

An aerial photograph of a long, dark bridge spanning a deep valley. The valley is filled with dense trees showing vibrant autumn colors in shades of orange, yellow, and red. The bridge has several support pillars. In the background, a line of trees marks the horizon under a clear sky.

**Eastern Kentucky Tourism Study  
Destination Resort and Tourism Assessment  
April 26, 2017**

The logo for HVS, consisting of the letters 'HVS' in a white serif font, centered within a red square. A thin white horizontal line is positioned above the 'H' and another below the 'S'.

**HVS**

# Eastern Kentucky Tourism Assessment

The Kentucky Chamber of Commerce Foundation (“Chamber”) engaged HVS to conduct a tourism assessment of southeastern Kentucky. The chamber would like to understand the existing tourism amenities and evaluate the potential of a new destination resort and other potential attractions. As a part of Phase One of this analysis, HVS performed the following tasks:

- Assessed the local market, including economic and demographic data and existing tourism amenities,
- Gathered data on tourism and travel trends for the Eastern Kentucky region,
- Gathered data on six comparable destination resort and four comparable tourism-based communities,
- Evaluated demand and recommended a program for a proposed resort facility,
- Evaluated other potential visitor attractions and entertainment land uses that would complement the proposed resort,
- Prepared program recommendations and demand projections for conferences and other group demand and the proposed resort, and
- Evaluated and compared three sites for their suitability for proposed resort.

# Eastern Kentucky Tourism Assessment

## Phase Two

Following an interim report and presentation of Phase One results, HVS initiated Phase Two of this assignment, including the following tasks.

- Prepared a hotel market supply and demand analysis for the proposed hotel, resulting in a forecast of segmentation, penetration, and occupancy levels. A full written report accompanies this summary report.
- Researched trends in development incentives in the hotel industry and identified potential approaches to project development and financing, including public private partnerships.

# Market Assessment

# Economic & Demographic Data

Economic Indicator/Area	Beginning Amount	2000	2010	2016	2020	Ending Amount	Estimated Annual Compound Change 2016 to 2020
<b>Resident Population (millions)</b>							
Powell County	0.013					0.013	0.8%
State of Kentucky	4.0					4.6	0.7%
United States	282.2					336.7	0.9%
<b>Per-Capita Personal Income* (thousands)</b>							
Powell County	\$21.3					\$29.7	1.6%
State of Kentucky	\$30.0					\$37.9	1.6%
United States	\$36.8					\$46.4	1.5%
<b>W&amp;P Wealth Index</b>							
Powell County	57					61	0.1%
State of Kentucky	82					81	0.1%
United States	100					100	0.0%
<b>Food and Beverage Sales* (billions)</b>							
Powell County	\$0.009					\$0.014	1.8%
State of Kentucky	\$4.8					\$7.6	1.6%
United States	\$368.8					\$602.6	1.7%
<b>Total Retail Sales* (billions)</b>							
Powell County	\$0.083					\$0.119	1.5%
State of Kentucky	\$51.9					\$65.8	1.5%
United States	\$3,902.8					\$5,181.4	1.7%

\* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

# Historical & Projected Employment

Sector/Geographic Area	Beginning Amount	2000	2010	2016	2020	Ending Amount
<b>Powell County</b>						
State And Local Government	765					822
Retail Trade	539					644
Health Care And Social Assistance	355					412
Accommodation And Food Services	206					335
Construction	295					320
Other Services, Except Public Administration	245					313
Administrative And Waste Services	133					251
Manufacturing	1,175					248
Farm	296					228
Transportation And Warehousing	212					167
Other	598					765
<b>Total Powell County</b>	<b>4,819</b>					<b>4,505</b>
<b>U.S.(in thousands)</b>	<b>165,371</b>					<b>203,418</b>

Source: Woods & Poole Economics, Inc.

# Local Market Assessment

- Following recent declines in population, Powell County is expected to grow at rate on par with state and national levels
- Per capita personal income is well below state and national levels, but is growing at a similar rate.
- Food & beverage and retail sales in Powell County have grown steadily, a trend that is expected to continue
- Powell County's manufacturing employment has experienced the greatest declines over the past 15 years, a trend that is expected to continue.
- Jobs in the educational services, administrative and waste services, and finance & insurance sectors will see the greatest gains.
- State and local government currently employ the greatest number of Powell County residents.

# Powell County Largest Employers

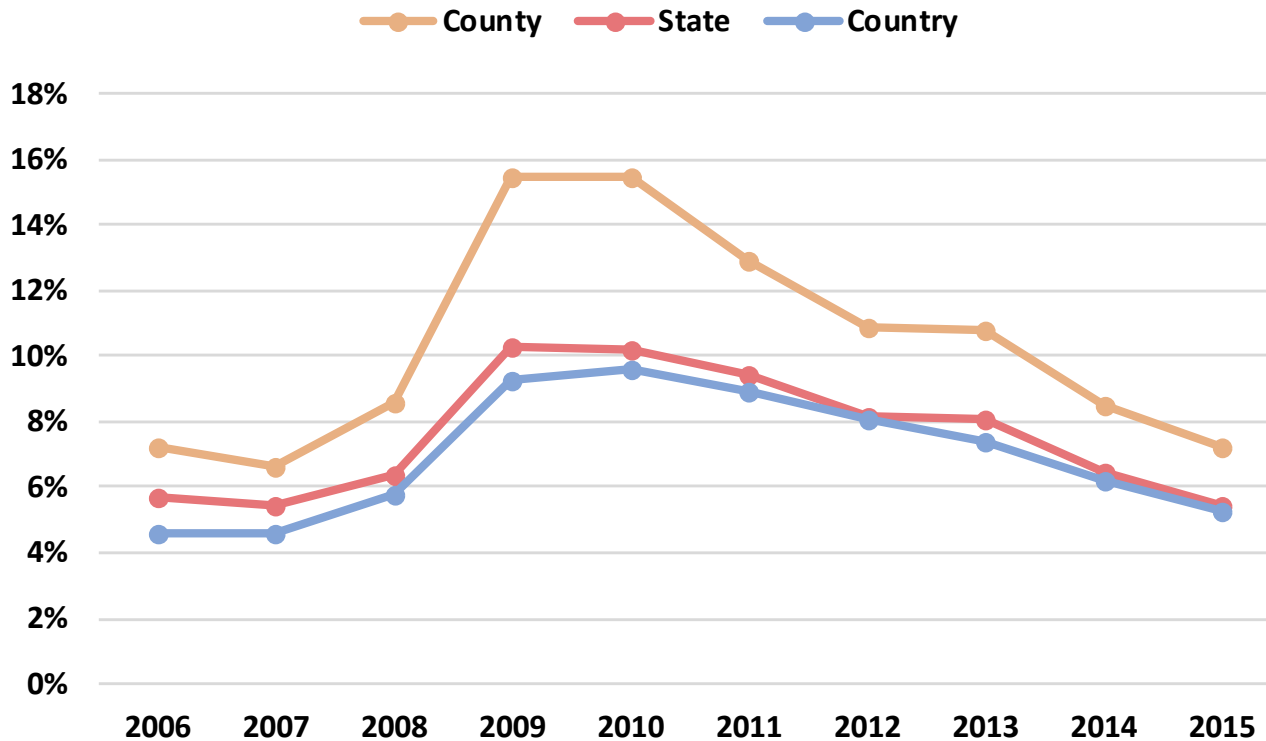
Firm	Number of Employees
Heritage Millworks LLC	86
Scott Archery Manufacturing	52
Stantek Manufacturing LLC	36
Natural Bridge Stone Company	35
Clean Tide Container	35
Forterra Brick	32
UPS	28
H&S Lumber, Inc.	11
Power Deck Company	6
Superior Tool & Die	5

Source: Kentucky Cabinet for Economic Development, 2017

There are few major employers in manufacturing, service, and technology firms in Powell County and none employ over 100 employees. As a result, lodging demand will be driven primarily from tourism and meeting and group demand.



# Powell County Unemployment

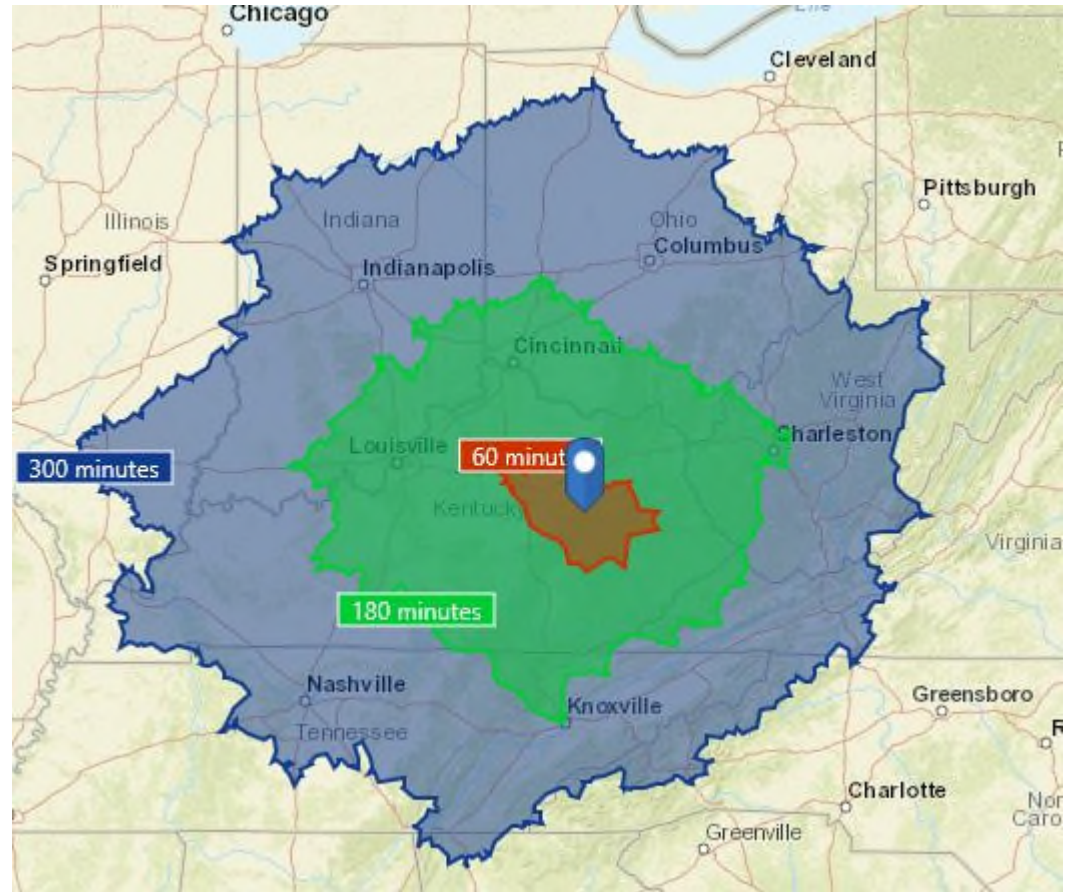


Powell County's unemployment rate has historically tracked higher than the State of Kentucky and U.S. rates. The national recession caused a significant spike in unemployment in Powell County which peaked at 15.5% in 2009. Recent trends suggest gradual improvement as the rate falls to pre-recession levels.

# Drive Time Analysis

HVS used Esri to assess the market surrounding primary market area. We analyzed the populations living within a one, three, and five hour drive of the potential sites of the proposed destination resort.

The one-hour drive time primarily include central and eastern Kentucky. The three-hour drive time market includes Louisville, Kentucky and Cincinnati, Ohio, while the five-hour drive time market extend to several large population centers, including Indianapolis, Indiana.



Source: Esri

Claritas reports a population of 1,699 within a five-mile radius of the subject site, and 709 households within this same radius. Average household income within a five-mile radius of the subject site is currently reported at \$41,257, while the median is \$29,659.

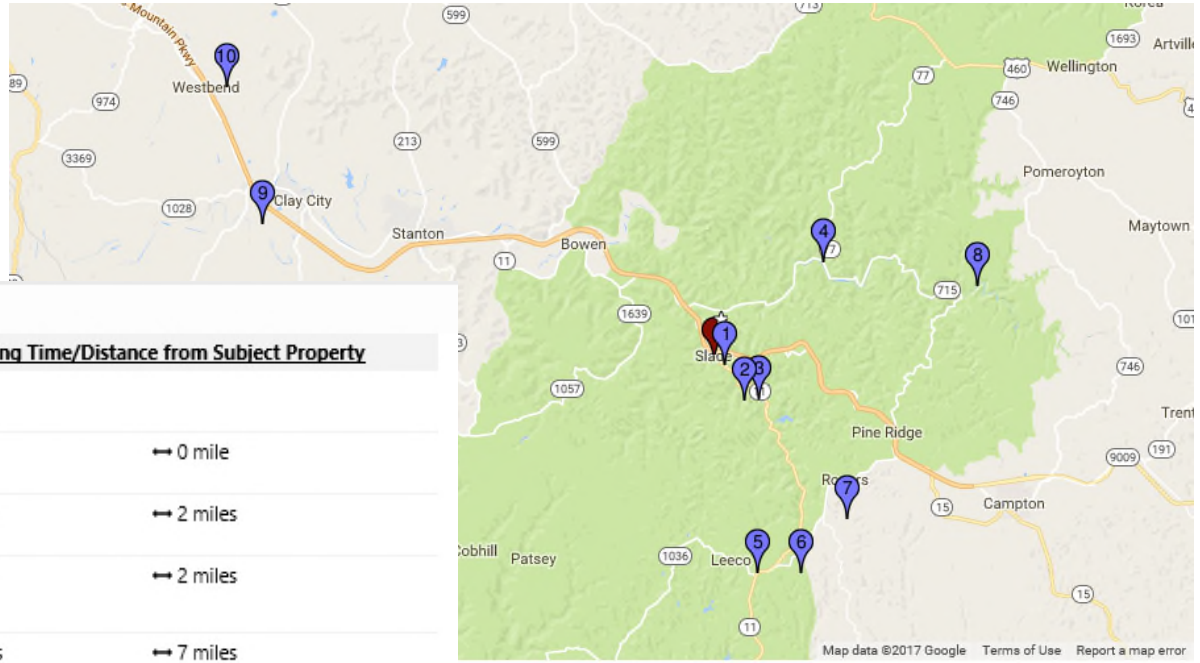
# Population and Income Assessment

Drive time	Population			Median Household Income (\$)		
	2016	2021	Annual Growth Rate	2016	2021	Annual Growth Rate
One-hour	456,827	475,868	0.82%	40,635	44,310	1.75%
Three-hour	7,276,494	7,442,567	0.45%	46,824	52,383	2.27%
Five-hour	22,821,164	23,564,891	0.64%	46,668	52,427	2.35%

Source: Esri

The relatively small population within a one-hour drive expands rapidly as the drive time extends to three and five hours and cover several larger metropolitan markets in Kentucky, Tennessee, Ohio, West Virginia, and Indiana.

