



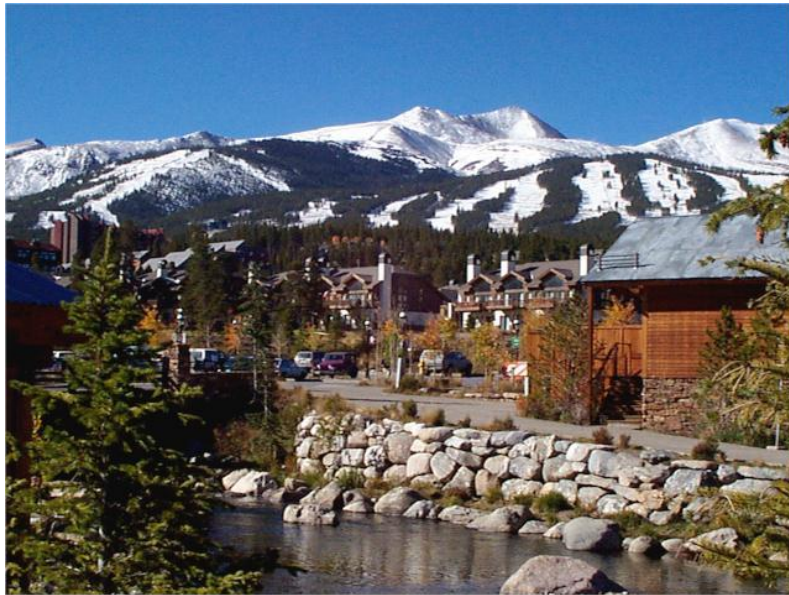
ARCHITECTURE  
URBAN DESIGN  
INTERIOR DESIGN

FEASIBILITY STUDY

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# Proposed Hotel Breckenridge

SOUTH PARK AVENUE  
BRECKENRIDGE, COLORADO



**SUBMITTED TO:**

Town of Breckenridge  
Mr. Peter Grosshuesch  
150 Ski Hill Road  
Breckenridge, Colorado, 80424

+1 (970) 453-3162

**PREPARED BY:**

HVS Consulting and Valuation Services  
Division of TS Worldwide, LLC  
413 South Howes Street  
Fort Collins, CO 80521

+1 (720) 877-1376

Lowe Enterprises Real Estate Services, Inc.  
PO Box 5600  
Snowmass Village, CO 81615

May 19, 2013

Mr. Peter Grosshuesch  
 Town of Breckenridge  
 150 Ski Hill Road  
 Breckenridge, Colorado, 80424

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**HVS DENVER**

413 South Howes Street  
 Fort Collins, CO 80521

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Re: Proposed Hotel Breckenridge  
 Breckenridge, Colorado  
 HVS Reference: 2013020203

Dear Mr. Grosshuesch:

Pursuant to your request, we herewith submit an executive summary of the feasibility study pertaining to the above-captioned property. We have inspected the real estate and analyzed the hotel market conditions in the Breckenridge, Colorado area. We have also conducted interviews with the community key stakeholders and business leaders, have studied the site and its constraints, and the results of our fieldwork and analysis are presented in this report. We have also reviewed several development plan options for the proposed improvements for this site and have selected what we believe to be the best-suited plan and program for the analysis. Our report was prepared in collaboration with Oz Architecture and is in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), as provided by the Appraisal Foundation. This executive summary is a summary of our findings and is not intended as a standalone report. All data and findings in the executive summary are found in the complete report.

We hereby certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

Sincerely,  
 TS Worldwide, LLC

*DRAFT DOCUMENT*

Brett E. Russell, Senior Vice President  
 BRussell@hvs.com, +1 (720) 877-1376  
 State Appraiser License (CO) CG100013757

Lowe Enterprises Real Estate Services, Inc.

The logo for HVS, consisting of the letters 'HVS' in a white serif font on a red rectangular background.

ARCHITECTURE  
URBAN DESIGN  
INTERIOR DESIGN

*DRAFT DOCUMENT*

Michael S. Tande, Senior Vice President  
mtande@loweentrprises.com, +1(310) 820-6661

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# 1. Executive Summary

## Subject of the Feasibility Study

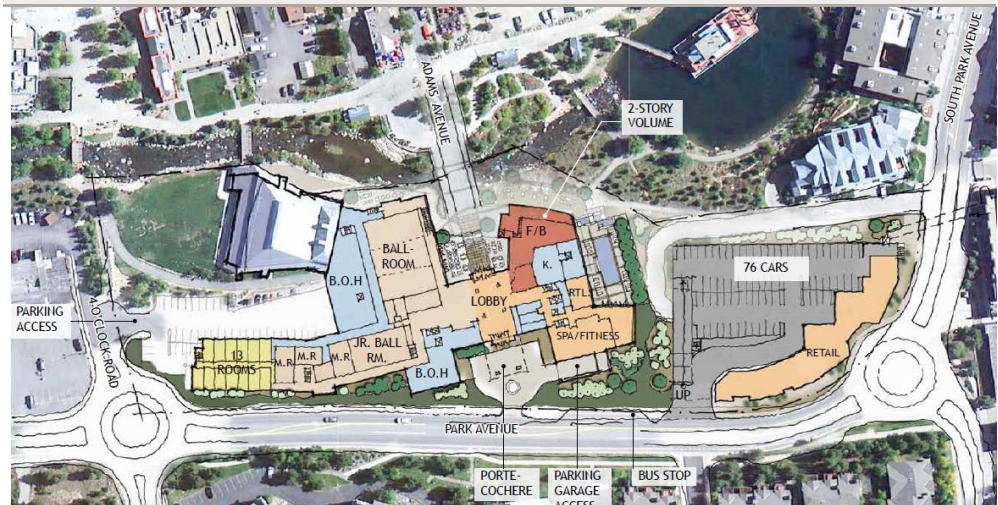
The report is in response to the Town of Breckenridge's ("Town") request of our team to conduct a hotel feasibility study of the subject site. The team is made up of Lowe Enterprises Real Estate Services, Inc. ("LERES"), HVS, and OZ Architecture. The team led by LERES was selected through a formal RFP and interview process. The scope of the assignment was to review the site and determine if a luxury hotel was appropriate for the site and if it would be feasible. As part of the scope, the Town identified four key elements to be evaluated 1) a need to address replacement of any parking that is lost from the development, 2) assessment of the impact of a new hotel on the existing lodging base in Breckenridge, 3) inclusion of the potential impact on the Riverwalk Center and 4) the magnitude, if any, of any Town participation or incentives required to assist with the development of the project. Our assessment of these factors are addressed herein.

An architectural site planning analysis was conducted for the subject site and was performed by OZ Architecture ("Designer"). After reviewing several different development plan options, which included hotel only with no conference space, our team concluded that the following program was the best-case scenario given the sites orientation and constraints.

The subject site's location is at F Lot (and Tiger Dredge lot) on South Park Avenue, Breckenridge, Colorado, 80424.

The subject of the feasibility study is a 315,810-square-foot (7.25-acre) parcel to be improved with a 200,505-square-foot, full service, conference and lodging facility; the hotel will be affiliated with an upper-upscale brand. The property is expected to open on January 1, 2018 and will feature 214 rooms and suites, a three-meal upscale restaurant, bar and lounge, a 22,135-square-foot meeting facility, a spa facility, an outdoor pool and whirlpools, an exercise room, a coffee shop, a business center, gift shop, retail/skier valet, and vending areas. The hotel will also feature all necessary back-of-the-house space including a 281-stall sub-terrain parking garage.

