area. Many of these facilities were small independent lakeside facilities offering 10-20 cabins or cottages.

**Therefore, it is recommended for the State of Tennessee that rates be increased in peak demand months now that the facilities are renovated.** Photos of the cabins on the state website should be updated and professionally photographed seasonally. New seasonal photos and the use of lifestyle shots and people in the photos may inspire the booking of these facilities and help persuade bookings over competitive facilities. Cabins should run an average of \$100-150 per bedroom available nightly.

## INN RENTAL HISTORY

Table 4 on the following page show the 5-year trend in occupancy for the inn rooms (including the motel units) at Paris Landing State Park based on a calendar year (not the State's fiscal year).

### Key Points of Inn Performance

- The Inn room rental averaged an occupancy of 35% from 2010-2015



## 2. BUSINESS CASE

- and the calendar year 2013 reported the strongest occupancies for the units at 36.5%. The average rate for this five-year period was \$66.34
- The occupancies annually stayed consistent at 33%-36% occupancy from 2010-2015
  - The summers months of June through August 2010-2015 yielded the following statistics:
    - 2010 \$65.84 ADR and 51.2% occupancy
    - 2011 \$66.09 ADR and 45.6% occupancy
    - 2012 \$66.34 ADR and 48.9% occupancy
    - 2013 \$67.64 ADR and 45.6% occupancy
    - 2014 \$71.16 ADR and 47.9% occupancy
    - 2015 \$72.96 ADR and 52.4% occupancy
  - The revenues in 2015 were reported at its peak at \$1,035,448 and 35.3% occupancy. The average revenue for 2015 was \$7,964 per unit available.
  - June is in average the busiest month reporting 56.5% occupancy and \$70.15 ADR from 2010-2015. July is the second busiest month reporting 53.9% occupancy and \$67.28 ADR.
  - August occupancies fell dramatically to a 5-year average of 35.4% from the June and July months likely due to summer heat and slowdown in park visitation.
  - The inn units currently rely on transient and group customers to fill the units. The park currently attracts small and medium groups for social and business gatherings. The area competition offers similar amenities to capture market share. These amenities include meeting space, outdoor pools, lakeside locations, cottages or cabins and golf courses.



Paris Leading Inn Historical Trend of Occupancy & ADR														
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	% Chg Previous Yr
Avg RevPAR	\$ 4.45	\$ 9.69	\$ 14.51	\$ 22.68	\$ 24.79	\$ 32.18	\$ 29.51	\$ 19.50	\$ 25.37	\$ 26.24	\$ 34.25	\$ 6.97	\$ 19.23	
Avg Rev	15,710	30,469	51,785	78,296	88,364	111,021	95,387	69,507	87,523	93,699	48,752	24,853	805,095	35.0%
Avg Occs	10.0%	20.0%	28.7%	39.0%	42.3%	56.5%	53.9%	35.4%	44.1%	45.4%	28.0%	14.1%	35.0%	35.0%
Avg ADR	\$ 56.83	\$ 52.50	\$ 60.19	\$ 70.34	\$ 60.28	\$ 70.15	\$ 67.28	\$ 67.59	\$ 69.45	\$ 69.92	\$ 57.45	\$ 55.61	\$ 66.34	66.34
2018 Occupancy	21.4%	11.1%	24.2%	50.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	11.9%
Revenue	\$ 49,474	\$ 23,089	\$ 90,646	\$ 127,008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADR	\$ 64.84	\$ 56.47	\$ 59.17	\$ 73.29	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Available rooms	3,565	3,103	3,534	3,450	2,263	2,190	2,263	2,583	2,180	2,163	2,263	2,263	31,557	-100.0%
Sold Rooms	763	408	856	1,733	-	-	-	-	-	-	-	-	-	3,760
Rev % Chg	66%	3%	-16%	16%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-74.5%
ADR % Chg	-7%	1%	-8%	6%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%
2019 Occupancy	13.7%	22.6%	26.4%	46.0%	39.2%	61.3%	57.3%	38.6%	44.3%	45.4%	25.0%	11.4%	26.3%	
Revenue	\$ 33,799	\$ 22,287	\$ 60,542	\$ 109,063	\$ 100,122	\$ 158,966	\$ 146,861	\$ 97,454	\$ 110,667	\$ 118,514	\$ 51,879	\$ 22,723	\$ 1,025,448	9.5%
ADR	\$ 69.80	\$ 56.03	\$ 64.41	\$ 69.24	\$ 71.57	\$ 75.20	\$ 72.67	\$ 71.02	\$ 72.05	\$ 73.25	\$ 60.26	\$ 55.00	\$ 70.14	1.2%
Available rooms	3,534	3,164	3,565	3,460	3,365	3,460	3,365	3,365	3,460	3,365	3,365	3,365	41,898	0.1%
Sold Rooms	485	398	940	1,586	1,375	2,049	1,375	1,536	1,618	1,618	856	407	14,763	4.3%
Rev % Chg	15%	-24%	-4%	59%	-22%	29%	20%	-7%	20%	1%	-17%	-11%	5%	
ADR % Chg	7%	1%	3%	-2%	0%	3%	6%	-1%	-3%	-1%	-6%	-6%	3%	
2020 Occupancy	12.0%	16.7%	28.5%	28.2%	50.0%	51.4%	50.6%	41.0%	36.5%	44.3%	28.4%	15.7%	39.5%	
Revenue	\$ 29,413	\$ 29,274	\$ 62,883	\$ 68,777	\$ 128,124	\$ 129,373	\$ 129,940	\$ 305,529	\$ 92,341	\$ 116,772	\$ 72,777	\$ 33,107	\$ 981,654	-1.5%
ADR	\$ 65.38	\$ 53.44	\$ 62.48	\$ 70.63	\$ 71.86	\$ 73.03	\$ 68.74	\$ 71.74	\$ 72.77	\$ 78.06	\$ 64.03	\$ 59.65	\$ 69.32	6.2%
Available rooms	3,565	3,164	3,534	3,460	3,365	3,460	3,365	3,460	3,460	3,364	3,364	3,364	41,795	-0.1%
Sold Rooms	450	528	1,008	971	1,728	1,772	1,873	1,471	1,289	1,591	970	555	14,161	-7.4%
Rev % Chg	68%	-27%	8%	-6%	30%	9%	9%	13%	-10%	8%	9%	44%	-2%	
ADR % Chg	10%	8%	5%	5%	7%	5%	3%	7%	1%	1%	18%	7%	6%	
2021 Occupancy	9.1%	24.4%	27.3%	52.3%	48.4%	51.4%	47.9%	37.6%	47.7%	48.1%	48.1%	11.7%	36.5%	
Revenue	\$ 17,546	\$ 40,235	\$ 57,931	\$ 125,646	\$ 115,080	\$ 119,458	\$ 113,905	\$ 93,158	\$ 113,971	\$ 119,871	\$ 57,227	\$ 22,971	\$ 596,944	7.5%
ADR	\$ 54.83	\$ 51.36	\$ 59.54	\$ 69.38	\$ 67.34	\$ 65.74	\$ 65.73	\$ 69.47	\$ 63.30	\$ 68.54	\$ 54.40	\$ 55.75	\$ 65.19	2.6%
Available rooms	3,472	3,306	3,565	3,420	3,365	3,460	3,365	3,460	3,460	3,334	3,460	3,334	41,913	0.2%
Sold Rooms	320	786	973	1,811	1,724	1,775	1,707	1,341	1,644	1,769	1,052	412	15,284	4.7%
Rev % Chg	3%	51%	-14%	67%	6%	-10%	-8%	28%	6%	36%	-5%	-38%	7%	
ADR % Chg	14%	8%	6%	-2%	-2%	-6%	4%	2%	4%	4%	-1%	-3%	3%	
2022 Occupancy	10.3%	16.6%	33.4%	33.2%	44.7%	60.9%	54.6%	31.5%	46.6%	35.9%	31.5%	19.1%	34.5%	
Revenue	\$ 17,115	\$ 25,975	\$ 67,037	\$ 75,354	\$ 108,422	\$ 145,471	\$ 123,871	\$ 72,799	\$ 107,359	\$ 96,855	\$ 60,389	\$ 35,948	\$ 927,425	2.3%
ADR	\$ 47.94	\$ 47.28	\$ 56.38	\$ 65.28	\$ 68.65	\$ 69.21	\$ 63.88	\$ 65.94	\$ 68.65	\$ 68.40	\$ 58.34	\$ 52.79	\$ 63.32	-0.6%
Available rooms	3,472	3,306	3,565	3,420	3,365	3,460	3,365	3,460	3,460	3,334	3,460	3,334	41,845	-0.1%
Sold Rooms	357	659	1,073	1,804	1,398	1,804	1,994	1,104	1,628	1,770	1,072	681	14,601	3.0%
Rev % Chg	118%	-20%	8%	-10%	13%	19%	-5%	11%	2%	-30%	30%	0%	2%	
ADR % Chg	0%	-4%	-2%	0%	1%	2%	-2%	1%	0%	2%	7%	-11%	-1%	
2023 Occupancy	4.0%	21.6%	20.1%	36.1%	39.6%	52.3%	35.9%	28.4%	41.1%	31.4%	21.7%	17.1%	33.6%	
Revenue	\$ 7,800	\$ 32,296	\$ 62,028	\$ 83,851	\$ 96,496	\$ 122,527	\$ 129,915	\$ 65,531	\$ 99,476	\$ 123,229	\$ 46,627	\$ 36,052	\$ 905,238	-7.2%
ADR	\$ 47.93	\$ 49.01	\$ 57.81	\$ 65.55	\$ 69.27	\$ 67.97	\$ 65.15	\$ 65.20	\$ 68.85	\$ 67.26	\$ 52.51	\$ 59.12	\$ 63.89	-3.0%
Available rooms	3,565	3,164	3,565	3,460	3,365	3,460	3,365	3,365	3,460	3,365	3,460	3,365	41,885	0.2%
Sold Rooms	164	659	1,073	1,804	1,398	1,804	1,994	1,005	1,488	1,832	868	630	14,175	-4.3%
Rev % Chg	-58%	-38%	6%	-25%	27%	-17%	-4%	-14%	-5%	10%	-28%	100%	-7%	
ADR % Chg	-13%	-13%	-5%	-17%	3%	-1%	-2%	-5%	-3%	-1%	-8%	14%	-3%	
2024 Occupancy	9.7%	28.9%	26.5%	41.2%	31.9%	61.8%	57.3%	34.5%	45.7%	45.0%	32.3%	9.6%	35.4%	
Revenue	\$ 18,779	\$ 51,880	\$ 57,264	\$ 132,306	\$ 76,147	\$ 146,847	\$ 105,928	\$ 76,459	\$ 108,774	\$ 111,832	\$ 62,725	\$ 17,464	\$ 976,448	35.4%
ADR	\$ 55.23	\$ 56.16	\$ 60.16	\$ 78.73	\$ 67.03	\$ 68.31	\$ 66.90	\$ 62.16	\$ 69.06	\$ 68.19	\$ 57.18	\$ 51.67	\$ 63.99	63.99
Available rooms	3,503	3,162	3,565	3,420	3,365	3,460	3,365	3,460	3,460	3,365	3,460	3,365	41,794	41.794
Sold Rooms	340	924	945	1,409	1,136	2,133	2,044	1,230	1,575	1,640	1,097	338	14,811	14,811

Table 4. Inn Historical Trend of Occupancy and ADR

(Source: IDM)



2. BUSINESS CASE

**HISTORICAL PERFORMANCE OF THE LODGING OPERATIONS**

Table 5 provides the financial analysis supplied by the state in its Request for Qualifications (RFQ) for a concessionary operator. The existing inn has revenue sources that include rooms, food and beverage (totaling the restaurant, bar and banquets), cabin rental, golf and gift shop.

The revenues for the inn were at a peak in fiscal year (FY) 2014 and reported \$4,114,500 for the total park. The room revenue for the inn was \$1,117,603 and was slightly lower than the restaurant

revenue of \$1,200,832. Golf was the next highest source of revenue for the subject facility at \$714,325; followed by marina revenues (consisting of slip rentals and other sales) at \$666,756.

The restaurant served between 105,000 and 120,000 annually over the 5-year period at a check average of nearly \$11.00, which has been trending up from FY 2010. Cabin ADR & occupancy outperformed the inn during the FY 2014 running 53.8% at an average rate of \$187.23. This is certainly a continued indicator that the rooms of the inn need to be addressed to reposition the overall revenues for the park lodging facilities.

**Market Segmentation**

During the investigation it was confirmed that the Inn at Paris Landing did not track the market segments of visiting guests but during interviews with the onsite staff we gathered the following estimates. The visitors were broken into the following segments, Transient, Leisure & Discount, Group, and Other. Room night and revenues (split evenly) were estimated to be broken into the following market segments or types of travelers. Room Revenue Transient (or rack rate) at 20 percent of revenue; Room Revenue Group 50 percent of the revenue; Leisure & Discount revenues at 25 percent of the total business; and Other at approximately 5 percent of business. The inn is in fact a more traditional group focused hotel where 40 percent or more of their business is group and the remaining business is more transient, leisure and corporate minded travelers.

Inn	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Inn Occupancy	33.5%	32.3%	33.2%	34.6%	32.6%
ADR	\$70.16	\$70.98	\$71.36	\$68.87	\$73.42
<b>Total Park Revenue</b>	<b>\$4,012,634</b>	<b>\$3,963,794</b>	<b>\$4,090,231</b>	<b>\$3,988,585</b>	<b>\$4,114,500</b>
<b>Revenues by Department</b>					
Room Revenue	\$1,203,403	\$1,082,349	\$1,137,004	\$1,155,049	\$1,117,603
Restaurant	\$1,321,113	\$1,283,168	\$1,286,832	\$1,195,333	\$1,200,832
Golf	\$ 632,105	\$ 658,983	\$ 765,401	\$ 690,125	\$ 714,325
Marina	\$ 571,096	\$ 621,286	\$ 621,940	\$ 610,188	\$ 666,756
Gift Shop	\$ 67,283	\$ 66,842	\$ 66,360	\$ 65,036	\$ 63,545
Restaurant # of Covers	123,099	121,615	118,470	108,295	107,443
Average Check	\$ 10.73	\$ 10.55	\$ 10.86	\$ 11.04	\$ 11.18
Golf Annual Rounds	21,834	22,393	35,346	21,834	21,391
Price per Round	\$22.61	\$21.23	\$21.83	\$23.61	\$24.96
<b>Cabin</b>					
Cabin Occupancy	55.5%	52.7%	50.0%	50.7%	53.8%
ADR	\$107.47	\$130.68	\$116.16	\$147.57	\$187.23
Cabin Revenue	\$ 217,634	\$ 251,166	\$ 212,694	\$ 272,854	\$ 351,439

Table 5. Financial Analysis from State's RFQ for Concessionary Operator

Tennessee State Parks Room Rental Comparison		Number	Confemce	Rates	Rates	Rates	Rates
Park Name	of Rms	Space	Feb	July	Sept	Oct	
Henry Horton	73	5430*	\$ 76.00	\$ 76.00	\$ 76.00	\$ 76.00	
Fall Creek Falls	145	5,000	\$ 85.00	\$ 85.00	\$ 85.00	\$ 85.00	
Montgomery Bell	118	6,000	\$ 84.00	\$ 84.00	\$ 84.00	\$ 84.00	
Pickwick Landing	119	6,000	\$ 74.00	\$ 88.00	\$ 88.00	\$ 88.00	
Paris Landing	130	10,000	\$ 79.00	\$ 89.00	\$ 89.00	\$ 89.00	
<b>Rooms in the Land Between the Lakes National Park Area</b>							
Kenlake State Resort Park, KY	48	6,900	\$ 90.00	\$ 99.00	\$ 99.00	\$ 90.00	
Lake Barkley State Park, KY	124	9,800	\$ 75.00	\$ 119.00	\$ 99.00	\$ 109.00	
<b>Rooms in the Chattahoochee National Forest</b>							
Amicalola Falls	56	2,250	\$ 139.00	\$ 219.00	\$ 229.00	\$ 279.00	
Brasstown Valley Resort	102	14,000	\$ 229.00	\$ 219.00	\$ 245.00	\$ 259.00	
Unicoi	100	4,300	\$ 99.00	\$ 139.00	\$ 196.00	\$ 199.00	

Table 6. Tennessee State Parks Room Rental Comparison (Source: IDM)

(Source: IDM)

## REVENUE MANAGEMENT INN REVIEW

Reviewing the regional inn offerings exposed some potential opportunity for those in Tennessee State Parks. Most of the parks in the neighboring states of Kentucky and Georgia had lodging available in various sizes and décor. The facilities varied from newly renovated to aged and rustic. Most of these facilities are full service lodges or large hotel structures very similar to the subject property. The subject park is on average with accommodations in comparison to the Tennessee State park system (of those reviewed) and slightly below the regional competition. This is mainly due to the age and state of the product offerings.

In spite of the fact that many of the regional parks in Kentucky and the Georgia State Parks did not use photography or very limited photography, rooms ranged from \$99 to \$279 and were seemingly adjusted based on demand (as shown in Table 5, the consultant looked at the current costs of a double queen standard room).

It is also important to note that Paris Landing offers extremely competitive quantity of meeting and event space within the region. The existing facilities at the inn feature more than 10,000 sq. ft. of flexible event space although it is quite dated from a design standpoint.

A measure commonly used in hotel development is that for every guestroom available or offered at a full-service hotel, the lodging facility is recommended to offer 100 net square feet of meeting and event space, especially if that facility is to rely on groups for business. Meaning, unless the facility is in a high demand market and expects to use transient business demands as its primary source of occupancy, that facility will rely upon group demand to fill gaps in occupancy. If that is the case the net square feet rule applies. This analysis emphasizes the need for improved lodging accommodations as well as the amount of meeting space minimally required if Paris Landing is going to be competitive regionally.



## 2. BUSINESS CASE

# REGIONAL TRENDS

## TENNESSEE STATE PARK ECONOMIC INVESTIGATION

The State of Tennessee and the Department of Environment and Conservation conducts a Comprehensive Outdoor Recreation Plan every five years to gauge the public's needs and demands as it relates to the parks. The 2010 plan highlighted the economic impact of the state's parks. Tourism plays a vital role in the state and many regional businesses that cater to tourism—such as resorts, hotels, campgrounds, bed & breakfasts, and retail stores.

### Background

Tennessee has 56 state parks across the state. The parks offer everything from historic sites, rustic lodging and resort facilities. Tennessee State Parks are open to the public seven days a week, year-round. There is no access fee charged although there may be fees associated with certain activities.

There are 6 resort parks with inns, lodging, and restaurants, 36 campgrounds, 7 marinas, and 12 golf courses. Those with inns are Henry Horton, Paris Landing, Montgomery Bell, Fall Creek Falls State Park (Tennessee's largest and most visited state park), Natchez Trace and Pickwick Landing. Most offer the diversity of lodging, restaurants, recreation facilities, camping and marinas. The lodging accommodations need updating at most of the state's facilities to make them competitive and relevant to today's travelers.

### Tourism Impact

The 2014 Tennessee Visitor Profile Study reported on visitor statistics and their use and attitude towards Tennessee parks. The following is a summary of the results:

- Tourism grew 6.2 percent from 2013 to 2014 to a total of 29 billion in total direct and indirect revenues. Tourism supported more than 272,000 jobs.
- It was estimated that more than 17 million people visited Tennessee State Parks and the largest origin market is Tennessee followed by Kentucky. Marshall County resulted in more than \$55.51 million in travel expenditures in 2014.
- With an estimated 3 to 4 persons per vehicle and were made up of one adult couple and children, there were more than 5.6 million groups who visited with an average daily per person expenditure of \$119.00. Summer was the dominant travel season.
- Every dollar spent in the state parks resulted in more than \$1.00 of additional economic activity in the state.
- The state parks generated more than 1.5 billion in economic activity and supported more than 18,600 jobs.
- The main expenditure per trip is food & beverage at nearly \$60 per visit or half of the total spend.
- Lodging represented \$17.36 per visit and the rest was made of transportation, retail and recreation.

### The Tourism Outlook

- U.S. travel is continuing to generate record-breaking national occupancies and continued high levels of optimism regarding the lodging industry in 2016. In fact, U.S. leisure travelers plan to increase their travel spending in 2016 and many indicate they plan to spend about the same or more in 2016 according to the "State of the American Traveler" survey.

## SECTION SUMMARY

- Tennessee state parks generate more than \$1.5 billion in economic activity and support 18,600 jobs.
- National lodging demand is at record levels and supply is not keeping up.
- The competitive set analysis resulted in very similar patterns of high demand between the subject properties (historically) and the regional lodging facilities. The peak months of June, July and October were the same for both the subject and regional properties. This is creating unaccommodated lodging demand.
- The operational goal of the new Inn would be to run at or near the competitive set occupancy in peak months.
- Inn operations could possibly be halted during non-peak months of December and January to minimize operational costs (cabins could possibly remain open to fill local demand).
- The wedding market is under-served due to the lack of meeting space and this market is currently untapped by the Inn.

- Lower gas prices have produced a positive impact on consumers' discretionary incomes and travel habits.
- The lodging industry has set national record occupancies throughout 2015 and it is expected to trend positively into 2016.
- Many markets are experiencing a lack of available traditional lodging facilities resulting in new supply being added and alternative lodging sources such as Vacation Rental by Owner and Air B&B.

### The State of Tennessee Tourism Survey

The state surveyed more than 800 travelers visiting various state parks in the system asking them a series of questions related to the purpose of their visit and what were the reasons for visiting to name a few. The following items of interest pertain to the visitation of Paris Landing.

- 20% of individuals surveyed visit the park each year. 35% visit 3-6 times in a 10-year window.
- When asked why individuals choose Paris Landing the top responses were 72% location of the park, 50% the lake access, 28% due to a meeting or conference and 17% because of the marina. Of those surveyed 60% identified boating and fishing as an important recreation activity.
- 86% of those surveyed stayed at the Inn at the Park.
- When rating the conditions of the inn room furnishings and appliances 56% rated conditions and 57% rated appliance poor, fair or average. These were the lowest areas surveyed.
- Only 30% of those surveyed stayed in a cabin at Paris Landing and internet access was poorly rated among visitors.
- 93% of those visiting the inn ate in the restaurant and breakfast and dinner were the top meal periods.

- 70% of the visitors at Paris Landing were from Tennessee and 55% male and 45% female. The top age demographic was 55-64 at 34% of visitors followed by 45-54 and 65-74 both at 23% of the sample. 75% of visitors reported a household income between \$50,000 and \$149,000.

## REGIONAL HOTEL MARKET & COMPETITIVE SET ANALYSIS

### Historical Trends of Nation, the Region and Competitive Set(s)

The first step in the process of forecasting the potential rate and occupancy of the subject hotel is to understand historical trends of the nation, market, competitive set, and the region in which the subject hotel resides. Hotels are typically defined by service level and market class defined next. These factors help in estimating future demand levels as well as competition for an existing or new build project. The goal is to estimate growth for a subject project based on the historical trends in occupancy and the average rate nationally and locally. The competitive sets' historical performance allows us to base future projections on market data collected, as seen in the following charts.

### Type of Hotels Defined

The competitive set and market is made up of several hotels offering a variety of services, rooms, and room types. Those differences in properties typically result in varying average room rates and occupancies. Three types of lodging facilities are found in the competitive market that are traditionally categorized based on the level of service.

**Full-Service Hotel** These facilities are generally mid-priced, upscale, or luxury hotels with a restaurant, lounge facilities, and meeting space as well as minimum service levels, often including bell service and room service. These hotels report food and beverage revenues. There are full-service properties in the region; none were immediately identified in the market and competitive set.

**Limited-Service Hotel** These properties are hotels with rooms-only operations (i.e., without food or beverage service) or hotels that offer a bedroom and bathroom for the night but few other services or amenities. These hotels are often in mid-priced, budget, or economy groups and do not report food and beverage revenue.

**Motel or Seasonal Motel/Bed & Breakfast** These properties are usually economy, modest, or small private, unique hotel environments that differentiate themselves from larger chain/branded hotels by providing personalized accommodations and services/facilities. Typically, they are furnished in a themed, stylish, or inspirational manner. They usually are considerably smaller than mainstream hotels, often ranging from 10 to 50 guest rooms. They might offer food & beverage outlets or only guest room accommodations.

**Shared Residences, Home & Apartment Rentals** The introduction of unique lodging offerings such as AirBnB has transformed the lodging industry in the past few years, much as Uber and Lyft have done with the hired car industry. Home and apartment rentals through Vacation Rental by Owner (VRBO), Homeaway, AirBnB add inventory to many compressed (or under supplied and high demand) markets. These markets are also perceived as expensive markets where overnight accommodations are 5-10 times the countries industry average in rate. In some places like San Francisco, Silicon Valley and New York, residents rent their homes to travelers in order to pay the rising cost of rent. High rates of hotel occupancy and rising rates have made these options viable for travelers and residents. This is also very common in vacation destination markets throughout the country with ample inventory in Florida and the coasts.

**Resort Hotels** Resort hotels are more of a property type and could be defined as a limited service or full-service property. Resort properties typically utilize a prime location to influence





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the development. In traditional destination resort markets, amenities such as spa, sports or recreation, and retail are provided and required for market flexibility to varying consumers. Resort programming, site layout, accessibility to attractions, and design are critical to the success of the property type. Today many resort amenities are often added to non-resort properties to broaden the markets they attract.

It is not just travelers on vacation that seek resort facilities but also groups of travelers in various market segments such as social, educational, meeting and incentive, conventions; which are increasingly looking for properties to attract regional participants and attendees. Resorts often add value to the overall event and can be influenced by cultural or environmental factors.

The subject hotel should be most successful in the group segment of the lodging industry based on location, size and amount of meeting and event space. Also its facility amenities will assist in supporting this regional demand.

### Market Class and Chain Scale

“Class” is an industry categorization that includes chain-affiliated and independent hotels. The class for a chain-affiliated hotel is the same as its chain scale. An independent hotel is typically assigned a class based on its ADR relative to those of the chain-affil-

iated hotels in its geographic proximity as defined by the national trend and reporting agencies.

Chain scale segments are a method by which branded hotels are grouped based on the actual average room rates. Understanding in which class the property will compete allows it to be measured against national averages. National firms, such as Smith Travel Research (STR) and PKF Hospitality Research forecast industry benchmarks based on the following chain scales. The market class and chain scale segments are categorized as follows:

- Luxury Chains
- Upper Upscale Chains
- Upscale Chains
- Upper Midscale Chains
- Midscale Chains (chain scale of the subject hotel)
- Economy Chains
- Independents

The consultant reported on the greater market looking at hotels within a radius of the subject hotel market. We identified 20 hotels in the region with in a 25-mile radius. Table 7 presents the STR market class scales that represent the area supply.

The current mix of properties results in a pretty even split of supply in the midscale and economy segments with the independent segment leading the

market mix with 10 properties. There are only 2 properties in the upper end of the chain class at upper midscale in the subject market.

