

Reservoir Hill Business Plan: Reservoir Hill Recreation Park

Presented by:
Reservoir Hill Task Force
Town Tourism Committee

Introduction

- Based on direction provided by Town Council, the Town Tourism Committee has investigated options for recreational amenities on Reservoir Hill
 - Researched many possible amenities in existence in other Colorado tourism communities to understand what works and what does not
- Business Plan was developed to determine economic viability of adding recreational amenities
- Received support in development of Plan from Region 9, Fort Lewis College Small Business Development Center, Pagosa Springs Community Development Corporation and many local business owners

Presentation Overview

- Goals and Impact to Local Economy
- Proposed Recreational Amenities
- Competitive Overview
- Estimates for Park Operations (profit & loss)
- Operating Structure & Funding Options
- Next Steps

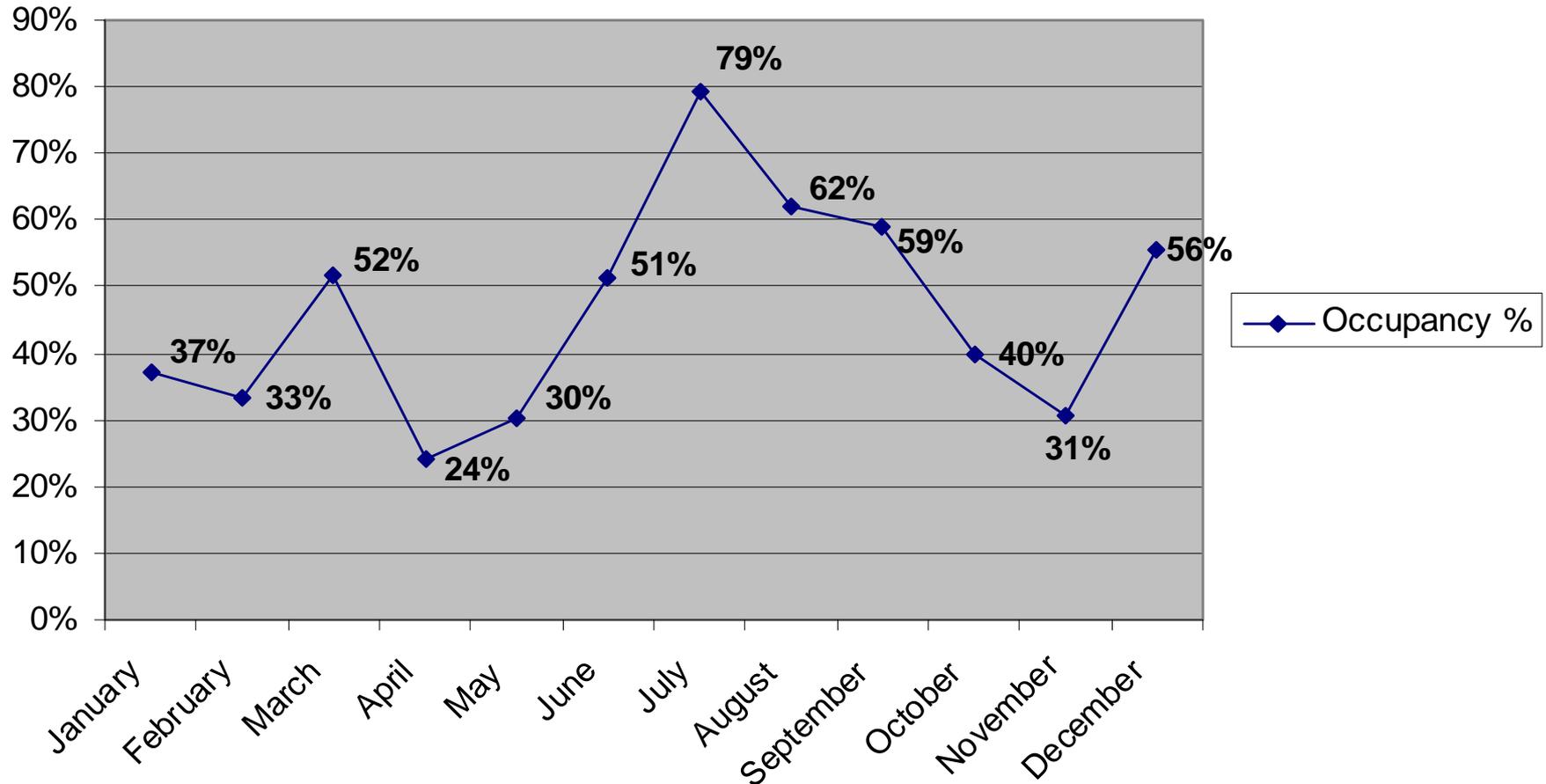
Goals

- Increase length of visitation, creating a significant economic boost to the local economy
- Create a more stable job environment
- Provide a more stable tourism base year-round, minimizing the off-season valley-effect
- Provide affordable activities for families / youth, while enhancing the downtown enjoyment for everyone
- Preserve the beauty and natural amenities on Reservoir Hill
- Project is consistent with Governor's "Bottoms-Up" Strategic Plan Initiative

Current Pagosa Visitor Data

- Stats:
 - Wyndham sees over 16,000 families annually
 - Springs Resort Bathhouse has over 175,000 people visit each year
 - Traffic in the visitor center exceeds 40,000 each year
- 27-33% of visitors (that stop at visitor center) are just passing through and not planning to stay in town

Occupancy Rates (Town Properties)



- Average Annual Town Occupancy: 46% (based on 476 rooms)
- Does not include vacation rentals, timeshares or campgrounds

Economic Benefits