## RENDERING OF PROJECT



The proposed hotel is expected to provide the town with a high-quality conference facility that can better accommodate large groups who have not chosen Breckenridge in the past. To further expand on the capabilities of the conference facility, the conceptual project's plan includes the potential addition of a temporary 800 to 1,600-person capacity event tent on the roof deck of the day-skier and Riverwalk Center parking structure. The tent can be designed to be taken down to accommodate peak season parking needs.

In addition, the hotel's proposed location in Downtown Breckenridge is one of the few remaining development sites in the core of the town. It is well suited for a hotel that will greatly enhance and stimulate the activity and vibrancy of the town. The downtown core, including Main Street, offers a multitude of locally owned restaurants and retailers and is the quintessential ski mountain small town. The historic mining town has not lost its character, continues to be a unique destination, and is what helps to separates Breckenridge from other mountain towns and cities.

Local officials and industry professionals reported that groups of between 150 to 250 represent the greatest opportunity for the town of Breckenridge, while larger groups of 500 plus are currently not easily accommodated. As such, we believe the program for the proposed subject property is a 214-room, upper-upscale, full-service hotel with a 22,135 square foot meeting facility. Moreover, in order to attract large groups that have not chosen Breckenridge in the past, we recommend obtaining a nationally recognized four-star brand that will attract new visitors to



Breckenridge. A prominent brand will allow local marketing officials to better sell Breckenridge as a premier mountain resort destination.

This project has a unique set of issues that were considered in our recommendations for the proposed hotel. Parking in Downtown Breckenridge is already an issue during the peak season and this hotel would be built on the largest parking lot near downtown and close to the QuickSilver Super6 lift, which is located within the Village at Breckenridge. As such, a large parking structure is a component of the project, with as much parking as is currently available plus additional parking for the Riverwalk Center and downtown. The large parking structure limits the number of guestrooms and meeting space that can be built on the remaining portion of the 7.25-acre site.

Another constraint of the project is the buildable height of the new hotel and parking structure. The subject site is located one block west of Main Street and a large structure would obstruct views from downtown. In consideration of this, we have developed preliminary designs for the hotel that include two four-story structures that are linked by a central lobby and entryway and an underground parking structure. The separation of the two hotel guestroom structures would provide a view corridor between the two buildings along Adams Avenue.

Another consideration of the project is the opportunity for synergies between a new hotel and conference facility and the adjacent Riverwalk Center. The Riverwalk Center is a unique venue for music festivals, local concerts that includes the National Repertory Orchestra, and other events but also has its limitations. Upon review of the purposed reconfiguration of the center and our conversations with local officials and industry professionals, we understand that the back-of-house space is inefficient and that the venue is under-utilized. In addition, upon consultation with industry professionals and conference center manager's, we have determined that there are significant synergies of combining the conference facility with the Riverwalk Center's amphitheater. As such, in our preliminary design of the conference facility, we recommend that the conference center be built adjacent to the Riverwalk Center, eliminating its existing back-of-house, and utilizing the newly designed back-of-house and meeting areas of the proposed conference facility.

The new space can be designed to fully integrate the operational aspects of the Riverwalk Center and greatly enhance the overall functionality and guest experience. For instance, the restrooms can be conveniently located and adequately sized for the venue and the conference facility. The conference space adjacent to the amphitheater can be used as a pre-function or intermissions with the other smaller meeting rooms being utilized for warm-up, vocal practice, instrument rehearsals, multipurpose and backstage uses. Serving as dual-purpose

space the repositioned Riverwalk Center with its 770-seat amphitheater gives Breckenridge a superior competitive advantage. Hence, the conference facility can utilize the amphitheater for its groups who are looking for this type of venue for product launches, interactive forums, and larger group meetings and company presentations. We see the repositioning of the Riverwalk Center along with the new conference facility being a key opportunity to increase corporate group business and incremental revenue to the Town while continuing to have the special events the Riverwalk Center has enjoyed over the years. In addition, we recommend that the two facilities be managed together by a conference and theater specialist through the hotel or a third-party manager in order to take advantage of the synergies and revenue opportunities of both facilities.

#### **Pertinent Dates**

The effective date of the report is May 19, 2013. The subject site was inspected by Joseph Rael and Michael Tande on April 4, 2013. Brett Russell participated in the analysis, reviewed the findings, and inspected the property.

#### **Ownership, Franchise, and Management Assumptions**

The developer of the proposed subject property has yet to be determined. The subject site is owned by the Town of Breckenridge and has not been sold during the last five years. The subject site is currently being used as two parking lots for visitors to Downtown Breckenridge and the Riverwalk Center.

We recommend that the proposed subject property be operated by a third-party professional management company. Details pertaining to management terms were not yet determined at the time of this report; therefore, our forecast fees represent a blended average of what would be expected on a base-fee and incentive-fee basis. We have assumed a market-appropriate total management fee of 3.0% of total revenues in our study.

We recommend that the proposed subject property operate as an upper-upscale, full-service hotel affiliated with a nationally recognized four-star brand such as Westin, Hyatt Regency, JW Marriott, or Renaissance. Resort-oriented brands or independent hotel and conference specialists such as Destination Hotels & Resorts, Dolce Hotels & Resorts, and RockResorts should also be considered given their success in these markets. A specific franchise affiliation and/or brand has yet to be determined. Based on our review of the agreement's terms or expected terms, the upper-upscale franchise is reflected in our forecasts with a royalty fee of 7% of rooms revenue, and a marketing assessment of 2% of rooms revenue. The forecast franchise fee also includes 3% of food and beverage revenue. Reservations fees will also be due, and are included in the rooms expense line item of our forecast.

#### **Summary of Hotel Market Trends**

The major ski resorts located in Summit and Eagle Counties serve as the primary sources of demand in this Breckenridge, Keystone, and Vail Valley market. As such, demand in the market is primarily made up of FIT guests who are visiting the



area for outdoor recreational activities, including skiing, snowboarding, biking, camping, hiking, and climbing. As discretionary spending became increasingly restricted during the economic downturn, demand at local hotels decreased significantly in 2008 and through much of 2009. New supply entered the market in mid-year 2010 when the RockResorts' One Ski Hill Place opened near the base of Peak 8 in Breckenridge. Occupancy in the market began to recover in 2010 due to a strong 2009/10 ski season, but remained stagnant in 2011 before beginning to increase again in the summer of 2012. Average rate recovery lagged behind occupancy, with a rebound in 2011 and a minimal increase in 2012. The latest year-to-date data for 2013 show strong occupancy and average rate improvements, attributed to a stronger 2012/13 ski season when compared to 2011/12.

The following table provides a historical perspective on the supply and demand trends for a selected set of hotels, as provided by Smith Travel Research.

