

Potential for Tourism Development in Eastern Kentucky



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Strategic Recommendations

AECOM was retained by the Kentucky Chamber Foundation to explore opportunities to further develop and enhance tourism in Eastern Kentucky. Our analysis examined national and state tourism trends and explored how demographic, economic and cultural changes are influencing travel patterns. Then we examined what motivates people to take leisure trips. We provided examples of successful tourism destinations, how they developed and what drives visitors there. Finally, we examined key issues that should be taken into consideration when planning for tourism development in Eastern Kentucky as well as potential funding sources. For purposes of this analysis, we defined Eastern Kentucky to be the area encompassed by Interstate 75 to the west and Interstate 64 to the north, excluding the Lexington metropolitan area. This first phase of work did not identify a single action or investment or series of investments that should be taken to develop the tourism industry in Eastern Kentucky. Rather, we evaluated a series of potential tourism development concepts based on current trends in the industry that could be adapted to the region.

Coal has been an economic driver for Eastern Kentucky for decades. With more cost effective fuels today, coal production has declined dramatically in recent years. In 2012, more than 4,000 coal jobs were lost in Eastern Kentucky and production is projected to continue its decline. As the economies look to diversify, tourism development has been proposed as a way to revitalize and stabilize the regional economy. The current tourism program is characterized by outdoor recreation and adventure travel. The State Parks in the region are strong assets some with golf courses, resorts, conference centers, amphitheaters, campgrounds, marinas, etc.

Simply put, the goal of tourism development is to get tourists to come to a region or destination, spend their time and money there, return in the future and tell others about their positive experiences. However, tourism development, similar to other economic development strategies, requires several components to be successful. For the Kentucky Chamber of Commerce to pursue and implement a successful tourism development strategy in Eastern Kentucky, AECOM recommends the following:

- **Understand what motivates people to travel.**
As discussed in the full report, travelers participate in many activities while they are away from home, but few of them are the primary motivator of a trip. In fact, single activities such as shopping or dining out are not the motivation for a trip.
- **Design a tourism program for a specific market segment initially.**
Early development should focus on specific market segments, understanding their needs and preferences and design a tourism program accordingly. For example, those traveling for a business conference have different needs than a family on vacation or a golfer at a resort. As a destination grows in popularity, other amenities, products and services can be added to diversify and capture a larger audience and extend the length of stay. Some destinations develop a niche market, even with

a diverse array of tourism products. Examples include Branson which is known for live entertainment, Wisconsin Dells is known for waterparks, Las Vegas has gaming and Myrtle Beach developed its tourism around golf.

- **Develop a destination that has wide appeal.**

In order to encourage people to stay longer at a destination, product development should be diverse enough to appeal to a wide range of travel market interests. This includes accommodations, attractions, entertainment, retail and dining. Though shopping and dining out are not necessarily trip motivators, they are popular activities while traveling and need to be included in a tourism development strategy. Events and festivals can tie in with local attractions to get visitors to stay longer.

- **Get on your target market's wish list.**

The majority of American overnight leisure visitors start their trip planning process by considering the destination they wanted to visit, rather than activities or travel experiences. Marketing is critical in order to get on your target markets destination wish list.

- **Don't forget the public sector's role.**

Finally, while much of the tourism development may be privately led, there is a role for the public sector. Specifically, infrastructure needs to be in place to support the development. In addition to traditional infrastructure such as roads, airports, parking, signs and utilities, this includes making sure that travelers feel safe and welcome. Also, in an increasingly connected world, guests want to remain connected via wireless technology making broadband connectivity as important as other forms of infrastructure.

- **Be adaptable.**

Traveler preferences and needs change, make sure the tourism product can also evolve by adding amenities or services that appeal to current – or potential – target markets and removing ones that don't. However, not everything will work. Failure is part of success.

- **Be patient.**

Success takes time. The specific destinations and regions profiled in this report took time to develop and continually evolved and changed over time.

Possible Next Steps

Eastern Kentucky is well-positioned for tourism growth. It has the potential to develop into a regional destination since more people are taking shorter trips, closer to home and most travelers get to their destination by car. Visitors will likely come from Lexington, Knoxville and Cincinnati. The region's natural beauty lends itself easily to outdoor recreation. The goal with tourism development is to encourage current visitors to stay longer, entice new visitors to come to the region and encourage repeat visitation. This is done by maintaining and improving current facilities and by adding more attractions, accommodations, amenities and events. Marketing the region to potential visitors will be critical. Specific recommendations the Kentucky Chamber of Commerce and Eastern Kentucky tourism developers could consider include:

- **Pursue public/private partnerships for development within the State park system.**

The state parks are a vital asset to the region and could be the base for a regional tourism

development strategy. The Golf Trail could be better promoted. The lodges, conference centers and restaurants are not well maintained and could be updated. Similar to other state agencies across the country, funds are limited. A public/private partnership could provide needed funds to update these key attractions. A number of state park systems are considering public/private partnerships to develop and/or operate entire parks or select park elements (i.e., hotel, conference center, golf course, marina, ATV rentals, spa, etc.). The leasing of entire parks is modeled after the U.S. Forest Service (USFS) program in which the operations and maintenance of park activities are leased to a private operator with planning and administrative control remaining with the USFS.

- **Encourage development of commercial lodging properties targeting higher-end tourism market.**

The hotel inventory is not very diverse in Eastern Kentucky. Accommodations geared toward outdoor experiences such as cabins, lodges and resorts could be considered near State parks. Golf courses, spas and dining could be included at regional resorts to enhance the visitor experience. Better quality lodging products can appeal to group travel for both leisure and business purposes. Regional resorts can be developed to target outdoor enthusiasts such as hunters and fishers. Ranch experiences are popular in the western U.S. and could be used as potential models for tourism development at horse farms.

- **Promote public incentives to private developers.**

There are several state programs offered through the Tourism, Arts and Heritage Cabinet and the Cabinet for Economic Development that could offset the costs of private development.

- **Develop or enhance training and education of tourism workforce.**

Work with local high schools, community colleges, colleges and universities to develop academic programs for hospitality and management programs. In addition, work with local community organizations and non-profit groups to develop customer service training programs focused on serving visitors. Some towns have also designed a “familiarization tour” that they give to local residents working in the tourism industry so they can better understand, from the visitor’s perspective, what there is to see and do in the community.

- **Increase awareness of the benefits of tourism.**

The tourism industry is quite diverse. Beyond just hotels and restaurants, the industry includes retailers, gasoline stations, cab drivers, attractions, etc. Visitor spending in these businesses provides income to the owner and wages to employees which bolster household income. Visitors spending generates valuable tax revenues which help offset the costs for services to residents. In addition the development of restaurants, retail, entertainment and attractions improves quality of life for residents. Tourism also focuses on preserving the natural, historic and cultural resources for future generations. By providing information on the benefits of growing tourism may have on a local community, it may be easier to convince voters to approve the sale of alcohol by the drink at hotels and restaurants.

- **Conduct a feasibility study.**

Before a significant tourism investment is made, a master plan and feasibility study for specific project components (hotel, retail, attractions, etc.) should be undertaken. A master plan will define the program with more precision and provide recommendations of location on the site of buildings, amenities and infrastructure, all information needed in the regulatory approval process. It will also provide a more definitive estimate of development costs. A feasibility analysis will provide input to the program, and will serve as the basis for formulation initial deal strategies. Both documents will also, with certain exclusions, be important elements of marketing packages for prospective developers.



Once the master planning and feasibility study have determined, at least on a preliminary basis, the requirements for funding, support can be estimated.

Conclusions

There are a wide variety of smaller attractions spread throughout Eastern Kentucky in addition to the popular state parks, some of which offer golf courses. However, the region currently lacks a critical mass of visitor activities. Based on our research of national and state tourism trends and analysis of popular rural tourism destinations, Eastern Kentucky, with its rich culture and history, natural beauty and ample opportunities for outdoor recreation, has the potential to become an appealing regional destination for visitors of all kinds from Kentucky as well as from markets within easy driving distance.

To create a tourism destination in Eastern Kentucky, such as a modern, well-planned Gatlinburg, a diverse mix of activities will be required. For example, a destination that features gorgeous scenery, bluegrass music, Kentucky bourbon, local arts and crafts and multiple outdoor recreation, shopping and dining options could be very popular among visitors from Ohio, Tennessee and West Virginia, as well as Kentucky. By providing a variety of experiences for visitors they will stay longer, spend more and most importantly, come back.

It will take considerable effort and long term commitments by both the private and public sectors to develop the necessary tourism products and supporting infrastructure to become such a destination. Though tourism development may be led by private efforts, there are public resources available through the Commonwealth of Kentucky to help offset costs, particularly those associated with necessary infrastructure.

Introduction

AECOM was retained by the Kentucky Chamber Foundation to explore opportunities to further develop and enhance tourism in Eastern Kentucky. Our analysis examined national and state tourism trends and explored how demographic, economic and cultural changes are influencing travel patterns. Then we examined what motivates people to take leisure trips. We provided examples of successful tourism destinations, how they developed and what drives visitors there. Finally, we examined key issues that should be taken into consideration when planning for tourism development in Eastern Kentucky as well as potential funding sources. The report sections are outlined below.

- **National Tourism Trends**

Americans took more than 2 billion trips within the U.S. during 2012, surpassing pre-recession travel volumes. Here we examine differences in trip purpose, length of stay and activities visitors participated in while away from home. This section also discusses how demographic, economic and cultural shifts are changing travel patterns.

- **Kentucky Tourism Trends**

It is important to understand who is currently visiting the state and Eastern Kentucky as they will be potential markets for any future development in the region. Details from a recent visitor profile will be discussed comparing visitors to Eastern Kentucky to the state.

- **Tourism Demand Generators**

To create a tourism destination, developers need to have an understanding of what motivates travelers. Not just knowing what they want to do while in an area, but what brings them there in the first place. Data from the Travel Activities and Motivations Survey (TAMS) demonstrates that these are not always the same activity. In this section we explored insights from TAMS to understand what motivates American travelers. We then profiled several types of tourist demand generators.

- **Tourism Destination Areas**

We profiled three successful tourism destination areas in this section including the history of development and the diversity of tourism products offered.

- **Other Elements to Consider**

For a tourism destination to succeed, there are several elements that will impact performance positively. Without them, the destination may have difficulty reaching desired profitability. We discuss three in this section.

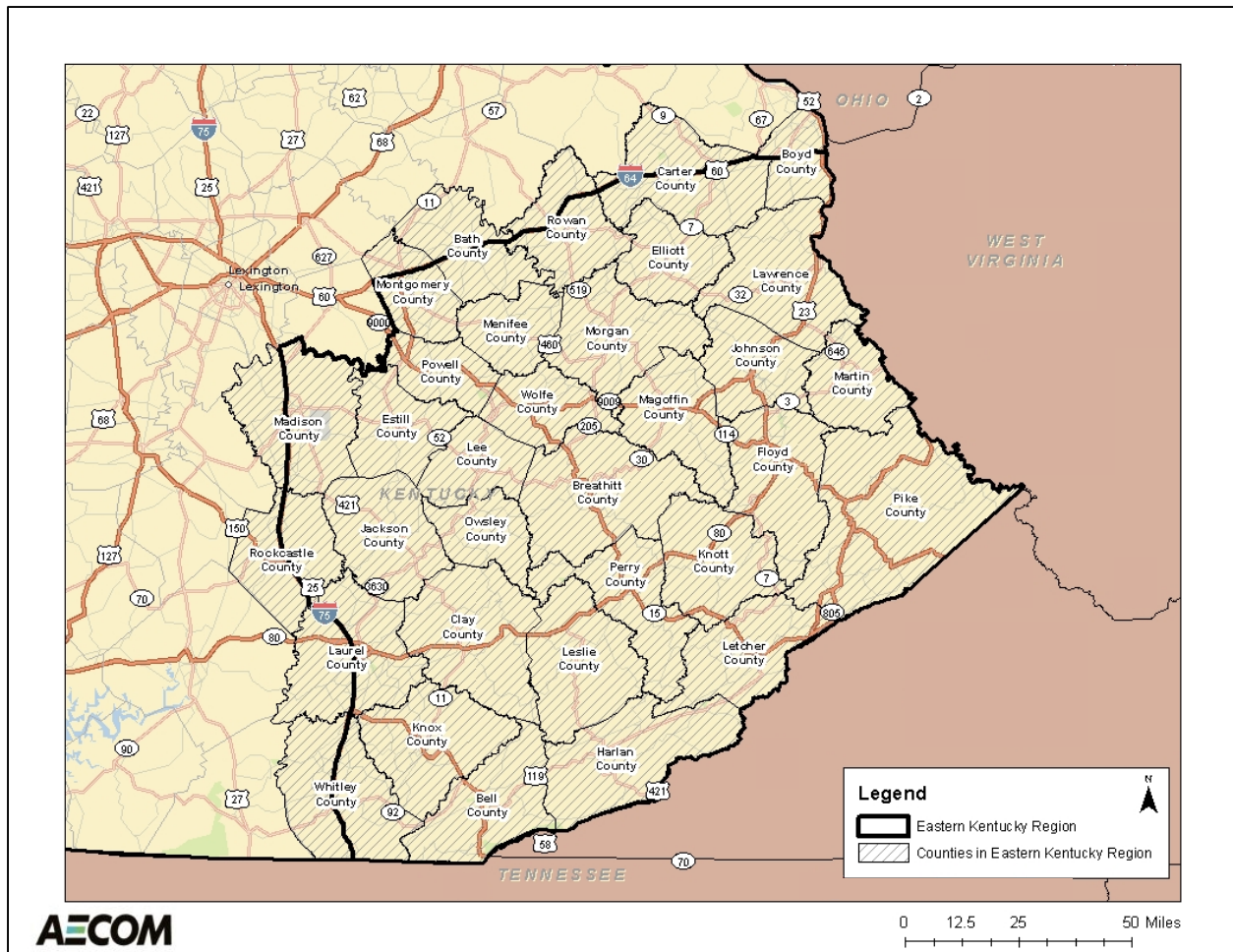
- **Potential State Funding Sources**

In this final section we present information on three potential state funding sources to encourage private development.

This first phase of work does not identify a single action or investment or series of investments that should be taken to develop the tourism industry in Eastern Kentucky. Rather, we evaluate a series of potential tourism development concepts based on current trends in the industry that could be adapted to the region.

For purposes of this analysis, we defined Eastern Kentucky to be the area encompassed by Interstate 75 to the west and Interstate 64 to the north, excluding the Lexington metropolitan area. The map below shows which counties are included in this region.

Figure 1 – Counties in Eastern Kentucky Region

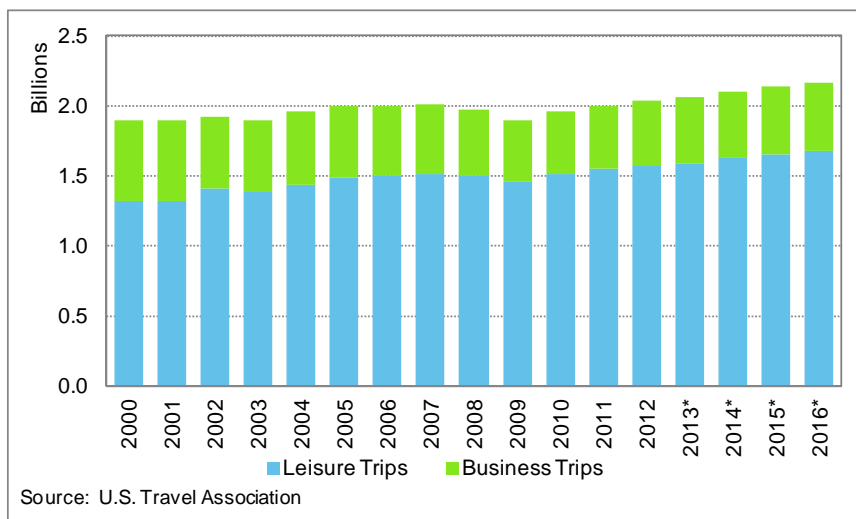


National Tourism Trends

In this section, we explore national trends in the travel industry. We look at the overall volume of travelers by trip purpose, how long they are at a destination, what they like to do while there and how much they spend. We then examine how travel preferences are changing as a result of shifts in demographics and lifestyle trends. Understanding this dynamic and ever changing industry is important when considering how to develop Eastern Kentucky. This section focuses on domestic travel and does not include international visitors to the U.S.

The number of people traveling continues to grow even as the U.S. economy recovers from the Great Recession. According to the U.S. Travel Association (USTA), a national non-profit organization that promotes increased travel to and within the U.S., Americans took more than 2 billion trips¹ for business and leisure purposes and spent \$727 billion during 2012. Nearly 6.4 million were employed in the tourism industry as a result of Americans traveling, 6 percent of the total U.S. workforce. In general, travel is characterized as either for business or leisure. Traveling for leisure includes visiting friends and family, general vacations (e.g., outdoor recreation, entertainment, sightseeing, etc.), medical travel and educational trips. Business trips are for general business, attending convention or tradeshow and attending conferences or seminars.

Figure 2 – Domestic Person Trips¹ by Trip Purpose



Leisure travel was not as impacted as business travel during the recent economic recession and is expected to recover more quickly. From 2008 to 2009, the number of leisure trips in the U.S. fell less than three percent compared to a 5 percent drop for business trips. In 2012, leisure travel made up more than three-quarters of all trips, an estimated 1.57 billion trips. The number of leisure trips is expected to grow 1.7 percent annually

¹ The U.S. Travel Association defines a trip as any journey in which an individual or members of a household traveled 50 miles or more, one-way, away from home (including day trip) or spent one or more nights away from home. Trips include both business and leisure purposes. A “person trip” is defined as a person on a trip; if three persons from a household travel together on a trip, their travel counts as one trip and three person trips. The USTA uses person trips for travel volume calculations.

through 2016 compared to 1.2 percent for business trips.

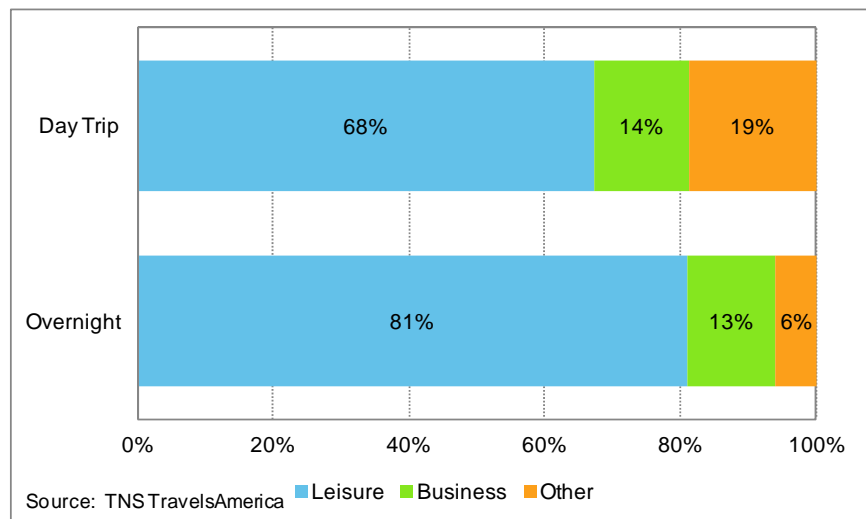
Business travel has shifted in recent years as a result of changes in technology as well as companies and governments tightening their travel budgets. Since 2000, business travel as a share of total trips in the U.S. fell from 30 percent to less than 25 percent in 2012. Travel for general business, including transient business, consulting and general sales visits, represented more than three-quarters of business travel (79% of business trips). The remaining share of business travel was to attend conventions, conferences or seminars. Other findings include:

- The majority of leisure trips were to visit friends or relatives and the average party size was 2.8 people.
- Children were included on 24 percent of all leisure trips.
- People on business trips tended to travel alone, 7 in 10 trips, compared to only 31 percent of domestic leisure trips.

Trip Duration and Activities

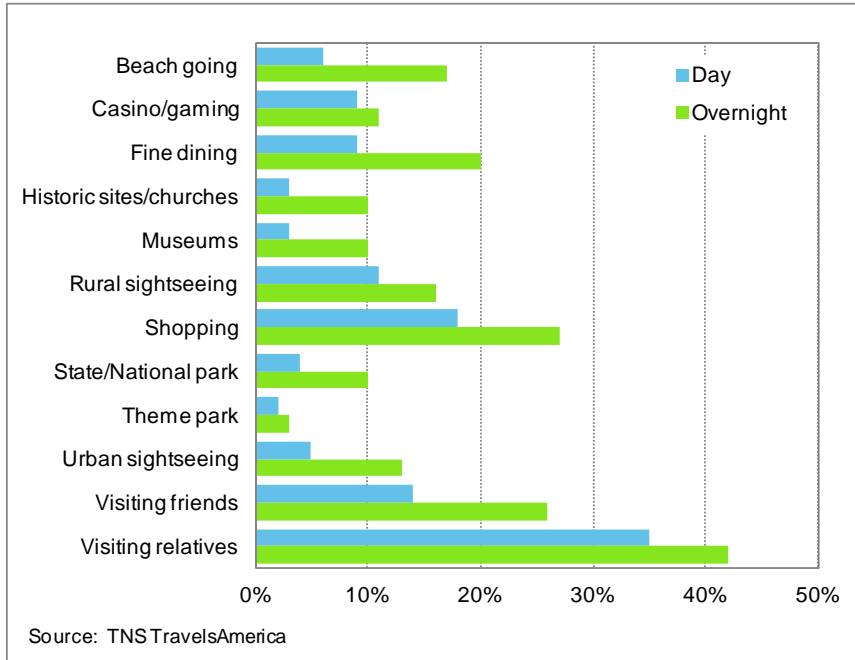
Overnight trips made up 71 percent of all trips in 2011, down from 74 percent in 2010. Among day visitors, 14 percent of trips were for business. Overnight trips were more likely taken for leisure purposes (81%). Overnight business trips averaged 3.7 nights and leisure trips averaged between two and three nights. While nearly half of all overnight leisure travelers stayed with friends and relatives, only one in 10 business travelers did.

Figure 3 – Trip Type by Duration, 2011



Although motor fuel costs continue to rise, most trips were taken in a personal vehicle, 91 percent of day trips and 71 percent of overnight trips. Trips averaged within a few hours drive, typically within the same state where the trips originated (77% of day trips and 46% of overnight trips).

Figure 4 – Activities by Type of Trip



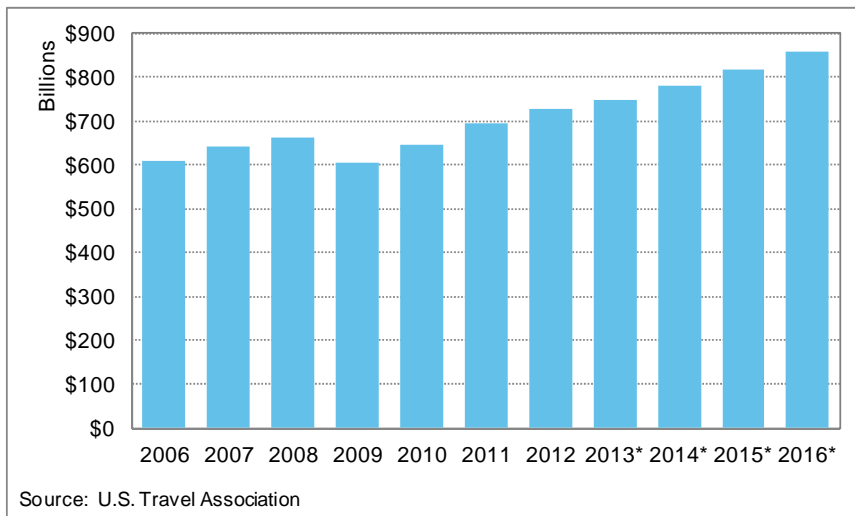
What travelers did at their destination varied by type of trip. Due to the nature of their trip, business travelers engaged in 1.4 activities compared to 2.2 for leisure travelers. Fine dining and shopping were the most popular activities for business travelers. Nearly two-thirds of all leisure travelers visited with friends or relatives while traveling. Shopping, fine dining, beach going and rural sightseeing followed in popularity. The most popular activities for travelers were visiting relatives, shopping and visiting friends. Rural

sightseeing ranked fourth among day visitors (11%) and sixth among overnight visitors (16%).

Trip Spending

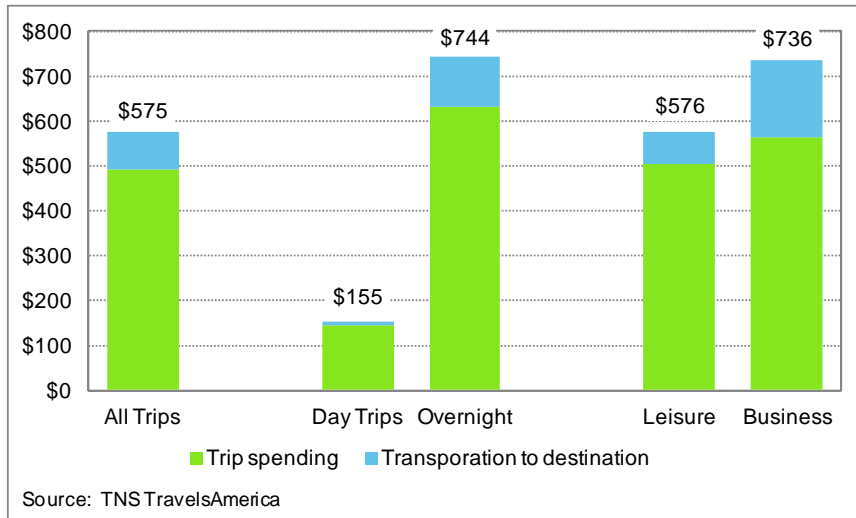
In 2011, domestic travelers in the U.S. spent nearly \$700 billion, surpassing pre-recession levels.

Figure 5 – Travel Spending in the U.S.



Despite a drop in travel spending in 2009, spending grew at an average annual rate of 2.7 percent from 2006 to 2011 and is projected to grow 4.2 percent annually through 2016. The USTA projects that travel spending in the U.S. will surpass \$800 billion in 2015.

Figure 6 – Average Spending by Type of Trip, 2011



Overall trip spending remained relatively constant between 2010 and 2011, averaging \$575 per trip including transportation to the destination. Overnight travelers spent an average of \$744 per trip while those traveling for the day spent \$155 per trip.

Though business trips have declined as an overall share of trips, spending per person on a business trip was \$736 in 2011 compared to \$562

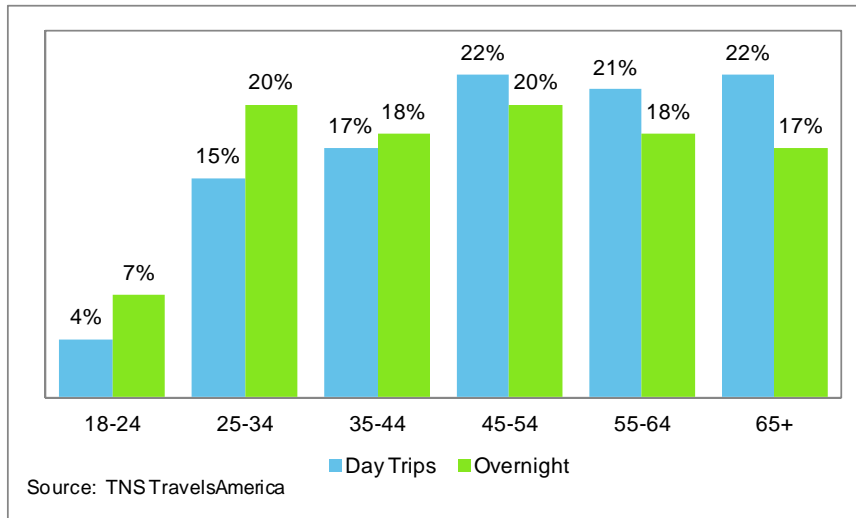
per person on a leisure trip. Since business trips are more likely to occur out of state and include air travel than leisure trips, business travelers also had the highest transportation costs to the destination, \$174 per trip compared to \$73 for leisure visitors. The traveler with the highest spending were business travelers attending conventions, conferences or seminars. On average, they spent \$1,042 per trip, including transportation costs to their destination. In part this can be attributed to a longer stay, three to six nights, and further travel to their destination, likely requiring air transportation. Though business trips made up only 13 percent of all trips in 2011, they accounted for one-quarter of all travel spending.

Traveler Demographics and Preferences

According to data from TNS TravelsAmerica, Americans who traveled within the U.S. during 2011 differed from the general population. Travelers were more likely to be married, older and more educated. Household income was higher and there was a greater rate of homeownership among travelers. Twice as many travelers had obtained at least a college degree and annual average household income for travelers was \$20,000 higher, \$72,647 in 2011 compared to \$52,762 for the typical American household. The average age of travelers increased from 46.4 in 2010 to 48.2 in 2011.

More than one in five trips (21%) was taken by travelers aged 45-54. Young adults, those between 18 and 24 made up only 6 percent of all trips, down slightly from 2010. Those over the age of 55 made up a growing share of travelers. Approximately eight in 10 travelers aged 18-34 and 55 and older traveled for leisure purposes in 2011.

Figure 7 – Trip Type by Age Group, 2011



As shown in the adjacent figure, there was a higher proportion of younger adults taking overnight trips. Of those on overnight trips, 20 percent are between the ages of 25 and 34. Older adults had a higher propensity to take day trips. Those 65 and older were more likely to take day trips (22%) than overnight trips (17%). Length of stay also varied by age. Younger travelers aged 18 to 34 were more likely to take trips

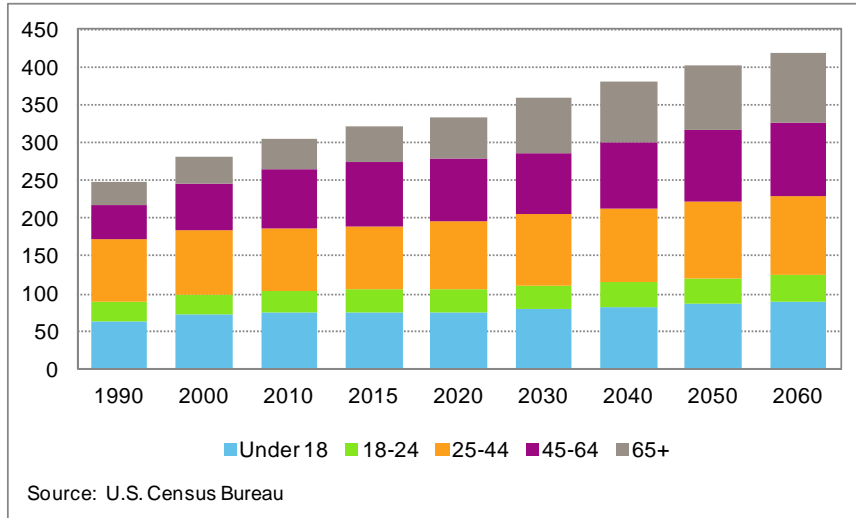
lasting one to two nights (41%) while travelers 55 and older were most likely to take longer trips that lasted seven or more nights (12%). One-third of travelers 55 and older took a day trip in 2011, higher than other age groups.

What travelers did while on their trip varied by age, income and trip purpose. Travelers 55 and older were more likely to visit relatives whereas younger travelers were more likely to visit friends. Older travelers were also more likely to participate in casino or gaming activities as well as rural sightseeing. Households earning less than \$50,000 were more likely to spend time visiting relatives and friends than those earning higher incomes. Households earning more than \$100,000 participated in entertainment activities, such as shopping and fine dining, with greater likelihood than those earning less income. Beach-going, urban sightseeing and visiting museums were also more popular trip activities for households earning more than \$100,000.

Demographic Trends

The U.S. population is changing in size, diversity, age and household composition. All of these changes have the potential to impact the travel industry, specifically what travelers expect and what they want do while they are away from home.

