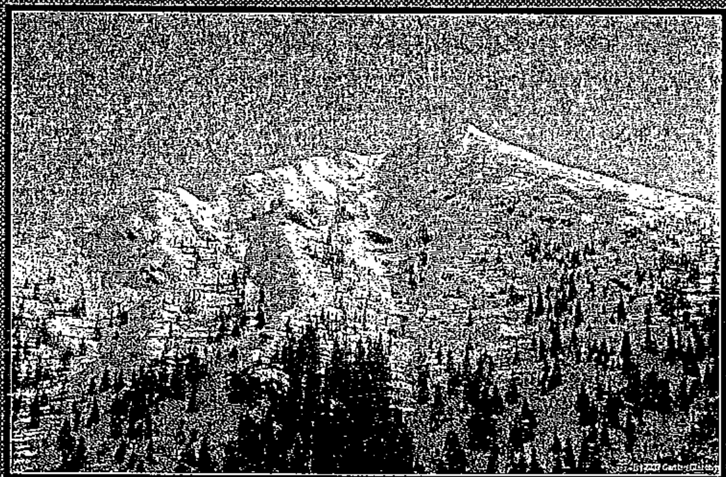
Park City Conference Center

October 2003



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INTRODUCTION

Wikstrom Economic & Planning Consultants, Inc., in association with Robert S. Benton Associates, has been retained by the Park City Chamber and Visitors Bureau to update the findings of a preliminary feasibility analysis completed in 1994 for a freestanding conference center to be located in Park City, Utah.

Method Approach

The following steps were completed to reach the conclusions in this report:

- Reviewed the original report entitled Preliminary Feasibility of Convention Center, Park City, Utah, dated September 1994. This report was prepared by Wikstrom Economic & Planning Consultants, Inc., in association with Hire & Associates, Inc, and Gillies Stransky Brems Smith Architects;
- Interviewed representatives of the Park City Chamber and Visitors Bureau familiar with trends in conference demand and booking activity within Park City;
- Gathered and reviewed Park City Chamber and Visitors Bureau marketing plans and budgets, reports detailing accommodated meetings business, as well as lost convention business reports;
- Toured the existing supply of conference facilities in Park City and interviewed management regarding trends in the meetings market. Interviews included capacity constraints, seasonality of demand, and types of conventions exploring the opportunity to meet in Park City;
- Reviewed trends impacting the national meetings market;
- Conducted research in other comparable Rocky Mountain resorts to assess trends in meetings demand;
- Assessed the strengths and weaknesses of Park City as a convention destination; and
- Projected meetings demand that could potentially be attracted to a conference facility in Park City, Utah.

Based on the information analyzed, the consultants assessed the preliminary feasibility of constructing a conference center in Park City, and its ability to generate revenues (both operating income and tax revenues) to cover the cost of the facility.

SYNOPSIS OF FINDINGS AND RECOMMENDATIONS

Market Demand

Based on our research and analysis, there is unmet market demand to support a conference facility in Park City. While the national meeting market has been stagnant, the Rocky Mountain resort meetings market experienced growth since the completion of the previous market study in 1994 primarily as a result of expanding existing facilities in other resort locations. According to our research and analysis, it is our opinion that Park City has not been capturing its fair share of the 300+ attendee resort meetings market. Our research indicates that during the 12-month period of June 2002 through May 2003, Park City meeting facilities accommodated 1,328 meetings. Approximately 85.2 percent of these meetings had fewer than 100 attendees, with 11.8 percent of the meetings having between 100 and 299 attendees. Only three percent of the meetings currently held in Park City attracted over 300 attendees. Our research and analysis indicates the development of a conference center in Park City would help attract larger conferences, with more than 300 attendees, to Park City.

In addition to attracting larger conferences to Park City, the proposed conference center will attract additional conferences with fewer than 300 attendees to the market. There are times when the meeting facilities are full, while the hotels and condominium complexes hosting these meetings have a significant number of lodging units vacant. The availability of the proposed conference center will help attract additional groups to Park City with fewer than 300 attendees who are turned away from the market due to meeting capacity constraints, although lodging remains available.

Based on our analysis, it is estimated that a conference center in Park City (containing between 40,000 and 50,000 square feet of total space, with approximately 25,000 to 30,000 square feet of dedicated meeting space) would attract between 54 and 76 meetings during a stabilized year. It should be noted that these meetings reflect incremental demand drawn to Park City. The breakdown of these meetings, by size and season, are shown in Table 1.[1]

[1] In comparison to the previous report prepared in 1994, we are forecasting fewer incremental meetings with fewer than 100 attendees as a result of hotels currently having more than enough capacity to absorb these smaller meetings. In the last report, 15-30 meetings with fewer than 100 attendees were predicted. Since then, several properties have been developed and/or expanded, further enabling the existing facilities to capture the smaller meeting market. The 6-10 incremental smaller meetings forecasted above focus on local meetings, perhaps from Salt Lake City, where overnight lodging is not required; therefore, the planners would seek out conference center facilities.

TABLE 1: ESTIMATED NUMBER OF MEETINGS PROPOSED CONFERENCE CENTER - PARK CITY, UTAH					
Season	< 100	100 - 299	300 - 599	600 +	Total
Jan - Mar	2 - 3	5 - 7	2 - 3	0 - 1	9 - 14
Apr - May	0	3 - 4	1 - 2	0	4 - 6
June - Aug	3 - 4	14 - 17	7 - 9	4 - 5	28 - 35
Sep - Oct	1 - 3	7 -10	3 - 4	1 - 2	12 - 19
Nov - Dec	0	1 - 2	0	0	1 - 2
Total	6 - 10	30 - 40	13 - 18	5 - 8	54 - 76

Using market-derived data for the number of attendees and average length of meetings, it is estimated that attendee days in Park City would range between 46,600 and 66,700. Lodging room nights generated by the conference center are estimated to range between 34,600 and 49,500 during a stabilized year of operation. For the purposes of analysis, we have used the average conference center footprint of 45,000 square feet and an average number of attendees of 54,700.

Financial Projections

Preliminary financial analysis results in an annual net operating loss for the conference center of roughly ($900,000), using the averages discussed above. If the upper range of projected attendee days is used (66,700) the annual net operating loss is ($720,000).

The analysis assumes financing of the conference center through a lease revenue bond, for a total amount borrowed of nearly $8.5 million. The debt service cost associated with the bond (approximately $700,000 annually) is included in the net loss figure above.

Annual net cash flows comprise the following: approximately $475,000 operating income[2] and $475,000 tax revenues, resulting in total income of roughly $950,000; less operating expenditures of approximately ($1.15 million) and ($700,000) debt service; resulting in a net operating loss of ($900,000) annually.

The ($900,000) does not include incremental annual revenues to Park City businesses resulting from attendee spending on hotels, restaurants, recreation, etc., estimated at $12.7 million; however, it does include tax revenues of $475,000 annually resulting from the incremental attendee spending. The $12.7 million in increased visitor expenditures are broken down as follows:

- **Food stores:** A $454,000 increase over current Park City food store revenues, which reflects a two percent increase, results from incremental attendee spending at food stores. These incremental revenues drive tax revenues equal to $10,000.
- **Restaurants:** $3.6 million increase over current Park City restaurant revenues (a six percent increase), producing total tax revenues of $116,000.
- **Hotels & Lodging:** $5.1 million incremental revenues to Park City hoteliers result from the possible conference center, or a ten percent increase relative to current levels. The incremental revenues result in $267,000 additional tax revenues.
- **Miscellaneous:** Incremental miscellaneous revenues of $3.6 million to Park City businesses equates to a one percent increase relative to current revenues, resulting in $81,000 incremental tax revenues.

Clearly, the hoteliers and restaurateurs would be among the biggest winners, should a conference center be constructed.

The annual loss of ($900,000) when compared to the 1994 report's ($1.7 million) reflects an improvement overall. To further improve profitability, several scenarios were evaluated. Often, communities will establish a new or incremental tax to fund the operations of a conference facility in order to attract the additional visitation and potential spending (estimated at $12.7 million annually).

There are two obvious possible revenue sources that could be tapped to fund the facility that are not currently in place – a Municipal Transient Room Tax of 1.5 percent, and an increase of .5 percent to the Resort Tax (see ***Additional Funding Resources*** section of the report). These two sources are generally matched to the sectors of the economy that would reap the greatest benefits of having the center and could produce an additional $140,500 per year (based on the projected number of meetings and attendance). Unfortunately, this will not cover the annual loss figures projected above. The gap cannot be filled without the reallocation of existing revenues to the funding of the center or participation by other

[2] Revenues and expenditures attributable to the center were calculated based on interviews with comparable facilities in the west, as well as the *National Convention Income Survey Report* (2002) published by the International Association of Convention & Visitor Bureau Foundation (IACVB). Where available, information specific to Park City, was used in the profitability calculation (i.e., historic average daily rates for hotel rooms).

governmental or nongovernmental groups. One approach recommended in 1994 was to partner with a hotelier in expanding private facilities.

To achieve break-even, attendees would need to reach over 91,000 (versus 54,700 currently modeled). This reflects an increase of 66 percent over forecasted levels and is inclusive of the possible new taxes outlined above. Without the possible new tax revenues, attendee days would need to increase to more than 104,000. This scenario is highly unlikely unless the conference center was located immediately next to a headquarters hotel (600-room) which would result in incremental meeting demand beyond that which is currently modeled. This scenario would also require the center be located next to Main Street shopping as well as ski resorts. Such a site does not exist in Park City.

Additional Considerations

In analyzing this project, there are three issues we believe need to be addressed fairly early in determining whether to proceed with a conference center. The outcome of these issues would have an impact on the ultimate feasibility of the project. These issues are detailed below:

- A site for the conference facility should be selected fairly early in the process, as this will have a significant impact on the performance of the conference center. The location should be proximate to a lodging base, as well as to a variety of amenities, such as shopping and restaurants. If possible, the site should allow for the ability to expand the conference center at a later date. The availability of parking on site, or access to parking, should be considered in the site selection.

- Bus transportation is an issue that should be addressed as part of the site selection process. The site will need to be centrally located to the various lodging bases in Park City. It will be necessary to provide efficient, rapid transportation service to convention attendees, in order to overcome concerns from meeting planners regarding your ability to move their meeting attendees between lodging and the conference facility. Transportation service will need to be frequent and convenient. For example, you may want to use a hub and spoke system, with the conference center as the hub, and the various lodging bases as the spokes. It is recommended that you evaluate your current transportation system to determine if servicing the conference center can be completed as currently designed, or whether changes to the system can be made to accommodate the conference center. It is recommended that the cost of any adjustments be analyzed as part of the project.

- The ability to effectively market the conference center will have a significant impact on the success of the facility. Money for marketing of the conference center will likely need to be incremental funds, rather than money currently budgeted for existing marketing efforts. Incremental marketing dollars needed could range from $250,000 to $750,000 per year. A more in-depth analysis of the marketing budget would need to be completed in order to estimate this incremental cost.

It should be noted that the scope of research and analysis completed as an update to our earlier study is not in the detail typically associated with a full, formal market feasibility study for a conference center. Our completed report will assist you in determining whether to proceed further with an investigation of a conference center project and its economic impact on the community. It is expressly understood that the conclusions of this analysis could change upon completion of a more detailed analysis and that these changes could be material. The conclusions reached in our report are based upon our fieldwork completed August 1, 2003.

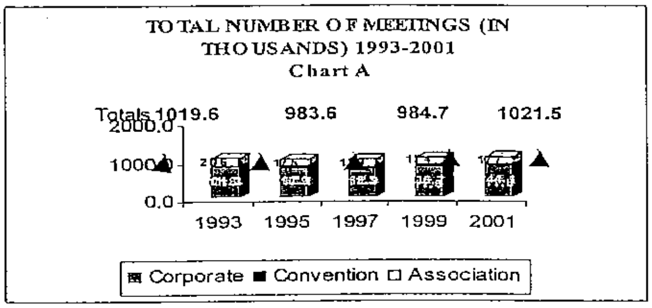
This is intended to be an independent analysis of the demand for a conference facility to be located in Park City, Utah, and the economic impact this facility could potentially have on the community. We conducted an independent analysis of the proposed project without any outside influence. Neither Wikstrom Economic & Planning Consultants, Inc., or Robert S. Benton & Associates, Inc., nor any of its owners, agents or employees have any interest, financial or otherwise in the proposed project.

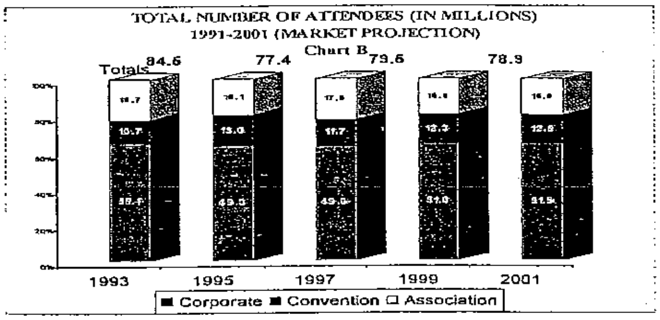
MEETINGS MARKET OVERVIEW

National Meetings Market

Meetings and Convention Magazine performs a semiannual analysis of the national meetings market. This report is considered the most authoritative source of data on the national meetings industry. The most recent report, entitled *2002 Meetings Market Report*, summarizes meetings data for calendar year 2001. Although the meetings industry was adversely impacted by the events of September 11, 2001, the data in this report, which includes data from prior years, provides valuable insight into meeting market trends. The prior feasibility analysis was completed in 1994 and utilized national meeting data from 1993. A comparison of national statistics between 1993 and

2001 will help identify how national market conditions have changed since the previous analysis was completed.