**FIGURE 1-1 HISTORICAL SUPPLY AND DEMAND TRENDS (STR)**

Year	Average Daily Available Room		Occupied Room		Average		RevPAR	Change		
	Room Count	Nights	Change	Nights	Change	Rate				
2002	2,126	775,815	3.2 %	400,656	1.9 %	51.6	177.27	2.5 %	91.55	1.2 %
2003	2,407	878,555	13.2	430,436	7.4	49.0	188.30	6.2	92.26	0.8
2004	2,407	878,555	0.0	469,508	9.1	53.4	193.16	2.6	103.23	11.9
2005	2,407	878,555	0.0	490,476	4.5	55.8	204.49	5.9	114.16	10.6
2006	2,342	854,662	(2.7)	519,782	6.0	60.8	207.21	1.3	126.02	10.4
2007	2,174	793,505	(7.2)	493,571	(5.0)	62.2	229.68	10.8	142.87	13.4
2008	2,146	783,433	(1.3)	430,436	(12.8)	54.9	249.08	8.4	136.85	(4.2)
2009	2,253	822,345	5.0	374,082	(13.1)	45.5	221.45	(11.1)	100.74	(26.4)
2010	2,225	812,230	(1.2)	404,071	8.0	49.7	215.94	(2.5)	107.43	6.6
2011	2,304	840,960	3.5	417,577	3.3	49.7	222.02	2.8	110.24	2.6
2012	2,304	840,960	0.0	450,852	8.0	53.6	222.93	0.4	119.52	8.4
Average Annual Compounded Change:										
2001-2012			1.0 %		1.3 %			2.3 %		2.6 %
<b>Year-to-Date Through February</b>										
2012	2,304	135,936	—	96,202	—	70.8 %	\$299.79	—	\$212.16	—
2013	2,304	135,936	0.0 %	106,456	10.7 %	78.3	313.14	4.5 %	245.23	15.6 %
<b>Hotels Included in Sample</b>				<b>Number</b>	<b>Year</b>	<b>Year</b>				
				<b>of Rooms</b>	<b>Affiliated</b>	<b>Opened</b>				
Manor Vail Resort				128	Nov-08	Jun 1966				
Keystone Lodge & Spa				152	Jun-74	Jun 1974				
Village @ Breckenridge Hotel				60	Dec-10	Jun 1979				
Marriott Vail Mountain Resort				344	Oct-94	Nov 1980				
Vail Cascade Resort				292	Mar-96	Jun 1982				
Doubletree Breckenridge				208	Nov-11	Jun 1985				
Beaver Run Resort & Conference Center				550	Jun-86	Jun 1986				
The Inn @ Keystone				103	Jan-08	Dec 1989				
Park Hyatt Beaver Creek Resort & Spa				190	Dec-89	Dec 1989				
Lodge @ Breckenridge				47	Jun-92	Jun 1992				
Ritz-Carlton Bachelor Gulch				180	Nov-02	Nov 2002				
RockResorts One Ski Hill Place				50	Jun-10	Jun 2010				
<b>Total</b>				<b>2,304</b>						

Source: STR Global

The following tables reflect our estimates of operating data for hotels on an individual basis. These trends are presented in detail in the Supply and Demand Analysis chapter of this report.

**FIGURE 1-2 PRIMARY COMPETITORS – OPERATING PERFORMANCE**

Property	Est. Segmentation			Estimated 2010				Estimated 2011				Estimated 2012						
	Number of Rooms	FT	Meeting and Group	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	RevPAR Change	Occupancy Penetration	Yield Penetration
Beaver Run Resort	550	55 %	45 %	550	44 %	\$164.00	\$72.16	550	42 %	\$163.00	\$68.46	550	42 %	\$166.00	\$69.72	1.8 %	87.6 %	70.1 %
Village Hotel	60	65	35	60	49	135.00	66.15	60	45	140.00	63.00	60	56	148.00	82.88	31.6	116.8	83.3
DoubleTree by Hilton Breckenridge	208	65	35	208	44	159.00	69.96	208	40	176.00	70.40	208	49	150.00	73.50	4.4	102.2	73.9
Keystone Lodge & Spa	152	60	40	152	49	170.00	83.30	152	42	180.00	75.60	152	55	190.00	104.50	38.2	114.7	105.1
<b>Sub-Totals/Averages</b>	<b>970</b>	<b>59 %</b>	<b>41 %</b>	<b>970</b>	<b>45.1 %</b>	<b>\$162.03</b>	<b>\$73.06</b>	<b>970</b>	<b>41.8 %</b>	<b>\$166.82</b>	<b>\$69.66</b>	<b>970</b>	<b>46.4 %</b>	<b>\$165.49</b>	<b>\$76.79</b>	<b>10.2 %</b>	<b>96.8 %</b>	<b>77.2 %</b>
Secondary Competitors	3,935	69 %	31 %	1,402	45.2 %	\$225.80	\$102.09	1,416	46.5 %	\$230.34	\$107.04	1,416	49.0 %	\$234.71	\$115.01	7.4 %	102.2 %	115.6 %
<b>Totals/Averages</b>	<b>4,905</b>	<b>65 %</b>	<b>35 %</b>	<b>2,372</b>	<b>45.2 %</b>	<b>\$199.76</b>	<b>\$90.22</b>	<b>2,386</b>	<b>44.6 %</b>	<b>\$206.14</b>	<b>\$91.84</b>	<b>2,386</b>	<b>47.9 %</b>	<b>\$207.48</b>	<b>\$99.48</b>	<b>8.3 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

**FIGURE 1-3 SECONDARY COMPETITORS – OPERATING PERFORMANCE**

Property	Est. Segmentation			Estimated 2010				Estimated 2011				Estimated 2012				
	Number of Rooms	FT	Meeting and Group	Total Competitive Level	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
One Ski Hill Place Breckenridge	50	80 %	20 %	70 %	21	43 %	\$160.00	\$68.80	35	45 %	\$172.00	\$77.40	35	60 %	\$194.00	\$116.40
Lodge & Spa at Breckenridge	47	50	50	40	19	47	92.00	43.24	19	57	112.00	63.84	19	65	111.00	72.15
Ritz-Carlton Residences Vail	180	65	35	50	90	47	415.00	195.05	90	55	384.00	211.20	90	61	385.00	234.85
Park Hyatt Beaver Creek Resort	190	60	40	60	114	59	325.00	191.75	114	62	317.00	196.54	114	61	336.00	204.96
Marriott Vail Resort	344	55	45	70	241	61	213.00	129.93	241	61	219.00	133.59	241	63	229.00	144.27
Vail Cascade Hotel & Club	292	55	45	60	175	51	235.00	119.85	175	54	238.00	128.52	175	54	231.00	124.74
Manor Vail Lodge	128	65	35	40	51	45	225.00	101.25	51	46	257.00	118.22	51	50	253.00	126.50
Inn at Keystone	103	55	45	40	41	48	120.00	57.60	41	46	122.00	56.12	41	58	135.00	78.30
Aggregate Breckenridge Lodging Units	2,601	90	10	25	650	35	183.00	64.05	650	35	190.00	66.50	650	37	194.00	71.78
<b>Totals/Averages</b>	<b>3,935</b>	<b>69 %</b>	<b>31 %</b>	<b>36 %</b>	<b>1,402</b>	<b>45.2 %</b>	<b>\$225.80</b>	<b>\$102.09</b>	<b>1,416</b>	<b>46.5 %</b>	<b>\$230.34</b>	<b>\$107.04</b>	<b>1,416</b>	<b>49.0 %</b>	<b>\$234.71</b>	<b>\$115.01</b>



**Summary of Forecast  
Occupancy and  
Average Rate**

Based on our analysis presented in the Projection of Occupancy and Average Rate chapter, we have chosen to use a stabilized occupancy level of 59% and a base-year rate position of \$218.00 (2012 dollars) for the proposed subject property. The following table reflects a summary of our market-wide and proposed subject property occupancy and average rate projections.