# Local Demand Generators & Drive Times



<b>Demand Generator</b>	<b>Approx. Driving Time/Distance from Subject Property</b>	
Subject Property		
Thrillville Adventure Park	1 minute	↔ 0 mile
Natural Bridge State Resort Park	3 minutes	↔ 2 miles
Natural Bridge Sky Lift & Giftshop	4 minutes	↔ 2 miles
Red River Adventure	13 minutes	↔ 7 miles
Torrent Falls Climbing Adventure	12 minutes	↔ 9 miles
Red River Gorge Zipline	14 minutes	↔ 10 miles
Muir Valley Climbing Area & Nature Preserve	20 minutes	↔ 13 miles
Red River Gorge	24 minutes	↔ 15 miles
Meadowgreen Park Music Hall	18 minutes	↔ 18 miles
Pilot Knob State Nature Preserve	20 minutes	↔ 20 miles

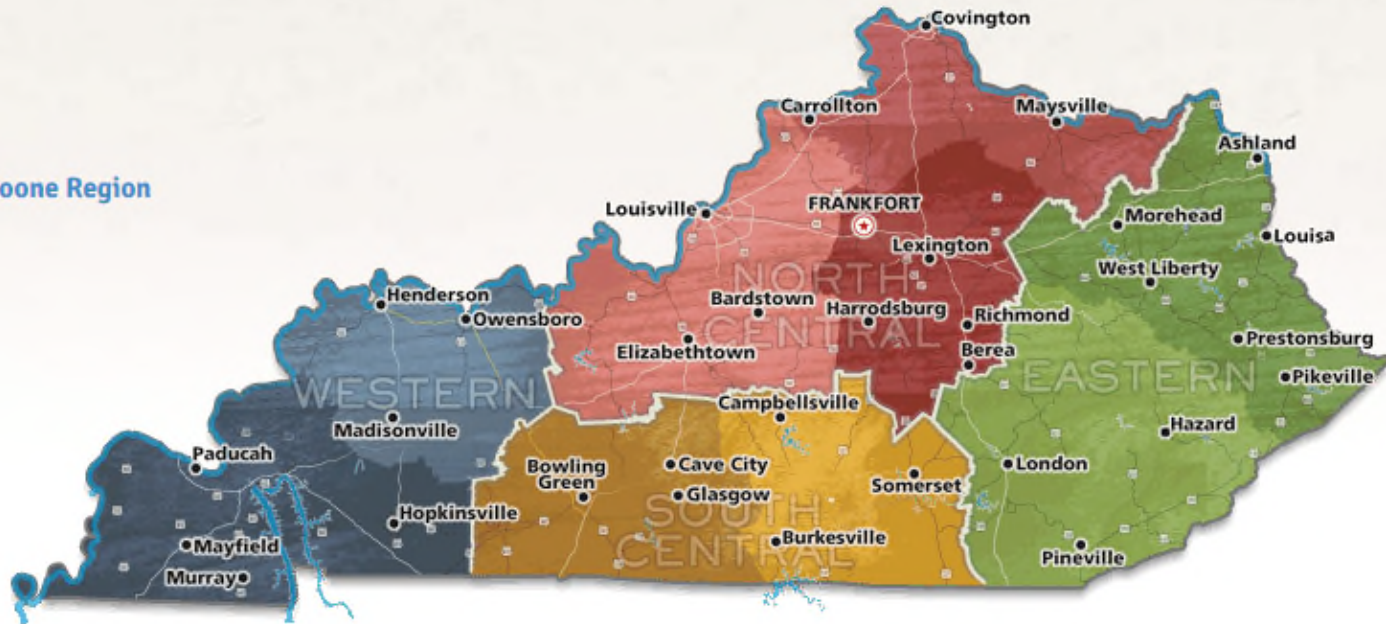
Attractions & Amenities that currently exist for travelers visiting the area include natural attractions and outdoor recreation activities. Drive times are from the Slade Rest area along the Mountain Parkway.

# Existing Tourism Assessment

# Kentucky Tourism

Tourism in the State of Kentucky is divided into the nine regions presented in the following map.

- Western Waterlands
- Bluegrass, Blues & BBQ
- Bourbon, Horses & History
- Northern Kentucky River Region
- Bluegrass, Horses, Bourbon, and Boone Region
- Kentucky's Southern Shorelines
- Caves, Lakes & Corvettes
- Kentucky Appalachians
- Daniel Boone Country



Source: Kentucky Tourism, Arts & Heritage Cabinet

# Tourism Amenities

Kentucky tourism amenities include attractions that focus on the state's reputation in thoroughbred horses, bourbon, and bluegrass music. The state also has natural attractions, including two national parks, one national forest, and several state parks with popular sites for hiking, camping, and rock climbing.

## State of Kentucky

Cumberland Gap National  
Historical Park  
Mammoth Cave National Park  
Kentucky Horse Park  
Louisville Mega Cavern  
Shaker Village  
Abraham Lincoln Birthplace  
Bourbon Country/Trail  
Creation Museum/Noah's Ark  
Belle of Louisville  
National Corvette Museum  
International Bluegrass Museum  
Louisville Slugger Museum  
Muhammad Ali Center  
Newport Aquarium

## Eastern Kentucky

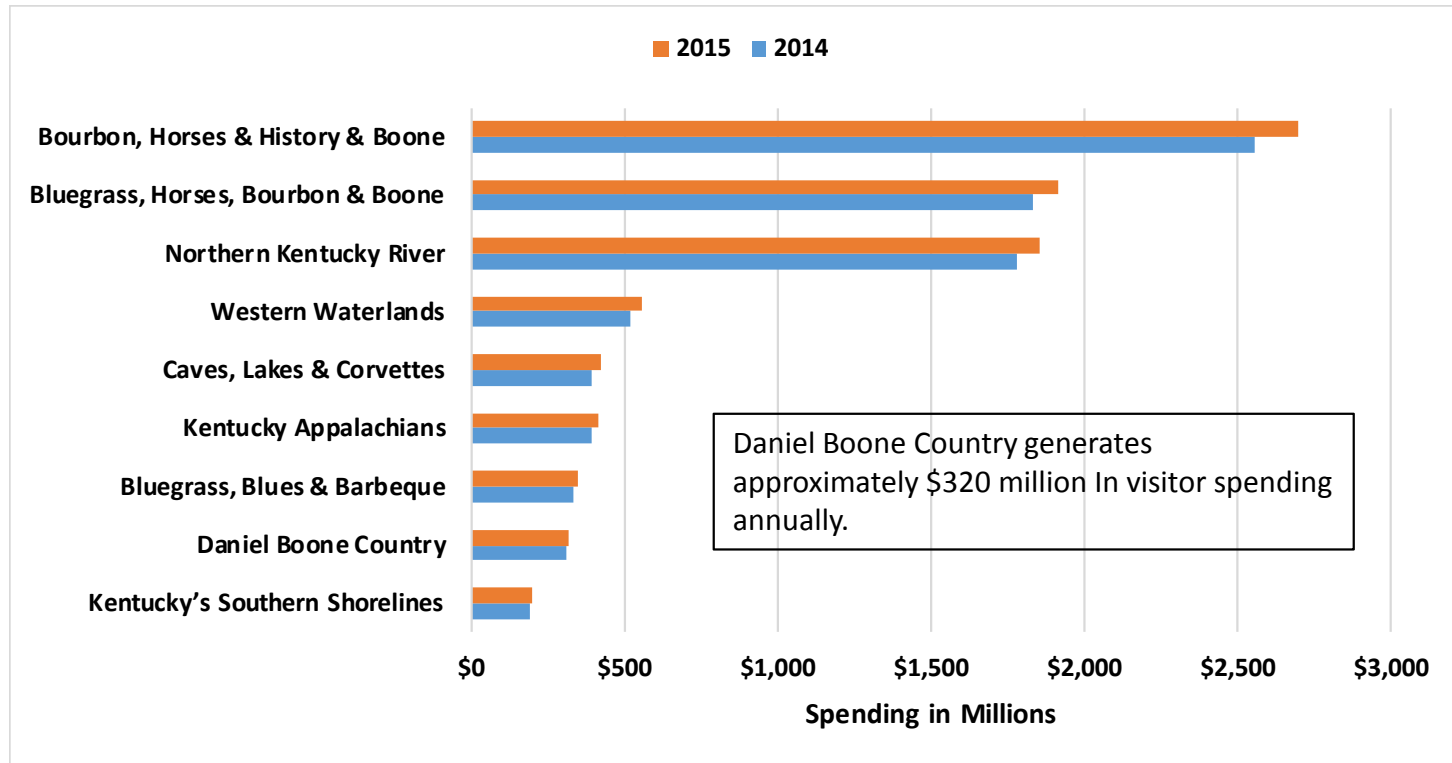
Cumberland Falls State Park  
Jenny Wiley Theatre  
Paramount Arts Center  
Kentucky Music Hall of Fame  
The Highlands Museum  
Butcher Holler  
Eastern Kentucky Science Center  
Big Sandy Heritage Center  
Kentucky Folk Art Center  
Middle Creek National Battlefield  
Mountain Arts Center  
Yatesville Lake State Park  
Cave Run Lake

## Powell County

Daniel Boone National Forest  
Red River Gorge  
Natural Bridge State Resort Park  
Pilot Knob State Nature Preserve  
Red River Museum

# Visitor Spending

Visitor spending data provides an indication of tourism generated in each region



Regions in northern and central Kentucky collect nearly three-quarters of visitor spending in the state.

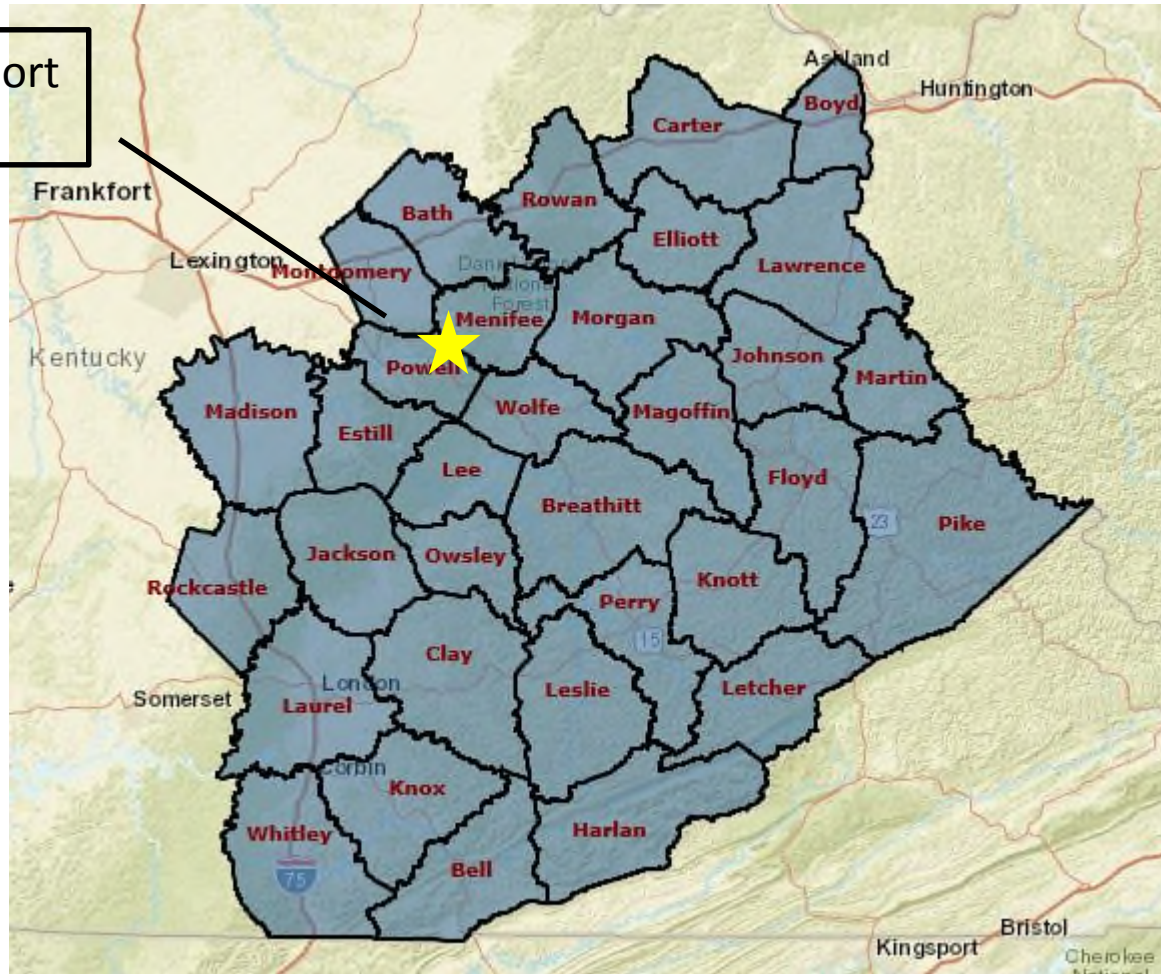
Source: Kentucky Tourism, Arts & Heritage Cabinet