Overall results from the 2001 meetings industry study indicates the general meetings market has been relatively flat during the period 1993 through 2001. The number of meetings held has remained stable between 1993 and 2001, while the number of attendees has declined. These statistics reflect a change in the types of meetings being held. Between 1993 and 2001 there has been an increase in the number of corporate meetings held and a decline in the number of association meetings. Corporate meetings typically have fewer attendees than association meetings, putting downward pressure on average attendance. Meeting expenditures have also remained relatively flat over this period. Taking into account the level of inflation experienced between 1993 and 2001, this provides an indication that meeting planners are cutting back on expenses. Trends in the national meetings industry between 1993, the last year of data presented in the prior analysis, and 2001, the most recent year that data is available from *Meetings and Convention Magazine*, are detailed as follows:

Number of Meetings Held

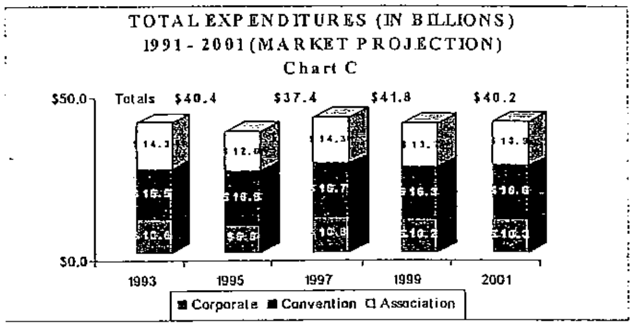
- The total number of meetings held during the period 1993 through 2001 remained relatively stable, ranging from 984,000 to 1,033,600 meetings per year.
- Approximately 1,033,600 meetings were held in 2001. The number of meetings held during 2001 likely would have been higher had numerous meetings not been canceled due to the September 11th events.
- Further analysis indicates the number of association meetings between 1993 and 2001 declined by nearly 29,000 meetings, from 206,500 in 1993 to 177,700 in 2001.
- Convention business was flat at 11,800 meetings in both 1993 and 2001.
- Corporate meetings increased by 42,800 meetings during the 9-year period, an increase of 4.7 percent. Corporate meetings totaled 801,200 in 1993, compared to 844,100 in 2001.

Meeting Attendance

- Meeting attendance declined by 4.6 million attendees, or 5.3 percent, from 84.5 million people in 1993 to 79.9 million people in 2001. Similar to the number of meetings held, meeting attendance would have been higher had numerous meetings not been canceled due to the September 11th events. However, the general trend of a decline in attendance would likely still be evident.
- With a decrease in the number of association meetings between 1993 and 2001, attendance at association meetings declined by 2.8 million people, or 15 percent. During 1993, approximately 18.7 million people attended association meetings, while 15.9 million people attended association meetings in 2001. Average attendance at association meetings during 1993 and 2001 remained stable at 91 people. The length of a meeting also remained stable at approximately two days.
- Despite a relatively stable number of conventions held between 1993 and 2001, attendance increased by 1.8 million people. Approximately 12.5 million people attended conventions in 2001, compared to 10.7 million people in 1993.

Convention attendance increased from an average of 908 people in 1993 to 1,059 people in 2001.

- During 2001, approximately 51.5 million people attended corporate meetings, compared to 55.1 million in 1993, a decrease of 3.6 million attendees. During 2001, corporate meetings had an average of 61 attendees, with the average duration of 2.7 days. In comparison, attendance at corporate meetings averaged 69 people during 1993, with an average duration of 3.1 days.



Meeting Expenditures

- Meeting expenditures totaled approximately $40.8 billion in 2001, up only one percent from 1993's total expenditures of $40.4 billion.

- Despite representing only 1.1 percent of the meetings market in 2001, spending on conventions totaled $16.6 billion, or 40.7 percent of the 2001 total expenditures on meetings.

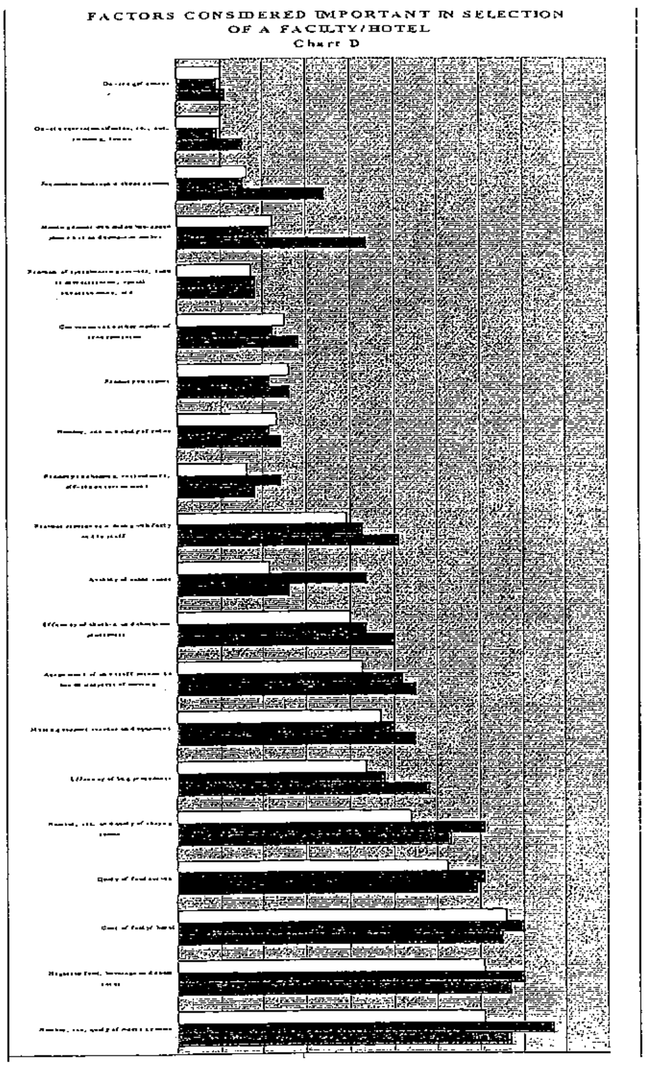
- Meeting expenditures by associations declined by $400 million between 1993 and 2001, which can partially be explained by a decline in the number of meetings held by associations.

- Despite an increase in the number of corporate meetings held during the period 1993 through 2001, total expenditures declined by $300 million.

- Within the corporate meetings market, 47 percent of meeting planners expected to see their budgets remain flat in 2002, while 26 percent projected an increase and 27 percent projected a decline. Those corporate meeting planners anticipating budgets to increase indicated that the primary reasons were to cover increased costs (49 percent) and to cover more meetings (41percent). Corporate meeting planners expecting a decline in future budgets indicated that general organizational cutbacks (60 percent) and cutbacks in the number of meetings (24 percent) were the primary reasons for the decline.

- Within the association meetings market, 48 percent of meeting planners expected to see their budgets remain flat in 2002, while 38 percent projected a budget increase and 16 percent projected a decline in budget. Those association meeting planners anticipating budgets to increase indicated the primary reasons were to cover increased costs (73 percent) and to cover more meetings (23 percent). Association meeting planners expecting a decline in future budgets indicated that general organizational cutbacks (70 percent) and cutbacks in meetings (20 percent) were the primary reasons for the decline.

Important Factors Considered in Selecting a Meeting Facility or Hotel



Meeting planners were asked to indicate how important certain factors are when selecting a meeting facility or hotel. Meeting planners surveyed in 2001 indicated the important factors they consider in selecting a meeting facility or hotel are similar to those indicated by meeting planners in 1993.

Important Factors Considered in Selecting a Destination

The Meetings and Convention Survey also tracks subjective forces driving the industry, such as how meeting planners select a destination for their meetings. Table 2 compares the responses from corporate and association meeting planners in 1993 to 2001.

Corporate Meeting Planners

TABLE 2: FACTORS CONSIDERED IMPORTANT IN SELECTING A DESTINATION

Factor	2001	1993
Availability of Hotels or Other Facilities Suitable for Meetings	75%	73%
Affordability of Destination	68%	N/A
Safety and Security of Destination	57%	N/A
Ease of Transporting Attendees to/from Location	57%	63%
Distance Traveled by Attendees	49%	47%
Transportation Costs	49%	53%
Clean and Unspoiled Environment of Destination	35%	N/A
Climate	30%	30%
Mandated by Corporate Policy	26%	N/A
Availability of Recreational Facilities (Golf, Tennis, Swimming)	24%	21%
Sightseeing, Cultural, Other Extracurricular Activities	17%	12%
Glamorous or Popular Image of Location	13%	9%
Source: Meetings & Conventions Magazine		

- For corporate meetings, similar factors such as availability of facilities suitable for meetings, ease of transporting attendees and distance traveled by attendees remain important factors for corporate meeting planners when selecting a meeting destination.
- Several factors have become more important considerations for meeting planners in selecting a meeting destination, including affordability and safety of a destination.

Association Meeting Planners

TABLE 3: FACTORS CONSIDERED IMPORTANT IN SELECTING A DESTINATION

Factor	2001	1993
Availability of Hotels or Other Facilities Suitable for Meetings	70%	73%
Affordability of Destination	76%	NA
Safety and Security of Destination	45%	NA
Ease of Transporting Attendees to/from Location	50%	55%
Distance Traveled by Attendees	54%	48%
Transportation Costs	43%	44%
Clean and Unspoiled Environment of Destination	28%	N/A
Climate	19%	16%
Mandated By-Laws	26%	20%
Availability of Recreational Facilities (Golf, Tennis, Swimming)	16%	12%
Sightseeing, Cultural, Other Extracurricular Activities	23%	7%
Glamorous or Popular Image of Location	11%	15%
Source: Meetings & Conventions Magazine		

- Similar to corporate meeting planners, many of the same criteria are considered important when selecting a meeting destination.

Other Corporate Meeting Statistics

Corporate meeting planners were also polled regarding the subject matter of meetings. The results from the 2002 Meetings Market Report are summarized in Table 4:

TABLE 4: SUMMARY OF CORPORATE MEETINGS BY TYPE

Factor	Planners Involved	Average Number Planned	Average Attendance	Average Length of Meeting
Sales/Marketing Meetings	67%	5.7	111	2.8
Management Meetings	57%	5.7	50	2.2
Training / Educational Seminars	64%	8.5	96	2.7
Professional / Technical Meetings	33%	5.1	105	2.4
New Product Introductions	31%	4.3	148	2.1
Individual Incentive Meetings/Trips	16%	5.5	23	4.6
Group Incentive Meetings / Trip	30%	4.4	135	4.7
Stockholder Meetings	10%	2.8	97	1.4
Other Meetings	5%	5.8	149	2.6
Average	100%	16.2	78	2.7

Other Meeting Trends

Other notable trends for corporate and association meetings are summarized in the following statements.

Corporate Meetings:

- Total corporate expenditures for meetings during 2002 are estimated to be $10.3 billion. Approximately 53 percent of the expenditures ($5.4 Billion) were spent on food and lodging, 18 percent ($1.9 Billion) on air transportation, and 29 percent ($3.0 Billion) on other expenses.
- Approximately 64 percent of meeting planners surveyed indicated they planned at least one off-premise meeting that includes attendance by a spouse/guest, and 27 percent planned for children. Forty-one percent of the meeting planners arranged activities specifically for guests.
- Location influences corporate planners' hotel choices. Downtown (74 percent) and suburban hotels (54 percent) were the two types of facilities most widely used for corporate meetings. Half also used resort hotels (50 percent) and convention centers (47 percent).

Association Meetings:

- Association meeting planners and attendees spent a total of $30.5 billion on meetings in 2001.
- Approximately 57 percent of the expenditures were spent on food and lodging, 12 percent on air transportation, and 31 percent on other expenses.
- Approximately 25 percent of association meeting planners indicated they planned activities for guests/ spouses. Only nine percent of meeting planners indicated they planned activities for children of attendees.
- Approximately 35 percent of the association meeting planners surveyed indicated they utilized resort hotels (excluding golf courses) during 2001 for association meetings. Approximately 15 percent of the association meeting planners surveyed indicated they used resort hotels for conventions.

Successful Meeting Trends

In the prior market study, trends in the meeting industry were also gathered from *Successful Meetings*, which publishes a biannual survey of the industry. The most recent survey is entitled "State of the Industry Report" and was published January 2003. The data in the report summarizes responses from 2002. Unlike the Meetings and Conventions survey previously discussed, the questions asked by *Successful Meetings* vary from year to year, and therefore are not comparable to data in prior Successful Meetings reports. However, the data taken from the current report provides valuable insight into the meetings market. Trends from this report are summarized as follows:

Meeting Budgets

TABLE 5: AVERAGE MEETING BUDGETS 2002 VS. 2000

Meeting	2002	2000	Percent Change
Training/Education	$50,700	$40,263	25.9%
Incentive Travel	$340,400	$252,607	34.8%
Management	$43,200	$48,000	(10.0)%
Sales	$121,500	$158,035	(23.1)%
Conventions	$280,000	$295,820	(5.3)%
Total Budget Average1	$214,481	$225,410	(4.8)%

(1) Includes additional meetings not listed above

- Average meeting budgets declined by 4.8 percent, from $225,000 in 2000, to $214,000 in 2002. Fifty-nine percent of meeting planners surveyed indicated the number of meetings held by their organization declined in 2002 from 2000. Seventy-one percent of the meeting planners surveyed indicated the poor economy was the primary reason for fewer meetings being held.
- Meeting planners surveyed indicated their budgets for Training/Education and Incentive Travel increased, while budgets for Management, Sales and Conventions declined.