Figure 8 – U.S. Population Projections (millions)



The U.S. population is projected to grow, but at rates slower than those seen in the 1990s and 2000s. In 2012, there were an estimated 313 million people. Over the next 50 years, the population is projected to grow by 100 million people. The fastest growing population segment includes those over the age of 65. By 2030, 2 in 10 adults will be retirement age (65+). In 2060, 22 percent of the population will fall into

this category.

A 2006 USTA analysis examined differences in travelers by age group as shown below. The Silent and G.I. groups have an average overnight stay of 4.4

Table 1 – Travel Party Characteristics by Age, 2005

Age Segment	Born Between	Leisure	Day	Overnight Duration	Avg. Spend per Trip*
Generations X/Y	1965 and 1986	68%	51%	2.9	\$303
Baby Boomers	1946 and 1964	60%	48%	3.2	\$364
Silent/G.I. Generations	1945 or earlier	71%	49%	4.4	\$383
Total		65%	49%	3.3	\$339

* Excludes transportation costs to the destination
Source: U.S. Travel Association

nights, 1.5 nights greater than the average for Generations X/Y. Accordingly, average spending per trip was higher based on longer stays.

Younger travelers participate in a greater number and variety of activities than other groups. They are more likely to seek out entertainment, sightsee, take part in night life activities as well as go to theme/amusement parks and state or national parks. Older travelers are more likely to gamble and take group tours. Visits to friends or relatives are more common among Generations X/Y (26%) and the Silent/G.I. Generations (28%) than among Baby Boomers (21%). The Silent and G.I. Generations are slightly more likely to take a general vacation (8%) than other cohorts (6% each). Weekend getaways, on the other hand, are slightly more common among Generations X/Y (10%) than the Silent/G.I. Generations (8%).

The ethnic and racial mix is also projected to change significantly. Between 2000 and 2010, the U.S. population grew by 9.7 percent. The minority population grew by 28.8 percent and the Hispanic population grew by 43 percent over the same time frame. By 2050, data from the Pew Research Center shows that non-Hispanic whites are forecast to decrease from 67 percent of the population in 2005 to 47 percent by 2050. Hispanics will increase their share of the population from 14 percent to 29 percent over the same timeframe.

Minority markets represent significant potential for the tourism industry so it is important to understand their travel preferences. A 2003 study by the Travel Industry Association, now the USTA, profiled minority travelers. They found that Hispanic households generated the highest travel volume (8% of all household trips in 2002) among minority groups, followed by African Americans (7%). However, Asian American households had a higher propensity to travel. This group made up 3.7 percent of all U.S. households and 4 percent of all U.S. household trips in 2002.

Travel parties that include children represented one-third of trips by Hispanic households, 26 percent of trips by African-American households and 22 percent of Asian American households. Shopping is the favorite activity among all minority groups profiled. One third of Hispanics, 41 percent of African Americans and 39 percent of Asian Americans included shopping while traveling. Other common trip activities for Hispanic travelers included outdoor recreation (16%), visiting theme or amusement parks (14%), visiting historical places or museums (13%), and going to beaches (13%). Popular activities on African-American trips included nightlife or dancing (13%), visiting historical places or museums (12%), attending cultural events or festivals (12%), visiting theme or amusement parks (12%), and gambling (12%). For Asian Americans, after shopping, the next most popular trip activities are visiting historical places or museums (16%), pursuing outdoor recreation (14%), attending cultural events or festivals (13%), and gambling (12%).

Data from the U.S. Census Bureau shows that the number of American households increased 11 percent from 2000 to 2010. Average household size decreased slightly indicating that more people are living alone. In 2010 the average household size was 2.58 people compared to 3.29 in 1960. There are fewer households with children which indicates that people are getting older and no longer have children with them and fewer households headed by young people have children. In fact, in 1990, 36 percent of households included children. By 2010 this had fallen to 29.8 percent.

The number of nonfamily households, that is householders living alone or with nonrelatives such as roommates or an unmarried partner, increased faster than family households. This may reflect people living longer than a spouse, people waiting longer to get married and more people living with roommates due to difficult economic times. Four million more people lived alone in 2010 than in 2000. Among single person households, about one-third had householders who were 65 years and older. Unmarried couples living in the same household increased from 5.2 percent to 6.6 percent. Multigenerational households are also growing, up from 3.7 percent in 2000 to 4.4 percent in 2010.

Economic and Cultural Shifts

In addition to demographic changes, the recent economic recession has changed how people travel for both business and leisure. With less disposable income, leisure travelers are becoming **more cost conscious** when planning trips. Businesses and governments are also closely examining their travel budgets. Analysis of cardholder spending by American Express shows dramatic declines in spending on travel, retail, entertainment and dining among all cardholders (e.g., consumers, small businesses and corporate accounts) in 2008 and 2009. Results were mixed in 2010 through the second quarter of 2011 with travel, retail and entertainment spending up. However, concerns about a double dip recession,

uncertainty about federal fiscal health and lingering unemployment may have contributed to declines in corporate spending during the second quarter of 2011.

At the onset of the recession, there was a drop in travel volume and spending. However, people realized the value of taking vacations. With limited financial resources, people were taking “**staycations**.” Rather than travel, people would explore their local region’s cultural amenities, festivals and events. For those that did travel, **value for the price** became an important factor in choosing where to stay. Among post-recession visitors, 89 percent said that the room rate was the most influential factor in choosing a hotel/motel/resort. For three-quarters of visitors, premium quality mattress and bed lines and/or getting a free breakfast included with the room rate were also influential, more so than free internet access (68%), free late check out (67%) and even getting frequent guest points for each stay (54%).

Data from Smith Travel Research, a global company that tracks hotel performance, shows that there was an initial **downward shift in regard to accommodations** as the recession began. For example, rather than staying in an upscale hotel property such as a Hilton Garden Inn, people would choose to stay in a upper midscale property such as a Hampton Inn. The savings could be used on other activities while at the destination such as shopping, dining or recreation. As consumers regain confidence in the economy and recover financially, it is expected that they will also revert back to previous travel preferences. However a segment of the travel population may continue to be more cost conscious when trip planning.

As **gas prices have gone up** in recent years, there have been impacts on the price of air line tickets and cruise lines most notably. Leisure travelers are more impacted by higher airfares. A survey by the U.S. Travel Association in 2012 revealed that 43 percent of leisure travelers planning to fly would alter their plans if airfares increased compared to one quarter of business travelers. Leisure travelers would seek a cheaper airfare (39%), fly less (27.4%), spend less on entertainment (27%) and 10 percent would find another way to travel. Those who drive to their destination are taking fewer trips that are shorter and closer to home. When leisure travelers who were driving as part of a trip were asked how gas prices would impact their travel plans, 44 percent said they would take fewer trips. Other travelers are adjusting their budgets and spending less on shopping (44%), restaurants (37%) and entertainment (35%) in order to pay for gas. More than a third said they would drive shorter distances (36%). Currently gas prices average \$3.542 for a gallon of regular grade gasoline, compared to a peak of \$4.114 in July 2008.

In addition to financial constraints, Americans are feeling **time poor**. People are working longer hours and children are in school longer and have more organized activities than in the past. It follows that Americans are less likely to take a single, two week vacation. Trying to plan time off for a family where both parents are working and kids are playing sports has become more complicated. A survey by Expedia in 2005 revealed that one-third of respondents did not take all of their vacation days. A 2008 study by Harris Interactive reported that only 14 percent of Americans planned to take a two week vacation in 2007, down from 16 percent in 2006. Instead, more than half of vacationers (55%) indicated that they were going to use their vacation days to take several extended weekend getaways rather than the traditional long summer vacation.

With leaner economic times, there has been a cultural shift placing **more emphasis on relationships** and less on consumerism. This is reflected in travel patterns as well. More than three-quarters of Americans considered reconnecting with family and friends when making vacation decisions. There are

more destinations marketing to these potential groups – grandparents traveling with the grandkids, girlfriend getaways, bachelor party weekends, family or school reunions, etc. A recent poll of American Express travel agents found that 69 percent of them were booking trips for adult children and their parents. The same percent saw grandparents traveling exclusively with their grandchildren, and 67 percent planned trips for family and friends traveling together as one large group.

We live in an increasingly **digital world** and the Internet dominates how people plan and purchase travel. The Consumer Barometer provides insight into how consumers use online and offline information sources in their purchase process. According to their data, consumers purchased 76 percent of leisure flights and 75 percent of business flights online. This is up 10 percentage points from 5 years ago. In 2000, only 35 percent of leisure travelers used the Internet to plan travel and only 19 percent actually made a reservation online. Among those purchasing hotel stays, 73 percent were booked online. There has also been an explosion of travel review sites for destinations as well as specific accommodations, restaurants and attractions. While word of mouth has always been an important way to share information about a place, social media websites such as Facebook have a much larger reach. Mobile technology is allowing travelers to plan travel on their smart phones and tablets.

Emerging Niche Markets

As a result of the above shifts in the demographics and tourism development, several potential tourism segments have emerged which cater to specific lifestyles and interests that may have potential for Eastern Kentucky tourism development.

- **Cultural heritage tourism:** Cultural heritage tourism has been estimated as a huge, multi-billion dollar tourism sector, and one that has brought benefit to both urban and rural areas. Cultural heritage tourism in particular is a potential opportunity to increase visitor appeal in rural regions through local culture, historical trails, festivals and events.
- **Business travel:** Despite the decrease in business travelers as a percent of total travelers, the meetings industry remains vital. According to the Economic Significance of Meetings to the U.S. Economy study, nearly 1.8 million meetings took place in the U.S. during 2009 attended by an estimated 205 million participants. With \$263 billion in spending, the meetings industry directly supported 1.7 million jobs.
- **Family reunions:** Family reunions have become more popular in recent years. According to a 2002 TIA survey, 34 percent of U.S. adults traveled to a family reunion between 2000 and 2002. This translates into nearly 72 million U.S. adults. For some families these are yearly events. According to the survey, travelers are willing to hit the road to attend their family reunions, with 34 percent traveling 500 or more miles one way away from home. Another 34 percent traveled between 150 and 499 miles, while 32 percent traveled less than 150 miles to their reunion.
- **Hispanic travel:** Hispanic travel increased by 20 percent between 2000 and 2002 alone, outpacing other minorities and growing 10 times the overall rate for the traveling population as a whole. As the Hispanic population grows, so does their amount of travel. It is important to note that initial assessment of the vacation destinations for this market segment are primarily entertainment and urban experiences.

- **Nature-based tourism:** Overall, a significant share of Americans seek activities while on travel that could form the basis of a nature-based tourism program: 43 percent of American tourists seek wildlife viewing in natural surroundings; 38 percent seek walking in an untouched countryside or natural environment; and 36 percent are looking to visit environmental or ecological sites on vacation.
- **Environmentally conscious consumers:** With the continued talk of global warming, many travelers are trying to conserve resources at home and reduce their global footprint. This has consequences on their travel choices as well. There is an emerging “green” orientation to travel and a growing awareness of environmentally sensitive areas. These trends are especially relevant to regions where outdoor recreation (i.e. biking, camping, hiking, bird watching etc.) and small festivals that celebrate locally-grown produce could be packaged towards more physically-active and environmentally-conscious travelers.

Implications for Eastern Kentucky

Changing demographics, economic conditions and cultural norms all need to be considered when developing tourism products in Eastern Kentucky. These trends need constant monitoring so adjustments in tourism products, services and marketing can be made quickly.

- Baby Boomers will increasingly pursue leisure travel. Destinations with an authentic appeal related to culture and history, and destinations that allow for unscheduled, unique and experiential activities are likely to benefit from the retiring Baby Boomer segment.
- The traditional nuclear family – married couples with children – is a declining market segment. This has implications for tourism areas, products and services that cater to singles, and to the interests and activities of adults.
- Americans are spending less time on vacation – taking shorter trips, closer to home. At the same time, travelers want to do just as much while they are gone making multi-activity destinations appealing. They want an authentic experience and look for value.
- Relationships with friends and family are an increasingly important part of travel. Activities at a destination will have to appeal to multiple generations.

Eastern Kentucky, with its rich culture and history, natural beauty and ample opportunities for outdoor recreation, has the potential to become an appealing regional destination for visitors of all kinds from West Virginia, Tennessee and Ohio as well as Kentucky.

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Kentucky Tourism Trends

Kentucky is known internationally for the Kentucky Derby, horse farms and the Bourbon Trail. It is perceived by tourists as a place with beautiful scenery, lots of outdoor activities, friendly people and a laid back atmosphere. Essentially Kentucky is a place people can get away to.

Table 2 – Travel Spending in Kentucky by Region (in millions)

Region	2010	2011	2012	Percent Change
Bluegrass, Blues & Barbecue	\$270.5	\$295.7	\$309.9	4.8%
Bluegrass, Horses, Bourbon & Boone	\$1,649.2	\$1,657.4	\$1,704.6	2.8%
Bourbon, Horses & History	\$2,145.1	\$2,205.1	\$2,344.0	6.3%
Caves, Lakes & Corvettes	\$327.3	\$339.4	\$358.1	5.5%
Daniel Boone Country	\$293.7	\$298.4	\$304.9	2.2%
Kentucky Appalachians	\$348.6	\$365.7	\$384.7	5.2%
KY's Southern Shoreline	\$176.9	\$185.3	\$191.2	3.2%
Northern Kentucky River	\$1,561.2	\$1,620.5	\$1,669.8	3.0%
Western Waterlands	\$453.5	\$472.1	\$497.9	5.5%
State Total	\$7,225.8	\$7,439.5	\$7,765.1	4.4%

Tourists in Kentucky spent approximately \$7.8 billion during 2012, up 7.4 percent from 2010. This spending supported nearly 121,800 jobs throughout the state in related industries such as hotels, restaurants, retailers and recreational facilities. The

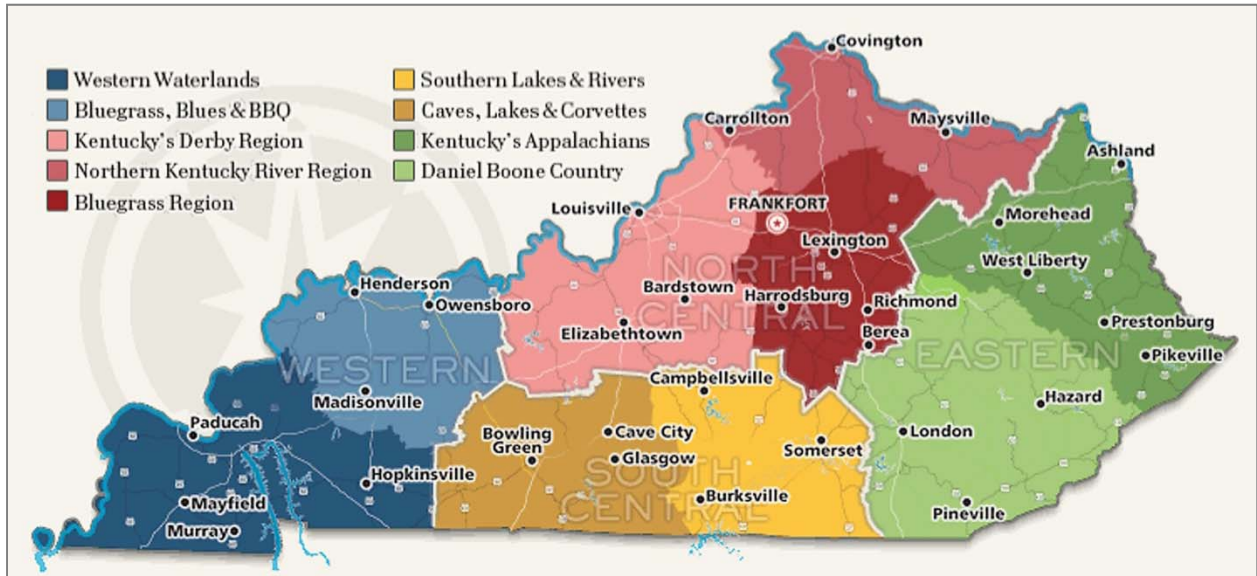
majority of visitor spending occurs in the more urban areas around Louisville, Lexington and northern Kentucky. Spending in the Kentucky Appalachians region and Daniel Boone Country was \$690 million in 2012, up 3.9 percent from 2010. Travel spending in Eastern Kentucky represents approximately 9 percent of all visitor spending in Kentucky.

The total economic impact of tourism in Kentucky was nearly \$12 billion which includes the indirect and induced impacts resulting from visitor spending. Indirect impacts occur when local businesses take the visitor dollars they received and use them to purchase the goods and services needed to run their business. For example, a hotel needs to purchase linens, furniture, food for the restaurant, accounting and legal services, etc. These are the indirect impacts resulting from visitor spending. Induced impacts occur when employees of the hotel spend their wages on goods and services. The Kentucky tourism industry generated \$1.2 billion in tax revenues for state and local governments in the form of sales and use taxes.

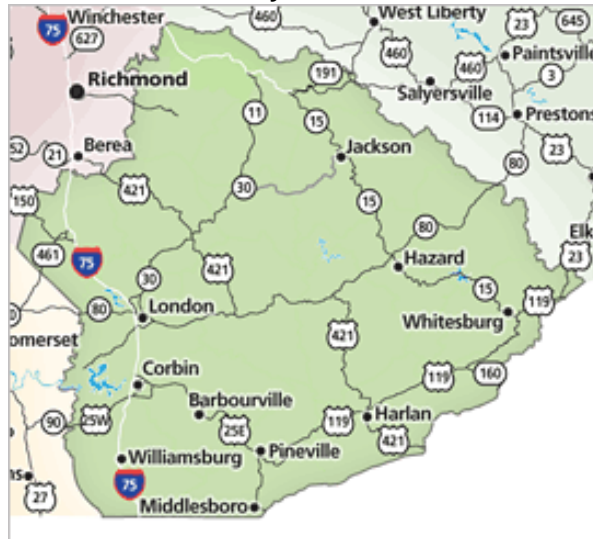
Visitor Profile

There are nine tourism regions in Kentucky. For purposes of this analysis, Eastern Kentucky is comprised of two regions: Kentucky's Appalachians and Daniel Boone Country.

Figure 9 – Kentucky Tourism Regions



Daniel Boone Country



Kentucky's Appalachians



It is important to understand who is currently visiting the region and state as they will be potential markets for any future development in Eastern Kentucky. In 2012, the Kentucky Department of Travel and Tourism hired DPA to conduct a research study profiling visitors within Kentucky and its nine tourism regions during the period of September 2010 through August 2011.

Table 3 – Kentucky Visitor Trip Purpose

Trip Purpose	Total	Kentucky's Appalachians	Daniel Boone Country	Eastern KY Avg.
Vacation/short pleasure trip	61%	63%	69%	66%
Visiting friends/family	26%	29%	25%	27%
Festival/Event	13%	9%	10%	10%
Personal	11%	12%	12%	12%
Business/Work	7%	11%	9%	10%
Convention/Conference	3%	4%	4%	4%
No Answer	2%	3%	1%	2%

Source: DPA

The majority of travelers, 61 percent, come to Kentucky for vacations or short pleasure trips. This share is higher for visitors to Eastern Kentucky, 63 percent in Kentucky Appalachians and 69 percent in Daniel Boone Country.

Visiting friends and family was more popular in Eastern Kentucky than the state average and festival/event less so. Business travel, including conventions and conferences, was also slightly higher in the eastern region of the state.

Table 4 – Length of Stay in Kentucky

Trip Length (average # of days)	Total	Kentucky's Appalachians	Daniel Boone Country	Eastern KY Average
Away from Home	5.1	5.4	5.3	5.3
In Kentucky	3.6	4.3	3.9	4.1
Share in Kentucky	70.6%	79.6%	73.6%	76.5%

Source: DPA

Visitors who stayed overnight in Kentucky, averaged 3.6 nights in the state. Again, those staying in Eastern Kentucky stayed a little longer and also spent a

larger share of their total nights away from home in Kentucky.

The majority of overnight visitors stayed in paid accommodations such as a hotel/motel/historic inn or campground. Visitors to Eastern Kentucky had a higher propensity to stay at paid accommodations, particularly at a campground, cabin or other indoor unit than other Kentucky visitors and fewer people stayed with friends or family in Eastern Kentucky.

Table 5 – Type of Overnight Accommodations

	Total	Kentucky's Appalachians	Daniel Boone Country	Eastern KY Average
In paid accommodations	76%	86%	83%	84%
At a hotel/motel/historic inn	50%	39%	41%	40%
In an RV at a campground	10%	26%	19%	22%
At a resort (cabin/other indoor unit)	9%	15%	13%	14%
In a tent at a campground	4%	9%	13%	11%
At a Bed and Breakfast	4%	4%	3%	3%
At a vacation home/condo/cabin/houseboat you rented	4%	2%	1%	1%
In accommodations with no charge	30%	24%	22%	23%
At the home of family or friend	25%	20%	18%	19%
At a borrowed vacation home/condo/cabin/houseboat	2%	2%	2%	2%
At your vacation home/condo/cabin/houseboat	2%	1%	1%	1%
At a campground with no fee	2%	4%	3%	3%
No Answer	2%	2%	1%	1%

Source: DPA

Eastern Kentucky is known for outdoor activities and scenic beauty and a higher share of visitors than to the state overall came to the region for those reasons.

Table 6 – Reason for Travel to Kentucky

	Total	Kentucky's Appalachians	Daniel Boone Country	Eastern KY Avg.
Peaceful/relaxing	70%	78%	81%	80%
A safe destination	67%	74%	74%	74%
Convenient location	64%	64%	66%	65%
Plenty to see and do	64%	69%	72%	71%
Clean, unspoiled environment	64%	66%	72%	69%
Good value for the money	64%	66%	71%	69%
A "family" atmosphere	58%	64%	65%	65%
Reasonably priced lodging	56%	63%	64%	64%
Affordable dining	51%	51%	54%	53%
Historic sites	50%	52%	60%	56%
Variety of accommodations	48%	52%	52%	52%
A specific event	48%	45%	41%	43%
Good campgrounds	26%	44%	41%	42%

Source: DPA

The majority of visitors to Eastern Kentucky come to the region because it is peaceful/relaxing (80%), a safe destination (74%) and there is plenty to see and do (71%). Visitors to the region are more likely to come for good campgrounds than the typical visitor to the state.

Similar to travelers everywhere, visitors to Eastern Kentucky engaged in multiple activities while in the region. The most popular

activities included dining out (65% of visitors to the region), sightseeing/driving for pleasure (65%), shopping (54%) and driving on designated scenic byways (41%). In a region with spectacular state and national parks, it is no surprise to learn that visitors to the region were almost twice as likely as all Kentucky visitors to visit such a facility (54% compared to a state average of 28%). Hiking, wildlife viewing, fishing and bird watching were similarly high compared to all state visitors.

Table 7 – Trip Activities Among Kentucky Visitors

Trip Activities	Total	Kentucky's Appalachians	Daniel Boone Country	Eastern KY Avg.
General	83%	84%	86%	85%
Dining out	70%	64%	66%	65%
Sightseeing/driving for pleasure	45%	55%	59%	57%
Driving on designated scenic byways	30%	37%	45%	41%
Taking in city sites	19%	18%	17%	17%
Nightlife/evening entertainment	11%	12%	10%	11%
Visiting	72%	80%	80%	80%
State/national parks	28%	56%	53%	54%
Historic sites	27%	26%	37%	32%
Friends or relatives	24%	28%	25%	26%
Other museums	15%	11%	13%	12%
Distillery	12%	9%	10%	10%
Horse racetrack	6%	5%	5%	5%
Art museums	6%	5%	4%	4%
Amusement parks/carnivals	5%	7%	5%	6%

Trip Activities	Total	Kentucky's Appalachians	Daniel Boone Country	Eastern KY Avg.
Outdoor water parks	4%	7%	6%	6%
Other attraction	6%	7%	5%	6%
Participating in	51%	75%	68%	71%
Hiking	17%	39%	37%	38%
Wildlife viewing	14%	28%	28%	28%
Pool swimming	13%	19%	21%	20%
Fishing	12%	28%	20%	24%
Lake/river swimming	12%	17%	17%	17%
Motor boating/water skiing	7%	10%	8%	9%
Bird watching	6%	15%	15%	15%
Golfing	5%	7%	5%	6%
Spelunking/Cave Exploration	5%	7%	7%	7%
Biking	4%	9%	6%	7%
Equestrian	3%	3%	2%	2%
Canoeing/Kayaking	3%	6%	5%	5%
Jet skiing	2%	4%	2%	3%
Off-road ATV driving	2%	5%	4%	4%
Hunting	1%	4%	3%	3%
Other activity	6%	7%	6%	6%
Attending	37%	37%	33%	35%
Fairs or festivals	14%	15%	12%	13%
Horse races	5%	6%	6%	6%
Bluegrass concert	5%	6%	5%	5%
Popular music concerts/shows	4%	8%	5%	6%
Theater performances	4%	9%	4%	6%
Amateur sporting events	4%	4%	2%	3%
Professional sporting events	2%	3%	2%	2%
An equestrian competition	2%	2%	2%	2%
Classical music concerts	2%	3%	1%	2%
Other events	9%	7%	9%	8%
Shopping	54%	56%	53%	54%
For gifts or souvenirs	30%	32%	31%	31%
Arts, crafts, antiques	21%	27%	26%	26%
General/mall shopping	19%	13%	15%	14%
Outlet shopping	11%	13%	12%	12%
Business Activities	10%	14%	11%	12%
Conventions	3%	4%	4%	4%
Client meetings	3%	4%	5%	5%
Sales visit	2%	3%	2%	2%
Company retreat	1%	2%	1%	1%
Other business reason	3%	5%	3%	4%

Source: DPA

Table 8 – Mode of Transportation to Kentucky

Mode of Transport	Total	Kentucky's Appalachians	Daniel Boone Country	Eastern KY Avg.
Drive a Personal Vehicle	84%	83%	87%	85%
Fly	6%	4%	2%	3%
Drive a rental vehicle	3%	3%	4%	4%
Travel by bus	2%	6%	3%	4%
Drive an RV	2%	1%	3%	2%
By Train	1%	<1%	<1%	<1%
Other	1%	2%	1%	1%

Source: DPA

Similar to national trends, the majority of visitors to Kentucky drove. Fewer visitors to Eastern Kentucky flew. There was a slightly higher average for people who arrived in Eastern Kentucky via bus, 4 percent compared to 2 percent for the whole state.

Table 9 – Kentucky Travel Party Size

Travel Party	Total	Kentucky's Appalachians	Daniel Boone Country	Eastern KY Avg.
Mean travel party size	3.0	3.1	3.0	3.0
Mean adults in travel party	2.5	2.4	2.5	2.5
Travel with any children	28%	34%	32%	33%
Kids younger than 6	10%	11%	12%	12%
6 to 11 years old	14%	17%	18%	18%
12 to 17 years old	15%	19%	15%	17%
No children	40%	37%	41%	39%

Source: DPA

The average party size for visitors to Kentucky was 3.0 with an average of 2.5 adults. There was a slightly higher percentage of travelers in the eastern region with children in their travel party, 33 percent compared to 28 percent state average.

Overall, visitors to Eastern Kentucky were as satisfied

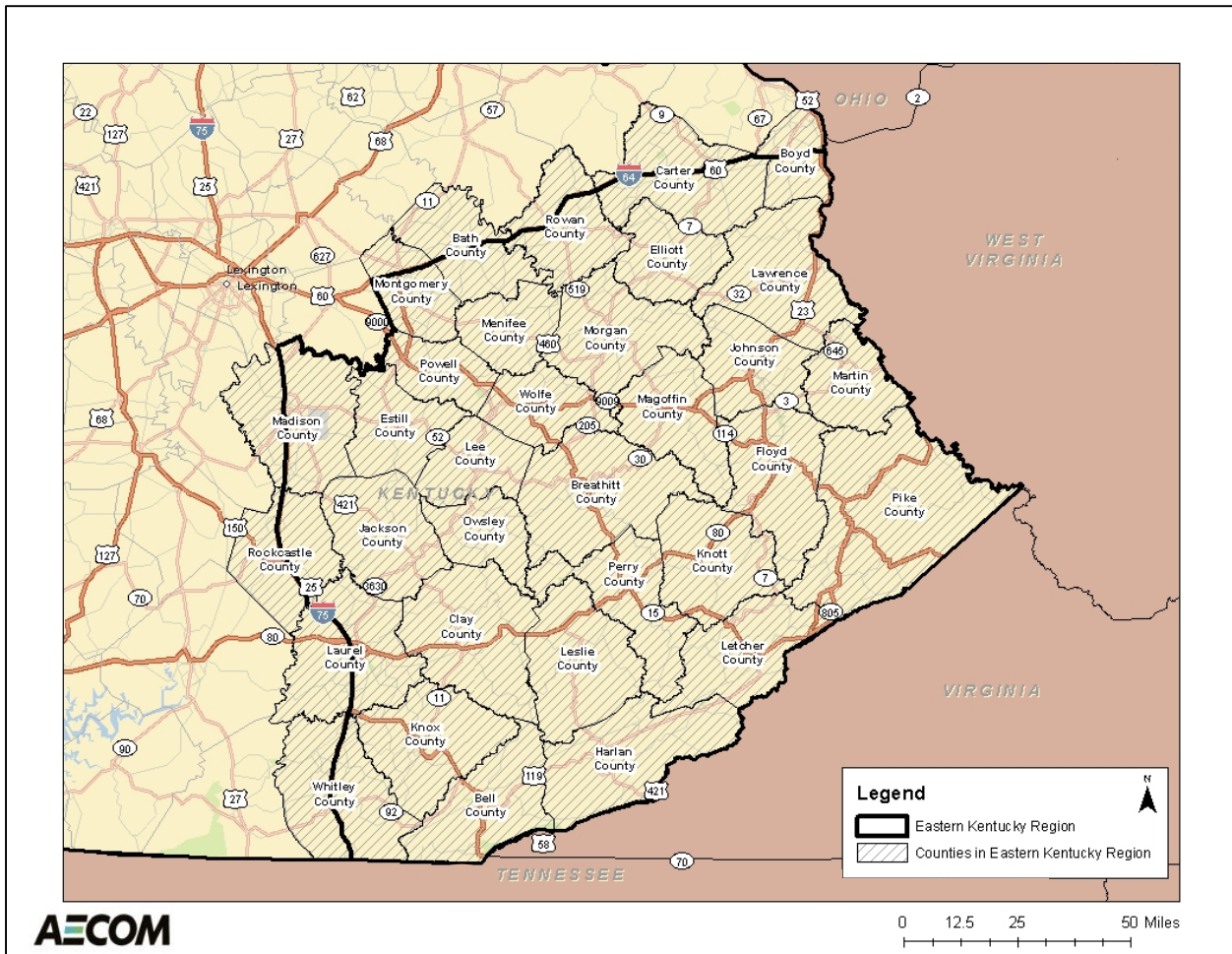
with their trip as other Kentucky visitors, though those to Daniel Boone Country were more likely to be very satisfied (70% versus 63% state average). There is also a higher incidence of travelers indicating that they will definitely come back – 76 percent for Kentucky’s Appalachians, 78 percent for Daniel Boone Country visitors and 71 percent for the state. Visitors to the region liked the scenery, friendliness of the people and outdoor activities most, similar to state rankings, but with a larger share. Also similar to state averages, visitors to the region didn’t have enough time to do all that they wanted (29% of region visitors and 24% state average).

The typical visitor to Kentucky has an annual household income of nearly \$75,000 which is about \$6,000 lower for visitors to Eastern Kentucky. Other demographics show little difference in the region from the state. Visitors are, on average, 51 years old. The majority of visitors are married (70%) and white (90%). A higher share of visitors to Eastern Kentucky are from the south (61%) than for the state (52%). Nearly one-quarter of visitors to Eastern Kentucky are from Lexington (24%). The next largest group came from Cincinnati (10%).

Eastern Kentucky Tourism Industry

For purposes of this analysis, we defined Eastern Kentucky to be the area encompassed by Interstate 75 to the west and Interstate 64 to the north, excluding the Lexington metropolitan area. The map below shows which counties are included in this region.