**FIGURE 1-4 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST**

Year	Area-wide Market (Calendar Year)			Subject Property (Calendar Year)			
	Occupancy	Average Rate Growth	Average Rate	Occupancy	Average Rate Growth	Average Rate	Average Rate Penetration
Base Year	47.9 %	—	\$207.48	—	—	\$218.00	105.1 %
2013	49.7	4.0 %	215.78	—	4.0 %	226.72	105.1
2014	50.7	6.0	228.73	—	6.0	240.32	105.1
2015	51.1	6.0	242.45	—	6.0	254.74	105.1
2016	51.1	4.0	252.15	—	4.0	264.93	105.1
2017	51.2	3.0	259.71	—	3.0	272.88	105.1
2018	49.8	3.0	267.50	51.0 %	4.5	285.16	106.6
2019	50.0	3.0	275.53	56.0	4.5	297.99	108.2
2020	50.0	3.0	283.80	58.0	3.0	306.93	108.2
2021	49.9	3.0	292.31	59.0	3.0	316.14	108.2

The following table summarizes the proposed subject property's forecast, reflecting fiscal years and opening-year rate discounts as applicable.

**FIGURE 1-5 FORECAST OF AVERAGE RATE**

Year	Occupancy	Average Rate Before Discount	Discount	Average Rate After Discount
2018	51 %	\$285.16	2.0 %	\$279.46
2019	56	297.99	1.0	295.01
2020	58	306.93	0.0	306.93
2021	59	316.14	0.0	316.14

**Summary of Forecast  
Income and Expense  
Statement**

Our positioning of each revenue and expense level is supported by comparable operations or trends specific to this market. Our forecast of income and expense is presented in the following table.

**FIGURE 1-6 DETAILED FORECAST OF INCOME AND EXPENSE**

	2018 (Calendar Year)				2019				2020				Stabilized				2022			
Number of Rooms:	214				214				214				214				214			
Occupancy:	51%				56%				58%				59%				59%			
Average Rate:	\$279.46				\$295.01				\$306.93				\$316.14				\$325.62			
RevPAR:	\$142.52				\$165.21				\$178.02				\$186.52				\$192.12			
Days Open:	365				365				365				365				365			
Occupied Rooms:	39,836	%Gross	PAR	POR	43,742	%Gross	PAR	POR	45,304	%Gross	PAR	POR	46,085	%Gross	PAR	POR	46,085	%Gross	PAR	POR
<b>REVENUE</b>																				
Rooms	\$11,132	56.1 %	\$52,019	\$279.45	\$12,904	57.6 %	\$60,299	\$295.01	\$13,905	58.1 %	\$64,977	\$306.93	\$14,569	58.3 %	\$68,079	\$316.13	\$15,006	58.3 %	\$70,121	\$325.62
Food	5,385	27.1	25,163	135.17	5,939	26.5	27,751	135.77	6,279	26.3	29,339	138.59	6,550	26.2	30,609	142.13	6,747	26.2	31,527	146.40
Beverage	1,510	7.6	7,057	37.91	1,636	7.3	7,644	37.40	1,718	7.2	8,027	37.92	1,786	7.1	8,348	38.76	1,840	7.1	8,598	39.93
Other Operated Departments	941	4.7	4,397	23.62	995	4.4	4,649	22.75	1,035	4.3	4,838	22.85	1,072	4.3	5,009	23.26	1,104	4.3	5,159	23.96
Garage/Parking	254	1.3	1,187	6.38	274	1.2	1,278	6.25	287	1.2	1,339	6.33	298	1.2	1,391	6.46	307	1.2	1,433	6.65
Rentals & Other Income	627	3.2	2,931	15.75	663	3.0	3,099	15.16	690	2.9	3,225	15.24	715	2.9	3,339	15.51	736	2.9	3,439	15.97
<b>Total Revenues</b>	<b>19,849</b>	<b>100.0</b>	<b>92,754</b>	<b>498.27</b>	<b>22,410</b>	<b>100.0</b>	<b>104,721</b>	<b>512.33</b>	<b>23,914</b>	<b>100.0</b>	<b>111,746</b>	<b>527.85</b>	<b>24,990</b>	<b>100.0</b>	<b>116,775</b>	<b>542.26</b>	<b>25,740</b>	<b>100.0</b>	<b>120,278</b>	<b>558.52</b>
<b>DEPARTMENTAL EXPENSES *</b>																				
Rooms	3,279	29.5	15,320	82.30	3,498	27.1	16,346	79.97	3,653	26.3	17,069	80.63	3,788	26.0	17,701	82.20	3,902	26.0	18,232	84.66
Food & Beverage	5,255	76.2	24,557	131.92	5,566	73.5	26,009	127.25	5,796	72.5	27,084	127.94	6,002	72.0	28,049	130.25	6,183	72.0	28,890	134.15
Other Operated Departments	775	82.4	3,622	19.46	805	80.9	3,760	18.39	831	80.3	3,884	18.35	857	80.0	4,007	18.61	883	80.0	4,127	19.16
Garage/Parking	174	68.3	811	4.36	181	66.2	846	4.14	187	65.4	876	4.14	194	65.0	904	4.20	199	65.0	931	4.33
<b>Total</b>	<b>9,482</b>	<b>47.8</b>	<b>44,310</b>	<b>238.03</b>	<b>10,050</b>	<b>44.8</b>	<b>46,960</b>	<b>229.75</b>	<b>10,467</b>	<b>43.8</b>	<b>48,913</b>	<b>231.05</b>	<b>10,841</b>	<b>43.4</b>	<b>50,661</b>	<b>235.25</b>	<b>11,167</b>	<b>43.4</b>	<b>52,181</b>	<b>242.31</b>
<b>DEPARTMENTAL INCOME</b>	<b>10,367</b>	<b>52.2</b>	<b>48,444</b>	<b>260.24</b>	<b>12,361</b>	<b>55.2</b>	<b>57,760</b>	<b>282.59</b>	<b>13,446</b>	<b>56.2</b>	<b>62,833</b>	<b>296.80</b>	<b>14,148</b>	<b>56.6</b>	<b>66,114</b>	<b>307.01</b>	<b>14,573</b>	<b>56.6</b>	<b>68,097</b>	<b>316.22</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	1,762	8.9	8,233	44.23	1,854	8.3	8,663	42.38	1,926	8.1	9,000	42.51	1,991	8.0	9,303	43.20	2,051	8.0	9,582	44.50
Marketing	1,223	6.2	5,717	30.71	1,287	5.7	6,016	29.43	1,337	5.6	6,250	29.52	1,383	5.5	6,461	30.00	1,424	5.5	6,654	30.90
Franchise Fee	1,209	6.1	5,648	30.34	1,389	6.2	6,489	31.75	1,491	6.2	6,969	32.92	1,561	6.2	7,296	33.88	1,608	6.2	7,515	34.90
Prop. Operations & Maint.	881	4.4	4,116	22.11	927	4.1	4,331	21.19	963	4.0	4,500	21.26	995	4.0	4,652	21.60	1,025	4.0	4,791	22.25
Utilities	783	3.9	3,659	19.66	824	3.7	3,850	18.84	856	3.6	4,000	18.89	885	3.5	4,135	19.20	911	3.5	4,259	19.78
<b>Total</b>	<b>5,858</b>	<b>29.5</b>	<b>27,374</b>	<b>147.05</b>	<b>6,281</b>	<b>28.0</b>	<b>29,349</b>	<b>143.58</b>	<b>6,574</b>	<b>27.5</b>	<b>30,719</b>	<b>145.11</b>	<b>6,815</b>	<b>27.2</b>	<b>31,846</b>	<b>147.88</b>	<b>7,020</b>	<b>27.2</b>	<b>32,802</b>	<b>152.32</b>
<b>HOUSE PROFIT</b>	<b>4,509</b>	<b>22.7</b>	<b>21,070</b>	<b>113.19</b>	<b>6,080</b>	<b>27.2</b>	<b>28,412</b>	<b>139.00</b>	<b>6,872</b>	<b>28.7</b>	<b>32,114</b>	<b>151.70</b>	<b>7,333</b>	<b>29.4</b>	<b>34,268</b>	<b>159.13</b>	<b>7,553</b>	<b>29.4</b>	<b>35,296</b>	<b>163.90</b>
Management Fee	595	3.0	2,783	14.95	672	3.0	3,142	15.37	717	3.0	3,352	15.84	750	3.0	3,503	16.27	772	3.0	3,608	16.76
<b>INCOME BEFORE FIXED CHARGES</b>	<b>3,913</b>	<b>19.7</b>	<b>18,287</b>	<b>98.24</b>	<b>5,408</b>	<b>24.2</b>	<b>25,270</b>	<b>123.63</b>	<b>6,155</b>	<b>25.7</b>	<b>28,762</b>	<b>135.86</b>	<b>6,584</b>	<b>26.4</b>	<b>30,765</b>	<b>142.86</b>	<b>6,781</b>	<b>26.4</b>	<b>31,687</b>	<b>147.14</b>
<b>FIXED EXPENSES</b>																				
Property Taxes	592	3.0	2,767	14.86	601	2.7	2,808	13.74	613	2.6	2,865	13.53	631	2.5	2,950	13.70	650	2.5	3,039	14.11
Insurance	164	0.8	769	4.13	169	0.8	792	3.87	175	0.7	815	3.85	180	0.7	840	3.90	185	0.7	865	4.02
Reserve for Replacement	397	2.0	1,855	9.97	672	3.0	3,142	15.37	957	4.0	4,470	21.11	1,000	4.0	4,671	21.69	1,030	4.0	4,811	22.34
<b>Total</b>	<b>1,154</b>	<b>5.8</b>	<b>5,391</b>	<b>28.96</b>	<b>1,443</b>	<b>6.5</b>	<b>6,742</b>	<b>32.98</b>	<b>1,744</b>	<b>7.3</b>	<b>8,150</b>	<b>38.50</b>	<b>1,811</b>	<b>7.2</b>	<b>8,461</b>	<b>39.29</b>	<b>1,865</b>	<b>7.2</b>	<b>8,715</b>	<b>40.47</b>
<b>NET INCOME</b>	<b>\$2,760</b>	<b>13.9 %</b>	<b>\$12,897</b>	<b>\$69.28</b>	<b>\$3,965</b>	<b>17.7 %</b>	<b>\$18,528</b>	<b>\$90.65</b>	<b>\$4,411</b>	<b>18.4 %</b>	<b>\$20,612</b>	<b>\$97.36</b>	<b>\$4,773</b>	<b>19.2 %</b>	<b>\$22,303</b>	<b>\$103.57</b>	<b>\$4,916</b>	<b>19.2 %</b>	<b>\$22,972</b>	<b>\$106.67</b>