Meeting Attendance

TABLE 6: AVERAGE MEETING ATTENDANCE 2002 VS. 2000

Meeting	2002	2000	Percent Change
Training/Education	128.1	170.0	(24.6)%
Incentive Travel	176.7	116.7	51.5%
Management	62.9	83.2	(24.4)%
Sales	160.5	159.5	0.6%
Conventions	1,813.6	1,452.3	4.9%
Total Attendance (1)	62.9	83.2	(24.4)%

(1) Includes additional meetings not listed above

- Average attendance at meetings declined by 24.4 percent, from 83.2 people in 2000, to 62.9 people in 2002.
- Attendance at Incentive Travel events increased significantly, while the number of attendees at Training/Education meetings declined dramatically.

Average Length of Meetings

TABLE 7: AVERAGE LENGTH OF MEETING 2002 VS. 2000			
Meeting	2002	2000	Percent Change
Training/Education	2.5	2.5	(0.0)%
Incentive Travel	4.4	3.7	18.9%
Management	2.4	2.5	(4.0)%
Sales	2.8	2.8	0.0%
Conventions	3.6	3.7	(2.3)%

Although the report did not indicate an average length of stay for all meetings during 2000 and 2002, the report did state that the average length of meetings remained steady.

Resort Meetings Market

Although the meetings market has been relatively flat, resort destinations have increased in popularity as a meeting destination, particularly among corporate meeting planners. Meetings and Conventions Magazine surveys meeting planners regarding the types of facilities used and the number of meetings held in different destinations. Survey results from 1993 are compared to 2001.

Corporate Meeting Market

- Meeting planners were asked about the types of facilities used for meetings. In 1993, 43 percent of meeting planners indicated they utilized resort hotels (excluding golf courses) for meetings. In 2001, 50 percent of the meeting planners surveyed indicated that they utilized resort hotels.
- During 1993, approximately 95,000 corporate meetings were held in resorts. This equates to 10 percent of total corporate meeting held in 1993. During 2001, approximately 110,000 corporate meetings were held in a resort, which equates to 11 percent of total corporate meetings held.

Association Meeting Market

- In 1993, 43 percent of convention meeting planners indicated utilized resorts hotels for meetings, compared to 15 percent in 2001. In 1993, 34 percent of association meeting planners indicated they utilized resorts for meetings. This compares to 35 percent of association meeting planners in 2001.
- During 2001, 338,000 conventions and association meetings were held in resorts. In 1993, 16,000 association meetings were held in resorts. The total number of conventions held in resorts during 1993 was not available.

Meetings in resort areas tend to be smaller than those held in metropolitan areas for a variety of reasons. First, resorts are more difficult for a large group to access. Second, transportation costs to resorts are typically more expensive. Third, the cost of lodging is typically higher at a resort. Finally, the size of a facility's ballroom will limit the group size which a meeting facility can accommodate.

If a group cannot be accommodated within a facility's ballroom for meals, than the group will usually eliminate that facility as a potential meeting site early in their selection process.

The issue of access is a critical factor in attracting meetings to a mountain resort. Mountain resorts tend to be isolated from airports that have the capacity to accommodate a large number of passengers and that can be accessed from a variety of cities around the country. Many mountain resorts are located two to four hours from a major airport that can accommodate this kind of traffic. Despite the accessibility problems, mountain resorts have been successful in building a base of meeting business. Park City has the advantage of being less than one hour from a major hub airport in Salt Lake City. This will give Park City a competitive advantage when competing with other mountain resorts.

COMPETITIVE ENVIRONMENT

The proposed conference center in Park City is expected to compete with meeting facilities in resorts located throughout the Rocky Mountain region. In addition, the facility will compete with meeting facilities throughout the State of Utah, as in-state meetings will likely be a significant source of demand for the facility.

In this section, we will discuss the competitive Rocky Mountain resort conference facilities outside Park City. The Park City meeting and lodging markets will be discussed later in this report.

Competitive Rocky Mountain Conference and Resort Facilities

Within the Rocky Mountain resort market, the competitive environment that the proposed conference center will operate in will be similar to that described in the previous report provided by WEPC. The supply of hotels in the mountain resorts with extensive meeting facilities has remained relatively stable since the early 1990's. Due to the impact seasonality has on lodging demand throughout the year, convention hotels have not been able to generate the income levels necessary to support development costs. While demand tends to be strong during the winter and summer seasons, lodging and meetings demand in the Rocky Mountain resorts is relatively soft during the spring and fall. As a result, the majority of new lodging development that has occurred in the Rocky Mountain resorts has been condominium projects, which are financed differently than hotels. Many of these projects have little or no meeting space. Hotels that have been developed are primarily small boutique properties or limited-service hotels, which offer limited meeting facilities.

Table 8 lists the meeting facilities located throughout the Rocky Mountain resorts that are considered to be representative of the market in which the proposed conference center in Park City would compete. It should be noted that this list includes the same properties listed in the previous study. However, the names of several facilities have changed due to an ownership change or a repositioning of the property.

TABLE 8: PARK CITY CONVENTION CENTER COMPETITIVE MEETING FACILITIES

Facility	Dedicated Meeting Space		
	Total Square Feet	Largest Ballroom	Exhibit Hall
Snowbird Resort	59,637	7,800	12,000
Vail Cascade Resort	44,548	5,940	19,234
Vail Mountain Marriott Resort & Spa	26,000	8,300	NA
Park Hyatt Beaver Creek Resort & Spa	16,385	8,631	NA
The Broadmoor	114,000	18,000	18,000
Keystone Conference Center	35,200	19,800	NA
Keystone Lodge	12,180	5,700	NA
St Regis-Aspen	17,046	9,000	NA
Snowmass Conference Center	22,499	10,823	NA
Copper Mountain Resort	10,418	3,500	NA
Beaver Run Resort & Conference Center	25,120	7,200	8,580
The Great Divide	9,764	4,770	NA
Village at Breckenridge	25,076	4,673	NA
Snow King Resort	32,570	6,552	18,900
Sun Valley Resort	25,883	8,470	NA

While the supply of competitive meeting facilities has remained the same since the previous market study, many of the facilities have added more meeting space in order to increase their penetration in the meetings market segment. Those facilities adding significant space since the previous report are detailed as follows:

- **Vail Cascade Resort,** formerly the Westin Vail Resort, added approximately 29,000 square feet of meeting space, including a 10,000 conference center and a 19,000 square foot exhibit hall.
- **Vail Mountain Marriott Resort & Spa**, formerly the Radisson Vail, experienced a fire in December 2000. As a result, the hotel was significantly renovated in 2001. The renovation included the addition of approximately 10,000 square feet of meeting space.
- **The Broadmoor, Colorado Springs** added approximately 45,000 square feet of meeting space since the early 1990's. This space includes an exhibit hall, as well as a new ballroom. In addition, the Broadmoor has added 200 guestrooms to the hotel. Construction is expected to begin shortly on an additional 60,000 square feet of meeting space.
- **Keystone Conference Center** added a new 20,000 square foot ballroom since the previous report. As existing meeting space was removed during construction, the facility gained approximately 15,000 square feet of space.
- **Snowmass Conference Center** added approximately 9,000 square feet of space since the previous market study.
- **Beaver Run Resort and Conference Center** has significantly increased its meeting space since the previous market study, adding a 5,400 square foot ballroom and an 8,600 square foot exhibit hall.

Additions to the Competitive Supply

As previously discussed, the development of hotels with extensive meeting space in the Rocky Mountain resorts has been limited, with relatively few convention hotel projects proposed. A Ritz-Carlton Hotel with extensive meeting space recently opened in Beaver Creek, Colorado, while a Four Seasons Hotel with meeting space is under construction in Jackson Hole, Wyoming. Several other projects are proposed. Due to the difficulty of financing a new hotel, all these projects are being developed as part of a mixed-use development in order to offset development costs. Other components of the development include retail, residential condominiums and fractional interest projects. Projects of interest are discussed in the following paragraphs:

Colorado

The majority of new hotel and meeting space development activity in Colorado is occurring in Eagle County, which includes the resorts of Vail and Beaver Creek. In November 2002, a 237-room Ritz-Carlton Hotel opened at Bachelor Gulch, at the base of the Beaver Creek Ski Mountain. The hotel offers a 7,200 square-foot ballroom and 6,240 square feet of additional meeting space. The Ritz-Carlton brand is primarily oriented toward corporate meetings and corporate incentive groups. After a relatively slow winter season, this hotel, reportedly, is beginning to increase its penetration in the meetings market.

In Vail, a developer is currently exploring redevelopment of the property located in the southwest quadrant of Vail Road and South Frontage Road, at what is considered to be the main entrance to Vail Village. The developer is proposing to construct a 118-room Four Seasons Hotel, approximately 20 residential condominiums and 20 units to be sold as part of an interval ownership project to be associated with Four Seasons. The project will also offer retail space. Reportedly, the hotel will offer 6,000 to 7,000 square feet of meeting space, although plans are still preliminary. Similar to Ritz-Carlton, Four Seasons hotels are primarily oriented toward corporate meetings and corporate incentive groups. Timing for this project is uncertain at this time.

Also in Vail, a developer is proposing to redevelop a site commonly referred to as the Vail Village Inn site. This site is located in the southeast quadrant of Vail Road and South Frontage Road, just east of the Four Seasons site. The hotel will be positioned as an upscale independent hotel, and is expected to be comparable in quality to Vail's higher quality hotels. The site is proposed to be improved with a 200-room hotel that will offer over 20,000 square feet of meeting space. At this time, it is uncertain whether the project will be developed, as the project has been on hold for several years.

The Town of Vail has proposed the development of a conference center that would provide for larger meeting space than is currently available in the community, in order to attract larger conferences to Vail. As currently proposed, the conference center would contain approximately 50,000 square feet of meeting space. This would include two 20,000 square foot ballrooms that could be combined into one large open space capable of accommodating up to 4,000 people for a banquet. The ballrooms can also be divided into smaller rooms. The facility would also have two additional 5,000 square-foot meeting rooms. A market study is currently being completed to further analyze demand for the project. The conference center is being funded by a 1.5 percent increase in Vail's lodging tax and a half-cent increase in the town's sales tax which is currently being collected. The conference center is expected to open in 2006 or 2007.

Wyoming

In Jackson Hole, Wyoming, a 144-room Four Seasons Resort is under construction at the base of the Jackson Hole Ski Area. The hotel is scheduled to open December 1, 2003, offering approximately 5,900 square feet of meeting space, including a 4,000 square-foot ballroom. Similar to Ritz-Carlton, Four Seasons hotels are primarily oriented toward corporate meeting and corporate incentive groups.

Utah Conference/Convention Facilities

The proposed conference center in Park City will compete with meeting facilities in Utah for in-state meetings during certain times of the year. The majority of meetings in the state are held in Salt Lake City, as the majority of the state's population is located within a one-hour drive of the city. However, other cities throughout the state have become more aggressive in pursuing meeting and convention business.

The largest meeting facility in Salt Lake City is the Salt Palace, located in downtown Salt Lake City. The Salt Palace offers approximately 365,000 square feet of exhibit space, a 45,000 square foot ballroom and 54,000 square feet of meeting space in 53 breakout rooms. The Salt Lake Convention and Visitors Bureau is responsible for marketing this facility, and primarily focuses on national meetings, rather than state meetings.

The Salt Lake Convention and Visitors Bureau also markets the South Towne Exposition Center located in Sandy, approximately 15 miles south of downtown Salt Lake City. This facility contains 243,000 square feet of exhibit space and 15,000 square feet of meeting space. The South Towne Exposition Center was specifically designed to cater to consumer shows that cater predominantly to the local population. In the past, these shows were held in the Salt Palace. The development of this facility has reduced the number of consumer shows held at the Salt Palace, enabling the Salt Palace to accommodate more national conventions.

The balance of larger meeting facilities in Salt Lake City is primarily located in hotels in downtown Salt Lake City. These hotels, and the meeting space available, are listed in the Table 9.

TABLE 9: SALT LAKE CITY CONVENTION HOTELS

Facility	Number of Guest Rooms	Dedicated Meeting Space Ball-room	Total Meeting Space
The Grand America Hotel	778	23,664	60,800
Sheraton City Center	362	9,360	23,637
Little America	848	8,925	22,000
Marriott-Downtown	518	14,046	21,839
Hilton SLC Center	499	7,584	19,000
Wyndham Hotel	381	5,635	15,000
Marriott-City Center	370	4,959	11,655

As of the completion of our fieldwork, there were no hotels with extensive meeting space proposed in Salt Lake City.

Other cities throughout the state have also pursued convention business. Full-service Marriott's with extensive meeting space are located in Provo and Ogden. The group/conference market segment is a significant source of demand for these hotels. Ogden also offers the Ogden Eccles Conference Center, with over 50,000 square feet of meeting space, which generates lodging demand for area hotels. In St. George, the Dixie Center opened in the late 1990's and has become a popular destination for state groups to hold a convention. The Dixie Center offers a 47,500 square-foot convention hall and 18,000 square feet of meeting space.