Figure 10 – Counties in Eastern Kentucky Region



The following maps provide an overview of the current industry in the region outlining the location of the state parks, hotels by class and other attractions. Data from Kentucky Department of Travel, Kentucky State Parks, Smith Travel Research, InfoUSA and other sources were used to compile this information.

There are 16 state parks in or very near the Eastern Kentucky region, including Breaks Interstate Park which crosses the border with Virginia. Five of the state parks include golf courses and seven have lodges. The state parks with lodges also have a restaurant and meeting space.

Smith Travel Research (STR), an international organization that monitors hotel performance data across the United States, classifies hotels into chain scale segments based on their brand as well as average

room rates. Independent hotels, regardless of their average room rates, are grouped in a separate category. The segments include:

- Luxury Chains
- Upper Upscale Chains
- Upscale Chains
- Upper Mid Scale Chains
- Mid Scale Chains
- Economy Chains
- Independents

Currently, there are no luxury, upper upscale or upscale hotels in Eastern Kentucky. There is a 114 room Hilton Garden Inn under construction in Pikeville which will be classified as an upscale property.

Tourist attractions included art centers, music halls, adventure activities such as ATV trails, equestrian, golf, museums, a zoo and outdoor recreation.

Implications for Eastern Kentucky

Current visitors to the region look very similar to other Kentucky visitors though they have a higher propensity to take advantage of what the region has to offer in regard to scenic beauty and outdoor recreation. Average household income is slightly lower for the region's visitors. In regard to future development, current visitors to the region and Kentucky will be the easiest group to market to initially since they already visit, indicate that they will return for future trips and will likely recommend the region as a vacation destination. As the region develops into a tourism destination and generates a stronger reputation as a great place to visit, this reach for new visitors will naturally grow beyond Kentucky to markets within easy driving distance in neighboring states of Ohio, Tennessee and West Virginia.

As Eastern Kentucky develops into a tourism destination, current visitors to the region and Kentucky will be the easiest groups to target for marketing. As the region generates a more widespread reputation as a great place to visit, this reach for new visitors will naturally grow beyond Kentucky to markets within easy driving distance in neighboring states.

Figure 11 – State Parks in Eastern Kentucky

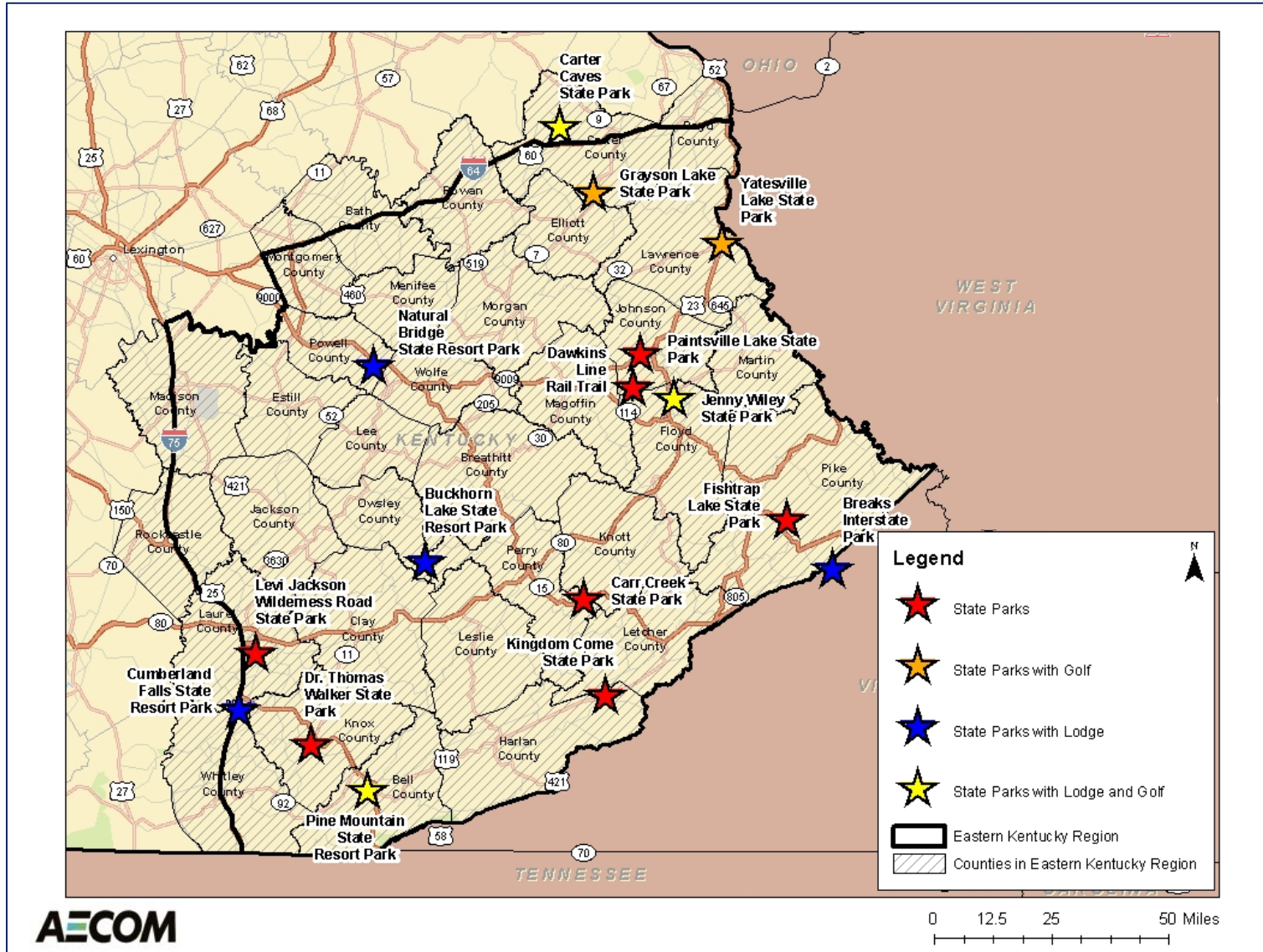


Figure 12 – Overnight Accommodations in Eastern Kentucky

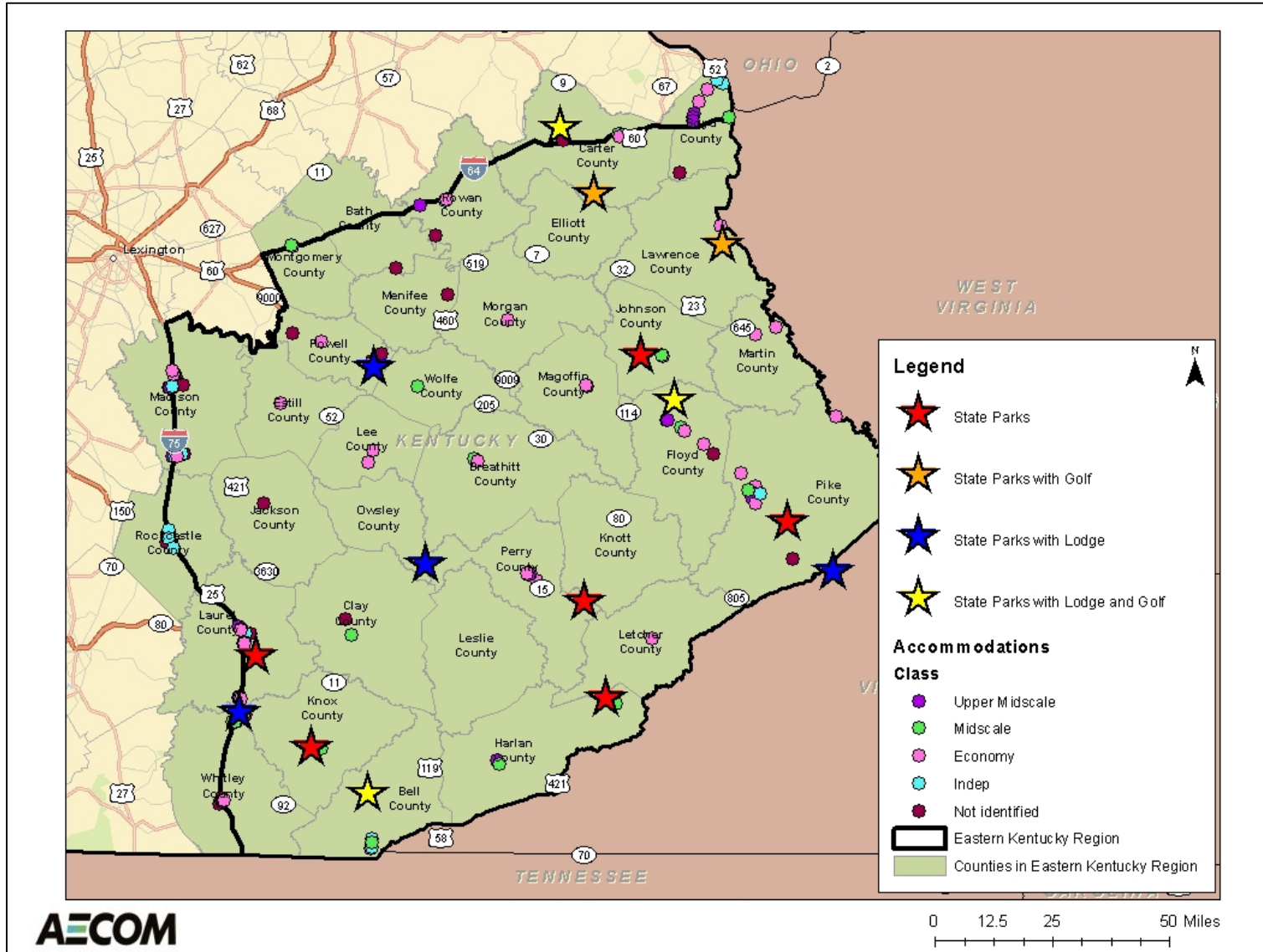
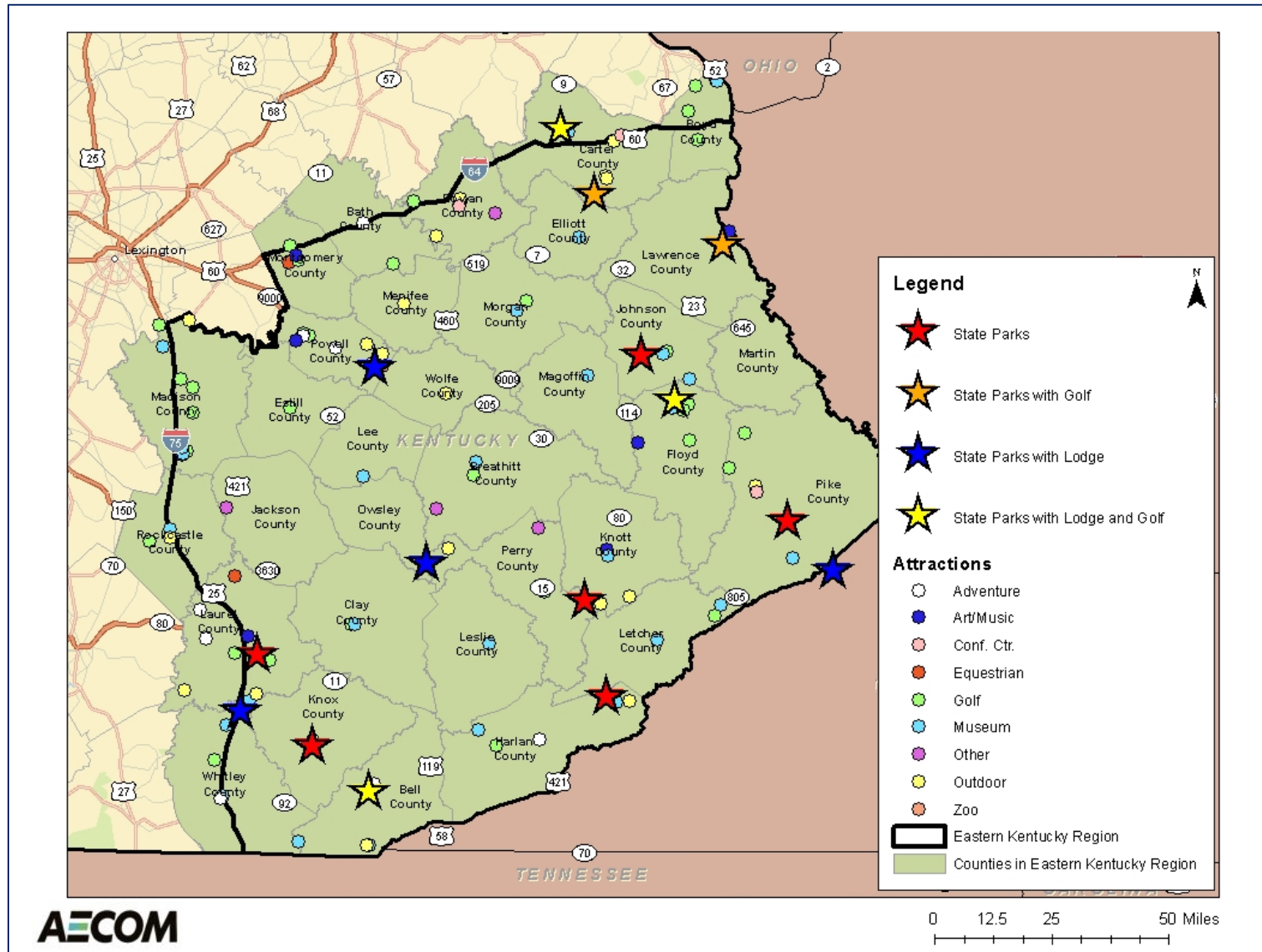


Figure 13 – Tourism Attractions in Eastern Kentucky



Tourism Demand Generators

To grow tourism, it is important to understand why people travel and how they choose a destination. In this section we introduce the concept of demand generators and profile several that could be considered for Eastern Kentucky.

Demand Generators

The primary motivator for someone to travel and visit a community is referred to as the demand generator. A successful destination has at least one, but should have no more than four. Demand generators can be:

- seasonal or draw visitors year round
- a single product or a combination of things
- attractive to a niche market or have mass appeal
- derived from the area's history, culture or natural environment
- developed for the travel industry (e.g. inn, restaurants, attractions, etc.)

A demand generator is anything that motivates a large group of people to come to a place.

To understand what motivates American travelers, we used data from the 2006 Travel Activities and Motivations Survey (TAMS) which examined the recreation activities and travel habits of Canadians and Americans. Sponsored by the Ontario Ministry of Tourism, the survey provides detailed information on travelers' activities, travel motivators, places visited, type of accommodation used, impressions of Canada, its provinces and territories, demographics and media consumption patterns. Separate reports were published for American and Canadian travelers. Though the goal of the analysis was to develop marketing strategies and travel products to attract visitors to Canada, the database provides useful insights regarding American travelers in general. The U.S. database contains more than 60,000 responses.

Nearly 80 percent of adult Americans had taken at least one overnight trip over the two year period covering 2004 to 2005. The TAMS data shows that the majority of American overnight pleasure travelers started their trip-planning process by considering the destination they wanted to visit, rather than activities or travel experiences. In choosing a destination, the two most important conditions to a majority of American travelers were feeling safe at the destination (72%) and having convenient access to the destination by car (51%). Although comfort and safety are highly important to 79 percent of American travelers, cost was highly important for nearly as many (67%).

The TAMS survey asked visitors about their participation in 196 different activities. In general, the majority of American travelers, 85 percent, used travel to relieve stress in one form or another. More than half, 54 percent, reported that they sought knowledge and mental stimulation, while 69 percent wanted to maintain or improve relationships. When looking at specific activities, shopping and dining were the most popular while traveling, similar to research by the U.S. Travel Association. However, these activities are not the motivators for the trip. Shopping was the main reason for the trip in only 13 percent of the trips that included shopping. For dining it was only 12 percent of the trips.

The 196 activities were loosely grouped into 15 general categories shown below. Nearly 42 percent of American travelers went to a festival or event while on vacation, 73.3 million travelers. However, the festival or event was the primary motivator for the trip for only 36.8 percent of those travelers. Winter outdoor activities, such as ice skating, skiing, snowboarding and snowmobiling, are a motivator for 64 percent of the people who participate in them while traveling. However, less than 12 percent of all travelers indicated that they did those things while on vacation.

Table 10 – Participation in Activities and Trip Motivators

	Participants (000)	Share of Travelers	Motivated By (000)	Share of Participants
Aboriginal Activities	14,750	8.4%	4,590	31.1%
Accommodation-Related Activities	83,630	47.4%	36,510	43.7%
Air-Based Activities	2,410	1.4%	1,060	43.9%
Exhibits, Architecture, Historic Sites	95,810	54.3%	31,930	33.3%
Festivals & Events	73,290	41.5%	26,990	36.8%
Hands-On Learning Activities	16,430	9.3%	5,290	32.2%
Land-Based Activities	100,770	57.1%	43,390	43.1%
Other Recreational Activities	100,730	57.1%	30,340	30.1%
Performing Arts	68,000	38.5%	25,930	38.1%
Shopping/Dining/Food	139,850	79.3%	24,700	17.7%
Shopping	116,860	66.2%	14,820	12.7%
Dining	114,470	64.9%	13,230	11.6%
Spectator Sports	45,280	25.7%	24,170	53.4%
Team Sports	31,940	18.1%	10,760	33.7%
Theme Parks	92,520	52.4%	42,160	45.6%
Water-Based Outdoor Activities	91,510	51.9%	44,810	49.0%
Winter Outdoor Activities	20,940	11.9%	13,410	64.0%

Source: TAMS

The following table shows the most popular activities by travelers, limited to those with more than 25 million travelers participating. More than half of travelers indicated that they dined at restaurants offering local ingredients and recipes though only 10 percent of those that participated in the activity said that it was the motivator for their trip.

More than half of the visitors who went to an amusement park indicated that it was a motivator for their trip (54%) but only 58 million people, one-third of visitors, said they went to one.

Table 11 – Top Trip Activities

	Participant s (000)	Share of Travelers	Motivated By (000)	Share of Participants Motivated	Share of Travelers Motivated
Dining - at restaurants offering local ingredients & recipes	99,630	56.5%	10,230	10.3%	5.8%
Shopping - shop/browse - clothing, shoes and jewelry	85,010	48.2%	9,170	10.8%	5.2%
Went to casino(s)	60,590	34.4%	23,110	38.1%	13.1%
Shopping - shop/browse - bookstores or music stores	59,190	33.6%	4,940	8.3%	2.8%
Amusement park	57,900	32.8%	31,220	53.9%	17.7%
Shopping - shop/browse - local arts & crafts studios/exhibits	57,240	32.5%	5,290	9.2%	3.0%
Strolling around a city to observe its buildings & architecture	56,950	32.3%	12,000	21.1%	6.8%
Well known historic sites or buildings	51,480	29.2%	13,050	25.4%	7.4%
Sunbathing or sitting on a beach	49,780	28.2%	21,340	42.9%	12.1%
Went to local outdoor cafes	48,200	27.3%	3,700	7.7%	2.1%
Swimming in oceans	47,110	26.7%	14,820	31.5%	8.4%
Went to the movies / cinema	45,610	25.9%	5,820	12.8%	3.3%
Visited national, provincial, state nature park	45,380	25.7%	17,640	38.9%	10.0%
Other historic sites monuments and buildings	42,810	24.3%	9,880	23.1%	5.6%
Dining - at other high-end restaurants	42,330	24.0%	4,230	10.0%	2.4%
Shopping - shop/browse - antiques	40,080	22.7%	4,760	11.9%	2.7%
Well known natural wonders	36,220	20.5%	12,170	33.6%	6.9%
Aquariums	35,090	19.9%	9,000	25.6%	5.1%
Zoos	35,050	19.9%	9,530	27.2%	5.4%
General history or heritage museums	33,460	19.0%	6,700	20.0%	3.8%
Farmers' markets or country fairs	32,140	18.2%	6,350	19.8%	3.6%
Seaside resort	31,380	17.8%	12,000	38.2%	6.8%
Wildlife viewing (net)	30,840	17.5%	7,760	25.2%	4.4%
Hiking - same day excursion while on overnight trip	29,660	16.8%	7,060	23.8%	4.0%
Camping - a public campground in a nature park	29,090	16.5%	12,520	43.1%	7.1%
Dining - at high-end restaurants of international reputation	28,540	16.2%	4,060	14.2%	2.3%
Swimming in lakes	27,990	15.9%	6,700	23.9%	3.8%
Firework displays	27,450	15.6%	6,000	21.9%	3.4%
Went to wineries for day visits and tasting	27,390	15.5%	5,650	20.6%	3.2%
Shopping - shop/browse - gourmet foods in retail stores	27,030	15.3%	2,470	9.1%	1.4%
Photography	27,000	15.3%	3,530	13.1%	2.0%
Fishing - fresh water	25,330	14.4%	10,060	39.7%	5.7%

Source: TAMS

Lower participation occurred among most of the activities that served as a high motivator. The top activity to motivate visitors was heli-skiing. Of the 220,000 visitors who did it, it was the primary trip motivator for 82 percent. The activities that were the top trip motivators – the main reason people took the trip – are shown in the following table. Among the estimated 2.2 million people who purchased a packaged golf

tour, 79 percent of participants claimed that was why they took the trip. Of the 196 individual activities that travelers participated in, only 28 activities were the main trip motivator in 50 percent or more of the trips that contained them.

Table 12 – Top Trip Motivators

Activity	Participants (000)	Share of Travelers	Motivated By (000)	Share of Participants Motivated	Share of Travelers Motivated
Heli-skiing	220	0.1%	180	81.7%	0.1%
Snowmobiling as an overnight touring trip	650	0.4%	530	81.4%	0.3%
Took package golf tour to play on various courses	2,240	1.3%	1,760	78.9%	1.0%
Motorcycling - as an overnight touring trip	2,500	1.4%	1,940	77.6%	1.1%
Hunting - big game	6,420	3.6%	4,940	77.0%	2.8%
Skiing - downhill	10,960	6.2%	7,940	72.4%	4.5%
Ice climbing	250	0.1%	180	69.7%	0.1%
Auto races	9,640	5.5%	6,170	64.0%	3.5%
Ice hockey	1,400	0.8%	880	63.0%	0.5%
Golfing - Played during a stay at a golf resort	5,080	2.9%	3,180	62.5%	1.8%
National/international sporting events, e.g., the Olympics games	860	0.5%	530	61.8%	0.3%
Hunting - bird	3,430	1.9%	2,120	61.6%	1.2%
Hiking in wilderness with overnight camping	7,450	4.2%	4,590	61.6%	2.6%
Ice fishing	2,340	1.3%	1,410	60.4%	0.8%
Hunting - small game	4,150	2.4%	2,470	59.5%	1.4%
Snowboarding	4,450	2.5%	2,650	59.4%	1.5%
Traveled by horse with overnight stops	950	0.5%	530	55.8%	0.3%
Cycling - used one for an overnight touring trip	960	0.5%	530	55.0%	0.3%
Amusement park	57,900	32.8%	31,220	53.9%	17.7%
Professional football games	9,750	5.5%	5,120	52.5%	2.9%
Fishing - trophy fishing	1,350	0.8%	710	52.3%	0.4%
Hands-on learning - historical re-enactments (as an actor)	1,360	0.8%	710	52.1%	0.4%
Snowmobiling	3,410	1.9%	1,760	51.7%	1.0%
Amateur sports tournaments/competitions	12,390	7.0%	6,350	51.3%	3.6%
Equine (horse) competitions	2,090	1.2%	1,060	50.7%	0.6%
Soccer	2,810	1.6%	1,410	50.3%	0.8%
ATV - used one as part of an overnight touring trip	1,760	1.0%	880	50.1%	0.5%
Football	4,240	2.4%	2,120	50.0%	1.2%

Source: TAMS

What is clear from this study is that single activities do not tend to motivate trips. Those activities that do motivate trips, are less popular than other activities. It also shows that even if shopping or dining are not the motivator of the trip, to be an attractive destination, those things need to be there since they are very popular among visitors.

In the following sections we explore several types of tourist developments and the characteristics of the type of traveler they attract with the TAMS data. They include:

- Resorts
- Hotel with indoor waterpark
- Destination retailers
- Retail outlet malls

Though retail is not a trip motivator, it is an important component of a traveler's experience as shown by high participation rates. A destination retailer may motivate a higher share of trips than a retail outlet mall, however that data was not included in the TAMS study.

Tourism Demand Generator – Resorts

A resort is a place that visitors go to for relaxation or recreation. In the United States, resorts have started offering multiple services to their guests. In addition to lodging, they offer dining, shopping, recreation, spa and entertainment options on the property. Resorts are typically higher quality than traditional hotels. They can be located in both urban areas, such as Orlando and Las Vegas, and remote areas, such as ski resorts. The appeal of a resort might be the location itself or the activities it provides. For example, at golf resorts, there are often multiple golf courses and a clubhouse. Golf packages provide visitors with all greens and cart fees, range balls, accommodations and meals. Spa resorts focus on wellness and provide visitors with spa services, wellness education, healthy cuisine and fitness classes. Historically many such spas were built by natural hot springs.

As defined by the Urban Land Institute, resorts have three primary characteristics:

- They are real estate projects that have been developed and planned by a master developer.
- They offer proximity and easy access to significant natural, scenic and recreational amenities that make them attractive places to visit.
- They include lodging accommodations, timeshare ownerships and/or residences used largely by tourists, vacationers, weekend travelers, seasonal residents and/or owners or users of second homes.

Destination resorts are distinguished from non-destination or regional resorts by five characteristics:

- Proximity of the resort to its primary market
- Means by which the user reaches the resort
- Frequency with which a user patronizes the resort
- Typical length of stay and
- Quality of the resort setting.

Destination resorts tend to draw users from a broad area, usually nationally or internationally. Moreover, users tend to travel to destination resorts by air, rather than by car and tend to visit infrequently. Users tend to book stays of one to two weeks. Destinations tend to be located in dramatic or particularly

attractive world class destinations – places that can lure the resort users to make an extra effort to get there. Resorts in Hawaii, Mexico, the Caribbean, the Swiss Alps, etc. are destination resorts.

Non-destination or regional resorts are often located within a two or three hour drive from their primary market and are generally not positioned or marketed to attract visitors from farther away. Users generally travel to these resorts by car and make frequent visits, typically weekends or four day stays.

Resorts are distinguished by their setting and recreational amenities they provide. Most common types are ocean, lake/river, mountain/ski and golf though spa resorts are gaining prominence recently. Other types of resorts include conference, tennis, equestrian, national/state parks and sporting expeditions (i.e., hunting, fishing, climbing, etc.). However, most common now is a multi-use resort providing an array of services and amenities that will encourage visitors to come throughout the year. Most resorts offer golf, meeting space and a spa.

The resort industry, along with the rest of travel, was immediately impacted by the recession with dramatic drops in occupancy in 2008 and 2009 and recovery starting in 2010. In 2012, PKF Hospitality Research profiled Class C resorts, “resorts with a full scale of facilities to attract and retain vacationers.” The sample consisted of 307 properties with 153,800 rooms and suites. Average occupancy in 2012 was 65.3 percent with an average daily rate (ADR) of \$176. Over the past ten years, peak occupancy occurred in 2007 at 67.1 percent. Peak ADR was in 2008 at \$183. Recovery of the resort industry is dependent on growth in income while lower tier hotels depend on growth in employment.

As personal income and corporate profit have recovered in recent years, so too have resorts. In another study, PKF Hospitality Research found that leisure visitors make up 58 percent of the guests at resorts, followed by groups at 37 percent. This can include business travel as well as weddings, reunions and other gatherings.

Spas are no longer exclusive to the wealthy. In a survey by the U.S. Travel Association (USTA), 54% of travelers said they were interested in going to a spa. Almost a third (28%) of travelers said they were more interested now compared to five years ago in going to a spa or a place where they can relax and rejuvenate themselves. Among those who were interested in spa vacations, the largest group (40%) was 35-to-54 years old followed by 18 to 34 years olds (37%).

Data from the 2006 Travel Activities and Motivations (TAMS) study asked American travelers about their accommodations. Nearly half of all travelers stayed in paid overnight accommodations, 83.6 million Americans. For 44 percent of those travelers, the accommodations served as a trip motivator. Accommodations that motivated a high percentage of participants were remote lodges, wine tasting school and those staying on a houseboat. Among those that stayed at a lakeside/riverside resort, 21.4 million travelers, the resort was the trip motivator for more than one-third of them. Ski and seaside resorts were slightly higher trip motivators. Of those who stayed at a health spa, the spa was the motivator for only 26 percent of the trips.

Table 13 – Paid Overnight Accommodations as Trip Motivators

Activity	Participants (000)	Share of Travelers	Motivated By (000)	Share of Participants Motivated	Share of Travelers Motivated
Accommodation-related activities (net) stayed at	83,630	47.4%	36,510	43.7%	20.7%
Lakeside/riverside resort	21,360	12.1%	7,760	36.3%	4.4%
Ski resort or mountain resort	15,370	8.7%	6,350	41.3%	3.6%
Seaside resort	31,380	17.8%	12,000	38.2%	6.8%
Wilderness (net)	7,220	4.1%	3,000	41.5%	1.7%
Remote or fly-in wilderness lodge	1,420	0.8%	710	49.9%	0.4%
Remote or fly-in wilderness outpost	760	0.4%	350	46.3%	0.2%
Wilderness lodge you can drive to by car	5,980	3.4%	2,290	38.4%	1.3%
Cooking school	1,010	0.6%	350	35.1%	0.2%
Wine tasting school	760	0.4%	350	46.7%	0.2%
Country inn or resort because it had a gourmet restaurant on the premises	3,430	1.9%	1,060	30.8%	0.6%
Health spa	5,410	3.1%	1,410	26.1%	0.8%
Farm or guest ranch	3,450	2.0%	1,060	30.7%	0.6%
On a houseboat	2,480	1.4%	1,230	49.9%	0.7%
Camping - a public campground in a nature park	29,090	16.5%	12,520	43.1%	7.1%
A private campground	17,480	9.9%	6,530	37.3%	3.7%
A camp site in a wilderness setting (not a campground)	8,070	4.6%	3,180	39.3%	1.8%
A motor home or RV while traveling or touring (not a camping trip)	7,340	4.2%	2,470	33.7%	1.4%

Source: TAMS

Gaming at Resorts

According to the American Gaming Association, there were 61.7 million casino visitors in the U.S. during 2009, 28 percent of the U.S. population over the age of 21. A 2006 study by Harrah's Entertainment, Inc. showed that U.S. adults who gambled in a casino in the last 12 months made an average of 6.1 trips per year. Gambling has become a popular leisure time activity and more Americans are including it when they travel. In fact, gaming is a tourism demand generator. More than one-third of Americans went to a casino while traveling according to the TAMS data. For 38 percent of the participants, the casino was a trip motivator. By including a casino at a destination or regional resort, there is potential for increasing demand at the property.

The key aspect in defining regional, super-regional, and national casino destinations is the percentage of visitors that come from each market. While the source markets can vary, expansion involves shifting from a close-in market to a distance market. While a regional property can generate 90 percent or more of its visits in an area from 0 to 300 miles, a national destination such as Las Vegas draws nearly 60 percent of its market from national and international sources. Super regional destinations vary but they tend to draw 10 to 40 percent of visitors from a regional market and 30 to 60 percent of visitors from a super regional market.

Table 14 – Location of Casino Visits, 2009

Location of Casino Visits	Share
A casino in my area	63%
A casino outside my area	17%
Both	17%
Don't know/refused to answer	3%
Total	100%
Local casino for a few hours at a time	50%
Trips to both local and destination resort casinos	23%
Long distance trip to gambling destinations	13%
One or two night trips to a local casino	10%
Other	2%
Don't know/refused to answer	2%
Total	100%

Source: American Gaming Association

Frequency of attendance is inversely related to the distance or travel time to get to the casino. The further away a person lives from the casino, the less often they visit. The American Gaming Association's 2010 State of the States report shows that nearly two-thirds (63%) of people who visited a casino were likely to stay close to home. However, even with casinos nearby, one-third gamble outside their area at some point during the year. Half of all those who visited a casino during 2009 only went to a local casino for a few hours at a time while almost one-quarter took both short trips to local casinos and

long-distance trips to casino resort destinations.