- Increase overnight stays by at least 50% within 3 years
- Increase day trip traffic from competing tourism markets (Durango, South Fork, New Mexico)
- An economic boost to Pagosa between \$14,000,000 and \$22,000,000 per year
 - Realize in excess of \$300,000 in increased sales tax revenues to the Town of Pagosa Springs annually
 - Increase Town lodging tax collections by at least \$100,000 - \$200,000 annually (not all overnight visitors will stay in town)
- Create jobs - direct (15-20) and add many indirect jobs in a variety of businesses
- Create a diverse local economy by developing a stable tourism base to allow other industries to thrive

Impact to Local Economy

Assumptions:

- Pagosa Springs Area sees over 200,000 overnight visitors annually
 - Average 2.5 people per room / rental unit *
 - Within the community, there is in excess of 244,900 room nights available annually **
- Currently, the Town has approximately 80,000 room nights booked annually ***
- **Growth projections achievable without increasing lodging**

Expected Results

Minimum Outcome

Scenarios to Increase Overnight Visitation

% Increase in Overnight Visitation	100%	75%	50%	25%
Increase number of overnight visitor stays	200,000	150,000	100,000	50,000
Increase in Room nights (Assumes 2.5 per room)	80,000	60,000	40,000	20,000
Average number of nights / month	6,667	5,000	3,333	1,667
Average \$\$ per day / per person	\$ 147.00	\$ 147.00	\$ 147.00	\$ 147.00
Annual Sales Increase	\$ 29,400,000.00	\$ 22,050,000.00	\$ 14,700,000.00	\$ 7,350,000.00
Sales Tax Increase	\$ 588,000.00	\$ 441,000.00	\$ 294,000.00	\$ 147,000.00
Lodging Tax Increase	\$ 392,000.00	\$ 294,000.00	\$ 196,000	\$ 98,000.00

* 2008 Visitor Conversion Study

** 671 rooms multiplied by 365 days / year (does not include timeshares / vacation rentals)

*** 2010 Town tax collections on an average room night of \$100 *



Provides Year-Round Recreation

Summer (May - Oct)