Several other Utah communities are planning for convention facilities. In Cedar City, a 17,000 square foot meeting facility is being developed within the Towne Center in the downtown area. The facility, which is known as the Heritage Center Festival Hall, will offer a large meeting/exhibit room and roughly seven breakout rooms. The facility will connect to the Heritage Performing Arts Theater, which has an auditorium which can seat 1,000 people. The facility is scheduled to open in early fall of 2003.

In Logan, development of an 8,000-square foot conference center has been proposed and analyzed. Funding of the center was assumed to be provided through a loan as well as RDA funds. The project would be developed in conjunction with a conference hotel.

In Layton, Davis County is planning to develop a conference center with approximately 28,000 square feet of meeting space. The facility will be located just north of the Layton Hills Mall. A 150-room Hilton Garden Inn is proposed to be developed adjacent to the conference center. According to interviews, the project is being heavily subsidized by the county.

CONFERENCE CENTER MARKET DEMAND UPDATE

In the pervious market study, an in-depth analysis of the Rocky Mountain meetings market was completed. An analysis of this type is beyond the scope of this engagement. For purposes of this assignment, we have reviewed the data included in the previous report and conducted interviews with operators of meeting facilities in the Rocky Mountain region to determine any changes that may have occurred in overall market conditions and trends.

Seasonality

Winter

The prime winter season in the Rocky Mountain resorts is January through March. During this time of year, the Rocky Mountain resorts normally achieve their highest occupancies and average daily rates. The demand for lodging during the winter season emanates from individual travelers coming to the area to ski, as well as meeting groups. In the past, lodging operators limited the amount of meeting business they have been willing to accommodate, since individual travelers normally pay a higher room rate than conference attendees, who typically receive a discounted room rate. However, our interviews indicated that many operators of hotels with extensive meeting facilities have been seeking winter meeting business more aggressively in recent years due to changes in individual skier vacation patterns. Historically, skiers had a high degree of loyalty to a particular resort, and returned year after year. Now, more and more ski travelers are booking vacations on shorter notice, waiting to see which resorts have the best ski conditions. Although guestrooms occupied by meeting attendees are typically at a lower room rate than individual skiers, meetings business provides a more dependable source of demand, as meetings cannot easily switch locations on short notice.

Spring

The spring months of April and May are typically periods of low occupancy in mountain resorts. Conversely, these months are popular months for national meetings to be held. However, resorts in the Rocky Mountain region have had very little success attracting national meetings during this time period. Inconsistent weather, low activity levels and a lack of recreational activities have limited the desirability of the mountain resorts as a meeting destination during the spring. Based on our interviews, the majority of meeting demand attracted to the mountain resorts during the spring are stat- based associations and corporations, which are attracted to a resort by discounted room rates.

Summer

The summer months of June, July and August are prime meeting months in the mountain resort markets. However, the number of meetings held by national groups declines slightly during the summer in comparison to the spring and fall seasons. During the summer season, meeting groups are attracted to the mountain resorts by the beautiful weather, relaxed atmosphere, consistent access and a wide variety of recreational activities available. Meetings are a primary source of lodging demand for many of the Rocky Mountain resorts during the summer months.

Autumn

The fall months of September and October are prime meeting months for national groups. The Rocky Mountain resorts have been successful in attracting meetings during the fall, particularly during September and the first part of October. The attraction can be attributed to good weather, beautiful scenery, uncrowded conditions and the availability of a wide variety of recreational amenities during this time. Meeting demand in the mountain resorts typically declines during October as the weather becomes inconsistent and access to recreational amenities becomes limited.

During the early winter months of November and December, national meeting demand declines dramatically due to uncertain weather conditions and year-end activities. A limited amount of national meeting demand emanates from price sensitive groups, although the majority of meeting business during this time of year is generated by in-state associations and corporations.

Segmentation of Meetings

During our interviews with meeting facility operators, we inquired as to the types of groups meeting in the Rocky Mountain resorts. Based on the responses to these questions, the majority of demand for meeting space in the Rocky Mountain resorts was emanating from corporations, as well as national and state associations. These responses are consistent with the previous analysis completed in 1993, when it was estimated that association meetings counted for 37.5 percent of the meetings held in mountain resorts, while the corporate market accounted for 42.8 percent of meetings.

In-State Versus Out-of-State Demand

During the course of our research, we questioned resort operators regarding the source of meetings demand throughout the year. Our interviews revealed the following:

- During the winter months of January through March, virtually all meeting demand emanates from national sources, including associations, educational groups and corporations.
- During the spring months of April and May, as well as the early winter months of November and December, virtually all the meeting business emanates from in-state associations and corporations. If the ski area remains open during April, more price sensitive associations and corporations can be attracted to the resort.
- During the summer months of June through August and fall season of September and October, meeting demand is fairly evenly split between in-state and out-of-state groups. Demand emanates from national and state associations, as well as in-state and out-of-state corporations.

Historical Growth in Demand

Accommodated meeting demand within the Rocky Mountain resorts has increased significantly since the prior market study was completed in 1993. According to our interviews and research, meeting demand increased steadily during the 1990's. The winter season has always been a popular time of year for meetings in the mountain resorts, due to the availability of skiing. According to our interviews, accommodated winter meeting demand has increased due to increased meeting capacity at many resorts. In addition, with mountain resorts seeing increased volatility in visitation by individual skiers based on snow conditions, many resorts began to pursue group business during the winter months more aggressively during the last half of the 1990's.

Our interviews indicated the meetings market has experienced significant growth during the summer and fall seasons since the completion of the previous analysis. This growth is attributed to several factors. First, marketing efforts during the late 1980's and early 1990's began to pay off, as meeting planners began to discover the Rocky Mountain resorts as a destination for summer and fall meetings. Meeting planners found many first class meeting facilities available in the Rocky Mountains, at comparatively inexpensive room rates. Second, many mountain resorts invested heavily in golf and other outdoor, recreational amenities in order to enhance a visitors experience to the area.

The spring and early winter seasons have also experienced increases in meeting demand since the completion of the previous report, although growth has been slow. These seasons are considered shoulder periods, with visitation to the resorts impacted by uncertain weather conditions and reduced activity levels. We are aware of several resorts that have attempted to generate interest among meeting planners for holding meetings during the shoulder seasons, with very little success. In order to generate meeting demand, resorts need to discount room rates very aggressively, reducing profit potential. As a result, many resort operators do not spend significant money marketing the spring and early winter seasons, preferring to utilize this money to promote peak demand periods.

According to our interviews, accommodated meeting business in the Rocky Mountain resorts has decreased since 2000 primarily due to a decline in economic conditions. While the events of September 11, 2001 had a significant impact on the meetings industry during the last half of 2001 and the first half of 2002, our interviews indicate that the impact of these events on meetings held within the Rocky Mountain resorts has dissipated.

The current weakness in the meetings market is attributed primarily to weak economic conditions. Meeting demand from corporations in the mountain resorts has reportedly declined significantly, as companies have cut back on the number of meetings held. In addition, our interviews indicated that companies are holding meetings in less prestigious locations, so as not to appear extravagant during a time of declining corporate profits. The number of associations hosting meetings in the mountain resorts has also reportedly declined. Our interviews indicated that associations are also holding meetings in less prestigious locations in order to reduce meeting costs for their attendees.

Our interviews indicate that demand in the meetings market is expected to recover, although there is uncertainty about when the recovery may begin. Resort operators believe that once the economic recovery appears to be on solid ground and corporate profits begin to recover, meeting demand in the mountain resorts will once again increase.

Room Demand Generated by Meetings

In the prior report, room nights generated by meetings were estimated based on the number of meetings held, estimates of rooms rented per night by a meeting, and the average length of a meeting. Based on the analysis completed, it was estimated that meetings held at the Rocky Mountain resort competitive facilities identified in the Competitive Environment section of this report generated 689,813 room nights during 1993. This estimate did not include room nights accommodated by Sun Valley Resort, as their data was unavailable.

For purposes of this analysis, we have estimated room nights generated by meetings based on the estimated occupancy and market mix of each resort during 2002. Based on this analysis, it is estimated that the meetings held at the Rocky Mountain resort competitive facilities identified in the previous section generated approximately 818,000 room nights during 2002. It should be noted that this reflects group demand from all of the competitive resorts previously identified with the exception of Sun Valley Resort, which is unwilling to share occupancy and market mix data on the resort. Lodging demand generated by meetings accounted for approximately 68 percent of the room nights accommodated by the resorts included in the competitive analysis.

THE PARK CITY MEETINGS MARKET

According to our research, the meetings market in Park City has been relatively stable over the last several years, with the annual number of meetings held ranging from 1,152 to 1,248 during the period 1999 through 2002. During 2002, Park City hosted 1,158 meetings, although it should be noted that the 2002 Winter Olympics limited meeting activity during the winter season.

The existing amount of meeting space in Park City limits the number of meetings that can be attracted to this market. Due to capacity constraints at existing meeting facilities, booking groups of more than 300 attendees is difficult. Unless multiple properties are used for meeting space, and depending on the meeting space needs of a particular group, the group size that can actually be accommodated in the market may be smaller. The limited amount of meeting space available also impacts the number of meetings that can be hosted simultaneously.

Park City has an excellent resort reputation and has many advantages in comparison to other competitive mountain resort locations. The area has an established reputation as a winter ski destination with a wide variety of ski terrain. Park City continues to develop as a summer resort, although slowly. The resort is known for its mountain setting, historic Main Street, as well as a wide variety of restaurants and shopping. These are all factors that are favorable for attracting the meetings market.

Park City has numerous advantages and disadvantages in the meetings market. Primary advantages include its proximity to a major hub airport, excellent access via an interstate highway, a variety of recreational opportunities and excellent support amenities such as restaurants and shopping. Major disadvantages include the lack of large flexible meeting spaces, no concentration of hotel rooms, and the lack of a large corporate or association base in Utah.

Existing Meeting Space

According to the Park City Chamber and Visitors Bureau, Park City offers approximately 185,000 square feet of meeting space within 32 facilities. Available meeting facilities are located in hotels, ski area day lodges, theaters and other miscellaneous facilities throughout the community. The largest concentration of meeting space in Park City is located at the Deer Valley Resort, which can utilize its ski-area day lodges for evening functions during the ski season and for day or evening events during the non-ski months. Although Deer Valley Resort offers a total of 29,610 square feet of meeting space, the resort's largest meeting room contains only 3,520 square feet of space. The lack of a large ballroom limits Deer Valley Resort's ability to attract larger meeting groups. The Chateaux at Silver Lake has the largest ballroom in Park City, with 6,627 square feet of space. However, the facility has limited additional meeting space that could potentially be used for breakout meetings from the general session. Table 10 describes the larger meeting facilities in Park City.

TABLE 10: MAJOR MEETING FACILITIES - PARK CITY, UTAH

Property	Total Meeting Space	Ball-room	Banquet Seating	Classroom Seating	Break out Rooms	Sleep-ing Rooms
Deer Valley Resort	29,610	3,520	1,715	1,000	17	NA
Prospector Square	15,500	4,280	300	275	10	183
Grand Summit	15,400	5,850	500	450	9	350
The Yarrow	13,000	5,100	510	450	10	181
Park City Marriott	9,000	5,229	530	325	8	199
The Chateau at Silver Lake	9,000	6,627	528	440	5	132
Park City Mountain Resort - Legacy Lodge	8,600	2,200	525	90	NA	NA
Shadow Ridge	8,251	2,333	200	125	5	150
The Lodges at Deer Valley	7,000	2,400	200	165	7	195
The Lodge at Mountain Village	6,941	3,774	210	125	5	140
Stein Eriksen Lodge	6,784	4,004	328	276	9	170

Generally, groups holding meetings require one room for a general session, another room for meals, as well as a series of breakout rooms for smaller meetings. Based on our interviews and an analysis of the existing meeting facilities in Park City, it appears that the largest meeting groups that can be accommodated in the market would have between 250 and 300 attendees. While larger meeting groups can be accommodated, these groups will typically have limited meeting or dining needs, or are willing to meet in multiple facilities.

Hotel/Condominium Unit Supply

A survey of lodging properties in Park City reveals a total of roughly 4,700 lodging units available for rent on a nightly basis, up 24 percent from 2001, and 100 percent from nine years ago when this analysis was originally prepared. This number changes by season, as some condominium units are not available during certain times of the year. There are also additional units located outside Park City, including hotels and condominium (356-rooms) at The Canyons Grand

Summit, the 106-room Best Western Landmark Inn located near the intersection of US-224 and I-80, as well as the 81-room Hampton Inn and Suites in Kimball Junction. These facilities, along with some others, increase the total lodging units to approximately 6,000.

The lodging available in the Park City area consists of approximately 1,500 hotel rooms and 4,500 condominiums. For the most part, meeting planners prefer hotel rooms, and will make their location decisions based on an adequate supply of rooms in the immediate area surrounding the meeting space. Attendees are often given a condominium option for lodging, but generally fewer participants choose to stay in condominiums when a hotel is the headquarters and location for the meeting.

Park City area has a wide variety of quality and price in its lodging facilities. Due to size, quality of facilities, availability of services, and meeting space, the primary available hotels are categorized as mid-level facilities. The Stein Eriksen Lodge is a condominium project operating much like a hotel and is considered to be the highest quality property with meeting space in the market. Park City area has a few chain affiliated hotels: the Radisson Inn Park City (131-rooms), the Marriott Park City (199-rooms), and Holiday Inn Express Hotel and Suites Park City (76-rooms), all of which have some meeting space.