Casinos can drive up frequency of visits and increase market penetration based on several factors including:

- Absolute size
- Number of positions
- Available amenities and lodging
- Quality and entertainment value of experience
- Branding and operating capabilities
- Players club and other marketing programs.

For example, the bigger the casino, the further the reach in the market. However, in a market with a high number of gaming options, factors such as amenities, branding and loyalty programs play more of a factor in attracting and retaining visitors. Non-gaming amenities at the property could include convention center, golf, spa, fine dining and retail options.

As a casino destination grows and ultimately taps out the resident daytrip market, the growth opportunity shifts to the overnight resort market. Overnight visitors, while lower in volume, can be higher in per capita value by selective marketing and management. In combining the room value with gaming value, the increased investment can be more than compensated for by new marginal operating income.

According to a 2006 report by Harrah's Entertainment, Inc., gamblers tend to be financially responsible, active and enjoy a wider variety of experiences in travel, dining and community involvement than non-gamblers. They typically take longer vacations than non-gamblers. Within the U.S. they are more likely to have traveled more than 500 miles from their home for both their last vacation and their last business trip. Adults with annual household incomes exceeding \$95,000 are the most likely to visit a casino – having a visitation rate 55 percent higher than that of the lowest income bracket.

As more states consider changing their laws on commercial casino gaming in attempt to maximize their share of the gaming market, competition will increase. When a state legalizes gaming, they have the potential to recapture gaming dollars leaving their state.

Understanding that commercial gaming is not legal in Kentucky, AECOM is not advocating for a casino to be developed in Eastern Kentucky. However, if gaming were to be legalized, it is an important trend in the tourism industry worth considering.

Spa Facilities at Resorts

The spa industry has become a major player in the tourism sector with spas appearing at resort and hotel properties at a remarkable rate in the last decade. Spas started as a luxury for the upper income but spas are becoming more accessible and people are including visits into their vacations as well.

According to the International Spa Association, there were 20,000 spas in the U.S. during 2011. Approximately 150 million people visited spas generating nearly \$13 billion in revenues. In a USTA survey, 54 percent of travelers said they were interested in going to a spa. Per Wellness Resource, the majority of resorts (93%) have spas and 50 percent of upscale hotels do. Spas with wellness centers are increasingly promoting themselves to the corporate market.

As the industry continues to develop, spa facilities can be leveraged and expanded in the future to create additional demand. Merely building a large spa with dozens of treatment rooms does not guarantee that demand from guests will fill those rooms. However, if the demand is present, spas with a larger number of treatment rooms are better able to capture the demand that exists. Non-spa driven resorts, such as casino and golf resorts, typically see approximately 4 percent of guests utilize spa facilities. Typically if a spa is not included initially as part of a resort development, it is added on soon after.

Destination Resort – The Greenbrier in West Virginia



Named one of the top 20 resorts in the South by *Condé Nast Traveler* in 2012, The Greenbrier's history extends back to 1778 when locals bathed in the sulphur springs for medicinal purposes. Located on 6,750 acres in the Allegheny Mountains in West Virginia, the resort provided relief during the summer heat and humidity for southerners. When the Calwell family

owned the property, they sold cottages, many of which are still there. The first hotel was built on the property in 1858. Passenger trains began serving White Sulphur Springs in 1869 bringing guests to the resort from Washington D.C. The Chesapeake and Ohio Railway purchased the property in 1910 which had been in decline. In addition to building a 250 room hotel, they added a Bath Wing, an 18 hole golf course and tennis courts. The Bath Wing had one of the largest pools in the world at the time. Upon completion, the resort began operating year round. The original hotel was torn down in 1922 and more rooms were added to the Greenbrier Hotel in 1930 bringing the total to 580 rooms. Today the main

building has 614 guest rooms and suites. In addition, there are 96 guest and estate houses located throughout the property for a total of 710 guest rooms.



During the Civil War, the property was used by both the Confederate Army and the Union Army at various times as a hospital or military headquarters. In 1941, the U.S. State Department leased the hotel for foreign diplomats. In 1942, the U.S. Army purchased the building and used it as a hospital. After the war, the Chesapeake and Ohio Railway reacquired the hotel from the U.S. government and invested \$12 million to restore it. They hired Dorothy Draper, an influential

American designer, to redecorate the hotel which reopened in 1948. Her ornate style – bright, patterned wallpaper, black and white checkerboard floors, bold floral prints and antique furniture – has been carried through in recent renovations. The Greenbrier Health Clinic was opened in 1947 targeted to executives and business leaders for diagnostic and preventive care.

During the Cold War, the federal government commissioned the construction of a top-secret bunker that could accommodate all members of Congress at The Greenbrier in the event of a nuclear holocaust. The 112,544 square foot facility took three years to build and coincided with the construction of the hotel's West Virginia Wing, an above-ground addition to the resort. For 30 years it was stocked with survival supplies until it was exposed by the Washington Post in 1992 at which point the government ended its lease agreement. Tours of the bunker are offered daily with reservations. The 90 minute tour costs \$30 for adults and \$15 for children ages 10-17.

In 2000, owners of The Greenbrier resort decided to develop a portion of the surrounding land holdings into a luxury private club with residences and its own golf course. Between 2001 and 2010 there were 380 home sites sold for more than \$206 million at The Greenbrier Sporting Club. In addition, 409 memberships were sold valued at \$40.6 million. The style and size of the residences are controlled through a strict architectural review board to maintain the homogeneous atmosphere.

As a destination resort, The Greenbrier attracts a high level clientele from around the world. Over time, the resort has hosted 26 presidents, royalty, foreign dignitaries, countless politicians, corporate executives, celebrities and upper income southerners. To attract younger, more cosmopolitan guests, the resort underwent a \$50 million renovation in 2007. The resort added wireless Internet, flat screen TVs, a trendy cocktail lounge and a high end gourmet restaurant. An off road driving school, paintball, zip lines,

canopy tours and a climbing tower were also added to appeal to this market. There is also a 300 seat movie theater that shows recently released films free every night. There is a \$35 per person resort fee which covers many of the activities and services such as pools, movies, fitness centers and wireless Internet access.



In November 2008, West Virginia voters approved a resolution that would allow casino style gambling at historic, 500+ room resort hotels such as The Greenbrier. The resort has to be registered with the U.S. Department of the Interior as a national historic landmark, a designation The Greenbrier received in 1990. As a result of this legislation, the Casino Club, a 103,000 square foot

venue with slots, table games and live entertainment, opened in July 2010. The 40,000 square foot Monte Carlo style casino is open to overnight guests and members of The Greenbrier Sporting Club only, as restricted by law. Registered event and convention attendees staying off site when more than 400 rooms are sold can also gamble. Therefore residents, who often make up a large share of people at gaming facilities are barred from gambling there. As well, bus excursions of day trippers that other casinos and racetracks rely on, are not a factor here. Though data is not available, there is speculation that casino revenues have not met their forecasts. However, it has worked to attract younger guests which helps with occupancy and overall revenues.

Difficult economic times impacted the resort as travelers scaled back on luxury vacations and corporate retreats were postponed. With the collapse of the real estate market, sales at The Greenbrier Sporting Club also slowed. Costs associated with maintaining the property and its staff continued and debt mounted. According to the Wall Street Journal, the resort lost \$15 million in 2007 and \$35 million in 2008. In March 2009, The Greenbrier filed for bankruptcy. Marriott International, Inc. intended to buy the resort as part of the bankruptcy proceedings. However, the bankruptcy case was dismissed when a West Virginia company, Justice Family Group LLC, acquired stock of The Greenbrier's holding company for \$20 million. The CSX Corporation, through its predecessor companies the Chessie System and the C&O Railway, had owned the resort for 99 years.

The new ownership group, led by Jim Justice, planned on investing more than \$100 million into the resort to build a casino, update restaurants, add shops and do other renovations including a possible performing arts theater. The Prime 44 West Steakhouse, named after NBA legend and West Virginia native Jerry West who played for the Los Angeles Lakers, opened in 2009. In 2010, Mr. Justice brought a PGA tournament to the resort, the Greenbrier Classic which is contracted through 2021. Not all of his investments have succeeded. He launched the Greenbrier Presidential Express, a luxury passenger train from Washington D.C. in 2011. However, due to capacity constraints on the rail line, the service ended in

May 2012. However, his ultimate goal was to restore the resort to the prestigious AAA five diamond level which was achieved in January 2011. In 2011, the resort continued to struggle financially with a \$13 million loss the first three months. Approximately 100 of its 1,800 employees were laid off during the off-season. It appears that Mr. Justice is committed to the resort, is willing to take risks and will wait out the difficult economic times.



In addition to the 710 room hotel, there are 33 suites and 96 guest and estate houses on the property as well as four golf courses (one is exclusive to members of The Greenbrier Sporting Club), a 40,000 square foot mineral spa, 37 boutiques and shops, gaming and live entertainment. The spa opened in 1987 and was expanded to its current size, 40,000 square feet with 60 treatment rooms, in 2001.

Afternoon tea is served at 4:00 PM and there is a nightly champagne toast in the Casino Club. To accommodate interests of all guests, there are extensive outdoor activities such as hiking, archery, canopy tour, fishing, falconry horseback riding, kayaking and whitewater rafting, among others. There are activities for children inside as well as bunker tours, culinary demonstrations, wine tasting, shuffleboard, a museum and more. There are fourteen restaurants, café and lounges on the property that range from casual to formal overseen by Certified Executive Chef, Bryan Skelding. The conference center can accommodate groups up to 2,500 people with more than 100,000 square feet of conference facilities. According to Forbes Travel Guide, the average price for a regular room at this resort is \$450 per night. One bedroom suites and guesthouses start at \$559 per night.

The resort relies on corporate retreats, conferences and meetings with the extensive amount of conference facilities and amenities. During the 1970s and 1980s, companies like General Motor would book the entire resort for a week to host dealers. There were few resorts of this size that could compete. However, by the mid-1980s there were many high end resorts to choose from and occupancy has suffered.

In the past, the resort offered an extensive cooking class program that was developed to drive additional room nights during slower seasons or parts of the week. There were three and five day classes scheduled both during the resort season and the off-season. These occurred mostly in season (as a guest attraction), and celebrity chefs sometimes appeared as guest instructors; however, most instruction is provided by the Greenbrier' five hotel chefs. Single day, four hour sessions were also offered starting in May and running through early November. No classes were offered between late October and mid-March. The kitchen in the bunker was just renovated and the owners are considering bringing the cooking classes and demonstrations back.



Among leisure guests, the main draw is the spa – the only five star mineral spa in the world – with treatments that reflect its history of guests “taking to the waters.” In addition to hot tub soaks and hydrotherapy, there are traditional treatments including massage, facials, manicures and pedicures. Exceptional customer service, vast culinary experiences, championship golf courses

and a variety of activities indoors and out keep guests coming back year after year. A 2006 survey of visitors to Greenbrier County showed that nearly 40 percent had visited Greenbrier previously.

The majority of visitors to Greenbrier County drive since it . The resort is located about 250 miles from Washington D.C., approximately a four hour drive. The Greenbrier Valley Airport (LWB) is located about 15 minutes from the resort and is served by Silver Airways, a regional airline, with flights to Atlanta and Washington-Dulles. There is an Amtrak station in White Sulphur Springs which is along the Cardinal/Hoosier State route. It operates between New York and Chicago three days a week through the Blue Ridge and Allegheny Mountains, the Shenandoah Valley and West Virginia before heading northwest through Cincinnati and Indianapolis. The resort provides free transportation to the station.

Peak season for the resort is April through October with occupancy rates being the lowest in January and February and highest in July and August. Thanksgiving and Christmas holidays are also quite busy as is the week of the Greenbrier Classic PGA Tour in early July.

Since the resort is private, there is not much public information on operations and interviews with the General Manager were not granted. However, findings from a 1998 economic impact study of The Greenbrier showed that there were 253,000 guest days which averages to 700 guests per day. Each guest spent an average of \$388 per day at the resort. The majority of guests, 87 percent, came from outside of West Virginia.

The Greenbrier County Convention and Visitors Bureau conducted a conversion study in 2009. Three quarters of respondents were repeat visitors with 41 percent there in 2008. Nearly all (96%) who went to Greenbrier County indicated that they planned on returning. Visitors spent approximately \$209 per person per day on lodging, meals, shopping, admissions and local transportation. Almost half (46%) were there on a family vacation and 20 percent were on vacation with friends. Business trips and meetings were the primary purpose for 24 percent of respondents. Relaxing and enjoying was what 86 percent of visitors did while in Greenbrier County followed by visiting local attractions, dining out and shopping.

Destination Resort – Three Forks Ranch in Savery, Wyoming



Hunting is attracting a new breed of hunter, one who would like luxury accommodations and fine dining at the end of the day. Hunting lodges and resorts are adding recreational activities for families and spas to attract spouses. Corporate executives are also taking employees and clients for a different experience. One such resort is the Three Forks Ranch in Savery, Wyoming,

located 40 miles north of Steamboat Springs, Colorado. The property is 4.5 hours northwest of Denver, Colorado and 3.5 hours west of Cheyenne, Wyoming. Located on 200,000 acres that cross the Colorado-Wyoming border, this active cattle ranch has 11 deluxe rooms and 4 suites, all with private, walk-out patios. After two years of construction, the new lodge building opened in 2008. There are also 4 cabins which are used primarily by hunters in the fall.



After purchasing the property in 1999, Three Forks launched the largest privately funded river restoration in U.S. history. Sixteen miles of the Little Snake River and 30 oxbow lakes had been ruined by agriculture and cattle. The fish population was in jeopardy. The owner, David Pratt, worked with the U.S. Army Corps of Engineers to transform it into a narrower, deeper river. It took 18 months, but it revitalized the river and has become a self-sustaining fishery allowing the ranch to become a fly

fishing destination.

Luxury accommodations include five star dining and a 6,000 square foot spa with a rock grotto that has steam rooms, hot tubs and an indoor/outdoor basking pool. The Roaring Fork Spa has four treatment rooms and offers massages, hot stone therapy, body wraps, facials and reflexology. The lodge also has meeting space for executive retreats.



The rates at all-inclusive Three Forks Ranch include lodging, meals, house wines and liquors, evening cocktail hour and hors d'oeuvres, in-room refrigerator stocked with beer, wine and snacks, unlimited use of exercise room, steam rooms, pool and hot tubs, silver platter coffee service each morning, WiFi, Internet connections and long-distance phone calls, in-room iPads for personal use, twice-daily maid service, all recreation equipment, afternoon tea, evening turndown service, round-trip transportation from Hayden, Colorado or Dixon, Wyoming airports to Three Forks Ranch, valet laundry services and use of our business center. Deluxe guest rooms are \$695 per person. The suites are \$795 to \$845 per person and the cabins, which can sleep between 6 and 10 people range in price from \$2,995 per night to \$5,995 per night.



Activities at the resort include horseback riding, fly fishing, hunting, target shooting, sporting clays, cattle drives, wildlife viewing, 4 wheeling, mountain biking and hiking. Year round activities include cooking classes, shopping in Steamboat Springs, afternoon tea and wine tasting. In the winter guests

can participate in skiing, snowmobiling, sledding, sleigh rides, cross country skiing, snowshoeing and ice fishing. There are additional fees to participate in these activities.

They have also designed exclusive events that offer guests access and experiences around specific activities at the resort such as winemakers getaway, gourmet getaway, cattle branding, yoga retreat, cowgirl/cowboy way, etc. Each event includes accommodations, a spa treatment and hand-selected gifts for each guest relevant to his or her experience on the Ranch. Upon the conclusion of their stay, guests receive custom photo albums featuring images of their adventure.

Surrounded on three sides by National Forest, Three Forks Ranch is the home to thousands of elk, mule deer and pronghorn antelope. Through Colorado's Ranching for Wildlife program, Three Forks Ranch offers bugling elk, trophy mule deer and spot and stalk pronghorn hunts on its 50,000 private acres. The bull elk hunts are available during the rut with guaranteed licenses, extended seasons, and the ability to use any legal hunting weapon during any season. Their opportunity rate is 100 percent. As it does for other guests, the Ranch offers all-inclusive hunting packages with two-to-one guide service, transportation afield, field dressing, complimentary fly fishing on the Little Snake River and a 50 shot sporting clay shoot in addition to all the other services provided other guests. An elk hunt is \$9,250 and \$3,000 for a non-hunting companion.

Regional Resort – Mt. Magazine Lodge in Paris, Arkansas



Mount Magazine State Park has a relatively young history, opening in 1998, though the area itself has an extensive history with artifacts found dating back to 9,500 B.C. Major settlement in the region occurred between 1850 and 1930. In 1900, the town of Magazine was platted and hotels began to operate there as tourists began seeking locales for recreation or rejuvenation and cooler summer temperatures. A railroad with passenger trains along the base of the mountain helped foster tourism. It was the railroad company that started developing a resort town by building roads, parks, a post office and the mountain's first hotel, Skycrest Hotel. Another inn and log cabin camp followed in the 1920s.

During the Great Depression, with no money for leisure, the area declined. In 1934, the federal government acquired the mountain under the U.S. Resettlement Administration and turned it over to the U.S. Forest Service in 1938. The Works Progress Administration (WPA) built a road over the mountain to

connect Paris to Havana, now the Mount Magazine Scenic Byway. At the same time, the Civilian Conservation Corps (CCC) built a lodge, restaurant, 18 cabins, campsites and picnic areas. Dams created scenic lakes and an amphitheater was used for sunrise services. The Mount Magazine Lodge had 26 guest rooms in a two story structure. The stone patio offered views of the Petit Jean River Valley and the Ouachita Mountains. The gravel road was paved in 1952.

The CCC lodge burned down in 1971. However, there was strong local support to rebuild. In 1977 the governor, David Pryor, and Representative Willems requested that the mountain be turned over to the state park system which the Arkansas General Assembly approved in 1983. The USFS issued a Special Use Permit to the Department of Parks and Tourism in 1989 to allow for the state park development. In

1998, the Mount Magazine State Park opened. The U.S. Forest Service still owns and manages the land but the Arkansas Department of Parks and Tourism operates and maintains the parks amenities. New roads, picnic facilities, campgrounds, maintenance buildings, utilities and a visitor center were subsequently built.

In 2001, an act to amend the Arkansas code was passed to provide for the construction and financing of a lodge and cabin complex at Mount Magazine. Later that year, the campground was remodeled and a new visitor center was built. The park was dedicated in 2002 by Governor Mike Huckabee. The new lodge took two years to build, opening in May 2006. Funded by a bond issue, the \$32.6 million lodge complex and cabins was the largest single capital investment by the state parks at the time. When it opened, the park superintendent expected 300,000 annual visitors and \$3 million in gross revenue. The park exceeded expectations with 415,000 visitors in 2006. At the time of its construction, the lodge at Mount Magazine was the largest single capital investment by state parks.



The 60 rooms in the 66,607 square foot rustic style lodge all offer views of the river valley. Forty three have balconies and 17 have spa tubs. Within the lodge is a grand lobby, conference facility, fitness room, gift shop and a 1,325 square foot indoor pool. The Skycrest Restaurant offers traditional southern cuisine and panoramic views. It also has a two story native stone fireplace and seats 175 people. The restaurant

and banquet facilities operate under a private club license which allows the facility to serve alcohol (beer and wine only, no hard alcohol) to members.

Along the bluff are 13 cabins with fully equipped kitchens, laundry room, fireplace and wrap around decks. Each has an outdoor hot tub on a covered deck. In 2013, a standard queen room from March through November ranged in price from \$119 for a weekday to \$149 per night on the weekend. Off season rates are \$100 per night. A 2 bedroom, 2 bath cabin rents for \$295 to \$395 per night in-season and \$260 to \$269 off season. Annual occupancy rates in 2009 averaged 72 percent for the lodge and 74



percent for the cabins.

The lodge has a conference center that hosts conferences, meetings, corporate retreats, weddings, family reunions, etc. With 3,840 square feet of meeting space, it can accommodate up to 192 people. There is also an outdoor stone terrace that can accommodate another 200 people and two 880 square foot meeting rooms. Fees for the meeting space depend on the number of rooms/cabins rented.

Currently there is no spa in the lodge. The Arkansas Department of Parks is interested in opening one, but can't find a private concessionaire willing to take on the risk since the location is fairly remote. In addition, an environmental impact study would need to be conducted which is costly and takes considerable time. They are working with a private company to provide three and five hour all terrain vehicle (ATV) tours.

The park campground has 18 campsites with water, electric and sewer hookups. Tent camping is \$19 per night. Class AA and AAA with water, electricity and sewer range from \$27 to \$30 per day. There are plans for a horse camp with 21 sites. Nearby are campgrounds at Cove Lake which is managed by the USDA Forest Service (28 sites with no hookups) and 2 campgrounds at Blue Mountain Lake managed by the U.S. Army Corps of Engineers (92 total sites with water and electricity).

The park is located about 55 miles southeast of Fort Smith and 100 miles northwest of Little Rock. The park covers about 2,200 acres at the highest point in Arkansas, 2,753 feet above sea level. The steepness of the elevation change between its summit and the surrounding valleys, produces dramatic views that attract tourists. It's also an area of unique fauna and flora and is now known for its annual International Butterfly Festival held in June. Mount Magazine has a diverse butterfly population with ninety-four out of the 134 species in Arkansas inhabiting the mountain., including the rare Diana fritillary. The mountain affords many recreational opportunities such as stargazing, hang-gliding, ATV trails, horseback riding, hiking, camping, rock climbing, rappelling and ice climbing, weather permitting.

Regional Resort – Starved Rock Lodge and Conference in Utica, Illinois



Starved Rock State Park, approximately 100 miles southwest of Chicago in Utica, is among the top attractions in Illinois. The area was home to native tribes who were forced westward with the migration of European settlers. In 1835, the land along the south side of the Illinois River was purchased from the federal government. When Ferdinand Walther bought the property in 1890, he recognized the potential for a

resort development and built the first hotel and dance hall. He developed trails and a harbor for boats. The State of Illinois purchased the resort in 1911 to make it a state park.

Throughout the 1930s, the Civilian Conservation Corps (CCC) built miles of trails, shelters, bridges, log cabins, the parking lot and the Starved Rock Lodge which had 48 rooms originally. The architecture is reflective of the rustic style found in lodges at National Parks. During the parks early years, it was only accessible by ferry and train. When Illinois Route 71 opened in 1942, it allowed for easy automotive access from Chicago. In 1960 the park was declared a National Historic Landmark. The Lodge and cabins were added to the National Register of Historic Places in 1985. A \$4 million renovation was completed in 1988 which included a heated, indoor swimming pool and additional rooms to the hotel as well as improvements to other buildings.

The park spans 2,630 acres and is known for sandstone rock formations laid down by an inland sea more than 425 million years ago. There are 18 deep canyons chiseled into the sandstone by glacial melt water and stream erosion, 14 of which have waterfalls in the spring. A long wooden stairway, built by the Young Adult Conservation Corps in 1981 to protect the rock, leads to the summit where a multi-level walkway circles the top offering spectacular views.



The lodge sits atop a bluff that provides a view toward Starved Rock and the Illinois River. Today, there are 70 hotel rooms in the lodge and 12 cabins ranging from 1 to 4 bedrooms. The Great Room is centered around a double sided, limestone fireplace and decorated with Native American artifacts, rugs and artwork. The restaurant is open seven days a week and can accommodate up to 250 people for banquets. The

conference area has room for 200 (theater style) with four smaller meeting rooms also available. IN 2005, they converted one of the cabins to offer massage services. The campground has 133 Class A premium sites which rent for \$25 per night.

Visitors can hike 13 miles of trails, canoe down the river, fish, watch for birds, view wildlife, ride horses, mountain biking and cross country ski. Hunting is also allowed. Due to trail erosion biking is not allowed on the trails. Also, due to the fragile ecosystem, rock climbing is prohibited. The Visitor Center is open daily from 9 AM to 4 PM. In addition to restrooms and vending machines, there is a small concession stand and gift store offering souvenirs, snacks and drinks. There are also displays, exhibits and videos introducing visitors to the park and Starved Rock Lodge.



While at the Park, there is a trolley that operates from March through December giving tours of the Park and surrounding area with stops at the Illinois Waterway Visitor Center and the village of Utica. The 90 minute tours are managed by the lodge and cost \$12 for adults, \$10 for seniors and \$8 for

children under the age of 10. Annual visitation to the park is just over 2 million visitors. Occupancy at the lodge is quite high, averaging between 80 and 85 percent. Current average daily room rate is about \$135 for a standard room.

Visitation is driven by the Chicago market with 80 percent of visitors coming from further than 50 miles. While in the park, day visitors stay for 5 to 6 hours. There has been a push to grow group travel. Today it makes up about 45 percent of room nights. They are focusing on weddings as a growth segment. They develop programs for various groups such as storytelling, bird watching, nature photography and Elvis impersonators. The manager says that marketing is key to their success. They emphasize customer service and provide sales and marketing training for all staff. They follow up with guests about their experience and later entice them to come back. Rather than discounting rates, they provide value added services such as a discount in the restaurant instead.

Starved Rock State Park is included here both as an example of a regional resort as well as a successful example of how a public-private partnership can revitalize an underutilized public asset.

The lodge, gift shop, conference center, restaurant and trolley are currently leased to a private concessionaire who has held the contract since it began in 1989. The current lease is for 25 years when it will go to bid again. In the past, there has been interest in the lease from larger companies including Marriott and Xanterra, a company that manages facilities in seven national parks and several Ohio state parks, but the current lessor has been the only bid submitted each of the three times it went to bid. The Illinois Department of Natural Resources (IDNR), under which the state parks are managed and leases negotiated, receives 8 percent of all revenues from the Starved Rock Lodge. This has fluctuated some recently as occupancy fell. The IDNR has to approve the room rates, but does not set them. Costs associated with improvements to the facilities are often negotiated with the concessioner. Since the concessioner does not own the facility, they are less likely to invest in development, such as a spa. However, regular maintenance costs are their responsibility.

There are currently has 80 to 90 leases in Illinois state parks for everything from bait sales, boat/bike/ski/watercraft rentals to vending machines, cabin rentals, golf courses, marinas, restaurants, theater productions and lodges. Privatization of state park amenities was in response, in part, to high labor costs. When a developer takes the lease for a concession, they are allowed to hire their own staff.

Other Development in the Region



The success of Starved Rock Lodge has spurred other hotel development in the area which has impacted occupancy at the Lodge. Grizzly Jack's Grand Bear Resort which opened in 2005, just 2 miles away from Starved Rock Lodge. Overnight accommodations include a 92 room lodge, 140 vacation villas that can sleep up to 9 and 48 luxury cabins with room for 18 people.

There is 24,000 square foot indoor waterpark and a 36,000 square foot indoor amusement park. Similar to other Midwestern waterparks, there is a wave pool, lazy river, kiddie pools and slides. The amusement park has rides, miniature golf, laser tag, arcade, ropes course and a zip line. Full admission to the amusement park is \$29 per person. While day passes are available for the amusement park, the waterpark is for overnight guests only. There is a restaurant and bar, café, sweet shop and snack shop.



There is a small convenience store as well as a gift shop. There are 7,500 square feet of flexible meeting space for conferences, banquets, reunions, weddings, craft/trade shows, etc. The property is rumored to be struggling financially. In part this has to do with its second home development which came online as the housing crisis escalated.

Regional Resort – Tunica Resorts, Mississippi

Tunica Resorts, Mississippi, an unincorporated community ten miles north of the town of Tunica, in the northwest corner of the state. Located along the Mississippi River, 36 miles south of Memphis, it is

among the largest gaming regions in the U.S. Prior to 1992, Tunica County was one of the poorest in the U.S. The local economy was largely defined by the agricultural production of cotton and soybeans and the few residents that lived there suffered from high unemployment.

In 1990, the Mississippi Legislature legalized dockside gambling along the Mississippi River. Tunica County legalized gaming in 1991. The following year, the Mississippi Gaming Commission approved the development of a riverboat casino, The Splash Casino, close to the town of Tunica. Its success attracted the attention of major gaming corporations and by August 1994, 11 other casinos had opened. Development moved northward along the river to Robinsonville, now called Tunica Resorts. Today, the community is home to nine casino resorts:

- Bally's Tunica
- Fitzgeralds Casino & Hotel Tunica
- Gold Strike Casino Resort
- Harrah's Casino Tunica
- Hollywood Casino and Hotel
- Horseshoe Casino Tunica
- Resorts Casino Tunica
- Sam's Town Hotel and Gambling Hall
- Tunica Roadhouse Casino & Hotel (formerly Sheraton Hotel and Casino)



Harrah's Casino Tunica claims to be the largest casino resort between Las Vegas and Atlantic City. It is located on 2,200 acres and opened in 1996. In 2005, the property was purchased by Caesars Entertainment and subsequently merged with Harrah's Entertainment. The casino floor is 136,000 square feet and has 1,340 slots and 70 table games. There are three hotels with 1,356 rooms as well as an RV resort with 200 spaces. Restaurants and eateries range from coffee shops to buffets to fine dining. The convention center can

accommodate up to 1,350 people but there is additional meeting space throughout the property for a total of 28,286 square feet. The convention centers also hosts concerts, sporting events and other live performances throughout the year. There is a full-service salon and several shops in the casino. On the property is an award winning golf course and the Willows Sporting Clays and Hunting Center. The hotel's loyalty card program can be used at any of the 40 properties managed by Caesars Entertainment.

In 2012, the county had approximately 10,500 residents. The casinos attract 10 to 12 million visitors annually mainly from Memphis but also draw from Mississippi, Tennessee, Arkansas, Alabama, Missouri, Georgia, Illinois and Kentucky. Overnight visitors make up 85 percent of all travelers, staying an average

of 2.6 nights. Repeat visitation is high, 80 percent with gambling the primary purpose of the trip for nearly 70 percent of visitors. Visitors indicated they had made an average of 15 trips to Tunica during the past three years.

Gaming in Tunica County resulted in tremendous capital investment in the region including hotels, convention facilities, golf courses, museums, RV parks, spas, entertainment venues and retail (including outlet malls). Since casinos first opened there, \$2.1 billion in state and local gaming tax revenue has been generated. Of that, \$1.4 billion went to the state's general fund and distributed across the state to help improve the overall economic well-being of Mississippi. The remainder, \$704 million has been invested in Tunica county improving roads, sewers, the airport and schools. In 2004, Tunica County opened the Tunica River Front Park, a \$23 million facility with an interpretive center, aquarium, nature trails, retail outlets, boat docking facility and a riverboat. The County also constructed the Tunica National Golf and Tennis Center near the casinos. The regional airport also expanded which included lengthening the airport runway to accommodate regional jets.

Travel Demand Generator – Hotel with Indoor Waterpark

The term waterpark has been used to describe everything from a public swimming pool with a slide to 50 acre parks with multiple water attractions. Essentially, a waterpark is an amusement park with water features. Typically waterparks include multiple features such as water slides, splash pads, spraygrounds, wave pools and lazy rivers. Some parks are now including artificial surfing or body boarding with a FlowRider. The addition of an indoor waterpark to a hotel or resort makes a seasonal destination year round. Waterparks, especially those with multiple elements, have a broad market appeal among all ages and types of households. Families are the target market and multi-generational travel is popular here.



The first waterpark was created in 1977 by the founder of Sea World, George Millay. He created the first Wet 'n Wild Waterpark in Orlando, Florida. His concept included water slides and kiddie pools. During the 1980s, the industry incorporated ideas from other parts of the world including wave pools, lazy rivers and speed slides. Today, waterparks come in a multitude of shapes and sizes, from small aquatics centers that have a few waterpark features – such as a waterslide or leisure river – to city-owned facilities

that rival some of today’s major parks, as well as indoor waterpark hotels/resorts. Campgrounds, ski resorts and cruise ships have even added waterparks. Over time, waterparks have generated average lengths of stay of four to five hours, which in turn supports relatively high admission prices and non-admission visitor spending such as concessions and gifts. The expanded attraction content and the highly participatory nature of the experience also enable waterparks to achieve a high level of repeat visitation.