### Trend Analysis

When analyzing a market, it is important to understand the trends of occupancy, average rate, and revenue for groups of hotel, whole market patterns and segments of properties. Smith Travel Research (STR) from Hendersonville, TN is the industry leader in gathering and sourcing hospitality data and is used specifically to gather trend information. STR has the most comprehensive database of hotel performance information available. All branded and franchised hotel chains in the world report their performance to STR. Reports are available for specific markets and individual properties and were used in the study.

Hotel Market Competitive Set			
Market by Chain Scale Class			
CHAIN SCALE	NUMBER OF PROPERTIES	NUMBER OF ROOMS	%
Luxury	0		0%
Upper Upscale	0	0	0%
Upscale	0	0	0%
Upper Midscale	2	136	12%
Midscale	4	257	23%
Economy	4	141	13%
Unaffiliated	10	564	51%
<b>Total</b>	<b>20</b>	<b>1098</b>	

Table 7. Market Supply By Chain Scale

(Source: IDM & Smith Travel Research)



## NATIONAL HOTEL MARKET TRENDS

National historic trends are important to any hotel development or potential project because all markets face supply-and-demand challenges. Table 8 presents the national trends and demonstrates the characteristics of the U.S. Lodging Market as reported by STR from 1992 through 2015.

National occupancy peaked in 1995 at 65.1 percent and has decreased to a low of 59 percent after the 9/11 terrorist attacks on the United States. The latest recession of 2009 is the most severe drop in the hotel industry occupancy, recording a 54.5 percent historical low, nearly a 10 percent point drop. Average daily rate hit its high in 2008 at \$106.55 and bottomed two years later in 2010 at a reported \$98.08.

Recently, in 2014 and 2015, the industry has seen much needed improvements, resulting in record statistics. The occupancy in 2014 at 64.4 percent was the strongest years since 1997, average rate at \$115.32, highest ever reported annually and revenue per available room at \$74.27, up over 8 percent from 2013.

2015 is at an all-time high with occupancy for the year 65.6 percent, up 1.9 percent and ADR at \$120.01, up 4.1 percent. This would be a near 6 percent in RevPAR. This all combined makes 2015 the strongest year on record going back nearly 30 years.

### Key Points

- 2015 is the strongest year on record for the hotel industry.
- Occupancy was 65.6 percent, the highest occupancy ever recorded in the U.S.
- Demand was at a record high and during 2015, 1.2 billion rooms were sold and 1.8 billion room were available.
- Supply or available rooms for 2015 only grew by 1.1 percent
- ADR for 2015 was up 4.4 percent and reported at \$120.01

US Lodging Industry Annual Trends in Occupancy, ADR, & RevPAR 1992- 2015						
REPRESENTATIVE YEAR	AVAILABLE NATIONAL OCCUPANCY	OCCUPANCY PERCENT CHANGE	AVERAGE DAILY RATE	ADR PERCENT CHANGE	REVENUE PER AVAILABLE ROOM	REVPAR PERCENT CHANGE
1992	61.9%		\$59.62		\$38.90	
1993	63.1%	1.9%	\$61.30	2.8%	\$38.68	4.8%
1994	64.7%	2.5%	\$64.24	4.8%	\$41.56	7.4%
1995	65.1%	0.6%	\$67.17	4.6%	\$43.73	5.2%
1996	65.0%	-0.2%	\$70.81	5.4%	\$46.03	5.3%
1997	64.5%	-0.8%	\$75.31	6.4%	\$48.57	5.5%
1998	63.8%	-1.1%	\$78.15	3.8%	\$49.86	2.7%
1999	63.1%	-1.1%	\$81.29	4.0%	\$51.29	2.9%
2000	63.5%	0.6%	\$85.24	4.9%	\$54.13	5.5%
2001	59.8%	-5.8%	\$84.45	-0.9%	\$50.50	-6.7%
2002	59.0%	-1.3%	\$83.20	-1.5%	\$49.09	-2.8%
2003	59.2%	0.3%	\$83.28	0.1%	\$49.30	0.4%
2004	61.3%	3.5%	\$86.70	4.1%	\$53.15	7.8%
2005	63.1%	2.9%	\$91.29	5.3%	\$57.61	8.4%
2006	64.2%	1.7%	\$98.77	8.0%	\$62.13	7.8%
2007	64.1%	-0.2%	\$102.38	5.8%	\$65.63	5.6%
2008	60.4%	-5.8%	\$106.55	4.1%	\$65.61	0.0%
2009	54.5%	-9.8%	\$98.20	-7.8%	\$53.55	-18.4%
2010	57.6%	5.7%	\$98.08	-0.1%	\$56.47	5.5%
2011	60.1%	4.3%	\$101.64	3.6%	\$61.06	8.1%
2012	61.4%	2.2%	\$106.10	4.4%	\$65.17	6.7%
2013	62.3%	1.5%	\$110.35	4.0%	\$68.69	5.4%
2014	64.4%	3.4%	\$115.32	4.5%	\$74.28	8.1%
2015	65.6%	1.9%	\$120.01	4.1%	\$78.67	5.9%
Avg. Annual Growth Rate since 1992	0.25%		3.09%		3.35%	
Avg. Annual Growth Rate since 2000	0.22%		2.31%		2.52%	

Note: CAGR = Combined Average Annual Growth Rate

Table 8. US Lodging Industry Annual Trends in Occupancy, ADR, and RevPAR

(Source: IDM & Smith Travel Research)





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Chain Scale	Preliminary	Year Over Year	Rooms Under	Year Over Year	Total Active	Year Over Year
	Existing Supply	Percent Change	Construction	Percent Change	Pipeline	Percent Change
Luxury	109,017	2.5%	7,880	47.2%	12,651	31.4%
Upper Upscale	582,675	1.0%	14,965	7.9%	42,322	22.0%
Upscale	678,763	5.8%	55,994	1820.0%	145,049	10.4%
Upper Midscale	899,537	2.4%	52,934	45.0%	170,725	23.2%
Midscale	473,378	-0.3%	6,316	25.6%	31,925	15.4%
Economy	782,568	-0.1%	1,276	94.8%	4,731	41.2%
Unaffiliated	1,536,787	-0.3%	21,649	29.4%	98,587	2.4%
<b>Total</b>	<b>5,062,725</b>	<b>1.2%</b>	<b>161,014</b>	<b>28.3%</b>	<b>506,000</b>	<b>14.8%</b>

Table 9. Room supply as of June 2015 sorted by chain scale

(Source: IDM & Smith Travel Research)

Table 9 shows the number of existing hotel rooms, rooms under construction and rooms in the active pipeline as of June 2015 sorted by chain scale.

Between April 2015 and April 2016, the hotel industry increased its total supply for the sixth consecutive year, this time by 1.2 percent (more than 50,000 rooms). Among the chain scale segments, the upscale segment expanded the most during 2015/2016, growing by 5.8 percent over the previous year. As of the end of April 2016 there are more than 161,014 hotel rooms under construction and more than 506,000 rooms in the active development pipeline. Most of the activity in the industry is in the upscale and upper mid-scale markets.

The total active pipeline data includes projects in planning, final planning and under construction but not those in the pre-planning stage. The 'in planning' stage is defined as projects where an architect or engineer have been selected, and plans are in process where initial approvals have typically been granted. 'Final planning' is defined as the stage where the project has gone out for bids or construction is expected to begin within four months. 'Pre-planning' is defined as the period before an architect has been selected.

**COMPETITIVE SET ANALYSIS**

We have analyzed sources of information from Smith Travel Research (STR), the lodging industry's leading information and data provider. The regions lodging facilities were analyzed in a 25-mile radius of the subject site (using the city of Paris, TN as a center point) and a competitive set was identified from those properties. The area has more than 20 lodging facilities with over 1,098 rooms. A detailed list of area properties is listed in Table 10.

The trend of the competitive set was analyzed to identify the history of occupancy, average rate, and revenue per available room to forecast the subject facility performance.

Competitive hotels were chosen based upon the fact that a single hotel or brand can comprise a maximum of 35 percent of the reporting rooms of any competitive set. To protect proprietary data, the subject property may or may not be included in the competitive set of other hotels; this is at the discretion of each hotel's management. The complete historical report from Smith Travel Research is included in the supporting materials.

**Subject Market Competitive Set: Defined for Subject Property**

A competitive set consists of a group of hotel properties that directly compete for room nights due to proximity and similarity of product. A competitive set enables individuals to compare property performance with the aggregate performance of their direct competition.

Properties were identified that would be competitive with the proposed hotel project for room accommodations, banquets/meetings, and food & beverage. This competitive set was determined through consideration of factors such as location, size, consumer attraction, amenities offered, rate structure, management, and demand generators. It included properties within a five-mile radius of the subject hotel. It excluded hotels within the local market that were judged as uncompetitive due to their size, location, facility, or focus market.

In the region, there are six competitive hotels totaling 430 rooms. These hotels range from full-service facilities to limited-service properties, some with full suites. The average-sized hotel in the market is 71 rooms, the largest at 100 rooms, and the smallest at 40 rooms.

**Primary Competitive Hotel Set**

The subject market area consists of the following 6 competitive hotels on which we pulled historical data; these properties offer 430 rooms. These hotels are mostly limited-service facilities, with many of them offering varying room types, including full suites. The direct Market Competitive Set includes the hotels listed in Table 11.

The properties were interviewed and investigated; findings were detailed. Considered were location, quality, and services, comparing the existing supply against the subject hotel description detailed earlier. The hotel rate positioning in transient rate offered was compared both at (a) best rate quoted



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Buchanan, TN/Paris Landing Area Market Competition Greater Market Hotel Supply						
PROPERTY NAME	DISTANCE FROM PARIS, TN	CITY	MARKET CLASS	DATE OPENED	# ROOMS	
Mansard Island Resort & Marina	6.6	Springville, TN	Independent	6/1/73	25	
Paris Landing Inn	7.1	Buchanan, TN	Independent	6/1/54	140	
Quality Inn Paris	9.9	Paris, TN	Midscale Class	10/1/93	100	
Swiss Villa Inn	10.3	Paris, TN	Independent		35	
Super 8 Paris	10.4	Paris, TN	Economy Class	4/1/93	45	
Paris Inn & Suites	10.4	Paris, TN	Independent	6/1/84	98	
Terrace Woods Travel Lodge	10.5	Paris, TN	Independent		17	
Knights Inn Paris	11.6	Paris, TN	Economy Class	9/1/97	20	
The Murray Magnolia Inn	12.5	Murray, KY	Independent	6/1/65	72	
Americas Best Value Inn Murray	12.8	Murray, KY	Economy Class		41	
Murray Plaza Lodge	12.8	Murray, KY	Independent	6/1/53	40	
Hampton Inn & Suites Murray	14.4	Murray, KY	Upper Midscale Class	12/1/07	72	
Quality Inn Murray	14.5	Murray, KY	Midscale Class	11/1/96	58	
Best Western University Inn	14.7	Murray, KY	Midscale Class	1/1/89	72	
Holiday Inn Express & Suites	14.8	Murray, KY	Upper Midscale Class	5/1/01	64	
Dover Inn Motel	17.9	Dover, TN	Independent	6/1/89	30	
Kenlake State Resort Park	23	Hardin, KY	Independent	6/1/52	82	
Lakeland Resort	23.4	Lakeland, TN	Independent	6/1/73	25	
Country Hearth Inn Camden	25.5	Camden, TN	Economy Class	6/1/97	35	
Best Western Home Place Inn	26.4	Camden, TN	Midscale Class	6/1/94	27	
<b>Total Properties</b>		<b>20</b>		<b>Avg. Age 1983 (33 Y ears)</b>	<b>1098</b>	

Table 10. List of area properties

(Source: IDM & Smith Travel Research)

on the web, branded websites, through the guest services at the property, and (b) the locally negotiated or contracted corporate rates with the area's economic drivers (i.e., the top businesses). This competitive set was identified to analyze the trend of occupancy and average rate within the market.

**Subject Market Competitive Set**

The primary set of competitive hotels were used to identify regional, monthly and day of week demand trends. The local properties helped identify trends in rate and occupancy that could be the basis of analysis for the subject hotel performance. Given the lack of suitable facilities at the existing facility it is likely that demand was displaced to surrounding facilities.

The primary competitive set of hotels was evaluated and information gathered through various online travel agents or OTAs. The star ratings and rates were taken from current peer evaluation sites, such as Trip Advisor.

HOTEL FACILITY	CITY	OPEN DATE	MARKET CLASS	ROOMS
Quality Inn Paris	Paris, TN	Oct 1993	Midscale	100
Best Western Home Place Inn	Camden, TN	Jan 1997	Midscale	40
Holiday Inn Express & Suites	Murray, KY	May 2001	Upper Mid-scale	64
Hampton Inn & Suites	Murray, KY	Dec 2007	Upper Mid-scale	72
Best Western University Inn	Murray, KY	Jan 1989	Midscale	72
Kenlake State Resort Park	Hardin, KY	Jun 1952	Upper Mid-scale	82
<b>Total</b>				<b>430</b>

Table 11. Primary competitive hotel set

(Source: IDM & Smith Travel Research)

The competitive hotels are described on the following pages.



## 2. BUSINESS CASE

### BEST WESTERN UNIVERSITY INN



**Location:**

1503 North 12th Street  
Murray, KY 42071-3534  
(270) 753-5353  
[www.bestwestern.com](http://www.bestwestern.com)

**Nightly rates recently viewed:** \$85-\$93

**AAA Rating:** 2 Diamonds

**Trip Advisor:** 4 Stars

**Expedia:** 2 Stars

**Class:** Midscale

The hotel opened in December 1989 making it one of the older properties in the competitive set. The property became part of the Best Western franchise in October of 2004. The facility offers 72 rooms in total with 5 suites in a two story exterior corridor lodging facility. The property features common amenities expected of a limited-service hotel like fitness center, outdoor swimming pool and offers a free continental breakfast. Rooms feature varying bed types, lounge chair or sofa, side chair, business desk, 32-inch LCD television and seemed renovated in a contemporary design. Microwave, refrigerator, coffee maker, granite vanity, bar top, and complimentary Wi-Fi are common throughout. Pets are also allowed.

The hotel is part of the Best Western franchise and guest loyalty program, which offers travel rewards program where guests can earn points redeemable for multiple brand locations.

The hotel offers some meeting space for up to 75 people and relies on outside catering for events. The rate positioning for the hotel offers midweek rates starting at \$85.00 and AAA discount rates at \$76.00- \$83.00.

## BEST WESTERN HOME PLACE INN



**Location:**  
170 US Highway 641 North  
Camden, TN 38320  
(731) 584-2222  
www.bestwestern.com

**Nightly rates recently viewed:** \$109-\$119

**AAA Rating:** 2 Diamonds

**Trip Advisor:** 4 Stars

**Expedia:** 2 Stars

**Class:** Midscale

The hotel opened in January 1997 and became affiliated with the Best Western franchise in December 2005. The facility offers 40 total rooms in a two story exterior corridor lodging facility. The property features typical amenities of a limited-service hotel like fitness center, business center, and outdoor pool. The property offers a free continental breakfast. Rooms feature varying bed types, lounge chair, side chair, business desk, and television. Microwave, refrigerator, coffee maker, granite vanity, bar top, and complimentary Wi-Fi are common throughout. The hotel is very similar to the Best Western University but is a bit more outdated in interior design.

The hotel is part of the Best Western franchise and guest loyalty program, which offers travel rewards program where guests can earn points redeemable for multiple brand locations.

The hotel offers no flexible meeting spaces and is a transient hotel catering to the greater market. The rate positioning for the hotel offers midweek rates starting at \$109.00 for a room with 2 queen beds and \$119.00 for a room with a king size bed. Locally negotiated rates with businesses are available at a discount.



## 2. BUSINESS CASE

### KENLAKE STATE RESORT PARK



**Location:**

542 Kenlake Road  
Hardin, KY 42048  
(270) 474-2211  
[www.parks.ky.gov](http://www.parks.ky.gov)

**Nightly rates recently viewed:** \$80

**AAA Rating:** N/A

**Trip Advisor:** 3 stars

**Expedia:** N/A

**Class:** Upper Midscale

The Kenlake State Resort Park is a Kentucky State Park and offers 48 rooms that were built in 1952. The hotel is a two story facility with an interior corridor throughout the building. The hotel is one of the closest in overall design and offerings to that of the subject hotel. Amenities include an outdoor pool, tennis courts, meeting space, 9-hole golf course (with club house and pro shop) and full service restaurant. The property also offers visitors a marina.

All of the guest rooms are modest and a bit more modern than the subject facility. The rooms feature double or king size beds, hairdryer, iron, ironing board, 4 cup coffee pot, cable television and free wireless internet access. The property does allow pets onsite. The hotel restaurant, Aurora Landing, seats up to 182 people and serves breakfast, lunch and dinner in an ala carte off menu style.

The property offers flexible meeting rooms in 5 different areas. For business groups the hotel has 4 meeting rooms which can accommodate from 10-200 guests. Two picnic pavilions and the Bayview Building are available for casual family gatherings, cookouts, or weddings. Outdoor weddings are a specialty with six lake view venues. The properties largest exhibit hall space is the indoor tennis courts that can be converted (for events) in the 20,000 sq. ft. space. The space has been used for conventions and trade shows. The properties event space is not ideal for social gatherings such as weddings but the nearby Historic Cherokee (located only 3 miles from Kenlake Hotel) is a meeting facility for weddings, reunions, parties or company picnics.

Kenlake Marina was established as a part of Kenlake State Park in 1952 and now the marina is privately owned and operated and not owned by the state. The marina offers 200 covered and uncovered marina slips with 30 & 50-amp power, water, cable TV, and Wi-Fi open year round. The facility also offers boat, jet ski rental and a marina restaurant named Cindy's on the Barge, which serves breakfast and lunch daily. The facility has a three lane wide boat launch ramp for easy access.

The rate positioning for the hotel offers midweek rates starting at \$80.00 and summer season rate on the weekends starting at \$87.00.



## HOLIDAY INN EXPRESS & SUITES MURRAY



**Location:**  
1504 North 12th Street  
Murray, KY 42071  
(270) 759-4449  
[www.ihg.com](http://www.ihg.com)

**Nightly rates recently viewed:** \$114-121

**AAA Rating:** 2 Diamonds

**Expedia:** 2 stars

**Trip Advisor:** 4 Stars

**Class:** Upper Midscale

This hotel opened in May 2001 and features 64 rooms in a four story interior corridor facility. The room mix is made up of 20 king bed rooms and 44 double bed rooms. The property has a contemporary modern design and offers a mix of 12 suites with microwaves and refrigerators. All rooms feature a 32-inch flat panel TV and refrigerators. The hotel's amenities include a 24-hour business center and high-speed Internet. The property also offers a fitness center, a heated pool, and a complimentary breakfast bar. The property does not allow pets and it does not offer any onsite meeting facilities.

The rate positioning for the hotel offers midweek and weekend rates starting at \$114.00. The hotel is part of the Holiday Inn Franchise and Intercontinental Hotel Group guest loyalty program. It offers travel rewards program where guests can earn points redeemable for multiple brand locations.



## 2. BUSINESS CASE

### HAMPTON INN & SUITES MURRAY



**Location:**

1415 Lowes Drive  
Murray, KY 42071  
(270) 767-2226  
www.hilton.com

**Nightly rates recently viewed:** \$119-129

**AAA Rating:** 3 Diamonds

**Trip Advisor:** 4 Stars

**Expedia:** 2 stars

**Class:** Upper Midscale

The Hampton Inn & Suites opened December 2007 making it the newest property in the competitive set and the hotel is part of the Hilton family of hotels. The three story facility has 72 rooms. Hampton Inn is a leading chain of quality, value-priced hotels. It offers comfortable room's standard with coffee maker, iron and ironing board, and free in-room movie channels. Free local calls, complimentary high-speed Internet access, complimentary hot breakfast, complimentary copies of USA Today (Monday through Friday), free coffee and tea in the lobby 24 hours a day, and 24-hour front desk message and fax service. The property also features microwaves and refrigerators available in all rooms, an outdoor pool, sundry shop, and fitness center. The hotel has a 725 sq. ft. meeting room that can accommodate up to 50 people and offers audio visual equipment and catering options which are serviced offsite. The property does not allow pets.

The Hampton is likely one of the strongest competitors in the market to the subject facility. The Hampton brand has a strong history of the transient market segment, following in the industry through the Hilton brand affiliation and Honors Points Program; That coupled with the small meeting facility allows the property to attract social functions. The offerings at the Hampton should be similar to the offerings of the subject hotel. The hotel is the top choice of visitors to the market and rated #1 on Trip Advisor for the market.

The rate positioning for the hotel offers midweek rates starting a \$119.00.



## QUALITY INN PARIS



**Location:**

1510 East Wood Street  
 Paris, TN 38242  
 (731) 642-2838  
 www.choicehotels.com

**Nightly rates recently viewed:** \$120-\$145

**AAA Rating:** 2 Diamonds

**Expedia:** 2 stars

**Trip Advisor:** 4 Stars

**Class:** Midscale

This hotel opened in October 1993 and became part of the Choice family of hotels in October of 2013. The hotel offers 100 guest rooms with exterior corridors and its size makes it the largest in the competitive set. This hotel is part of the Choice Privileges Program which is its traveler reward program. The franchise focuses on the value-minded traveler, offering no extra charges for the basics such as high-speed Internet access and basic breakfast offerings. The property has an outdoor pool, breakfast buffet and fitness room that are all free for guests as well. The property also offers a small meeting room with an unknown capacity.

The rate positioning for the hotel offers midweek rates starting at \$120.00 and weekends in peak season for locally negotiated rates with businesses were not available or accessible.



2. BUSINESS CASE

**LAKE BARKLEY STATE RESORT PARK (NOT INCLUDED IN THE STR REPORT)**



**Location:**

3500 State Park Road  
Cadiz, KY 42211  
(270) 924-1131  
www.parks.ky.gov

**Nightly rates recently viewed:** \$80-\$125

**AAA Rating:** 3 diamonds

**Trip Advisor:** 3 stars

**Expedia:** 2 stars

**Class:** Upper Midscale

Although this property reports information to STR it was not selected in the comp set given the distance from the subject property. However, it is a regional competitor and reviewed in this analysis. The resort features more than 148 rooms that were built in 1970. The property is about 1 hour (44 miles) northeast of Paris Landing, on the eastern side of the Land Between the Lakes National Recreation Area.

Lake Barkley Lodge is considered by the state to be its crown jewel of the Kentucky State Park System. The property was designed by Edward Durell Stone a 20th century American architect with noted works such as Radio City Music Hall, Museum of Modern Art in New York City, and the John F. Kennedy Center for Performing Arts in Washington D.C. to name a few.

Additional lodging accommodations at Lake Barkley State Resort Park include 10 River Lodge rooms, 4 rustic cabins, 9 cottages with 2 bedrooms and 78 camp ground sites for RV and tent camping. The park also features an exercise facility, 18 hole Boots Randolph golf course, a convention center adjacent to the lodge for accessibility and outdoor pavilions. Recreational amenities include trap range, beach, playground, racquetball, volleyball, tennis, game rooms, indoor glass enclosed pool area with sauna and outdoor lakeside pool area off the main lobby.

Windows on the Water is the resorts restaurant that seats 331 in the glass walled facility. The design allows guests to have panoramic and scenic views from most any seat in the house. The restaurant features an ala carte style menu and buffets daily that serves western Kentucky home cooking. The restaurant is open daily for Breakfast, lunch and dinner. The park caters all its food & beverage for onsite meetings and events.

Meeting space at the lodge includes 5 separate rooms, 3 of which can be combined. Two meeting rooms of 1,764 sq. ft. are located on either side of the lodge lobby and can accommodate 80 people for banquets. The convention center consists of a room that is 6,336 sq. ft. and is divisible into 3 rooms of similar size. This space can accommodate up to 525 people for a banquet.

The rate positioning for the hotel offers midweek rates ranging from \$70.00 to \$80.00 and weekends in peak season at \$90.00 to \$100.00.

*"The resort was designed to appear to emerged naturally from the wooded shoreline that surrounds the facility. Using a post-and-beam wood construction of Western Cedar, Douglas fir, and three-and one-half acres of glass, the recently renovated Barkley Lodge complex provides a lake view from the private balconies of most of the 120 rooms and four suites"*

- State of Kentucky on the parks website.

## STR HISTORICAL TREND OF THE PRIMARY COMPETITIVE SET

The next step in the process of forecasting the potential rate and occupancy of the subject hotel is to understand the historical trends of the competitive set or the region in which the subject hotel resides, as well as the position in which the subject hotel will compete. That information and the historical occupancies of the actual facility will help project future demand. The state had a trend report dated September 2014 and an additional report for more recent trend analysis was purchased. Both were used to evaluate the history of the properties identified and the regional supply & demand. Estimated growth is based on the historical changes in occupancy and the average rate of the competitive set from the historical performance, as seen in Table 12.

Table 12 quantifies the past seven and a half years' trends for supply changes, room occupancy, Average Daily Rate (ADR), total revenues and the ratio of rooms available to rooms' revenue (RevPAR) for the subject market.

Overall, this competitive set has seen slight growth in the last 3 years and s

significant jump in 2015. The combined 5-year average of 2.6 percent in rooms occupied and 2.4 percent change in ADR was reported. This growth in occupancy and ADR resulted in a 5.1 percent increase in revenue per available room and total revenue in the market. The year-end 2015 showed a 6.5 percent in occupied rooms and ADR up 1.1 percent. Revenue and RevPAR was up 7.7 percent. The 7-year growth rates were notable as well; occupancy up 1.9%, ADR up 1.7% and revenue up 3.6% from 2008 to 2015.

The overall market and the industry have seen significant improvements in the economic trends. Nationally, occupancies and rates reached all-time highs in 2015 and forecasts for 2016 remain very strong. This market appears to be no different as year to date occupancy is nearly the same yet rates are up 1.9 percent and revenue up 1.6 percent through May of 2016.