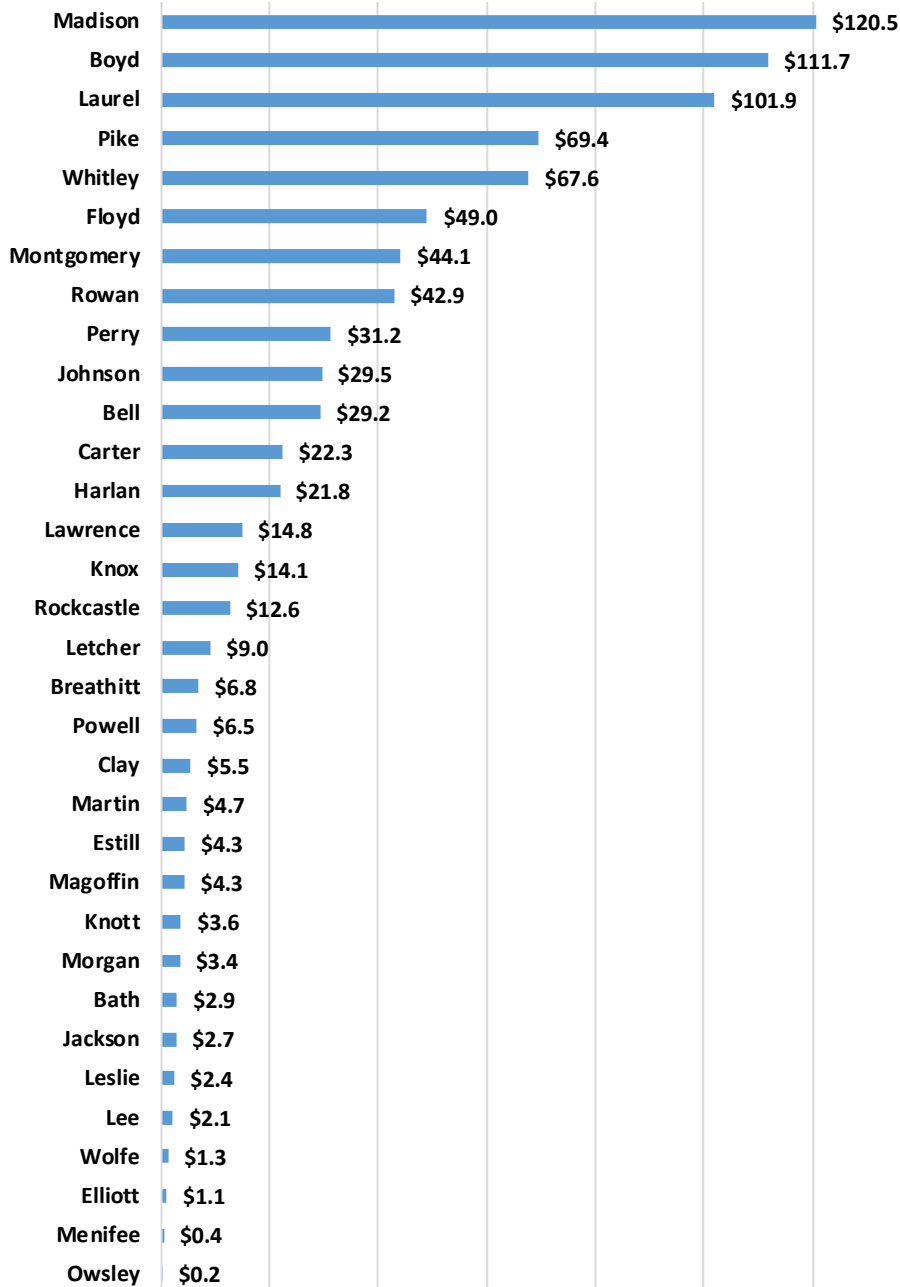
# Eastern Kentucky Counties

The 33 counties included in this study lie southeast of Lexington roughly bounded by Interstates 75 and 64.

Potential Resort Sites



# Visitor Spending in Eastern Kentucky (in millions)

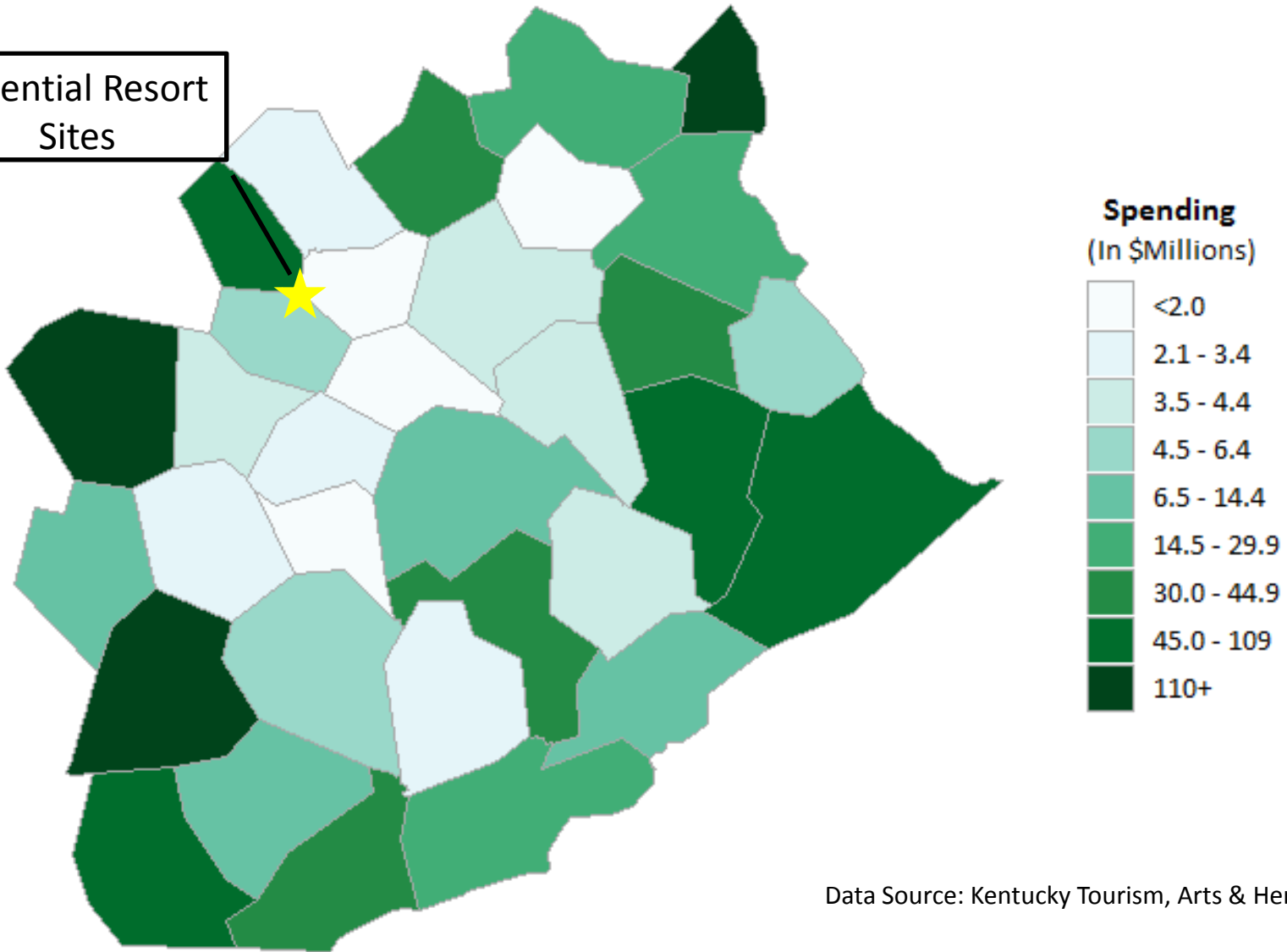


The southeastern Kentucky counties included in this study are primarily located in Daniel Boone Country and the Kentucky Appalachian regions. Together, these 33 counties currently represent less than 10% of tourism spending in the state.

Source: Kentucky Tourism, Arts & Heritage Cabinet

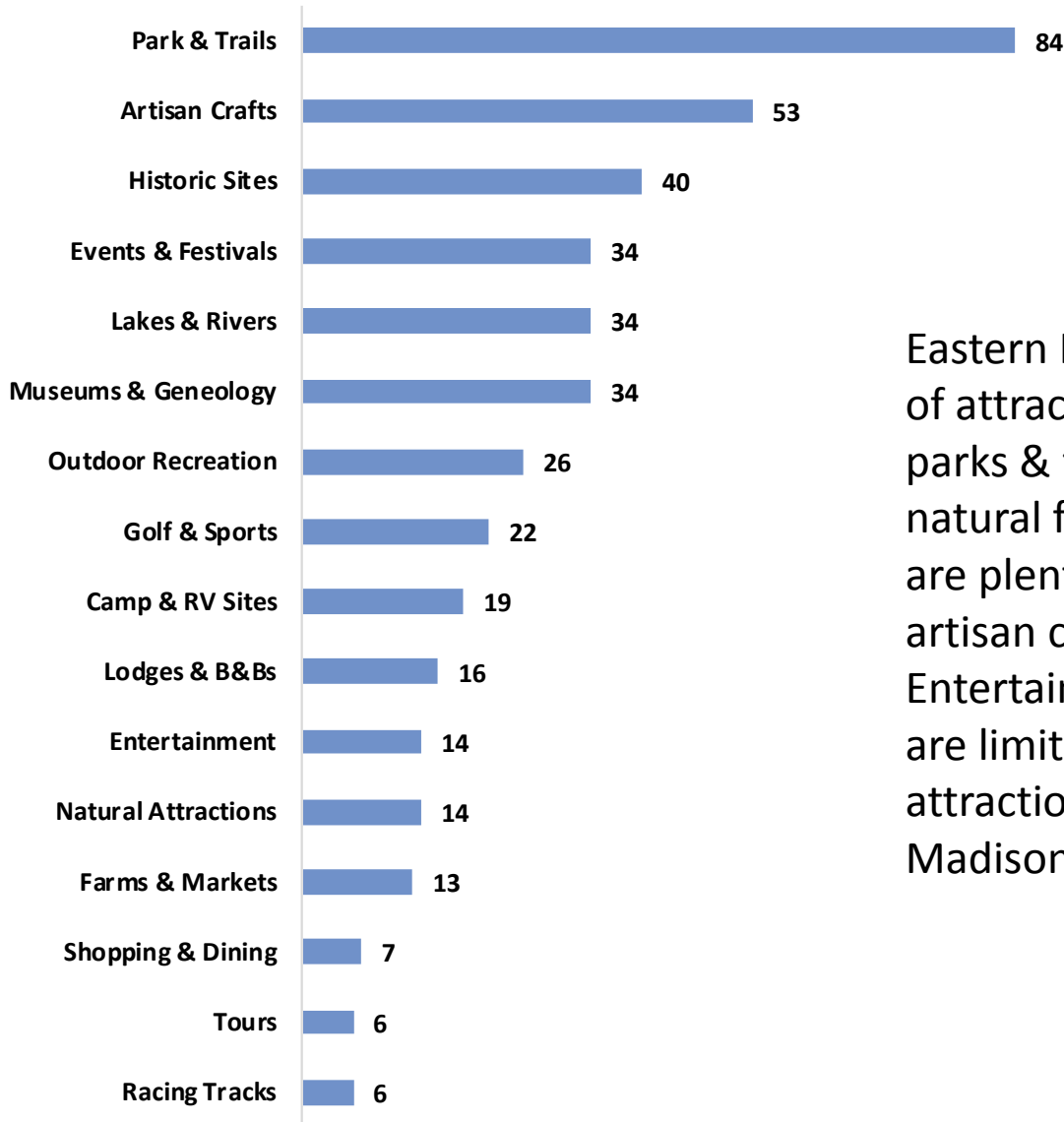
# Visitor Spending by County

Potential Resort Sites



Data Source: Kentucky Tourism, Arts & Heritage Cabinet

# Existing Attractions in Eastern Kentucky



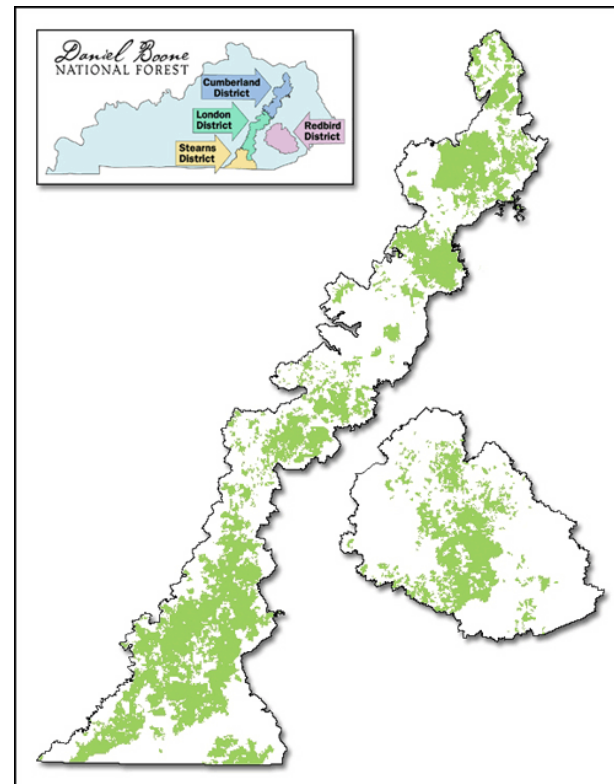
Eastern Kentucky counties contain a variety of attractions. Outdoor amenities, including parks & trails, lakes & rivers, camping sites, natural features, and outdoor recreation sites are plentiful. Several communities feature artisan crafts, museums, and historic sites. Entertainment, shopping, and dining options are limited. The counties with the most attractions include Bath, Bell, Laurel, and Madison Counties.