- Amphitheatre
- Chairlift
- Alpine Coaster
- Observation Tower
- Picnic Areas
- Disc Golf
- Parking
- Bathrooms
- Food Concessions / Restaurant
- Zip Line
- Hiking & Mountain Biking Trails
- Tethered Hot Air Balloon Ride

Winter (Nov - Apr)

- Amphitheatre
- Chairlift
- Alpine Coaster
- Observation Tower
- Picnic Areas
- Disc Golf
- Parking
- Bathrooms
- Food Concessions / Restaurant
- Tubing / Sledding
- Terrain park for Snowboarding / Skiing
- Nordic Skiing / Snowshoeing

Environmental Impact

- Limited visual impact to Reservoir Hill
- Small footprint of less than 3.5 acres (of 110 town-owned acres) of Reservoir Hill
- Noise will be no louder, or different, than currently experienced from the increased river traffic
 - Amenities added on section of Reservoir Hill where existing noise heard is traffic from Hwy 160 below, especially truck (jake) brakes and motorcycles
- Very little tree removal needed for project



Amphitheatre

Amphitheatre

- Provide top-class venue
 - Amazing views, facilities, overall experience
 - covered seating, restrooms, lawn seating, etc
- Attract more large events to the area to attract new audience to Pagosa
- Facility would operate year-round
- Enhance wedding, business retreat and family reunion venue offerings



Chairlift

Chair Lift

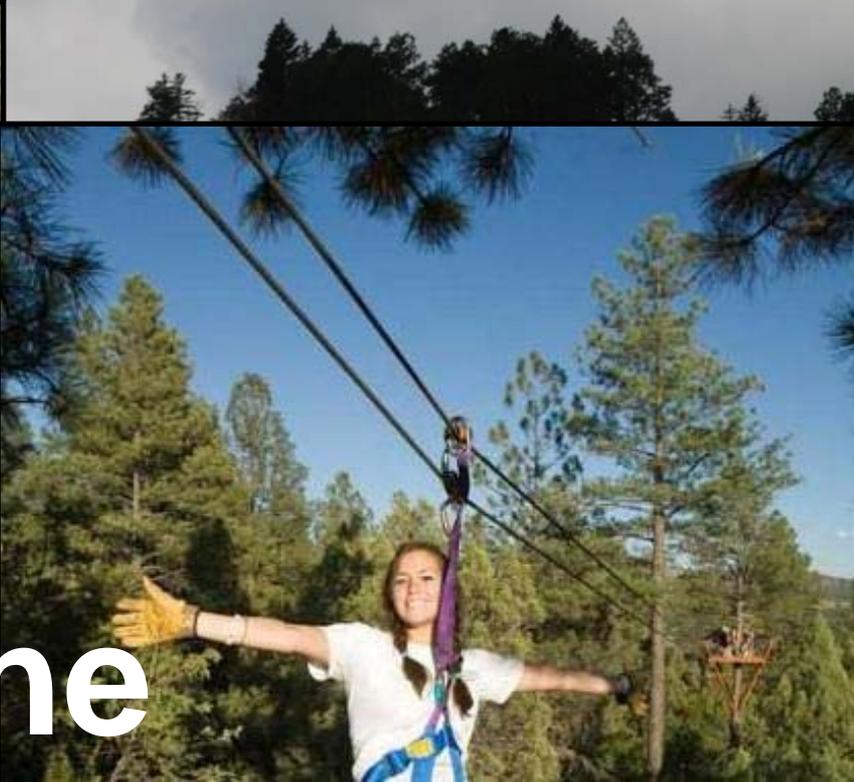
- Everyone rides at NO charge
- Encourage visitors to discover Reservoir Hill conveniently and easily
- Increase recreational use of Hill
- Provides an alternate means of transportation
- Unique experience for many summer visitors
- Year-round use
 - Summer use accesses amphitheatre, trails, observation tower, hot air balloon, picnic areas, zip line, alpine coaster and views
 - Winter use allows easy access to views, terrain park for skiing / snowboarding, cross country skiing, snowshoeing and tubing