Paris Landing State Park Hotel Competitive Set HISTORICAL GROWTH IN ROOMS SUPPLY AND DEMAND 2000 - 2015										
	ROOMS AVAILABLE	ROOMS AVAILABLE PERCENT CHANGE	ROOMS OCCUPIED	ROOMS OCCUPIED PERCENT CHANGE	PERCENT CHANGE	ADR	PERCENT CHANGE	REVPAR	PERCENT CHANGE	REGIONAL ROOM REVENUE
2008	156,950	#DIV/0!	83,852	53.3%		\$78.44		\$41.81		\$ 6,561,529
2009	156,950	0.0%	86,945	55.4%	3.9%	\$78.35	-2.7%	\$42.29	1.1%	\$ 6,837,974
2010	156,950	0.0%	84,321	53.7%	-3.0%	\$77.99	2.1%	\$41.90	-0.9%	\$ 6,575,811
2011	156,950	0.0%	92,968	59.2%	10.3%	\$79.18	1.5%	\$46.90	11.9%	\$ 7,361,385
2012	156,950	0.0%	88,861	56.6%	-4.4%	\$82.12	3.7%	\$46.50	-0.8%	\$ 7,297,549
2013	156,950	0.0%	89,262	56.9%	0.5%	\$83.80	2.0%	\$47.67	2.5%	\$ 7,482,330
2014	156,950	0.0%	89,861	57.3%	0.7%	\$87.06	3.9%	\$49.84	4.6%	\$ 7,822,903
2015	156,950	0.0%	95,737	61.0%	6.5%	\$88.02	1.1%	\$53.69	7.7%	\$ 8,426,869
YTD Date May 2016	64,930	0.0%	38,645	59.5%	-0.3%	\$88.79	1.9%	\$52.84	1.6%	\$ 3,431,175
5 Year CAGR		0.0%		2.6%			2.4%		5.1%	
7 Year CAGR		0.0%		1.9%			1.7%		3.6%	

Note: CAGR = Combined Average Annual Growth Rate

Table 12. Historical Growth in Rooms Supply and Demand

(Source: IDM & Smith Travel Research)



2. BUSINESS CASE

Paris Landing State Park Hotel Competitive Set							
ESTIMATED OCCUPANCY, MARKET MIX, PENETRATION RATES AND ADR							
2015 December Year-end							
PROPERTY NAME	MARKET CLASS	NUMBER OF ROOMS	ROOMS AVAILABLE	ESTIMATED OCCUPANCY	ROOMS OCCUPIED	ADR	ROOMS REVENUES
<b>PRIMARY COMPETITION</b>							
Quality Inn Paris	Midscale	100	36,500	63.0%	22,995	\$ 85.00	\$ 1,954,575
Best Western Home Place Inn	Midscale	40	14,600	66.0%	9,636	\$ 91.00	\$ 876,876
Kenlake State Park Resort	Upscale	82	29,930	41.0%	12,271	\$ 70.00	\$ 858,991
Hampton Inn Murray	Upper Midscale	72	26,280	69.0%	18,133	\$100.00	\$ 1,813,320
Holiday Inn Express & Suites Murray	Upper Midscale	64	23,360	68.0%	15,885	\$ 96.00	\$ 1,524,941
Best Western University Inn	Midscale	72	26,280	64.0%	16,819	\$ 83.00	\$ 1,395,994
<b>TOTAL PRIMARY</b>		<b>430</b>	<b>156,950</b>	<b>61.0%</b>	<b>95,740</b>	<b>\$ 88.00</b>	<b>\$ 8,424,898</b>
Dec 2015 YE Market STR				61.0%	95,737	\$ 88.02	\$ 8,426,869

Table 13. Estimated Occupancy Market Mix Penetration

(Source: IDM & Smith Travel Research)

**COMPETITIVE SET PERFORMANCE ANALYSIS**

We have analyzed (a) the national and region market STR data, (b) interviews with demand-generating businesses and managers of hotels, (c) existing hotel supply, (d) brand affiliation, (e) consultant-estimated occupancy, (f) ADR, and (g) revenues for hotels in the immediate area. These statistics were derived from Smith Travel Trend reports, individual property reports, and specific property interviews.

A competitive set is measured by three benchmarks: Occupancy, Average Rate, and Revenue per Available Room (RevPAR). Occupancy identifies the number of sold rooms in a given period. Average Rate identifies the average selling price during a given period. Lastly, RevPAR is a measure that, regardless of hotel size, compares revenue for each room the property has in its inventory. RevPAR takes the total revenue and divides it by the total rooms a facility has to offer. This number is a baseline measure, allowing a uniform comparison of hotels within the competitive set.

The analysis summarized in Table 13 identifies how each hotel performs within the identified markets and uses the year end full year 2015 as a baseline of comparison.

Based on interviews and knowledge of property performance it is believed that the Hampton Inn by Hilton and Holiday Inn by Intercontinental Hotels are the rate and occupancy leaders in the competitive set. It is also believed that the two Best Western's and Comfort Inn run relatively close operating performance given the area demand, location and brand influence. Given their unique amenities and locations the upper midscale properties run above market average occupancy and average market rate.

HISTORICAL PERFORMANCE of THE PARIS LANDING STATE PARK INN										
2010 - 2015										
	ROOMS AVAILABLE		ROOMS OCCUPIED			PERCENT		PERCENT		
	ROOMS AVAILABLE	PERCENT CHANGE	ROOMS OCCUPIED	OCCUPANCY	PERCENT CHANGE	ADR	PERCENT CHANGE	REVPAR	PERCENT CHANGE	ROOM REVENUE
2010	41,794	0.0%	14,811	35.4%		\$65.93		\$23.38		\$ 976,448
2011	41,885	0.2%	14,175	33.8%	-4.3%	\$63.93	-3.0%	\$21.64	-7.4%	\$ 906,238
2012	41,845	-0.1%	14,601	34.9%	3.0%	\$63.52	-0.6%	\$22.16	2.4%	\$ 927,425
2013	41,913	0.2%	15,294	36.5%	4.7%	\$65.19	2.6%	\$23.79	7.3%	\$ 996,944
2014	41,796	-0.3%	14,161	33.9%	-7.4%	\$69.32	6.3%	\$23.49	-1.3%	\$ 981,654
2015	41,858	0.1%	14,763	35.3%	4.3%	\$70.14	1.2%	\$24.74	5.3%	\$ 1,035,448
<b>5 Year CAGR</b>	<b>0.0%</b>		<b>-0.1%</b>			<b>1.2%</b>		<b>1.1%</b>		<b>1.2%</b>

Note: CAGR = Combined Average Annual Growth Rate

Table 14. Historical Performance of the Inn at Paris Landing

(Source: IDM & State of Tennessee)

### HISTORICAL TREND OF THE INN AT PARIS LANDING

Table 14 summarizes the occupancy, ADR and revenue trends of the Inn at Paris Landing State Park so that it may be compared to the competitive set of regional properties. The competitive set is out-performing the inn at all categories.

The consultant measured the average changes in growth at the inn from 2010-2015. Occupancies fell -0.1 percent and average rate grew 1.2 percent in the reported time frame. The occupancy for the inn was at 35.4% in 2010 and varied from 2011 through 2014 to a low of 33% year end 2014. In 2015 the property rebounded to 35.3% up 4.3 percent. The average rate has steadily increased to nearly \$70.14 in 2015. This occupancy and ADR combination gave the inn one of the highest revenue years at \$1,035,448. The inn operations going forward need to be able to provide a competitive product that will be suitable for transient and group guests alike. A new product should compete with area competition and draw demand from the region.

### POSITIONING AGAINST THE COMPETITIVE SET

Given the few midscale and limited-service hotels present in the market, it is essential that this proposed hotel be positioned at the upper midscale to midscale tier of the competition at a 3+star level of AAA Standards and perceived as an efficient, full-service hotel, discussed in detail later. This allows the subject hotel to be competitive within both the limited and full-service properties (competing for group business and transient) and capture market share from both distinct types of properties. An upscale, rustic, yet approachable full-service hotel property will compete against the market and draw business for the dated product in the area as well as the group demand regionally and throughout the state.

AAA diamond ratings are an industry guideline for levels of design and guest comfort. Paris Landing, based on lodging rates, would currently be a 2-diamond property such as Days Inn, Country Inn, Comfort Inn, Econo Lodge, Microtel, Red Roof Inn, Sleep Inn, Super-8, and similar economy and

midscale properties based on the age, design and guestroom amenities.

The facility needs to be capable of competing at the 3-diamond level against the area properties and brands that include Courtyard by Marriott, Fairfield Inns, Holiday Inn Express, and Hampton Inn, among others.

Table 15 summarizes the AAA diamond ratings and offers a simple guide to the differences of the ratings:

To be eligible for evaluation, establishments meet basic requirements for cleanliness, comfort and security (hotels) or cleanliness, food preparation and service (restaurants). After establishments are designated as AAA Approved, inspectors assign a rating of One to Five

Diamonds based on the extensiveness of services, facilities and amenities typical of each rating level. The Diamond Ratings guide members in selecting establishments appropriately matched to their needs and expectations.





**2. BUSINESS CASE**

With the trends of design ever changing in the hotel industry AAA inspectors have carefully noted property amenities that start to bleed into higher designations such as a prevalence of open and active lobby areas, dramatic headboards, wood and laminate flooring options and the increased use of glass, marble and stone. The observation and use of sustainable and allergy-free products in amenities and expanded fitness and pool options tend to blur the lines and differentiation of a 3 - 4 diamond status. It is safe to say that there are many 3 diamond hotels that choose to push a 4 diamond level of design and finish through the property to remain competitive for years to come. A recommended objective for the subject property.

Typically established 3 diamond full-service hotels exceed the average rate and occupancy rates reported in a given subject market competitive set. The proposed hotel must deliver a quality and comfortable feel, products and offer unparalleled service to compete directly in the market for occupancy and may rely on meeting space to increase that market share.

Meeting space seems important for social business and corporate group business. Meeting space would allow the hotel to be competitive against both groups of meeting or group hotels and not be perceived just as a unique independent transient hotel. It is uncertain that the subject property has ability to rely solely on transient business, given its location and needs to rely on group demand for occupancy. The immediate market lacks meeting and event space. The event space in the market is being utilized and will be reviewed later. The subject hotel with event space will give it a competitive edge.

1 Diamond	Appeal to budget-minded travelers. Provide essential, no-frills accommodations. Meet basic requirements pertaining to comfort, cleanliness and hospitality.
2 Diamonds	Appeal to travelers seeking more than basic accommodations. Provide modest enhancements to overall physical attributes, design elements and amenities, typically at a moderate price.
3 Diamonds	Appeal to travelers with comprehensive needs. Multifaceted with a distinguished style, including marked upgrades in the quality and level of physical attributes, amenities and comfort.
4 Diamonds	Upscale in all areas. Progressively more refined and stylish. Physical attributes reflect enhanced quality throughout. Fundamental hallmarks include extensive amenities and a high degree of hospitality, service and attention to detail.
5 Diamonds	The ultimate in luxury and sophistication. Physical attributes are extraordinary in every manner. Fundamental hallmarks include meticulous service that exceeds guest expectations, impeccable standards of excellence and personalized services and amenities that provide an unmatched level of comfort.

Table 15. Hotel Diamond Designations

**SUBJECT HOTEL COMPETITIVENESS FACTOR**

We have factored the competitive lodgings' overall market performance for occupancy, growth of supply and demand, market penetration, average rate, and revenue to rank the competitive set. The subject hotel should participate in the primary market as shown in Table 16.

Due to the location, accessibility to regional demand and its new product design in the market, the subject hotel should slowly capture room nights and grow in occupancy. The support services and accessibility to the subject hotel and area attractions are equally as important to the viability of the subject hotel. Also as noted earlier the Lake Barkley Resort Park is also most competitive with the subject property.

LEAST COMPETITIVE	COMPETITIVE	MOST COMPETITIVE
Quality Inn Paris	Best Western Home Place Best Western University Inn	Holiday Inn Express & Suites Ken Lake Resort Hampton Inn

Table 16. Primary Market Competitive Set

Paris Landing State Park Hotel Competitive Set 5 Year Seasonality Trend 2010-2015			
Month	Occupancy	ADR	REVPAR
January	42.5%	\$ 79.37	\$ 33.75
February	50.9%	\$ 81.67	\$ 41.61
March	56.7%	\$ 82.29	\$ 46.67
April	64.6%	\$ 86.79	\$ 56.08
May	60.3%	\$ 85.74	\$ 51.71
June	68.5%	\$ 84.82	\$ 58.13
July	67.2%	\$ 85.31	\$ 57.31
August	60.8%	\$ 83.85	\$ 50.95
September	61.9%	\$ 84.44	\$ 52.25
October	63.9%	\$ 84.30	\$ 53.83
November	53.7%	\$ 81.83	\$ 43.97
December	42.0%	\$ 77.01	\$ 32.34
<b>Total</b>	<b>57.5%</b>	<b>\$ 83.11</b>	<b>\$ 47.75</b>

Table 17. Competitive Set 5-Year Seasonality Trend

(Source: IDM & TDEC)

### SEASONALITY OF COMPETITIVE MARKET TRENDS

It is typical of the hospitality industry overall to experience occupancy trends tied to demand generators such as weather, seasons, and travel plans/patterns. The seasonal occupancy of this market is traditional for the central region of the United States. The 5-year average monthly/seasonal trends of the competitive set are listed in Table 17.

The strongest time of year in this market is from April through the month of October, as is in most regions in the country. This peak season reached a five-year average occupancy at 63.9 percent and the highest month reported on average was 68.5 percent occupancy in June. The highest occupancy month on record is April 2016 at 71 percent, followed by October 2015 at 69.4 percent and July (2014 & 2015) at 69.2 percent.

The average rate was at its peak during this demand season at \$85.04 over the five-year average. The strongest

ADR trend reported was in April 2016 reaching an all-time high of \$92.51. Rate performance is impressive and trending upward from April through July in 2015 and 2016 reporting numbers consistently in the low \$90.00 range. This high season runs through October and is affected by the summer travelers and lake visitors, sporting groups, weddings, spring/fall camping and activity within the regional market and compression from the greater market. Further, the social meeting and wedding market in the hospitality industry is typically at its peak during these summer months.

The weakest season are the winters months of January and December, providing a five-year average occupancy of 42.3 percent and a \$78.19 average rate. This is typical occupancy for this regional market and a typical degree of variation in average rate from peak to non-peak seasons.

There is very little rate separation from peak to off peak seasons reporting less than a \$7.00 difference.





2. BUSINESS CASE

Paris Landing State Park Inn 5 Year Seasonality Trend 2010-2015				
Month	Occupancy	Variance Comp Set	ADR	Variance Comp Set
January	10.0%	-32.5%	\$ 56.83	\$ (22.54)
February	20.0%	-30.9%	\$ 52.50	\$ (29.17)
March	29.7%	-28.0%	\$ 60.19	\$ (22.10)
April	39.6%	-25.0%	\$ 70.34	\$ (16.45)
May	42.3%	-18.0%	\$ 69.28	\$ (16.46)
June	55.5%	-12.0%	\$ 70.15	\$ (14.67)
July	59.9%	-13.3%	\$ 67.29	\$ (18.03)
August	35.4%	-25.4%	\$ 67.59	\$ (16.26)
September	44.1%	-17.8%	\$ 69.45	\$ (14.99)
October	45.4%	-16.5%	\$ 69.92	\$ (14.38)
November	28.8%	-24.9%	\$ 57.45	\$ (24.38)
December	14.1%	-27.9%	\$ 55.31	\$ (21.20)
<b>Total</b>	<b>35.0%</b>	<b>0.0%</b>	<b>\$ 66.34</b>	<b>\$ (18.77)</b>

Table 18. 5-year average occupancy and ADR for inn by month (Source: IDM & TDEC)

SEASONALITY TREND OF INN ROOMS AT PARIS LANDING

The seasonal occupancy of this market also affects the subject hotel which experience changes in demand based on the months of the year. The occupancy of the inn was also affected in 2009-2010 when the park closed the inn and restaurant. Table 18 shows the 5-year average occupancy and ADR of the inn's performance which will be used as a baseline of forecasted demand at a new facility.

Table 18 also looks at the variance in occupancy and ADR reported by the competitive set of area hotels. The inn, given its age and location, under performs in occupancy every month of

the year to the competition with variances reporting from 12 to 30 percentage points (or more) at its worst. The average rates for the inn ran a \$16.00 discount from the competitive set average annually. The market as well as the inn peak in occupancy in the months of June, July, September and October. Note that the 5-year average occupancy of the inn is 56.5% in June- highest of the monthly average and the average rate is \$70.15; this reported variance is -12% and -\$14.00 to the competitive set in occupancy and ADR respectively. Table 17 on the following page shows the complete five-year history of annual rates and occupancy.

Key Points About Seasonality

- The operational goal of the repositioned subject facility would be to run at or near the competitive set occupancy and in peak months and drive a high variance in ADR at or above certain properties in the region. Note that the peak months of occupancy for the inn (April, June, July, September and October) are also the peak months of the regional competitive set. With demand at its peak in these months a new facility will benefit from the surrounding increase of travel.
- The cabins should be positioned at a higher rate than the inn during peak months as they are some of the most recent built in the competitive area opening in 1998. On average regional facilities rent at or close to \$100.00 per bedroom available in the cabin unit.
- Possibly inn operations could be halted during non-peak months of December and January to minimize operational costs; however, based on group demand and use of the meeting space it may not be necessary to shut down seasonally.
- There is a lot of additional competition outside those reported on the STR report throughout the region due to the lakes and National Park. A new product, marketed directly to those travelers in Tennessee and Kentucky, should steal market share from the local competition and perform at a higher level of occupancy and ADR.



Paris Landing State Park Hotel Competitive Set DAY OF WEEK COMPARISON						
	12 Month Rolling YTD May 2016			ADR	Three year trend	
	Occupancy	Growth	ADR	Rate*	Average	Average
		Rate*			Occupancy	ADR
Sunday	38.9%	4.8%	\$84.31	2.1%	37.5%	\$82.75
Monday	61.0%	4.0%	\$87.97	2.2%	59.5%	\$86.47
Tuesday	69.4%	2.8%	\$89.30	2.7%	68.2%	\$87.57
Wednesday	66.4%	2.5%	\$88.75	2.7%	65.4%	\$87.11
Thursday	59.5%	4.2%	\$87.54	2.4%	57.8%	\$86.15
Friday	66.9%	5.2%	\$90.66	2.5%	63.4%	\$88.75
Saturday	64.2%	3.6%	\$90.29	2.3%	61.7%	\$88.42
Average	60.9%	3.8%	\$88.68	2.4%	69.1%	\$87.01

\* Growth rate from 2 years prior

Table 19. Competitive Set Day-of-Week Comparison

(Source: IDM & Smith Travel Research)

## DAY OF WEEK TRENDS

The competitive set varied occupancy and ADR from off-season months to peak months given the changes in seasonal travel trends. This is also true when it comes to day of week travel trends. Corporate and business travel in a market is indicated by peak occupancy and possibly average rates on Mondays, Tuesdays and Wednesdays; while social and leisure travel typically affects Fridays and Saturdays. The day of week travel trends, when analyzed monthly and seasonally, can be an indication of the types of travelers or travel market segments in a given market.

Changes in competitive set rates, given the day of week occupancy changes, indicates that properties and their management are trying to revenue manage its inventory and rate. Peak occupancies with little rate variance indicates that a group of hotels lack yield management practices. They are usually an indicator that the market lodging is not a very desirable, possibly dated and unable to drive the price of a room (during peak times) due to the property age, introduction of new supply outside the market and lack of competitive amenities.

## Day of Week Analysis

Over the last 12 months 2015/2016, the greater market has weekdays Monday through Wednesday performing at an average occupancy of 65.6 percent, weekends (excluding Sundays) at 65.6 percent and shoulder days of Sunday and Thursday at 49.2 percent. Tuesdays, Wednesdays, and Fridays have averaged the highest occupancy in the past 12 months with a combined average of 67.6 percent—above average of traditional demand when compared regionally and nationally to the travel trends day of week (see Table 19).

The market has seen positive changes in weekly occupancy from two years prior; up 3.8 percent from 56.5 percent to 60.9 percent. This show increased demand and travel in the region. The growth rate in ADR is up 2.4 percent, reported at an increase of nearly \$4.00, is a positive factor. The ADR of \$88.68 is higher than reported in the previous period of \$84.53.

The rate management in the market is average at best and shows signs of improving. Social and leisure, group and local government markets are traditionally rate-sensitive and show market share in the region. This day of week occupancy indicates that the competitive set shows little displacement of rooms to other area hotels based on daily reported occupancies.



2. BUSINESS CASE

**LODGING DEMAND & SEGMENT PENETRATION INVESTIGATION**

Hospitality market segmentation is an approach that encompasses identification of different groups of customers who have different needs, price points, and stay patterns. The market segmentation process also considers which segments to target and when through different sales efforts. There will be distinct differences among travel patterns for each segment as well as buying patterns of goods and services to meet each group’s requirements. For the hotel market properties deemed competitive with the subject hotel and larger area market, the STR reports compare regional statistics but does not identify market segments which are gathered through the reporting process.

Table 20 provides a brief description of the Lodging Demand source profiles identified for this market.

The transient or individual, corporate, and commercial markets are made up of several major sources of business: (a) government, state, insurance, and health care, (b) general transient corporate/commercial, (c) leisure business, and (d) social, leisure, and discount AAA & AARP business. The market has a significant source of transient business with the overall market performance estimated at 60-70 percent. The corporate and leisure market will likely be the primary sources of business for the competitive market.

Group demand in this market is currently minimal in the direct competitive set given the types of hotels and the amenities they offer. However, group demand is a large part of the operations of the inn historically and group business is a large part of market share for the regional resort facilities. As indicated above, the individual travel segments will total 75 percent, reducing group demand to 25 percent. It is expected that this market will remain

highly transient/demand focused. This market and subject site has significant group demand in throughout the region and very few hotels can accommodate that demand outside of the primary city markets throughout the state. These types of facilities need to offer 5,000 to 10,000 square feet of flexible meeting space and multiple breakout rooms. These needs are important to the market and should be considered in the subject property.

These is also significant need at the state level to support the state owned facilities when it comes to group and meeting business. According to the US General Services Administration the 2015-2016 per diem in the area is \$89.00 for lodging and \$51.00 for meals and incidental services. Meals are allotted the following breakout by meal period: \$11.00 breakfast, \$12.00 lunch, \$23.00 dinner, and \$5 miscellaneous incidentals. Groups typically need to work within these guidelines as well.

While social/leisure business is important to this area, there is little supply of hotels in the region offering a variety of hotel accommodations for this segment. The social/leisure consumer is price driven and sometimes brand driven; however, the movement in this segment is “unique experience” driven. The region offers a sought-out destination or distinctive pricing reason to stay. The rate in the high season capitalizes on the leisure weekender market. Weddings, which drive social weekend business, are not currently a prominent source of rooms historically and yet this is the biggest opportunity for occupancy at the subject facility if the space is utilized and sold effectively and properly. The regional market is somewhat under-served due to the lack of meeting space catering to the social leisure segment; and ability to service groups and offer full service food and beverage programming.

If amenities are structured properly and marketing strategies are aligned to capture the high-rated social business, the proposed hotel should capture

TRANSIENT OR INDIVIDUAL MARKETS	
Retail	Premium-rated business (non-discounted) booked at peak opportunity BAR (Best Available Rates and weekend rates)—the going rate changes based upon demand
Corporate Negotiated	Contract business discounted based on volume
Qualified Discount	Business in non-demand periods, AAA, AARP, military
Opaque Internet	Consumers purchasing at discount price point regardless of hotel Hotwire, Priceline, Expedia/Travelocity/Orbitz (Internet) package
Packages	Packages, bed & breakfasts, getaways
Extended Stay	Discounts due to multiple consecutive nights (7+ and 14+)
GROUP MARKETS	
Corporate	Companies holding training meetings/vendor or supplier meetings
Social Leisure	Weddings, fraternal organizations, and retreats/reunions (SMERF)
Association	State and regional meetings
Tour & Travel	Bus tours and traveling organizations

Table 20. Lodging Demand Source Profiles

more group business, capitalizing on the weekend, summer, park attendance and special events within the area. The facility potentially could host multiple meetings simultaneously to maximize revenue.

## REGIONAL FACILITIES COMPETITIVE ANALYSIS

The meeting industry includes a variety of meeting types ranging from large trade and exhibition events to corporate meetings and conferences. Often a single event will use many different types of spaces including a pre-function area, exhibit halls, banquet facilities, and breakout meeting rooms and overnight lodging accommodations. Well-designed, multi-purpose facilities offer the proportions of different types of spaces that are appropriate for their market and the market segment they are trying to attract.

### Types of Meetings

Individuals gather for a variety of reasons and within the hospitality industry, these reasons are categorized into different segments. These segments include different types of meetings defined below:

**Corporate Meetings** – Corporate meetings include training seminars, professional and technical conferences, and management meetings. Attendance generally ranges from 10 to 100 attendees, with an average of 50 to 60 attendees. These meetings are held in city-center hotels, conference centers, and resort hotels that feature unique amenities and attractions. Corporate meeting planners and attendees demand high-quality facilities and accommodations.

**Conferences** – Conferences are meetings typically held by associations and professional membership organizations. Educational institutions also host conferences that attract an average of 300 attendees. These events usually do not require exhibit space; otherwise, their facility demands are similar to those of conventions, such as meeting space for

general sessions, food service facilities, and breakout rooms. Hotels and conference centers typically serve as venues for conferences.

**Conventions and Trade Shows** – Associations, professional groups, and membership organizations hold conventions and trade shows with attendance ranging from 300 to 5,000 attendees. The larger of these meetings take place in convention centers with exhibit halls with up to 75,000 sq. ft. Conventions and trade shows might feature a single meeting, but they usually offer a number of breakouts space for concurrent meetings and exhibitions. Facility requirements include assembly space for general sessions and displays, banquet facilities, and numerous breakout meeting rooms.

Trade shows offer a venue for exchanging industry ideas. They vary slightly from conventions in that they are more product and sales oriented. Trade shows are exhibit intensive and attendees prefer open-space facilities in which they use custom booths for product display.

**Assemblies** – Assembly events are social, military, educational, religious, and fraternal (SMERF) events. They attract larger numbers of people and gather in many different formats like presentations and recognition events or require arena or stadium seating. Similar to conventions, attendees originate from outside the host city; unlike conventions, these events do not usually require large exhibit or meeting room space.

**Social & Entertainment Events** – Social events are often specific niche guests targeted for weddings, graduations, or ticketed events that are held for a specific reason. Reasons include sporting events, concerts, and tournaments. Most attendees are local and regional residents.

## IMPACT OF EVENTS AT SUBJECT FACILITY

During the interview process with the management team of the existing inn it was determined that a high percentage of the historic demand at the facility was group related. This would equate to approximately more than 40 percent of rooms occupied or 6,000 rooms annually, based on historic occupancies of more than 14,000 rooms sold. The breakdown of group events was approximately 40 percent family reunions (or social segment), 20 percent regional groups (or business segment), 30 percent wedding and social events and 10 percent other.

The subject lodging facility will benefit from overnight accommodations based on the type of functions. While social and local events from surrounding communities does not typically directly impact the use of overnight accommodations, business events, golf outings, conferences and weddings do supply the lodge with room nights.

Having multiple event spaces at the subject facility will also impact local amenities offered such as increased usage of the area recreation amenities and may influence the types of events held in the park to maximize use of the hotel and meeting facility. For example, the facility may look to attract larger retreats and tournaments using event space and lodging accommodations on-site.