The properties currently capturing the predominance of meetings demand in Park City range in size from 181 rooms to 350 rooms. This is ample size for groups of 200 to 250 attendees. Larger parties require using multiple properties, whereas most meeting planners prefer to be able to house their groups in one hotel. Table 11 illustrates 2002 group bookings and percentage of total by property.

TABLE 11: PARK CITY 2002 BOOKED BUSINESS

Property	Percentage of Total
The Canyons Grand Summit	15%
Marriott Park City	16%
Stein Eriksen Lodge	12%
Yarrow Resort and Conference Center	16%
Total	59%
Source: Park City Chamber and Visitors Bureau	

Historical Meetings Demand

The Park City Chamber and Visitors Bureau compiles statistics on the meetings market in Park City. The bureau completes a monthly survey of lodging properties in Park City and gathers information regarding the meetings held during the month, the number of meeting attendees and room nights generated. Annual meeting data for the period 1999 through 2002 is summarized in Table 12.

TABLE 12: PARK CITY MEETING TRENDS

Fiscal Year1	Total City Groups	City Group Attendees Total	City Group Room Nights Per Group	Total	Per Group
2002	1,158	56,942	49	120,205	104
2001	1,248	68,071	55	119,923	96
2000	1,152	66,615	58	116,908	101
1999	1,211	71,162	59	118,905	98
Source: Park City Chamber and Visitors Bureau					

As shown in Table 12, the number of meetings held annually in Park City during the period 1999 through 2002 has been relatively stable, ranging from 1,152 to 1,248. Attendance per meeting and room-nights generated by each group have also been relatively stable during the analyzed period.

In order to analyze the seasonality of meeting demand in Park City, as well as the size of meetings currently being held in the market, we reviewed data regarding meetings held in Park City during the 12 month period June 2002 through May 2003. During this time period, Park City lodging facilities reported accommodating 1,328 meetings. Meeting demand has been analyzed by month and season. In the prior report, the year was broken down into five distinct seasons, based on historical demand patterns displayed by groups in mountain resorts. These seasons were determined by the ski season, the peak summer period, the peak fall meeting period and two shoulder seasons. Table 13 summarizes the number of meetings held each month and season, as well as the general number of attendees at each meeting.

As shown in Table 13, located on page 16, the peak periods of demand from meeting groups in Park City occur during the summer, early fall and winter months. During theses times of year, a wide variety of activities are available in the resort, with weather appropriate for the season. Group demand is lowest during the spring and fall shoulder months. During these times of year, weather conditions are uncertain and the availability of activities is limited. The meeting pattern experienced by Park City is similar to that of other Rocky Mountain resorts.

During the twelve-month period of June 2002 through May 2003, 85.2 percent of all meetings hosted in Park City had fewer than 100 attendees, while 11.8 percent of the meetings hosted had between 100 and 299 attendees. Only three percent of the meetings held in Park City during this twelve-month period had over 300 attendees. The size of meetings accommodated by meeting facilities in Park City is partially influenced by the amount of meeting space available in the market. Park City meeting facilities generally do not have the capacity to accommodate meetings with greater than 300 attendees.

TABLE 13: PARK CITY MEETING TRENDS - SEASONALITY AND ATTENDEES

Month	Total Meetings	Percent of Total	Number of Attendees			
			<100	100 - 299	300 - 599	600 +
Summer						
June 2002	112	8.4%	75	28	9	0
July 2002	99	7.5%	82	12	5	0
August 2002	186	14.0%	166	19	0	1
Total	397	29.9%	323	59	14	1
Fall Peak Meeting						
September 2002	161	12.1%	138	22	1	0
October 2002	103	7.8%	87	11	4	1
Total	264	19.9%	225	33	5	1
Fall/Winter Shoulder						
November 2002	78	5.9%	68	7	3	0
December 2002	74	5.6%	69	4	1	0
Total	152	11.5%	137	11	4	0
Winter						
January 2003	164	12.3%	143	15	3	3
February 2003	128	9.6%	119	8	1	0
March 2003	96	7.2%	74	18	4	0
Total	388	29.1%	336	41	8	3
Spring Shoulder						
April 2003	50	3.8%	43	6	1	0
May 2003	77	5.8%	67	7	3	0
Total	127	9.6%	110	13	4	0
Total	1,328	100.0%	1,131	157	35	5
Percent of Total		100.0%	85.2%	11.8%	2.6%	0.4%

Source: Park City Chamber and Visitors Bureau

During the course of our interviews with representatives of meeting facilities in Park City, we asked questions regarding the origin of meetings throughout the year. During the winter ski season, virtually all the groups meeting in Park City are considered national groups, with meeting attendees coming to Park City from across the country. These groups are attracted to the area due to the availability of skiing. During the spring shoulder season, virtually all the groups meeting in Park City are state groups, with a large number of attendees coming from the Salt Lake City Metropolitan Area and the Wasatch Front. Due to uncertain weather conditions, limited activity availability and the cost of transportation to the area, it is difficult to attract national groups to a mountain resort during the spring shoulder season. During the summer and fall peak meeting seasons, group meetings emanate from a mix of national and state groups. A variety of amenities, reasonable room rates and excellent weather attracts both national and state group business to the area. Demand during the fall shoulder season primarily emanates from state groups. Due to uncertainty regarding weather and snow conditions, many national meeting groups prefer to wait until later in the ski season, when it is likely that snow conditions will be better.

Historical Lodging Occupancy and Average Daily Rate

Park City, as is true in many resort markets, has a highly seasonal lodging market. Occupancy and average daily rate (ADR) variations reflect this seasonality, with lodging operations reporting high occupancy and rates in late December, January, February and March during the prime winter ski season. Summer occupancy levels in July and August have been increasing, primarily due to more meetings and summer tourists, but room rates are somewhat low and occupancies are certainly not at peak. The spring months of April and May, as well as late autumn months of October and November, reflect lower occupancy levels. September is stronger than spring, but still below summer levels. December occupancy depends on snow conditions, but is generally low relative to January through March.

Obviously, one of the major reasons to attract meetings is to improve lodging occupancy and ADR levels. Larger meetings are concentrated in the March through May and September and October period. Smaller meetings are concentrated throughout the rest of the year. This meeting time changes in resorts. Nationally, resort meeting times are definitely skewed toward that resort's prime season and what is referred to as the 'second season.' In mountain resorts, prime season is generally February and March and second season is the peak summer months of July and August. A review of the seasonality of Park City meetings somewhat reflects this national trend.

In 2000 and 2001, approximately 31 percent of meetings were held January through March and 26 percent June through August. In 2002, due to the Olympic Winter Games, seasonality of meeting reservations were skewed with peak months occurring in fourth quarter with 44 percent.

TABLE 14: PARK CITY MEETINGS BY MONTH	2000	2001	2002
January	7%	13%	4%
February	9%	9%	4%
March	12%	12%	7%
April	7%	3%	1%
May	9%	6%	14%
June	10%	6%	4%
July	15%	12%	6%
August	3%	6%	7%
September	8%	9%	9%
October	11%	11%	15%
November	6%	12%	19%
December	4%	0%	11%
Source: Park City Chamber and Visitors Bureau			

Park City occupancy is provided by the Park City Chamber and Visitors Bureau and does not separate out hotels and condominiums. Average Daily Rate (ADR) is provided by Smith Travel and Research and is based purely on hotel occupancy. For the past five years, operating results for Park City hotels are estimated as shown in Table 15:

TABLE 15: PARK CITY LODGING PROPERTIES ESTIMATE OF COMBINED OCCUPANCY AND AVERAGE DAILY RATE

Year	Occu-pancy	ADR
1998	44%	$89
1999	42%	$97
2000	41%	$105
2001	44%	$116
2002	41%	$125
Source: Smith Travel Research, Standard Historical Trend		

Hotels in Park City, consistent with other mountain resorts, operate at a higher occupancy but a lower average rate than condominiums. This is due to the availability of meeting space in hotels but smaller rooms with fewer in-room amenities. Hotels are also more affordable for the more price-sensitive traveler. Condominium occupancy levels can be misleading. If a unit is only rented during the winter, and is not available other times of the year, occupancy is difficult to determine, i.e., is it based on a full year availability or only during the period offered?

Review of seasonality in Park City reveals the market operates very seasonally. Table 16 summarizes monthly occupancy levels from the Park City Chamber and Bureau and the Smith Travel Research report.

Table 16: PARK CITY LODGING SEASONALITY, 2002

Month	Occu-pancy	ADR
January	63%	$207
February	76%	$338
March	67%	$164
April	24%	$89
May	18%	$73
June	33%	$88
July	46%	$182
August	49%	$91
September	31%	$85
October	24%	$81
November	22%	$80
December	42%	$65
Source: Park City Chamber and Visitors Bureau; Smith Travel Research, Standard Historical Trend		

Review of seasonality indicates there is room for occupancy improvement in Park City even in the prime winter months. Hotels with meeting space operate at five to ten percentage points greater occupancy most of the year, with the exception of the peak months of February and March which maintain high occupancy rates across the board. Properties without meeting space operate at lower occupancy levels and pull the overall averages down. There is, however, room for improvement in occupancy levels during all times of the year. Additional meeting space would bring in increased demand, which would likely benefit both properties with and without meeting space.

Reputation of Park City as a Resort

During the initial market study, numerous interviews were completed with meeting planners to assess their opinions of Park City and other western mountain resorts which cater to the group market segment. While we have not completed interviews with meeting planners as part of this update, we believe that several of the opinions expressed by meeting planners during the initial market study remain true. In addition, we believe it is important to consider these opinions in this analysis. The following generalized opinions were stated in the original report.

- Park City has a very strong, positive reputation among the majority of meeting planners who have visited and are familiar with the resort.
- For meeting planners not familiar with Park City, there appears to be some misconception about the resort atmosphere and a lingering question about the availability of alcohol, nightlife and the resort experience.

- Park City receives considerable praise from meeting planners on access, cost of lodging, food and beverage, and transportation cost and availability.

- Many meeting planners commented on a "Utah Stigma," which prevailed among the members of their organization.

Advantages and Disadvantages of Park City as a Meeting Destination

Based on the research completed for this update, we have reviewed the advantages/disadvantages of Park City as a meeting destination that were identified in the original market study, and have amended the list as necessary.

<u>Advantages</u>

- Close proximity to a major metropolitan area and a major hub airport;
- Easier and less costly access from the airport to the resort than most mountain resort competitors;
- A well-established resort reputation;
- A wide variety of shopping alternatives;
- A wide variety of restaurants;
- A city with an interesting history, embodied by the Main Street shopping district;
- Multiple ski areas within easy access;
- Major activities during two seasons (skiing in the winter and golf, mountain biking, hiking, etc. in the summer);
- Lower cost structure for meetings verses other mountain resort competitors;
- Excellent public transportation within the resort;
- Reputation as a family-oriented resort; and
- Positive exposure to meeting planners and prospective meeting attendees from the 2002 Winter Olympics.

<u>Disadvantages</u>

- Lack of a large, full-service chain-affiliated hotel to act as a headquarters hotel for larger meetings;
- Lack of meeting space to effectively accommodate groups of over 300 attendees, or to handle multiple groups of over 100 attendees;
- The lack of a "concentration" of hotel rooms to be able to achieve blocks of rooms close to meeting space;
- No "perfect site" within Park City on which to construct a free-standing conference facility to take advantage of all services and amenities;
- The smaller population base (Wasatch Front) proximity to the resort when compared to competitors in Colorado;
- The lack of large corporate entities within the State of Utah;
- Proximity of Park City to Salt Lake City, which limits the number of people who will stay overnight when attending meetings; and
- A "stigma" about Utah and its "perceived" liquor laws by out-of-state people.

RECENT DEMOGRAPHIC & ECONOMIC TRENDS IN PARK CITY

Area Description

Park City is located approximately 20 miles east of Salt Lake City in Summit County, Utah. The town is home to three ski resorts: Park City, Deer Valley, and The Canyons. Tourism in winter months has been steadily rising over the past decade. In the 1980's, attention was paid to expanding the area's attractions with the aim of becoming a year-round resort. This was supported with developments such as the Jeremy Ranch and Park Meadows golf courses. Similarly, much expansion preceded the 2002 Winter Olympic Games. Park City is easily accessed via Interstate Highway 80 (I-80) and for air travelers through the Salt Lake International Airport.

Retail Sales

An analysis of the recent trends in tourism-related industries such as retail sales, hotel/lodging expenditures and restaurant spending in the Park City area becomes the starting point for analysis. These figures serve as the baseline against which the anticipated growth related to a conference/convention center can be compared.

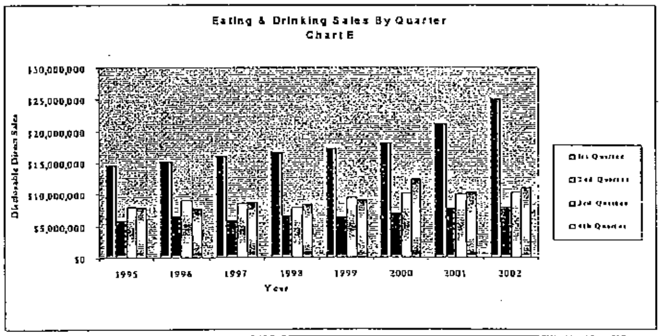
A review of the last seven years of retail sales data for Park City illustrates the increasing importance of the tourism industry to the local economy. Expenditures for restaurants, hotels, and recreation are evaluated when considering tourist-related sales. These sales represent nearly 50 percent of Park City direct sales in 2002. This is a substantial proportion for only three industries – particularly since these three industries rely on huge sales volume to achieve this level, as opposed to industries which sell high-priced commodities.