\*Departmental expenses are expressed as a percentage of departmental revenues.

**FIGURE 1-7 TEN-YEAR FORECAST OF INCOME AND EXPENSE**

	2018		2019		2020		2021		2022		2023		2024		2025		2026		2027	
<b>Number of Rooms:</b>	214		214		214		214		214		214		214		214		214		214	
<b>Occupied Rooms:</b>	39,836		43,742		45,304		46,085		46,085		46,085		46,085		46,085		46,085		46,085	
<b>Occupancy:</b>	51%		56%		58%		59%		59%		59%		59%		59%		59%		59%	
<b>Average Rate:</b>	\$279.46	% of	\$295.01	% of	\$306.93	% of	\$316.14	% of	\$325.62	% of	\$335.39	% of	\$345.45	% of	\$355.82	% of	\$366.49	% of	\$377.49	% of
<b>RevPAR:</b>	\$142.52	Gross	\$165.21	Gross	\$178.02	Gross	\$186.52	Gross	\$192.12	Gross	\$197.88	Gross	\$203.82	Gross	\$209.93	Gross	\$216.23	Gross	\$222.72	Gross
<b>REVENUE</b>																				
Rooms	\$11,132	56.1 %	\$12,904	57.6 %	\$13,905	58.1 %	\$14,569	58.3 %	\$15,006	58.3 %	\$15,457	58.3 %	\$15,920	58.3 %	\$16,398	58.3 %	\$16,890	58.3 %	\$17,396	58.3 %
Food	5,385	27.1	5,939	26.5	6,279	26.3	6,550	26.2	6,747	26.2	6,949	26.2	7,158	26.2	7,372	26.2	7,594	26.2	7,821	26.2
Beverage	1,510	7.6	1,636	7.3	1,718	7.2	1,786	7.1	1,840	7.1	1,895	7.1	1,952	7.1	2,011	7.1	2,071	7.1	2,133	7.1
Other Operated Departments	941	4.7	995	4.4	1,035	4.3	1,072	4.3	1,104	4.3	1,137	4.3	1,171	4.3	1,206	4.3	1,243	4.3	1,280	4.3
Garage/Parking	254	1.3	274	1.2	287	1.2	298	1.2	307	1.2	316	1.2	325	1.2	335	1.2	345	1.2	356	1.2
Rentals & Other Income	627	3.2	663	3.0	690	2.9	715	2.9	736	2.9	758	2.9	781	2.9	804	2.9	828	2.9	853	2.9
Total	19,849	100.0	22,410	100.0	23,914	100.0	24,990	100.0	25,740	100.0	26,513	100.0	27,307	100.0	28,127	100.0	28,971	100.0	29,839	100.0
<b>DEPARTMENTAL EXPENSES*</b>																				
Rooms	3,279	29.5	3,498	27.1	3,653	26.3	3,788	26.0	3,902	26.0	4,019	26.0	4,139	26.0	4,263	26.0	4,391	26.0	4,523	26.0
Food & Beverage	5,255	76.2	5,566	73.5	5,796	72.5	6,002	72.0	6,183	72.0	6,368	72.0	6,559	72.0	6,756	72.0	6,958	72.0	7,167	72.0
Other Operated Departments	775	82.4	805	80.9	831	80.3	857	80.0	883	80.0	910	80.0	937	80.0	965	80.0	994	80.0	1,024	80.0
Garage/Parking	174	68.3	181	66.2	187	65.4	194	65.0	199	65.0	205	65.0	211	65.0	218	65.0	224	65.0	231	65.0
Total	9,482	47.8	10,050	44.8	10,467	43.8	10,841	43.4	11,167	43.4	11,502	43.4	11,847	43.4	12,202	43.4	12,568	43.4	12,945	43.4
<b>DEPARTMENTAL INCOME</b>	10,367	52.2	12,361	55.2	13,446	56.2	14,148	56.6	14,573	56.6	15,011	56.6	15,460	56.6	15,925	56.6	16,402	56.6	16,894	56.6
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	1,762	8.9	1,854	8.3	1,926	8.1	1,991	8.0	2,051	8.0	2,112	8.0	2,176	8.0	2,241	8.0	2,308	8.0	2,377	8.0
Marketing	1,223	6.2	1,287	5.7	1,337	5.6	1,383	5.5	1,424	5.5	1,467	5.5	1,511	5.5	1,556	5.5	1,603	5.5	1,651	5.5
Franchise Fee	1,209	6.1	1,389	6.2	1,491	6.2	1,561	6.2	1,608	6.2	1,656	6.2	1,706	6.2	1,757	6.2	1,810	6.2	1,864	6.2
Prop. Operations & Maint.	881	4.4	927	4.1	963	4.0	995	4.0	1,025	4.0	1,056	4.0	1,088	4.0	1,120	4.0	1,154	4.0	1,189	4.0
Utilities	783	3.9	824	3.7	856	3.6	885	3.5	911	3.5	939	3.5	967	3.5	996	3.5	1,026	3.5	1,057	3.5
Total	5,858	29.5	6,281	28.0	6,574	27.5	6,815	27.2	7,020	27.2	7,230	27.2	7,447	27.2	7,671	27.2	7,901	27.2	8,138	27.2
<b>HOUSE PROFIT</b>	4,509	22.7	6,080	27.2	6,872	28.7	7,333	29.4	7,553	29.4	7,781	29.4	8,013	29.4	8,254	29.4	8,502	29.4	8,756	29.4
Management Fee	595	3.0	672	3.0	717	3.0	750	3.0	772	3.0	795	3.0	819	3.0	844	3.0	869	3.0	895	3.0
<b>INCOME BEFORE FIXED CHARGES</b>	3,913	19.7	5,408	24.2	6,155	25.7	6,584	26.4	6,781	26.4	6,985	26.4	7,194	26.4	7,410	26.4	7,633	26.4	7,861	26.4
<b>FIXED EXPENSES</b>																				
Property Taxes	592	3.0	601	2.7	613	2.6	631	2.5	650	2.5	670	2.5	690	2.5	711	2.5	732	2.5	754	2.5
Insurance	164	0.8	169	0.8	175	0.7	180	0.7	185	0.7	191	0.7	196	0.7	202	0.7	208	0.7	215	0.7
Reserve for Replacement	397	2.0	672	3.0	957	4.0	1,000	4.0	1,030	4.0	1,061	4.0	1,092	4.0	1,125	4.0	1,159	4.0	1,194	4.0
Total	1,154	5.8	1,443	6.5	1,744	7.3	1,811	7.2	1,865	7.2	1,921	7.2	1,979	7.2	2,038	7.2	2,099	7.2	2,162	7.2
<b>NET INCOME</b>	\$2,760	13.9 %	\$3,965	17.7 %	\$4,411	18.4 %	\$4,773	19.2 %	\$4,916	19.2 %	\$5,064	19.2 %	\$5,216	19.2 %	\$5,372	19.2 %	\$5,533	19.2 %	\$5,699	19.2 %