The event space at Paris Landing will need to be flexible and one that can accommodate various types of groups. Typically, corporate groups tend to plan events in April, May, September and October. Social groups can meet almost anytime but prefer some summer months June through August however fall months like September and October are good months for schools and church events, weddings, and retreats.

It is estimated in most all scenarios that a lodging facility with meeting space adjacent or in close proximity to the park amenities will have a positive





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effect on the subject facility drawing business in off peak seasons and that it is a critical part of the financial feasibility of the project.

Most hotel development projects use a guideline that suggest providing 70-100 net sq. ft. of meeting space, the actual meeting rooms, not support space like storage facilities, pre-function gathering space and kitchens, for every room or key at the facility to satisfy significant group demand. Otherwise you will have to rely on transient business to fill your rooms at the hotel. Given that this is a destination market and the facility is not easily accessible to quick off the interstate access, the property will continue to rely heavily on group demand. It is estimated that 6,000-8,000 net sq. ft. of meeting space inside/adjacent to the subject facility and additional space throughout the park would satisfy the potential demand for the hotel.

The existing facility currently offers a convention center facility of greater size. It should be considered that the existing space be utilized in the future repositioning of the facility. It is not certain that it facility will work in the general repositioning of the park.

### REGIONAL EVENT AND MEETING FACILITIES

The subject market offers a few event facilities for corporate and social gatherings which are detailed below.

#### **Paris Convention Centers**

1510 East Wood Street  
Paris, TN 38242  
(731) 642-2838

The Paris Convention Centers (2 of them) have adjacent facilities that can accommodate up to 1,000 people and service parties buffet style. Each building can be partitioned for smaller groups. Both buildings have lobbies, covered entrances and parking. These are very modest facilities and lack style in the event space. It is mostly windowless space with tile ceilings and florescent lighting. These facilities are

located 15 miles from the subject property in Paris, TN.

#### **Lake Barkley State Resort Park**

3500 State Park Road  
Cadiz, KY 42211  
(270) 924-1131  
www.parks.ky.gov

The facility is located 44 miles from the subject facility and can host a variety of events at various sizes given the 148 lodge rooms. The property has 5 event spaces available for gathering of many types. The convention center is 6,336 sq. ft. in total and can hold banquet events for 525 people. The room is divisible into 3 parts, A and C at 2,304 sq. ft. and B at 1,728 sq. ft. Each of those smaller rooms can hold 125-200 people for a banquet event and features exterior deck off the rooms. The facility also has 2 equally sized rooms off the lobby that are 1,764 sq. ft. in size and can accommodate up to 80 people for banquets in each room. Alcohol is permitted at the facility since 2010 and must be served by a licensed bartender.

#### **Kenlake State Resort Park**

542 Kenlake Road  
Hardin, KY 42048  
(270) 474-2211  
www.parks.ky.gov

Kenlake State Resort Park features 4 primary meeting rooms with the largest being 2,437 sq. ft. in size and that can accommodate up to 125 for a banquet event. The smaller rooms are 1,705 and 825 sq. ft. and can only accommodate banquets of 100-175 when used together. The final meeting space, the Garden Room, is 1,945 sq. ft. in size and has an outdoor patio overlooking Kentucky Lake. This space can accommodate up to 130 people (inside) for a banquet event. The meeting space is oversized for the 48 rooms the lodge has to offer.

The property also features Cherokee State Park (adjacent the property) which was once the only segregated state park for African-Americans in the South and one of only three such parks in the United States. Today, the original

dining hall has been fully restored as a modern 125-seat event/meeting facility with climate-control. The patio, overlook and gardens create a unique event space for social gatherings such as family reunions, wedding ceremonies or company retreats.

Kenlake does allow full service food and beverage facilities onsite and has a full liquor license. The beverage license allows for the facility to cater beverage for the clients as well as allow them to bring their own onsite with the proper waivers signed.

### PARIS LANDING MEETING FACILITIES

The meeting space should be highly functional, versatile, visible and easily accessible within the state park. The current meeting space in the hotel itself is dated, institutional in design and lack proper lighting and sound controls necessary for today's events. The current space lacks lake views and accessible outdoor areas. The one outdoor area lakeside for ceremonies and activities has a gravel road access for set up and teardown closest to the lake which is not visually appealing when the space is being used for events.

The facility must have up to date event space that can satisfy the basic needs of guests for corporate gatherings and meetings; yet have the design appeal for the social leisure guests looking for wedding and social gatherings.

It is critical that the park continues to use multiple event venues indoors and outdoors would allow for simultaneous events and maximize revenues. The overall functionality of the current space is outdated and lacks desirability amongst meeting and event planners. The new venues should utilize desirable lake views and outdoor gathering areas for attendees.



## GROWTH IN LODGING DEMAND

The growth in lodging demand showed positive trends from 2010 through 2015 up 2.6 percent in occupancy; and 2016 is expected to show stronger demand than historically reported as it is trending currently out pacing the previous year statistics in this market.

The overall market of the competitive set saw no downturn in the 2008-2009 recession and in fact grew occupancy in those years while maintaining most of its rate; falling slightly in 2009 -2.7% to \$76.35 from \$78.44. Since 2009 rates have grown annually in the market up 2.4% in the last 5 years.

Looking at historical trends, occupancy is forecasted with the competitive set occupancy and ADR, taking into consideration the market supply/demand factors and current economic trend. Growth rates will be discussed in detail by market segment as well as total overview.

The future demand of the competitive set can be analyzed by looking at the trends in demand by market segments. We have estimated and evaluated market penetration potential for each segment by comparing the advantages and disadvantages of the subject facility to those of the competitive set. Factors affecting penetrations include location, accessibility, property size (total rooms and meeting capacity), finish and quality levels, service, room rates, food & beverage outlets, guest amenities, new build versus renovation, and brand.

Estimated penetrations should be considered in relation to the hotel's fair market share. If demand were distributed evenly in accordance with the ratio of hotels rooms to the total supply of the market, the proposed hotel would capture 100 percent of each segment.

It was reported that the competitive properties in 2015 experienced demand of 95,737 room nights for a combined level of occupancy of 61.0 percent, derived from STR Trend Report. Table 21 summarizes the estimated market segmentation of regional demand and is based on the brand affiliation, experience, and market reviews/interviews.

### Transient & Commercial

The continued growth in the commercial or contract rate markets is indicated by recent trends in economic indicators and corporate travel in the competitive set. The current occupancies indicate a high level of regional corporate travel, the diversity of industry and global headquarters in the market make the area viable for business. With the additional market growth and current expansion in the business community within the Greater Nashville Market, it was estimated that increases in demand accommodated in Years 2016-2019 at an average of 4.0 percent. This would be an accelerated increase in occupancy over the combined market average or total average occupancy increase historically.

### Social Transient & Leisure

The transient/leisure market contends to be one of the strongest sources of

business within the market. With Tennessee and many of the south central states expanding its seasonal tourism and business culture, a following of professional enthusiasts and leisure-focused travelers have increased travel throughout the region. We estimate increases in demand accommodated in Years 2016-2019 at an average of 2.5 to 3.0 percent in the area.

### Group

The group market is the most speculative segment within the market in that it is unsure the specific meeting needs of the regional and should be further investigated. This is due to the high level of transient supply and price sensitivity amongst competition. Many convention and meeting groups are on a rotation schedule through the area and throughout the state. Continued increases in demand was estimated and accommodated in Years 2016-2019 at an average of 2.5 percent. This segment of business is completely at the discretion of the facility management and needs to be revenue-managed not to displace higher-rated transient and leisure business.

A new and competitive product at the subject facility would compete for rooms in each of the above mentioned market segments.

## UNACCOMMODATED LODGING DEMAND

Unaccommodated demand—that is, accommodations that cannot be fulfilled or displaced within a sampling of hotels—is described two ways: The first is lodging demand that prefers to stay in the market or competitive set but currently uses hotels in other locations. At present, this occurs during peak-demand periods such as times of sporting events, summer travel weekends, major community/city events, and conventions. In these peak periods, occupancy overflows or spills out to area hotels in nearby markets.

MARKET SEGMENT	ESTIMATED ROOM NIGHTS	PERCENT
Transient & Commercial	33,508	35%
Social & Leisure	38,295	40%
Group	23,934	25%
<b>TOTAL</b>	<b>95,737</b>	<b>100%</b>

Table 21. Market Segmentation Demand



## 2. BUSINESS CASE

Another example might be cabin rental that is booked in the peak summer months displacing individuals that would prefer to stay at Paris Landing, but go to other state parks in the region because of high demand and inadequate facilities at the inn. While these consumers would rather stay in the competitive set area, supply is completely consumed. This is known as displaced demand.

The second definition of unaccommodated lodging demand is guests who are currently staying in the competitive set but prefer hotel accommodations—for instance, at a higher level—within the set. As an example, a traveler who normally stays at full-service hotels has booked his or her reservation at an area's new select-service property because other supply is not appropriate or too old, thus not meeting needs. This type of demand, induced, creates a new market or choice of hotel in a given market and is difficult to estimate.

For the purpose of the market study, we identified and estimated about 1,800 to 2,500 rooms annually that the subject hotel should capture starting in 2018 (estimated as the first full year of occupancy). This is an estimate of all market segments displaced due to the lack of guest rooms in peak times Tuesdays, Wednesdays, and Fridays at 20 rooms per night at 30 weeks annually.

## INDUCED DEMAND

Consultants estimated induced demand based on regional transient and leisure demand at 35-40 social events annually with 30 rooms each night of the event and group corporate and association demand at 30 additional events annually with 20 or more room nights. This induced demand business is derived from a new hotel positioned in the upper-midscale or midscale market segment, creating a new meeting venue of choice for travelers. The demand was not previously fulfilled in this market. This induced demand is made up of the three segments. Leisure would be mostly weekend based and group corporate weekday based. The estimate results in about 1,800 -2,300 rooms for the subject hotel in years 1 through 5 with an annual growth rate of 5 percent.

Transient induced or displaced demand was not factored into the future projection based on the current trends in the competitive set of regional hotels. Based on the day of week analysis above there does not seem to be displacement of rooms within the current set of hotels based on reported occupancy.

With the potential subject hotel positioned to fill the market need as a group hotel and offering modern meeting facilities, the property is sure to attract local attention.



# RECOMMENDATIONS

## LODGING FACILITY RECOMMENDATIONS

### Subject Hotel Competitive Facilities Description

The subject hotel/resort is situated in a highly traveled tourist market that has significant travel April through October based on historical analysis. The property location is on a very unique body of water and adjacent to a National Park makes the region a very popular destination for social and leisure travelers throughout the region. The construction costs associated with the redevelopment will be estimated later in the report

Given the location of the market as a destination property the facility needs to offer competitive amenities, comparable service, and unique characteristics that compete with a broader regional market. A **full-service hotel**, independent or branded in nature, will need to include certain market and guest amenities, often perceived as necessary or common.

Given the style and relative condition of the lodging at Paris Landing the state should consider a complete rebuild of the facility based on a well-designed master plan. An update to the existing buildings (versus demolition) would only be spending money on a facility that would likely not appeal to the greater masses of travelers. If a renovation did occur the average rate would likely not improve much and the facility would continue to attract guests looking for extreme value and discounted accommodations.

The concept and focus should offer guests a **unique, relaxed, lakeside resort** that is comfortable, quiet, and utilizes the surrounding beauty of the water. Guestrooms build in small groups (versus one large contiguous building) spread throughout the property would best use the spacious feel of the park.

The property should have meetings and event space that is multipurpose and canters to meetings for corporate events and social events alike. The park should improve the overall shoreline of the facility and utilize the water access with piers, docks and amenities lake-side.

These necessary amenities and services should include:

- **Modern décor**, utilizing a style of design referred to as Mountain Modern or Rustic Elegance will embrace the area and park setting. With distinct attributes such as lakeside walk out decks and lake view patios the facility would offer a unique and memorable experience. The rooms should offer a sophisticated experience, not appear to be fancy or elegant and embrace the lake park setting. Amenities such as modern baths and modern room features and design; simple in-room refreshment centers, upscale bedding, large TV's, recognized name-brand bath amenities and/or recognized name-brand products throughout the hotel.
- The proposed structure of the hotel should offer approximately **85-100 guest rooms in new mid-rise structures** featuring a variety of guest suites and positioned lakeside with lake views. The rooms should utilize the lake views and possible offer top floor suites with large outdoor balconies used for gatherings and relaxing. Although the exact mix of rooms will not be determined (although suggested) some recommendations were made on the space allocation later in the document. Room and suites should be considered and could be comprised of:
  - o Multi-room suites to accommodate long-term market demand or extended stay business of 3 or more nights.

## SECTION SUMMARY

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## 2. BUSINESS CASE

- o King and double-queen traditional guest rooms.
- o More king rooms than standard double rooms to social leisure market segments and yet accommodate groups.
- **The lobby of the resort should be an active space for hotel guests to enjoy food & beverage and allow travelers to gather and relax.** The buildings in the park should have a better sense of arrival and work together within the park for ease of access and location to the park attractions. The lobby could feature gathering areas for park visitors and possibly a welcome center for the park. The lobby should maintain lake view and feature outdoor areas for gathering, dining and lounging. The lobby should feature:
  - o Multiple soft seating areas for gathering of small groups
  - o Grand lobby fireplace
  - o Gift shop area
  - o Check in reception and welcome services for the park
  - o Bar area that serves light food & beverage options. The bar area used for welcome receptions or peak demand or serve continental breakfast or evening reception allowing the restaurant to close in off peak seasons.
  - o Administrative offices should be accessible from the lobby area
  - o Small meeting rooms adjacent the lobby area that can be used for a variety of consumers and reasons
  - o Accessible or adjacent outdoors areas including, patios, decks and outdoor entertainment areas
- **The guest rooms** should offer similar amenities throughout a variety of room types. Units should include traditional guestrooms of 400-450 sq. ft.; one bedroom suites with a separate living room, patio, and bedroom; two bedroom suites with similar amenities to the one bedroom units with an additional lock out room making the unit a 2-bedroom suite.
  - o Large and more spacious suites should be approximately 15% of the overall room mix and should feature the premium views and outdoor living space.
  - Room amenities should include a microwave, refrigerator (in all rooms), and kitchenettes in the suites, in-room beverage and snack selections, coffee maker, iron and ironing board (upon request delivered), task lighting, and multiple accessible power outlets with USB connectivity. Soft seating and in room sleeper sofas should be considered.
  - **Mixed use condominium or vacation ownership could be considered.** Mixed use hotel models are lodging facilities in which individually owned units are located on or near the primary lodging facility. These are sold to individuals who may use the hotel and desire to be located at a unique facility or area based on the overall surroundings or demand generators, like the lake. Typically, these owned units can use the hotel services such as restaurant and room service, housekeeping and hotel amenities.

These units could be build surrounding the main lodge and would likely be attractive to those interested in owning a small piece of Kentucky Lake. These units could be mandated to be part of the overall rental program of the main facility if desired. These units could offer larger units with more of a condominium feel and include living space, kitchens, multiple bedrooms and cater to long-term rentals.

The financial structure of these projects is attractive to residents, hotel owners, and operators for the following reasons:
    - o **Residence Owners** - These owners can take advantage of personal tax write offs for interest and real-estate taxes or depreciation of rental property. Owners get an asset that they can use and sell and operators can collect a fee while owners have little to maintain.
  - o **Developers** - Can leverage the appeal of the hotel to help finance the overall project with the sale of the privately owned units. They also avoid interest charges incurred during construction if the units are pre-sold.
  - o **Operators** - can manage residences efficiently for these owners and even rent out their units for additional income (if desired) and gain additional revenue for the management company through maintenance fees and user fees.
- **Fisherman & Leisure Traveler Units** - Easy access from vehicle to room may be critical for some travelers. The idea is a section of the hotel with more minimalistic room accommodations that cater to the local fisherman and leisure traveler would meet existing regional demand. These rooms built in more of drive up style room is typically desirable for those carrying extensive gear, boats and need access to power. This would also be useful for families utilizing the facilities.
- **Conference, meeting and wedding space will be a significant part of the redevelopment potential project** and assume some additional risk and benefits. The meeting space will be needed to **create weekday, weekend and off peak demand** at the subject facility, especially in the social gathering, and wedding market. The conference and meeting space should be comprised of:
  - o Meeting space for small gatherings at the existing inn.
  - o Pre-function area outside the meeting rooms in close proximity to the inn and guestrooms (if possible).
  - o Décor that is competitive in the wedding market and rustic elegant in design. The use of high



ceilings is typical in this type of event space.

- o Private boardroom and breakout rooms offering flexible meeting space.
- o Kitchen, storage, restroom, and back-of-house space possible with built-in bar.
- o Necessary support or service kitchens.
- **Marina Integration to the new facility would allow accessibility of boaters to utilize the hotel amenities and facility.** The marina hotel debuted in the 1980's and its growth is mostly due to the number of boaters using vacation ownership exchange privileges. It is common for lakeside hotels and resorts to closely integrate marinas where ever possible. It is important to ensure convenient access to the marina and prove efficient cater to the boats. This will better dramatize the water theme of a facility. In marina hotels it is important that rooms have balconies overlooking the water. Since the state park features a marina in close proximity to the resort location; it is suggested to offer a reduced number of slips at the resort. Likely 2 slips for every 6 guestrooms or 20-30 resort accessible slips for boats approximately 30 feet in length or less.
- A surface-level accessible parking offering a safe, secure environment that is easily accessible and well-lit will be important. The lighting of the overall facility **should use the dark sky guidelines** to preserve the park feeling at night.
- Adjacent and accessible parking will be needed when the meeting facility is in use and the hotel is fully occupied.
- Health and fitness facility offering expanded fitness options with state-of-the-art equipment; an indoor contemporary water feature or pool is likely necessary for off peak seasons to attract travelers.

An extensive lakeside outdoor pool facility with water feature such as a waterfall, multiple hot tubs, family area, separate adult only area, lounge chairs, cabanas and pool bar should be considered.

- The park should feature some outdoor areas meant specifically for hotel guests. A semi sheltered area could be used throughout the day for reading, enjoying the surrounding nature, fire pits or even a lake deck for exercise or fishing.
- **Food & Beverage area, a place for guests to get ready for their day and relax and unwind in the evening.** An area adjacent a lobby bar or gift shop could offer grab and go offerings for breakfast. The park should maintain a separate full service restaurant for local patrons and hotel guests alike. Food & beverage offerings should include:
  - o Premium coffee selections.
  - o Minimal breakfast service items.
  - o Upscale entertainment features such as high-end TVs and sound systems.
- **A restaurant will need to be full-service or offer breakfast, lunch and dinner options** (some of which could be seasonal), room service and also be more of a facility for support and service of banquets and catering to multiple locations. It should offer meal options that are simple to prepare and execute and not limited to individual table service or buffet service.
- Latest technologies that offer seamless interface from office to hotel room, including:
  - o High-speed wireless network throughout the facility.
  - o In-room premium TV service provider, music and sound.
  - o Business-minded facilities or resource center for business services that cater to small meetings and groups.
- Given the high volume of patrons at the dining facility seasonally the

concept of service efficiency for dining options should be considered. The current operation has the restaurant patrons sit and dine and wait in line to check out. A possible solution may be to have patrons place their order and pay at the table with new technology in the restaurant industry avoiding lines at departure. Today we see this in more and more restaurants and it would fit the style and pace of the facility and make it a quicker style of service for all.

### Property Amenities

- Outdoor heated pool area for families and guests of the resort and day passes for purchase
- Indoor pool for inclement weather and the ability to drive occupancy in off peak seasons
- On-site sundry shop in main lodging facility
- On-site laundry facilities for a fee
- Media area- TV, computers and free Wi-Fi access
- Restaurant facility (size approximately 200 seats) that features a large kitchen that can facilitate on site and off site catering to multiple venues
- Separate wedding/social meeting venues or tented area for gatherings indoors and outdoors
- Lakeside attractions, docks, piers, large water overhangs (piers), improved shoreline, beach facility
- Suggested Room Mix (based on 90 units)
  - o 40 Double Rooms
  - o 40 King Rooms
  - o 8-10 Specialty Suites

### Suggested Resort Activities

- Outdoor bonfires
- Pool area bar service
- Outdoor BBQ areas
- Lakeside chaise lounge chairs
- Outdoor dining areas- tables and chairs as a fixed structure



## 2. BUSINESS CASE

- Restaurant- full service 3 meal periods seasonally. Bar service daily that extends past meal dining times on certain days of week
- Coffee/tea bar
- S'mores as planned events for families to attend
- Adult Activities
- Children's Activities
- Picnic and BBQ areas in close proximity to inn and cabins
- Pool area indoors and outdoors with hot tubs and saunas
- Bicycle racks
- Seasonal outdoor snack bar

### SUBJECT PROPERTY PERFORMANCE

#### Occupancy

The occupancy for the redeveloped subject property (at the above mentioned level of lodging) will be addressed in the next section of the study. The property should be able to retain an average occupancy of 68 percent and 108 percent market share —upon stabilized Year 3 of operation, 2021 based on current levels of performance in the market. The projections shown in Table 22 on the following page are subject to an approximate 5 percent range.

Table 22 also represents the potential subject hotel's fair share of the market demand; that is, if all forecasted demand or rooms booked were split equally among existing hotels in the set, the number of annual rooms available for the subject would result in the subject hotel's forecasted occupancy. In this case, the subject hotel's fair market share for the 90-room hotel is 17.31 percent when compared against the regional STR competition. Market penetration was estimated at 93 percent in Year 1, growing to 108 percent by Year 3, resulting in the subject hotel's future occupancy levels and the contribution by market share to exceed 70% occupancy by Year 5.

We estimate the subject hotel opening in 2019 would run occupancies lower than the competitive sets average today, given the fact that it is a destination property and needs to build awareness. This is indicated by the subject hotel receiving less than 100% market share. It is a destination property with seasonal demand yet is situated in a high tourism area. The subject is estimated to open and operate at or near 55 percent occupancy. We estimate by Year 3 the hotel would run at or near 68 percent occupancy, a stable number.

The competitive set of hotel are expected to run a forecasted ADR close to \$98.00 in 2019 based on the current reported ADR, current growth rate and industry trends. As projected, the subject hotel could perform at a competitive rate with that of the market, based on a new facility, in a competitive location, focused management performance and amenities that exceed customer satisfaction.

The subject hotel is estimated to open with an average rate at or near \$120.00 a \$20.00-\$25.00 premium over the existing competitive set expected to run \$97.71 in 2019. The subject property will likely stabilize in 2021 (Year 3) with an ADR of \$105.00 and occupancy of 68 percent.

The projection shown in Table 23 demonstrates the rate positioning of the hotel and overall market. The annual growth in rate by market segment is based on historical and national current trends.

<b>Paris Landing State Park Hotel Competitive Set</b>					
<b>SUBJECT PROPERTY</b>					
<b>MARKET PENETRATION AND PROJECT OCCUPANCY</b>					
	Year 1	Year 2	Year 3	Year 4	Year 5
	2019	2020	2021	2022	2023
<b>SUBJECT PROPERTY- COMBINED AVAILABLE ROOMS</b>	<b>90</b>	<b>90</b>	<b>90</b>	<b>90</b>	<b>90</b>
<b>SUBJECT PROPERTY- ANNUAL ROOMS AVAILABLE</b>	32,850	32,850	32,850	32,850	32,850
<b>MARKET - ANNUAL ROOMS AVAILABLE</b>	189,800	189,800	189,800	189,800	189,800
<b>FAIR MARKET SHARE OF SUPPLY</b>	17.31%	17.31%	17.31%	17.31%	17.31%
<b>MARKET OCCUPANCY</b>	58.0%	60.6%	63.2%	66.0%	68.9%
<b>MARKET PENETRATION</b>					
Transient & Commercial	50%	60%	65%	65%	65%
Leisure	110%	115%	125%	125%	125%
Group	100%	110%	110%	115%	115%
Displaced	100%	100%	100%	100%	80%
Induced	100%	100%	100%	100%	100%
<b>ROOM NIGHTS CAPTURED</b>					
Transient & Commercial	3,392	4,183	4,679	4,819	4,963
Leisure	8,126	8,953	10,254	10,804	11,382
Group	4,573	5,273	5,525	6,052	6,337
Displaced	0	0	0	0	0
Induced	1,800	1,880	1,963	2,049	2,139
<b>TOTAL</b>	<b>17,891</b>	<b>20,299</b>	<b>22,421</b>	<b>23,724</b>	<b>24,821</b>
<b>MARKET SHARE CAPTURED</b>	<b>16.2%</b>	<b>17.7%</b>	<b>18.7%</b>	<b>18.9%</b>	<b>19.0%</b>
<b>OVERALL MARKET PENETRATION</b>	<b>93.9%</b>	<b>102.0%</b>	<b>108.0%</b>	<b>109.5%</b>	<b>110%</b>
<b>SUBJECT PROPERTY OCCUPANCY</b>	<b>54.5%</b>	<b>61.8%</b>	<b>68.3%</b>	<b>72.2%</b>	<b>76%</b>
<b>MARKET MIX</b>					
Transient & Commercial	19%	21%	21%	20%	20%
Leisure	45%	44%	46%	46%	46%
Group	26%	26%	25%	26%	26%
Displaced	0%	0%	0%	0%	0%
Induced	10%	9%	9%	9%	9%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Table 22. Subject property market penetration and project occupancy

(Source: IDM)



2. BUSINESS CASE

Paris Landing State Park Hotel Competitive Set									
SUBJECT PROPERTY									
ESTIMATED AVERAGE DAILY ROOM RATE									
Rates in 2015 Dollars	2016	2017	2018	Year 1 2019	Year 2 2020	Year 3 2021	Year 4 2022	Year 5 2023	
<b>Transient &amp; Commercial</b>									
Percent Annual Growth		3.0%	3.0%	3.0%	3.0%	4.0%	4.0%	4.0%	2.0%
Average Segment Rate	\$90.00	\$82.70	\$85.48	\$88.35	\$101.30	\$105.35	\$109.56	\$113.94	\$116.22
Segment Rate for Subject	\$110.00	\$113.30	\$116.70	\$120.20	\$123.81	\$128.76	\$133.91	\$139.26	\$142.05
Occupied Room Nights	0	0	0	0	3,392	4,193	4,679	4,819	4,963
Estimated Revenue	\$0	\$0	\$0	\$0	\$419,950	\$539,883	\$626,558	\$671,117	\$704,985
<b>Leisure</b>									
Percent Annual Growth		2.0%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	2.0%
Average Segment Rate	\$92.00	\$83.84	\$85.72	\$88.59	\$104.55	\$104.59	\$107.73	\$110.96	\$113.18
Segment Rate for Subject	\$115.00	\$117.30	\$119.65	\$123.24	\$126.83	\$130.74	\$134.66	\$138.70	\$141.48
Occupied Room Nights	0	0	0	0	8,128	8,953	10,254	10,804	11,382
Estimated Revenue	\$0	\$0	\$0	\$0	\$1,031,453	\$1,170,519	\$1,380,631	\$1,498,542	\$1,610,286
<b>Group</b>									
Percent Annual Growth		2.0%	2.0%	2.0%	3.0%	3.0%	3.0%	3.0%	2.0%
Average Segment Rate	\$79.00	\$80.58	\$82.19	\$83.84	\$86.35	\$88.94	\$91.61	\$94.36	\$96.24
Segment Rate for Subject	\$100.00	\$102.00	\$104.04	\$108.12	\$109.30	\$112.58	\$115.96	\$118.44	\$121.83
Occupied Room Nights	0	0	0	0	4,573	5,273	5,525	6,052	6,337
Estimated Revenue	\$0	\$0	\$0	\$0	\$499,849	\$593,653	\$640,685	\$722,850	\$772,028
<b>Displaced &amp; Induced</b>									
Percent Annual Growth		0.0%	0.0%	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%
Average Segment Rate	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Segment Rate for Subject	\$120.00	\$120.00	\$126.00	\$123.60	\$127.31	\$129.85	\$132.45	\$135.10	\$137.80
Occupied Room Nights	0	0	0	0	1,800	1,880	1,963	2,049	1,983
Estimated Revenue	\$0	\$0	\$0	\$0	\$229,154	\$244,126	\$260,002	\$276,841	\$270,506
<b>Subject Hotel</b>									
Total Demand - All Segments									
Total Estimated Revenue	\$0	\$0	\$0	\$0	\$2,180,406	\$2,548,181	\$2,908,075	\$3,169,350	\$3,357,816
Total Occupied Room Nights	0	0	0	0	17,891	20,296	22,421	23,724	24,645
Overall Avg Room Rate for Market	\$ 88.05	\$ 89.04	\$ 91.13	\$ 94.84	\$ 97.71	\$ 101.03	\$ 104.43	\$ 107.92	\$ 110.05
Overall Avg Room Rate for Subject				#DIV/0!	\$ 121.87	\$ 125.53	\$ 129.70	\$ 133.59	\$ 136.25
Overall Annual Growth				#DIV/0!		3.0%	3.3%	3.0%	2.0%
Overall Rooms REVPAR				#DIV/0!	\$ 75.31	\$ 85.88	\$ 93.67	\$ 100.94	\$ 102.94
ADR variance to Comp Set				#DIV/0!	\$ 24.16	\$ 24.51	\$ 25.28	\$ 25.67	\$ 26.20

Table 23. Hotel competitive set estimated ADR for 5-year projection

(Source: IDM)





## SITE PLAN RECOMMENDATION

In effort to design a more functional and marketable park the consultants have made the following suggested recommendations for development consideration. The primary goal of this market analysis is to consider the necessary amenities for the park, their locations, and the necessity to redevelop or build new facilities. New park facilities would make the park competitive in the area and allow the park to operate more effectively and enhance the visitor experience. Making it more accessible and visible to park attractions could allow for more cross utilization of amenities, increased visitor spending and visibility.

