



TELLURIDE CONFERENCE CENTER STUDY

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MOUNTAIN VILLAGE, COLORADO



June 5, 2012



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Mr. Chris Hawkins  
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Re:  
Mountain Village, Colorado

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Singapore

Dear Mr. Hawkins:

Pursuant to your request, we herewith submit our Telluride Conference Center Study for the in Mountain Village, Colorado.

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

It has been a pleasure working with you. Please let us know if we can provide any additional services.

Sincerely,  
HVS Convention, Sports & Entertainment  
Facilities Consulting

Thomas A Hazinski  
Managing Director

Catherine Sarrett  
Project Manager



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## ACKNOWLEDGMENTS

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### Town of Mountain Village Council Members

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Bob Delves, Mayor  
Richard Child, Mayor Pro-Tem  
Dave Schillaci  
Catherine Jett  
John Howe  
Jonette Bronson  
Dan Jansen

### Telluride Conference Center Task Force Members

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Brandt Garber, Telluride Film Festival-Telluride Conference Center (TCC) User Group Representative  
Tony Kalyk, TCC Operator Representative  
Bruce MacIntire, Peaks Homeowners Association Representative  
Peter Mitchell, Broader Community Representative  
Dave Riley, Telluride Ski and Golf (TSG) Representative  
Dave Schillaci, Mountain Village Town Council Member Representative  
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### Town of Mountain Village Staff

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Kim Montgomery, Town Manager  
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### Alternate Task Force Members

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Matt Skinner, TSG  
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Jim Royer, Broader Community Member

### Special Thanks to the Following Entities for Funding the TCC Study:

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TMVOA  
TSG  
The Peaks  
Mountain Village Hotel Site Owner, Unity Hunt, Inc.  
Town of Mountain Village  
TCC Operator, Alchemy, LLC  
Marketing Telluride, Inc.

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# 1. Introduction and Executive Summary

## Nature of the Assignment

The Town of Mountain Village (“Town”) engaged HVS Convention, Sports & Entertainment Facilities Consulting (“HVS”) to conduct an Expansion Study of the Telluride Conference Center (“TCC”) in Mountain Village, Colorado. The purpose of the study is to develop a plan to expand and improve the TCC in order to increase its effectiveness and allow for better utilization and increased usage. The Town would like to determine whether a redesign of the TCC would have a positive impact on hotel occupancies and visitor spending in Mountain Village. In addition to addressing the physical programming of the TCC’s function spaces, HVS also assessed the presence of other visitor amenities in the market and the strategic initiatives which are in place to support the TCC operations.

## Ownership and Management

The Town owns the TCC which was originally funded in 1998 via an \$8.5 million general obligation bond. Subsequent refinancing reduced the overall debt service which currently has \$1,755,000 outstanding with final maturity on December 1, 2017. Opened in 1999, the 7,800 square feet of conference center function space has remained relatively unchanged. The Peaks resort operated the TCC through October 2002. The Town took over operations through 2009 when it signed a five-year private management contract with Cadence Group (“Cadence”). Cadence assumed all management and operating responsibility for the TCC, including booking events, client services, and maintenance. The management contract between the Town and Cadence was not made available to HVS as a part of this analysis.

## Methodology

In accordance with the Scope of Services, HVS performed the following tasks:

1. Conducted a site visit and client meeting with Thomas Hazinski and Catherine Sarrett travelling to Mountain Village, Colorado on December 12, 2011. During this visit, they toured the facility, performed a site inspection, met with facility management and other key industry participants, and gathered relevant data.
2. Analyzed the economic and demographics that indicate whether, and the extent to which, the local market area is supportive of the Telluride Conference Center and a potential expansion.
3. Surveyed current and potential users of the TCC to understand their event needs, their overall impressions of Mountain Village, Telluride, and the TCC, and the likelihood of booking events in the facility.