Source: TourSE.com

# National Parks and Forests Visitation Data

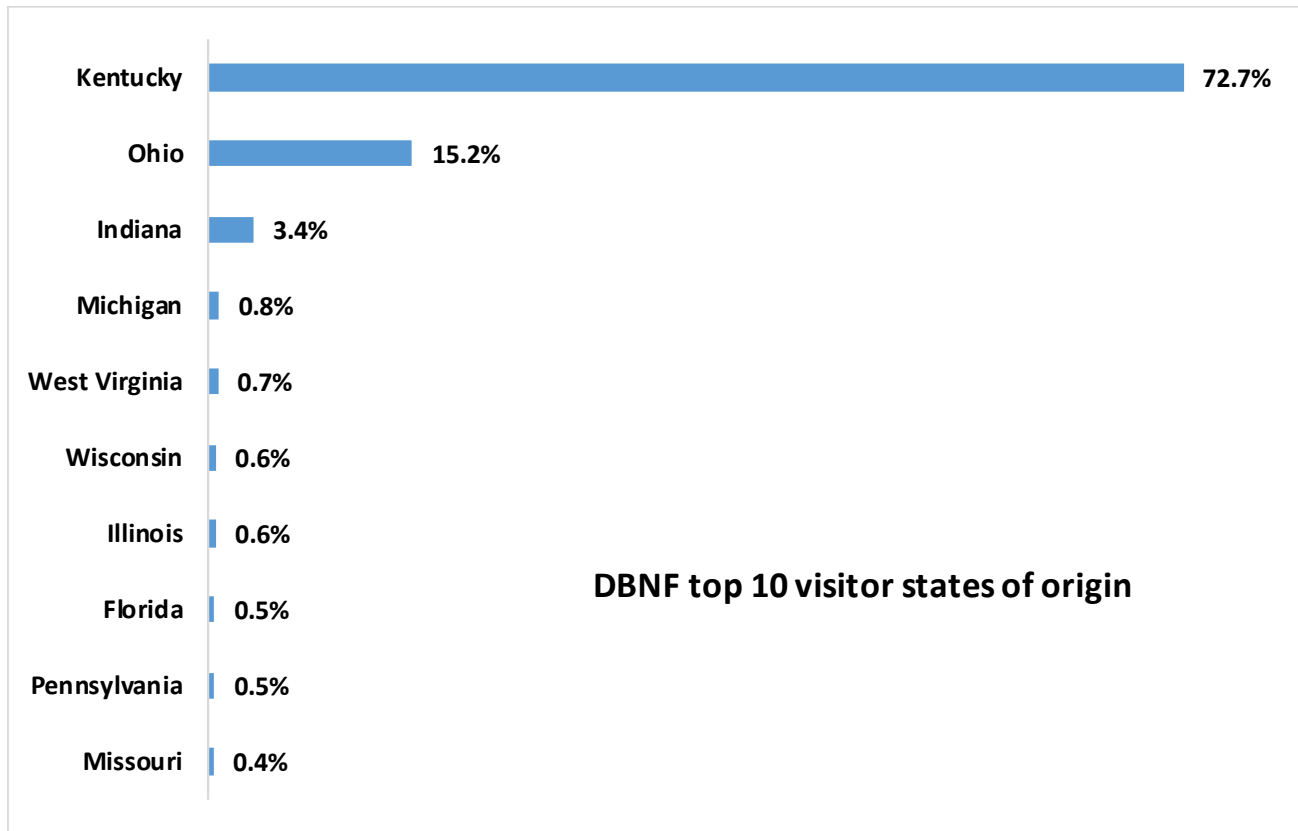
The State of Kentucky contains two national parks. Cumberland Gap National Historical Park lies along the borders of Kentucky, Tennessee, and Virginia. Mammoth Cave National Park is in southeastern Kentucky near the city of Bowling Green. A recent study by the National Park Service reports approximately 840,000 Cumberland Gap visitors in and 550,000 Mammoth Cave visitors in 2015. Visitation is seasonal with peaks in the late spring and summer months.

The Daniel Boone National Forest (“DBNF”) is the only national forest in the State of Kentucky. From a recent visitor survey, the U.S. Department of Agriculture reports an estimated 1.8 million visits to the DBNF each year. The top 10 states of origin are presented below. Three-quarters of visitors arrive from in state locations.



# Daniel Boone National Forest Visitor Origin

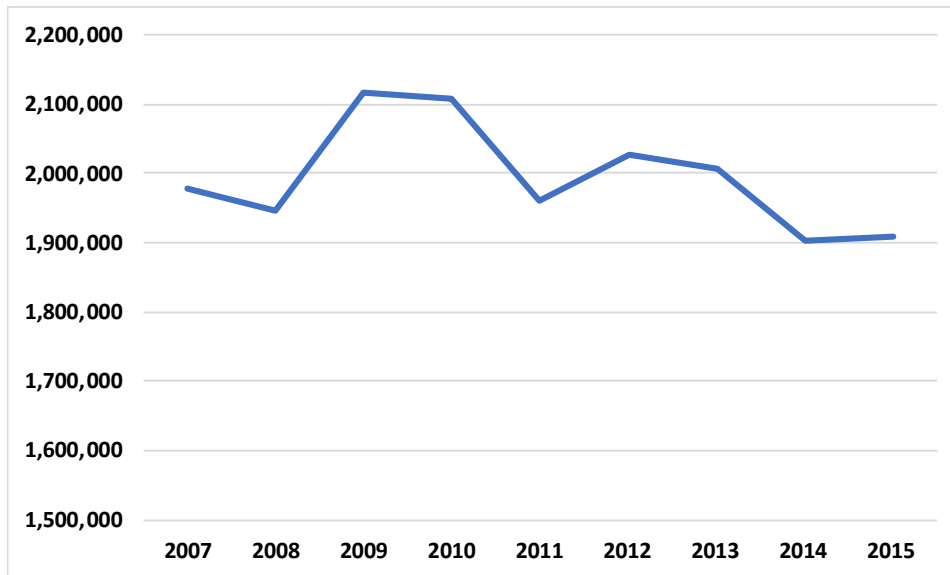
A recent visitor survey indicates that DBNF visitors primarily arrive from in state locations. Visitors from Ohio and Indiana represent around 20% of visitors.



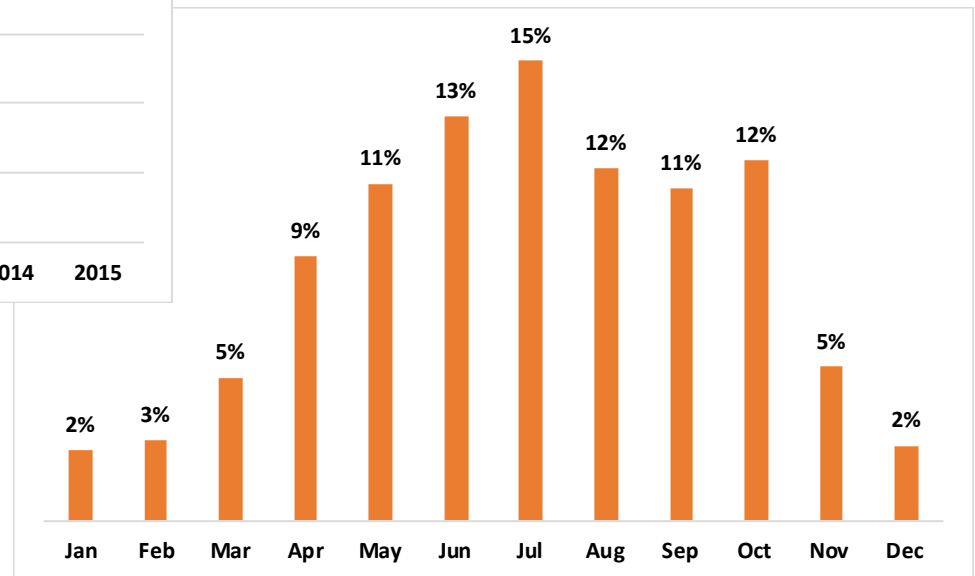
# Kentucky State Park Visitation Statistics

Kentucky has 49 State Parks. On average, around 2 million people visit the Kentucky State Parks each year. Visitation is highly seasonal with the majority of visits occurring late spring through early fall.

### Annual State Park Visitors



### State Park Visitation by Month



# Kentucky State Parks

Seventeen of Kentucky's state parks are state park resorts, more than any other state. The number of lodge guest rooms ranges from 24 to 124 with an average of 50 guest rooms. Demand is seasonal with annual occupancies ranging from 28% to near 70%. Average occupancy in 2016 was around 46%.

Resort Park	Occupancy		
	2014	2015	2016
Natural Bridge State Resort	65.8%	66.0%	68.9%
John James Audobon State Resort	61.2%	56.1%	60.1%
Cumberland Falls State Resort	46.9%	41.1%	51.6%
Carter Caves State Resort	47.6%	50.3%	51.5%
Pine Mountain State Resort	47.2%	48.7%	48.3%
General Butler State Resort	45.5%	46.6%	47.6%
Rough River Dam State Resort	47.6%	48.6%	47.3%
Lake Cumberland State Resort	41.6%	42.9%	45.4%
Jenny Wiley State Resort	45.4%	44.0%	44.5%
Barren River Lake State Resort	47.1%	46.6%	44.4%
Kentucky Dam Vig State Resort	37.9%	38.8%	42.8%
Dale Hollow State Resort	38.3%	38.3%	42.0%
Kenlake State Resort	34.1%	39.9%	39.5%
Blue Licks State Resort	37.0%	38.2%	39.2%
Pennyrile Forest State Resort	41.5%	38.3%	38.1%
Lake Barkley State Resort	37.6%	39.7%	36.8%
Buckhorn Lake State Resort	26.2%	24.8%	28.2%

Source: Kentucky State Parks



# Kentucky State Parks

In Average Daily Rate (“ADR”) has increased over the past three years for most properties and averaged \$91 in 2016.

	ADR		
	2014	2015	2016
Kentucky Dam Vig State Resort	\$102.55	\$103.71	\$110.14
Barren River Lake State Resort	99.41	98.10	104.25
Natural Bridge State Resort	96.77	96.71	101.10
Cumberland Falls State Resort	95.49	103.81	99.68
Lake Cumberland State Resort	92.53	93.02	99.28
Lake Barkley State Resort	90.35	90.38	95.32
John James Audobon State Resort	100.92	108.42	94.49
Pine Mountain State Resort	86.10	84.48	90.61
Rough River Dam State Resort	87.74	86.00	90.31
Carter Caves State Resort	91.83	87.15	89.68
Kenlake State Resort	88.91	86.14	87.60
Dale Hollow State Resort	86.09	88.33	87.44
Pennyrile Forest State Resort	79.96	83.42	86.43
General Butler State Resort	83.83	83.80	82.95
Buckhorn Lake State Resort	78.76	79.66	80.27
Jenny Wiley State Resort	74.03	78.30	80.18
Blue Licks State Resort	71.39	71.98	72.06

Source: Kentucky State Parks

# Access and Transportation

The Blue Grass Regional Airport (“LEX”) is located seven miles west of Lexington, Kentucky. Several airlines provide nonstop service to over a dozen major cities across the country. In 2010, the facility served as the official airport of the World Equestrian Games. In the same year, the airport unveiled renovations to the terminal lobby, ticket counters, baggage claim area, and restroom facilities; additionally, a crosswind runway was replaced. Also in 2010, TAC Air completed an \$11-million expansion project. The new executive terminal includes a larger passenger lobby, two conference rooms, and an art gallery, as well as a pilot lounge with private sleep rooms, a movie theater, and an exercise room. As part of the expansion, roughly 45,000 square feet of new hangar space was added to the airport to accommodate larger airplanes.

Year	Passenger Traffic	Annual Percent Change	
2006	1,026,000		
2007	1,050,000	2.3%	
2008	1,007,000	-4.1%	
2009	926,000	-8.0%	
2010	1,105,000	19.3%	
2011	1,091,000	-1.3%	
2012	1,101,000	0.9%	
2013	1,104,000	0.3%	
2014	1,209,000	9.5%	
2015	1,245,000	3.0%	
YTD through Sep			
2014	919,251		
2015	971,479	5.7%	

Source: Blue Grass Regional Airport

Serving over 1.2 million passenger annually, LEX passenger data reveals steady growth over the past five years.

# Access and Transportation



The Powell County sites at Natural Bridge Resort Park (Site A) and in the 600 acres (Site B) have highway access from Lexington and other cities via the Bert T. Combs Mountain Highway. Accessing the Frenchburg site (Site C), requires connection via U.S. Route 460 or State Highway 713.

# Lodging Assessment

# Local Lodging Assessment

Eastern Kentucky has 83 hotel/motel properties, totaling 4,872 units. There is limited hotel/motel supply in the immediate area.

	Location	# Units
1 Natural Bridge State Resort	Slade	46
2 Little Abner Motel	Slade	27
3 Cliffview Resort	Campton	18*
4 Campton Parkway Inn	Campton	41
5 Abner`s Motel	Stanton	37
* Two Units are lodges with 11 or 12 bedrooms each		

## •*Abner, Little Abner, & Campton Parkway Inn*

- Budget-oriented
- Dated/older structure
- Exterior corridor
- Limited amenities

## •*Natural Bridge State Resort*

- On state park land
- Dated/older structure
- Limited renovations
- Fantastic location
- Meeting space
- Variety of amenities
- Restaurant

## •*Cliffview Resort*

- Updated guestrooms
- 2 Stand-alone lodges
  - 11-bedroom unit
  - 12-bedroom unit
- Meeting space
- Variety of amenities

## •*Cabin Rentals*

- Approximately 5 cabin rental companies
- Estimated 250 cabin rental units in market

# Map of Local Hotels/Motels



Natural Bridge State Park Resort



Little Abner Motel



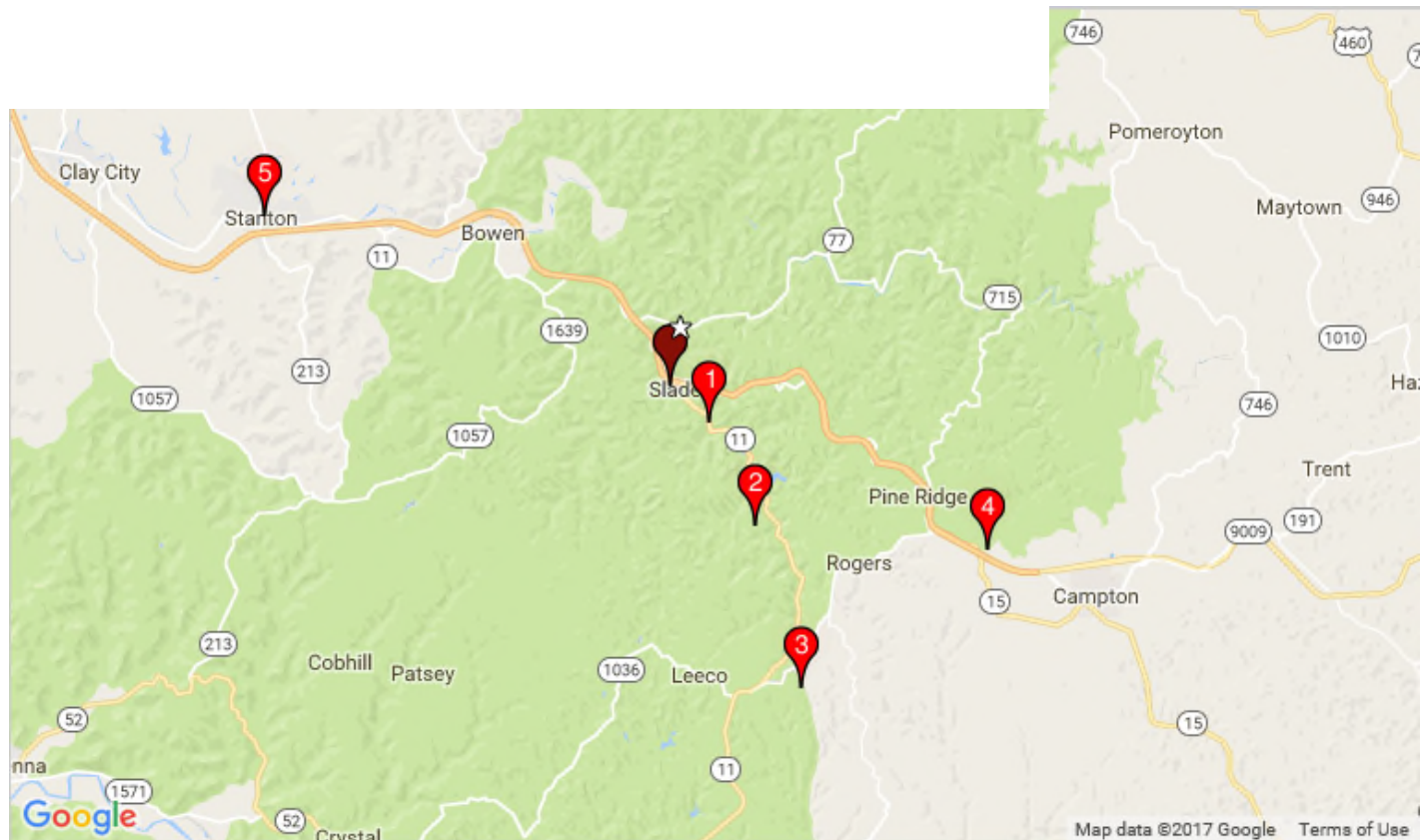
Cliffview Resort



Campton Parkway Inn



Abner Motel



# Comparable Resorts and Themed Communities

# Comparable Resorts

HVS identified the following 6 resorts as comparable to a proposed development in Eastern Kentucky. These comparable properties were selected based on their location in or near national or state parks and forests. All properties have nearby natural amenities similar to those found in the Red River Gorge and Natural Bridge State Resort Park. All properties are located in rural areas within a one to three hour drive of a major population center.