### The Resort

The resort should feature 80-100 guestrooms (potentially built in phases) in 3-4 story buildings potentially scattered throughout the facility lakeside giving natural space between clusters of buildings. The groups of rooms should utilize extensive landscaping to build the natural feel of the lake setting. The lobby of the resort should be a 2 story structure with a fireplace and loft area that serves as gathering space for park visitors and utilizes a restaurant with lakeside dining and accessibility to outdoor dining. The resort should offer a unique sense of arrival and be greeted by an outdoor porch area for additional gathering space. This space should have versatile seating (both indoors and outdoors), fire attractions and areas to enjoy the parks scenery.

Guestrooms should be spacious, modern and comfortable and feature larger than normal rooms potentially 450 sq. ft. standard units and larger units for suites 800-1,000 sq. ft. in size. Maintaining the site lines of the lake is important in the guestrooms and could even be utilized in some of the bathroom areas with glass to continue to allow accessible views. The outdoor balconies and seating areas if improved will make the units more desirable. The ability to sit outside and get fresh air to

the units will enhance the marketability for the units. The rooms should cater to outdoor enthusiast, social and leisure travelers alike.

### Conference & Event Space

The park should feature event space where the largest area is accessible to the lobby, kitchen and offers adequate pre function space. Additional event space should be located in close proximity to the main conference space and the lake which will allow for multiple events to simultaneously gather, yet not interfere with one another. The resort should focus on key areas for outdoor gatherings and events in permanent structures as well as tented areas. The existing 10,000 sq. ft. convention center should be considered in the land redevelopment and determine if the structure can remain at its present location.

### Restaurant

The restaurant is a particularly valuable asset to the park and most full-service lodging facilities. It is the consultant's recommendation to build a new restaurant facility similar in size with new adequate kitchen space to service multiple venues at the park and potentially offsite. It is the recommendation to build a new restaurant and bar to accommodate approximately 180-200 people in total with some small private dining areas and outdoor patio space. The restaurant should utilize a lakeside location to attract lake traffic and others not staying on the resort facility.

### Golf Course

The golf course is a popular attraction for the resort and the area. It could also be used for event and meeting space allowing for multiple events to occur on peak season dates for weddings and meetings. The golf course could be used for outdoor social gatherings and events in tents and the existing facility. The new restaurant facility would need appropriate equipment to service the multiple event spaces effectively. On-site cooking and refrigeration may need to be expanded.

### Cabins

The existing cabins are situated in a great location and offer accessibility to the existing resort area yet provide a sense of isolation for the main facility. This should be maintained. The cabins are a particularly desirable lodging accommodation and additional units should be considered. It is the consultant's recommendation that additional cabins be built at a later stage of redevelopment and should focus on one and two bedroom units.

## PROPERTY DESCRIPTION AND RECOMMENDATIONS

The facility description for the proposed hotel will be an independent full-service hotel in the midscale category. The hotel should be a stylish and unique lodging facility and keep in mind the natural setting of the area. A redesigned resort offering new amenities, regional quality food and service—should be highly competitive in the region and successful long term. This hotel will be a destination facility in the greater market for both visitors in Tennessee, Kentucky and the Land Between the Lakes National Park. The market should react favorably to the new facility and regional tourism and over time it should support the subject hotel.

The size of this hotel is recommended for 80-100 guest rooms. The recommended 90 room facility was used for the purposes of economic modeling.

The hotel should compete with the expectations of regional travelers from corporate, meetings or group and social leisure market segments. The property will also likely be compared to those hotels in the Greater Nashville market (as a target group and leisure market) when looking at general amenities and guestroom design. The subject hotel will need to offer amenities and facilities that are above the immediate market offerings, yet not alienate the local consumer and address what the greater market is expecting for meetings and





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events and overnight accommodations. This includes the following amenities:

- Guestrooms need to be current and relevant, regardless of the unique level of design that is chosen or how small the rooms are in size. Rooms need to be functional and comfortable. Heating and cooling must work efficiently, data through Wi-Fi streaming effectively, beds designed for comfort and ample charging opportunities in the rooms. Bathrooms must have new fixtures that work in the existing small footprint of the units.
- Meeting rooms for groups, especially those that can accommodate 100–300 people in one location and at multiple venues with multiple break-out rooms or areas that are marketable to meetings and events.
- These events should be serviced solely by the hotel staff at the multiple offerings throughout the park. Allowing for multiple venues to have simultaneous functions being serviced will maximize revenue potential.
- A health/exercise facility should be included or available for guest use with the hotel. However, an on-site exercise room with multiple pieces of cardiovascular equipment should be available 24/7.
- The hotel should be designed for leisure travelers yet meet the needs of group and corporate guests. It should feature suites for both business and pleasure travelers. Leisure travelers would likely support the weekends and summer high seasons. Unique suites with a focus on contemporary and modern interior design will be necessary and are especially sought by those booking weddings and social events.
- Full business services including business center services located in an active area of the property is preferred. State-of-the-art Wi-Fi, HD flat-screen TVs, and task lighting are important elements of the guestroom. Traditional work areas

such as desks should be located in all guestrooms. There should be some space, even if in the lobby or new restaurant, that can service as comfortable and efficient work space as well.

- The guest room configuration will need to address the market segmentation profiles previously mentioned. This will require having guest rooms comparable to the business and social/leisure segments in the greater markets. The mix of hotel rooms needs to be further considered yet based on the previous estimates. At this time, the hotel should have a balance of two-bedded and king bed rooms at a bit higher of a total count.

## SUMMARY CONCLUSIONS

- Subject hotel must offer a competitive product against the regional state park competition, both within and out of state. The hotel and its amenities should be at the midscale segment of the market. This can be accomplished with a variety of guest accommodations, unique amenities and meeting spaces as proposed earlier.
  - The new facilities should utilize historic operational knowledge and apply it to make the facility more service orientated and deliver ease in customer satisfaction, especially as it relates to the number of seasonal visitors using the facilities of the hotel and the park. It is likely that the hotel will still be perceived a value as the rate positioning in Year 3 at \$136.00 is likely close to the projected national average in the lodging industry, currently reported at \$121.00.
  - Site improvements that allow for better unification of the buildings working and planned for best interaction of guests. Improving how the guests move through the park and the sense of arrival at the resort and use of meeting space, meeting facilities and restaurant are critical.
- Improvements such as landscaping, shoreline accessibility, marinas and roadway accessibility should be evaluated. The facility will depend upon unique market positioning and will be a destination for transient guests as well as groups.
- Meeting facilities that vary in size and use will be an important factor for this subject facility.
  - Site offers both visibility and accessibility and its regional transient and social demand generators are unique in the small town environment. The National Park in close proximity drawing more than 1.5 million visitors annually is a target for future demand.
  - Subject market appears to be running below national averages in occupancy comparison and is not at maximum capacity. This is likely an indication that the existing lodging facilities are not competitive any longer and do not satisfy the basic needs of regional travelers. The competitive set recorded a record occupancy of 57% and an average rate of \$83.80 in 2015. Year to date May 2016 the occupancy is flat in comparison to 2015 and ADR is up 3.2% to \$87.02. The new subject facility should be able to operate at a significant premium over the nearby competition.
  - The uncertainty of a suitable supply of area workforce within the subject market is a concern. The overall market in its proximity to other resort facilities and is in a service-driven region that offers a favorable workforce for the retail and hospitality industry given the number of total market properties. The property must be able to pull employment from the area to be successful. The ability to find a quality staff for a high-level hotel is extremely important.
  - The subject hotel will likely run occupancy upon opening in the 55 percent range, below market average, at a likely rate of \$120.00



(low) to \$130.00 (high) range, based on services and amenities, above the market average.

- Occupancy should be expected to reach a five-year average of 65 percent (low) to 74 percent (high) and stabilize occupancy in the mid-60 percent range by Year 3, at or near 66-68 percent.

## CONCLUSIONS: FEASIBILITY & FINANCIAL REVIEW

The following financial analyses scenario is presented for the potential subject property based on industry guidelines and regional trends. Meeting space and hotel revenues were projected based on the historical trends of the business and a hotel designed at the above-mentioned standards or guidelines. The pro forma does not include estimated property taxes as it does not apply.

### Hotel

Based on the projections and prior information prepared, the consultant projects a five-year operating pro forma for a 90-room hotel with multiple flexible meetings and event space. The following proforma is based on historic comparison and the national operating statistics for a full service hotel and lodging facility. More specifically, we have reviewed all estimated historic performance and for discussion and comparison purposes, will discuss Year 3 of operation (2021) as the stabilized year of business.

**Hotel revenue projections indicate that at Year 3 of stabilized business, the facility would generate estimated revenues of \$6,096,000 million—to include room revenues of \$2.893 million**

for the resort facility and \$428,000 in cabin rental based on the 10 units currently in inventory. This also includes \$227,000 in miscellaneous revenues and gift shop; food & beverage revenues of \$1,777,000 in restaurant and banquet revenue at \$758,000.

Sales tax and room tax are not traditionally reported on hotel operational models and are considered pass through costs that are collected and paid to a local agency. The tax collection and impact will be discussed later in the study.

The property should achieve total lodge occupancy by running at or near 68 percent occupancy and an ADR at \$129.50; a \$25.00 premium amount compared to the competitive set at \$105.00; and cabin occupancy of 70 percent and \$210.00 nightly average rate.

Food & beverage revenue projections are estimated from a full service restaurant venue with full liquor license, a high volume casual dining area for the community, hotel guests, park & marina visitors and campers as well as a banquet facility capable of full-service. In Year 3 of operation, it was estimated that the F&B contribution of revenue would be \$1,777,000 in the restaurant catering to the greater community, park and camping guests. This is on average with the historical trends and factors in inflation. The banquet area will cater to social leisure and corporate business and approximately \$700,000-\$800,000 in annual sales. This source of revenue will also have revenue contributions from nightly guests in the food service area for breakfast/dinner/room service/bar and banquet and catering events.

Also forecasted are additional revenues from overnight guests and local consumers with other revenues—such as the gift shop, pool passes, in room refreshment centers, vending, convenience kiosks, movies, and miscellaneous—at \$227,000 annually.

**Rooms Departmental Expenses** are projected at 26 percent of lodge room revenue or \$759,000 and 30 percent or \$128,000 for the cabins. Such expenses include payroll for both guest services and related property cleaning and departmental direct expenses. The departmental expenses include reservation processing fees (for either independent or franchised hotels), cost of guest supplies, laundry and linen, uniforms, and other related costs. This is in the customary range of the lodging industry averages. Higher costs as a percentage where assigned to the cabins give the size of the units, with multiple rooms and kitchens. Also the travel distance and above mentioned reasons should result in higher labor costs and room maintenance upkeep.

**Food & Beverage Expenses** include payroll, the direct cost of inventory for both food and beverage items, and all related expenses related to the food outlets. Costs or expenses would be estimated at a minimum of 80 percent of food & beverage revenues totaling \$1,421,000 for the restaurant food and beverage and \$554,000 or 70 percent for banquet revenues. It is typical banquets revenue yields a higher profitability based on the planning and structured cost of events. These percentages are comparable to similar operations and industry comparisons.

**Telephone Department Expenses** are based on the experience of the similar hotel properties. The increasing use of cellular phones and expectation of free high-speed internet access has cut the gross and net revenue figures in this department across the industry in the last few years yet the infrastructure still carries costs associated with maintaining internet and property phone service. It is assumed that internet

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By year three facility revenue is projected to exceed \$6 million, which includes \$2.9 million in room revenues.

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would be provided for free in this hotel and that costs would therefore be higher than revenue for telephone and internet.

### **Rentals and Other Income & Expenses**

This category is typically comprised of interest, commissions on vending machine sales, movies, and other miscellaneous income. This income category is typically highly dependent on occupancy and has a very low expense ratio.

Undistributed Expenses relates to items not directly attributed to specific operating departments. This category includes utilities, estimated at \$12.00 per occupied room, which is within the typical range of allowable expenditure in the industry. Repairs and maintenance are projected at 5 percent of revenues totaling \$298,000 or \$10.00 per occupied room night.

**Administrative & General costs** include general manager payroll and related expenses of the hotel management staffing and the cost of various administrative functions and supplies such as credit card commissions, professional fees, bookkeeping, allowance for bad debts travel expenses and miscellaneous. This category is projected at 9 percent of total revenue or \$536,000.

**Marketing Expenses** include payroll and related expenses, the cost of advertising and promotion, direct mail, publications, printing and placement, e-mail and Internet campaigns at a total of \$251,000 or 4 percent of property revenues. On both of these measures, the evaluation is lower than the typical range of industry performance standards. These expenses will be related to the marketing of group business for the lodge and it is expected that the state park itself has a marketing budget that will attract travelers.

**Management Fees** are estimated at \$213,000 or 3.5 percent of total hotel revenue, which is within the range of typical customary fees for hotel management. It does not include an incentive to the management company based upon performance of preferred

return to investor group, typical within the industry. Actual fees will vary depending upon other contract terms and managed amenities such as restaurant, banquets, and other property outlets.

**Fixed Expenses** include items that are relatively fixed and not sensitive to the operating levels of the facility. Property taxes were not estimated given the state owns the park. Insurance was estimated at the regional average of \$250 per available room, totaling \$50,000. Franchise fees were not estimated into the evaluation due to the uncertainty of the hotel brand participation. For future consideration, it is customary for the brand to charge 7 to 11 percent of revenues if a franchise would be considered. The thought is that the facility may be able to use independent affiliation capture its fair share of regional demand based upon its renovation and amenities.

**Reserve for Replacement** is standard for income-producing properties, a reserve for replacement for furniture, fixtures, and equipment, as well as other capital items has been included in this analysis. Recent studies have indicated that, over the long-term, a minimum of 2 to 4 percent is required to properly maintain hotel facilities and actual costs could be higher. The consultant projects a reserve level that increases as the property ages, beginning at zero percent, then 2 percent until after Year 10 stabilizing at 4 percent.

In summary, the overall cash flow available for debt service and taxes is projected at 23 percent of total revenue or 1,401,000; this is average range and can be characterized as average performance. The national average in 2014 was only 14.1 percent for independent hotels and closer to 33.5 percent for franchise hotels, based on the STR Host Report 2014.

The first full 5-year operating pro forma produced by the consultant for the subject hotel or lodge is shown on Table 24.

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		2019		2020		2021		2022		2023	
		Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>Subject Hotel at Paris Landing State Park</b>											
Projected Operating Results											
Calendar Years											
Number of Units:		90		90		90		90		90	
Number of Annual Rooms Available:		32,850		32,850		32,850		32,850		32,850	
Number of Rooms Occupied:		18,070	55.0%	20,370	62.0%	22,340	68.0%	23,540	72.0%	24,970	76.0%
Annual Occupancy:		\$123.25		\$126.50		\$129.50		\$133.50		\$136.75	
Average Daily Rate:		\$67.79		\$78.43		\$88.06		\$96.12		\$103.93	
Revenue Per Available Room:											
<b>Revenues</b>											
Rooms		\$2,227,000	45.3%	\$2,577,000	46.6%	\$2,893,000	47.5%	\$3,157,000	46.0%	\$3,415,000	46.5%
Food & Beverage Restaurant		1,553,000	31.6%	1,668,000	30.2%	1,777,000	29.2%	1,887,000	28.4%	1,980,000	27.8%
Banquet Food & Beverage		584,000	11.9%	675,000	12.2%	758,000	12.4%	823,000	12.5%	890,000	12.6%
Telecommunications		10,000	0.2%	11,000	0.2%	13,000	0.2%	14,000	0.2%	15,000	0.2%
Cabins		367,000	7.5%	397,000	7.2%	428,000	7.0%	463,000	7.0%	500,000	7.1%
Gift Shop		78,000	1.6%	90,000	1.6%	101,000	1.7%	110,000	1.7%	119,000	1.7%
Other Income		97,000	2.0%	112,000	2.0%	128,000	2.1%	137,000	2.1%	148,000	2.1%
<b>Total Revenues</b>		<b>4,816,000</b>	<b>100.0%</b>	<b>5,530,000</b>	<b>100.0%</b>	<b>6,098,000</b>	<b>100.0%</b>	<b>6,571,000</b>	<b>100.0%</b>	<b>7,047,000</b>	<b>100.0%</b>
<b>Departmental Expenses</b>											
Rooms		723,000	32.5%	741,000	28.8%	759,000	26.2%	778,000	24.9%	798,000	23.4%
Food & Beverage Restaurant		1,242,000	80.0%	1,334,000	80.0%	1,421,000	80.0%	1,493,000	80.0%	1,568,000	80.0%
Banquet Food & Beverage		426,000	72.8%	492,000	72.8%	554,000	73.1%	601,000	73.0%	650,000	73.0%
Telecommunications		19,000	190.0%	22,000	200.0%	25,000	192.3%	27,000	192.9%	30,000	200.0%
Perishing		0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Cabins		110,000	30.0%	119,000	30.0%	128,000	29.9%	138,000	30.0%	150,000	30.0%
Gift Shop		27,000	34.6%	31,000	34.4%	35,000	34.7%	39,000	34.5%	42,000	35.3%
<b>Total Departmental Expenses</b>		<b>2,547,000</b>	<b>51.8%</b>	<b>2,739,000</b>	<b>49.5%</b>	<b>2,922,000</b>	<b>47.9%</b>	<b>3,076,000</b>	<b>46.8%</b>	<b>3,238,000</b>	<b>45.9%</b>
<b>Departmental Profit</b>		<b>2,369,000</b>	<b>48.2%</b>	<b>2,791,000</b>	<b>50.5%</b>	<b>3,174,000</b>	<b>52.1%</b>	<b>3,495,000</b>	<b>53.2%</b>	<b>3,809,000</b>	<b>54.1%</b>
<b>Undistributed Expenses</b>											
Administrative & General		444,000	9.0%	492,000	8.9%	536,000	8.8%	574,000	8.7%	612,000	8.7%
Marketing		212,000	4.3%	232,000	4.2%	251,000	4.1%	267,000	4.1%	283,000	4.0%
Property Operation and Maintenance		269,000	5.3%	291,000	5.3%	298,000	4.9%	306,000	4.7%	318,000	4.4%
Utilities		234,000	4.8%	270,000	4.8%	303,000	5.0%	329,000	5.0%	356,000	5.1%
Other Undistributed Expenses		19,000	0.4%	22,000	0.4%	25,000	0.4%	27,000	0.4%	30,000	0.4%
<b>Total Undistributed Operating Expenses</b>		<b>1,168,000</b>	<b>23.8%</b>	<b>1,307,000</b>	<b>23.8%</b>	<b>1,413,000</b>	<b>23.2%</b>	<b>1,503,000</b>	<b>22.9%</b>	<b>1,594,000</b>	<b>22.8%</b>
<b>Gross Operating Profit</b>		<b>1,201,000</b>	<b>24.4%</b>	<b>1,484,000</b>	<b>26.9%</b>	<b>1,761,000</b>	<b>28.9%</b>	<b>1,992,000</b>	<b>30.3%</b>	<b>2,215,000</b>	<b>31.4%</b>
<b>Base Management Fee</b>		<b>172,000</b>	<b>3.5%</b>	<b>184,000</b>	<b>3.5%</b>	<b>213,000</b>	<b>3.5%</b>	<b>230,000</b>	<b>3.5%</b>	<b>247,000</b>	<b>3.5%</b>
<b>Fixed Expenses</b>		<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
Property Taxes		24,000	0.5%	25,000	0.5%	25,000	0.4%	26,000	0.4%	27,000	0.4%
Insurance		24,000	0.5%	25,000	0.5%	25,000	0.4%	26,000	0.4%	27,000	0.4%
<b>Total Fixed Expenses</b>		<b>48,000</b>	<b>1.0%</b>	<b>50,000</b>	<b>0.9%</b>	<b>50,000</b>	<b>0.8%</b>	<b>52,000</b>	<b>0.8%</b>	<b>54,000</b>	<b>0.8%</b>
<b>Net Operating Income</b>		<b>1,005,000</b>	<b>20.4%</b>	<b>1,265,000</b>	<b>22.9%</b>	<b>1,523,000</b>	<b>25.0%</b>	<b>1,736,000</b>	<b>26.4%</b>	<b>1,941,000</b>	<b>27.5%</b>
<b>FF&amp;E Reserve</b>		<b>0</b>	<b>0.0%</b>	<b>111,000</b>	<b>2.0%</b>	<b>122,000</b>	<b>2.0%</b>	<b>131,000</b>	<b>2.0%</b>	<b>141,000</b>	<b>2.0%</b>
<b>Net Income After Reserve</b>		<b>\$1,005,000</b>	<b>20.4%</b>	<b>\$1,154,000</b>	<b>20.9%</b>	<b>\$1,401,000</b>	<b>23.0%</b>	<b>\$1,605,000</b>	<b>24.4%</b>	<b>\$1,800,000</b>	<b>25.5%</b>

Table 24. Five-Year Operating Pro Forma



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Table 25 shows the projections for cabin rental and average rate by month from 2019-2021 Years 1-3 of the new facility. Average rates are projected to be at or near \$200.00 per night running at 63-70 percent occupancy and producing \$367,000 to \$428,000 in revenue contribution from Years 1-3.

Paris Lodging Cabin Forecast of Occupancy & ADR														
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	% Chg Previous Yr
<b>2021 Occupancy</b>	26.7%	28.5%	28.5%	51.1%	91.9%	88.9%	91.9%	88.9%	88.9%	91.9%	88.9%	52.8%	44.5%	69.7%
<b>Revenue</b>	\$ 8,269	\$ 9,269	\$ 15,848	\$ 15,848	\$ 41,895	\$ 44,310	\$ 55,125	\$ 57,330	\$ 49,613	\$ 57,330	\$ 57,330	\$ 17,750	\$ 15,435	\$ 428,194
<b>ADR</b>	\$ 125.00	\$ 125.00	\$ 125.00	\$ 125.00	\$ 190.00	\$ 200.00	\$ 250.00	\$ 260.00	\$ 225.00	\$ 260.00	\$ 260.00	\$ 140.00	\$ 140.00	\$ 309.99
<b>Available rooms</b>	248	248	248	248	240	248	240	248	248	240	248	240	248	2928
<b>Sold Rooms</b>	66	66	66	127	221	221	221	221	221	221	221	127	110	2040
<b>Rev % Chg</b>	5%	5%	0%	5%	11%	11%	5%	9%	5%	9%	9%	5%	9%	8%
<b>ADR % Chg</b>	0%	0%	0%	0%	6%	6%	0%	4%	0%	4%	4%	0%	4%	3%
<b>2020 Occupancy</b>	25.4%	27.2%	27.2%	48.7%	87.5%	84.7%	87.5%	84.7%	84.7%	87.5%	84.7%	50.3%	42.3%	66.3%
<b>Revenue</b>	\$ 7,875	\$ 7,875	\$ 7,875	\$ 15,094	\$ 37,800	\$ 39,690	\$ 52,500	\$ 52,500	\$ 47,250	\$ 52,500	\$ 52,500	\$ 16,905	\$ 14,175	\$ 396,864
<b>ADR</b>	\$ 125.00	\$ 125.00	\$ 125.00	\$ 125.00	\$ 180.00	\$ 189.00	\$ 250.00	\$ 250.00	\$ 225.00	\$ 250.00	\$ 250.00	\$ 140.00	\$ 135.00	\$ 204.20
<b>Available rooms</b>	248	248	248	248	240	248	240	248	248	240	248	240	248	2928
<b>Sold Rooms</b>	63	63	63	120.75	210	210	210	210	210	210	210	120.75	105	1943
<b>Rev % Chg</b>	5%	5%	0%	5%	-1%	4%	12%	12%	5%	12%	12%	5%	9%	8%
<b>ADR % Chg</b>	0%	0%	0%	0%	-5%	-1%	6%	6%	0%	6%	6%	0%	0%	3%
<b>2019 Occupancy</b>	24.2%	25.5%	25.5%	46.4%	83.3%	80.6%	83.3%	80.6%	80.6%	83.3%	80.6%	47.9%	40.3%	61.2%
<b>Revenue</b>	\$ 7,500	\$ 7,500	\$ 7,500	\$ 14,375	\$ 38,000	\$ 38,000	\$ 47,000	\$ 47,000	\$ 45,000	\$ 47,000	\$ 47,000	\$ 16,100	\$ 13,500	\$ 367,975
<b>ADR</b>	\$ 125.00	\$ 125.00	\$ 125.00	\$ 125.00	\$ 190.00	\$ 190.00	\$ 235.00	\$ 235.00	\$ 225.00	\$ 235.00	\$ 235.00	\$ 140.00	\$ 135.00	\$ 198.91
<b>Available rooms</b>	248	248	248	248	240	248	240	248	248	240	248	240	248	2,928
<b>Sold Rooms</b>	60	60	60	115	200	200	200	200	200	200	200	115	100	1,850

Table 25. Projections for Cabin Rental and Average Rate by Month



## DEVELOPMENT AND DESIGN ANALYSIS

The consultant was engaged to review the economic trends in the market area as research provided during the first part of the feasibility process and evaluate operational projections of the new subject facility.