4. Reviewed and analyzed historical demand, attendance, and financial data provided by the TCC,
5. Reviewed and analyzed sales and marketing data provided by the Telluride Tourism Board (“TTB”),
6. Compiled data on 15 competitive and comparable state and regional venues to inform and test the reasonableness of the building program recommendations.
7. Recommended two conceptual facility programs options based on the above steps.
8. Provided short, medium, and long-term recommendations regarding other market amenities and strategic initiatives which support the TCC operation.
9. Prepared event demand and attendance forecast based on the implementation of the two program options and other recommendations. Forecasted the financial operations of the two program options.
10. Estimated the economic and fiscal impacts of the TCC operation based on the implementation of the two program options and other recommendations.

HVS collected and analyzed all information contained in this report. HVS sought out reliable sources and HVS deemed information obtained from third parties to be accurate.

### **Description of Existing Facility**

The TCC has the largest ballroom and is the primary conference venue for Mountain Village and the Town of Telluride. It also hosts stand-alone meetings and banquets, family entertainment, performing arts, and community functions, such as charitable and social events. The following figure provides an overview of the function spaces at the TCC.

**FIGURE 1-1 TCC CURRENT FACILITY PROGRAM AND CAPACITIES**

Event Space	Total Area (SF)	Seating Capacities				Exhibit Booths (10'x10')
		Theatre	Banquet	Classroom	Boardroom	
<b>Ballroom</b>	<b>6,069</b>	515	400	300		30
Sub-Divisions						
West & Center Ballroom	3,947	412	600	250		
East Ballroom	2,120	120	110	80		
Center Ballroom	1,725	120	110	80		
West Ballroom	2,222	200	130	120		
<b>Meeting Rooms</b>						
Klammer	732	72	50	36	16	
Fallon Boardroom	367	38		18	12	
Chipeta Boardroom	300	30		15	10	
Business Office	312	30		15		
<b>TOTAL FUNCTION SPACE</b>	<b>7,780</b>					

**Market Area Analysis**

The Mountain Village economy relies heavily on outside visitation. Primarily a winter ski resort destination, the market also benefits from the natural beauty of the area and the many outdoor recreation activities available year round. Throughout the year, Mountain Village and Telluride host over twenty multi-day festivals and events. The name Telluride is synonymous with its signature events, including Telluride Film Festival, one of the longest running film festivals in the country. Despite the relative affluence of its residents, population and income growth have been significantly lower than the rest of State of Colorado, which has enjoyed growth well above national averages over the past decade. Mountain Village’s service-based economy does not create demand for conferences, meetings, and other group events which would bring out-of-town event attendees to the area. Therefore, the Mountain Village must generate group event demand based on its appeal as a resort destination, Transportation access, lodging options, event space, and tourist amenities are the most important elements of destination appeal. Future economic growth and public support of Mountain Village and Telluride’s resort amenities will be essential to the success of the TCC.

While Mountain Village and Telluride benefit from natural beauty and a wide array of recreation options, current infrastructure does not satisfy the requirements of event planners. Limited air service to a handful of major cities is problematic. The hotel market lacks the national branded, full service hotel property preferred by event planners and attendees. Larger room blocks must rely on attendees spread

amongst several different properties, many of which are condominium and efficiency units rather than standard hotel rooms. Mountain Village benefits from its pedestrian-friendly plan and the variety of retail, dining, and nightlife options within walking distance to the TCC. The free gondola ride between Mountain Village and Telluride is also an attractive feature for groups looking for more dining and retail options.

### Comparable Venue Assessment

HVS analyzed seven competitive venues in comparable Colorado locations and eight comparable venues in similarly sized ski resorts across the western United States and Canada. This analysis provides a basis for programming recommendations. The analysis compares the function spaces and other amenities in each of the facilities along with other characteristics of the markets that are relevant to the success of the venue. Key findings include the following:

- The majority of the TCC's competitors have more ballroom space and greater flexibility in sub-dividing this space. The size and configuration of ballroom space available at the TCC limits the banquet capacity to around 400 people and the lack of divisibility limits opportunities for simultaneous events.
- Meeting room space at the TCC is among the lowest of the competitive and comparable venues. The TCC's meeting room capacity severely limits the potential of the facility and the number of events that would consider Mountain Village as a destination.
- The TCC is one of only four stand-alone conference facilities in the competitive and comparable set of venues. For those conference centers with an integrated or adjacent hotel property, the average number of hotel rooms is approximately 300.
- The available hotel room inventory in Mountain Village and Telluride is among the lowest in competitive and comparable sets and is well below the average of 1,600 to 1,900 hotel rooms. The result is that the group potential for the TCC is below that of other competing destinations. Larger events may be constrained by fewer hotel rooms and simultaneous events are more difficult to accommodate.
- When compared to its in-state competitors, the total population of Mountain Village and Telluride is above average. However, the bulk of Colorado's population lives along the Front Range. Aspen, Vail, and several other Colorado resorts have superior access to this relatively high population density of the state. In contrast, the area of Mountain Village and the Telluride Ski Resort in the San Juan Mountains is sparsely

populated with only a handful of smaller cities. When compared to the regional competitors, the population of Mountain Village and Telluride is well below the average.

- The passenger counts at Montrose Regional Airport indicate a below average level of capacity for out-of-state travel. Many direct flights to Montrose are seasonal and are limited to a few major U.S. cities, including Denver, Houston, Dallas, Chicago, Newark, and Atlanta. The TCC's distance to the nearest major international airport makes it an impractical option for event planners. The majority of the competitive facilities have better access to national destinations through busier regional airports or proximity to Denver International Airport.

Each of programming and market factors noted above contributes to making Mountain Village a less attractive group meeting and event destination than most of its competitors. Mountain Village should work to improve each of these elements to enhance its competitive position.

## Facility and Market Recommendations

HVS relied on an in-depth event planner survey, analysis of the market economics and demographics, a site inspection, a review of comparable conference centers, analysis of historical operations at the TCC, and knowledge of industry practices to recommend two facility program scenarios for the TCC. These facility program scenarios serve as a guide for subsequent physical planning aimed at providing the desired program elements.

HVS surveyed 92 event planners that were potential users or had considered bringing groups to the TCC but ultimately chose another destination. A complete survey report is included in Appendix A of this report. Key findings include the following.

- Mountain Village's remote location, relative inaccessibility, and limited airlift are the overriding weaknesses of the market and the main reasons why meeting planners do not select the TCC as a meeting destination.
- Meeting planners recognize the area's natural beauty and numerous recreation options as a key strength for the market.
- With respect to overall destination appeal event planners rate Mountain Village and Telluride in the middle of competing and comparable North American winter resort destinations.

- With a maximum attendance of around 400 people, the TCC's current function space can accommodate over 60 percent of events organized by the meeting planners in the survey.
- Ninety percent of events described by the survey respondents require a room block of more than 50 hotel rooms.
- Forty-seven percent of meeting planners say that would be "very likely" or "likely" to host an event in Mountain Village if the meeting and hotel facilities met their needs.
- When asked why they have not hosted groups in Mountain Village, meeting planners cite inaccessibility as the main reason with lack of interest and limited knowledge about the destination ranking second and third.

### Building Program Recommendations

HVS provided two alternative building programs for further consideration and analysis. Both programs share three objectives:

- Increasing market share of state, regional, and national associations;
- Increasing market share of corporate meetings, conferences, training, and incentive events; and
- Serving local demand for community events.

For the remainder of the analysis, HVS considers the two building options as phased components of a single building program recommendation. Both building program phases would require physical planning efforts to test their feasibility, and this additional work is not a part of the scope of this study.

### Building Program Phase 1

**Improve Existing Facility** - Building Program Phase 1 involves the renovation and improvement within the existing TCC footprint. Through the enhancement of the interior of the facility, the TCC should improve its marketability to meeting planners and be in a better position to accommodate simultaneous events. Specific recommendations include:

- conversion of the mezzanine area to flexible meeting function space,
- enhancing connections to the Peaks Resort via either a covered outdoor walkway or conditioned space, and

## Building Program Phase 2

**Expansion of the TCC** - Building Program Phase 2 involves the expansion of the TCC on an adjacent parcel of land as designated by the Mountain Village Comprehensive Plan. A potential site, located between the TCC and the Peaks and pictured below, would allow for the expansion of TCC function space and improve connection to the Peaks, allowing for more seamless event coordination. Specific recommendations include:

- Depending on site constraints, developing 5,000 to 6,000 square feet of meeting function space, including;
  - 3,000 square foot junction ballroom
  - 2,000 to 3,000 square feet of flexible meeting space
- Connect expanded space to the TCC via conditioned space and to the Peaks via covered walkways or conditioned space.