Alpine Coaster

Alpine Coaster

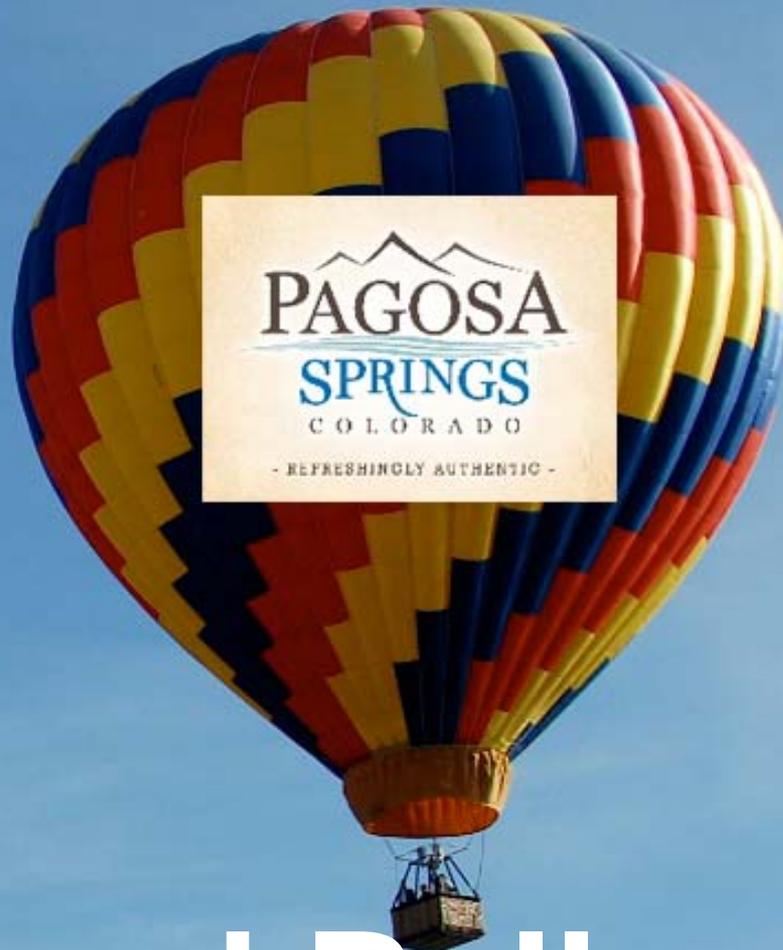
- Not a roller coaster
- Operates year-round
 - provides solid winter / summer activity in town with or without help from Mother Nature
- Return on investment
 - on average, amenity pays for itself in 18 -24 months
- Competitive Advantage
 - Pagosa would have 1 of 3 in the state; only one in SW CO
 - Amenity has larger number of repeat riders vs. slides
 - Closest competition to Pagosa: (1)Breckenridge (\$18), (2) Glenwood Springs (\$9 + entrance fee), and (3) Park City (\$20-\$22); all others located on East Coast
- No permanent footprint; no concrete footers
- SAFE, fun experience for the entire family



Zipline

Zip Line (Canopy / Tour)

- Operates April - October
- Platforms built into trees
 - no long-term damage to trees
 - Arborist certification of tree health prior to installation
- No adverse footprint
 - allows activities on trails below to continue
- SAFE, fun and educational experience
 - Ages 4 and up
- 2-hour tour
- One Durango Zip line Operator sees fair amount of business from Pagosa tourists



Tethered Balloon

Tethered Hot Air Balloon Ride

- Visible amenity on Reservoir Hill would be a hot air balloon
- Insignificant footprint - 3 concrete anchor points in a 300 square foot area
- Provides activity for families / all ages
- Provides affordable bird's eye view of downtown and amazing mountains
- Opportunity to brand / promote Pagosa with customized balloon



Sprayground

Sprayground

- Located in downtown Park, visible from Hwy 160
- Use geothermal waters to heat water
 - Provides unique, kid-friendly use of waters
- Small footprint, low cost installation
- Great activity for families
- Free use