The consultant was contracted to estimate the development costs: both the physical structure and size of the construction as well as the interior—including furniture, fixtures, and equipment necessary to deliver a finished branded or independent boutique hotel product, as described earlier. Typically, a guideline that is used for development is that for every thousand dollars (\$1,000) of development cost, excluding the cost of land, equals one dollar (\$1.00) of stabilized ADR. So one hundred-thousand dollars per key (\$100k/key) needs \$100 ADR to support the basic development cost principals. In this scenario our average stabilized rate of \$115.00 in today's represented dollar should be able to support a development cost of \$115,000 per key or room built. At 90 rooms that would be suggesting a project near \$10.35 million in total development costs for the hotel guestrooms.

The consultant has detailed operational projections for sales revenue based on occupancy and Average Daily Room rates. This portion of the study lists specific operational projections for rooms, food & beverage, catering and sales revenues, and the direct expenses related to those departments.

The subject hotel could have 85-95 rooms of various sizes from 450-800 sq. ft. and will be operated as an independent full-service, AAA Rated 3-Star facility offering unaccommodated market lodging, corporate/social meeting, and group business with food & beverage services at a product and service level that is currently unavailable in the area.

The hotel facilities in the existing structures should be demolished and a new facility be redesigned.

The hotel at the subject site should include lobby, registration, and a food & beverage facility component such as a dining area for breakfast/coffee and a bar area, separate restaurant for serving a flexible breakfast, lunch and dinner meal option and full liquor bar. The building could feature support services for the hotel and the guest rooms such as exercise room, laundry, storage, retail, and other revenue generating amenities

The suggested overall meeting space in the estimate at approximately 9,000 square feet and the primary event space should accommodate nearly 300 people with pre-function space, separate breakout or smaller rooms 2 in total and adequate back of house space for servicing the meetings. A preliminary project space allocation and cost summary follow. These estimates are based on recent comparable projects and information supplied by architectural work on other projects, and suggest minimum space requirements. The total planned space used was about 98,000 square feet, or 1,090 square feet per key. The overall size of the facility will allow us to determine potential development costs.





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Inn Development & Management Hotel Space Allocation Worksheet					
Project:		Paris Landing Lodging Facility			
Date:		7/1/16			
Description	Number of Guest Rooms	90 Keys		80 Traditional 10 Suites	
		Sub-Totals	Total Area	% of Area	SF Per Key
<b>Residential Areas / Rooms</b>					
	SF per Unit	Number of Units	Total SF		
Traditional Guest Rooms - Double Queen	450 Square feet	40	18,000		
Traditional Guest Rooms King	450 Square feet	40	18,000		
Specialty Suites	800 Square feet	10	8,000		
		<b>Total units</b>	<b>90</b>	<b>44,000</b>	
Circulation & Services square footage		35%	15,400		
<b>Total Residential Areas</b>				<b>59,400</b>	<b>60.55%</b>
<b>Public Areas</b>					
Lobby Flow Area	Area Per Key	25 Sq Ft	2250		
Seating areas			500		
Game Area			700		
Lounge	Seats Per 100 Rooms	100 Seats			
	Area per Key	20 Sq Ft	2000		
Retail/Business Center	Area per Key	20 Sq Ft	900		
Misc	Area per Key	5 Sq Ft	450		
Baggage Storage	Area per Key	5 Sq Ft	450		
Swimming Pool Indoor	Area per Key	20 Sq Ft	1800		
Hotel Fitness Center	Area per Key	10 Sq Ft	900		
<b>Total Public</b>				<b>9,950</b>	<b>10.14%</b>
<b>Restaurant</b>					
2-3 Meal Day Restaurant	Restaurant Seating	180			
	Area per Seat	20 Sq Ft	3600		
Lounge	Estimated Above				
Circulation	% Addition to Net Area	20%	720		
Food Prep Area					
Food Lounge & Banquet Prep	Area Per Seat- Banquets	8 Sq Ft	2480		
F&B Storage	Area Per Seat- Banquets	4 Sq Ft	1240	3720	
Circulation and Misc	% of Net Area	20%	744		
<b>Total Food &amp; Beverage</b>				<b>4,464</b>	<b>4.55%</b>
<b>Meeting Space</b>					
<b>Main Ballroom</b>					
	Maximum Ballroom Occupancy	300 People			
	Area Per Seat	20 Sq Ft	6000		
<b>Break-out space</b>					
	Area Per Seat	15 Sq Ft			
	Number of Break Out Rooms	2			
<b>Board Room</b>					
	2 Break-out spaces Occupancy	100 People	3000		
	Maximum Space Occupancy	10			
	Area Per Seat	15 Sq Ft	150		
		Sub Total	9150		
Pre Function/Foyer	% of Net Meeting Area	20%	1830		
Banquet Storage	% of Net Meeting Area	10%	915		
Men's Restrooms	% of Net Meeting Area	5%	458		
Women's Restrooms	% of Net Meeting Area	6%	549		
<b>Total Meeting Space</b>				<b>12,902</b>	<b>13.15%</b>
<b>Administrative &amp; Back of House</b>					
Front Office	Area per Key	10 Sq Ft	900		
Executive Offices	Area per Key	10 Sq Ft	900		
Sales & Catering	Area per Key	10 Sq Ft	900		
Housekeeping	Area per Key	10 Sq Ft	900		
Laundry	Area per Key	10 Sq Ft	900		
Linens Storage	Area per Key	5 Sq Ft	450		
Engineering	Area per Key	5 Sq Ft	450		
Mechanical	Area per Key	50 Sq Ft	4500		
Staff Break Area	Area per Key	5 Sq Ft	450	10350	
Misc & Circulation	% of Net Area	10%	1035		
<b>Total Admin &amp; Back of House</b>				<b>11,385</b>	<b>11.61%</b>
<b>Hotel Area</b>				<b>98,101</b>	<b>100%</b>
<b>Area Per Key</b>				<b>1,090</b>	<b>Sq Ft Per Key</b>

Table 26. Hotel Space Allocation Worksheet



<b>Subject Hotel Estimated Development Costs</b>					
	<b>Number of Rooms</b>	<b>90</b>	<b>Construction</b>	<b>Costs</b>	<b>Cost per Rm</b>
	<b>Floor Area</b>		<b>Per SF</b>		
<b>Construction</b>					
Hotel/Restaurant	85,199		\$ 200.00	\$ 17,039,800	
Banquet Facility	12,902		\$ 175.00	\$ 2,257,783	
Landscaping & Shoreline				\$ 400,000	
Pool				\$ 500,000	
Demolition				\$ 1,000,000	
Contingency 5%				\$ 964,878	
<b>Building Area Total</b>	<b>98,101</b>			<b>\$ 19,297,563</b>	<b>\$ 214,417</b>
<b>Other and Contingency</b>				<b>\$ 2,864,878</b>	
<b>Total Building Estimate</b>	<b>98,101</b>			<b>\$ 22,162,441</b>	
Architectural & Engineering 6%				\$ 1,329,746	
Land Acquisition-				\$ -	
<b>ACQUISITION &amp; CONSTRUCTION COST</b>				<b>\$23,492,187</b>	<b>\$ 261,024</b>
FF&E Furniture, Fixtures & Equipment	\$14,000		per room	\$ 1,260,000	
OS&E Owner Supplied Equipment				\$ 450,000	
<b>HARD COSTS</b>				<b>\$ 25,202,187</b>	<b>\$ 280,024</b>
Technical Services Fee				\$ 332,437	
Development Fees				\$ -	
Project Management Fees				\$ -	
Carried Interest @ % over 24 months				\$ -	
Legal and other professional services				\$ 250,000	
Pre-opening Marketing & Labor costs				\$ 150,000	
Pre-Opening Expenses				\$ 125,000	
Operating Reserve				\$ 250,000	
<b>SOFT COSTS</b>				<b>\$ 1,107,437</b>	<b>\$ 12,305</b>
<b>TOTAL PROJECT COSTS without credits and subsidies</b>	<b>Per Sq Ft</b>		<b>\$ 268.19</b>	<b>\$ 26,309,624</b>	
<b>PER KEY/ROOM</b>				<b>\$ 292,329</b>	
<b>Equity/Credits/Subsidies</b>				<b>\$ -</b>	
				<b>\$ -</b>	
				<b>\$ -</b>	
<b>TOTAL estimated entitlements</b>				<b>\$ -</b>	
<b>Total Project Estimated Costs</b>				<b>\$ 26,309,624</b>	
<b>Construction Costs Per Room</b>				<b>\$ 292,329</b>	

Table 27. Subject Hotel Estimated Development Costs



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**DEVELOPMENT COST ESTIMATES**

The development costs in Table 27 look at the both the construction of the lodging and banquet facility, outdoor space improvements and amenities. Additional costs include furniture, fixtures, & equipment (FF&E) at \$14,000 per room and owner supplied equipment at \$5,000 per key. Owner equipment is the necessary supplies and systems needed to operate the business. The development costs take into consideration architectural fees, opening expenses, initial marketing costs and legal and professional fees. The development costs of \$26.3 million does take into consideration the initial cost of the preparation. Parking should have approximately 1.75 spots per guestroom or a total of 160 stalls.

Additional space may be required for boat and trailer parking.

**INDUSTRY AVERAGE DEVELOPMENT COSTS**

The information in Table 28 is provided annually by HVS International, an industry leader in property valuation. The various hotel development costs are specific to their scale or segment. These figures are a national guide to evaluate project estimates. Because the data is sorted and averaged by the provider, development costs are averages and do not total for each type of property.

Costs of development vary drastically depending on the chain scale and in many cases do not include boutique or independent properties. When consid-

ering franchise hotel, the franchisor will supply estimated project costs based on their design and amenity requirements.

The industry evaluation explained earlier is the expected average daily rate of a project (upon stabilization) multiplied by 1,000 to give the development a maximum development cost per room. If a project were expected to achieve \$140 average rate at a period of stability in rate and occupancy, the suggested or allowable cost per room to develop is recommended at \$140,000 per room and in the mid-scale to upper mid-scale hotel with food and beverage services.

The redevelopment of the resort will need above mentioned development costs look at both the construction of the lodging and banquet facility.

2013 and 2014 Hotel Development Cost Survey HVS International						
Estimated Hotel Development Cost per Room Amounts						
Hotel Chain Scale	Land	Building and Site Improvements	Soft Costs	FF&E	Pre-Opening & Working Capital	Average Cost of Development
<b>Budget &amp; Economy Hotel</b>						
Average	\$ 12,300	\$ 58,700	\$ 5,800	\$ 8,300	\$ 3,200	\$ 77,400
Median	\$ 11,800	\$ 53,300	\$ 2,900	\$ 8,300	\$ 3,000	\$ 71,200
Allocation of Total Project	14%	66%	10%	11%	3%	
<b>Midscale Hotel w/o Food &amp; Beverage</b>						
Average	\$ 15,400	\$ 77,200	\$ 11,700	\$ 10,300	\$ 4,200	\$ 109,100
Median	\$ 14,100	\$ 68,300	\$ 8,500	\$ 10,000	\$ 4,000	\$ 93,100
Allocation of Total Project	12%	68%	9%	2%	2%	
<b>Extended Stay Hotel</b>						
Average	\$ 12,800	\$ 83,800	\$ 11,600	\$ 13,400	\$ 3,700	\$ 141,000
Median	\$ 11,400	\$ 75,000	\$ 10,200	\$ 13,800	\$ 3,500	\$ 121,000
Allocation of Total Project	10%	68%	9%	13%	1%	
<b>Midscale Hotels with Food &amp; Beverage</b>						
Average	\$ 14,600	\$ 83,100	\$ 13,600	\$ 13,900	\$ 3,900	\$ 129,400
Median	\$ 11,000	\$ 68,500	\$ 10,700	\$ 13,000	\$ 3,700	\$ 110,900
Allocation of Total Project	16%	63%	11%	11%	1%	
<b>Full-Service Hotels</b>						
Average	\$ 36,300	\$ 154,900	\$ 17,200	\$ 25,400	\$ 17,200	\$ 267,900
Median	\$ 31,300	\$ 140,600	\$ 14,400	\$ 24,700	\$ 16,000	\$ 214,800
Allocation of Total Project	14%	65%	10%	11%	4%	
<b>Luxury Hotel and resorts</b>						
Average	\$ 93,600	\$ 373,900	\$ 81,900	\$ 56,800	\$ 20,800	\$ 641,000
Median	\$ 91,300	\$ 324,200	\$ 90,400	\$ 60,700	\$ 18,700	\$ 576,500
Allocation of Total Project	18%	58%	14%	10%	4%	

Table 28. Estimated Hotel Development Cost Per Room Amounts



## CRITICAL DEVELOPMENT CONSIDERATIONS

The following section of the report suggests critical industry hotel development strategies that should be considered when evaluating the development of a hotel project such as the one studied in this report. These strategies are common to hotel development and the necessary due diligence in evaluating the subject market and subject site for the proposed hotel. Also reviewed are potential barriers to development that may have been uncovered in the supplied research within this report. Critical issues may/may not have a direct effect on the hotel development.

### General Planning

The critical function of the resort in an attraction such as the state park is to offer travelers an escape from everyday environments. Many successful resorts utilize a specific time and place in culture to focus the architectural design and offer travelers a time captured facility. Landscaping takes on a higher level of importance in the resort market as visitors tend to focus on the outdoor experience, regardless of time of year. It is ideal form and design and architectural standpoint to create many pleasing outdoor experiences and providing the management or operators ease of maintenance.

Resort facilities tend to have swings in demand based on the season and these fluctuations are often predictable. Planning this facility to handle high levels of demand in the summer and peak months of June, July, September and October will allow for efficiency in operations and high profitability. For this property to maximize its profitability it must be able to handle high volumes at peak season and be adjusted in the soft or shoulder seasons. The approach that should be taken could allow the property guestrooms to be built in blocks or wings that could be opened and closed based on demand. This could also be done with amenities such as food & beverage outlets.

Many resorts have moved towards the family and extended stay tourism trends which has increased the size of the traditional room or suite allowing more overnight individuals in one room. The industry has experienced increasing demand for suites, self-contained villas and/or cabins. Today many resorts have as many as 30 percent of their available inventory allocated to suites, most of which offer a lockout option, which is popular for individuals traveling together in group events such as weddings or family reunions and families.

### Subject Market

The subject area is located within the Land Between the Lakes National Park area and Kentucky Lake, both driving high seasonal tourism demand. The potential for redevelopment would make the Paris Landing facility very unique and highly competitive in the greater market. The immediate area lacks traditional "modern" year round lodging facilities. Most of the area resorts were built in the 1950's through 1970's and have outlived the average age of hotel developments. The new facility needs to appeal to a variety of travelers with support services important to their specific segment. The facility will need to be designed as a transient and group property. Currently demand is regionally spread and the overall market is a strong market for hotel operation given the historical performance. Competition within the market may not be seen as strong direct competition.

### Growth in Lodging Supply

The most recent changes to lodging supply in this market was in 2007 and it has shown minimal increases in demand given the supply changes. At present, no new hotels have been added to the development pipeline (or planning stage) in the subject market area. As a result, no other lodging supply growth was factored into the projections for the near term. However, given the record occupancy and ADR increases, it is safe to say future lodging projects in the greater market will be considered.

### Growth in Lodging Demand

Lodging demand has kept up with the changes in supply and has resulted in steady increases in the last 5 years. The historic combined average growth rate in the subject market averaged 2.1% from 2008 to 2015. Based on market performance mid-year 2016 and industry outlook the market should continue to see positive growth for the rest of 2016. It was further projected that lodging demand will grow by 2.5 to 3.5 percent each year from 2016 through 2018.

### Economic Impact Tax Collections

For the purposes of this engagement, we will estimate the positive economic impact to the community and state from retail sales taxes in Year 5 (2023) of the hotel operation.

Year 5 projections indicate that the facility offering 90 rooms and suites will be able to draw approximately 25,000 total room nights, additional 10,000 lodging room-nights into the community than the property is expected to draw in 2016. We further estimate that the overall market will absorb the additional market supply of the newly positioned hotel and collectively reach an occupancy level of 69%, on average, given the new supply. Adjusting for inflation at 2.5% annually, the average rate of the market hotel inventory in Year 5 would be \$110.00. It is estimated that the subject hotel in Year 5 will achieve an average rate of \$135.00, a premium of \$25.00 compared to the competitive market.

The tax collected on room rental is 14.75% for state tax and local room tax. The newly positioned park is estimated to generate \$3.4 million in revenue or 24,970 rooms at an average rate of \$136.00. This is estimated to generate more than \$500,000 annually in taxes on room sales alone.

### Project Scope: Franchise or Independent Affiliation

It has been estimated that a full-service or select service property would have a



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higher potential of success in this market. An independent property will make the redevelopment strategy for the property manageable. The affiliation of a franchise would be difficult given the amenities offered at the redeveloped facility and its location. There are franchise options called soft brands where independent hotels can use the reservation support services of the franchise and help drive business to the facility through brand awareness and customer reward or loyalty point programs. Some of these franchises include Marriott, Hilton, Best Western, Choice and Intercontinental, to name a few.

### Franchise Protection

Franchise companies restrict area development so that brands within a franchise company to not directly compete against one another for the same consumer, thus allowing for the family to maximize market share in a competitive set. This is defined as an area of franchise protection. It is recommended that to ensure that there is no encroachment by a similar hotel brand in the market area the development group negotiate with franchise brands to ensure adequate protection against future development for a period of stabilization and beyond.

### Revenue Management Strategies

Research indicated that rate management has shown growth proportionate with the increase in historical occupancies. The evaluated competitive set present market rate structure generating increased in ADR given the age of the properties and amenities offered.

The historic combined average growth rate of the subject market averaged 1.7 percent from 2008 to 2015 and in the last 3 years was reported at 2.5 percent. Based on historical growth and industry outlook it is projected that the market should continue to see positive growth for 2016 - 2020. It was further projected that lodging demand will grow by 3.0-3.5 percent each year from 2016 through 2021.

The recommended rate position of the subject hotel should be a perceived value compared to the national average rate yet run at a premium to the competitive market. Preliminary rate positioning appears to suggest that the market would support a product at a discount of 115-125 percent index. Premium rates should be charged for both resort and cabin units during peak demand periods. The facilities should also maintain minimum length of stay during peak times.

### Demographics

Two major recent demographic shifts marked the beginning of positive growth in the hotel business. The first is both baby boomers as the target market for their luxury consumption, interest for traveling unique places and regional travel. The baby boomer generation became a target audience due to the amount of disposable income and nest egg capital allowing them to travel in large numbers for the next decade. Millennials are the second demographic group tapped as an up-and-coming

will require effective marketing to the surrounding regional attractions and businesses. The location of the subject hotel, away from other major lodging demand generators will require aggressive marketing to make and keep the market aware of the hotel.

### Global Distribution & Online Travel Agencies

The increase in booking travel via the Internet has been a major trend in the industry for more than a decade, with a majority of booking research done online and more than one-third of revenue booked online. This has brought transparency and increased competition to the market and all players with a solid Internet and distribution strategy are able to compete effectively. As third party websites, smartphones and available applications are rapidly becoming a key factor in every travel stage by easing access to planning and booking tools that ease the customers' experience. Travelers expect a more informed and collaborative travel experience, especially driven by the

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It is recommended to use on-line  
travel agencies and the Global Distribution  
System to market the room availability  
to a broad audience.

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luxury consumer group affecting the industry and being targeted by the industry itself with marketing strategies that are different from its preceding groups. Millennials are drawn to entertainment, technology and accessibility. Both segments should be kept in mind when marketing a property.

### Project Marketing

This hotel should be marketed beyond the community in which it is positioned and would likely need the assistance of broad marketing awareness initiative and draw at the state level. The hotel

evolving smartphone functionality. Hotel companies are creating property-specific websites to differentiate each property and reach more markets and traveler segments than a corporate single format website.

In order to maximize the distribution of available room nights and market the available room inventory to a broad audience, **the subject property will need to leverage on-line travel agencies (OTAs) that are prominent in the lodging industry. This requires**





**the hotel using the Global Distribution System or GDS.**

A GDS is a network that enables automated transactions between travel service providers (mainly airlines, individual hotels, franchise companies and car rental companies) and travel agencies. Travel agencies traditionally relied on GDS for services, products & rates in order to provision travel-related services to the end consumers. A GDS will typically link services, rates and booking services across all three travel sectors: i.e., airline reservations, hotel reservations, car rentals.

GDS is used as an in house computer reservations system or property management system, which is a reservation system used by the service providers; and connects it to the network of travel agencies, thus allowing for real time inventory accessibility. Primary customers of GDS are travel agents (both online and office-based) to make reservation on various reservation systems run by the vendors. GDS holds no inventory; the inventory is held on the vendor's reservation system itself.

A GDS system will have real-time link to the vendor's database. For example, when a travel agency requests a reservation on the service of a particular airline company, the GDS system routes the request to the appropriate airline's computer reservations system. This enables a travel agent with a connection to a single GDS to choose and book various flights, hotels, activities and associated services on all the vendors operating in the same route who are part of that GDS network.

The use of a property management system that utilizes the GDS and online book-ability is critical in the lodging industry today and it also comes at a cost, typically 5-15% of an individual transaction and could be as high as 25%.

It is the consultant's recommendation that the GDS and online bookings be used to achieve operational goals.

**Social Media, Customer Rating and Mobile Bookings**

The rise of social media and user based ratings will not go away anytime soon. The impact of social media and customer ratings has had a direct impact on the consumer and their decision making. Sites like Trip Advisor, Yelp, Expedia, and Kayak make it easy for users to rate and castigate hotel directly on the websites. Potential guests get to review consumer experiences and studies have found that consumers read at least three property review prior to booking, especially when trying a new facility or area, and even more when booking a vacation or planned get away. Many travelers are even using friends on social media for referrals and booking hotels through their desired source of social media, requiring hotels to offer not only branded booking engines on their websites (that are mobile device friendly) but also booking engines built specifically on Facebook and other sites.

Mobile connectivity has become a game changer in the industry. Mobile devices, PDA's, smart phones, and tablets are requiring hotels to have multiple web applications. Mobile connectivity has become a crucial factor in a travelers' experience. Mobile-friendly websites and mobile applications are the most used medium for corporate travelers at 70 percent to check in to flights and/or hotels, while one in four hotel queries come from a mobile device.

Recent studies show that corporate travelers use their mobile devices for 70% of travel related searches and services and more than 30% of hotel reservations are booked on a mobile device. Also 25% of hotel reservation inquires come from a mobile search and is rapidly on the rise. In major market and first tier cities it is much higher, closer to 40% or 50% of inquiries.

**CERTIFICATION, ASSUMPTIONS, AND LIMITING CONDITIONS STATEMENT**

The above report is presented to provide information on the market in which the subject property will perform. The report is to be used in whole and not in part. The research provided in this report was obtained from review of supportive data and information. The findings presented herein reflect analysis of primary and secondary sources of information that are assumed to be correct. Sketches, photographs, maps, and other exhibits are included to assist the reader in visualizing the property and market.

All information, financial operating statements, estimates, and opinions obtained from parties not employed by the consultant are assumed true. It should be understood that normal economic and marketplace conditions change constantly. The consultant assumes no responsibility for information that becomes outdated once this report is written, nor is it responsible for keeping this information current after August 2016. The consultant takes no responsibility for any events or circumstances that take place subsequent to the date of our field inspection. No responsibility is taken for changes in market conditions after the date of this report and no obligation is assumed to revise this report to reflect events or conditions occurring after the date of this report.

This material may only be reproduced by the State of Tennessee based on consultants' permission, and the report cannot be disseminated to the public through advertising, news, sales, or other media unless done so by the state agencies.

It should be understood that the results presented in this report are the opinions of the consulting team and are based upon the information available at this time. These opinions infer proper and professional management of the





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business operation. The opinions also infer that market conditions do not change.

The estimated operating results presented in the report are based on an evaluation of the overall economy. The quality of a hotel facility's on-site management has a direct effect on a property's economic viability. The financial forecasts presented in this analysis assume the responsible ownership and competent management. Any departure from this assumption may have a significant negative impact on the projected operating results.

The consultants' company routinely seeks opportunities to consult, develop, and manage boutique and branded hotels in the region. Our consulting engagements include a fee structure for a specific scope of work. These engagements occasionally result in a minor equity interest or long-term management contract for a prospect facility. The consultant has no current or contemplated interests in the real estate that is the subject of this report. The fee paid for the preparation of this report is not contingent upon the conclusions, upon occurrence of a subsequent event directly related to the intended use of this report, or that our engagement was contingent upon developing or reporting predetermined results.

Evaluating and comprising financial forecasts for hotels is both a science and an art. Although this analysis employs various mathematical calculations to provide value indications, the final forecasts are subjective and may be

influenced by the consultants' experience and other factors not specifically set forth in this report. If the reader is making a fiduciary or individual investment decisions and has questions concerning the material presented, it is recommended that the reader contact the consultants.

The consultants prepared this study. The statements of fact presented in this report are true and correct to the best of the consultants' knowledge and are rendered by the staff of the consultants as employees rather than as individuals. The reported analyses, opinions, and conclusions presented in this report are limited only by the assumptions and limiting conditions set forth, and they are the consultants' personal, impartial, and unbiased professional analyses, opinions, and conclusions. The consultants have extensive experience in the hospitality industry, hotel & restaurant management, hospitality development, and in the evaluation of hotels; the consultants believe that we are competent to undertake this study.

This report may or may not prove to be acceptable for external investing and/or lending purposes. An investor or lender may require additional information concerning this market's ability to support this hotel. Our responsibility is limited to the client, and the use of the final report by others shall be solely at the risk of the client and/or third parties. The report is also subject to the terms and conditions set forth in our engagement letter with the client.

A scenic view of a lake at sunset or sunrise. The sky is a warm, hazy orange. A tree is visible on the left side of the frame. The water is calm with gentle ripples. The text 'three' is overlaid in the center in a large, white, sans-serif font.