Waterparks are very popular activities, both at home and while traveling. The World Waterpark Association has estimated there were approximately 85 million attendees at North American waterparks during 2012. Average attendance growth over the last 5 years has been 2.2 percent annually. In 2011 there were 82 million visitors and 79 million in 2010.

Hotel and Leisure Advisors (H&LA) classifies waterparks into four categories:

- An indoor waterpark resort is a lodging establishment containing an aquatic facility with a minimum of 10,000 square feet of indoor waterpark space inclusive of amenities such as slides, tubes, and a variety of indoor water play features. Within this category are:
 - A hotel with indoor waterpark is a hotel with an attached indoor waterpark with 10,000 to 30,000 square feet of indoor waterpark space where the indoor waterpark serves as an amenity of the hotel versus a true destination.
 - An indoor waterpark destination resort is a resort with more than 30,000 square feet of indoor waterpark space and is considered a true destination resort, which families frequent on a year round basis primarily to utilize the waterpark and secondarily to visit other attractions or events in the area.
- A resort with an outdoor waterpark is a lodging establishment that contains an outdoor aquatic facility with three or more waterpark elements requiring lifeguards such as slides, lazy rivers, or wave pools. These resorts will have a more elaborate outdoor waterpark area that is utilized primarily by hotel guests or can also be open to the public.
- A standalone indoor waterpark is an aquatic facility with a minimum of 10,000 square feet of indoor waterpark space inclusive of amenities such as slides, tubes, and a variety of indoor water play features that is not attached to a lodging establishment.
- An outdoor waterpark is an outdoor aquatic facility with three or more waterpark elements requiring lifeguards such as larger slides, lazy rivers, or wave pools. These parks will often offer additional splash features for younger children as well.

Table 15 – U.S. Waterparks, 2012

	Parks	Share
Indoor waterpark resorts	132	16.6%
Resorts with outdoor waterparks	55	6.9%
Standalone indoor waterparks	48	6.0%
Outdoor waterparks	561	70.5%
Total	796	100.0%

Source: Hotel & Leisure Advisors

H&LA estimates that there were 796 waterparks, as defined above, in the U.S. in 2012 with 21 more in development. These parks include private and municipal ownership as well as franchise and independent resorts. Outdoor waterparks make up the majority of the parks with 561 and had the most openings during 2012 with 11. There are 16 projected to open in 2013. Nearly one-quarter of the waterparks are in

resorts. The fastest growing segments of the industry are municipally owned waterparks and indoor waterparks attached to hotels or resorts.

Table 16 – Kentucky Waterparks, 2013

Park	City	In/Outdoor	Owner
Beech Bend Park & Splash Lagoon	Bowling Green	Outdoor	Private
Glacier Run at The Louisville Zoo	Louisville	Outdoor	Public
Jessamine County Aquatic Park	Nicholasville	Outdoor	Public
Paradise Breeze Entertainment Center	Maysville	Outdoor	Private
Preston Miller Aquatic Facility	Bowling Green	Outdoor	Public
SomerSplash Waterpark	Somerset	Outdoor	Public
Tie Breaker Family Aquatic Center	Hopkinsville	Outdoor	Public
Venture River Water Park	Eddyville	Outdoor	Private

Source: World Waterpark Association

Data from the World Waterpark Association lists 8 waterparks in Kentucky as shown below. Three are private, the rest are publicly owned. None of them are part of a resort or part of a hotel though Beech Bend is part of a larger

amusement and recreation center. There was an indoor park at the Comfort Inn South in Shepherdsville, south of Louisville but it closed recently.

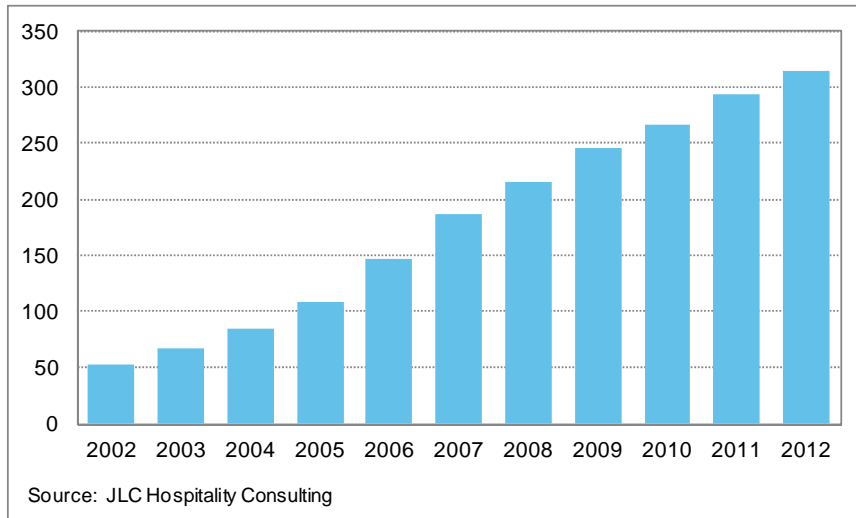
Table 17 – Waterparks at U.S. Resorts, 2012

	Franchise	Indep.	Total
Indoor Waterpark Resorts			
Northeast	7	6	13
Midwest	35	65	100
South	0	10	10
West	5	4	9
Total	47	85	132
Resorts with Outdoor Waterparks			
Northeast	1	2	3
Midwest	1	11	12
South	9	16	25
West	8	7	15
Total	19	36	55
Total Resorts with Waterparks			
Northeast	8	8	16
Midwest	36	76	112
South	9	26	35
West	13	11	24
Total	66	121	187

Source: Hotel & Leisure Advisors, LLC

When examining resorts with waterparks, by region of the country and ownership, it is clear that the majority of parks are independently owned (65%). Also, the Midwest dominates the industry with 112 parks (60% of all parks), 100 indoor waterpark resorts and 12 resorts with outdoor waterparks. More than one-third of waterparks in resorts are indoor, independently owned and in the Midwest. In the South, there are 35 waterparks, 9 resorts affiliated with national franchises and 26 independently owned. Not surprisingly, the majority, 71 percent are outdoor waterparks.

Figure 14 – Construction of Hotel Waterparks in the U.S.



There was considerable development in the mid-2000s throughout the U.S. Data from JLC Hospitality Consulting, which defines hotel waterparks slightly differently from above (smaller parks with fewer amenities are included in this definition), shows the timeline of development. According to this analysis, there were 43 hotels with waterparks (indoor and outdoor) open in the U.S. in 2002. By 2012, this had

increased six fold. In 2006 and 2007, 78 properties were built. Although the pace has slowed with recent financial and economic uncertainty, 69 hotels with waterparks have been built since 2009.

Indoor waterpark resorts are popular for family getaways and they help keep occupancies higher during off season months. Rates can also be slightly higher since they include admission to the waterparks. The trend is to build even bigger waterparks or expand current ones. Though this can be expensive, it does have a positive impact on occupancy, particularly on weekends, and total guest spending. Bigger is better as families want to make sure they are getting high entertainment value for the higher room rate. Most facilities with indoor waterparks also have outdoor waterparks.

There were 3 new indoor waterparks at resorts built and 1 expansion during 2012. The Wilderness at the Smokies in Sevierville, Tennessee expanded its indoor waterpark by 23,000 square feet. Indoor waterpark resorts continue to expand, enhance rides, add amenities and evolve in order to attract repeat business. They are even adding non-water activities. For example, in 2012, the Wilderness Hotel and Golf Resort in Wisconsin Dells, Wisconsin added an indoor ropes course. Zip lines, climbing walls, miniature golf, arcades and even spas for kids have been added at resorts. There were no indoor waterparks to open in 2013. However, the Maui Sands in Sandusky, Ohio reopened with new owners and CoCo Key in Arlington Heights, Illinois was redeveloped.

Data from the 2006 Travel Activities and Motivations (TAMS) study shows that 12 percent of American travelers went to a water theme park while on vacation. Of those, the park itself was the trip motivators for 39 percent of the participants. These participants are profiled as part of the larger group, theme park and exhibit visitors. Theme park and exhibit visitors are typically 18 to 44 years of age, most are married and they are more likely than the average American pleasure traveler to have dependent children (under 18) living at home. Their level of education (61% with a college degree or higher) is slightly above average (58%). Household income is 13 percent higher among visitors who went to a theme park or exhibit than those that didn't.

Theme park and exhibit visitors are family-oriented in terms of their trip activities and vacation preferences. When on trips, they were more likely to have visited exhibits (e.g., science & technology exhibits, garden theme attractions) and to have participated in family-friendly outdoor activities (e.g., games and individual sports, team sports, cycling, horseback riding) than the average leisure traveler. They tend to value relaxing vacations (e.g., get a break from their day-to-day environment, relax and relieve stress) and prefer vacations that enrich family relationships and offer lots of things to see and do for both adults and children. Theme park and exhibit visitors are most likely to live in North or South Carolina, Georgia, New Jersey, Virginia and Kentucky.

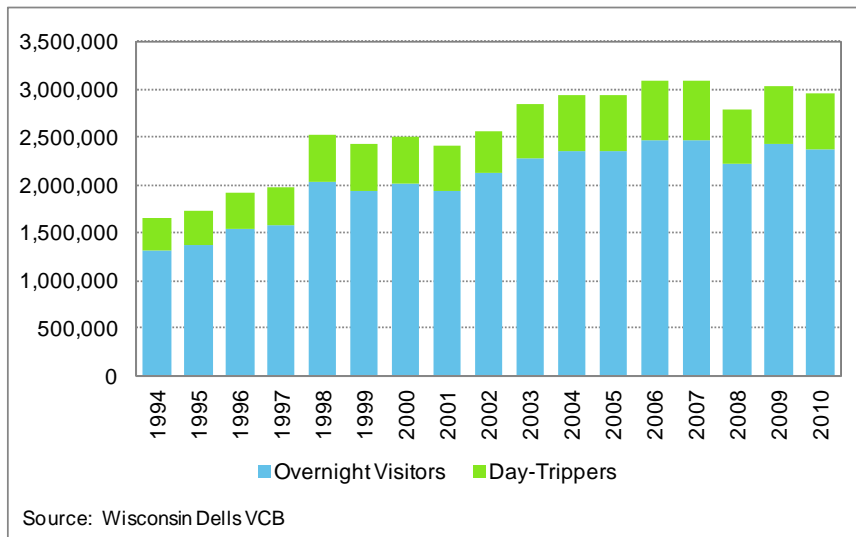
Wisconsin Dells, Wisconsin

Wisconsin Dells is actually two communities – the city of Wisconsin Dells and the village of Lake Delton. In 2012, the combined population was 5,629 residents. Located in south central Wisconsin, Wisconsin Dells is approximately 50 miles north of Madison, WI and 120 miles northwest of Milwaukee. The Wisconsin River and Lake Delton provide a scenic back drop for the popular tourist destination.

Wisconsin Dells, Wisconsin is the self-proclaimed “Waterpark Capital of the World” with 20 waterparks within 19.5 square miles, more than 200 waterslides and 16 million gallons of water. According to the Visitor and Convention Bureau, the area attracts more than 3 million visitors annually, half of whom come from outside of Wisconsin. Wisconsin Dells draws from Chicago, IL, a three hour drive, and Minneapolis, MN, about three and a half hour drive. Approximately 35 percent of visitors are from the Chicago area.

The indoor waterpark trend started in 1994 when Stan Anderson, owner of the Polynesian Resort, added a water attraction inside his hotel with the goal of extending his season and attracting more tourists on an annual basis. Its success led to the birth of an industry. Within a few years, several other hotels had added indoor waterparks, a trend which continues there and across the world.

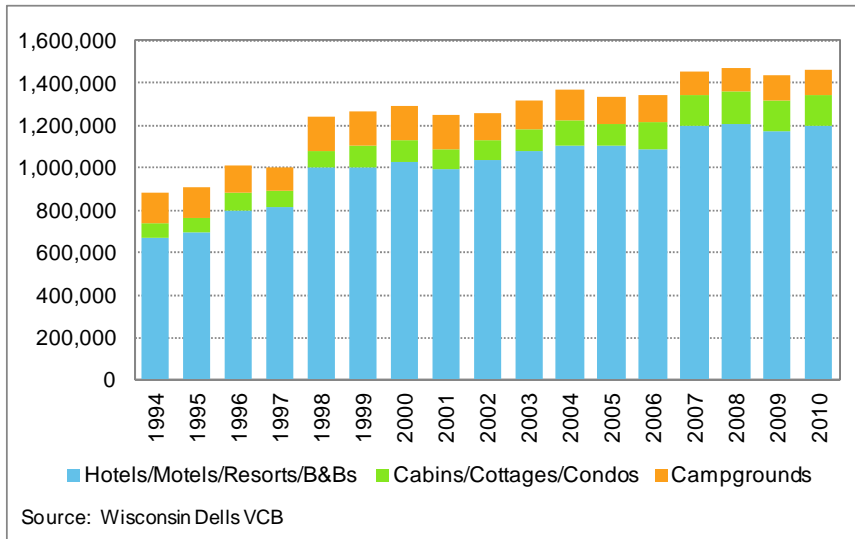
Figure 15 – Visitors to Wisconsin Dells



The Wisconsin Dells Visitor and Convention Bureau tracked visitation from 1994 through 2010. This data shows number of day visitors as well as occupancy, party size and length of stay for visitors that stayed overnight in paid accommodations (i.e., hotels/motels/resorts/ B&Bs, cabins/cottages/condos and campgrounds). The impact of the indoor waterparks is clear as the number of visitors sharply increases as more parks are built during

the late 1990s. Visitation peaked in 2006 and 2007 with nearly 3.1 million visitors. Though the recent economic recession curtailed visitation, the largest drop occurred in 2008, there are strong signs of recovery.

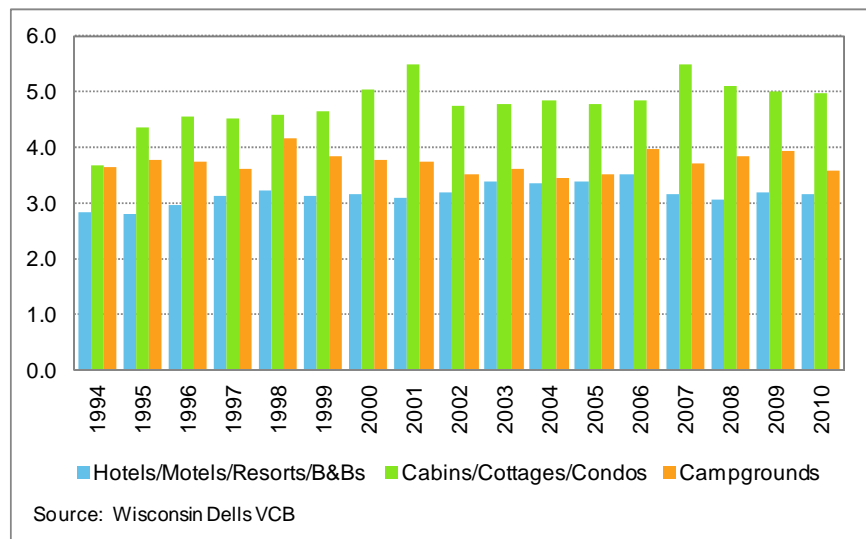
Figure 16 – Room Nights in Wisconsin Dells



Among visitors that pay for overnight accommodations, the largest share stay in hotels, motels, resorts and B&Bs which has been steadily increasing. In 2010, 82 percent of overnight guests stayed in hotels, motels, resorts and B&Bs, up from 76 percent in 1994. Cabins, cottages and condos have also grown in popularity while the number of nights sold in campgrounds has declined.

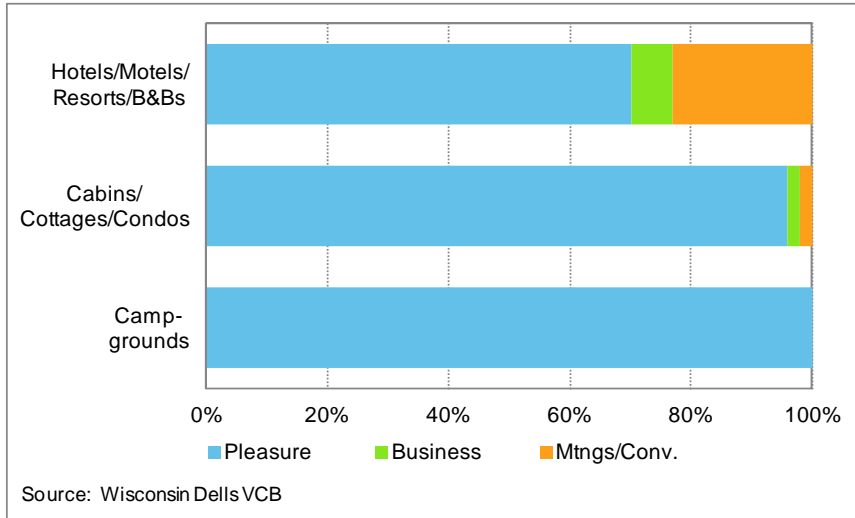
The characteristics of overnight visitors are quite different by type of accommodation both in terms of party size and length of stay. Average party size among visitors staying in hotels and resorts increased from 2.84 in 1994 to 3.15 in 2010. However, it remains the smallest party size among overnight visitors. Visitors staying in rented cabins, cottages and condos consistently have had the largest party size though there have been

Figure 17 – Average Party Size for Overnight Visitors



some fluctuations since 1994. In 2010, the average party size for this group was 5 people. This group tends to stay longer than those staying in hotels and resorts, an average of 2.42 nights compared to 1.99 for hotel guests. Campers make up a very small share of overnight visitors to Wisconsin Dells. The average party size is 3.58 and they stay an average of 2.47 nights.

Figure 18 – Trip Purpose, 2010



While the majority of visitors come to Wisconsin Dells on a personal vacation, the number of people traveling there for business has grown. For the most part, people in town for work stay at hotels, motels, resorts and B&Bs. This group made up 30 percent of overnight visitors staying in hotels and resorts in 2010.

Visitor origin was measured very broadly with guests coming from Wisconsin, other parts of the U.S., Canada and other foreign countries. Approximately half of all visitors come from Wisconsin which is slightly lower for hotels and resorts. This may be attributed to the meetings, conferences and conventions having a larger reach.

Figure 19 – Visitor Origin, 2010

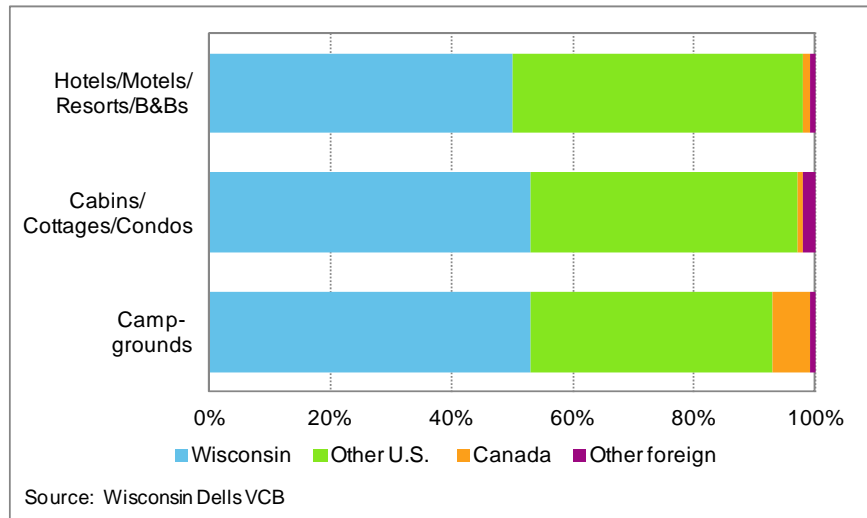
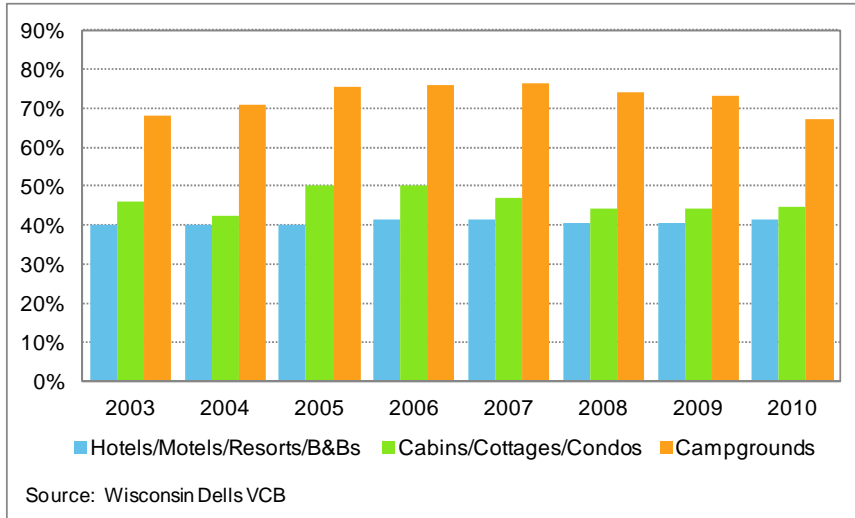


Figure 20 – Share of Room Nights During Peak Season



The introduction of indoor waterparks transformed the area from a seasonal destination to year round, although some lodging properties and attractions do close during the winter months. Hotels have also added meeting space as well as winter activities to attract guests during off peak months. Since families make up the majority of visitors, peak season is during summer vacation from June through August.

These three months of the year generate nearly 70 percent of the nights at campgrounds, 45 percent of room nights at cabins, cottages and condos and 40 percent of all room nights sold at hotels, motels, resorts and B&Bs.

Occupancy rates hover around 70 percent at hotels, motels, resorts and condos during June through August. Occupancy rates in the off peak months have declined slightly since 2003, but this may be a factor of the recession rather than changing travel patterns.

Figure 21 – Occupancy at Hotels, Motels, Resorts and B&Bs

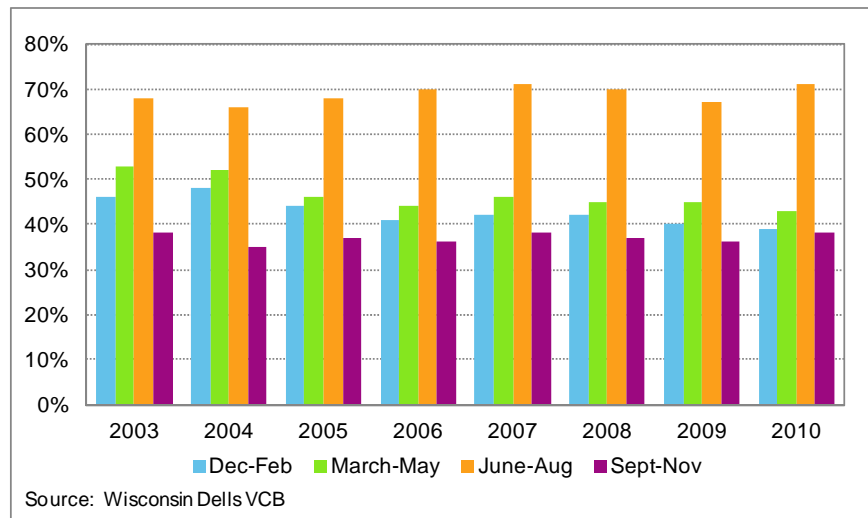
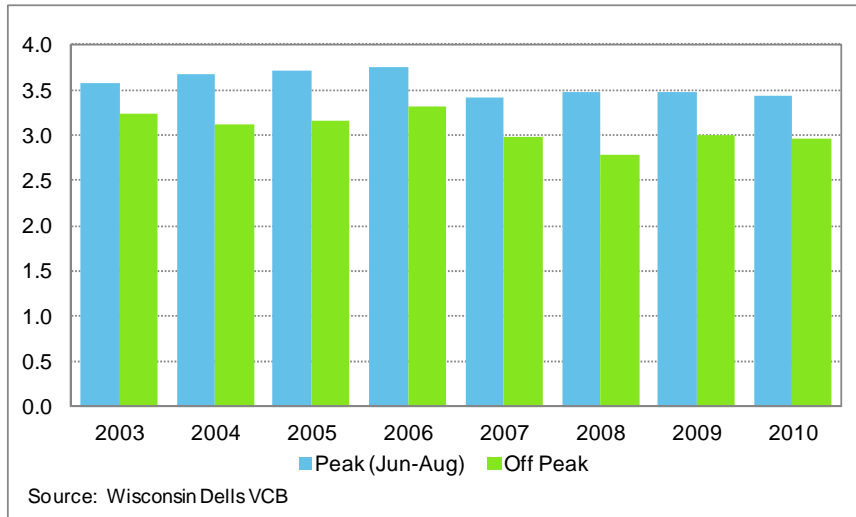


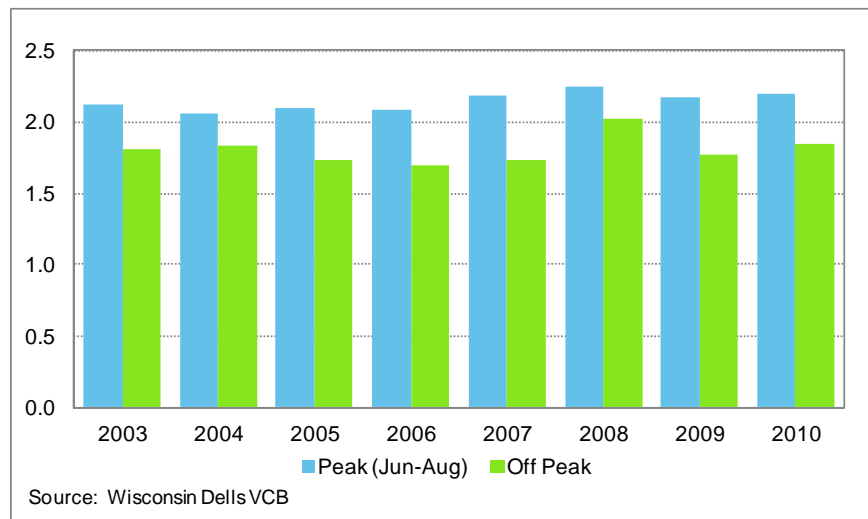
Figure 22 – Average Party Size for Hotel, Motel, Resort and B&B Visitors



The following charts show the difference in party size and length of stay for hotel, motel, resort and B&B guests by season. During peak season, June through August, the average party size is slightly larger than during off peak months. In 2010, the average party size is 3.43 for visitors staying in hotels, motels, resorts and B&Bs during peak season and 2.95 during off peak months.

The average length of stay is also longer during peak months, averaging 2.20 nights in 2010 compared to 1.84 nights in the off season. Average length of stay has increased slightly since 2003, up from a low of 2.06 in 2004.

Figure 23 – Average Length of Stay for Hotel, Motel, Resort and B&B Visitors



Several years ago, JLC Hospitality compared monthly occupancy and room rate for hotels with swimming pools to hotels with waterparks in Wisconsin Dells. Hotels

with indoor waterparks achieved nearly 21 points higher occupancy and average daily room rates were 17 percent higher than hotels with ordinary swimming pools. The hotels with indoor waterparks achieved 30 or more points of occupancy above typical hotels during the shoulder months of September through December period and achieved 20 or more points of occupancy above typical hotels from January through April. Hotels with indoor waterparks clearly did a superior job of attracting business during the slower shoulder months and the low months compared to hotels with just an ordinary indoor swimming pool.

In 2006, a similar survey by Economics Research Associates, (acquired by AECOM in 2007), found that hotels with indoor waterparks recorded average room rates that were twice that of hotels without indoor waterparks, a trend that had been escalating. Compounding this, the properties with indoor waterparks

were taking up a larger share of the market. Eighteen hotels with indoor waterparks captured 85 percent of the total market hotel revenue in Wisconsin Dells while 44 hotels without indoor waterparks were left with only 15 percent of the total market hotel revenue.

Table 18 – Wisconsin Dells Visitor Spending

	2010	2011	2012
Total Visitor Spending	\$812.2	\$874.7	\$927.0
By Season			
December-February	\$135.9	\$145.2	\$159.4
March-May	\$164.5	\$181.9	\$194.7
June-August	\$393.9	\$396.3	\$413.4
September-November	\$117.9	\$151.3	\$160.4
By Category			
Lodging	\$273.7	\$299.2	\$317.3
Food & Bev	\$204.0	\$219.7	\$232.6
Retail	\$170.2	\$180.0	\$184.6
Recreation	\$104.2	\$109.2	\$116.0
Transportation	\$60.0	\$66.6	\$76.6

Note: All revenues in millions.
Source: Wisconsin Dells VCB

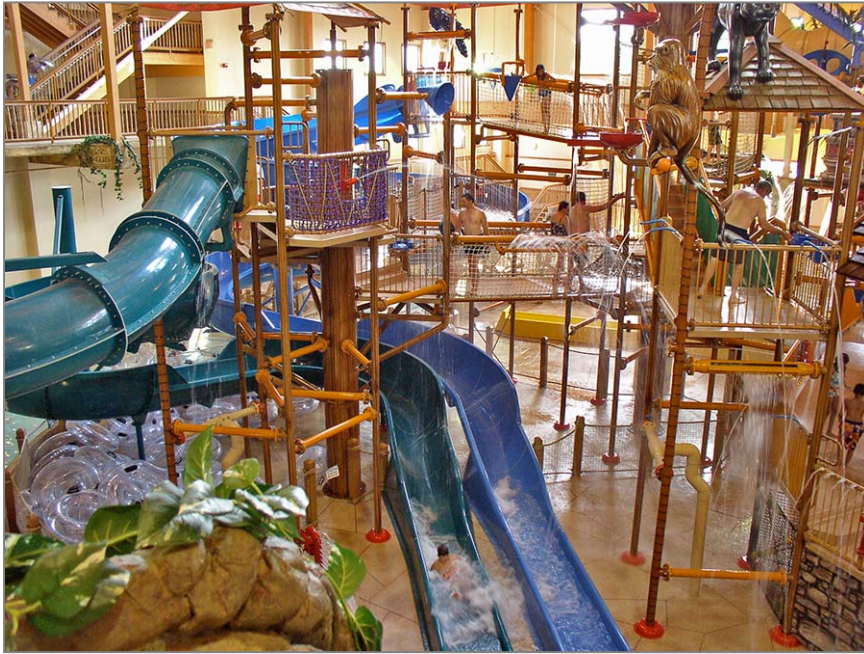
Tourism is big business in Wisconsin Dells. In 2012, visitors spent \$927.0 million while they were there. This includes purchases on lodging, restaurant, recreation, retail and transportation. Despite difficult economic times, spending at the Dells increased in 2011 and 2012. Increases in transportation costs are attributed, in part, to higher gas prices. Nearly half of all visitor spending occurs during the peak months of June through August. However, there has been a sharp increase in spending during September through November since 2010.

Next AECOM profiles some of the larger indoor waterparks in Wisconsin Dells.

Chula Vista Resort and Waterpark



The Chula Vista Resort and Waterpark is one of the largest in Wisconsin Dells, 240 acres. There are 400 villas and condos, a chalet and 220 standard guest rooms. The resort features outdoor and indoor waterparks, an 18-hole golf course, spa, conference center and a sports dome. The resort is oriented toward families and groups and is growing its corporate meetings and retreats segment.



A \$200 million expansion was completed in 2006 with a redesigned golf course, condominiums golf villas, riverwalk, restaurant, lazy river, outdoor wave pool and conference space. The focal point was the replacement of the indoor waterpark with the 80,000 square foot, multi-level Los Rios Indoor Waterpark, themed as a lost Mayan City. The indoor waterpark features 27 water slides, 14 pool areas, lazy rivers, a wave pool, a kiddie pool and an activity pool. A limited number of day passes

to the waterparks are available for \$29.95 per day. In addition, the Adventure Lagoon is a 120,000 square foot outdoor waterpark area featuring a sandy beach area, new in 2011.