### AERIAL VIEW OF TCC AND POTENTIAL EXPANSION SITE



## Other Strategic Initiatives

Implementation of the recommended building program plans would not be sufficient to achieve the objectives of increasing market share of association and corporate group business. Additional strategic initiatives would be necessary to address other market weaknesses and improve operational and sales performance. HVS has outlined an action plan of short, medium, and long-term actions to complement and support the above program options.

- **Technology Improvements** - HVS recommends that the TCC follow the International Association of Conference Center (“IACC”) criteria for the medium level of technology in all newly constructed function spaces. To the extent this medium level is not met in the existing TCC function spaces, HVS recommends further evaluation pending cost estimates to retrofit spaces with highest priority given to communications and audio/visual technology infrastructure.
- **Coordination with Hotels** - HVS recommends that either of the above options for the TCC be accompanied by the continuation of ongoing improvements to the Peaks’ physical property and level of service. To fully realize the potential joint of sales, marketing agreements and defined booking policies should be in place with the TCC and the Peaks, along with the Hotel Madeline, the Mountain Lodge and other lodging properties in Mountain Village. These marketing agreements should focus on events with over 200 attendees that would require TCC function spaces and room blocks in several hotels.
- **Improved Lodging Mix** - HVS recommends that Mountain Village consider incentives for providing a full-service, branded hotel project that includes 300 hotel rooms which are not lodges.
- **Air Service Improvements** - HVS understands that other efforts are ongoing to expand air service to Montrose Regional Airport. Convenient air travel to an event destination is a significant consideration for meeting planners. HVS recommends that these efforts continue, however, the demand projections presented later in this report reflect the current level of air service available.
- **Retail and Dining** - HVS recommends that Mountain Village work with retail and dining establishments to maintain business operations during the traditional off-peak periods of the year, so that there are an adequate number of proximate options available for event attendees. Evening business hours are essential, so that attendees do not feel that the village “shuts down” at the end of the business day when attendees have free time from their conference agendas.

- **Sales and Booking Policies** - HVS does not recommend any major changes to the Telluride Tourism Board (“TTB”) sales staff organization at this time, however, the TTB should fill the vacant manager position as soon as possible. As sales efforts take hold and budgeting allows, the TTB should consider adding a group services staff position. This addition would allow sales staff to focus on sales and marketing efforts and create a TTB division dedicated solely to client satisfaction. The potential future expansion or redevelopment of the TCC should be coordinated with the creation of additional sales staff positions and an expansion of group services staff. While the TTB and the TCC have no formal agreement, these organizations should work together in booking events in a way that maximizes the benefit for the entire community. HVS recommends the TTB take the lead and have booking priority at the TCC for dates at least 12 months in the future and beyond. Any dates within the 12-month booking window would be open to any potential user
- **Ongoing TCC Operational Assessment** - In order to maintain critical communication between the Town officials, day-to-day managers of the TCC, and the general public, HVS recommends that TCC management prepare an annual report including, at a minimum, a description of events and attendance at the TCC as well as a description of operating revenues and expenses associated with managing the venue. Ideally, these reports would also contain estimates of the room nights generated and the visitor spending impacts as a result of TCC operations.
- **Align TCC Management Incentives with Goals** - It is imperative that the operational goals of the TCC be in line with the overall strategic goals of the TTB, hoteliers, and other partners involved in the area’s group meeting industry; the goal of attracting out-of-town conferences and other groups to Mountain Village and Telluride. The above-mentioned reporting procedures, most notably room nights generated and visitor spending estimates should be the guide by which the TCC operation is evaluated. TCC management should make every effort to minimize the annual subsidy required to operate the conference center through various methods, including using the TTB hotel commission to subsidize TCC rent paid by certain groups. However, TCC management incentives should be tied to the economic impact generated by events held at the TCC rather than by the profitability of the TCC operation.