**three**

**VISION**



# three

## VISION FOR THE NEW RESORT



Guests visit Paris Landing primarily for lake activities. Lake activities are both recreational and fishing based. Supporting activities for tourists include golf, hiking, and camping. The inn should support both types of travelers in design and program elements. The inn supports tourists as well as draws groups and businesses for retreats,

conferences, and special events including weddings. However, the primary market for the inn is social/leisure. In support of the social leisure market the design of the inn should offer a resort experience for visitors.

The focus of the inn and amenities should be the lake. The existing site

is well suited for an inn and should be reused with a new building in approximately the same location. The site allows great views of the lake and offers great visibility of the facility to lake traffic. The lake should be the major design focus for all spaces and the program public program elements should face

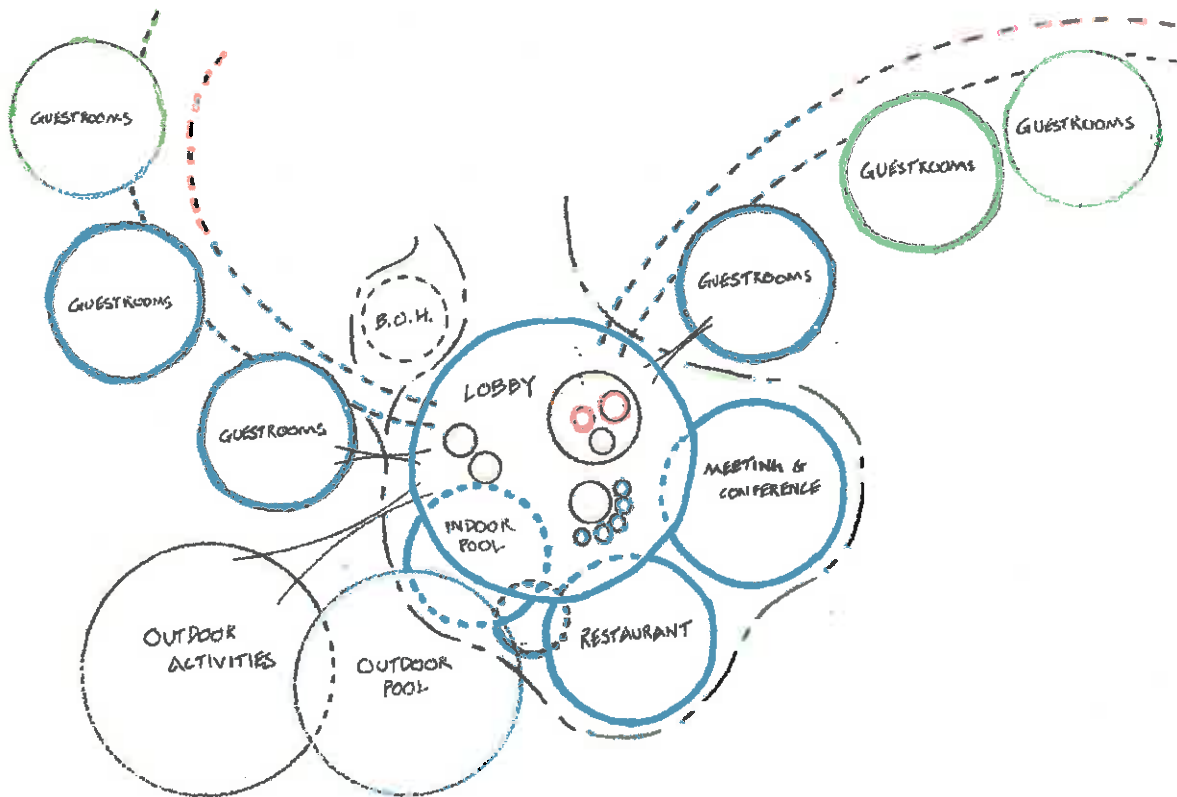


Figure 3. Concept Bubble Diagram





### 3. VISION

the lake and offer views to the lake. The inn program has 6 major elements including: a Lobby, Guestrooms, Meeting and Conference areas, Amenities, Food Service, and Back of House. The recommendation for the layout of the Inn is a large central lobby building that has the meeting and conference space, amenities, food service, and back of house elements.

The overall concept for the inn is a large central lobby space with guestroom buildings connected to the main building with exterior corridors. The exterior corridors should have direct access that does not require passage through the main lobby. The corridors and access should be secure from the parking access. This type of layout will provide an experience that is more resort based than hotel based and will be supportive of longer stays. This resort experience continues into the guestrooms with larger rooms with more amenities than standard hotel rooms. Design style is recommended to be a cross between a modern colonial lake resort and the style known as “rustic elegance”. This will provide a style that is familiar to lake resort tourists but maintains the natural connection offered by the state parks. The design should result in spaces that are bright and open and avoid dark or enclosed spaces.





Above and facing page: photos of recommended potential design styles

**Amenities**

The amenities include areas for family activities on days of inclement weather and after dark. These may include indoor and outdoor pools, fire pits, game areas, and other areas for groups. A fitness center and gift shop should also be provided. The amenities should be designed to accommodate both families and groups of adults.

**Food Service**

The food service needs to provide service to 3 major areas. A restaurant offering limited breakfast and full service lunch and dinner should be provided. A bar and lounge that serve small plates should be included with this offering. Food service should consider offering “grab and go” breakfast and lunch options for guests to take on the lake with them. Banquet support will be an important component of the food service program.

**Back of House**

The Inn needs to be able to accommodate some housekeeping and maintenance needs. Linen service will continue to be contracted out but towels could easily be done on site. The Inn also provides maid services to the cabins and consideration should be given to this when sizing spaces and equipment. Executive offices will be needed to support management, sales, and conference and catering facilities. Finally, there will be need for storage of additional materials and a location for maintenance.

Each area is described in detail on the following pages.

Photos of recommended potential design styles are also provided each area description.

**Lobby**

The lobby portion will be the central organizing element for the inn. The lobby will be a large central area that provides a strong presence on the site and creates a sense of arrival. It will accommodate check-in and small group activities as well as have food service elements for Inn and park guests. The building should be a gathering place for various size groups and the community, especially in the evening. Meeting and conference space will also be available in the lobby building

**Guestrooms**

The guestrooms will consist of a mix of suites and standard rooms. The standard rooms will be a mix of single king beds and double queen beds. Room types should also be designed to accommodate lock out units and provide suites to make the property appealing to a wide range of guests. Rooms will be larger than average to support longer stays and reinforce the “resort” mentality.

**Meeting and Conference**

The meeting and event space will be designed to primarily support social/leisure events. Spaces should offer a variety of sizes and be flexible in layout and size.





3. VISION

LOBBY

Vision

The Lobby will be the organizing element of the new Inn. The lobby will also be the check-in location for overnight guests and is the first opportunity to connect visitors to the lake. Views of the lake should prevalent and abundant. It will also be a gathering place for park guests and the community. Families will gather to interact at night and in times of inclement weather. The lobby should have places for informal gatherings including soft seating areas and a game room. The lobby will be a place for people to gather for different types of events from formal to casual, and meals to meetings. Food service options and the meeting and conference space should connect to the lobby. The space should relate to both families and couples a like and consideration should be considered to the proximity of the separation spaces. Spaces should be located to create an environment where parents are comfortable with having their kids play but these spaces should not disrupt the areas designed for adults.

Design Notes

The architecture and design of the space should connect visitors to the lake and offer items that support guest's lake activities. Views and vistas should be the primary focus and design element of the space. The space should be light and open. Clean lines and large windows will help to make sure the views of the lake are the primary design element of the lobby.

The design theme could be a cross between modern colonial lake resort and the style known as "rustic elegance". This would create a light, clean, and airy design that has natural elements that draw the "park" feeling into the inn. The colors and patterns should trend in the cool direction with clean and simple patterns. The space should feel relaxing and luxurious at the same time. It should be well appointed but not threatening to guests with children. The goal of the inn is to create a resort experience that goes beyond a standard stay at hotel and create a resort

experience for guests to get away from the daily grind. Creating a unique space with grand views will reinforce the resort feel and create a space where guests will be comfortable and can relax and enjoy the natural setting.

ROOM	NUMBER	AREA
Lobby		2,000
Small Group Seating Areas		500
Gift Shop		750
Restaurant (seating only)		3,600
Bar/ Lounge Area		1,500
Check in		450
Public Restrooms		500
Bag Storage		425
Administration		2,400
Fitness Center		900
Game Room		700
Indoor Pool Area		2,000
Business Center		250
	Subtotal Area	15,975
Outdoor Pool		6,000
	TOTAL AREA	21,975

Table 29. Lobby Area Chart

PROGRAM REQUIREMENTS AND SPACE LIST

- Check in Area
- Small Group Soft Seating Areas
- Grand Fireplace
- Bar and Lounge Area
- Restaurant
- Outdoor Seating and Decks
- Table games (pool, ping pong, shuffle board, etc.)
- Fitness Center
- Gift Shop
- Business Center
- Covered Entry
- Indoor and Outdoor Heated Pool
- Patio and Deck Areas
- Prominent Lake Views

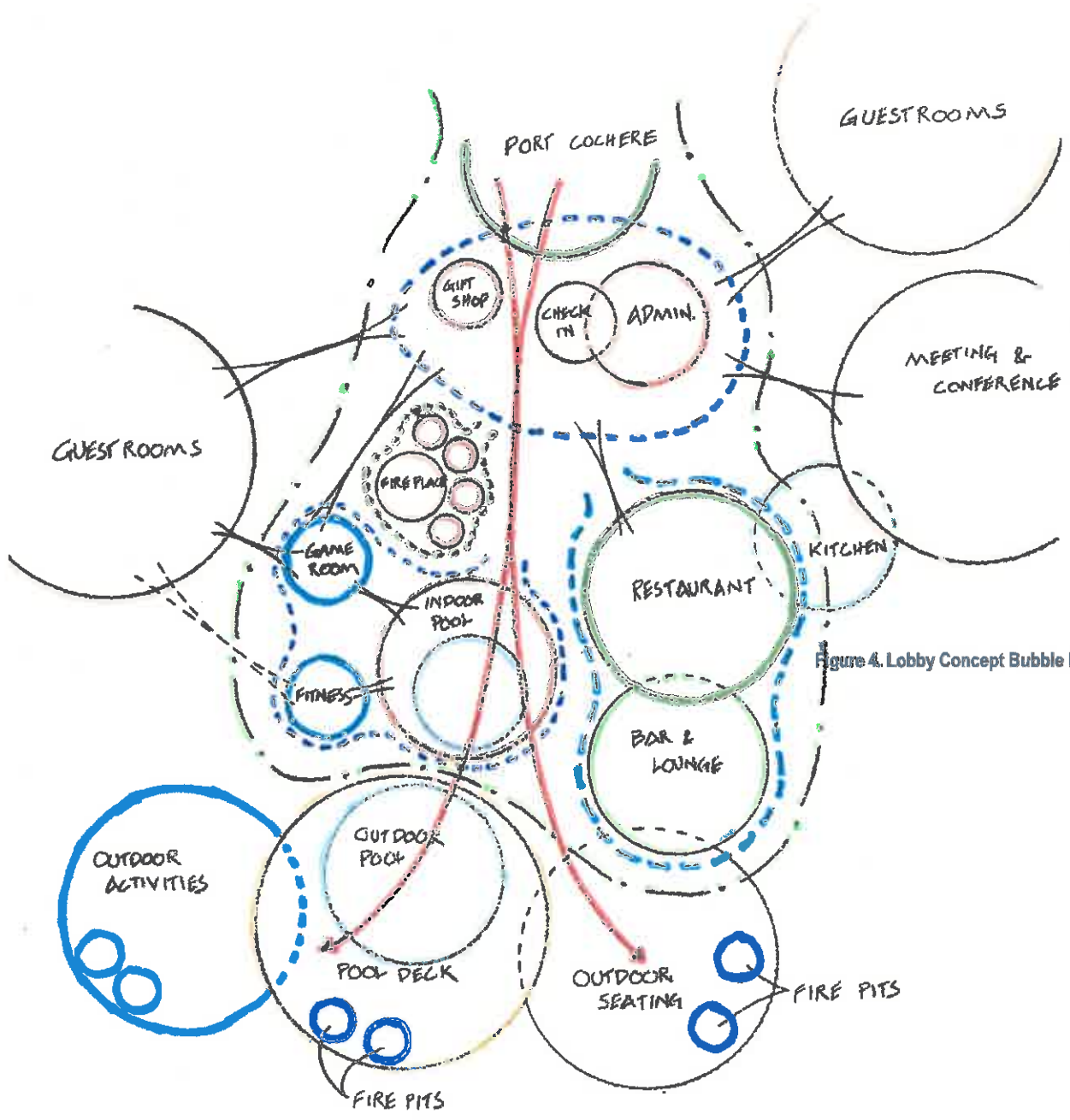


Figure 4. Lobby Concept Bubble Diagram



Photos of recommended potential design styles



**3. VISION**



**This page and facing: photos of recommended potential design styles**







## GUEST ROOMS

### Vision

Rooms should provide a relaxing environment where guests can connect to the lake. Guestrooms should be spaces where guests are comfortable spending time relaxing and not just sleeping rooms. Design and finishes should support this atmosphere by creating a clean and simple appearance. As with the Lobby the major design should focus on the lake and supporting lake activities. Guestrooms should begin with a sense of arrival and a view of the lake. The view should progress through the room to a nice sized balcony. Guestrooms should be places where guests will be comfortable for extended stays. Developing this feeling will require larger than standard guestrooms with larger seating areas to help the rooms feel less like transient rooms. They should include amenities such as microwaves and mini fridges. Wet bars in all room could also be considered. Special attention should be given to the seating areas to make sure they are inviting spaces that provide adequate space for people to spend time relaxing and interacting with others.

In addition to vacationers Kentucky Lake is an attraction for many different fishing events. Care should be given to the guestrooms so they are developed in a manner to support these events and compete for business. Fishermen for these events travel with their boats and they are stored on property overnight. The inn should provide secure and monitored parking for these guests, and the layout of some rooms should offer views of the secure parking to provide guests with the opportunity to watch over their equipment.

Room types should be split between single king suites, double queen rooms, and specialty suites.

### Design Notes

The architecture and design of the space should continue the theme of creating spaces that reflect a lake retreat and have rustic elements or materials that bring the natural character of the parks into the rooms. Rooms that are well lit with natural base colors will have to develop this character. Colors should trend in the cool direction and be balanced contrast in shade and tone. Soft surface should use patterns to create contrast and texture in the rooms. The use of glass should be used to consciously create views and vistas of the lake and surrounding landscape. Finishes should be selected to provide a relaxing and well appointed environment. They should create an elegant family friendly environment with materials that are easily cleanable. In addition to this, materials should be durable but easily repairable or replaceable.

### PROGRAM REQUIREMENTS AND SPACE LIST

- Prominent Lake Views
- Balcony
- Lounging Area
- Shower
- Separate toilet room
- Vanity Area
- Storage
- Luxury Bed(s)
- Couches and Chairs
- Table and chair or desk
- Wet Bar with Fridge and Microwave
- Coffee Maker

ROOM	NUMBER	AREA
Single King	30	450
Balcony		80
Double Queen	20	450
Balcony		80
Specialty Suite	10	800
Balcony		125
Circulation and Services		10,675
<b>TOTAL AREA</b>		<b>41,175</b>

Table 30. Guest Room Area Chart





3. VISION

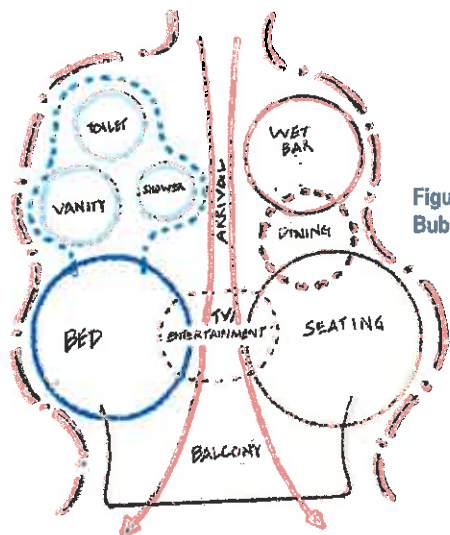


Figure 5. Single King Guest Room Bubble Diagram

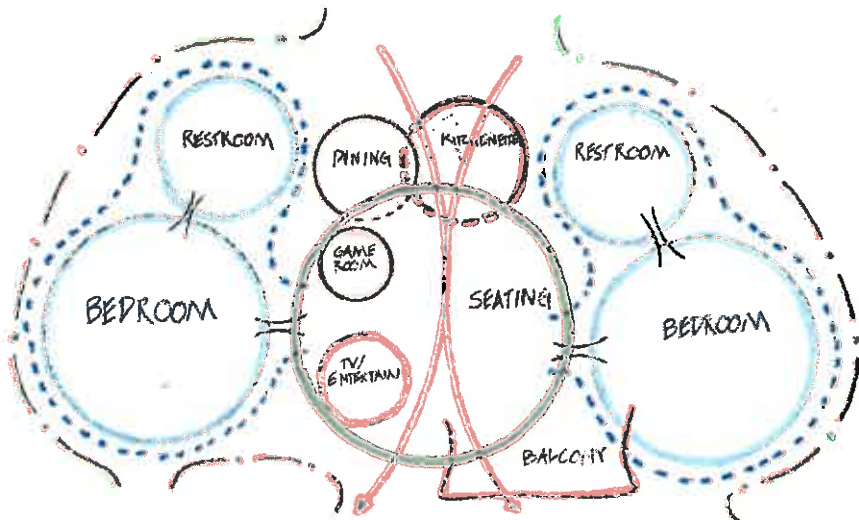


Figure 6. Specialty Suite Bubble Diagram



Photos of recommended potential design styles



## MEETING AND CONFERENCE SPACE

### Vision

Meeting and Conference Space at the new inn will focus mostly on the social leisure market. Events will mainly be weddings and family gatherings with business and small conventions being supporting events. With the range of events that are anticipated a variety of flexible spaces should be provided. The meeting and conference spaces should have direct access to the lobby through the meeting and event pre-function space. Providing direct access to the gift shop would also provide the opportunity for additional revenue. Catering for the event spaces will be an important revenue generator. The event spaces should be located close to the food service areas so a single kitchen can be utilized for both the restaurant and catering functions. A catering kitchen area should be considered for plate up and service to ease the load on the kitchen. Storage space will need to be provided for tables, chairs, linens, and dining wares.

The conference and meeting spaces should be sized for multiple sized groups ranging from 15 - 200. The variety of spaces should include a space for up to 200 people seated at tables, 100 people seated at tables, a space for 80 people that could be divided into two spaces, and finally a board room space for 15 people. Providing outdoor space for the large and medium meeting spaces would provide a unique feature and offer guests with a connection to the lake. In addition to the conventional meeting areas provided the staff should look for opportunities to use other locations inside the building and on the exterior to provide an even greater range of space types. The property also has large convention space currently existing on the site. This space is not designed well for smaller meetings but could accommodate larger events. This space should be included in the portfolio to offer a full range of meeting and event spaces on the property.

### Design Notes

The meeting and conference spaces should capitalize on the site features and offer views of the lake. In addition to views of the lake, outdoor areas associated with the rooms will expand the appeal of the spaces to those considering events. Providing dedicated outdoor space would have particular appeal to weddings and family gatherings as it would offer a variety of spaces in a single venue. The spaces should be simple in design and limit the use of overpowering colors or textures. Finishes should be able neutral and blend easily with current decorating trends. Prefunction space should be designed to coordinate well with the lobby.

### PROGRAM REQUIREMENTS AND SPACE LIST

- Prefunction Space
- Large Group Meeting Areas
- Small Group Meeting Areas
- Catering Kitchen and Support Area
- Table and Chair Storage
- Banquet Capabilities
- Direct Access to Parking
- Lake Views
- Outdoor Spaces for Use with Meeting Rooms.
- Multimedia and A/V Equipment
- Dedicated Restrooms
- Concealable Buffet Line

ROOM	NUMBER	AREA
Prefunction Space	1	1,500
Large Meeting Room	1	3,500
Small Meeting Room	2 (1,500 ea.)	3,000
Board Room	1	250
Outdoor Area	3	1,500
Kitchen Support	1	500
Storage	1	500
Restrooms	1	700
IT/AV	1	150
<b>TOTAL AREA</b>		<b>11,600</b>

Table 31. Meeting and Conference Space Area Chart





3. VISION

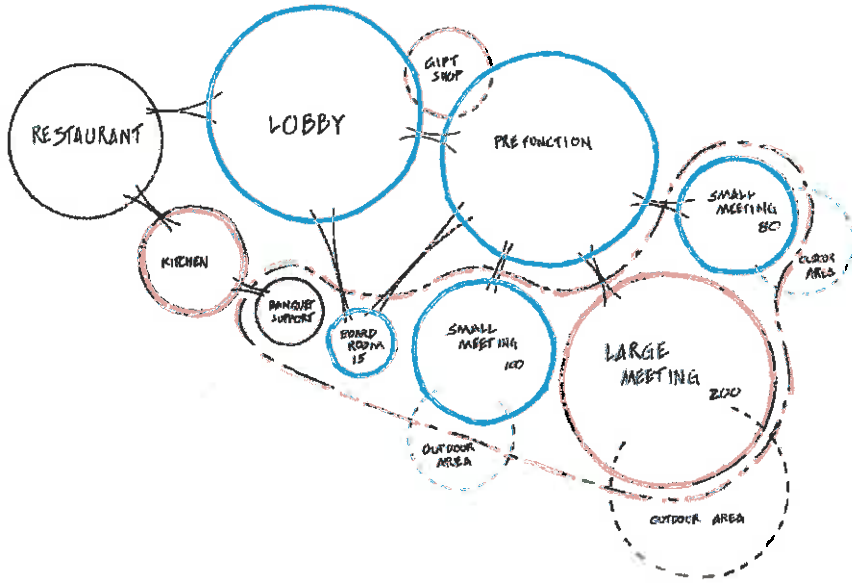


Figure 7. Meeting and Conference Space Concept Bubble Diagram



This page and facing: photos of recommended potential design styles



## AMENITIES

### Vision

Inn guests are families and also adults traveling without children. The Inn amenities should provide experiences for inn guests in the evenings and during times of inclement weather. Amenities should also provide activities that can be alternates for guests taking a day off from the lake or other park activities.

The primary amenities would be pools and fire pits. Pools will appeal to both adults and families. A combination of indoor and outdoor pools would provide variety and year round accommodations. The outdoor pool should offer access to the bar and lounge to reinforce the resort experience. The exterior pool deck should be large and offer plenty of areas for lounging and relaxing. Furniture types should include lounge chairs and tables and chairs with umbrellas to support long days at the pools. Pool access should be restricted to inn guests with other park guests using the existing public pool.

A fitness center should be provided and connected to the pool areas. Since there is not a large business travel market a smaller fitness center would be acceptable with a few pieces of cardio equipment and free-weights would suffice. Providing a rowing machine might provide a whimsical connection to the lake.

Another amenity that should be provided is a game room. The game room should focus on table and board games with electronic games and tv's avoided. Games could include pool, shuffleboard, and ping pong, along with places to play board games would make for a place where families can "unplug" and interact.

A final component to consider would be a fireplace with small seating areas for small groups to meet, relax, and interact.

### Design Notes

The design of the amenities should focus on creating the feel of family friendly resort. The spaces should also have a refined and sophisticated feel but be family friendly. The design themes should continue from the lobby and other elements and be bright and neutral and accentuate the amenities. The use of natural materials would help to maintain the natural feel of the park.

### PROGRAM REQUIREMENTS AND SPACE LIST

- Small Group Meeting Areas
- Game Room
- Indoor/ Outdoor Pools
- Fire pits
- Pool Deck with covered areas
- Fitness Center
- Tiered Wifi







3. VISION



Photos of recommended potential design styles



## FOOD SERVICE

### Vision

Food and Beverage services should be a place for guests to start their day, take a break in the middle of the day, and relax and unwind at night. The current food service is a combination of buffet style service and menu service. Both options should still be provided but the buffet should be reserved for times of peak demand and times that are currently showing success. Times of limited service should only offer menu service to help control costs. Spaces should be scalable in order to allow staff to adjust seating and staffing requirements based on occupancy and needs. A simple and quick breakfast and lunch, in the fast casual setting, would be well suited to accommodate people heading out into the park or onto the lake or back on a quick lunch break. Dinner could be more elegant with full table service with buffet at limited times. In addition to serving meals in the restaurant, a “grab and go” option where guests could quickly purchase pre-prepared meals to take on the lake. This option would need to be available primarily for breakfast and lunch. The kitchen should be able to handle banquets and catering for the meeting and conference areas. It should not be anticipated that a plated meal will need to be served in the meeting and conference spaces. There are two more requirements that should be considered in design of the facilities.

There will be two major service areas for food service. A dining area for the plated meals, a bar and lounge area. Lake views should be provided from all of these spaces. Both spaces should offer outdoor seating. These areas should offer full service and could offer guests a place to enjoy small plates and drinks outside of standard service times.

In regards to the kitchen most cost effective solution would be to provide for one central kitchen designed to accommodate all the different needs. In order to use one central kitchen it should be considered to provide a support

and plate up area for the banquet and conference areas. In addition separating the prep kitchen from the cook line and dish areas would further enhance the ability of the kitchen and support spaces to meet all the needs.

The Inn currently has a substantial kitchen. However, the kitchen is not set up to provide the correct type of service. Upon the development of a menu a kitchen planner should inventory the equipment and work with staff or consultants to provide a properly suited layout. It is anticipated that a majority of the existing equipment can be reused with the addition of a few pieces to help the kitchen meet the needs and improve efficiency.

### Design Notes

The design of the guest spaces should be refined with a sophisticated feel. It should be reminiscent of natural elements. The restaurant could be themed toward a seafood restaurant to reinforce the lake experience but a diverse menu should be offered. Again the colors and patterns should trend in the cool direction and be clean and simple. There should be a strong connection to the outdoors created in the space.

### PROGRAM REQUIREMENTS AND SPACE LIST

- Hot Cooking Line
- Baking and Prep Area
- Prep Kitchen
- Dry Storage
- Walk in Refrigerator and Freezer
- Office Area
- Liquor Storage
- Catering and Banquet Support
- Dining Area
- Bar and Lounge
- Buffet Area
- Tableware Storage

The back of house spaces should be basic in design. Surfaces should be hard surfaces easily cleanable, moisture resistant, and resistant to mold growth. Flooring in all areas should be slip resistant. Care should be given at the floor to wall connections to make sure that moisture damage is prevented.