Of the three sectors under study, hotel and lodging sales have increased at the fastest rate – a seven percent per year compound growth rate. Eating and drinking establishment sales have grown at an average annual rate of six percent. This is also reflective of the increases in total sales for Park City of over roughly five percent per year.

Seasonal Sales Analysis

Because of the seasonal nature of resort communities, it is interesting to evaluate the patterns of sales over a calendar year to isolate the seasonality of the market in Park City. One would anticipate sales in the winter months (Park City's high season) would be higher for tourism-related expenditures, followed by the summer months. The second quarter (April through June) is 'mud season' and would likely see a decline in expenditures.

Eating and Drinking

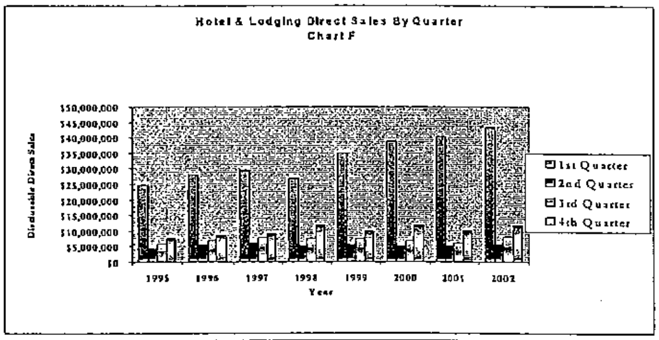


A summary of quarterly sales for eating and drinking establishments is included in Appendix A. The information is illustrated in the graph. As expected, first quarter sales are much higher than the other three quarters. Sales have grown most rapidly during the first quarter (eight percent). Second and Fourth quarter sales have increased at an average rate of five percent per year, while third quarter sales have increased at only four percent per year.

TABLE 17: SELECTED TOURISM-RELATED EXPENDITURES AS A PERCENTAGE OF TOTAL SALES; PARK CITY, UTAH 1995 - 2002 (in thousands)

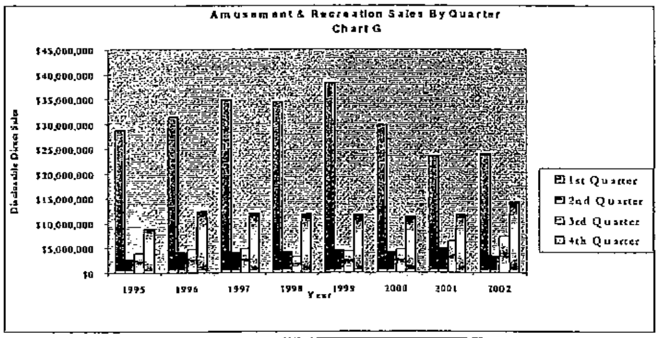
Year	1995	1996	1997	1998	1999	2000	2001	2002
Retail-Eating & Drinking	$36,267	$38,533	$39,176	$39,692	$42,059	$47,632	$49,135	$54,557
Services-Hotels & Lodging	$41,927	$48,589	$52,331	$51,248	$58,221	$62,652	$61,711	$68,908
Services - Amusement & Recreation	$44,340	$52,817	$55,930	$53,667	$58,821	$49,836	$46,398	$49,011
Total Eating/ Lodging/ Recreation	$122,535	$139,941	$147,440	$144,609	$159,103	$160,121	$157,246	$172,478
Total Direct Sales	$289,807	$308,759	$299,074	$297,739	$315,438	$351,828	$365,172	$397,725
Eating/ Lodging/ Recreation as a Percentage of Total Sales in Park City	42%	45%	49%	49%	50%	46%	43%	43%
Source: Utah State Tax Commission								

Hotels and Lodging



As with eating and drinking sales, the first quarter lodging sales far outpace the remaining three quarters–but by a much larger margin. The fourth quarter sales are much lower. This suggests that the relative strength of the fourth quarter eating and drinking sales outlined above is related to local demand (Wasatch Front) rather than tourism. Year-to-year sales from January to March have increased at a faster rate than have sales in other quarters (eight percent per year). The detailed sales figures are included in Appendix A.

Amusement and Recreation



In Park City, amusement and recreation sales are going to be, for the most part, ski lift ticket sales. As expected, there is a strong dominance of winter-season sales in the quarterly analysis. The actual sales figures by quarter are included in Appendix A and are illustrated in Chart G. First quarter 2002 experienced a one percent increase over first quarter 2001 spending as a result of the Olympic Winter Games as well as a general improvement in the economy relative to 2001. Amusement and recreation sales decreased 22 percent from first quarter 1999 to first quarter 2000.

Population

Between 1990 and 2000, population in Park City has seen a 65 percent increase from 4,500 to 7,400 people, or a five percent average compound growth rate. The tourism-related expenditures have growth rates that match or slightly exceed a five percent rate (with the exception of amusement and recreation) which substantiates the increase in tourism over the same period.[3]

Skier Days

The ski industry, with its related activities and support services, is a major contributor to the Utah economy. According to a 2003 report prepared by the Governor's Office of Planning and Budget, skier days in Utah were just over 3 million in the 2002 - 2003 season. In comparison, the estimated skier days for the state of Colorado in the 2002 - 2003 season exceeded 11 million.

The Park City ski area, comprising Park City, Deer Valley, and The Canyons resorts, accounted for 1,343,941 (42.8 percent) of total Utah skier days in the 2002 - 2003 season.

Destination skiers represent approximately 58 percent of Utah's total skier visits. Projections by the Governor's Office of Planning and Budget suggest this percentage will remain fairly constant over the next ten years, and that total skier visits in the state will rise to approximately 3.4 million by the year 2006. Assuming Park City retains its current market share, the area will host an estimated 1.5 million skier days at that time.[4]

Historical Growth of the Utah Ski Industry

Table 18 on page 21 demonstrates the growth of the Utah ski industry from 1996 to 2006 and shows the trends in skier visits at individual resorts. The ski market in Utah is competitive. Major competitors for the Park City area are Snowbird and Alta in Little Cottonwood Canyon, and Brighton and Solitude in Big Cottonwood Canyon.

[3] Mountainland Association of Governments

[4] Based on actual skier days through 2003, a three percent growth rate was conservatively applied annually, to determine the total skier days of 3.4 million in 2006.

Table 18: UTAH SKIER VISIT ESTIMATES BY RESORT

Resort	1996	1998	2000	2002	2004	2006
Little Cotton-wood Canyon	832,300	806,451	759,083	740,415	752,818	798,665
Big Cottonwood Canyon	577,400	651,364	591,787	543,126	541,622	574,607
Park City Area	1,055,900	1,204,399	1,158,911	1,161,734	1,384,772	1,469,105
Others	488,400	440,446	467,015	529,299	556,235	590,110
Total	2,954,000	3,101,735	2,976,796	2,974,574	3,235,447	3,432,486
Resort	1996	1998	2000	2002	2004	2006
Little Cotton-wood Canyon	28%	26%	26%	24%	23%	23%
Big Cottonwood Canyon	20%	21%	20%	18%	17%	17%
Park City Area	36%	39%	39%	40%	43%	43%
Others	17%	14%	16%	18%	17%	17%
Total	100%	100%	100%	100%	100%	100%
Source: Park Chamber & Visitor's Bureau; Utah State Office of Planning and Budget						

As seen in Table 18, the Park City area accounts for approximately 40 percent of skier days in Utah in 2002 and 43 percent in 2003. Little Cottonwood Canyon accounts for 23 percent of skier days and Big Cottonwood Canyon accounts for 17 percent in the 2002 - 2003 season. The remaining ski resorts in the state account for 17 percent of skier days. Considering only the primary markets of Park City, Little Cottonwood and Big Cottonwood resorts in 2003, Park City accounts for 52 percent of skier days, Little Cottonwood for 28 percent, and Big Cottonwood for 20 percent. In 1993, Park City garnered 34 percent, Little Cottonwood 30 percent, and Big Cottonwood 17 percent. Park City has shown strong growth over the past ten years, outpacing growth in the Utah ski market overall, with 374,000 increased skier days over the last ten years, versus 291,000 for the overall Utah market. This represents an average annual growth rate of three percent for Park City ski resorts and clearly indicates Park City is claiming skier days from other Utah ski resorts.

While the table reflects ongoing growth for the Utah ski industry, the industry is obviously impacted by weather conditions. Therefore, 2004 through 2006 forecasted skier days, while conservatively represented, could be overstated if drought conditions continue to worsen in Utah.

COMPETITIVE POSITION AND PROJECTIONS OF USAGE

The ability of a free-standing conference center in Park City to attract demand is dependent upon many factors. Our study of preliminary market feasibility is limited by several factors. A site for the conference center has not been identified and will have an impact on the level of demand accommodated by the facility. In addition, we have not conducted any interviews with meeting planners, nor have we conducted a detailed questionnaire which would give us insight on a meeting planner's propensity to hold a meeting in Park City. Additional research will also need to be completed regarding the competitive resorts. Because of this, our projections of usage for the proposed conference center are more subjective than would normally be the case.

In order to build a methodology for making projections of convention center usage, we first set up a series of assumptions about Park City and the competitive market. Next, based on our knowledge of the Rocky Mountain resorts, we compared the advantages and disadvantages of each mountain resort to Park City. The next step was to examine the meetings drawn to each competitor and why that resort was able to attract the type of meetings they have.

Assumptions

The assumptions made are critically important to our projections of usage for the proposed conference center. They establish a base line upon which estimates of the number of meetings that can be attracted to the market and facility can be made. Any material change in any of these critical assumptions would likely have a significant impact on the projections of usage.

- The proposed conference center is assumed to be a free-standing building, not physically connected to a lodging facility.
- The proposed conference facility is assumed to be marketed and operated by a public entity such as the Park City Chamber of Commerce/ Convention & Visitors Bureau.
- It is assumed that no major headquarters hotel will be developed in conjunction with the proposed conference center.

- It is assumed that no major headquarters hotel will be developed in conjunction with the proposed conference center.

- It is assumed that a headquarters hotel will not be developed in conjunction with the proposed conference center.

- It is assumed that the proposed conference center will be located proximate to a lodging base, as well as a variety of amenities, such as shopping and restaurants. It is assumed that the site selected will be within the city limits of Park City.

- It is assumed that the meetings market in the mountain resorts will begin to grow again, as the national economy recovers and experiences growth.

- It is assumed that no new major destination resorts will be developed within the Rocky Mountain area other than those expansions discussed in this report.

- It is assumed that the entity marketing the facility will have a sufficient budget to market the conference center.

Park City Comparison to Competitive Resorts

Advantages and disadvantages of Park City as a meeting destination were discussed previously in this report. In this section, we will summarize how Park City's competitive market position is impacted, relative to other resorts in the Rocky Mountain region.

<u>Park City Versus Snowbird</u>

Park City and Snowbird share many advantages. Both have excellent city, airport and major market access. The difference between the two lies primarily in the "feel" of the resorts. Park City has a substantial advantage with its old mining flavor, as well as its wide variety of shopping and restaurants. Snowbird is much more isolated than Park City, and is essentially, a "man-made resort." Snowbird has the advantage of having all operations under one management group, which gives them greater control over the lodging supply and meeting space.

<u>Park City Versus Vail, Colorado</u>

Vail is one of the most highly recognized ski resorts in the world, which gives the resort a competitive advantage when competing for meeting business. Vail also offers a wide variety of meeting and lodging facilities. As a result, Vail has an established reputation with meeting planners. Park City's advantages in comparison to Vail include superior access from a major hub airport and lower rates for almost all goods and services. The Town of Vail is currently studying the feasibility of a conference center with approximately 50,000 square feet of meeting space. This facility would become a direct competitor with Park City for larger meetings.

<u>Park City Versus Beaver Creek, Colorado</u>

Beaver Creek established itself as an upscale meeting destination during the 1990's, primarily due to the established operations at the Park Hyatt Beaver Creek Resort & Spa. While the amenity base of Beaver Creek increased during the 1990's, Park City offers a wider variety of restaurants and shopping. Park City also has superior access from a major hub airport and lower rates for almost all goods and services.

<u>Park City Versus The Broadmoor, Colorado Springs, Colorado</u>

The Broadmoor is a five-star destination resort that has a world-class reputation and is firmly established in the national meetings market. The Broadmoor currently has 114,000 square feet of meeting space and construction on an additional 60,000 square feet of space is scheduled to begin shortly. As a result, The Broadmoor can accommodate numerous large meetings. However, this can become a disadvantage, as meetings can lose their intimacy when several large groups are meeting at a resort. The accessibility of the two resorts to a major hub airport is considered comparable. In comparison to The Broadmoor, Park City offers a wider variety of lodging, quality level restaurants and shops, as well as a ski resort ambiance. In addition, Park City is significantly less expensive than The Broadmoor.

<u>Park City Versus Keystone, Colorado</u>

In comparison to Keystone, Park City has superior access and offers meeting attendees a wider variety of restaurants and shopping alternatives. Keystone's primary advantage is that it is a self-contained resort with common management over all facilities and marketing. In regards to price and variety of lodging, Keystone and Park City are considered comparable.

Park City Versus Aspen/Snowmass, Colorado

Park City's primary advantage in comparison to Aspen and Snowmass is its accessibility to a major hub airport. However, the Aspen/Snowmass area has excellent name recognition and an "international feel" that is popular with meeting planners.