**FIGURE 1-2 ACTION PLAN**

	<b>Short Term (2 years)</b>	<b>Medium Term (5 years)</b>	<b>Long Term (10 years)</b>
<b>Building Program</b>	<ul style="list-style-type: none"> <li>- Improve interior condition of TCC and ready all meeting rooms for use.</li> <li>- Allow unsupervised use of loading dock subject to specific operating protocols</li> <li>- Reconfigure back of house spaces to increase storage and improve functionality for both event clients and operations staff</li> <li>- Implement planning and design of selected program option</li> </ul>	<ul style="list-style-type: none"> <li>- Implement construction phase selected program option</li> </ul>	<ul style="list-style-type: none"> <li>- Consider incentives to attract resort hotel with an integrated conference center and repositioning TCC as a local events venue.</li> </ul>
<b>Technology Improvements</b>	<ul style="list-style-type: none"> <li>- Evaluate costs of retrofitting existing spaces to comply with IACC medium technology level with highest priority on communications and audio/visual infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>- Implement IACC medium technology level in new Option 2 spaces (if selected)</li> </ul>	
<b>Coordination with Hotels and Improved Lodging Mix</b>	<ul style="list-style-type: none"> <li>- Establish marketing agreements and defined booking policies with hotels</li> <li>- Continue ongoing improvements to Peaks physical condition and level of service.</li> </ul>	<ul style="list-style-type: none"> <li>- Implement MV Comprehensive Plan for lodging development</li> </ul>	<ul style="list-style-type: none"> <li>- Implement MV Comprehensive Plan for lodging development</li> </ul>
<b>Air Service Improvements</b>	<ul style="list-style-type: none"> <li>- Continue ongoing efforts to increase number of available flights at Montrose and Telluride Regional Airports.</li> <li>- Grow tax collections and contributions to Airline Guarantee program.</li> </ul>	<ul style="list-style-type: none"> <li>- Continue ongoing efforts and tax contributions to Airline Guarantee Program.</li> </ul>	<ul style="list-style-type: none"> <li>- Continue ongoing efforts and tax contributions to Airline Guarantee Program.</li> </ul>

**FIGURE 1-3 ACTION PLAN (CONT.)**

	<b>Short Term (2 years)</b>	<b>Medium Term (5 years)</b>	<b>Long Term (10 years)</b>
<b>Retail and Dining</b>	<ul style="list-style-type: none"> <li>- Work with commercial establishments to maintain hours of operation during traditional off-peak periods</li> <li>- Work with commercial establishments to expand hours of operation to include evenings.</li> </ul>	<ul style="list-style-type: none"> <li>- Continue efforts to fill vacant commercial spaces in Mountain Village Center, with priority given to sites within close proximity to the TCC.</li> <li>- Implement MV Comprehensive Plan for commercial development</li> </ul>	<ul style="list-style-type: none"> <li>- Implement MV Comprehensive Plan for commercial development</li> </ul>
<b>Sales and Booking Policies</b>	<ul style="list-style-type: none"> <li>- Implement TTB Group Sales &amp; Marketing Plan as lead strategy for TCC bookings</li> <li>- Fill vacant Sales Manager position at TTB</li> <li>- Create Group Services staff position when funds available</li> </ul>	<ul style="list-style-type: none"> <li>- Implement TTB Group Sales &amp; Marketing Plan as lead strategy for TCC bookings</li> <li>- Under either expansion option, expand Group Sales and Group Services staff</li> </ul>	<ul style="list-style-type: none"> <li>- Implement TTB Group Sales &amp; Marketing Plan as lead strategy for TCC bookings</li> </ul>
<b>Ongoing TCC Operational Assessment and Management Incentives and Goals</b>	<ul style="list-style-type: none"> <li>- Implement additional annual reporting procedure for TCC operations</li> <li>- Align TCC operational goals with the best interest of the Mountain Village, the TTB and other strategic partners -attracting out-of-town conferences and groups.</li> <li>- Create TCC operational incentives based on room night generation and estimates of new visitor spending as a result of TCC events.</li> </ul>		