Name of Venue	Location		Total Function Space	Number of Hotel Rooms
<b>Comparable Resorts &amp; Lodges</b>				
Skamania Lodge	Stevenson	WA	22,000	254
Big Cedar Lodge	Ridgedale	MO	19,126	143
Stonewall Resort	Roanoke	WV	13,830	206
Suncadia Resort	Cle Elum	WA	13,649	254
The Lodge at Mount Magazine	Paris	AR	5,600	60
Starved Rock Lodge & Conference Center	Oglesby	IL	4,586	90
Rush Creek Lodge	Groveland	CA	4,425	260

Sources: Respective Venues



# Skamania Lodge – Stevenson, WA

In 1986, Congress passed an act that created the Columbia River Gorge National Scenic Area, designed to protect the natural, scenic and cultural resources of the gorge. The mission statement within the act called for a Washington State lodge and meeting center to be built – Skamania Lodge.

Located on 175 wooded acres overlooking the Columbia River Gorge and Cascade Mountains, construction began in 1991. The lodge opened in 1993 and was developed through a public-private partnership involving four primary parties, The Columbia River Gorge Commission, The USDA Forest Service, Skamania County, and Grayco Resources, Inc.

## Estimated 2016:

Occupancy	64%
Average Rate	\$179
FIT/Group Mix	40/60



## Lodge amenities include:

- 254 guest rooms
- 22,000 square foot conference and event center
- 18 hole golf course
- Full service spa
- Swimming pool
- Tennis
- Basketball
- Volleyball
- Zip line tour
- Hiking trails
- Outdoor Amphitheater

# Big Cedar Lodge – Ridgedale, MO

In the 1920s, two prominent Missourians built resort homes on a combined 300 acre forested parcel known as Big Cedar hollow. In 1958, the White River was dammed forming Table Rock Lake.

After several decades and the addition of a large lodge, Johnny Morris, the founder of Bass Pro Shops purchased and restored the site and its buildings in 1987. The now 800-acre site in the Ozark Mountain countryside overlooks the 50,000-acre Table Rock Lake which provides numerous activities to resort guests.

## Estimated 2016:

Occupancy	67%
Average Rate	\$260
FIT/Group Mix	40/60



## Lodge amenities include:

- 60 lodge guest rooms
- Private cabins and cottages
- 19,000 square feet of meeting space
- Swimming pool
- Boating
- Hiking trails
- Kids club/day camp

# Suncadia Resort – Cle Elum, WA

Built on land with a rich history of hunting, mining, and logging, Suncadia Resort opened in 2004 with the completion of the Inn at Suncadia. Subsequent development includes a golf courses, the lodge, a fitness center, spa, and ice skating rink.

Privately owned by New Suncadia, LLC, Suncadia's 6,400 acres include the Cle Elum River valley and Tumble Creek as well as views of the Cascade Mountains.



## Estimated 2016:

Occupancy	56%
Average Rate	\$255
FIT/Group Mix	50/50

## Lodge amenities include:

- 254 lodge guest rooms
- 18 room Inn
- Private condominiums and vacation homes
- 14,000 square feet of meeting space
- Golf courses
- Swimming pool
- Spa
- Retail village
- Outdoor amphitheater
- Hiking trails
- Kids' club/day camp

# The Lodge at Mount Magazine – Paris, AR

In 1983, Arkansas established the 2,200-acre Mount Magazine State Park. Arkansas State Parks partnered with the USDA Forest Service to develop approximately 1% of the land for tourism. Construction of new roads, utilities, picnic facilities, campgrounds, and maintenance facilities began in 1999 with the opening of a Visitors Center in 2001

The state funded lodge and Cliffside cabins opened in 2006.

Estimated 2016:

Occupancy	72%
Average Rate	\$140
FIT/Group Mix	60/40



## Lodge amenities include:

- 60 lodge guest rooms
- 13 Private cabins
- 5,600 square feet of meeting space
- Swimming pool
- Spa
- Outdoor amphitheater
- Hiking trails

# Starved Rock Lodge & Conference Center – Oglesby, IL

Originally operated as a private resort in the early 20<sup>th</sup> Century, the Illinois State Parks Commission acquired the land in 1911. As a part of Roosevelt’s New Deal, the Civilian Conservation Corps constructed trails, shelter, and benches throughout the park, In 1933, the group constructed the lodge and several cabins. Starved Rock was declared a National Historic Landmark in 1960.



## Estimated 2016:

Occupancy	80%
Average Rate	\$115
FIT/Group Mix	60/40

## Lodge amenities include:

- 60 lodge guest rooms
- 16 Private cabins
- 4,600 square feet of meeting space
- Swimming pool
- Indoor theater
- Hiking trails

# Rush Creek Lodge – Groveland, CA

Privately developed and operated, Rush Creek Lodge opened in the June of 2016. This environmentally conscious resort is located in Yosemite National Park and offers several nature oriented family activities. Resort owners have a second sister property, Evergreen Lodge, approximately 7 miles from Rush Creek.



## Estimated 2016:

Occupancy	75%
Average Rate	\$215
FIT/Group Mix	50/50

## Lodge amenities include:

- 260 lodge guest rooms
- Private cabins
- 4,400 square feet of meeting space
- Swimming pool
- Hiking trails
- Youth program

# Stonewall Resort – Roanoke, WV

Stonewall Jackson Lake State Park was completed in 1990. The park and associated lake were a project of the U.S. Army Corps of Engineers who purchased the property to construct a flood control dam. A portion of the lake covered the former site of Roanoke, WV, which was completely flooded in over 60 feet of water. The finished dam was put in service in 1988. In 1998, a private developer reached an agreement with the state of West Virginia to attract \$42 million in private investment to repay the park's \$35 million of outstanding debt and fund additional improvements. The state contributed another \$23 million for a total development fund of \$65 million. Park improvements included a 206-room lodge, an Arnold Palmer signature golf club, and 10 original cottages. All park elements are operated by a private concessionaire.



## Lodge amenities include:

- 206 guest rooms
- 10 cottages, 20 new cottages being developed
- 14,000 SF IACC certified conference center
- 18 hole golf course
- Full service spa
- Swimming pool & fitness area
- Marina
- Hiking trails

# Comparable Resorts – Amenities

	Starved Rock Lodge & Conference Center	The Lodge at Mount Magazine	Suncadia Resort	Skamania Lodge	Rush Creek Lodge	Big Cedar Lodge	Stonewall Resort
<b>RESORT AMENITIES</b>							
Main Lodge	✓	✓	✓	✓	✓	✓	✓
Cabins & Cottages	✓	✓	✓		✓	✓	✓
Restaurants	✓	✓	✓	✓	✓	✓	✓
Swimming Pool	✓	✓	✓	✓	✓	✓	✓
Golf			✓	✓		✓	✓
Tennis/Basketball Courts				✓			
Spa			✓	✓		✓	✓
Wedding Ceremony Sites	✓	✓	✓	✓	✓	✓	✓
Village/Shopping			✓				
Indoor Theater/Concerts	✓						
Amphitheater/Pavilion		✓	✓	✓			



# Comparable Resorts – Nearby Activities

	Starved Rock Lodge & Conference Center	The Lodge at Mount Magazine	Suncadia Resort	Skamania Lodge	Rush Creek Lodge	Big Cedar Lodge	Stonewall Resort
<b>NEARBY ACTIVITIES</b>							
National/State Park/Forest	✓	✓	✓	✓	✓		
Hiking Trails	✓	✓	✓	✓	✓	✓	✓
Rock Climbing		✓					
Zip Line				✓			
Boating	✓		✓	✓	✓	✓	✓
Stand-up Paddleboards/Kayak			✓	✓			
Fishing	✓				✓	✓	✓
Horseback Riding	✓	✓			✓	✓	
Mountain Biking		✓	✓				
ATV Riding		✓					
Motorized Scooter Rentals			✓				
Guided Tours	✓			✓	✓	✓	
Kids Club / Day Camp			✓		✓	✓	
Backpacking/Camping	✓	✓					

# Comparable Resorts – Function Space

Ballroom Space Assessment		City	sf	# divisions
	Skamania Lodge	Stevenson WA	11,550	6
	Big Cedar Lodge	Ridgedale MO	10,974	4
	Suncadia Resort	Cle Elum WA	5,940	3
	Stonewall Resort	Roanoke WV	4,183	2
	The Lodge at Mount Magazine	Paris AR	3,840	3
	Rush Creek Lodge	Groveland CA	2,800	1
	Starved Rock Lodge & Conference Center	Oglesby IL	2,244	1
	Average	Average	5,933	3
<b>Comparable Themed Towns</b>			<b>sf</b>	<b># divisions</b>
Meeting Space Assessment		City	sf	# rooms
	Skamania Lodge	Stevenson WA	10,450	17
	Stonewall Resort	Roanoke WV	9,647	13
	Big Cedar Lodge	Ridgedale MO	8,152	8
	Suncadia Resort	Cle Elum WA	7,709	11
	Starved Rock Lodge & Conference Center	Oglesby IL	2,342	5
	The Lodge at Mount Magazine	Paris AR	1,760	2
	Rush Creek Lodge	Groveland CA	1,625	4
	Average		5,955	9
<b>Comparable Themed Towns</b>			<b>sf</b>	<b># rooms</b>

Sources: Respective Venues

All resorts have facilities have function spaces capable of hosting wedding ceremonies and receptions. Some resorts focus on group meetings with large, flexible ballroom spaces and multiple breakout meeting rooms.

# Comparable Resorts – Destination Assessment

Annual Airport Passengers (2016)			
Suncadia Resort	Seattle-Tacoma International Airport	42,340,537	
Starved Rock Lodge & Conference Center	Midway International Airport	22,221,499	
Skamania Lodge	Portland International Airport	16,850,952	
Rush Creek Lodge	Sacramento International Airport	9,608,948	
The Lodge at Mount Magazine	Clinton National Airport	1,987,432	
<b>Eastern Kentucky Resort</b>	<b>Blue Grass Regional Airport</b>	<b>1,245,251</b>	
Big Cedar Lodge	Springfield-Branson National Airport	919,044	
Stonewall Resort	Yeager Airport	424,974	

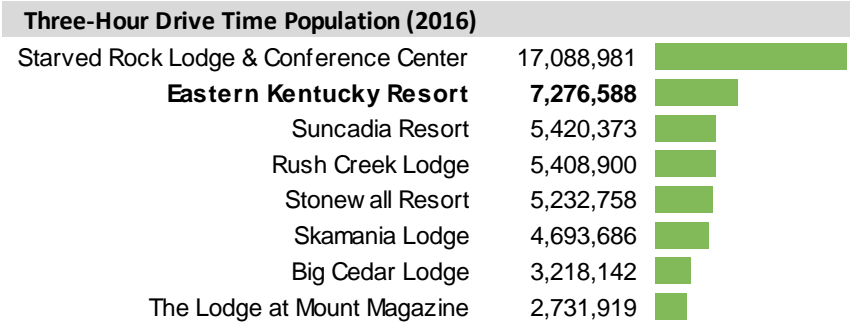
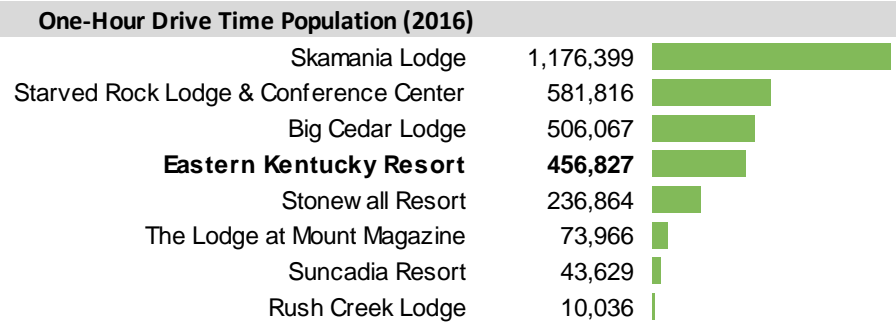
Sources: Respective Airports

Distance to Major Airport (miles)		
Rush Creek Lodge	165	
The Lodge at Mount Magazine	121	
Stonewall Resort	96	
Suncadia Resort	89	
Starved Rock Lodge & Conference Center	87	
<b>Eastern Kentucky Resort</b>	<b>62</b>	
Big Cedar Lodge	60	
Skamania Lodge	42	

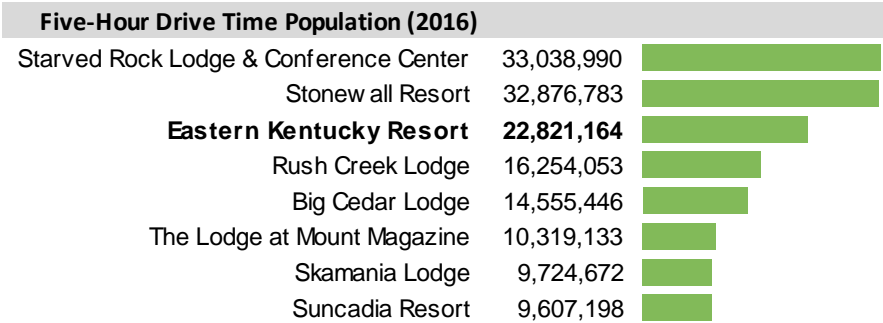
Sources: Esri

An Eastern Kentucky Resort would be serviced by the Blue Grass Regional Airport in Lexington. While this airport has lower passenger volumes than most airports serving comparable destinations, it is relatively close and easily accessible to the proposed site for the resort.