Park City Versus Copper Mountain, Colorado

While an excellent ski area, Copper Mountain has struggled to become a true year-round destination due to the limited retail and dining alternatives at the resort. In comparison to Copper Mountain, Park City has superior access, a superior amenity package and a wider variety of lodging alternatives.

Park City Versus Breckenridge, Colorado

Both Park City and Breckenridge have established communities that offer visitors a wide variety of dining, shopping and lodging selections. In comparison to Breckenridge, Park City offers superior access from a major hub airport.

Park City Versus Jackson, Wyoming

In comparison to Park City, Jackson is very difficult and expensive to access. Both Park City and Jackson are located in scenic settings, and have established commercial areas offering a variety of shopping and restaurants. However, Jackson is better recognized by meeting planners due to its proximity to Grand Teton and Yellowstone national park's. Each resort offers a wide variety of lodging alternatives. However, during the summer season, Jackson lodging properties have limited availability due to the strength of tourism, as a result, group room rates are very high during the summer season.

Park City Versus Sun Valley, Idaho

Sun Valley Resort has always been a primary competitor for Utah resorts for Utah-based business. Sun Valley Resort is a self-contained property, although the town of Sun Valley is proximate to the resort. As a result, guests of Sun Valley have access to the amenities of the resort and the community. Park City offers superior access to a major hub airport and a wider variety of lodging alternatives in comparison to Sun Valley Resort. However, Sun Valley Resort has the advantage of having all operations under one management group, which gives them greater control over the lodging supply and meeting space.

DEMAND PROJECTIONS

Using the data gathered during the course of our research for this assignment and our general knowledge of the Rocky Mountain resort market, we have made estimates of demand for a proposed conference center to be located in Park City. It should be noted that the meetings projected to be accommodated by the conference center are incremental to those meetings already coming to Park City. Our analysis assumes the conference facility offers between 40,000 and 50,000 square feet of total space. The breakdown of these meetings, by size and season are shown in Table 19:

Table 19: ESTIMATED NUMBER OF MEETINGS

Season	<100	100 – 299	300 – 599	600+	Total
Jan – Mar	2 – 3	5 – 7	2 – 3	0 – 1	9 – 14
Apr – May	0	3 – 4	1 – 2	0	4 – 6
June – Aug	3 – 4	14 – 17	7 – 9	4 – 5	28 – 35
Sep – Oct	1 – 3	7 – 10	3 – 4	1 – 2	12 – 19
Nov – Dec	0	1 – 2	0	0	1 – 2
Total	6 – 10	30 – 40	13 – 18	5 – 8	54 – 76

Based on our analysis, it is estimated that the proposed conference center in Park City would account for between 54 and 76 incremental meetings at stabilization of the facility. Our previous analysis reflected up to 90 incremental meetings in a 'perfect' scenario, which included 15 – 30 meetings with fewer than 100 attendees. Since the completion of the earlier report, several facilities in Park City have been developed/expanded enabling existing hotels to capture a greater number of these smaller meetings. The 6–10 incremental meetings, with fewer than 100 attendees reflected above, assume local conferences without need for lodging would use the conference center.

The meeting market has grown in Rocky Mountain resorts as a result of existing facilities having developed and/or expanded facilities since the market was evaluated in our report of 1994. These resorts are now able to cater to not only more meetings, but also larger meetings, thus increasing their penetration of the market overall.

Estimated Annual Attendees

The average length of meetings and the average number of attendees per meeting has been estimated based on our interviews with meeting facility operators in the Rocky Mountain resorts, as well as a review of national data. The average meeting length by size of meeting is estimated as shown in Table 20:

Table 20: AVERAGE LENGTH OF MEETING BY SIZE OF MEETING	
Attendees	Length in Days
< 100	2.5
100-299	2.5
300-600	3.5
<600	3.5

The average attendance by size of meeting is estimated as shown in Table 21:

Table 21: AVERAGE ATTENDANCE BY SIZE OF MEETING	
Attendees	Average Attendance
< 100	75
100-299	200
300-600	400
<600	700

Annual average attendee days generated by the proposed conference center is estimated by multiplying the average number of attendees per meeting size by the average attendance number and the number of meetings to be held. This calculation is shown in Table 22.

Table 22: CALCULATION OF ANNUAL AVERAGE ATTENDEE DAYS				
Attendees	No. Of Meetings	Average Meeting Length	Average No. Of Attendees	Total Attendees
Low Estimate				
< 100	6	2.5	75	1,125
100-299	30	2.5	200	15,000
300-600	13	3.5	400	18,200
<600	5	3.5	700	12,250
Total	54			46,575
High Estimate				
< 100	10	2.5	75	1,875
100-299	40	2.5	200	20,000
300-600	18	3.5	400	25,200
> 600	8	3.5	700	19,600
Total	76			66,676

Based on this analysis, average annual attendee days are estimated to range from 46,575 to 66,676, rounded to 46,600 to 66,700 attendee days.

Estimated Annual Room Nights

The average number of room nights per attendee has been estimated based on our interviews with meeting facility operators in the Rocky Mountain resorts, as well as a review of national data. The average number of room nights per attendee by size of meeting is shown in Table 23. These estimates allow for attendees who may double up in rooms, those who stay for pre- and post-vacations, as well as those who do not lodge in the market.

Table 23: AVERAGE NUMBER OF ROOM NIGHTS BY SIZE OF MEETING	
Attendees	Room Nights Per Attendee
< 100	2.0
100-299	2.0
300-600	2.5
<600	2.5

Annual average room nights to be generated by the conference center is estimated by multiplying the average number of attendees per meeting size by the average occupied room nights per attendee and the number of meetings to be held. This calculation is shown in Table 24:

Table 24: CALCULATION OF ANNUAL AVERAGE ROOM NIGHTS				
Attendees	No. Of Meetings	Average No. Of Attendees	Room nights Per Attendee	Total Attendees
Low Estimate				
< 100	6	75	2.0	900
100-299	30	200	2.0	12,000
300-600	13	400	2.5	13,000
<600	5	700	2.5	8,750
Total	54			34,650
High Estimate				
< 100	10	75	2.0	1,500
100-299	40	200	2.0	16,000
300-600	18	400	2.5	18,000
> 600	8	700	2.5	14,000
Total	76			49,500

Based on this analysis, average annual room nights generated by the conference center is estimated to range from 34,650 to 49,500, rounded to 34,600 to 49,500 room nights.

ASSESSMENT OF FEASIBILITY

In order to assess feasibility of the project, estimated costs must be weighed against estimated income and tax revenues generated by users of the proposed facility. The methods used to project both costs and revenues are outlined below. Costs will be incurred for facility construction, debt service on facility costs, and annual operating expenses. Income will take the form of user rental fees for meeting space and equipment, profit on food and beverage sales. Tax revenues are based on estimates of expenditures in the Park City area made by the new visitors related to the center.

Evaluation of Costs

Facility of Construction

The building size is based on architects' evaluation of the meeting spaces needed to fulfill unmet conference demand. The architects' evaluation was prepared in conjunction with the original Park City Conference Center report dated 1994. For purposes of this analysis, we estimated 45,000 square feet and updated construction costs accordingly. These costs are based on construction cost indices, local experience of architects, and a local construction cost estimating firm.

Debt Service on Facility Cost

Debt service is calculated based on estimated building costs of $6.8 million, and land costs of approximately $1.7 million. Generally, land costs are 20 percent of total construction costs. In addition, costs of issuance are anticipated to be 2.5 percent of the total amount borrowed. After consultation with local bond and financial analysts, an interest rate of five percent is used in our calculations.

Annual Operating Expenses

Operating expenses are calculated on a square foot basis by comparing operating expenses of convention centers in the western United States. In order to account for the higher operating expenses of resort locations, often slightly higher-than-average projections are made. These projections are in-line with the expenses of other resort locations.

Evaluation of Revenues

The projected center will generate incomes directly through expenditures at the center, and indirectly through expenditures related to convention activities but not based at the center. We have also evaluated additional expenditures of attendees in the Park City area and increased tax revenues related to these expenditures.

Direct Expenditures

Direct expenditures include all rental fees paid by groups for use of convention facilities and all commissions on food, beverages, equipment rental and other services at the convention site. For purposes of comparison, these direct expenditures have been calculated using two different methods. Method 1 relies on a 2002 study completed by the accounting firm of Deloitte & Touche for the International Association of Convention & Visitor Bureaus (IACVB). The survey includes 99 convention bureaus and over 400 events nationwide. Results of this survey give costs per attendee per day at a convention, allowing projection of costs for Park city based on these costs and the estimated number of attendees.

Method 2 uses an average of convention center fees on a square foot basis. Data was obtained through telephone interviews with convention center managers in the western United States.

Since the information used is based on nationwide figures, totals have been adjusted to reflect cost-of living in the Park City area. Adjustments are based on the Salt Lake City MSA cost-of-living index for 1st quarter 2003. The Salt Lake City MSA is the closest geographical area for which cost-of-living figures are available. Where available, actual Park City data has been used. Use of the two methods takes advantage of actual attendee projections for the Park City area as well as the experience of established convention centers.

Indirect Expenditures

Indirect expenditures are those monies disbursed to contractors for items such as staff members' living expenses, services hired (translators, transportation, etc.), and other spending (entertainment, promotional items, printing services, etc.). These services are convention-related, but are not based at the convention site. Estimates of indirect expenditures are also taken from the IACVB Convention Income Survey Report and projections are based on the number of estimated attendees at the Park City center.

Additional Expenditures in Park City

The IACVB report contains a breakdown of average attendee expenditures at conventions. These numbers were utilized in projecting additional expenditures by convention attendees at Park City. It is important to note that indirect expenditures and additional attendee expenditures vary by type, scope, and size of event. International, national and regional conventions generate greater average expenditures than do local events. The figures calculated in the IACVB report reflect this disparity. However, the IACVB survey assumes 31 percent of convention events to be state or local events, and the remaining 69 percent to be international, national, or regional. Park City has a slightly higher ratio of local events than the national average; thus, revenues may be slightly overstated.

Tax Revenues

Taxes may be generated through the Resort Tax (one percent), Transit Tax (.25 percent), and Local Option Sales Tax (one percent with an effective rate of .75 percent). All these taxes in Park City are currently levied at the maximum rate allowed by law. Within Summit County, a Local Option Tax (.25 percent) is levied, as well as Restaurant Tax (one percent), Botanical, Cultural & Zoological Tax (one-tenth of one percent), and Transient Room Tax (three percent). The tax rates and total tax revenues are identified by retail spending category in Table 31 below.

The Transit Tax contributes approximately $27,000 to Park City, based upon the attendee assumptions used in this analysis. Transit Tax revenues go back into Park City's transportation fund to support local bus service which is critical to the success of a Conference Center.

Feasibility

Feasibility of a Park City conference center can be approached in various ways. If the operating income generated at the center is high enough to offset expenses and debt service, then the project is certainly feasible. None of the convention centers interviewed for this project are able to do this. As can be seen in the analysis below, Park City will also find this to be an extremely difficult task.

A project may also be feasible if the costs of the center can be paid for through operations plus incremental tax revenues generated by the users of the center. Most centers require additional funding sources to meet annual expenses. The following section evaluates the projected operations of the center and the incremental tax revenues generated by the project. Various options for additional revenue sources are also presented.

Operating Income

Operating income is projected using two different methods. Method 1 is based on average attendee expenditures and projected attendee days and Method 2 uses actual income per square foot received at comparable centers. Method 1 relies on the IACVB survey which provides data for rental fees on a delegate basis as shown in Table 25:

Table 25: BREAKDOWN OF ASSOCIATION EXPENDITURES 2002

Type of Expenditure	Total	Daily Total	Daily Spending per Attendee
Food and Beverage	$59,938	$16,026	$8.31
Exhibition Space Fees to Facility	$13,070	$3,495	$1.81
Additional Exhibit Hall/Meeting Room	$10,823	$2,894	$1.50
Staff Members' Living Expenses	$9,350	$2,500	$1.30
Equipment Rental (A/V, Computers)	$11,734	$3,137	$1.63
Services Hired (Translators, Transportation)	$16,795	$4,491	$2.33
Other*	$22,580	$6,037	$3.13
Total	$144,289	$38,580	$20.00

Source: 2002 Convention Income Survey, International Association of Convention & Visitor Bureaus

The IACVB survey is based on 1,929 attendees. The average spending per attendee per day totals $20 which is comprised of the daily expenditures outlined above. To project food and beverage related direct operating income, a 25 percent commission was applied to the $8.31 food and beverage spending per attendee per day. The resulting direct operating income is roughly $2. The conference center fees of $7.02 as shown in Table 26 are comprised of exhibition space, additional exhibition hall/meeting room, equipment rental and a portion of 'other' expenditures.

TABLE 26: PROJECTED DIRECT OPERATING INCOME BASED ON ATTENDEE DAYS (Method 1)

	Daily Fees Per Attendee	Total
Total Conference Center Fees	$7.02	$384,248
Commissions - Food and Beverage (25%)	$2.08	$113,613
Total Operating Income	$9.10	$497,861
Cost of living index for Park City		99%
MSA Adjusted Totals		$492,882
Attendee Days		54,700

PROJECTED DIRECT OPERATING INCOME BASED ON OPERATIONS OF COMPARABLE CENTERS (Method 2)		
	Avg. Costs	Total
Total Conference Center Fees	$7.91	$355,950
Commissions - Food and Beverage (25%)	$2.08	$113,613
Total Operating Income	$9.99	$469,563
MSA Adjusted Totals		$464,867
Attendee Days		54,700
Square Footage		45,000

Method 2 relies on the experience of established convention centers to determine an average income of nearly $10 per square foot including food and beverage commissions. We averaged results from five comparable convention centers, resulting in $7.91 in conference center fees. Food and beverage commissions were determined using the same procedures as in Method 1.