Visitors to Chula Vista come from all over Wisconsin, particularly Madison, Milwaukee and Green Bay, as well as Chicago, Minneapolis and parts of Iowa. The majority of guests, 85 percent, come from within a 3-hour drive of the resort. Their business is made up of 55 percent leisure and 45 percent business/group. With the new Dells Center, the resort is working to growing their meeting segment. Forty percent of guests are families, 15 percent are couples, 40 percent is business and 5 percent represents groups. Average party size for leisure guests is 3.2 and the average length of stay is 2.1 nights. Business travelers stay 1.8 nights and have an average party size of 1.5 nights. The resort is "booked solid" during peak season and has an average annual occupancy rate of between 55 and 65 percent. Off peak season is busier on the weekends, but they are hoping to grow the weekday, off peak room nights by attracting more meetings and corporate retreats.

Great Wolf Resorts, Inc.



square foot indoor waterpark. The most recent expansion occurred in 2006 increasing the indoor waterpark to 76,000 square feet.

Great Wolf Resorts, Inc., has 11 properties across the U.S. and Canada, of which the Great Wolf Lodge in Wisconsin Dells is one. Combined, the 11 properties have 4,158 guest rooms.

The Great Wolf Lodge in Wisconsin Dells was the first of the 11 properties to open in 1997 with 117 rooms and a 20,000 square foot waterpark. In 1999 the park expanded to 309 rooms and a 40,000



adding condominiums and

The focus of each Great Wolf Lodge waterpark is their signature 12-level treehouse water fort with more than 60 water effects including spray guns, fountains, hoses and a dump bucket. There are also body slides, inner tube waterslides, zero depth pools, water curtains and a lazy river. On average, approximately one to two million gallons of water cycle through the waterpark every hour. There is also an outdoor waterpark. In addition to the waterparks, each resort features specialty restaurants, arcades, spas,

fitness rooms and children's activity areas.

The resort appeals to families with younger children. The waterparks are for guests only, no day visitors are allowed. Other amenities include a spa, gift shops, arcade, outdoor water amenities, miniature golf and meeting space.

Table 19 – Great Wolf Resorts, Inc. Operations

	2010	2011	2012	CAGR
Occupancy	59.7%	63.3%	66.4%	5.5%
ADR	\$252.30	\$260.10	\$261.55	1.8%
RevPAR	\$150.60	\$164.58	\$173.69	7.4%
Total Revenues (000)				
Rooms	\$158,985	\$174,325	\$184,756	7.8%
Food and beverage	\$87,663	\$92,417	\$97,817	5.6%
Other	\$29,312	\$29,966	\$32,505	5.3%
Total	\$275,960	\$296,708	\$315,078	6.9%
Operating Expenses (000)				
Rooms	\$23,106	\$25,069	\$27,497	9.1%
Food and beverage	\$67,106	\$72,955	\$77,656	7.6%
Other	\$197,229	\$177,114	\$202,053	1.2%
Total	\$287,441	\$275,138	\$307,206	3.4%
Net Operating Income	-\$11,481	\$21,570	\$7,872	

Source: Great Wolf 10-K, 2012

Once a publicly traded firm, some performance data is available for the Great Wolf resorts, though it is not broken out by individual property. Average occupancy has increased since 2010 reaching 66.4 percent in 2012, up from 59.7 percent. Room revenues grew an average of 7.8 percent each year totaling nearly \$185 million in 2012. The four smaller hotels (each with less than 300 rooms), including the Great Wolf Lodge in Wisconsin Dells, had an average annual occupancy of 59 percent in 2012 with an average daily rate of \$200. RevPAR was \$118.

Kalahari Resort and Convention Center



The Kalahari Resort and Convention Center opened in 2000 with the goal of providing “under-one-roof” getaways. The resort has 740 guest rooms and 16 stand alone 5-bedroom suites. The African themed resort is home to the largest indoor waterpark in Wisconsin at 125,000 square feet. The spa opened in 2003 followed by a 100,000 square foot convention center in 2004. There are retail shops, a 15 screen movie

theater and a 27 hole golf club. The Crystal Grand Music Theater seats 2,000 for live performances throughout the year.

The Kalahari Resort has the largest indoor waterpark in Wisconsin at 125,000 square feet. In 2002 the resort spent \$12 million on the waterpark which includes an indoor water roller coaster and an indoor lazy river. Their indoor surf machine uses 50,000 gallons of water per minute and creates a 5 foot wave. There is also a family raft ride in addition to slides, rides, kids areas and spray pools. Day passes for the waterpark are available for \$37. An evening admission (5 PM to close) is \$25.



In 2008, the Kalahari Resort broke ground on a \$15 million entertainment facility. The centerpiece is a six story Ferris wheel. In addition to other rides, there is a ropes course, laser tag, go karts, climbing wall, 24 lanes of bowling, golf simulators, miniature golf, carousel and 200 arcade games. There is also an outdoor waterpark and a zip line.

The majority of visitors to the Kalahari Resort are families (80 percent). They stay an average of 1.8 nights and the average party size is 4.4 guests. Occupancy is near capacity throughout the summer months. Off peak occupancies are higher on the weekends but meetings help midweek during off peak months. The resort draws nearly 100 percent of its visitors from within 4 hours.

Wilderness Territory



The Wilderness Territory includes three properties:

- Wilderness Hotel and Resort opened in June 1995 with 79 rooms, an indoor waterpark, 2 outdoor pools and a spa. It has expanded and now offers 444 guestrooms, 76 condominiums, 40 vacation villas and 35 cabins.
- Wilderness on the Lake opened in 2003 which is a 108 condominium development and has its own indoor/outdoor waterpark.
- In 2006, the Glacier Canyon Lodge opened with 460 privately owned condos. The conference center is located here as well as the Lost World outdoor waterpark.

Condo owners have the option of renting their units through the Wilderness Resort.



The Wilderness has grown into the largest combined indoor and outdoor waterpark in the region with 4 indoor and 4 outdoor waterparks (500,000 total square feet). The parks appeal to all ages with zero depth play areas, lazy river, slides and thrill rides. The waterparks and most of the attractions are for resort guests only. However, the golf courses and zip line

tours are open to the public. Other amenities at the resort include indoor/outdoor hot spa, 2 golf courses , canopy ropes course, indoor bumper boats, miniature golf (indoor and outdoor), haunted house, lazer tag, arcades, zip line and go karts. To keep visitors coming back during the off season, snow machines and an outdoor snow tube area were built adjacent to their massive indoor waterpark.

Tourism Demand Generator – Destination Retailer

A retail development that is sufficiently unique, can create a destination that surpasses other shopping centers. International stores such as BassPro Shops, IKEA and the relatively new entrant to destination retail, American Girl, are able to draw shoppers from a much larger distance than traditional retail. As well, most appeal to visitors. Some grocery stores including Whole Foods and Trader Joes draw from a larger trade area than the traditional store. Destination retailers give consumers a reason to travel there and bypass online shopping or other local options. These stores are more than the goods that they sell, they are about having an experience.

Here we profile Cabela's, an outdoor retailer. Since they are a public company, information on performance is available to analyze trends. Their competitors include Bass Pro Shops and Gander Mountain most closely. We will provide an overview of both of these stores as well.

Cabela's



Cabela's, founded in 1961, is based in Sidney, Nebraska. Initially it was a mail order business for outdoor supplies. The company produces more than 100 different catalogs a year with specialty catalogs targeting different outdoor pursuits such as archery, fly fishing and boating, seasonal items or a specific product category

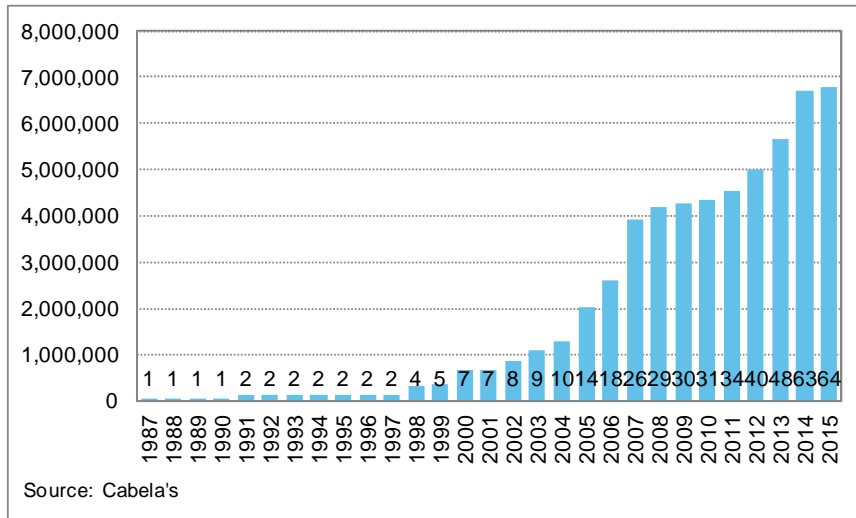
such as women's clothing. They are known as a source of affordable, high quality outdoor equipment for fishers, hunters, campers and marine use. They also sell apparel, footwear, optics, vehicle accessories and gifts and home furnishings with an outdoor theme. In addition to national brands, they offer Cabela's branded merchandise. In the late 1960s, they moved their warehouse into a 50,000 square foot building and added a retail counter. At first it served primarily local residents but after I-80 was built, customers started coming from all over.



Though direct marketing is a large component of their business through catalogs and an Internet presence, they also operate 43 stores in 28 states and three stores in Canada. Six stores opened in 2012 and their website indicates 16 announced locations, including an 85,000 square foot store in Bristol, Virginia.

Each store is intended to be part retail and part tourist experience. The showrooms provide outdoor enthusiasts and their family an educational and entertaining shopping experiences. The store has an indoor "mountain" decorated with a taxidermy display of such animals as polar bears, elk and coyotes as well as a large gun section that includes antique and collectible rifles and pistols. It also features an indoor archery range where customers can try out some of the long bow and crossbow selection and a large aquarium stocked with local fish. All of the stores include a fudge shop and more than half include either a deli or a restaurant serving sandwiches, burgers, soups and salads.

Figure 24 – Growth in Cabela’s Stores in Number and Size



The first retail store opened in 1987 in Kearney, Nebraska. In 2013, there are 48 Cabela’s located throughout North America, 3 in Canada and 45 in the U.S. There are plans to develop 16 more properties which would give the retailer nearly 6.8 million square feet of retail space, an increase of 20 percent from the space in 2013. There was considerable growth in 2007 with 8 properties and 1.3 million square feet

added.

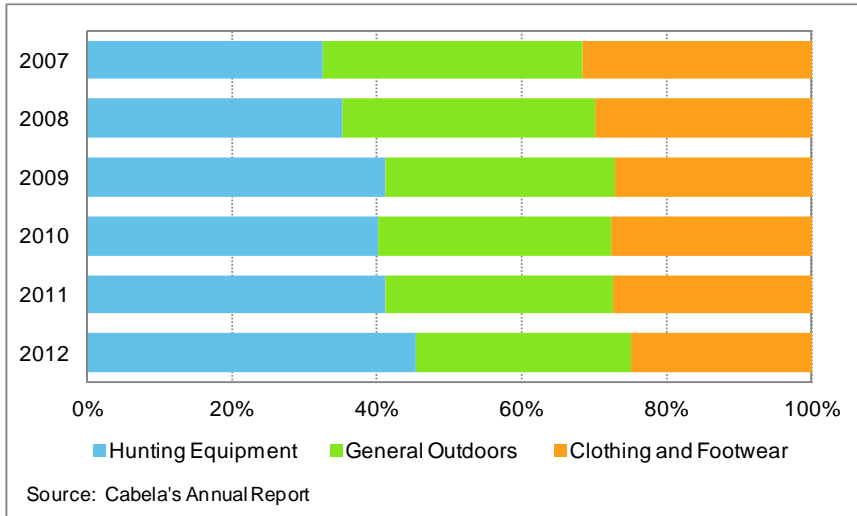
Stores range in size from 40,000 to the largest in Hamburg, Pennsylvania at 250,000 square feet, but newer stores are getting smaller. Older stores, those open before May 2008, are larger, with more than 150,000 square feet. Referred to as legacy stores, there are 27 in the U.S. and 1 in Canada. Their large format gives them room to develop a tourist-type setting with displays and exhibits. They have attracted hotels, restaurants and other retail adjacent to these stores. Next Generation stores range from 50,000 to 110,000 square feet and have a stronger sales per square foot than the Legacy stores. They are big enough to serve as a regional destination. The Outpost store is a new format. It has 40,000 square feet and a “core-flex” merchandise strategy. In this format, there is a selection of core products augmented with seasonal merchandise. The outpost stores include its key features – an indoor archery range, archery tech room and wildlife displays – that attract shoppers from longer distances. There are online order kiosks inside where customers can access all of Cabela’s merchandise. The first Outpost store was opened in Union Gap, Washington in October 2012. Five more are currently planned or being developed.

Cabela’s reported \$3.1 billion in revenue in 2012, up 10.7 percent from 2011. During the recession, sales continued to grow averaging 5.1 percent annually from 2008 through 2012. Nearly 90 percent of revenues were from merchandise sales at retail stores, \$1.8 billion in retail sales with 5.1 million square feet located in 40 stores. Direct sales, which includes catalog and internet sales, made up one-third of merchandise sales, \$930.9 million. Sales at new stores in 2012 totaled \$195 million. New stores increased the inventory of retail space by 9.8 percent. Comparable store sales increased 6.9 percent from 2011.

Retail sales have grown at an average annual rate of 20 percent since 2000. However, this is attributed, in part, to its increasing storefront presence. Total square footage increased 17.7 percent over the same time period. However, even with increasing retail space, direct sales also grew, just more slowly, 2 percent annually over this time period. Average retail sales per square foot of retail, not including direct sales, peaked in 2004 at \$398 and dropped to \$301 in 2008. Currently, average sales per square foot is

estimated at \$362. Average sales per square foot at same stores in 2010 to 2011 increased 4.5 percent. For 2011 to 2012, same store sales per square foot increased 10.4 percent.

Figure 25 – Distribution of Retail Sales at Cabela’s, 2007-2012



In recent years, with concerns over gun regulation, there has been a noticeable increase in sales of guns and ammunition at Cabela’s and similar stores. In 2007, hunting equipment made up about one-third of total merchandise sales. In 2012, this had increased to 45 percent. Excluding firearm related sales, same store sales were still up 9 percent in 2012.

Traditionally Cabela’s has located in smaller communities outside major metropolitan areas and on routes to outdoor recreation areas. Part of their current strategy is to locate in underserved areas where residents participate in outdoor recreation. They are placing their Outpost stores in markets with fewer than 250,000 people. As stated in the 2012 annual report, Cabela’s hopes that the smaller stores will be “more productive and generate higher returns.” Though smaller in size, these Outposts are being included in larger retail developments. The store under development in Missoula, Montana will be in a center with a Kohl’s Department Store. Several smaller out lots are planned, though tenants haven’t been disclosed yet, restaurants are likely.



Cabela’s competes with mass merchandisers, warehouse clubs, discount stores, sporting goods stores, department stores and small, specialty retailers. The major specialty retailer competitors of the company

include Bass Pro Shops, Gander Mountain, Orvis, The Sportsman's Guide, and Sportsman's Warehouse, among others. Cabela's physical presence is smaller than its competitors. In 2013, Cabela's had stores in 26 states. By 2015, they will expand their presence in seven more states. Cabela's offers classes on firearm safety and use, and boating safety at many of its locations.

A survey of visitors to Cabela's Owatonna, Minnesota store, revealed that roughly forty percent of the visitors were from the Twin Cities area, about 70 miles away. The survey also showed that the average visitor stayed in the store for approximately four hours and is likely to eat in the in-store restaurant. Clearly, this store was a destination. However, as the market is filled with Cabela's and its competitors the amount of distance people will have to drive to such a store will decline. As will spending. Though proximity will generate more "regular" customers making more frequent trips.

Bass Pro Shops



Bass Pro Shops began in Springfield, Missouri in 1972 by selling tackle to bass fisherman. His mail order business started to take off when he began selling a complete fishing rig. Using the L.L. Bean factory store as an example to attract people to a remote factory, the Outdoor World opened in Springfield, Missouri in 1981, eventually expanding to 300,000 square feet. The goal was to make sure customers had fun while they were there. A fishing pond,

aquariums, pistol and rifle range, cutlery shop and wildlife life art gallery were added. There is a four story waterfall, two story indoor cabin, taxidermy shop, barber shop, auditorium and conference room all included in the flagship store as well s a 40,000 square foot Tracker boat and RV showroom. Recent press releases state that the store attracts over four million annual visitors.

Today the retailer sells gear and equipment for hunters, campers and other outdoorsmen as well. In addition to a boat showroom, there are accessories for boaters as well as apparel, footwear, sporting goods and home décor. The stores have wildlife exhibits, aquariums, shooting gallery and archery target range. Thirty stores include a full-service restaurant. Three include a bowling alley. To encourage repeat visitation and overnight stays, Bass Pro offers classes on safe boating and hunting, how to skin and clean game, fly tying and even "Glock days." Some sponsor weekly fishing tournaments.

There are 55 stores throughout the U.S. and two in Canada. There is also a catalog outlet store in Springfield, Missouri. They have stores in 26 states and their expansion will bring them to six more. Their websites indicates 24 future store locations including 1 in Canada. Store sizes range from 100,000

square feet to its flagship store in Springfield, Missouri at 300,000 square feet. Sales in 2011 were estimated at \$3.8 billion. There are now three types of retail stores

- Outdoor World stores which range from 150,000 to 200,000 square feet
- Sportsman's Warehouse store which are between 75,000 and 125,000 square feet.
- Outlet store in Springfield, Missouri.

In 1995, Bass Pro purchased the World Wide Sportsman in Islamorada. It is a more basic version of the Bass Pro Shop prototype and offers an interactive environment for testing outdoor equipment. The 27,000 square foot store features freshwater and saltwater fly fishing equipment and saltwater big game equipment. The store also offers a full-service travel agency and has on display the fishing boat Pilar – the sister ship of Ernest Hemingway's fishing boat.

Bass Pro opened its second Outdoor World store in 1997 in Gurnee, Illinois – just north of Chicago. The 125,000 square foot store anchors Gurnee Mills Mall. The Gurnee store includes many of the same features as the flagship store. Prior to opening at Gurnee Mills, the mall had a 35 percent vacancy rate and was in decline. Four years after opening Bass Pro, the mall now has just a five percent vacancy rate. Although other factors may have contributed to the turn-around, the opening of Bass Pro Shop was a likely contributor.



Bass Pro's portfolio is diverse. In addition to American Rod and Gun, a boat manufacturing plant and retail stores, the company owns a resort, created a wildlife area and supports a nearby museum all reflecting its conservation efforts. In

1988, Bass Pro Shops opened Big Cedar Lodge Resort by Table Rock Lake in the Ozark Mountains, 10 miles south of Branson, Missouri. The property had originally been the vacation retreat in the early 1920s of two wealthy Missouri businessmen who were both friends and sportsmen. They each had built a log mansion on the 300 acres. The Resort has expanded to 850 acres and now features three lodges, as well as 81 private cabins. In addition to fishing, the resort offers water skiing, hiking, trail rides, cave explorations and miniature golf. In 1993, the Wildlife Museum was opened to give visitors another experience at its Springfield property. At the same time, Dogwood Canyon, a 10,000 acre wilderness area was created near Big Cedar Lodge. In 1998, Bass Pro Shops Outdoor World TV went into production. In 2003, they opened two outlet stores. John Morris, the company's founder also donated land for the adjacent American National Fish and Wildlife Living Museum and Aquarium. It has been closed since 2007 but is undergoing extensive renovations. It is expected to reopen in 2014.

There is concern among residents in communities attempting to bring in a Bass Pro Shop that perhaps the close proximity of stores is undermining sales potential. Due to overlapping market areas, their ability to draw visitors from more than 100 miles may also diminish. In 2000, Bass Pro operated 14 stores spread throughout the country. In 2013, there are 55 stores open across the United States and Canada.

Bass Pro Shops, on their website, in response to this concern, indicates that stores are meant to “complement one another, not ‘cannibalize’ each other.” Today, Bass Pro Shops claims that its customers drive more than 50 miles and stays 2.5 hours, on average. The customers tend to be middle age, relatively affluent men. Bass Pro Shops tend to locate in larger urban markets. They can be an anchor at a larger mall or urban entertainment district. Almost all current locations are built off a highway interchange.

Gander Mountain Company



Gander Mountain began as a catalog based retailer in Wilmot, Wisconsin. It sold its mail order business to Cabela's in 1996 with a no-compete clause. However, in 2007, it won a lawsuit brought by Cabela's to resume online sales. In December 2007, they acquired Overton's, a boating and watersports catalog company which helped Gander Mountain transition back into direct marketing. Its online store opened in August 2008.

Today the company's headquarters is in St. Paul, Minnesota. Gander Mountain's physical presence began in 1991 in Appleton, Wisconsin. Expansion occurred through the acquisition of smaller sporting goods stores in the mid-1990s. After opening 10 stores during 2000, the company went public in 2003. Following this, they opened 19 stores during 2004, 8 stores in 2005 and three in 2006. They acquired Reeds Family Outdoor Outfitters in 2007. In 2008 it began operating as a private company again.

In total there are 123 stores located in 24 states with plans to open at least six more in Alabama, Georgia and Texas. They provide hunting, fishing, camping, marine and other outdoor recreation products and services in addition to sportswear for men, women, and children, camouflage and field wear, kayaks and canoes. They sell equipment and accessories for firearms, shooting, archery, boating, auto and ATVs. Stores range in size from 30,000 to 120,000 square feet but recent developments are trending much smaller, averaging close to 45,000 square feet.

There are six Gander Mountain Academy offering classes in firearms and safety training classes such as hunters safety, dynamic defensive handgun, self defense and concealed carry. The Academy also have live fire ranges, virtual range and simulators for defensive scenarios.

Recreational Equipment, Inc. (REI)



Based in Seattle, Recreational Equipment, Inc. (REI) operates as a national outdoor retail cooperative with 129 stores in 32 states. The retailer aims to inspire, educate and outfit its members and the community for a lifetime of outdoor adventure and stewardship. The retailer specializes in outdoor sports such as hiking, biking, climbing and paddling. In addition to selling national brands, they have designed their own line

of products. Unlike the Cabela's and Gander Mountain stores, REI does not sell guns, ammunition or fishing gear. Typically the stores include a bike repair shop. As well, they have a community space for outdoor related classes and events. Non-profits are able to use this space free of charge. Several of their stores now include indoor rock climbing walls.

Though anyone can shop at REI, those who become members get additional benefits including an annual member refund worth 10 percent of their purchases that year. They also receive discounts on equipment rentals, REI Adventures, REI Outdoor School and in-store classes. The cost of a lifetime membership is \$20. Currently REI has 5.1 million members. Net sales in 2012 were \$1.9 billion, up 7.4 percent from nearly \$1.8 billion in sales during 2011.

REI not only sells equipment for enthusiasts, but helps engage and prepare people for outdoor adventures by offering classes and outings at every location through its Outdoor School which it started in 2006. In-store classes range from How to Ride a Bike to Introduction to Rock Climbing. One day outline in the local area included such activities as mountain biking, road biking, kayaking, backpacking, rock climbing, outdoor photography, family hiking, snowshoeing, stand up paddle boarding and more.

In addition to educating people about the outdoors, REI is a good steward. The company invests millions into local communities to help care for outdoor spaces. They partner with national and local nonprofits that restore and maintain well-known trails, parks and waterways through grants and events promotions. Staff, members and customers volunteer on projects, the company also donates gear. The company is also committed to reducing its environmental footprint by reducing energy consumption, greenhouse gas emissions and waste taken to landfills.

To diversify its portfolio, REI Adventures began in 1987 which offers vacations for active travelers all over the world. In 2012, REI Adventures led 8,100 participants on 1,200 trips.

On their website, they encourage people to suggest future locations and suggest specific lot or building configurations as well as the following:

- Strong retail in proximity of site
- Median household income \$50,000 and above
- 100,000 or more households within a 15 mile radius of site
- Abundant parking for exclusive use
- Excellent visibility, directly off main arterials.

A REI location will be opening a 23,500 square foot store in Knoxville, Tennessee in 2014.

Tourism Demand Generator – Retail Outlet Malls



Outlet malls offer consumers brand-name goods direct from the manufacturer at cheaper prices. Discounts on brand names can run from 30 to 70 percent since the stores are owned and operated by the manufacturers which eliminates distribution channels and costs. Each store only sells their brand of merchandise. Initially, factory outlets were found at the factory sites and they only

sold excess or damaged goods to their employees. Eventually factories opened their store to the public, like L.L. Bean in Freeport, Maine. When shopping centers started forming with multiple factory tenants, factories sent damaged products, seconds or outdated fashions. Many of the retailers were lesser known brands. Today the malls often sell first quality, current season merchandise and many retailers now manufacture items specifically for their outlet stores. The outlet concept has evolved and premium outlets offer higher-end fashion and luxury brands for price conscious shoppers looking for designer labels. The malls lack anchors and department stores and often include some off-price stores not tied to a factory such as book stores. They were usually located in rural or tourist locations but are now opening in more urban settings especially malls high higher end brands that attract a higher income shopper.

The first multi-store outlet mall was located in Reading, Pennsylvania in 1974. Development really took off in the 1980s and



early 1990s. Development peaked in 1997 when there were 325 factory outlet malls nationwide. While they were the fastest growing segment of shopping center retailing at the time, the \$12.2 billion in sales represented only 1 percent of all retail dollars. The outlet malls did not replace traditional shopping centers as some feared. However, market saturation and increasing competition slowed development in the late 1990s.

There was considerable consolidation during the late 1990s and early 2000s and now there are a few owners that dominate. Tanger Outlets opened its first center in 1981 in Burlington, North Carolina. Today, Tanger Outlets has 40 locations throughout the U.S. and 3 locations in Canada. Among them is a new Tanger Outlets mall opening in November 2013 in National Harbor, Maryland in the Washington D.C. area. In total, the company has 12.9 million square feet of retail space leased to 2,700 stores represented by more than 470 different brand name companies. According to Tanger, they welcome more than 180 million shoppers at their malls. In their annual report, Tanger reported \$353.8 million in total revenue during 2012, up 12.7 percent from 2011. Tanger Factory Outlet Centers Inc.'s consolidated portfolio averaged \$380 a square foot for the year (ended March 31).

Though the number of malls has declined, the amount of space in outlet malls continues to grow, as does sales. Currently there are 185 outlet centers in the U.S., according to Value Retail News, with nearly 71 million square feet of retail space. The average outlet center is 383,000 square feet which has doubled in size since 1991. Total sales in 2012 reached \$24.3 billion which represent an average annual growth rate of 5.5 percent since 2003. Sales per square foot, a common indicator in retail, was \$343 for outlet malls in 2012 compared to \$220 in 1997. According to Value Retail News, 10 malls opened in 2011 and 2012 and there are 43 planned phase 1 projects totaling 14.5 million square feet, 13 of which were expected to open in 2013. In addition, nine centers in the U.S. have indicated that they are planning to expand by 2015. The average size of new centers is more than 405,163 square feet. In the past outlet malls opened with 100,000 to 200,000 square feet and expanded over time.

Table 20 – Largest Outlet Center Portfolios, 2012

Developer	Centers	Total GLA (millions ft ²)	Average Size (ft ²)
Simon Property Group	70	26.5	378,200
Tanger Factory Outlet Centers	39	12.4	318,300
Mills Corp./Simon Property Group	8	12.0	1,499,500
Crain Realty Group	11	3.2	294,300
Taubman Centers	2	2.7	1,337,500
Horizon Group Properties	6	1.8	301,700
Paragon Outlets	2	0.9	464,300
VF Outlet	2	0.9	450,100
Total	140	60	431,700

Source: Value Retail News

Outlets are usually developed, owned, and operated by real estate companies such as Simon Property Group, and Tanger Factory Outlet, who lease each store to leading designers and manufacturers. The following table shows the largest developers. Combined, these eight groups own 76 percent of the centers in the U.S. with 85 percent of the gross leasable area (GLA).

Simon Property Group is the largest with 70 centers with an average size of 378,200 square feet. Properties owned by Taubman and Mills Corp. are megamalls averaging more than 1 million square feet per center.

As in the past, population density is not always a deciding factor in location, but that depends on the type of center built. When outlet malls were first being developed, people were willing to drive to them. Today, with more competition for scarcer retail dollars, developers are being more careful in choosing a location. Today, average daily traffic counts are important since many malls are located off of interstates. It helps if the location is close to a population center or on the way to a region where tourists drive. There typically needs to be some distance between the outlet mall and other shopping centers. According to the International Council of Shopping Centers (ICSC), the primary trade area is the area from which 60 to 80 percent of the center's sales originate. For outlet malls, the trade area is between 25 and 75 miles. This compares to a draw of 5 to 15 miles for a regional mall. A major developer in the industry likes to locate in metropolitan areas with 2.5 million people living within 100 miles of the proposed site and a daily traffic count of at least 30,000 on nearby interstate highways.

In more rural locations, the outlet mall is often the primary attraction which then spurs other supporting development. While some outlets are moving closer to urban centers to draw a more regular shopper, there are some focusing primarily on tourists by locating near other tourism destinations. The Outlets at the Pike in Long Beach, California opened next to the convention center, aquarium and cruise port. In Tunica, Mississippi, the Casino Outlets recently opened adjacent to nine casinos.



To make guests feel comfortable and welcome, and therefore stay longer and shop more, today's centers also typically include other amenities such as food courts, cafés, lounges and better restrooms. Surrounding development can include full-service restaurants and a movie theater. More attention is being paid to design to make the atmosphere inviting and provide a sense of safety. Public art, fountains, tables,

landscaping and gathering spots are all elements to be considered in the design. Bigger malls allow for a diverse mix of retailers which is very important to appeal across a broad range of demographics. Centers are also crafting events to bring in different shoppers during different times such as a Fashion's Night Outlet with mini makeovers, fashion show and cupcakes. Music concerts, farmers markets and holiday events all bring in potential shoppers.

Some factory outlets are developed primarily to attract higher income consumers with retailers such as Giorgio Armani, MaxMara, Versace, Bulgari, Salvatore Ferragamo, etc. They are considered boutique or designer outlets and are located in affluent suburbs of larger urban areas such as New York City, Los Angeles and Chicago. In terms of location, these premium outlets need a higher population base in their primary market and rely on tourists to visit. By expanding their reach past traditional upscale retail

venues, they can promote their brand and raise their profile. The outlet centers allow these luxury retailers to reach potential new, less affluent customers whose disposable income may grow over time. These brands want to capture brand loyalty early with attainable goods and later attract these customers to their full-price stores.



As a result, who shops at outlet malls has also changed over time as more upper end retailers such as Ralph Lauren, Brooks Brothers, Coach and Restoration Hardware have ventured into the outlet malls. In their early days, the outlet malls appealed to middle and lower socioeconomic groups. Today, according to Tanger Outlets, the majority of outlet shoppers are affluent, well-

educated working women, ages 25 to 54, who are shopping for their favorite brands.

This is confirmed with data from the International Council of Shopping Centers (ICSC). The median household income of outlet shoppers is about 20 percent higher than the median income of all shoppers. Home ownership and financial investment ownership are also higher among outlet shoppers. The majority of outlet shoppers are female, 60 percent compared to 50 percent for all shoppers. Education level is also higher. About 20 to 50 percent of shoppers are tourists, depending on the type of outlet center. Tourists spend more time and money at the outlet malls than resident shoppers making them an appealing target.

Despite their broader appeal, shoppers do not go to the outlets as frequently as they go to traditional retailers. Only 20 percent of outlet shoppers visit outlets at least once every three months while 90 percent of discount store shoppers and 80 percent of mall shoppers visit respective retail formats during the same period. However, the average shopper spends more than two hours at the outlet mall, 60 percent longer than at regional malls. Expenditure per visitor was 79 percent higher at outlets than regional malls. On average, visitors to the outlet malls drove approximately 30 to 80 miles one way.