# Comparable Resorts – Population

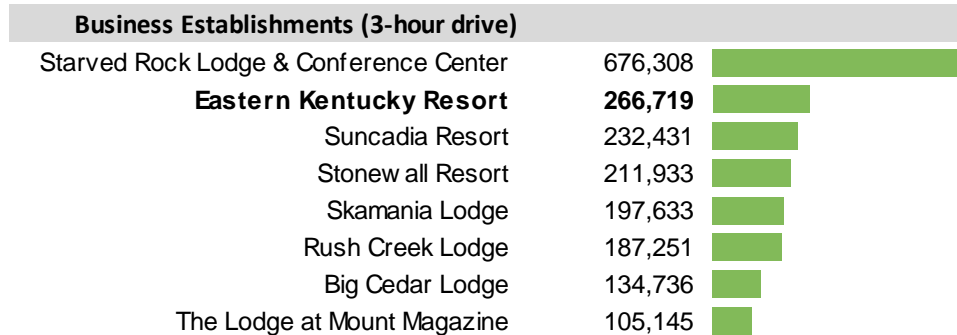
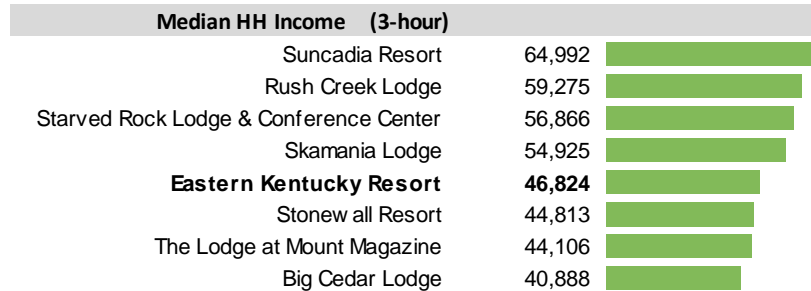


While the one-hour drive time population surrounding the proposed resort is about average, the three and five hour drive time populations are significantly larger than many comparable resort properties.



Source: Esri

# Comparable Resorts – Income & Business



Source: Esri

The population surrounding the proposed resort has a below average low median household income, suggesting reduced disposable income. The number of business establishments roughly follows population figures, suggesting a greater potential for group corporate demand.

# Comparable Themed Communities

Following an initial development of a destination resort, HVS investigated the potential of additional tourism-related development in a themed tourist community at or near the proposed resort site. Additional development could include lodging, restaurants, retail shops, outdoor attractions and activities, golf and other sports venues, entertainment venues, and museums and galleries.

HVS investigated the following four themed tourist communities in locations that could be comparable to a development in Eastern Kentucky.

- Helen, Georgia
- Leavenworth, Washington
- Solvang, California
- Winthrop, Washington

# Helen, GA – Bavarian Village

Formerly a declining logging town, Helen reinvented itself through 1969 zoning that mandated the classic Bavarian style on every building and is now known as Georgia Alpine Village. Approximately 90 miles from Atlanta and adjacent to the Unicoi State Park, Helen is a popular tourism destination for weekend getaways and motorcyclists.

Helen occupies just over two square miles and attracts nearly 3 million visitors annually. Downtown Helen includes 19 hotels with nearly 1,000 guest rooms, 30 restaurants, and a variety of retail shops. Helen does not impose a local sales tax and lodging tax, but White County collects a 3% retail sales tax and an 8% lodging tax. Annual lodging tax collections are approaching \$1 million annually.



## Events

Annual hot air balloon race  
Christmas parade  
Fasching (German Mardi Gras)  
Bierfest  
Springfest

## Activities and Attractions

Unicoi State Park  
Alpine mini golf  
Adventure park  
Horses  
Zip lines  
River tubing  
Gemstone mining  
Golf  
Waterpark  
Art galleries  
Wineries

# Leavenworth, WA– Bavarian Village

Two Seattle businessmen created the theme town idea in Leavenworth in the early 1960s. In addition to renovating the downtown area, town leaders also created a series of festivals and events to draw visitors to the town. Approximately 120 miles from Seattle and in the foothills of the Cascade Mountains, Leavenworth attracts visitors throughout the year.

Leavenworth attracts nearly 2 million visitor annually. Downtown Leavenworth include 17 hotels with 660 guest rooms, 40 restaurants, and a variety of retail shops. Leavenworth imposes a 0.2% local sales tax and 3% lodging tax in addition to regular sales taxes. Annual local lodging tax collections are approaching \$800,000 and local sales tax collections are \$1.2 million annually.



## Events

Bavarian Ice Fest  
Leavenworth Ale Fest  
Oktoberfest  
Christkindlmarkt  
Bluegrass festival  
Summer theater  
Accordion Festival  
Farmers market  
Spring bird fest  
Autumn Leaf Fest

## Activities and Attractions

Winter sports  
Wineries  
Farms & Orchards  
Arcade  
Breweries & Distilleries  
Museums  
Birding  
Rock climbing  
Zip lines  
Horses  
Rafting & kayaking



# Solvang, CA– Dutch Village

Between 1850 and 1930, a large number of Danish pioneers emigrated to the U.S. In 1910, 2 Danish Americans founded the Danish-American Colony Company and purchased almost 9,000 acres of land in the Santa Ynez Valley to create a Danish community in 1911. Solvang was incorporated as a city in 1985.

Solvang attracts nearly 1.5 million visitors annually. Downtown Solvang includes 21 hotels with over 900 guest rooms, 46 restaurants, and a variety of bakeries and retail shops. Solvang does not impose a local sales tax but receives a portion of a special Santa Barbara County sales tax. This local sales tax allocation reached \$1.1 million in 2016. Solvang imposes a 12% local lodging tax which netted over \$4.2 million in 2016.



## Events

- Julefest
- Global music festival
- Jazz festival
- Art shows
- Haunted house
- Bike races
- Danish days festival
- Taste of Solvang
- Half marathon

## Activities and Attractions

- Wine country
- Shopping
- Antiques
- Art Galleries
- Biking and bike tours
- Golf
- Carriage & trolley rides
- Apple orchard
- Museums
- Ostrich land

# Winthrop, WA – Old West Town

Using Leavenworth, WA as inspiration, in 1972, local business owners decided to restore the old west theme of the town through reconstruction and signage. Located in northern Washington near the North Cascades National Park, Winthrop is 240 miles from Seattle and 180 miles from Spokane.

Downtown Winthrop includes 11 hotels with over 370 guest rooms, 15 restaurants, and a variety retail shops Winthrop imposes a 0.5% local sales tax and 3% lodging tax in addition to regular sales taxes. Annual local lodging tax collections are \$150,000 and local sales tax collections are \$300,000 annually.



## Events

- R&B festival
- Rodeo
- 49er days
- Chamber music festival
- Vintage wheels show
- Softball tournament
- Balloon festival
- Holiday events

## Activities and Attractions

- Hiking
- Biking
- Hunting & fishing
- Rock climbing
- Horses
- Water sports
- Birding
- Winter sports
- Golf
- Art galleries
- Farmers markets

# Resort Program Recommendations

Developing a destination resort in Eastern Kentucky would increase the region's potential to capture both group and leisure visitors. Based on our analysis of existing attractions and visitation in the region and an assessment of comparable resorts, we recommend that the resort hotel contain the following elements.

- 150 to 175 guest rooms
- Private cabins and cottages
- 12,000 square feet of meeting function space, including a 6,000 square foot ballroom with 3 divisions and 6,000 square feet of breakout meeting space of varying sized rooms
- Spa
- Swimming pool
- Indoor recreation, such as rock climbing wall
- Full service restaurant and other casual food outlets
- Indoor and outdoor wedding ceremony sites
- Connection to hiking trails

# Ancillary Visitor Amenities

In addition to on-site resort amenities, we recommend the following visitor attractions and amenities be developed or expanded in areas near the proposed resort

- Hiking and biking (including guided tours and rentals)
- Rock climbing
- Zip lines
- Horseback riding
- Golf
- Boating
- Fishing
- Water/adventure park
- Shopping and dining
- Music pavilion/amphitheater

We also recommend creating special events and programs that will attract additional visitors to the region, including concert series, bike and run races, seasonal festivals, markets, and music and art festivals.

# Future Themed Community

Future development of the tourism industry in Eastern Kentucky could include a themed community at or near the proposed resort. Similar to the comparable communities detailed above, a community in Eastern Kentucky could contain the following elements.

- Additional lodging with various service levels, including hotels, motels, B&Bs, and private cabins
- Multiple retail, dining, and entertainment outlets
- Arts & crafts galleries
- Museums and visitor centers
- Antique shops
- Golf
- Transportation and tours for outdoor recreation (hiking biking, rock climbing, zip lines, horseback riding) and sight seeing

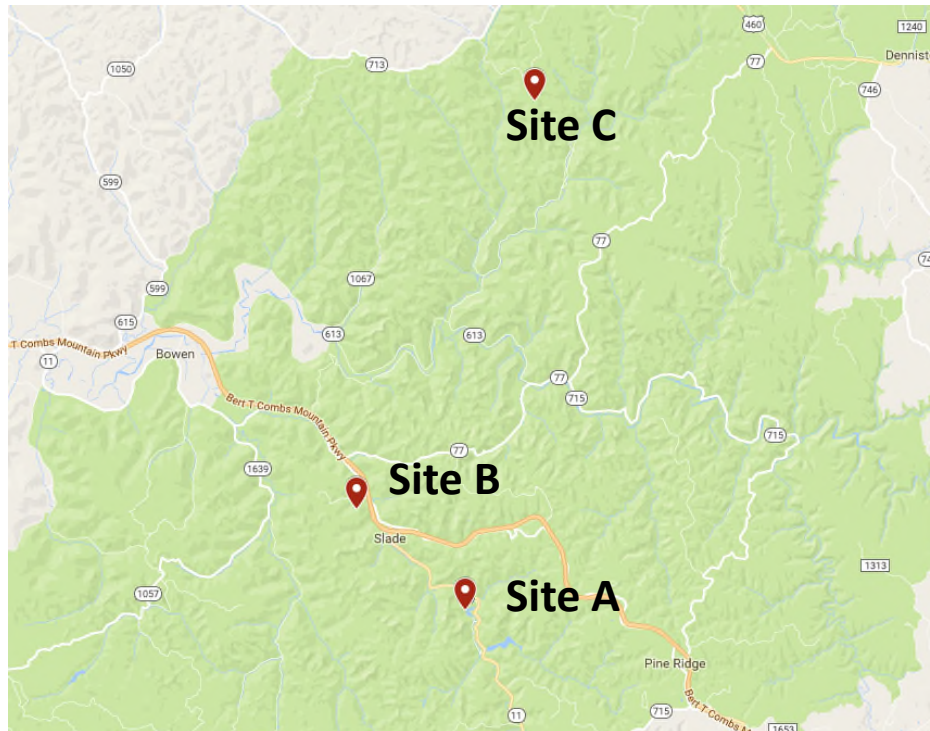
A fully developed themed community would attract one to two million annual visitors.

# Site Assessment

# Site Assessment

HVS investigated the suitability of three sites for the proposed resort development. All sites are within the Daniel Boone National Forest.

- **Site A** – The location of the existing Natural Bridge State Resort (Powell County)
- **Site B** – An undetermined site on 600 acres of property northeast of Natural Bridge State Resort park and south of the Mountain Parkway (Powell County)
- **Site C** – A site approximately 4 miles southwest of the town of Frenchburg (Menifee County)



# Site Assessment Matrix

## EVALUATION OF 3 SITES BASED ON 22 SELECTION CRITERIA

Criteria	Weight	Site A - Natural Bridge State Resort Park	Site B - 600 Acres	Site C - Frenchburg
Ability to assemble single site for resort program	4	1	3	2
Elevation and views from site	5	2	3	1
Site infrastructure in place or planned	3	3	1	1
Site visibility from major highway	3	1	3	1
Proximate to state park amenities	5	3	2	1
Proximate to lake/water recreation	3	2	1	3
Proximate to town center	2	1	1	3
Ability to serve/sell alcohol	5	3	3	2
<b>Sub-Total</b>		<b>16</b>	<b>17</b>	<b>14</b>
Potential for neighboring tourism development	4	2	3	3
Ability to develop themed community	4	1	3	2
Ability to control adjacent development	4	3	2	2
Need to incorporate protected land	3	1	3	2
Displacement of existing uses	2	1	3	2
Compatibility with neighboring land uses	3	2	2	2
<b>Sub-Total</b>		<b>10</b>	<b>16</b>	<b>13</b>
Access via 4-lane highway	4	3	3	2
Local access road in place	3	3	1	2
Availability of existing parking	3	2	1	1
<b>Sub-Total</b>		<b>13</b>	<b>11</b>	<b>12</b>
Land assembly costs	4	3	3	3
Potential for public incentives	4	3	3	2
Cost of construction	3	2	2	2
Potential for private investment	5	1	3	3
Opportunity costs - alternative land uses	3	2	2	2
<b>Sub-Total Financial Considerations</b>		<b>11</b>	<b>13</b>	<b>12</b>
<b>Total All Criteria</b>		<b>50</b>	<b>57</b>	<b>51</b>



# Site Assessment Weighted Scores

Weighted Scores	MAX	Site A - Natural Bridge State Resort Park	Site B - 600 Acres	Site C - Frenchburg
Location	90	64	69	49
Area Impact	39	17	39	30
Access	30	27	18	17
Finance	57	41	51	47
<b>Total</b>	<b>216</b>	<b>149</b>	<b>177</b>	<b>143</b>
<i>Percent of Maximum</i>		<b>69%</b>	<b>82%</b>	<b>66%</b>

Weighted scores apply the importance factor to all criteria with five being the most important and 1 being the least important. The importance of the criteria (weight) X the conformance score = the weighted score.