\*Departmental expenses are expressed as a percentage of departmental revenues.



As illustrated, the hotel is expected to stabilize at a profitable level. Please refer to the Forecast of Income and Expense chapter of our report for a detailed explanation of the methodology used in deriving this forecast.

## Client Questions

In the original “Request for Proposal” issued by the Town of Breckenridge and again during the initial stages of the assignment, the Breckenridge Town Council provided a list of questions and issues they would like to be addressed in the feasibility report of F Lot. We have answered those questions, where applicable, throughout the report. This executive summary is providing our responses to the questions asked based on our findings and as detailed in our complete feasibility report (HVS Reference #2013020203).

### 1. Market conditions – Is there currently a market in Breckenridge for a new hotel?

The market area is highly seasonal, with occupancy levels typically exceeding 70% during the months of January, February, and March. Demand drops significantly in April, as ski resorts close and the mountain areas experience a time period known as “mud season.” Demand and occupancy pick up again in July and August, also peak months, before dropping in October and November. Average rate levels follow similar trends to those of occupancy, allowing for average rates over \$300 during the ski season. Despite strong occupancy levels during the months of July and August, average rates in the summer remain well below those achieved during the winter months. Despite this seasonality, a hotel project could potentially be feasible; however factors such as availability of suitable land, zoning restrictions, and other variables could significantly affect the feasibility of the project. Given this situation, we believe that the branded hotel conference model is the best use for the proposed site given its central location and positioning. This model will bring in new group and corporate business into the market.

### 2. Would it be financially feasible?

The Feasibility Analysis chapter of the report converts these cash flows into a net present value indication assuming set-forth debt and equity requirements. The conclusion indicates that an equity investor contributing \$25,593,000 (roughly 35% of a \$73,100,000 development cost/value findings) would expect to receive a 7.3% internal rate of return over a ten-year holding period.

Based on these parameters, the proposed subject property is not feasible. Based on the current projection of net income, utilizing standard financing and investing parameters for this type of asset, a gap of about \$28,000,000 exists. In order for the hotel to eliminate the gap that currently exists, the property would need to

perform with a stabilized RevPAR between \$250 to \$255 in 2021. This RevPAR would be the equivalent of a hotel operating at 61% occupancy with an average rate around \$320 in 2012 dollars. This could provide acceptable return parameters for development of the hotel and its parking garage. To provide acceptable returns for the hotel and both parking structures (an additional \$15 million in cost) a stabilized RevPAR would need to be in the \$265 to \$270 range. This higher stabilized RevPAR is the equivalent of a hotel operating at 61% occupancy with an average daily rate around \$340 in today's dollars.

The factors that attribute to the subject property not being feasible are:

- High construction costs – mountain resort premium
- Low operation margins due to the seasonality of the subject property
- Occupancy barriers due to the seasonality of the market
- Cost burden to provide underground parking for hotel

**3. What are the hotel and parking structure costs broken down?**

- Land lease: \$0
- Hotel: \$70,076,498 –
- Hotel Parking Structure: \$2,981,020
- Public Parking Structure: \$8,735,000

**4. What level of Town financial participation/incentives, if any, would be needed to cause this project to move forward?**

As noted, a \$28 million dollar gap exists to make the project a feasible project based on current investment parameters. Since the project, in its current format, would be unfeasible as a private development, several options are available to help make it more attractive for private development including:

- Potentially converting the upper floor units to condominiums

- Postpone development until the economy further recovers
- Provide developer subsidies
- Pursue a public/private option

We have spoken to representatives of various mountain communities on how they are attracting hotel development. While none of the towns have active projects they are reviewing options to enhance lodging development. If the Town of Breckenridge were to entertain a public private partnership or developer subsidies the following, which were derived from other towns examples, could be explored to improve the feasibility of the project:

- Lodging Tax rebates
- Real Property Tax rebates
- Parking structure bond where the revenue from a portion of the lodging tax pays back the bond's principle and interest. Once paid off the lodging tax reverts to the Town.
- Creation of a metro district and bond with a special tax assessment at the property level
- Tax Increment Financing (TIF)/ Infrastructure bonding vehicle
- Favorable ground lease rate and terms (already considered)
- Publicly financed and constructed parking facilities – Hotel and Day-skier Riverwalk Center parking structures

**5. Can a hotel (preferred 4-star or better) be sited on the F-Lot property?**

Yes, F Lot is able to accommodate a hotel that would be rated as 4-star or better. However, replacement of existing parking and the addition of hotel parking is an issue due to the lot size and thus surface parking would have to be replaced by structured parking. This change is needed in order to fit all required parking as stipulated by current zoning requirements.