Regional Competitor: Durango Mountain Resort

- Located 20 miles from downtown Durango; requires vehicle to access
- Amenities are outdated
- One small restaurant within 20 miles
- Expensive for experience
 - Alpine slide \$12; Zip Rider \$25 for 5 min., Scenic Chairlift \$8
- Limited repeat audience



Regional Competitor: Glenwood Adventure Park

- Entrance requires 20-minute tram ride or bus ride to Park
- Lowest price per amenity
 - Required Park entrance fee of \$12, includes Tram
- Focus on quality experience
- Park is isolated
 - park access (in or out) inconvenient in inclement weather



Regional Competitor: Breckenridge

- Free Gondola or shuttle accesses Park
- Most expensive per amenity
 - \$18 Alpine Coaster,
\$15 Alpine Slide
- Long lines
- Focus on moving people vs. provide quality experience



Competitive Advantage: Pagosa Springs

- Reservoir Hill located downtown
- Easy access - hiking, biking, chairlift, shuttle
- Free entrance
- Affordable pricing
 - \$12 / coaster ticket, no park entrance fees
- Only Alpine Coaster in Southern Colorado
 - Other installations: Breckenridge, Glenwood Springs, Park City, UT and New England area
- Amphitheatre



Proposed Amenity Ticket Costs: Pagosa vs. Competition

Amenity	Annual Users	Cost per Ticket	Avg Competitor Ticket
Alpine Coaster	129,452	\$ 12	\$ 17
Zipline	4,383	\$ 89	\$89 - \$150
Hot Air Balloon	5,935	\$ 12	\$ 15
Observation Tower		\$ -	
Chairlift	68,977	\$ -	\$ 8

- Estimated profits based on extremely competitive ticket prices
- Assumes 10 hours / day operation June – August and 5 hours / day other months of year
- Assumes 273 days of operation annually

How Users were Estimated

- Estimated max capacity for each amenity in July; user estimates for each month was based on a % decrease on lodging tax with each month compared to July
- Multiplied by operating hours / days each month
 - Zipline operates 172 days / year; coaster 273 days / year
- Alpine coaster
 - Max capacity 225 riders / hour (every 16 seconds)
 - Business Plan Estimates:
 - July = 100 riders / hour (every 36 seconds)
 - April = 28 riders / hour (every 2.14 minutes)
- Zip line
 - Assumes operation May - October
 - Max tour capacity 15 people / 2 hour tour
 - July estimates 45 users / day; May estimates 16 users / day
- Hot Air Balloon
 - Estimates max of 20 users / hour (July)
 - 2 to 3 hour / day operation