The sum of weighted scores equals the total score. The 600 acres site produces the largest total score, indicating that it is the most favorable site for the proposed resort development. While remaining sites do not possess a fatal flaw that would preclude them from consideration, they are not as well suited for the recommended resort program and future development.

# Site Assessment Conformance Criteria

Location	3	2	1
Ability to assemble single site for resort program	Site can accommodate full resort program and support spaces to meet guest needs and operate efficiently	Site may require minor modification to resort program that may minimally effect marketability and operation	Site requires major modifications to building program that may affect marketability and operation
Elevation and views from site	Site has necessary elevation to provide unobstructed views of Red River Gorge and/or Daniel Boone National Forest	Site is at a lower elevation but has views of surrounding natural amenities	Site is at a lower elevation which minimizes views
Site infrastructure in place or planned	Site requires minimal upgrades to infrastructure to support resort	Site has some infrastructure but requires major improvements to support resort	Site has no existing infrastructure in place
Site visibility from major highway	Site is owned or easily acquired and is properly zoned for use	Site is not owned and acquisition may be difficult	Site acquisition more difficult due to multiple owners or difficult negotiations
Proximate to state park amenities	Site is within short hike to state park amenities and attractions	Site is within short drive to state park amenities and attractions	Site requires longer drive to reach state park amenities and attractions
Proximate to lake/water recreation	Site has potential for on-site water recreation amenities	Site is within short distance to lake or river which has water recreation potential	Site requires longer drive to reach lake or river which has water recreation potential
Proximate to town center	Site is within short drive to existing town center	Site is within moderate drive to existing town center	Site requires longer drive to reach existing town center
Ability to serve/sell alcohol	Current legislation allows alcohol sales on the site	Alcohol services is not currently allowed, but future legislation is likely	Alcohol service is not currently allowed and future legislation is not likely

# Site Assessment Conformance Criteria – cont.

Area Impact	3	2	1
Potential for neighboring tourism development	Several surrounding sites available for future additional tourism development	Some surrounding sites may be suitable for future additional tourism development	No site currently available or appropriate for additional tourism development
Ability to develop themed community	Several surrounding sites could be developed into themed community	Some surrounding sites could be developed into themed community	No surrounding sites could be developed into themed community
Ability to control adjacent development	County and State have ability to control future improvements to all surrounding sites	County and state have ability to control future development of most surrounding sites	Surrounding sites are available for future development free from restriction on types of improvements
Need to incorporate protected land	Assembling site would require	Site is currently vacant but has planned development	Site is currently used for other purpose
Displacement of existing uses	Intended use of site would not cause conflict with owners of surrounding land	Intended use of site could occasionally cause conflict with owners of surrounding land	Intended use of site would regularly cause conflict with owners of surrounding land
Compatibility with neighboring land uses	Proposed resort would be fully compatible with existing neighboring land uses	Proposed resort would be compatible with most existing neighboring land uses	Proposed resort would conflict with existing neighboring land uses

# Site Assessment Conformance Criteria – cont.

Access Considerations	3	2	1
Access via 4-lane highway	Site is conveniently located by major roadways for easy vehicle access	Site does not have direct access from major roadways. Attendees would use rural highways to access site.	Site is in locations which is difficult to access by vehicle
Local access road in place	Adequate local access roads to site are currently in place	Site requires extension or expansion of existing local access roads	Site requires construction of local access roads
Availability of existing parking	Site has existing parking that is suitable to support resort needs	Site requires additions to existing parking to support resort needs	Site requires construction of parking necessary to support resort needs
Financial Considerations	3	2	1
Land assembly costs	Site is owned or otherwise available without purchase	Parcels for site can be purchased for a reasonable price	Parcels for site can be purchased for a higher price
Potential for public incentives	Use of site has high potential for State or County investment	Use of site has moderate potential for State or County investment	Use of site has no potential for State or County investment
Cost of construction	Site has minimal elements that would increase costs of construction	Site has some elements that would increase costs of construction	Site has several elements that would increase costs of construction
Potential for private investment	Use of site has high potential for private investment	Use of site has moderate potential for private investment	Use of site has no potential for private investment
Opportunity costs - alternative land uses	Intended use of site is the highest and best use of the land	Site has other potential uses which have similar returns as intended use	Site has other potential uses which have a higher return than intended use

# MICE Group Demand Projections

# MICE Visitor and Room Night Projections

Following a three-year demand ramp-up period, group demand at the resort would produce 160 annual events and over 9,700 group room nights \*.

	Events	Average Attendance	Total Attendance	Room Nights
<b>Events</b>				
Business Conferences	20	100	2,000	2,880
Retreats and Reunions	40	100	4,000	4,110
Meetings	40	40	1,600	130
Weddings & Banquets	50	180	8,750	2,500
Other	10	100	1,000	110
<b>Total</b>	<b>160</b>		<b>17,350</b>	<b>9,730</b>

\* Room nights include other those generated through groups using the resort's function spaces. Other group and transient demand projections are included in accompanying hotel supply and demand analysis report.

# Group Event Types

- **Business Conferences**—Conferences are multi-day events that require a mix of banquet and breakout space set-up and occasional assembly space, but they typically do not require a large exhibit set-up. Lobbies and portions of the ballroom could service as light exhibit space as needed. The primary sources of business conferences would be corporations based in Lexington, Louisville, Cincinnati. Other sources of conferences state and regional association groups.
- **Retreats & Reunions** —Retreats and reunions are multi-day events that primarily require banquet space with some breakout spaces. The primary source of retreats and reunions would be social, military, educational, religious, fraternal, and ethnic (SMERFE) groups from major population centers within a three hour drive of the resort.
- **Meetings**—Meetings are single day events held in ballrooms or breakout meeting space depending on attendance. Food service is limited to coffee breaks, breakfasts, or luncheons in meeting rooms. The primary source of meetings would be corporations and civic groups based in Lexington. A small percentage of attendees would extend their visit with an overnight stay.
- **Weddings & Banquets**—Weddings & Banquets are stand-alone social events, receptions, luncheons, and other meals typically booked by private clients, local corporations, and social and civic organizations.
- **Other** —Other events would include local civic uses, youth events, and support for future festivals, races, and other events.

# Development Incentives



# Kentucky Tourism Development Act

Enacted in 1996, and most recently amended in 2014, the KTDA provides sales tax incentive program for major tourism development projects. Requirements include:

- New or expanding tourism project
- Minimum cost of \$1 million (or \$500,000 if tourism attraction located in county designated as an enhanced incentive county)
- Must attract 25% of visitors from out-of-state after year 3
- Must be open to the public at least 100 days per year after year 1

Developers of approved tourism projects may recover up to 25% of the cost of the project. Developer is refunded 6% sales tax paid by visitors on admission tickets, food and gift sales, and lodging. Developer has 10 years to reach the 25% threshold.

# Kentucky Tourism Development Act

## Eligible Lodging Projects

In order to qualify, lodging projects must satisfy at least on the following criteria

- Eligible project costs shall exceed \$5 million unless
  - If lodging facility is an integral part of a major convention or sports facility, eligible project costs shall exceed \$6 million, or
  - If lodging facility includes 500 or more guest rooms, eligible project costs shall exceed \$10 million
- In any year, including the first year of operation, the lodging facility shall
  - Be open to the public at least 100 days, and
  - Attract at least 25% of visitors from outside the Commonwealth

A lodging project can recover up to 50% of approved project costs over 20 years.

# Kentucky Tourism Development Act

## Recent Projects

Date of Approval	Approval Year	Max Approved Expenditures	Max Tax Credit Approved	Status	Tax Incentive Awarded	Project Overview
12/20/2010	2010	\$82,000,000	\$20,500,000	1	\$685,385	Expansion of the Kentucky Speedway located in Gallatin County.
5/19/2011	2011	\$172,500,000	\$43,125,000	2	N/A	Development of an amusement park in Grant County with the main feature being a full scale replica of Noah's Ark.
11/22/2011	2011	\$20,500,000	\$4,000,000	4	N/A	Development of a full service lodging facility adjacent to the convention center being constructed in Owensboro.
5/5/2012	2012	\$4,000,000	\$1,000,000	4	N/A	Development of a visitor's experience at the Lawrenceburg distillery.
6/13/2012	2012	\$15,900,000	\$3,900,000	2	N/A	Development of an Entertainment Facility in Grant County including the construction of a full size replica of Noah's Ark.
12/17/2012	2012	\$42,000,000	\$9,500,000	3	N/A	Restoration of a historic structure for lodging facility purposes in downtown Lexington. Development to be similar to the 21c Louisville currently in operation.
2/13/2012	2012	\$14,610,000	\$3,535,000	3	N/A	Development of a full service lodging facility adjacent to the convention center being constructed in Owensboro.
4/13/2013	2013	\$40,000,000	\$10,000,000	4	N/A	Rehabilitation of an Amusement Park and Water Park located adjacent to the Kentucky Exposition Center in Louisville.
10/24/2013	2013	\$1,630,000	\$407,500	4	N/A	Renovation and expansion of a bourbon distillery visitor's experience.
4/9/2014	2014	\$33,065,000	\$8,090,900	3	N/A	Development of a full service lodging facility to be located adjacent to Newport on the Levee.
4/9/2014	2014	\$2,214,500	\$533,625	3	N/A	Renovation and expansion of a bourbon distillery visitor's experience.
6/26/2014	2014	\$2,025,000	\$500,000	3	N/A	Development of a full service lodging facility to be located adjacent to the Jullian Carroll Conventon Center in Paducah.
6/26/2014	2014	\$18,150,000	\$4,537,500	3	N/A	Renovation and expansion of a bourbon distillery visitor's experience.
	<b>Total</b>	<b>\$448,594,500</b>	<b>\$109,629,525</b>			

- 1 - Attraction is open and receiving annual incentives.
- 2 - Applicant has withdrawn plans to move forward with the development.
- 3 - Attraction has not opened and incentives will not be awarded until operational.
- 4 - Attraction is open but incentives have not been awarded

Source: Commonwealth of Kentucky

# Kentucky P3 Legislation

House Bill 309 was signed into law on April 8, 2016 and authorizes state and local government to use public-private partnerships to develop a wide range of project types. Under Kentucky's P3 legislation, state and local governments may solicit proposals from the private sector for specific projects. The legislation also allow private entities to submit unsolicited proposals.

# P3 in Hotel Development

Public Private Partnerships (“P3s”) are an economic development tool that is gaining popularity in the hospitality industry. Hotels provide both long and short term economic and fiscal benefits to a community in the form of visitor spending, temporary and permanent job creation, and the resulting tax collections. Despite positive market indicators and demand potential, some hotel projects do not create the necessary financial performance to support their feasibility. Public incentives can help bridge the feasibility gap, and encourage private development of high impact projects.

P3s in hotel development are more frequently used in mid-sized, full-service hotel projects (150 to 500 rooms) in which a reasonable amount of public equity investment can make the difference between a feasible and infeasible project. For many smaller projects the potential benefit of new economic and fiscal impacts are modest and only justify a limited investment on the part of the sponsoring municipality. In other communities, a P3 is the only politically acceptable form of government support. Often other local hotel owners demand limits on government support of potentially competitive products. This is particularly true in stressed hotel markets where the proposed property would not induce significant amounts of new demand.

# P3 in Hotel Development

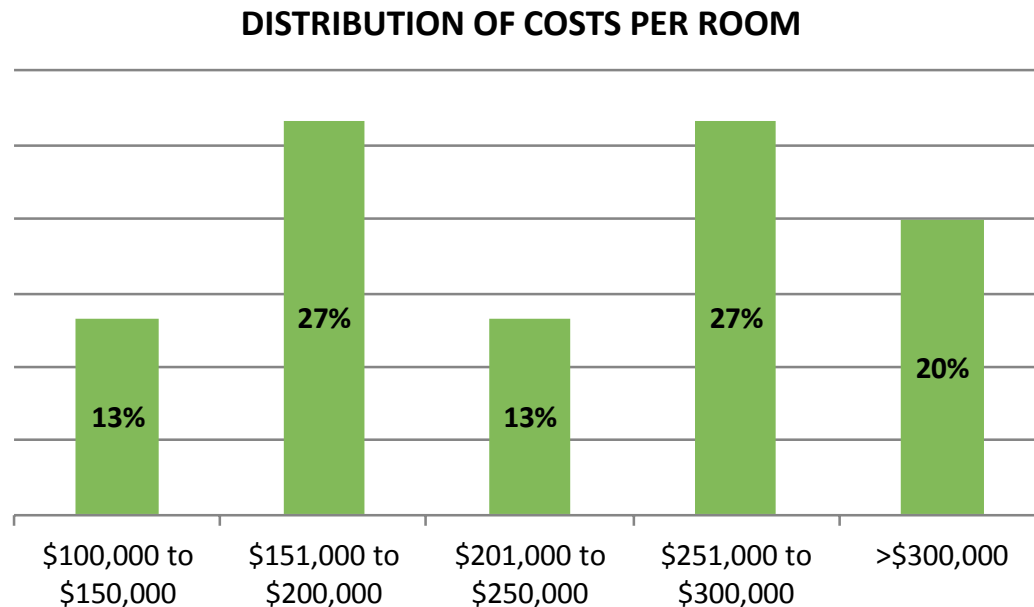
To assess trends and current industry practices in hotel P3s, HVS analyzed 48 existing and planned projects. These projects included hotels with 100 to 400 rooms and associated resort or conference amenities. We included some projects that have not yet opened. While these projects may change in scope, size, timing, or level of public participation, they provide insight into the current state of industry practices.

To perform our research HVS relied on the following data sources:

1. An HVS proprietary data base that tracks hotel sales transactions and operating histories,
2. HVS data base of prior hotel research reports that contains information on some hotel transactions that involved public financing or PPPs,
3. Publicly available offering statements and other prospectuses on hotel transactions,
4. Third party information on projects including industry and general media sources, and
5. First-hand knowledge of certain projects based on prior involvement in consulting activities related to the project.