Revenues generated by usage of the Center could be understated since the figures used reflect national averages; whereas it is possible the fees in a resort market would be higher.

Operating Expenses

Operating expenses are projected in Table 27, based on comparable expenses of convention centers in the western United States. The square foot projection for the proposed conference center is 45,000 at an operating expense per square foot of approximately $25, which results in an annual operating budget of roughly $1.1 million. This does not include annual debt service.

TABLE 27: OPERATING EXPENSES		
	Cost per Square Foot	Total
Personnel	$11.29	$508,172
Contract Labor	$1.89	$85,165
Administrative and General	$1.69	$76,141
Food & Beverage Expense	$1.74	$78,397
Event Services Expense	$2.22	$99,830
Marketing	$1.99	$89,677
Utilities and Maintenance	$4.44	$199,659
Parking Expense	$0.18	$7,896
Total	$25.44	$1,144,938
Square Feet	45,000	

Facility Conceptual Program and Cost

The meeting room and facility diagrams included as Exhibit A provide a preliminary demonstration of how the facility could be configured on two floors. The diagrams should not be considered as a facility design. Locations of stairs, corridors, elevators and final room sizes and configurations would be developed during the actual design. The diagrams represent a workable size and configuration to develop preliminary budget information. The square footage of the diagram equals 54,000 square feet based on our previous analysis. For purposes of this updated analysis, we are assuming a facility comprised of 45,000 square feet.

The cost information presented is based on the judgment and recent bidding experience of the consultants, as well as on estimating guides and conversations with professional construction cost estimators. The project is estimated to cost $151.50 per building square foot.[5]

Funding of the Facility

The most likely source of financing for the proposed conference center is a lease revenue bond through a Building Authority. This is the usual financing method for convention centers; for example, the Salt Lake Convention Center was funded in this manner through the Salt Lake County Municipal Building Authority.

Costs of issuance are figured at approximately 2.5 percent of the amount borrowed.[6] Assuming construction and design costs of approximately $6.8 million, land costs of roughly $1.7 million, and $200,000 for costs of issuance, the total amount borrowed is $8.5 million. Assuming a 20-year term, at five percent interest,[7] the annual debt service on the bond is roughly $700,000.

Incremental Revenues Generated by the Center

Indirect expenditures are outlined in Table 28. This is based on the IACVB report, and projects $4.62 (adjusted for local cost of living) in indirect expenditures per day per attendee.

TABLE 28: PROJECTED INDIRECT EXPENDITURES		
Type of Expenditures	Per Delegate per Day Expenditures	Total
Staff Members' Living Expenses	$1.30	$70,895
Services Hired (Translators, Transportation)	$2.33	$127,339
Other	$1.04	$57,066
Total	$4.67	$255,300
MSA Adjusted Totals	$4.62	$252,747

5 Parametrix, Inc.
6 Zions Bank, Inc.
7 Zions Bank, Inc.

The IACVB report also contains a breakdown of average attendee expenditures at a convention. Table 29 summarizes these expenditures:

TABLE 29: BREAKDOWN OF ATTENDEE EXPENDITURES (all conventions)

Type of Expenditures	Total Expenditures	Daily Expenditures	Park City Adjusted
Hotel Rooms	$368	$122	$125
Hotel Restaurants	$104	$34	$34
Other Restaurants	$96	$32	$32
Tourism/Sightseeing	$15	$5	$5
Admission to Shows	$8	$3	$3
Recreation	$8	$3	$3
Sporting Events	$3	$1	$1
Local Transport	$14	$5	$5
Retail Stores	$76	$25	$25
Auto Rental	$23	$8	$8
Gasoline	$13	$4	$4
Other	$25	$8	$8
Totals	$753	$250	$248

The $3 in recreation spending above reflects national averages. Assuming winter meeting attendees will enjoy Park City's ski areas while visiting, this figure could be increased by $20 per attendee[8] according to data provided by the Park City Chamber and Visitors Bureau. Based on current assumptions, this could increase projected annual tax revenues by roughly $24,000.

The IACVB estimates include expenditures for the meeting attendee only. In resort markets, many attendees bring spouses or families who also spend money. Based on interviews with competitive resort hotels and conference centers, it appears that a fair number of attendees bring spouses or families. Based on this analysis, it would appear that families or spouses accompanying an attendee to a meeting will affect the economic impact of the proposed performance and conference center.

Table 30 projects attendee expenditures in the Park City area, based on the estimated attendee projections:

TABLE 30: PROJECTIONS OF TOTAL ATTENDEE EXPENDITURES

	Total
Room Nights	40,700
Attendee Days	54,700
Total Hotel Room Expenditures	$5,094,555
Total Restaurant Expenditures	$3,574,098
Total Other Expenditures	$3,357,486
Total Attendee Expenditures	$12,026,139

Potential Tax Revenues

Projected incremental tax revenues for the Park City area are show in Table 31. No taxes are charged on conference center rental facilities, but tax revenues are included on sales of food, beverages and other services at the convention center. The sales tax rate in Park City is 6.35 percent. Of this amount, two percent is returned to Park City. One percent is returned as a Resort Tax, .25 percent is returned as Transit Tax, and approximately three-quarters of one percent is returned as a Local Option Tax.

TABLE 31: TAX REVENUES

	Total Sales	Park City Tax Rate	Park City Tax Revenues	Summit County Tax Rate	Summit County Tax Revenues	Total Tax Revenues
Food and Beverage Sales	$454,452	2.00%	$9,089	0.25%	$1,136	$10,225
Other Association Expenditures	$252,747	2.00%	$5,055	0.25%	$632	$5,687
Total Hotel Room Expenditures	$5,094,555	2.00%	$101,891	3.25%	$165,573	$267,464
Total Restaurant Expenditures	$3,574,098	2.00%	$71,482	1.25%	$44,676	$116,158
Other Attendee Expenditures	$3,357,486	2.00%	$67,150	0.25%	$8,394	$75,543
Total	$12,733,338		$254,667		$220,411	$475,078

Summit County sales tax rates include one-tenth of one percent for Botanical, Cultural, and Zoo Tax and one-quarter of one percent for County Option Sales Tax. Restaurants in Park City area add another one percent to the above Summit County taxes. The Transient Room Tax adds three percent to all hotel and motel sales.

Evaluation of Feasibility

Annual operating expenses for the proposed center approximate $1.1 million annually. Inclusion of debt service of approximately $700,000 results in requirements of $1.8 million annually for the convention center. This estimated $1.8 million is only partially offset by the sources of revenue outlined

8 Park City Chamber and Visitors Bureau

above. Table 32 summarizes the net cash flows for the center during a stabilized year of operations.

TABLE 32: PROJECTED CASH FLOWS BASED ON ATTENDEE DAYS (Method 1)	Total
Operating Income	$492,882
Tax Revenues	$475,078
Total Income and Revenues	$967,960
Operating Expenses	$1,144,938
Debt Service	$700,913
Total Expenses	$1,845,850
Total Cash Flows	($877,890)
PROJECTED CASH FLOWS BASED ON ATTENDEE DAYS (Method 2)	**Total**
Operating Income	$464,867
Tax Revenues	$475,078
Total Income and Revenues	$939,945
Operating Expenses	$1,144,938
Debt Service	$700,913
Total Expenses	$1,845,850
Total Cash Flows	($905,905)

It appears the Center will generate negative cash flows of roughly ($900,000) (averaging the two methodologies above). Operating income will only offset expenses by approximately $475,000 during a stabilized year of operations, and tax revenues will generate $475,000, for a total of approximately $950,000 in revenues.

When evaluating number of attendee days and room nights at the lower end, or roughly 47,000 and 35,000 respectively, total cash flows average negative $1 million. An evaluation of profitability at the higher end, or 49,500 room nights and 67,000 attendees days, results in negative cash flows averaging ($720,000).

Additional Funding Resources

Some options exist to increase revenues and offset anticipated expenses. First, additional dedicated revenue sources can be established. Some of the convention centers interviewed had arrangements with a local institution or agency which pays a set yearly fee for partial use of the conference facilities. The convention center in Ogden, Utah has guaranteed participation by Weber State University. This approach does not seem feasible for the Park city area, as no local institution with large conference center needs is apparent.

A second approach is to increase existing tourism tax rates to increase the incremental revenues generated by users of the facility. Unfortunately, in Park City the Local Option Tax (maximum one percent), County Transient Room Tax (maximum three percent), Restaurant Tax (maximum one percent), and Motor Vehicle Rental Tax (maximum three percent) are currently at the maximum rates allowed by law. Any increase in these taxes would require legislative action.

It is possible, upon voter approval, to impose a Municipal Transient Room Tax of one percent or up to 1.5 percent under certain circumstances[9]. However, when proposed in Park City some years ago, the increased tax was strongly opposed by local hoteliers, and was not pursued.

The Resort Tax of one percent, however, can be increased .5 percent upon voter approval for municipalities whose transient room capacity is greater than or equal to 66 percent of the permanent census population. Park City meets this requirement with the 2002 U.S. Census of 8,300 and transient room capacity of roughly 6,000 units.

Based on current assumptions, Park City businesses would recognize an additional $12.7 million in revenues annually as a result of incremental conferences held in Park City. The 1.5 percent Municipal Transient Room Tax and additional .5 percent Resort Tax could produce an additional $140,500 annually.

A third approach is to dedicate more than just the incremental revenues related to the use of the facility using the existing tax base for the operation of the center. In 2002, Summit County received total transient room tax revenues of $3.2 million. It is assumed that the bulk of these taxes were generated in the Park City area. Currently, 90 percent of these monies are returned to Park City[10]. A portion of these monies could be allocated to the conference center. The resort tax generated $3 million in 2002 for Park City. The restaurant tax produced roughly $1 million for Summit County. Obviously, the dedication of these monies takes the revenues from existing recipients, which is politically difficult.

Finally, another option is the creation of a special assessment district. This would essentially be a tax on local residents and would likely be met with local resistance.

Additional revenues could be raised through contributions for the center's construction from the state or local governments and from private industry. Such donations would serve to reduce the bonded indebtedness of the project, and thus lower expenses on a yearly basis. For example, for every $1 million contributed up front, the annual debt service drops by roughly $82,000. It is often easier to raise a lump of capital up-front, than to continuously identify ongoing sources of funds.

RECOMMENDATIONS & CONCLUSIONS

There is an unmet demand for meeting space catering to larger groups in the Park City area. Mountain resort meeting market demand is growing as competing facilities in the west expand to cater to larger, corporate parties. Park City is not capturing its share of the 300+ attendee market. Existing hotel-facilities are able to cater to smaller meetings, but research shows Park City is challenged to support meetings exceeding 250 people. Preliminary analysis reflects an incremental 54 to 76 meetings could be captured if a conference facility were constructed.

While the overall financial projections have improved since the 1995 study, there remains a substantial projected annual loss for operations after debt service of about ($900,000). Possible new tax revenues on lodging and resort-based businesses can reduce the projected losses by about $140,500, but the total gap cannot be filled without reallocation of existing revenues.

In addition, there are several issues which need to be addressed fairly early in determining whether to proceed with a conference center. The outcome of these issues would ultimately impact the feasibility of the project. These issues are detailed below:

Site Constraints

The site for the conference facility should be selected fairly early in the process, as this will have a significant impact on the performance of the conference center. There is limited land available within the Park City area for the development of a center, and the land that is available is not in an optimal location. The site selected should be proximate to a lodging base, as well as to a variety of amenities, such as shopping and restaurants. Similarly, the site should allow for future expansion. Access to parking as well as bus transportation also needs to be considered in site selection.

Bus transportation needs to be addressed as part of the site selection process. The site will need to be centrally located to the various lodging bases in Park City. It will be necessary to provide efficient, rapid transportation service to convention attendees to overcome concerns from meeting planners regarding Park City's ability to move meeting attendees between lodging and conference facilities. Transportation will need to be frequent and convenient. For example, a hub and spoke system might be used with the conference center as the hub and the various lodging bases as the spokes. We recommend the current transportation system be evaluated to determine if servicing the conference center is feasible as currently designed, or whether changes to the transportation system can be made to accommodate the conference center. Obviously the cost of any adjustments must be analyzed as part of the overall process.

Funding Issues

Initial funding of the center could best be achieved through a lease revenue bond. As outlined above, on-going funding of the Conference Center could present a challenge as operating expenses exceed anticipated income. The Center could be funded through incremental taxes; however, this presents its own challenges and probably is not a viable alternative. Raising additional revenues through private donations at the outset of the project, could reduce the need for on-going funding of the facility.

Other Issues

The ability to effectively market the conference center will have a significant impact on the success of the facility. Money for marketing will need to be incremental funds, rather than funds currently budgeted for existing marketing efforts in Park City. Incremental marketing dollars needed could range from $250,000 to $750,000 annually. A more in-depth analysis of the marketing budget would need to be completed to estimate the incremental marketing dollar requirements.

9 Utah Tax Code 59-12 Part 3A allows municipalities to impose a municipal transient room tax of one percent or up to 1.5 percent under certain circumstances.

10 Summit County Assessor's Office.