## Demand Projections

Based on the building program and strategic recommendations presented above, historical demand at the TCC, user surveys, the market and comparable facility analyses, and the implementation of other recommendations presented throughout this study, HVS projected demand for the phased renovation and expansion of the TCC. HVS assumes that the town of Mountain Village and the TCC begin to implement the strategic and market-based recommendation within one year, well prior to the completion of changes to the physical facility program. Assuming the TCC renovations are completed in Year 1, HVS estimates that the expansion would be completed in Year 5 and that event demand would stabilize in the third year of operation following the expansion completion—Year 8. Demand projections also assume a highly qualified, professional sales and management teams for the proposed TCC.

**FIGURE 1-4 STABILIZED YEAR DEMAND**

<b>Events</b>	
Conferences	18
Meetings	24
Banquets	28
Concerts & Events	20
Assemblies	10
<b>Total</b>	<b>100</b>
<b>Average Attendance</b>	
Conferences	300
Meetings	100
Banquets	210
Concerts & Events	560
Assemblies	120
<b>Total Attendance</b>	
Conferences	5,400
Meetings	2,400
Banquets	5,880
Concerts & Events	11,200
Assemblies	1,200
<b>Total</b>	<b>26,100</b>

HVS has projected a relatively long ramp-up period due to several factors. First, air service limitations would continue to hinder group sales efforts. Improvements to air service are outside of the direct control of Mountain Village and Telluride communities and may take longer to take effect. Second, the goal of increasing

awareness and improving perceptions of Mountain Village and Telluride as a group event destination is challenging and may hinder marketing efforts in the near term. Third, successful group marketing depends on the overall package a destination can provide, including hotel rooms and commercial establishments.

### Room Night Estimates

HVS used available data on historical room night generation to develop the assumptions regarding the number of room nights generated by each event type. HVS applied these assumptions to the projected demand for the renovated and expanded TCC to arrive at the following room night estimates for a stabilized year of demand.

**FIGURE 1-5 STABILIZED YEAR ROOM NIGHTS**

<b>Type</b>	
Conferences	6,480
Meetings	240
Banquets	3,310
Concerts & Events	8,960
Assemblies	120
<b>Total</b>	<b>19,110</b>

### Economic and Fiscal Impacts

HVS identified the new direct spending that would occur in the local economy due to the operations of the renovated and expanded TCC. HVS uses the IMPLAN input-output model to estimate indirect and induced impacts as well as the jobs created based on this direct spending. The following figure presents the sum results of this analysis for the new, incremental spending projected in the local market area of Mountain Village and Telluride, Colorado. The figure also contains the corresponding fiscal impacts of this spending for both Mountain Village and Telluride. All dollar values represent a stabilized year of demand in 2012 dollars.

**FIGURE 1-6 SUMMARY OF ECONOMIC AND FISCAL IMPACTS**

<b>Summary of Impacts</b>	<b>Stabilized Year in 2012\$</b>
Economic Impacts	\$5,233,000
Fiscal Impacts - Mountain Village	169,800
Fiscal Impacts - Telluride	\$84,800
Jobs	59

**TCC Financial  
Operations**

HVS analyzed historical operations of the TCC over the past five years and applied a series of revenue and expense assumptions regarding facility utilization and operations to develop comprehensive operating financial statements for the expanded or renovated TCC. The figures below present the financial projections for the proposed renovation and expansion of the TCC through stabilized demand. The projections are in constant 2012 dollars. The Year projections reflect the opening of the renovated TCC and continued implementation of strategic recommendations. The Year 5 projections reflect the assumed opening of the expanded TCC. HVS projects that demand will stabilize in Year 8, three years following the completion of the TCC expansion.