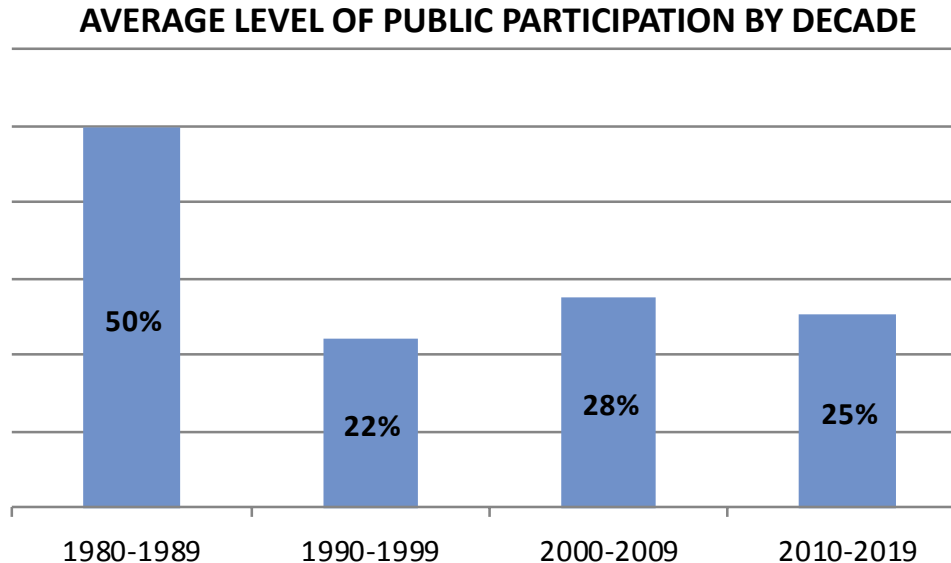
# Analysis of P3 Projects

The properties analyzed opened or will be open between 1982 and 2021 and have an average of 226 rooms. The average cost of the comparable projects was approximately \$237,000 per room (stated in 2017 dollars). These project costs are inclusive of hard construction, furniture fixtures and equipment, and other related soft costs. Project costs are wide ranging depending on the location, timing, and quality of the hotel. The following figure provides a distribution of costs per room for the comparable projects.



# Analysis of P3 Projects

As demonstrated in the figure below, the percentage of the public share of project costs has varied over the past four decades.

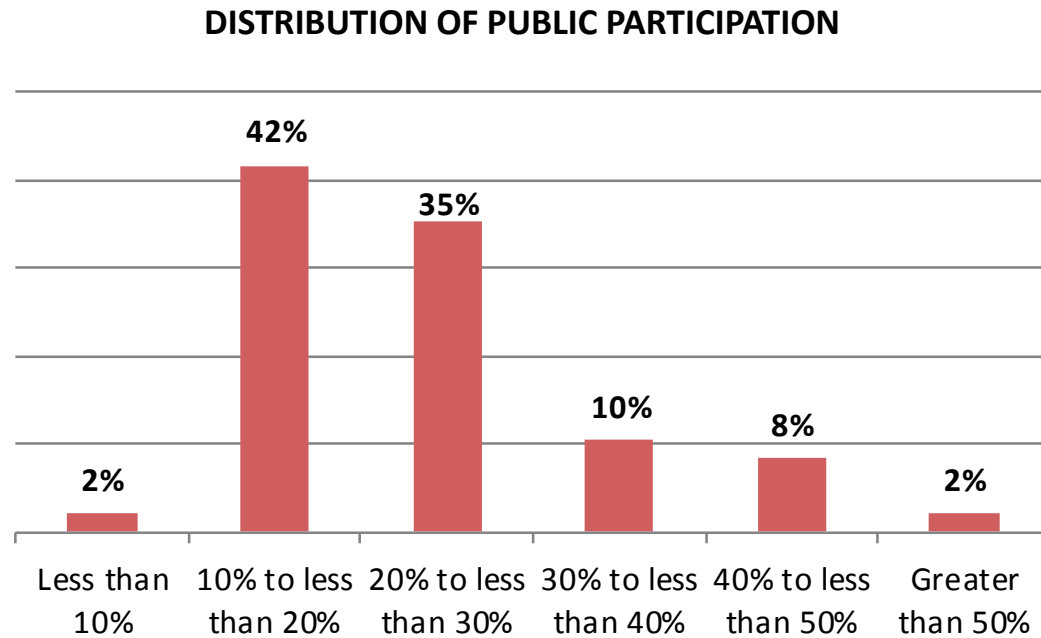


The 1980's saw the growth in use of industrial revenue bonds to finance projects, but a 1986 law limited the availability of tax exempt financing for some projects. In the late 1990's, an IRS ruling expanded the use of tax exempt financing for publicly owned hotels. During the next decades, recessions and lack of government resources limited public participation in projects, while recent new market tax credits, EB5 funding, and an improving economy have encouraged an increase in the level of public participation in hotel projects.



# Analysis of Public Participation

The following figure presents the distribution of the level of public participation in the comparable hotel projects.



Over three-quarters of projects received between 10% and 30% public participation. 20% received more than 30%. The overall average level of public participation is 27%

# Forms of Public Participation

State law often dictates the forms of allowable public participation except in cities with home rule governments that have broad taxing powers. The most frequently used methods of public subsidy include tax rebates and tax increment financing, including:

- Abatement of property taxes or subordination of the property taxes to return on equity investment.
- Abatement of hotel lodging taxes collected on property or redirection of those taxes to the project.
- A pledge of city-wide or special district lodging taxes to support a publicly financed component of the project.

Less frequently, public entities fund their contribution to the project using:

- Food and beverage tax revenues generated by the property or from a special district.
- General sales taxes or sales taxes from a special district.

# Forms of Public Participation

Other incentives may include direct municipal participation in land acquisition and the development of project elements, including

- Infrastructure improvements, including roadway improvements, parking lots and decks, and other supporting development.
- Publicly-owned developments, such as adjacent meeting and conference spaces, entertainment venues, and other visitor amenities.

Public participation for hotels and resorts may also include

- Funding a feasibility studies and other forms of project due diligence.
- Issuing public bonds to offset the developer's investment in the project. Governments rarely use general obligation debt to support hotel projects as this entails potential increases in real estate taxes, sales taxes, or other sources of public funds that are not generated by or related to the project.
- Fee waivers.
- Marketing support.

# Case Study - Stonewall State Resort Park

## Lewis County, WV

In 1998, a private developer reached an agreement with the state of West Virginia to attract \$42 million in private investment to repay the park's \$35 million of outstanding debt and fund additional improvements. The U.S. Army Corps of Engineers agreed to erase \$1 of debt for every \$1 spent on the construction of facilities within the boundaries of the state park. The state contributed another \$23 million for a total development fund of \$65 million. Park improvements included a 200-room lodge, an Arnold Palmer signature golf club, and 10 original cottages. All park elements are operated by a private concessionaire. Stonewall Resort is the first state park in the nation to be developed, constructed, financed and operated by a private developer in partnership with the state.



In 2016, Stonewall State Resort Park announced the development of 20 new cottages, adding to the 10 existing units developed in 2002. The cottages will be 2,200-square-foot, two-story, four-bedroom luxury homes equipped with modern amenities. The cottages were financed by private investors who will own the units, and have agreed to make them available for public rental through Stonewall Resort. Cottage owners also agree to maintain standards and cover other maintenance, design, and liability issues.

# Case Studies – Gaylord Texan & Great Wolf Lodge

## Grapevine, TX

### GAYLORD TEXAN

Opened in 2004, the Gaylord Texan contains 1,511 rooms and around 300,000 square feet of function space. The project received 20% funding from public sources, including:

- The creation of a TIF zone and the issuance of \$27.5 million TIF bonds to fund various infrastructure improvements.
- Rebate of 2% hotel occupancy tax estimated at \$30.4 million over the life of the project
- Fee waivers valued at \$1.7 million

Tax rebates and fee waivers also apply to any future expansions.



### GREAT WOLF LODGE

Opened in 2006, the Great Wolf Lodge contains 605 guest rooms, an 80,000 square foot indoor water park, and 20,000 square feet of meeting function space. The original 400-room project received 5% of funding (\$5.3 million) from public sources, including:

- Rebate of 1% hotel occupancy tax over 10 years
- Fee waivers and reductions

A subsequent 200-room expansion in 2007 received the following incentives

- Rebate of 1% hotel occupancy tax over 10 years
- Fee waivers and reductions
- Rebate of ½% hotel tax for all 600 rooms over 10 years

# Case Study – Westin Virginia Beach Town Center

## Virginia Beach ,VA

Opened in 2007, The Westin Virginia Beach Town Center is a 38 story high rise hotel and living residence in Virginia Beach Town Center. The 236-room, 4 star hotel is the bottom half of the 38 story building and the upper stories contain 119 condominiums. The hotel also contains 11,000 square feet of meeting space. The project received 35% public funding, including:



- In November, 1999, the Virginia Beach City Council approved the establishment of a TIF District to support the construction of public amenities in the Central Business District. Through the TIF District, the city contributed \$83.6 million to the Town Center, providing public parking garages, the plaza, infrastructure, and streetscape features such as fountains.
- The City pays into escrow an annual fee for capital reserves and capital maintenance and repairs for the Meeting Space. The fee, initially set at \$150,000 per annum, increases each year based the CPI.

# Case Study – Embassy Suites & Conference Center

## San Marcos, TX

Opened in 2008, the San Marcos Embassy Suites & Conference Center contains 283 guest rooms and around 79,000 square feet of function space. The City of San Marcos provided 70% of the funding for the conference center, while the developer was responsible for the remaining 30% and the full cost of the hotel development. Overall, the project received 22% funding from public sources, including:



- City issuance of \$22.6 million in revenue bonds to finance the construction of the conference center. The City is responsible for repaying \$15.7 million in tax-exempt bonds and revenue certificates of obligation. The developer is responsible for repaying the remaining \$6.9 million in taxable certificates of obligation through biannual rent payments.
- The City created a Tax Increment Reinvestment Zone in March 2006 to pledge sales tax revenue generated within the Zone to reimburse construction cost of the conference center and repay the bonds.
- In July 2005, the City Council approved a Chapter 380 Economic Development Grant and Loan Agreement for the Hotel and Conference Center Project with the developer. Under this agreement, the City loaned \$1,500,000 and granted \$500,000 to facilitate purchase of the hotel site. In December 2006, the \$1.5 million loan was converted to a future grant to help facilitate the project.

# Case Study – Great Wolf Lodge Southern California Garden Grove, CA

Opened in 2016, the Great Wolf Lodge Southern California contains 603 guest rooms and a 105,000 square foot indoor water park. The City of Garden Grove provided a 13- acre parcel, appraised at \$30 million, to the developer at no cost. In addition, the project received 16% funding from public sources, including:



- The City provided \$5 million to the developer after the commencement of construction
- The City completed \$5.2 million in roadway and other infrastructure improvements.
- 30 days after project opening, the City provided the developer \$42 million to be repaid by city property taxes, including an estimated \$2.8 million annual property tax paid by Great Wolf Lodge.



# Case Study – Kalahari Resort

## Round Rock, TX

With a planned opening in 2021, the Kalahari Resort will contain 975 guest rooms, 170,000 square foot indoor water park, and a 150,000 square foot convention center. The city will purchase the property for about \$27.5 million, documents said. Kalahari will repay the city with a \$17 million initial lease payment and a \$10.5 million lease payment, plus interest, in eight years. The property will be leased to Kalahari for up to 99 years. In addition, the project will receive 20% funding from public sources, including:



- The City will issue bonds to provide \$40 million to construct the city-owned convention center. City bonds will be paid by hotel, sales, mixed beverage, and property taxes generated by the project
- The City will issue \$30 million to make road improvements on U.S. 79 and utility improvements on the property.

# Conclusions and Next Steps

1. The destination resort detailed in this report should be considered an initial step and catalyst for developing a tourism destination in eastern Kentucky. Ultimately, multiple, varied tourism amenities, events, and attractions would be necessary to create a sustainable destination that attracts a regional base of visitors.
2. The development of a destination resort in Eastern in Kentucky should be accompanied by an overall master planning effort for the region. A master plan would identify tourism regions and the proper mix of amenities and attractions.
3. Once adopted, the Master Plan would inform a zoning plan that ensures that nearby development initiatives are supportive and complementary and do not weaken the attractiveness of the destination.
4. In addition to Tourism Development funds, other funding initiatives may include local zoning incentives and infrastructure support.
5. Successful marketing of the region would require the development and funding of a centralized destination marketing organization that serves multiple counties.



Contact Information:

Thomas Hazinski

Managing Director

HVS Convention, Sports & Entertainment

312-587-9900 Ext. 11

[thazinski@hvs.com](mailto:thazinski@hvs.com)

Catherine Sarrett

Senior Director

HVS Convention, Sports & Entertainment

312-587-9900 Ext. 15

[csarrett@hvs.com](mailto:csarrett@hvs.com)

Desiree Flanary

Senior Vice President

HVS

(970) 381-9794

[dflanary@hvs.com](mailto:dflanary@hvs.com)

# Statement of Assumptions and Limiting Conditions

1. This report is to be used in whole and not in part.
2. No responsibility is assumed for matters of a legal nature.
3. We have not considered the presence of potentially hazardous materials on the proposed site, such as asbestos, urea formaldehyde foam insulation, PCBs, any form of toxic waste, polychlorinated biphenyls, pesticides, or lead-based paints.
4. All information, financial operating statements, estimates, and opinions obtained from parties not employed by HVS are assumed to be true and correct. We can assume no liability resulting from misinformation.
5. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject property.
6. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and only when our standard per-diem fees and travel costs are paid prior to the appearance.
7. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
8. We take no responsibility for any events or circumstances that take place subsequent to the date of our report.
9. We do not warrant that our estimates will be attained, but they have been developed on the basis of information obtained during the course of our market research and are intended to reflect reasonable expectations.
10. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded. Thus, these figures may be subject to small rounding errors.
11. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client, and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.
12. Although this analysis employs various mathematical calculations, the final estimates are subjective and may be influenced by our experience and other factors not specifically set forth in this report.
13. This report was prepared by HVS Convention, Sports & Entertainment Facilities Consulting. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of this organization, as employees, rather than as individuals.
14. This report is set forth as a market study of the subject facility; this is not an appraisal report.

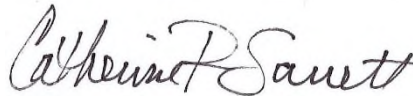
# Certification

The undersigned hereby certify that, to the best of our knowledge and belief:

1. the statements of fact presented in this report are true and correct;
1. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
2. we have no (or the specified) present or prospective interest in the property that is the subject of this report and no (or the specified) personal interest with respect to the parties involved;
3. we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
4. our engagement in this assignment was not contingent upon developing or reporting predetermined results;
5. our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
6. our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice; and
7. Thomas Hazinski, Catherine Sarrett, and Desiree Flanary personally inspected the property described in this report.



Thomas A. Hazinski, MPP  
Managing Director



Catherine Sarrett, MBA  
Senior Director



Desiree Flanary, MAI  
Sr Vice President