Amenities - Overview

Amenity / Infrastructure	Employees	Installation Costs	Annual Users	Annual Revenue	Labor Expenses	Operational Cost	Total Expenses	Profit
Alpine Coaster	4	\$ 1,025,000.00	129,452	\$ 1,553,425.83	\$ 77,480.00	\$ 60,000.00	\$ 137,480.00	\$ 1,415,945.83
Zipline	3	\$ 200,000.00	4,383	\$ 390,070.94	\$ 51,120.00	\$ 10,000.00	\$ 61,120.00	\$ 328,950.94
Hot Air Balloon	0	\$ 50,000.00	5,935	\$ 71,214.62	\$ 16,920.00	\$ 41,080.00	\$ 58,000.00	\$ 13,214.62
Parking Lot	0	\$ 300,000.00	-	\$ -	\$ -	\$ 3,000.00	\$ 3,000.00	\$ (3,000.00)
Observation Tower	0	\$ 125,000.00	-	\$ -	\$ -	\$ 12,500.00	\$ 12,500.00	\$ (12,500.00)
Chairlift	5	\$ 500,000.00	68,977	\$ -	\$ 96,850.00	\$ 40,000.00	\$ 136,850.00	\$ (136,850.00)
Amphitheater	0	\$ 1,125,000.00	-	\$ 67,000.00	\$ 52,000.00	\$ 15,000.00	\$ 67,000.00	\$ -
Reservoir Hill Infrastructure	0	\$ 400,000.00	-		\$ -	\$ -	\$ -	\$ -
Restaurant / Snack Concessions	0	\$ 140,000.00	22,762	\$ 136,573.57	\$ 48,000.00	\$ 50,000.00	\$ 98,000.00	\$ 38,573.57
Sprayground	0	\$ 50,000	-	\$ -	\$ -	\$ 10,000.00	\$ 10,000.00	\$ (10,000.00)
Restrooms		\$ 300,000	-	\$ -	\$ -	\$ -	\$ -	\$ -
Ticket Office	2	\$ 50,000.00	-	\$ -	\$ 38,940.00	\$ -	\$ 38,940.00	\$ (38,940.00)
Landscaping	1	\$ 80,000.00	-	\$ -	\$ 19,470.00	\$ -	\$ 19,470.00	\$ (19,470.00)
Totals	15	\$ 4,345,000.00		\$ 2,218,284.95	\$ 400,780.00	\$ 241,580.00	\$ 642,360.00	\$ 1,575,924.95

Overall Park (Profit & Loss)

Services / Labor	Employees	Installation Costs	Annual Users	Annual Revenue	Labor Expenses	Operational Cost	Total Expenses	Profit
Custodial	1				\$ 38,940.00		\$ 38,940.00	\$ (38,940.00)
Park Maintenance	1				\$ 40,000.00		\$ 40,000.00	\$ (40,000.00)
Insurance	0					\$ 50,000.00	\$ 50,000.00	\$ (50,000.00)
Park Management	2				\$ 250,000.00		\$ 250,000.00	\$ (250,000.00)
Marketing	1				\$ 45,000.00	\$ 100,000.00	\$ 145,000.00	\$ (145,000.00)
15% Reserve (Amenity Repair / Maintenance)	0					\$ 332,742.74	\$ 332,742.74	\$ (332,742.74)
Loan Amortization*	0					\$ 540,370.00	\$ 540,370.00	\$ (540,370.00)
Services / Labor Totals	5				\$ 373,940.00	\$ 1,023,112.74	\$ 1,397,052.74	\$ (1,397,052.74)
Amenity / Infrastructure Totals	15	\$4,345,000.00		\$ 2,218,284.95	\$ 400,780.00	\$ 241,580.00	\$ 642,360.00	\$ 1,575,924.95
Totals	20	\$4,345,000.00		\$ 2,218,284.95	\$ 774,720.00	\$ 724,322.74	\$ 2,039,412.74	\$ 178,872.21
*Loan Amortization assumes principal of \$4,345,000 at a 4.5% rate over 10 year term								

With proposed amenities:

- Annual profit in excess of \$800,000, before loan repayment
- Provides significant impact to local economy
- Adds 15 - 20 new jobs as a direct result of park amenities
- Installation costs paid off in 10 years
- Includes Maintenance Reserves of 15% of Gross Revenue

Operating Options

- Option 1:
 - Town owns amenities
 - Concessionaire manages and operates all amenities
- Option 2:
 - Town owns amenities
 - Management team with multiple concessionaires handling different amenities
- Option 3:
 - Town leases land to 3rd party
 - 3rd Party owns and operates
- Option 4:
 - Private / Public Ownership (externally funded)
- Option 5:
 - Private / Public Ownership (locally funded)

Funding Options

- Pursue Grants
 - Arts-based grants for Amphitheatre
 - RTA Grant through State
- Town Financed / Loan
 - Loan financed with town collateral
- 3rd Party Investor
 - New Market Tax Credit Initiatives
- Federal Loan Options
 - Dept of Commerce

Next Steps

- Town Council's conceptual approval of overall plan for Reservoir Hill Recreation Park
- Work with local merchants to determine how initiative benefits their business