**FIGURE 1-7 FORECAST OF TCC REVENUES AND EXPENSES**

	Renovation		Expansion					
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
<b>OPERATING REVENUE</b>								
Total	\$711,000	\$772,000	\$836,000	\$871,000	\$1,135,000	\$1,209,000	\$1,289,000	\$1,368,000
<b>OPERATING EXPENSES</b>								
Total	\$782,000	\$835,000	\$889,000	\$920,000	\$1,252,000	\$1,318,000	\$1,386,000	\$1,455,000
<b>OPERATING INCOME (LOSS)</b>	(\$71,000)	(\$63,000)	(\$53,000)	(\$49,000)	(\$117,000)	(\$109,000)	(\$97,000)	(\$87,000)

*Note: Phase 1 Renovation is completed in Year 1. Phase 2 Expansion is completed in Year 5*

HVS demand and financial projections are intended to show the expected levels of revenues and expenses over a ten-year period. Projections show smooth growth over time. However, event demand and booking cycles are not always smooth. Business can be affected by unpredictable local and national economic factors. Event demand is often cyclical, based on rotation patterns and market conditions. Therefore, HVS recommends interpreting the financial projections as a mid-point of a range of possible outcomes and over a multi-year period rather than relying on projections for any one specific year.

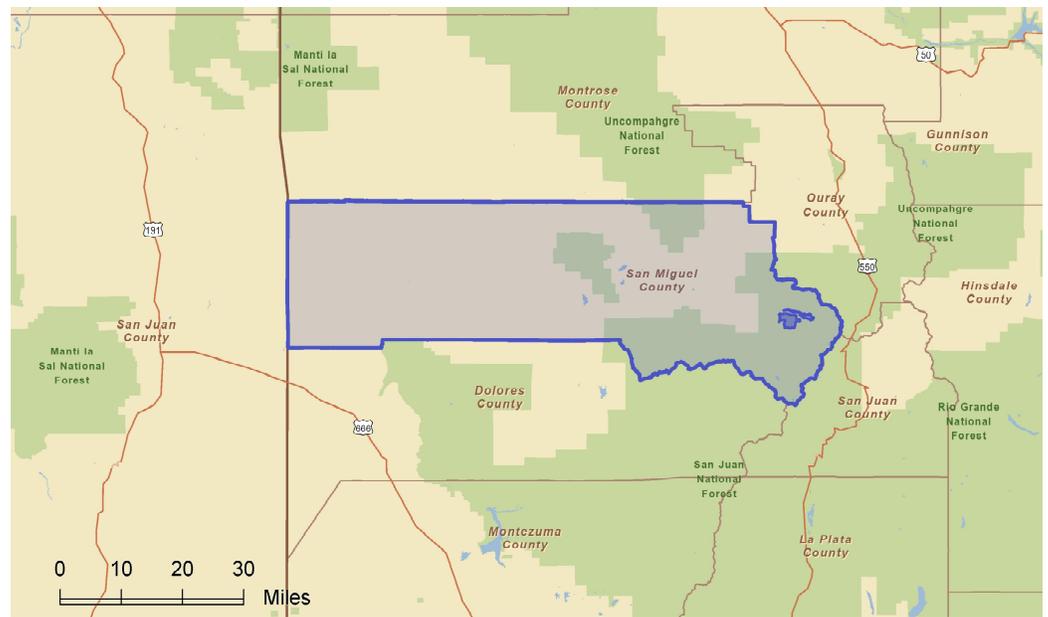
## 2. Market Area Overview

This market area analysis reviews economic and demographic data that describe the overall condition of the local economy in Mountain Village, Colorado. The characteristics of the area economy and trends that indicate growth or decline provide indicators of the demand for the TCC. HVS analyzed the following indicators: population, income, sales, work force characteristics, employment levels, airport access, hotel supply, meeting infrastructure, and tourism attractions.