ROOM	AREA
Main Kitchen	1,200
Baking and Prep Area	1,000
Prep Kitchen	1,000
Dry Storage	
Walk-in Fridge and Freezer	
Dish Area	200
Office Area	250
Liquor Storage	100
Catering and Banquet Support	400
Dining Area	Included Above
Bar and Lounge	Included Above
Tableware Storage	200
<b>TOTAL AREA</b>	<b>4,350</b>

Table 32. Food Service Area Chart





3. VISION

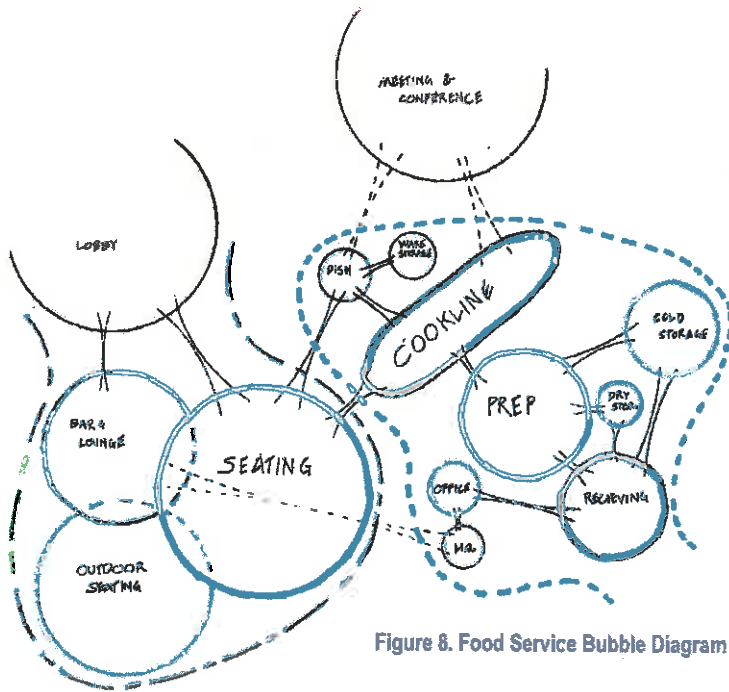


Figure 8. Food Service Bubble Diagram



Photos of recommended potential design styles





## BACK OF HOUSE AND HOUSEKEEPING

### Vision

The Inn currently contracts out linen care. The facilities should be designed to handle minimal amounts of laundry with the possible inclusion of doing towels in house. In addition to serving the Inn the back of house areas also support the cabins. Housekeeping and maintenance is handled by Inn staff and facilities.

The housekeeping will need to have adequate area for terry products to be laundered on site. The areas will need to be designed to accommodate laundry equipment including smaller commercial washer and dryers, and a small dishwasher for guestroom glasses. The existing equipment should be inventoried during design to determine the adequacy and efficiency of the current equipment.

Maintenance should be able to respond to standard issues in the building ranging from plumbing and minor electrical issues to furniture and finish repair. Closets are needing to house back end IT systems including servers, switches and HVAC controls. In addition space is needed to support communication systems including phone and TV services.

Storage should be adequate to store all linens needed to operate the facility and the cabins. Storage in the housekeeping area will also need to be able to house replacement wares, toiletries and additional stocks of linens pillows and other soft goods. In addition to the housekeeping storage provision should be made to store attic stock of FF&E and finishes.

Staff also needs back of house areas. Space should be provided for a staff lounge. This staff lounge should have a small breakroom kitchenette with a refrigerator, sink, and a microwave. A restroom should also be provided for staff in this area. In addition this area should have the time clock and lockers for staff's personal items. Locating this near a separate entrance would allow for staff to not enter through the front door.

### Design Notes

These areas will be basic in design. Surfaces should be hard surfaces easily cleanable, moisture resistant, and resistant to mold growth. Flooring in all areas should be slip resistant. Care should be given at the floor to wall connections to make sure that moisture damage is prevented.

### PROGRAM REQUIREMENTS AND SPACE LIST

- Laundry Area
- Folding Area
- Linen Storage
- Mechanical
- Maintenance and Shop Area
- A/V, Communications, and IT support
- Staff Lounge
- Staff Restrooms
- Staff Lockers
- Staff Entrance
- Loading Dock
- Finish Material Attic Stock Storage
- FF&E Attic Stock Storage

ROOM	AREA
Housekeeping	1,000
Laundry Room	1,000
Wares Storage	400
Linen Storage	400
Maintenance Shop	425
A/V, Comm, and IT Storage	200
Staff Lounge	400
Staff Restrooms	100
Storage	500
Mechanical	2,500
Circulation	703
<b>Total Area</b>	<b>7,618</b>

Table 33. Back of House and Housekeeping Space Area Chart





### 3. VISION

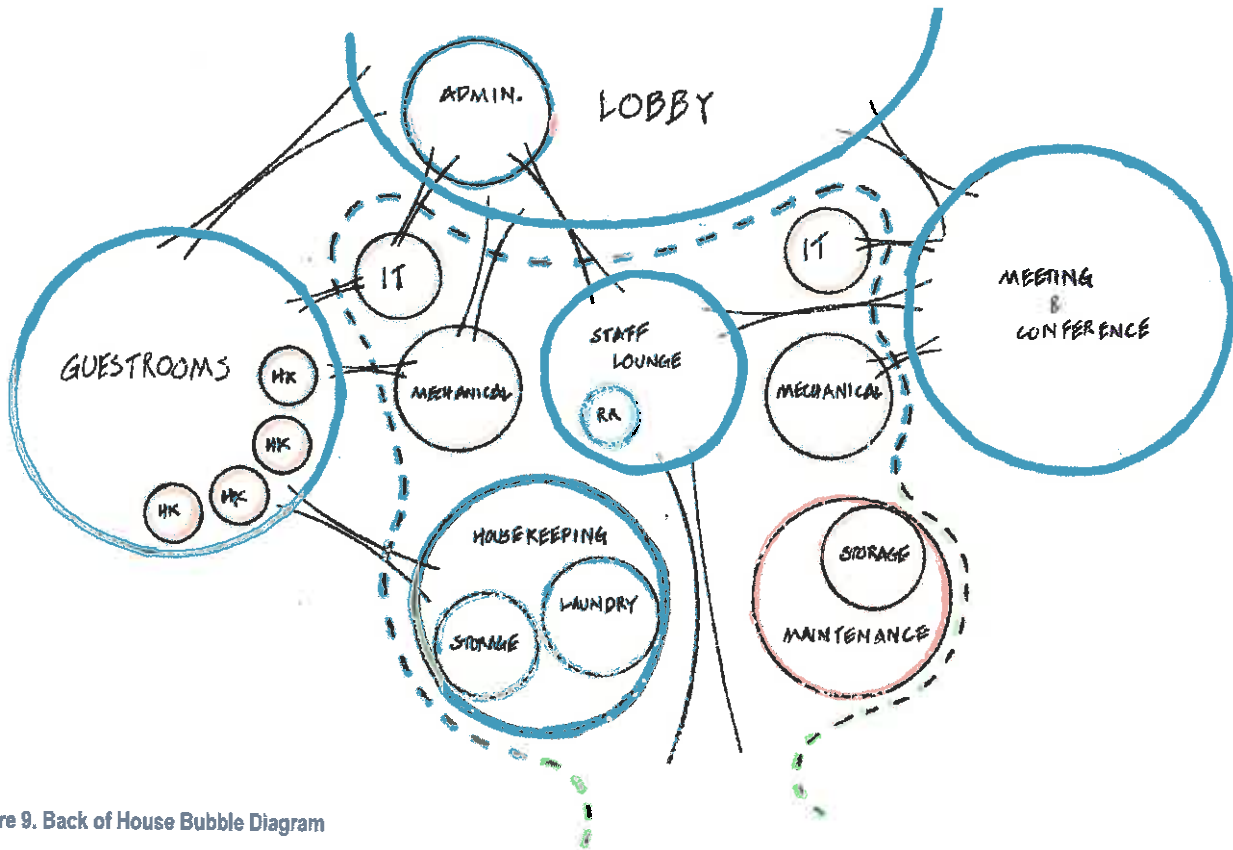


Figure 9. Back of House Bubble Diagram



## SITE

Paris Landing state park is located on Kentucky Lake in east central Tennessee. The park offers a range of activities that include hiking, golf, and camping. However, the lake is the primary draw and offers great fishing and recreation opportunities. The current site of the inn acknowledges this and provides focus on the lake as the primary draw. Land Between the Lakes National Park is located in close proximity and inn guests will often visit this park as well. With the lake and parks the site is well positioned for a new resort.

### General Site Considerations

The current site is well suited for the Inn. The location provides great views as well as lake access. The property has limited area and with the infrastructure already being in place it is recommended that this site be reused. There are minor revisions and renovations that need to be made to the site either as a part of the project or in the near future. The plant life at the lake edge is over grown and should be pruned to clear views to the lake. Care should be taken with the plant material to not inhibit its ability to provide shoreline stabilization. There is an area of the shoreline that is eroding and will need to be addressed in the near future. Shoreline restoration should consider new methods

such as vegetated riprap and planted geogrid to provide a more visually appealing shoreline. There is the potential for cost savings if the work is done during the project in using the existing inn as a part of the shoreline stabilization and restoration. The existing inn is constructed of concrete and this could be broken up and used as a part of the work. Prior to making this determination the concrete would need to be tested for hazardous materials and rebar would need to be removed. This would save haul off and disposal costs as well as import costs for new material for the shoreline restoration. This work is not shoreline to the inn so the work is included as an alternate in the budget.



Figure 10. Conceptual Site Detail



### 3. VISION

#### Campsites

Paris Landing State Park currently has both RV and primitive campsites. All of the campsites are located across the highway from the inn and next to the marina. The sites are in need of renovation and a new location is considered for the campground. The major disadvantage of the current location is their proximity to the lake. There are no lake side sites available and causes the campground to not be competitive with other properties. In addition this site is located on the other side of the highway from the public pool and swim beach.

There is a wooded area located between the inn and swim beach that could be developed into RV campsites. Primitive campsites could be left in the existing location for the time being. The primary revenue generator is the RV sites. The site would offer wooded campsites and some would be lake side. There is an existing boat ramp that could be used for launching smaller boats and the site would be in walking distance to the other park amenities. From the campsites guests would be able to walk to the swim beach, pool, and inn. In the development on the new campground a new dump station would need to be provided. All sites would be provided with water and electric. Sites are a combination of drive through and standard sites.

#### Construction Phasing

The reuse of the exiting site will mean that service will need to be suspended for the duration of the construction process. It is anticipated that this process will take 24 - 26 months. The construction should be planned to close the inn at the close of the peak season and open a 2-3 months prior to the beginning of the peak season.



**four**  
**COST**  
**ESTIMATES**





### STATEMENT OF PROBABLE COSTS

The following cost information is based on information gathered by the consultants based on current industry information and in working with a general contractor to assess the probable costs. They are based on costs of properties similar in nature and anticipated design style. They also are shown to take into account the location factor and current availability of forces. These numbers are intended to set an overall budget and are not intended to set actual unit costs. Unit costs are included for clarity of thinking at the time of the recommendation. Costs should be studied closely when full architectural programming is complete and the final facilities are determined.

Construction type consideration is a structural steel frame and structural metal stud framing. Exterior finishes were assumed to be wood or cement board siding and veneered manufactured stone. Roofing was assumed to be standing seam. Revisions to these materials and methods can affect the costs. Wood framing was not considered due to concerns of qualified subcontractors in the area.





3. VISION

A. Building Scope				
1. Area Determination				
Description		Area		
Public Space		39,743 sqft		
Guestrooms		41,175 sqft		
<b>Total Building Area</b>		<b>80918 sqft</b>		
B. Construction Costs				
1. Demolition Costs				
Description	Type	Cost Per Unit	Subtotal	
Exiting Inn and Guestroom Wing Additions	Allowance	\$ 1,200,000.00	\$ 1,200,000.00	
			\$ -	
			<b>Total Demolition Costs \$ 1,200,000.00</b>	
2. Building Costs				
Description	Area	x	Cost Per Unit	Subtotal
<b>Public, Support, and Back of House</b>				
Lobby	15,975 sqft		\$ 195.00	\$ 3,115,125.00
Conference and Meeting Space	8,950 sqft		\$ 185.00	\$ 1,655,750.00
Associated Outdoor Area	1,500 sqft		\$ 80.00	\$ 120,000.00
Support Spaces	1,150 sqft		\$ 150.00	\$ 172,500.00
Back of House	7,618 sqft		\$ 150.00	\$ 1,142,700.00
Food Service	4,550 sqft		\$ 195.00	\$ 887,250.00
			<b>Total Public Space Costs \$ 7,093,325.00</b>	
<b>Guestrooms</b>				
Single King Rooms	13,500 sqft		\$ 198.00	\$ 2,673,000.00
Double Queen Rooms	9,000 sqft		\$ 198.00	\$ 1,782,000.00
Specialty Suites	8,000 sqft		\$ 198.00	\$ 1,584,000.00
Circulation Space	10,675 sqft		\$ 120.00	\$ 1,281,000.00
			<b>Total Guestroom Costs \$ 7,320,000.00</b>	

Table 34. Statement of Probable Costs



<b>3. Site Development Costs</b>			
Description	Type	Cost Per Unit	Subtotal
Sitework	Allowance	\$ 650,000.00	\$ 650,000.00
Landscaping	Allowance	\$ 100,000.00	\$ 100,000.00
Shoreline Restoration	Allowance	\$ -	\$ -
<b>Site Development Total Costs</b>			<b>\$ 750,000.00</b>
<b>4. Design Elements</b>			
Description	Type	Cost Per Unit	Subtotal
Outdoor Pool	Allowance	\$ 320,000.00	\$ 320,000.00
Indoor Pool	Allowance	\$ 160,000.00	\$ 160,000.00
Pool Deck	Allowance	\$ 130,000.00	\$ 130,000.00
<b>Design Elements Total Costs</b>			<b>\$ 610,000.00</b>
<b>5. Total Construction Costs</b>			
<b>Total Construction Costs (Demo Included)</b>			<b>\$ 16,973,325.00</b>
<b>\$/sqft</b>			<b>\$ 209.76</b>
<b>6. Furniture, Fixtures, and Equipment</b>			
Description	Type	Cost Per Unit	Subtotal
OS&E	Allowance	\$ 450,000.00	\$ 450,000.00
FF&E	Allowance	\$ 900,000.00	\$ 900,000.00
<b>FF&amp;E Total Costs</b>			<b>\$ 1,350,000.00</b>

Table 34. Statement of Probable Costs, continued



3. VISION

<b>Soft Costs</b>				
		<b>Fee Basis</b>	<b>Cost per unit</b>	<b>Subtotal</b>
<b>1. Design Fees</b>				
<b>Architectural, Structural, &amp; MEP</b>		Percentage	5.76%	\$977,120.31
<b>Civil Engineering</b>	(Owner Provided)	Estimate		\$20,000
<b>Survey</b>	(Owner Provided)	Estimate		\$10,000
<b>Interior Design</b>	(Owner Provided)	per sqft	\$ 1.25 per sqft	\$101,148
<b>Additional Project Related Costs</b>				\$4,500
<b>Total Design Fees</b>				<b>\$1,112,768</b>
<b>2. Testing</b>				
<b>Special Inspections</b>	(Per Chapter 17 IBC 2012 Owner Provided)	Estimate	\$ 50,000	\$50,000
<b>Geotechnical Report</b>	(Owner Provided)	Estimate	\$ 10,000	\$10,000
<b>Total Testing Fees</b>				<b>\$60,000</b>
<b>3. Bidding</b>				
<b>Printing</b>		Estimate	\$ 5,000	\$5,000
<b>Printing Fees</b>				<b>\$5,000</b>
<b>Total Soft Costs</b>				<b>\$1,177,768</b>

Table 34. Statement of Probable Costs, continued



<b>Costs Summary</b>	
<b>Total Construction Cost</b>	<b>\$15,773,325</b>
<b>Total Demolition Costs</b>	<b>\$1,200,000</b>
<b>Contingency 5%</b>	<b>\$848,666</b>
<b>Total FF&amp;E</b>	<b>\$1,350,000</b>
<b>Total Soft Costs</b>	<b>\$1,177,768</b>
<b>Total Project Cost (Contingency and FF&amp;E Included)</b>	<b>\$20,349,759</b>
<b>Total Project Cost (2017 Inflation)</b>	<b>\$21,495,099</b>
	<small>4% Increase on Construction costs</small>
<b>Total Project Cost (2018 Inflation)</b>	<b>\$22,274,093</b>
	<small>4% Increase on Construction costs</small>

Table 34. Statement of Probable Costs, continued



**3. VISION**

<b>A. Building Scope</b>				
<b>1. Area Determination</b>				
Description				
RV Camping Sites		51		
Tent Camping Sites		0		
<b>Total Building Area</b>		<b>51</b>		
<b>B. Construction Costs</b>				
<b>1. Building Costs</b>				
Description	Area	x	Cost Per Unit	Subtotal
<b>RV Camp Site</b>				
Paving	133 sy		\$ 48.00	\$ 6,384.00
Electrical Service and Stand	1 ea		\$ 1,648.00	\$ 1,648.00
Plumbing Spigot	1 ea		\$ 1,934.00	\$ 1,934.00
Fire Pit	1 ea		\$ 450.00	\$ 450.00
Wood Frame	1 ea		\$ 300.00	\$ 300.00
Picnic Table	1 sqft		\$ 300.00	\$ 300.00
Misc Accessories	1 ea		\$ 600.00	\$ 600.00
Clearing and Grading	400 sqft		\$ 2.50	\$ 1,000.00
<b>Campsite Subtotal</b>		<b>51 total</b>	<b>\$ 12,616.00</b>	<b>\$ 643,416.00</b>
<b>Total RV Campsite Costs</b>				<b>\$ 643,416.00</b>
<b>2. Site Development Costs</b>				
Description	Type		Cost Per Unit	Subtotal
Paving, Grading, and Clearing	9,048 sy		\$ 48.00	\$ 434,304.00
Domestic Water	5,059 lnft		\$ 35.00	\$ 177,065.00
Sewer Lines	5,059 lnft		\$ 21.31	\$ 107,807.29
Dump Station	1 ea		\$ 7,600.00	\$ 7,600.00
Transformer	1 ea		\$ 5,887.00	\$ 5,887.00
Electric Lines	4,500 lnft		\$ 24.00	\$ 108,000.00
Site Lighting	12 ea		\$ 1,800.00	\$ 21,600.00
Precast Bath house and utilites	2 ea		\$ 292,356.00	\$ 584,712.00
<b>Site Development Total Costs</b>				<b>\$ 1,446,975.29</b>
<b>3. Total Construction Costs</b>				
<b>Total Construction Costs (Demo Included)</b>				<b>\$ 2,090,391.29</b>
				<b>\$/sqft \$ 40,988.06</b>

Table 35. Statement of Probable Costs, RV Park



<b>Soft Costs</b>				
		<b>Fee Basis</b>	<b>Cost per unit</b>	<b>Subtotal</b>
<b>1. Design Fees</b>				
<b>Architectural, Structural, &amp; MEP</b>		Percentage	6.77%	\$141,509.62
<b>Civil Engineering</b>	(Owner Provided)	Estimate		\$20,000
<b>Survey</b>	(Owner Provided)	Estimate		\$10,000
<b>Interior Design</b>	(Owner Provided)	per sqft		
<b>Additional Project Related Costs</b>				\$4,500
<b>Total Design Fees</b>				<b>\$176,010</b>
<b>2. Testing</b>				
<b>Special Inspections</b>	(Per Chapter 17 IBC 2012 Owner Provided)	Estimate	\$ 5,000	\$15,000
<b>Geotechnical Report</b>	(Owner Provided)	Estimate	\$ 10,000	\$10,000
<b>Total Testing Fees</b>				<b>\$25,000</b>
<b>3. Bidding</b>				
<b>Printing</b>		Estimate	\$ 5,000	\$5,000
<b>Printing Fees</b>				<b>\$5,000</b>
<b>Total Soft Costs</b>				<b>\$206,010</b>

<b>Costs Summary</b>	
<b>Total Construction Cost</b>	<b>\$2,090,391</b>
<b>Contingency 10%</b>	<b>\$209,039</b>
<b>Total Soft Costs</b>	<b>\$206,010</b>
<b>Total Project Cost (Contingency and FF&amp;E Included)</b>	<b>\$2,505,440</b>
<b>Total Project Cost (2017 Inflation)</b>	<b>\$2,802,594</b>
4% Increase on Construction costs	
<b>Total Project Cost (2018 Inflation)</b>	<b>\$2,703,619</b>
4% Increase on Construction costs	

Table 35. Statement of Probable Costs, RV Park, continued





### 3. VISION



# **APPENDIX**

## **GLOSSARY OF TERMS**





## GLOSSARY OF HOSPITALITY TERMS

The following definitions of industry terminology are derived from the Uniform System of Accounts for the Lodging Industry (10th Revised Edition).

### Types of Hotel

**Full-Service Hotel** – Generally mid-price, upscale, or luxury hotels with a restaurant, lounge facilities, and meeting space as well as minimum service levels that often include bell service and room service. These hotels report food & beverage revenue.

**Limited-Service Hotel** – Hotels with rooms-only operations (i.e., without food & beverage service) or hotels that offer a bedroom and bathroom for the night but few other services and amenities. These hotels are often in the mid-price, and budget or economy groups and do not report food & beverage revenue.

There are also upscale or luxury hotels that do not manage their food & beverage operations (e.g., leased to a third party) that are categorized as limited-service hotels.

### Revenues

**Rooms** – Revenues derived from the rental of sleeping rooms at the hotel, net of any rebates and discounts.

**Food** – Revenues derived from the sale of food, including coffee, milk, tea, and soft drinks. This is also often reported by the various meal periods served: breakfast, lunch, dinner, and room service.

**Beverage** – Revenues derived from the sale of beverages, including beer, wine, and liquors. Also includes banquet beverage revenues.

**Other Food & Beverage** – Revenues derived from other sources such as meeting room rentals, cover or service charges, or revenues derived from the sale of goods or services made in connection with banquets, such as equipment rental, music, decorations,

and souvenirs. Also includes banquet service charges.

**Telecommunications** – Revenues derived from guest use of telephones in the hotel, including local and long-distance calls, service charges, high-speed or wireless Internet, and commissions.

**Other Operated Departments** – Revenues generated from garage and parking, guest laundry, golf and tennis, health club, spa, swimming pool, barber/beauty shop, gift shop, newsstand, etc., when operated by the hotel (excluding casinos).

**Rentals and Other** – Income from rentals of space for business purposes, including concessions in any of the departments mentioned under Other Operated Departments. Includes income generated from sources not included elsewhere but excludes investment income.

**Cancellation Fees** – Fees incurred as a result of group cancellations (e.g., group attrition fees).

### Departmental Expenses

**Rooms** – Rooms departmental expenses include labor costs such as salaries and wages for front desk, housekeeping, reservations, bell staff, and laundry, plus employee benefits. Other operating expenses in the rooms department include linen, cleaning supplies, guest supplies, uniforms, central or franchise reservation fees, equipment leases, and travel agent commissions.

**Food and Beverage (F&B)** – Food & Beverage departmental expenses include the cost of goods sold (food & beverages), labor and related benefits, and other operating expenses. Labor costs include departmental management, cooks and kitchen personnel, service staff, banquet staff, and bartenders. Other operating expenses include china, silverware, linens, restaurant and kitchen supplies, menus and printing, and special promotions.

**Telecommunications** – Telecommunications departmental expenses include

costs of calls, cost of Internet service, and other related expenses but exclude capital lease payments.

**Other Operated Departments & Rentals** – Other departmental expenses would comprise those expenses (labor and other) that offset the revenue generated by other operated departments, such as garage, guest laundry, athletic facilities, and gift shop, as well as rental activity.

### Undistributed Operating Expenses

**Administrative and General (A&G)** – Included in this category are the payroll and related expenses for the general manager, human resources and training, security, clerical staff, controller, and accounting staff. Other A&G expenses include office supplies, computer services, accounting and legal fees, cash overages and shortages, bad debt expenses, travel insurance, credit card commissions, transportation (non-guest), and travel and entertainment.

**Marketing** – Marketing expense includes payroll and related expenses for the sales and marketing staff, direct sales expenses, advertising and promotion, travel expenses for the sales staff, and civic and community projects. Includes national advertising fee or assessment paid to franchise company plus cost of frequent guest stay programs.

**Utility Costs** – Utility expenses typically include electricity, fuel (oil, gas, and coal), purchased steam, and water. Includes central plant and energy management systems.

**Property Operations and Maintenance** – This category includes payroll and related expenses for maintenance personnel, cost of maintenance supplies, cost of repairs and maintenance of the building, furniture and equipment, the grounds, and the removal of waste matter.

**Franchise Fee** – Includes only the royalty fees charged by franchise companies.



**Management Fees** – Fees charged by management organizations for management services or supervision. Includes both base and incentive fees.

### Fixed Charges

**Property Taxes** – Typically include taxes on real estate, business and occupation, personal property, utilities, and other municipal taxes.

**Insurance** – Cost of insuring the hotel building and contents against fire, weather, sprinkler leakage, boiler explosion, plate glass breakage, or other perils such as terrorism. Includes all insurance except workers' compensation.

**Land and Building Rent** – Includes charges for lease of land and/or building.

**Equipment Rental** – Includes capital leases for rental of data processing equipment, telephone equipment, and other major items.

**Interest** – Includes all interest expenses on any obligations such as mortgages, notes payable, bonds, debentures, taxes in arrears, or any other indebtedness on which interest is charged.

**Depreciation and Amortization** – Deductions on the building, leaseholds and leasehold improvements, furnishings and equipment, and assets held under capital leases.

**Other Fixed Charges** – Includes any other expenses that relate to the ownership of the hotel, and gains or losses from any sale of assets.

### Other Terms

**Number of Occupied Room Nights** – Rooms occupied by hotel guests on a paid basis.

**Price Category** – Categories of properties defined through price perception to the consumer: Luxury, Upscale, Mid-Price, and Economy.

**Location** – Urban, suburban, airport, interstate, resort, small metro/town.

**Chain Scale** – Luxury chain, upper upscale chain, upscale chain, midscale chain with food & beverage (F&B), midscale chain without F&B, economy chain, independents.

**Reserve for Capital Replacement** – Amount set aside for replacement of furniture, fixtures, and equipment (as may be required by loan, franchise, or management agreement).

**Average Daily Rate (ADR)** – Room revenue divided by rooms sold. The currency used to express ADR is shown on each report.

**Demand (Rooms Sold)** – The number of rooms sold or rented (excludes complimentary rooms).

**Market** – A geographic area within a country. Markets are defined by STR and STR Global.

**Occupancy** – Rooms sold divided by rooms available multiplied by 100. Occupancy is always expressed as a percentage of rooms occupied.

**Percent Change** – Amount of growth: up, flat, or down; this period versus same period last year (month or year-to-date). Calculated as  $((TY - LY) / LY) * 100$ .

**RevPAR** – Revenue per Available Room or room revenue divided by rooms available.

**BACK COVER**





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