A 2001 study for the Travel Industry Association of America profiles travelers who shop. Traditional enclosed shopping centers or malls are the most popular place to shop on a trip (62% of all visitors). Half of visitors shop at major downtown shopping districts or outdoor "main street" shopping areas and/or strip malls or plazas that are not enclosed. However, 38 percent of visitors also shopped at outlet centers. There were some interesting differences between those who visited traditional malls and those who went to outlet malls:

- Of those who shopped at a mall, only 40 percent shopped at an outlet mall as well. However, of those who shopped at an outlet mall, 65 percent also shopped at a mall.

- Overnight lodging choices were similar for paid accommodations and staying with friends or family. However, those visiting outlet centers are about twice as likely to stay in a cabin, condo, vacation home, or timeshare (13% vs. 7%).
- Outlet center shopping travelers tend to visit craft or art festivals or events more often than mall shopping travelers (30% vs. 24%).
- Where shoppers got information on shopping was similar – word of mouth, lodging and the Internet. However, a higher percentage of those who shopped at outlet malls also used travel guides, books or magazines and brochures ordered from a tourism office, visitor center or chamber of commerce.
- Mall shopping travelers are more apt than outlet shopping travelers to report they are first time visitors to particular shopping areas (36% vs. 29%) and to indicate they decided to visit particular shopping areas after arriving at their destination (66% vs. 60%). Outlet center shopping travelers are more inclined to make the decision to visit particular shopping areas before leaving home (40% vs. 34%).
- Those visiting traditional malls have a tendency to buy jewelry or accessories (44% vs. 37%) and/or items/crafts made by the local population or that are unique to the destination (36% vs. 31%) more often than those visiting outlet centers. On the other hand, those visiting outlet center are more likely to purchase home accessories or furniture (32% vs. 28%) and/or sports equipment (22% vs. 16%).
- Shopping travelers who visit malls on a trip tend to be younger than those visiting outlet centers. In fact, 37 percent of those visiting malls are in Generation X/Y, versus 29 percent of those visiting outlet centers. Interestingly, shopping travelers who visit outlet centers on a trip are more likely than those visiting malls to be employed full- or part-time (73% vs. 66%) and to have annual household incomes of \$50,000 or more (60% vs. 49%).
- On average, traditional mall shopper spent \$355 on shopping while on a trip and 80 percent purchased gifts for others. Those who shopped at outlet malls spent \$373 on shopping with 77 percent purchasing gifts for others.
- Shopping patterns certainly vary by age group. Matures (67%) and Generations X/Y (66%) are more likely than Baby Boomers (55%) to indicate visiting traditional enclosed shopping centers or malls on a recent trip. On the other hand, the ever cost-conscious Baby Boomers (42%) are more apt than Generation X/Y a (32%) to visit outlet centers. Also popular with younger shopping travelers are downtown shopping areas (58%).

Success is highly dependent on marketing which begins with site location and ensuring a diverse tenant mix as well as advertising, promotions and publicity once open. Many outlet malls rely on tourists which means that they need to be made aware of the center, and it has to have appealing tenants. With more shoppers, more and better tenants take notice, which in turn brings in more shoppers. Without them, stores leave. Malls also need to keep up-to-date with consumer trends.

Boaz, Alabama is a small town that became known for outlet shopping. In the early 1980s, very early in the development of factory outlet malls, Lee, a jean manufacturer and subsidiary of Vanity Fair Corp., moved one of its sites from the heart of the city to a larger facility on the outskirts of town. In 1984, town officials thought they could copy an idea from Reading, Pennsylvania and use the space to sell overstock and damaged goods. It wasn't long before buses were brining in shoppers from nearby cities of Huntsville and Birmingham (about a 1 hour drive), Chattanooga (1.5 hours) and Atlanta (2.5 hours). At its peak, there were 130 outlet stores in five centers. But by 2001, three of the five centers were only 50 percent occupied. Currently there are about 20 outlets and many other smaller, local retailers are occupying other store fronts. It is possible that its success led to its demise becoming overbuilt. The

community could not continue to support them and there was no other draw in the area for tourists. In addition, there was competition as more outlet malls were built in the region, cutting into its trade area. The Mayor has proposed tearing down part of the malls and replacing them with a recreation center.

Implications for Eastern Kentucky

To create a tourism destination, developers need to have an understanding of what motivates travelers. Not just knowing what they want to do while in an area, but what brings them there in the first place. Data from the Travel Activities and Motivations Survey data demonstrates that these are not always the same activity. Shopping and dining are popular activities for travelers, but are not primary motivators. Among popular activities, amusement parks, camping at a public campground, sunbathing at a beach and going to a casino had the highest share of trips motivated by participating in that activity. Activities that were the primary motivators for trips, often had less participation indicating potential niche markets. Amusement parks, amateur sports tournaments and downhill skiing had the most participants among activities that motivated travel. Though what visitors did while they were traveling or what motivated them differed, what they had in common was the desire to relieve stress (85%) and maintain or improve relationships (69%).

To create a tourism destination in Eastern Kentucky, a diverse mix of activities will be required. For example, a destination that features gorgeous scenery, bluegrass music, Kentucky bourbon, local arts and crafts and multiple outdoor recreation, shopping and dining options could be very popular among visitors from Ohio, Tennessee and West Virginia, as well as Kentucky. By providing a variety of experiences for visitors, they will stay longer, spend more and most importantly, come back.

Resorts have always appealed to travelers as places to relax. Destination resorts can have an international appeal and a sense of exclusivity whereas regional resorts have a more local market, typically within three hours drive, which enables repeat visitation. In both cases, resorts are attempting to meet travelers' needs on-site by including multiple outdoor activities throughout the year, small retail shops, spas and an array of restaurants. Resorts have incorporated meeting space into their design so they can appeal to group travel business such as corporate events, reunions and weddings. Resort properties are master planned developments and can include second homes and retirement communities.

Hotels with indoor waterparks do serve as trip motivators. They also help to lesson seasonality for hoteliers since guests can be entertained year round. Waterparks appeal to families. As they continue to get bigger, they add elements that attract a range of children's ages and interests. Families traveling with multiple generations will find activities for all since many of the larger properties include conference centers, golf and spas. In addition, the properties often have cabins, villas or larger suites to accommodate families and groups. These hotels are easy for weekend getaways. There is often a second home component to these developments.

A **destination retailer**, oriented towards outdoor recreation, will draw male consumers. Many are being developed to include educational and entertainment components to appeal to the whole family.

Restaurants in the store keep shoppers there longer. Classes and events are being added to encourage repeat visitation. As with outlet malls, these stores are becoming more common which makes their trade areas smaller. Neither Bass Pro Shops nor Cabela's show any signs of slowing development. Instead, they have both introduced smaller stores to target underserved markets, about 40,000 square feet, which require less capital investment. Typically they locate near a highly trafficked interstate off ramp in an area that has a lot of outdoor recreation.

Though retail **outlet malls** have become more common, those that do shop there while on vacation tend to spend more money than shoppers at traditional malls, by as much as 79 percent. Developers look for population density within a 100 mile radius and a location that will have considerable traffic, either off an interstate (with an off ramp) or near, or on the way to, other tourist destinations. The outlet malls attract mostly women shoppers who tend to have higher household incomes than other shoppers.

What is clear is that single activities do not motivate trips. Therefore to create a tourism destination in Eastern Kentucky, multiple activities will be required. No single spa, golf course, riding trail or outdoor retailer will draw significant tourists by itself, but each new amenity or attraction can build on the others. Critical mass can develop over time with a diverse mix of recreation and stores as well as multiple dining and entertainment options. Natural resources, cultural assets and events enhance the visitor experience while there. By providing a variety of experiences for visitors, they will stay longer, spend more and most importantly, come back.

Tourism Destination Areas

In this section we review examples of destination tourism development in the U.S. These destinations, often born out of their natural amenities, evolved over time through the addition of attractions, hotels and resorts. Sites were selected that had ample opportunities for outdoor recreation, rural locations and small populations. None of the areas profiled included casinos. We provide a brief history of development and the diversity of tourism products offered.

Branson, Missouri

Branson, Missouri offers visitors a unique mix of natural and commercial attractions. Known as the “Live Entertainment Capital of the World,” this town of just over 10,000, annually hosts approximately 8 million visitors. The town’s tourism roots date back to the 1890s with paid tours of an abandoned cave, Marvel Cave. Soon after, the novel, “The Shepherd of the Hills” by Harold Bell Wright, was published in 1907. It told the story of the people in the region and was quite popular and drew people to the area. In 1913, the Ozark Beach Dam was built creating Lake Taneycomo which became a haven for outdoor enthusiasts who came to fish, boat, swim and hunt. It wasn’t until the 1950s that tourism really began to take off. Table Rock Dam was completed in 1959 bringing power to the region. It also created Table Rock Lake. The region gained a reputation for outstanding bass fishing in its lakes. There are 20 parks for camping and recreation around Table Rock Lake.



Commercial attractions began with investments by the Herschend family and the start of live performances. In 1950 Hugo and Mary Herschend leased Marvel Cave and began hosting square dances in it. By 1960 the family had added electricity. To attract more visitors, they leased 2,000 acres above the cave and re-created a frontier town with five shops, a church and a log cabin. In 1962, the first ride called the Frisco and Silver

Dollar Railroad opened. In 1964, the opened two full-service restaurants. In addition to the steam train

ride, there were craftsman, themed shops and live performances. Soon they realized the themed attraction was drawing more visitors than the cave.

The frontier town, named Silver Dollar City, has grown into one of the most successful theme parks in the U.S. with 11 stage venues, 12 rides, 12 restaurants, 60 shops and 1,200 employees, including 100 resident craftsmen. In addition to the many rides, there is a petting zoo, recurring shows, theaters, stages, and restaurants throughout the park. In 2000, they added a 25,000 square foot multipurpose hall for shows and events. In 2008, they opened a Culinary & Craft School in a 1880s style timber frame farmhouse. The park also hosts several festivals throughout the year. Today the park spans 110 acres and draws more than 2 million visitors, the majority of which are tourists (75%).

The Herschend Family Entertainment Corporation (HFE) has expanded to include other popular Branson attractions: Dolly Parton's Dixie Stampede, White Water waterpark, the Showboat Branson Belle, Ride the Ducks, a water and land tour attraction and The Wilderness Log Cabins and RVs. The HFE bought a struggling amusement park, Branson USA, and reopened it in 2003 with the name Celebration City. The \$40 million park was intended to serve as a complement to Silver City by opening later in the day and remaining open until midnight. The park did not meet expectations and closed in 2009.



Live entertainment started in the area in the early 1950s when Richard Foley moved to Springfield to host the "Ozark Jubilee". An outdoor pageant based on "The Shepherd of the Hills" began in 1959. In 1967, the Presley family started the first theater that located along Missouri State Highway 76, now the main "strip" through Branson. In the 1980s, national country stars started building their own theaters in Branson inviting their fans to them rather than traveling all over

the country. The first country music star to have their own theater was Roy Clark in 1983. In addition to his performances, he also brought in other stars. Theater development intensified after "60 Minutes" ran a story about Branson in 1991, labeling it a "Country Music Mecca". At the time there were 22 theaters. Today there are 53 theaters with nearly 60,000 seats. Most of the theaters are located along Highway 76, extending from about two to four miles west of the old downtown. As Highway 76 has become built-out, theater development has spread to surrounding commercial corridors. Top performing theaters include Shoji Entertainment, Dixie Stampede and the Grand Palace. Though country music dominates, to appeal to newer and wider audiences, the shows are diversifying and today include acts such as the Acrobats of China, Irish Tenors and stand up comics.

Throughout the 1990s and 2000s, the number of theaters as well as other tourism industry businesses such as accommodations, restaurants, malls, attractions, golf courses and resorts grew rapidly. To capitalize on the large tourist crowds, numerous museums and specialty attractions have been developed including:

- Ripley's Believe it or Not! Museum
- Dolly Parton's Dixie Stampede Dinner & Show
- Showboat Branson Belle
- Hollywood Wax Museum
- Chateau on the Lake Resort and Conference Center
- Veterans Memorial Museum
- Branson IMAX
- Celebration City
- Roy Rogers-Dale Evans Museum
- Branson Landing, a \$420 mixed-use development that includes shopping, residences, entertainment and the Branson Convention Center and Hilton Hotel
- Titanic: The World's Largest Museum Attraction
- Sky Surfer, a motorized zip line that takes off from the 230-foot Inspiration Tower at Shepherd of the Hills
- Promised Land Zoo
- World's Largest Toy Museum
- Dinosaur Museum
- American Presidential Museum

In addition, there are wineries, cave tours, outlet malls, a tiger sanctuary, family entertainment centers with arcades, laser tag, miniature golf, bumper cars, go karts, etc., horseback rides, butterfly palace, lake cruises and a scenic railway. Branson developed a reputation as a shopping destination. Today there are several mall development including three factory outlet centers, and a variety of strip malls and small gift-oriented shopping centers in addition to Branson Landing.

Table Rock Lake and Bull Shoals Lake offer fishing, boating, parasailing and swimming. Lake Taneycomo is famous for trout fishing and the Missouri Department of Conservation stocks the trout population from a hatchery near Table Rock Dam. However, Lake Taneycomo is too cold for recreational swimming. Table Rock Lake offers world-class bass fishing. Bull Shoals Lake is less densely developed, with campgrounds and resorts scattered along its shoreline. The Ozark Mountains also offer opportunities for hiking, hunting, biking, and cave exploration.

There are campgrounds, cabins, motels and hotels to accommodate all budgets. There are also several resorts and upscale lodges. Chateau on the Lake and Big Cedar Lodge are considered the top facilities in the market.



Chateau on the Lake is a 301 room resort overlooking Table Rock Lake, about eight miles southwest of Branson Landing. It is classified as AAA four diamond resort and spa. The property, which opened in 1997, has 43,500 square feet of meeting, a full-service marina, swimming pools, a fitness center, tennis courts, a salon, and a children's playground. After opening, they added a 14,000 square foot spa. Dining options include the Chateau Grille, Atrium Café and Wine Bar, the Sweet Shoppe and a deli. Rates currently start at \$129 per night. About 65 percent of business at Chateau on the Lake is group related. Management continues to market to

expand the group corporate business.

The Big Cedar Lodge is located approximately 10 miles south of Branson. The property was purchased in 1987 by Bass Pro Shops founder, Johnny Morris, at which time significant renovations were made. Originally he envisioned the property to be a fishing camp for Bass Pro Shop employees



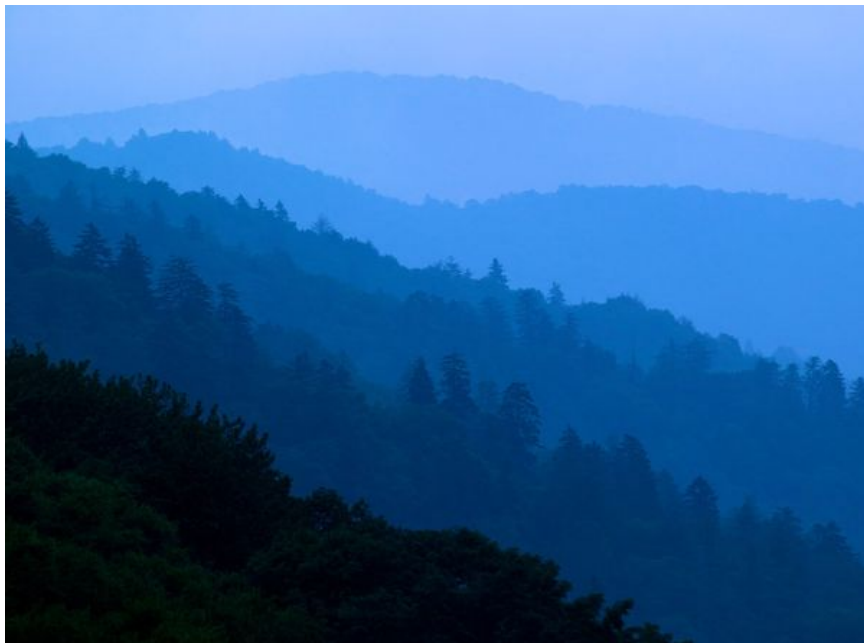
and customers. He decided to create a place for all families to reconnect with nature. The resort includes 246 rooms in three lodges, 81 cabins and nine cottages. There are four restaurants/eateries including two full service restaurants, a bar and a coffee shop. In 2008, the Grandview Conference Center was completed with 20,000 square feet of meeting space. A 13,000 square foot spa was expected to open in 2013. Other facility amenities include an outdoor swimming pool, fitness center, full-service marina, stables, playground, trails, miniature golf, and access to the Top of the Rock golf course and restaurant. Further plans include a wedding chapel, museum, distillery, wine cellar and Bass Pro Shop Outdoor Academy. Approximately 75 percent of the business at Big Cedar Lodge is repeat or

referral. The market segmentation at the lodge is approximately 70 percent individual and 30 percent group

The popularity of the region led to the development of the Branson Airport which broke ground in 2007 and opened in 2009. The commercial airport is privately owned. Construction costs were estimated at \$155 million. Prior to construction, the closest airport was in Springfield, Missouri, approximately 50 miles northwest of Branson. The airport currently offers non-stop flights to Chicago, Dallas, Denver, Houston and Orlando through Branson AirExpress, Frontier Airlines and Southwest Airlines.

The combination of live entertainment and a variety of attractions, events and outdoor recreation appeals to visitors of all ages. A visitor survey from 2003 revealed that the average party size was 2.9 and overnight visitors stayed an average of 3.9 nights. The majority of visitors, 88 percent, were leisure visitors, of which only 5 percent were visiting friends and family. More than two-thirds (69%) of visitors to the Branson area are overnight visitors. The majority of Branson visitors, or about 55 percent, are traveling from more than 100 miles and less than 300 miles. Based on 2003 figures, the largest percentage of visitors to Branson were from Missouri (28%), followed by Arkansas (13%), Oklahoma (10%), Texas (9%), Illinois (7%), and Kansas (6%).

Gatlinburg, Tennessee



With the opening of the Great Smoky Mountains National Park in 1934, Gatlinburg, Tennessee became a tourist destination since the town serves as the gateway. With more than 9 million recreational visitors passing through the 522,419 acre park annually, it is one of the most visited national parks in the U.S. Gatlinburg offered a variety of accommodations for visitors to the park including cabins, chalets, campgrounds and hotels. Slowly they added attractions, restaurants, shopping and

other visitor amenities.

Most notably is the Ripley's Believe it or Not! Museum originally built in 1970. However, it was destroyed by fire in 1992 and subsequently rebuilt. The Ripley's company has since opened several other attractions in the area, including a state-of-the-art aquarium opened in 2001, a "five-dimensional" theater, a haunted factory, several arcades, two miniature golf courses, and a mirror maze all of which carry the Ripley's

brand name. The Ripley's Aquarium of the Smokies is had the third highest visitation in the state of Tennessee during 2011.

The Ober Gatlinburg is an amusement park and the only ski area in Tennessee. It opened in 1962. An aerial tramway departs from downtown and takes guests to the attraction. It includes a large mall, skating rink, miniature golf, outdoor maze, carousel, arcade, eateries and shopping. There is also a Wildlife Encounter where visitors can see animals native to the area including black bears. During the winter, there are nine ski trails and three chairlifts. In 2008 they added a snow tubing hill. In the summer visitors can go up the chairlift and take an alpine slide back down. The Gatlinburg Space Needle opened in



1969. The 407 foot observation tower offers panoramic views of the Great Smoky Mountains.

There is an active artist community in Gatlinburg which includes the Arrowmont School for Arts and Crafts which was established in 1945. This center offers classes and workshops in contemporary arts and crafts. Areas of study include ceramics, fibers, metals/jewelry, painting, drawing, photography, warm glass, woodturning, woodworking, sculpture, and book and paper arts. Visitors are welcomed year-round to the school's five galleries, resource center, and book and supply store. Artist residencies, assistantships, work-study, scholarships community outreach, conferences and music programs each contribute to Arrowmont's mission of "enriching lives through art." There is an 8 mile loop with 450 shops and studios featuring the Great Smoky Arts & Crafts Community, internationally recognized as the largest concentration of independent artists in North America.



In terms of overnight accommodations, there is everything from primitive tent camping to luxury resorts. Chain hotels and independent inns all operate there. There are also several timeshare resorts. Among them is the Westgate Smoky Mountain Resort, one of 12 properties owned by Westgate Resorts. It sits on 70 acres just outside of Gatlinburg. Rooms range in size from studios to 5 bedroom villa. The luxury cabins have a fully equipped

kitchen as well as a stone fireplace. There is a restaurant, lounge, snack bar and ice cream shop as well as a grocery store. The Serenity Spa by Westgate provides traditional services for all ages. The resort also has a trolley to take guests to both Gatlinburg and Pigeon Forge. There is one meeting room can hold up to 90 people which can host wedding, meetings, retreats, family reunions and small conventions.

The Wild Bear Falls Water Park was recently added to the resort, a 60,000 indoor waterpark with a retractable roof that is open year round. Admission is open to all, not just resort guests, and is not included in the room rates. There are activities for all ages including slides, lazy river, zero depth playground, tree house and hot tubs. There are also two outdoor pools on the property. There are a variety of attractions in Gatlinburg which include:



- Live entertainment at two theaters
- Ghostwalks, tours and haunted mansions
- Arcades
- Lazer tag
- Ropes courses
- Zip lines
- Guinness World Records Museum
- Hollywood Star Cars Museum
- Rainforest Adventures Discovery Zoo
- Golf
- Rafting
- Miniature golf
- Horseback riding
- Brewery, distilleries and wineries.

Because of the ease of getting a marriage license in Tennessee, and the surrounding beauty, Gatlinburg has become a popular destination for weddings with more than 20 chapels in the town and surrounding area. In addition, Gatlinburg is “wet.”

A 2009 visitor profile for Gatlinburg tourists show that the average travel party size was 3.4 and spending averaged \$900 per trip. The top markets were Cincinnati, Ohio followed by Nashville, Tennessee and Atlanta Georgia.



Gatlinburg is surrounded by the Great Smoky Mountains National Park on three sides. Therefore expansion went north to Pigeon Forge. While in the area, the majority of visitors go to both towns. The most popular ticketed attraction in Tennessee is located here, Dollywood which attracts 2.5 million visitors. It began as a simple

railroad attraction, Rebel Railroad, in the foothills of the Smokies with mock Indian attacks and train robberies. Four years later, in 1967, the first rides were added. The owners of Silver Dollar City in Branson, Missouri, the Herschend family, purchased the park in 1976 and renamed it Silver Dollar City, Tennessee. They added new attractions and thrill rides to grow attendance, as they had in Branson. To market the park on a national level, Herschend Entertainment approached native Dolly Parton about becoming a partner. The park reopened as Dollywood in 1986. Today it is an amusement park and themed attraction that spans 150 acres. There are live shows all day, crafts and demonstrations by local artists, rides and activities for children, restaurants and five festivals annually. Among the rides is a 100-ton coal-fired steam engine that takes visitors on a 5 mile journey. The Southern Gospel Museum and Hall of Fame, established in 1997, is operated at Dollywood.

Ms. Parton and Herschend Family Entertainment Corporation (HFE) operate both the Dolly Parton's Dixie Stampede Dinner Attraction, a dinner theater opened in 1988 and Dollywood's Splash Country, a \$20 million water park that opened in 2001. Since the water park opened, HFE has invested \$18 million in capital improvements, most recently RiverRush, a water roller coaster. There are also 100 cabins ranging in size from one to eight bedrooms that can be rented. The Dollywood Cabins have fully equipped kitchens, outdoor hot tubs and fireplaces. Since Dollywood opened, more than \$200 million has been invested in the park. Recently Ms. Parton announced that she plans to invest more than \$300 million in her community over the next 10 years as she expands her Dollywood properties. In Tennessee, she plans on expanding the theme park in 2014 and opening a room 300 resort, DreamMore, in 2015.

The development of Pigeon Forge is also tied to the opening of the Great Smoky Mountains National Park. When the park opened, the Tennessee Valley Authority reported that there were no tourism oriented businesses there. By the 1950, with improvements to the roads, there were campgrounds and lodges. In 1961, the Rebel Railroad opened. It was a simulated ride on a Confederate steam train

complete with attracks and a mock frontier town. It later had a wild west theme and was renamed to Goldrush Junction. The theme changed again when the Herschends bought the park to reflect the Appalachian history and culture.

In 1982, trying to capitalize on the attention brought to the region with the Wold's Fair in Knoxville, city officials developed an aggressive economic development strategy that included theme parks, outlet malls and live music venues. Today there are several musical venues and theaters offering dinner theater, musicals, concerts and comedy. Popular entertainers started arriving in the 1990s including Louise Mandress who opened her own theather in 1997. There are also four major outlet malls in the region with more than 1.1 million square feet of retail space in 250 stores.

In additiion to Dollywood, the region offers a variety of activities that enhance the visitor experience. A mix of "family entertainment options" such as mini-golf, go-carts etc. appeal to the broad family market currently visiting the area. Other attractions include:

- Titanic Museum, opened in 2010 at a cost of \$25 million
- WonderWorks
- Hollywood Wax Museum
- Elvis Presley Museum
- Smoky Mountain Car Museum
- Smoky Mountain Zoological Park
- Family entertainment centers
- Golf
- Spas
- Sky diving
- Zip lines

Unlike surrounding towns Gatlinburg and Sevierville, Pigeon Forge remained dry until liquor by the drink passed in March 2013.

Both Gatlinburg and Pigeon Forge evolved in the shadow of the Great Smoky Mountains National Park. As a result, tourism development has been a major driver of economic development in this region. Together these towns have less than 10,000 residents but attract more than 10 million visitors every year. In order to make the region a year round destination, festivals were added in the fall and winter. The number of attractions and events offered have increased the length of time visitors actually stay in the area.

Bentonville, Arkansas

Bentonville, located in the northwest corner of Arkansas, is between two hours from the larger metropolitan areas of Tulsa, Oklahoma and Springfield, Missouri and three hours from Little Rock, Arkansas and Kansas City, Missouri. The town is known primarily as the world headquarters for Wal-Mart. Two other major employers, Tyson Foods and J. B. Hunt Trucking, also have headquarters in the area. As these companies have grown, so has the population in the region. Bentonville has a population of 38,300 in 2012, up from 35,300 in 2010, and triple the number of residents since 1990.



Before 2011, there were few tourism attractions, the most popular of which was the original five and dime store that was the start of Wal-Mart. It is a visitor center and museum documenting the growth of the retailer. That changed in November with the official opening of Crystal Bridges Museum of American Art, the first major art museum to open in the U.S. since 1974. Today there are boutique hotels, trendy restaurants and art galleries. The nearby airport has also

expanded, though it still caters mostly to business travelers.

Alice Walton, daughter of Sam Walton, founder of Wal-Mart Stores, Inc., announced her plans to develop a world class art museum in May 2005. The Walton family donated 120 acres for the 201,000 square foot facility. The glass and wood building was designed by world renowned architect, Moshe Safdie. The estimated cost of the building is \$50 million. The collections exhibited in seven galleries and the gardens and includes art from colonial times to the present day. It also offers temporary



exhibits from other museums and collections it has partnered with including the Louvre, High Museum of Art and the Terra Foundation for American Art. The museum complex includes meeting and classroom spaces, an extensive library, art studios, sculpture garden, gift shop, full service restaurant and a coffee bar. The gathering hall for lectures and films can accommodate up to 300 people. In addition, there are outdoor areas for concerts and events as well as 3.5 miles of nature trails.

The museum was endowed with a \$800 million gift from the Walton Family Foundation, one of the largest gifts awarded to an American art museum. The endowment is to be used toward operating expenses,

acquisitions and capital improvements. When the museum opened, the Wal-Mart Family Foundation provided an additional gift of \$20 million to pay for admission to the museum. There are admission fees for temporary exhibits. Other corporate sponsors include GE, Coca-Cola, Goldman Sachs and Northern Arkansas Mercedes Benz. The Arkansas-based Willard and Pat Walker Charitable Foundation gave \$10 million to enable up to 14,000 students to visit the museum by reimbursing schools for the cost of field trips. In September 2012, the Tyson family and Tyson Foods donated \$5 million to form the Tyson Scholars for American Art program which will promote regional initiatives in the study of American art. As a result of such donations, the Museum created the Next Generation Fund which addresses the economic, social and cultural barriers that often prevent diverse audiences from participating in the arts.



Before the Museum opened, annual visitation was expected to be between 150,000 and 300,000. The first 12 months of operations welcomed 604,000 visitors and 7,900 members. As of August 2013, more than 1 million visitors have been through the museum. This includes 27,500 students in grades K-12 from the region that have participated in the Willard and Pat Walker School Visit Program and 22,083 guests on 642 group tours. Although staff did not collect information on repeat visitation until recently, they

have tracked visitor origin by asking for zip codes. Of the 1 million visitors, 64 percent were from Arkansas, 20 percent were from the surrounding states of Louisiana, Mississippi, Missouri, Oklahoma, Tennessee and Texas. The remaining 16 percent were from the rest of the country and around the world. The annual operating budget is between \$16 and \$20 million. In 2012, total revenues were \$15.2 million, two-thirds of which were endowment distributions

Crystal Bridges Museum of American Art has been called Alice Walton's love letter to her hometown and Arkansas. Through it, people have been able to experience some of the greatest works of American artists in a compelling and accessible way, which was one of her main goals.

Spillover Impacts

Since plans for the museum were announced, the City of Bentonville has invested millions of dollars into the downtown area with roads, infrastructure, sidewalks, wayfinding, landscaping, parking, utilities, parks, streetscaping and building renovations. The downtown square was rebuilt in 2008 with funds from a \$110 million capital bond issue that was passed by voters to finance street improvements and expand parks.

Orchards Park, also funded through this initiative, is located across from the museum and includes an amphitheater. In 2006, the Bentonville Library was constructed using tax increment financing.



The impact of this philanthropy to transform this town into a tourism destination was most felt when the owners of 21c boutique hotels announced in June 2010 that they were partnering with the museum to open a hotel in downtown Bentonville. The hotel is located on the northeast corner of the downtown Bentonville square, within walking distance of the Museum. It opened in February 2013. The 21c

Museum Hotel Bentonville has 104 rooms, including 1 suite, 12,000 square feet of exhibition space, which can also be used for meetings and events, and a full-service restaurant. The 21c hotels are devoted solely to art from the 21st century. As with its other two properties, the exhibition space, with exhibits, installations and live art events, is open to the public, free of charge. The restaurant, The Hive, hired an Arkansas native, Matthew McClure, as executive chef to showcase the region's local cuisine. It seats 125 with an additional 32 seat private room and 10 seat table with full vantage of the kitchen. The hotel also offers guests free bike rentals to take advantage of the city's more than 20 miles of trails.

The \$30 million project is owned by the Walton family, 21c and Bentonville Revitalization, Inc., a nonprofit organization dedicated to the preservation of the city's historic structures. The hotel has received several accolades including being named to Travel + Leisure's 2013 It List of Best New Hotels and included on TripAdvisor's "10 Incredibly Unique Hotels" list in 2013. Rates start at \$159 per night.

Owners of the Laughlin House, the only bed and breakfast in town, bought the property in 2010 with the expectation that their business would be driven by visitors to Crystal Bridges. It reopened in June 2011 with four guest rooms. Rates begin at \$89 per night during the week, \$99 on the weekends. It is located within two blocks of the square. According to data from the American Hotel and Lodging Association, average hotel occupancy was 49.8 percent in Bentonville during 2012, up 3 percent from 2011. The average daily room rate in the city was \$76.05, a nearly 10 percent increase compared with 2011. Total revenue for the city's hotels was \$26.2 million for 2012, up 6.8 percent compared with 2011.



The museum has spurred a lot of ancillary development in downtown Bentonville targeted toward visitors including restaurants, retail shops and art galleries. Table Mesa Bistro started the trend, opening 2008. Tusk and Trotter American Brasserie, a restaurant and bar, opened in June 2011 followed by the Pressroom in October, a coffee shop and bar. Food trucks, popular in cities everywhere, have also entered the market. Retail is

also growing, with boutiques like the Paisley Place and Blue Moon Market opening their doors downtown. Three new art galleries – ArtSeen 107, Majesty Republic and Studio 124 – are looking to capitalize on the draw of Crystal Bridges. This is in addition to an established gallery, Sugar, featuring student art from the University of Arkansas. Wal-Mart is planning on opening a Neighborhood Market in the square along with additional office and retail space. The Farmers Market has experienced incredible growth and the local symphony orchestra, in northwest Arkansas, has recently reorganized into a more professional ensemble.