Should the project move forward the following would need to be addressed:

- Cost effective construction
- Water table issues with the underground parking – excavation/dewatering
- Sewer line relocation
- Storm draining design and systems
- Transition standards
- Bus station relocation
- Site access from South Park Avenue
- Construction of the roundabouts

#### **6. Advise on the advantages of a branded VS non-branded hotel?**

When reviewing the performance of the existing hotels in the subject property market, branded hotels for the most part operate at a higher occupancy level than that of their non-branded competitors. The majority of the non-branded hotels in the market area achieved occupancy levels in the mid 40's to high 50's; while the branded hotels achieved occupancy levels in the low 60's. Average rate was not as impacted by brand versus non-brand but more impacted by other factors such as proximity to ski hill, age, condition, and level of service.

Although this is not unusual for ski destination markets, a significant disparity exists between the quality levels of the existing condominium hotel lodging base. Most of Breckenridge's lodging is made up of condominium units that are owned by third-parties and offered in a rental pool through a hotel operator or condominium management company. As these are primarily vacation homes (with some being investors) the owners usually do not maintain their units to a standard that is expected in the hospitality lodging industry. The subpar units directly affect the guest experience and the town's reputation. There is a vast difference of the accommodations that included dated millwork, cabinets, soft goods, furnishings, owner's personal items within the units and a broad range of deferred maintenance that has not been addressed as it would in a traditional hotel. FIT's and group attendees have certain expectations that are derived by their stays at other lodging facilities in other markets. If a guest's expectation is not met, they do not have a good experience and often will not refer others to the destination. Most local management companies are aware of this issue and are taking steps to

improve the quality of their managed units with some of them previewing the unit(s) on their websites to help to manage their guest's expectations. The upgrading of these units to an acceptable standard will take years to accomplish and will depend on the individual owner.

New branded hotel's entering the market will stimulate the lesser quality lodging base to improve their units. It will also greatly improve the Breckenridge guest experience and return visitation from those staying at the property(s).

**7. On projects that your team has generated cost proformas for your clients, how closely has the performance of those properties matched the predictions of the proformas?**

HVS is well respected in the industry and has been completing projections on hotels for over 30 years. Many factors can change from when projections are completed on a proposed hotel and its opening that can significantly influence the performance of the hotel and make previous projection invalid.

**8. What are the differences between 4 and 5 star hotels, and what is the opportunity for Breckenridge for either?**

The level of service and depth of amenities offered by a hotel is typically the difference between a 4-or 5-star hotel rating. Typically, a 5-Star hotel requires a higher service level and employee to guest ratio and must include a formal fine dining restaurant in addition to the hotel's three-meal restaurant.

Overall, 4-star and 5-star properties are significantly underrepresented in the Breckenridge market. This upper upscale and luxury segments represents about 35% of the total room inventory in Breckenridge. Comparable markets such as Vail have a percentage closer to 65% of its lodging inventory. This would suggest that the Breckenridge market is underserved in these upper segments

Our study has concluded that a 4-star hotel and conference center is appropriate for the Breckenridge market. .

**9. Will the study benchmark hotels from a variety of management philosophies and brands, not just one point of view?**

Our report assumes a competent management company. While management companies philosophies vary from company to company, we have assumed all would focus on making the hotel as successful as possible and in the best interest of the town. We recommend that the proposed subject property operate as an upper-upscale, full-service hotel affiliated with a nationally recognized four-star

brand such as Westin, Hyatt Regency, JW Marriott, or Renaissance. Resort-oriented brands or independent hotel and conference specialists such as Destination Hotels & Resorts, Dolce Hotels & Resorts, and RockResorts should also be considered given their success in these markets. A specific franchise affiliation and/or brand has yet to be determined.

**10. How could the ground lease be structured - example?**

Typical hotel ground leases are structured based on a percentage of gross revenue. Ground leases generally range from 2.5% to 6.0%. Leases can either be a percentage of total revenue or have a separate percentage for rooms, food and beverage, spa and other departmental revenue. For ground-up development, the ground lease payments can be negotiated to commence upon entitlement, upon groundbreaking or at hotel opening. Lease payments prior to the hotel opening are typically less, and there can also be a ramp-up of payments during the first several years of operation. Rents may be expressed as a base rent plus a percentage rent, or can be the greater of a base rent or the percentage rent. Any base rent would have periodic inflation adjustments. From the Town's perspective, a shorter ground lease of 50-65 years with renewal provisions is preferable, but a shorter term often complicates the developer's ability to finance the property, and there are potentially negative impacts of shorter term leases on hotel exit value and higher cap rates. From the Developer's perspective, a longer term of up to 99 years with renewal provisions is preferable.

**11. What other steps could be taken to move the development forward?**

The additional cost of the structured parking is a significant barrier to the development of the subject property. The cost of the two parking structures are almost \$12 million dollars. Revisiting the parking requirements would be a significant step in helping the feasibility of the development. However, additional steps would still be needed.

**12. What will the impacts be to the existing lodging market?**

In the base year (2012), the market's RevPAR (occupancy percentage multiplied by average rate) level is at \$99.48. With the addition of the subject property and other new supply, the market's RevPAR in the stabilized year (2012 dollars) is \$112.86. If the subject property was not built, the projected market's RevPAR would be \$114.29. Occupancy for the market would be an estimated 2% points



higher, but average rate would be lower if the subject property does not enter the market.

Overall, this mean that if the subject property hotel is not built the Breckenridge hotel market's overall occupancy would be two percentage points higher than what is being forecasted in our report. The market's average rate would be at a slightly lower rate if the high quality subject property did not get built. Therefore, based on our current modeling, the impact to the existing lodging market is a \$1.43 decline in RevPAR in 2021.

### **13. What would be the economic benefits to Breckenridge?**

In our analysis, the subject property captures an average of 25,600 rooms from the meeting and group segment. The majority of these rooms nights would be from groups that are currently not utilizing hotels in Breckenridge and thus would be spending additional money in the Town's restaurants and shops. An economic impact study could be completed to further detail the benefits.

### **14. Will a higher end hotel take business from existing hotels?**

On average, the proposed subject hotel will accommodate 44,000 room nights in a given year. Based on current market conditions and supply we have estimated 27,000 room nights are currently unaccommodated in the market. As detailed above, over 25,000 room nights are expected to be generated by the meeting and group segments. This represents over 50,000 room nights in the market. Of course, the addition of other new supply also impacts how much of the unaccommodated demand stays at the subject property, and a percentage of the meeting and group captured demand will be from groups who currently come to Breckenridge. Overall, the cannibalization of existing hotels will be minimal, as shown in the impact to the existing lodging market.

### **15. Would a high-end hotel be good for the local economy and marketplace?**

Yes, as noted previously, local officials and industry professionals reported that groups of between 150 to 250 represent the greatest opportunity for the town of Breckenridge, while larger groups of 500 plus are currently not easily accommodated. A high-end hotel with a room count in excess of 200 and in-house meeting space would be able to accommodate this type of group. Additionally, the

Breckenridge market is under represented in the 4- and 5-star hotel segment, thus allowing it to attract groups going to other comparable facilities in other ski resort markets.

**16. What would the ROI be to the Town?**

An exact ROI cannot at this time be calculated due to the feasibility of the project. However; based on current projections, the town would gain revenue from the bed tax at the hotel, real property tax, plus rental income from the public parking. Furthermore, if the Riverwalk Center facility and management was combined into the hotel as suggested, and the facility was utilized more often as detailed in our report, the town would benefit from to incremental revenue and no longer having to occur operating losses and subsidies associated with the center.

**17. Will a higher end hotel add incremental visitors to the mix?**

As discussed, we have estimated unaccommodated demand at over 27,000 room nights. Unaccommodated guests are guest who want to stay in Breckenridge, but due to lack of available room or available room of the wanted service level, choose to stay elsewhere. These guests would now be accommodated within Breckenridge. Additionally, the presence of a dedicated meeting and conference hotel, as proposed, would allow Breckenridge to attract groups and events that could not be currently hosted.

**18. What will the impacts be to the existing retail and restaurants?**

An economic impact study would detail this further.

**19. What if Breckenridge does not do a hotel project?**

In all likelihood, others will eventually build hotel rooms. Vail Resorts has plans for several hotels, and additional entitlements that could be used for hotel. If the market continues to recover as projected, more lodging options will be feasible. However, anything built without public assistance or by Vail Resorts, would likely be of a similar product level and service level to the hotels that currently exist in the market place, and thus further cannibalizing the existing hotels.

**20. What if Breckenridge does not do a hotel project, would the town core become less relevant compared to other areas of the Town?**

Vail Resorts ideally likes guests of Breckenridge to spend their time and money at facilities they own and operate. Thus any plans completed by Vail would be to first benefit their existing operations. While future improvements will still have a positive effect on the downtown area, this aspect would be secondary.

Our recommended facility, while not feasible by traditional standards, would be designed to enhance the downtown core and increase visitation throughout the year to the benefit of all in town.

**21. Explain the gathering of data and input from the lodging community of the report?**

We completed several visits to the market to meet with lodging operators and managers, where possible, of competitive properties. Furthermore, we interviewed, either in person or via phone various business and organization representatives. We were able to get confirmed occupancy and average rate numbers on all the competitive hotels, except for the Vail Resorts operated properties. We also received confirmed numbers for all hotels associated with national brands, such as Doubletree and Marriott. A 10-year market trends was also obtained from STR, and a MTRIP report was obtained.

**22. Research to be objective and critical enough to be able to determine if a high-end hotel might be a bad idea for our town.**

Our recommended facility is based on what we feel would provide the most benefit to the overall Town of Breckenridge while having the least impact on the current lodging owners and local businesses. The recommendation also takes into account the needs and wants of area businesses and associations that rely heavily on visitors to the market.

**23. How does the “seasonality” of our market affect the operation and potential for success of a 4- or 5-star product?**

As noted, the market is highly seasonable with occupancy exceeding 70% in the peak months but falling into the low 30’s during the “mud and off season”. This results in most hotels in the ski resort markets obtaining occupancy levels from the mid-40’s to the low 60’s. A hotel’s ability to attract guests during the non-peak month is essential to its success. Meeting and group demand is a proven way to help a hotel be successful in highly seasonal markets, thus our recommended facilities, in combination with the hotel, includes meeting and event space currently not available in the market.

**24. What amenities will be required to support the low seasons?**

Meeting and event space and room count to attract meeting and groups who typically utilized hotels located in popular resort markets. Based on our conversations with market participants, groups of between 150 to 250 represent the greatest opportunity for the town of Breckenridge, while larger groups of 500 plus are currently not easily accommodated.

In addition, the proposed hotel includes a pool, spa and fitness center and an upscale destination restaurant that takes advantage of its location along the river and views.

**25. Who does this well, and how do they do it?**

We recommend that the proposed subject property operate as an upper-upscale, full-service hotel affiliated with a nationally recognized four-star brand such as Westin, Hyatt Regency, JW Marriott, or Renaissance. Resort-oriented brands or independent hotel and conference specialists such as Destination Hotels & Resorts, Dolce Hotels & Resorts, and RockResorts should also be considered given their success in these markets.

We recommend looking to the operating companies listed above and seek out the ones that perform well in similar ski destination markets and that have a solid national sales and marketing abilities. These vary from company to company.

A specific franchise affiliation and/or brand has yet to be determined.

**26. How, if at all, could the hotel make use of the RWC and adjacent property and is it a good idea? Why?**

The Riverwalk Center is a unique venue for music festivals, local concerts that includes the National Repertory Orchestra, and other events but also has its limitations. Upon review of the purposed reconfiguration of the center and our conversations with local officials and industry professionals, we understand that the back-of-house space is inefficient and that the venue is under-utilized. In addition, upon consultation with industry professionals and conference center manager's, we have determined that there are significant synergies of combining the conference facility with the Riverwalk Center's amphitheater. As such, in our preliminary design of the conference facility, we recommend that the conference center be built adjacent to the Riverwalk Center, eliminating its existing back-of-house, and utilizing the newly designed back-of-house and meeting areas of the proposed conference facility.

Furthermore, as stated, if the Riverwalk Center facility and management was combined into the hotel as suggested, and the facility was utilized more often as detailed in our report, the town would benefit from to incremental revenue and no longer having to occur operating losses and subsidies associated with the center.

**27. What if any physical changes would need to be made to the RWC to accommodate the hotel's business plan?**

As stated, eliminating the existing back of house of the Riverwalk Center and replacing it with newly constructed and designed back of house and meeting rooms of the connected conference center.

**28. What is the range of options for making use of the RWC?**

Range of options in regards to the Riverwalk Center include:

- No upgrades to the Riverwalk Center and continue to operate as is and continue the subsidies.
- No upgrades to the Riverwalk Center but utilize a professional management company.

- Upgrade the Riverwalk Center's back-of-house area and continue to operate as is.
- Upgrade the Riverwalk Center's back-of-house area and utilize a professional management company.
- Keep the Riverwalk Center as is and separate from hotel but both facilities managed by a professional management company.
- Upgrade the Riverwalk Center's back-of-the house area, but remain physically separate from the new hotel and conference facility managed by a professional management company.
- Eliminate the Riverwalk Center's current back-of-house; construct a new-shared back-of-house with connected hotel and conference facilities managed by a professional management company.

Based on the current facilities, the existing functional obsolescence, and the cost to cure in the center, it is our opinion that the last two options would make most sense if a hotel is to be developed. The new space can be designed to fully integrate the operational aspects of the Riverwalk Center and greatly enhance the overall functionality and guest experience. For instance, the restrooms can be conveniently located and adequately sized for the venue and the conference facility. The conference space adjacent to the amphitheater can be used as a pre-function or intermissions with the other smaller meeting rooms being utilized for warm-up, vocal practice, instrument rehearsals, multipurpose and backstage uses. Serving as dual-purpose space the repositioned Riverwalk Center with its 770-seat amphitheater gives Breckenridge a superior competitive advantage. Hence, the conference facility can utilize the amphitheater for its groups who are looking for this type of venue for product launches, interactive forums, and larger group meetings and company presentations. We see the repositioning of the Riverwalk Center along with the new conference facility being a key opportunity to increase corporate group business and incremental revenue to the Town while continuing to have the special events the Riverwalk Center has enjoyed over the years. In addition, we recommend that the two facilities be managed together by a conference and theater specialist through the hotel or a third-party manager in order to take advantage of the synergies and revenue opportunities of both facilities.