Other towns in the region have also seen an uptick in tourism development with upscale hotels and dining being opened in Fayetteville, Siloam Springs and Rogers. The Walton Arts Center in nearby Fayetteville has seen double-digit annual growth in its revenue and has plans to build two new theaters. Other regional museums and tourism attractions have noted increased visitation in Fort Smith, Arkansas, Branson and Oklahoma City.

Most importantly, Crystal Bridges is improving the perception of Arkansas. Crystal Bridges has become a destination for cultural tourists that appreciate art. While cultural draws can yield big economic benefits, to continue to attract visitors, particularly overnight visitors, there need to be more attractions in the region. Plans are underway for a children's museum (Northwest Arkansas Children's Museum), science and technology museum and a local performing arts center.

Implications for Eastern Kentucky

Almost all of the development in these three regions has been led by the private sector, though incentives for development have likely been offered. National franchises are present, but much of the development has been driven by local entrepreneurs. Growth occurred both by building new properties as well as expansion of current facilities. Though not drivers of tourism specifically, attractions such as miniature golf, zip lines, laser tag, outlet malls, etc. have been added to both enhance the visitor experience and extend their stay.

With a few strategically developed assets and long-term commitments from both the private and public sectors, there is potential for Eastern Kentucky to develop into a tourism destination area such as a modern, well-planned Gatlinburg.

Both Branson and Gatlinburg experienced rapid growth which impacted the land prices and overloaded current infrastructure, particularly roads. Highways and bypasses were built to accommodate for peak season, weekend traffic. Public transit, namely trolleys, began operating in each town to help visitors move through the area.

Both Branson and Gatlinburg offer a diverse mix of accommodations, restaurants, activities and attractions to have wide appeal and cater to different economic groups. Family entertainment dominates at both locations though Gatlinburg emphasizes its artisans and crafts while Pigeon Forge is better known for outlet malls. These cities have also developed programming, special events and festivals to extend the season past peak summer months. The focus on retail helps with that as well as attracting day visitors from the region. Bentonville is just starting to develop and is clearly targeted toward a cultural tourist. It is not clear if the market will continue to expand to draw a broader audience or continue developing its niche market.

Outdoor recreation around natural amenities such as mountains and lakes, was the initial foray into tourism development for all three regions including the development or enhancement of national and state parks. All are primarily been accessed by car, through smaller, regional airports are not far away.

Based on our analysis of these three tourism regions, there is potential for Eastern Kentucky to develop into a tourism destination area such as a modern, well-planned, Gatlinburg, with a few strategically developed assets and long-term commitments from the private and public sectors.

Other Elements to Consider

No matter what type of tourism projects are considered for Eastern Kentucky, there are certain elements that will influence a project's success.

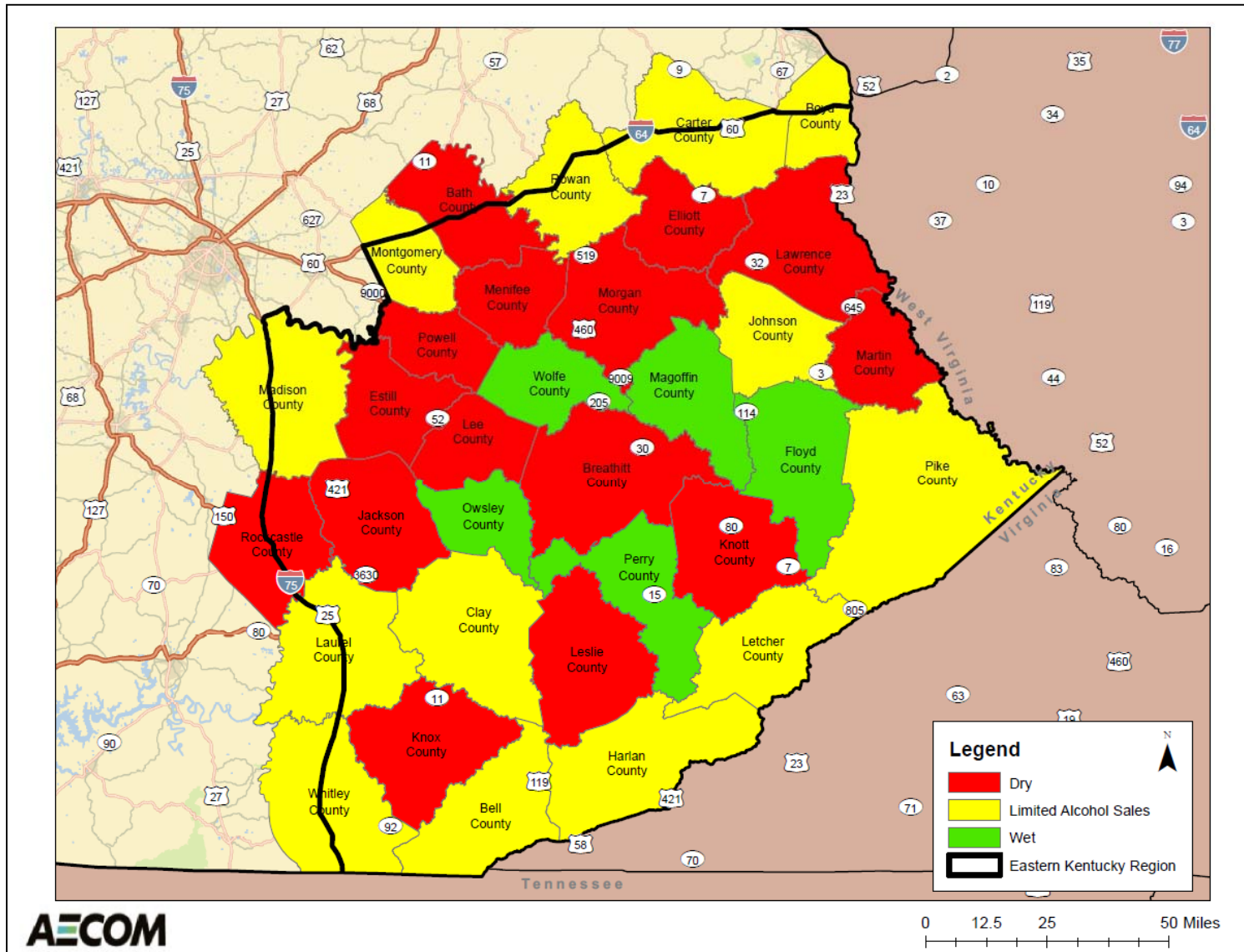
Alcohol Sales

The Commonwealth of Kentucky allows its citizens to decide if they want liquor sales permitted in their city or county through local option elections. There are 34 counties within Eastern Kentucky. Of them, 15 are dry meaning that all sales of alcohol are prohibited. Six counties are wet which allows for the sale of alcohol in stores, restaurants and bars. The remaining 13 counties allow for the sale of alcohol under certain circumstances as shown below.

- **Moist:** A designation of moist means that there is a wet city within a dry county.
- **LR-100:** Cities or counties that have voted wet and are authorized to sell alcohol by the drink only in restaurants that seat at least 100 and maintain at least 70 percent food sales.
- **LR-50:** Cities or counties that have voted wet and are authorized to sell alcohol by the drink only in restaurants that seat at least 50 and maintain at least 70 percent food sales.
- **Golf Course:** Sales of alcoholic beverages by the drink only at approved golf courses located in dry counties.
- **Small Farm Winery:** Small farm wineries within a local option precinct that elected to end prohibition
- **Qualified Historic Site:** Select historic sites are allowed to sell alcohol by the drink only.

The following table summaries the dry/wet status of the counties in Eastern Kentucky as of January 30, 2013.

Figure 26 – Dry/Wet Status of Counties in Eastern Kentucky



**Table 21 – Dry/Wet Status of Counties in Eastern Kentucky
(as of January 30, 2013)**

County	Dry	Moist	Wet	LR-100	LR-50	Golf	Historic Sites	Winery
Bath	✓							
Bell				✓				
Boyd		✓						
Breathitt	✓							
Carter								✓
Clay		✓						
Elliott	✓							
Estill	✓							
Floyd			✓					
Harlan		✓		✓				
Jackson	✓							
Johnson		✓						
Knott	✓							
Knox	✓							
Laurel				✓				
Lawrence	✓							
Lee	✓							
Leslie	✓							
Letcher		✓		✓	✓			✓
Madison		✓				✓	✓	✓
Magoffin			✓					
Martin	✓							
Menifee	✓							
Montgomery		✓						
Morgan	✓							
Owsley			✓					
Perry			✓					
Pike		✓			✓			
Powell	✓							
Rockcastle	✓							
Rowan		✓						✓
Whitley		✓		✓				
Wolfe			✓					

Source: Kentucky Office of Alcoholic Beverage Control

There are 10 counties that are moist, 5 have passed LR-100 in select cities and 2 counties have allowed LR-50. Within Madison County there are 2 golf courses, an historic site and a winery that can sell alcohol by the drink. There are three other wineries in the region. As of January 30th this year, cities that can serve alcohol in some capacity (moist, LR-100 or LR-50) include: Ashland, Coal Run, Corbin, Cumberland, Harlan, Jenkins, London, Manchester, Morehead, Mt. Sterling, Paintsville, Pikeville, Pineville, Richmond, Whitesburg and Williamsburg. Throughout Boyd County, all restaurants with more than 100 seats can serve alcohol by the drink.

The status of counties and cities frequently changes due to local option elections where residents or officials seek to expand or restrict the sales of alcohol.

Throughout most of the United States, it is legal to sell alcohol. So adult travelers take it for granted that will be able to have a drink with their

meal if they choose. If they realize they are in a dry community, they may choose to go elsewhere. If not then, certainly in the future. More importantly, when meeting planners and tour operators start scouting locations for group travel, alcohol makes a difference. Dry counties are overlooked. When counties that were dry becoming wet or moist, there can be an influx of hotels and restaurants. After Georgetown, Kentucky became moist, which allows for the sale alcohol in stores, restaurants and bars, several restaurants opened including national chains such as O'Charley's, Ruby Tuesday and Applebee's which were not there before.

Often there are loopholes that allow alcohol sales under certain circumstances or at certain types of facilities such as tourism resorts, depending on how the laws are written. For example, in North Carolina, Jackson County, until recently, was dry. However, all restaurants and hotels within 1.5 miles of the Blue Ridge Parkway are allowed to serve alcohol. Also in North Carolina, alcohol can be served at sports clubs. So an eatery in Glensville, also in Jackson County, built two regulation size tennis courts which qualifies it as a sports club. As a sport's club, there is a small membership fee. Recently Jackson County became wet.

Similarly, restaurants in dry counties throughout Arkansas have gotten around regulations by offering club memberships for a nominal fee, if any. This was particularly important for Mount Magazine Lodge (profiled earlier) which was relying on weddings and other groups to use its facilities.

It may be possible to get an exemption for a specific facility as was done to open a casino at The Greenbrier (profiled above). Legislation was written to allow casino style gambling at historic, 500+ room resort hotels that are registered with the U.S. Department of the Interior as a national historic landmark. The law was written to allow only a very few properties in West Virginia to be eligible.

Communities that allow the sale of alcohol can gain financially through license fees and taxes. In addition, there is some evidence that drunk driving incidents are reduced as people do not have to travel as far to be served alcohol. In dry counties, it will be difficult to encourage hotel, resort and conference development since they will likely lose out on valuable group sales. Corporate events, meetings, conferences, reunions, weddings, etc. may opt to go where alcohol can be served. There is a ripple effect. Without accommodations, the tourism industry development will be limited since restaurants, shops and other attractions will not see the area as having enough tourists to support their business. To attract private investment in Eastern Kentucky, this issue will have to be addressed.

Broadband

High speed internet, or broadband, has become a primary way to share information and ideas. This connection is considered essential for residents, businesses, governments and travelers. We have become dependent on access to – and sharing of – instant information and news. Businesses rely on wireless broadband access to connect with business partners, suppliers and customers. Tablets have started replacing textbooks in schools and online classes are opening up the opportunity for a college education to many more people. As technology continues to advance, and more and more information is relayed over the Internet, fast, reliable connections are imperative. Broadband is changing people's lives.

A 2006 study for the U.S. Department of Commerce showed that communities in which mass-market broadband was available by December 1999 experienced more growth in employment, the number of businesses overall and businesses in IT-intensive sectors between 1998 and 2002 compared to communities without broadband at the time. A 2010 broadband impact study by the International Economic Development Council (IEDC) reported that 52 percent of respondents believed broadband technology can help harness home-based businesses into a "strong economic force", and 43 percent felt it can be used to influence underserved (low income, elderly, rural) individuals to become entrepreneurs.



In Craig Settle's 2013 book, *Building the Gigabit City*, he interviews Brent Garden, former Director of Economic Development in Prestonburg. The town of 4,800 residents had built their Meraki WiFi network to increase shoppers downtown. According to Mr. Garden,

Our wireless network, combined with 3% loans and development efforts for buildings that weren't being used, made downtown friendly for businesses. Wireless created incentives for people to come downtown. Within three months of launching the network, 22 businesses moved in with 40 to 45 new jobs. This creates a cyclical effect with more people coming into downtown, which attracts more businesses. Tax revenue from here in the first year of the program went up \$111,000, mostly through new business growth. This in turn allowed us to buy an aerial fire truck, which has kept property owners and government insurance rates from rising.

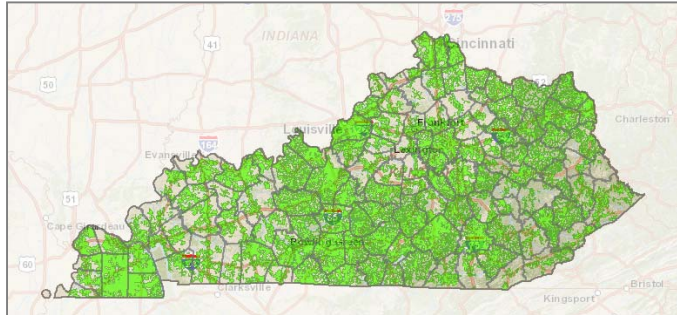
In Prestonburg, wireless was a central part of an integrated package of activities to revitalize downtown businesses.

Unfortunately, access in rural areas throughout America has been limited, often because the infrastructure doesn't exist. Only half of rural residents subscribe to broadband compared to 65 percent nationwide. Following are maps of broadband coverage as of December 31, 2012. The maps were obtained through a website hosted by Michael Baker Jr., Inc. (www.bakerbb.com/kybroadbandmapping) at the request of the Kentucky Commonwealth Office of Technology (COT). It should be noted that the maps are only as accurate as the source data provided by the actual broadband service providers that participated in the program, and may not be all inclusive of the services provided in a particular area.

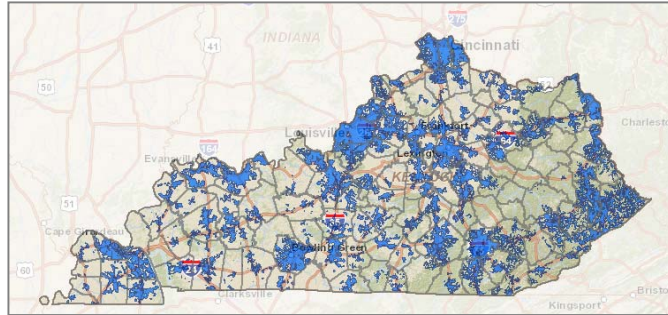
In 2010, 10 telecommunications companies in Kentucky received a total of \$265 million through the federal government's American Recovery and Reinvestment Act of 2009 for broadband investment. Despite this, there are still areas throughout Kentucky that have limited or no access to broadband. In a 2012 study, the Federal Communications Commission (FCC) ranked Kentucky 40th in the nation since only 91.5 percent of residents have access to high speed or broadband Internet. Even fewer residents subscribe, 40 percent according to the Commonwealth Office of Broadband Outreach and Development. (OBOD). Some don't use it because they don't know it's available, others think it's too expensive. Today the OBOD is working with local non-profits such as ConnectKentucky and governments to find ways increase high-speed Internet access and utilization throughout Kentucky.

Figure 27 – Broadband Access by Type in Kentucky

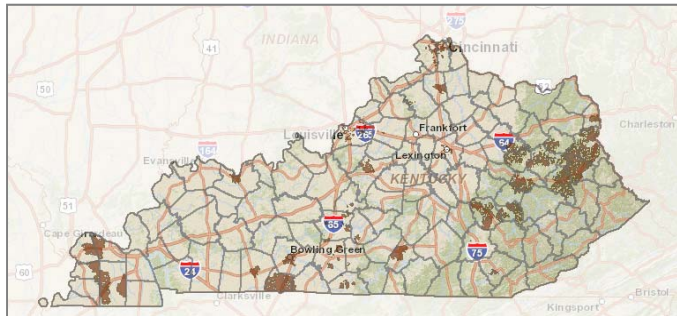
DSL



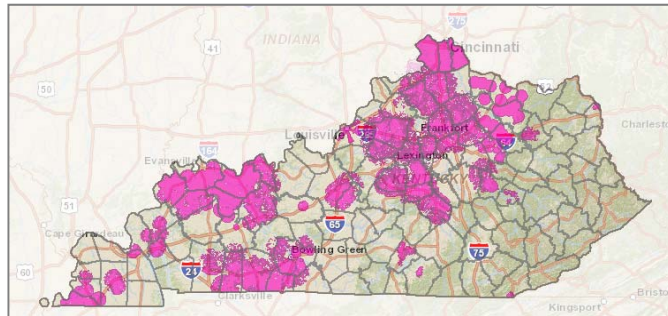
Cable



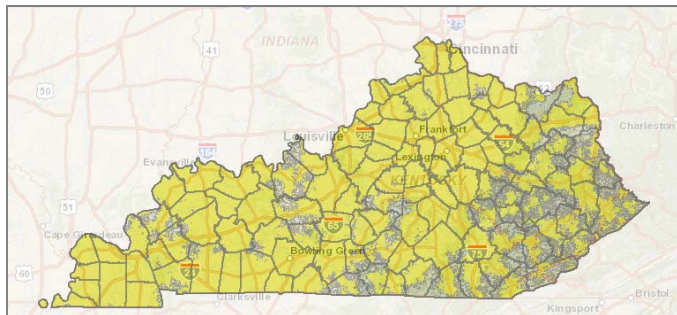
Fiber



Fixed Wireless



Mobile Wireless



Other



Note: Access as of December 31, 2012
 Source: Kentucky Commonwealth Office of Technology

Marketing

It takes more than product development to make a destination successful, especially in a rural area. Investors need to be committed to the project. There needs to be local and regional buy in for the development. The benefits of the development need to be promoted to local residents. Hospitality programs may be needed to train the workforce and educate them on the importance of the development to the region. Ongoing research to monitor trends in the industry is also helpful. Even when all of that is achieved, without marketing, the project will fail. The target market needs to be made aware of the development and the region.

When people start planning their trips, particularly leisure trips, the destination is chosen first rather than activities or travel experiences. In choosing a destination, the two most important conditions to a majority of American travelers were feeling safe at the destination (72%) and having convenient access to the destination by car (51%) per TAMS. Although comfort and safety are highly important to 79 percent of American travelers, cost was as important for nearly as many (67%).

In order to get on the regional destination wish list, a destination must be perceived, first and foremost, as an exciting, fun and must-see place that offers a sense of adventure. People also need to know that a destination is great for adults and couples, since they are paying for the trip; and to some extent, good for families. Only a quarter of U.S. vacation trips include children, so offering things that kids would especially enjoy is not always a top priority for the majority of travelers. The key features that help bring a sense of excitement to a destination are perceptions of uniqueness, variety in sightseeing/lots to see and do, and having interesting cities.

Another major predictor of destination interest is how people regard your options for accommodations and dining. Other aspects such as popularity, climate, options for entertainment, safety/being a worry-free place, sports and recreation are not high on people's priority list when considering potential destinations for their trip. Affordability is not a major factor when people first consider places they would like to visit, but it gradually rises to the top of the list as people get closer to narrowing destinations down to a final choice.

The role of state and local visitor organizations, such as convention and visitors bureaus, and Chambers of Commerce cannot be emphasized enough. These agencies are responsible for promoting and developing tourism in a community and are often among the first places potential visitors turn to for information about what there is to do in a region. Enlisting the services of as many such agencies will ensure that your target market is aware of what the region has to offer. Research shows that the more the target audience is exposed to marketing efforts, the more likely they are to plan and take a trip to the destination.

Potential State Funding Sources

Here we present information on three potential state funding sources for private tourism development in Eastern Kentucky. There are many other federal, state and regional funding initiatives that may be available for development in this region that are not profiled here.

Kentucky Tourism Development Act

The Kentucky Tourism Development Act (TDA) provides a state sales tax incentive for companies and organizations that build or expand tourism-related attractions in the state. The TDA is designed to encourage investment in the state's tourism industry that will positively affect the state by attracting new visitors to Kentucky.

The TDA incentive takes the form of a sales tax rebate. Developers are eligible to receive a rebate in the amount of the sales tax collected at the attraction they have built. The incentive is limited by two factors:

- First, it is limited by a percentage of development costs. Most developments will qualify for a total rebate of 25 percent of the development costs, spread evenly over ten years. Attractions built on state park, federal park or national forest land are eligible to receive up to 50 percent of development costs over ten years.
- Second, it is limited to a sales tax rebate. The property cannot receive an incentive larger than the sales tax paid by customers on-site. The eligibility is spread evenly over a ten or twenty year period, depending on the project type. However, there is a carry-forward clause that allows developers to claim more than their annual eligibility in later years if they claimed less than their total eligibility in early years.

Attractions that represent an expansion or an upgrade are eligible to receive a rebate based on the new sales generated due to the expansion or the upgrade. After passing an eligibility screening process by the Tourism, Arts and Heritage Cabinet and the Kentucky Tourism Development Finance Authority, applications are forwarded to an independent consultant for review. The consultant's study determines whether the attraction meets the following requirements of the TDA:

- The project must have at least 25 percent of its visitors from out of state.
- The project will have costs meeting state minimums – usually \$1 million, but higher for some purposes.
- The project will have a positive economic impact on the state. This requirement generally means the project will increase state tourism; will have a positive fiscal impact on the state (it will return more to

the general fund through direct and indirect means than it claims as a rebate); and will not primarily be in competition with another state attraction.

- The project must be open to the public a minimum of 100 days.
- The project will not adversely affect existing employment.

If the project is an entertainment destination center, the state sales tax refund will be used for a public infrastructure purpose. additional requirements are in place for theme restaurant destinations.

Tax Increment Financing (TIF)

The Kentucky Cabinet for Economic Development oversees the Tax Increment Financing (TIF) program. TIF is a tool to use future gains in taxes on a site to finance the current improvements that will create those gains. The incentives are used to offset the costs for the public infrastructure of the proposed development. The program is designed to provide economic assistance to projects that require some public participation for infrastructure components, without which development would be infeasible. To get approved, the project must generate a net positive economic and fiscal impact to the state, taking into account the potential adverse effects on other businesses, what is termed in this report “substitute spending.”

The State’s TIF programs are designed to operate in concert with a local taxing jurisdiction. A city or county government may apply for state participation after the local jurisdiction has established a development area. The local jurisdiction is required to certify that the development area is not reasonably expected to be developed absent public participation. The State then joins the local jurisdiction in committing future tax revenues (the increment) to retiring debt to cover initial improvements.

The **Signature Project Program** aims to assist in projects representing at least \$200 million in total capital investment that will have a “significant impact” on the state and that will improve the surroundings so as to justify “extraordinary public support.” The TIF incentive is limited to 30 years under this enabling legislation. There are several requirements for a Signature Project:

- The project must represent new activity in the state.
- It must be at least a \$200 million total capital investment.
- Only 20 percent of the project – measured in terms of capital investment or finished square footage – is permitted to be devoted to retail.

The State incentive can only be used for a limited amount of approved costs: the cost of public infrastructure, signature project costs and financing costs associated with the TIF. Public infrastructure costs are generally interpreted to be utilities (including water and sewer), street construction, parks, landscaping in public places, parking, curbs, sidewalks and other elements that enhance the public way. Signature costs are other necessary project elements that are not necessarily public infrastructure, but are nonetheless considered by the Kentucky Economic Development Finance Authority (KEDFA) to represent a unique challenge such that the project could not be developed without incentives. Land acquisition is the most common type of signature cost.

The **Mixed-Use Redevelopment in Blighted Urban Areas Program** is designed to support developments representing a capital investment between \$20 million and \$200 million located in blighted areas, areas near a university research park and areas near a military base. There are several requirements for a Mixed-Use project:

- The project must be a mixed-use development, including at least two of the following: retail, residential, office, restaurant or hospitality. To qualify as a use, the use must comprise at least 20 percent of the total finished square footage or 20 percent of the total capital investment. No single retailer can have more than 20,000 square feet of space.
- It must represent between \$20 million and \$200 million in total capital investment.
- It must include public space.
- The maximum size of the development area cannot exceed three square miles.
- Projects on vacant land must include a 5,000 seat arena for athletic events, live entertainment and other performances.
- Other projects located on vacant land that are located in a university research park or located within three miles of a military base that houses, deploys or employs at least 25,000 military personnel, their families, military retirees or civilian employees do not need to include an arena.

The State incentive can only be used for a limited amount of approved costs: all public infrastructure costs, net of sales tax paid on the materials, and costs associated with land preparation, demolition and clearance, as long as these activities are necessary to make private development possible and as long as they are necessary for the project's public space. Public infrastructure costs are generally interpreted to be utilities (including water and sewer), street construction, parks, landscaping in public places, parking, curbs, sidewalks and other elements that enhance the public way. The state also limits the share of the tax increment that can be applied to retiring TIF bonds. The Mixed-Use program proscribes that only 80 percent of the increment can be used toward public improvements, but the remaining 20 percent of the annual increment would flow to the taxing jurisdiction.

KEDFA is the state agency that supervises the TIF programs. A city or county government must apply for state participation in a TIF district. Once that application is filed, the authority reviews it for preliminary approval. Part of this preliminary approval is to establish the approved public infrastructure, signature, and financing costs; in this way, the authority sets the maximum level of state participation in the program.

After a project has been granted preliminary approval, it proceeds to an independent consultant for review. The consultant is charged with ensuring that the proposed project would provide a net positive economic impact to the state, taking into account the potential for economic substitutions. Several executive branch agencies, including the Office of the State Budget Director, the Finance and Administration Cabinet, and the Cabinet for Economic Development, work with the consultant before the final report is issued to ensure that the report meets the requirements:

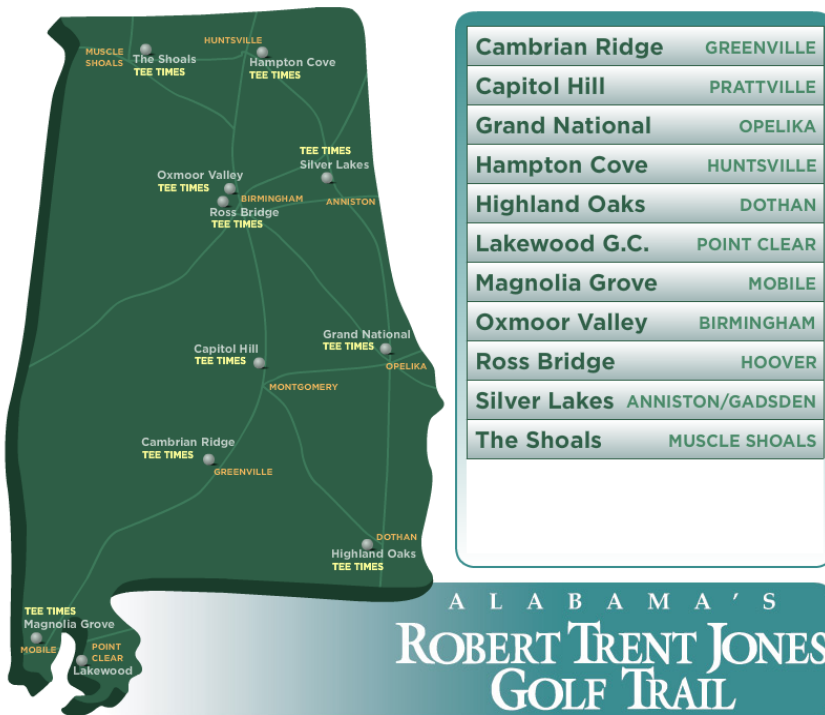
Report the development costs approved in advance by the authority during the preliminary review period. This would include public infrastructure, land preparation, demolition, and clearance costs.

- Establish the feasibility of the project to guard against state participation in a project that carries an undue amount of risk.

- Estimate the local and state tax revenues that would be generated inside the development area net of any tax revenue likely to have been displaced from other areas of the state.
- Establish a likely baseline – the amount of tax revenue that would have been generated in the development area absent the proposed project. This includes the tax revenue likely to be generated by the existing users on the site.
- Determine, on the basis of net new fiscal impact, whether the proposed project represents a positive benefit to the state.
- Determine whether the project would occur without the state's participation in the program.

State Retirement Plans

In an effort to diversify assets of state pension funds, several states have invested in real estate, some with a focus on tourism projects. Most well known is the Retirements Systems of Alabama (RSA). It's director, Dr. David Bronner, felt that investing in Alabama and making the state stronger economically, would make the pension fund stronger as well. When Dr. Bronner began, the RSA had approximately \$500 million in funds and was owed \$1.5 billion from the state. In 2007, the RSA had amassed over \$32 billion in investments making it the 43rd largest pension fund in the U.S.



The growth is attributed to public development and acquisitions, the most visible and successful are the 26 public golf courses on 11 sites that make up the Robert Trent Jones Golf Trail. Eight courses were built originally starting with four that opened in 1992. They were built at the same time to develop critical mass and garner attention. Two more were added soon after and one course was purchased and renovated. Each course is within 30 minutes of an interstate and no more than a 2 hour drive between sites. In total, the Trail averages

500,00 golfers per year.



The goal of the courses was not necessarily to be profitable since golf is a loss leader. In a 2013 interview, Dr. Bonner said that the RSA gets a return of about \$3.6 million annually, which is positive. Over time, the RSA added more profitable amenities – luxury hotels,

spas, dining and meeting facilities at 8 courses which are Marriott and Renaissance properties. Six received Four Diamond recognition from AAA and three have been named “Top 500 Hotels in the World” by *Travel + Leisure* in recent years. Three restaurants have also received the Four Diamond designation. In total, the Resort Collection has 322,500 square feet of meeting space. Real estate development has also been successful creating golf communities for residents, retirees and second home owners.

According to a 2008 economic impact study, the RSA had \$32 billion in assets in 2007. Its holdings were diverse – media outlets, office buildings, real estate, offshore oil and gas support services, computer and technology service, hotels and resorts, recreational sports. Only 9 percent of the assets were in private placements, including real estate investments. From 2002 through 2007, they had capital expenditures of \$854.3 million resulting in total economic impact to the state of \$1.9 billion. Operating expenditures were nearly \$1.6 billion during 2007 which included a \$245.4 million payroll for 5,836 workers. The state received \$28 million in tax revenues as a result of their operations. Local jurisdictions earned \$11.6 million in sales tax receipts. Today RSA’s holdings include luxury condominiums, television stations, newspapers and a datacenter as well.

Dr. Bonner’s vision of creating a golf trail that would attract new industry and expand tourism to the state clearly has clearly worked. Alabama has not only become a destination, but several international companies have located in the state since the Trail opened. The RSA and its investment in tourism, particularly golf, has inspired other state retirement plans to do the same.

Implications for Eastern Kentucky

Though tourism development may be led by private efforts, there are public resources available through the Commonwealth of Kentucky to help offset costs, particularly those associated with necessary infrastructure. Innovative strategies of investing state retirement funds helped create a series of very successful tourism products in Alabama which helped to offset preconceived notions of the state.

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