### Market Area Definition

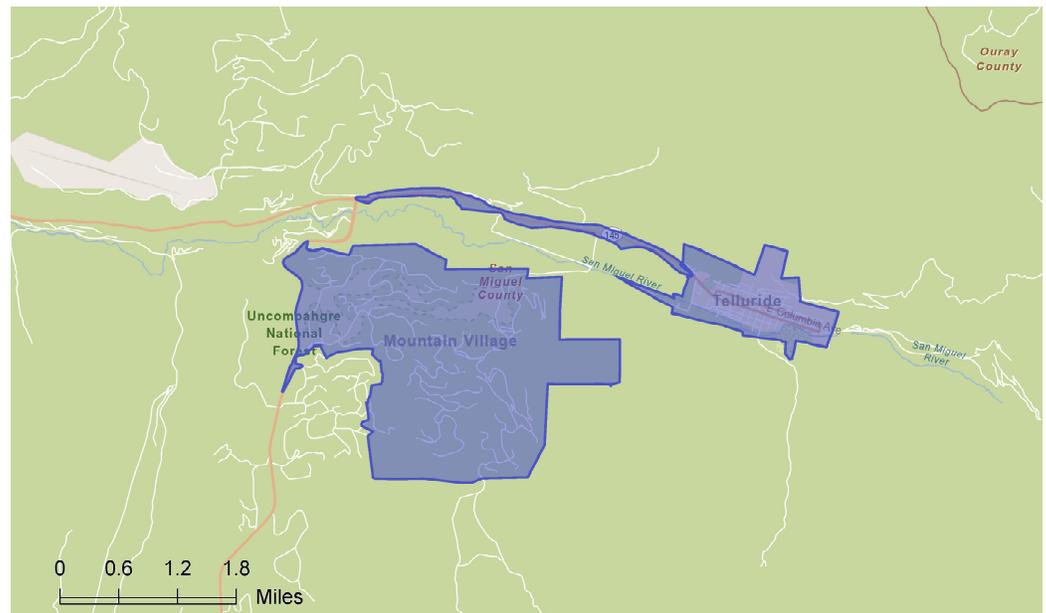
The market area for conference centers consists of the geographical region that offers transportation access, lodging, and other amenities to users of the Telluride Conference Center. For the purposes of this study, HVS defined the market area as the eastern portion of San Miguel County which contains the towns of Mountain Village and Telluride, the largest town and county seat of San Miguel County. The following map shows the location of the Mountain Village/Telluride market area in the context of San Miguel County.

**FIGURE 2-1 MAP OF SAN MIGUEL COUNTY**



The following figure shows a more detailed map of the towns comprising the TCC's market area.

**FIGURE 2-2 MAP OF MOUNTAIN VILLAGE / TELLURIDE MARKET AREA**



In 1872, prospectors first settled the town of Telluride, Colorado. The mining boom continued through the 1920s with tens of millions of dollars of gold, silver, lead, copper, and zinc extracted from the 350 miles of multi-level tunnels that honeycombed through the mountains east of Telluride. For many years, the prosperous town was boastfully known as the town without a bellyache. The population peaked at 5,000 residents as immigrants from Europe and China flocked to the town for mining work. Mine production slowed as a result of World War I, and by the Great Depression, the mines were virtually at a standstill. By the late 1960s, the town's population had dwindled to less than 600 residents. Some forward-thinking citizens realized the appeal of the majestic natural beauty of area and the appeal of winter recreation. Ski runs were cut on both sides of the mountain south of town, opening to skiers in 1972. By 1978, the last mill closed, signifying the transformation from mining town to tourist destination was complete. Today, Telluride is a bustling ski town with a 12-block by 8-block core which still looks much as it did in the 1800s. Boutique retail, dining, and entertainment establishments fill the core offer tourists a variety of options and an historic, old west feel.

In 1978, the owners of the Telluride Ski Resort set out to create a pedestrian-friendly, European-style resort village. They envisioned their village on 3.5 square miles of land above the town of Telluride that was then sheep ranches. San Miguel County approved the Mountain Village Planned Unit Development in 1981 and the Mountain Village Metropolitan District (“MVMD”) in 1983. The MVMD was essentially the local government, collecting taxes and providing health, safety, and welfare services. The Town of Mountain Village incorporated in 1995 and gradually took over the functions of the MVMD which formally dissolved in 2007. Forming the southwest base of the Telluride Ski Resort, Mountain Village has an alpine village setting with sophisticated amenities, roomy shops, and luxurious accommodations in a pedestrian-friendly setting. Mountain Village and Telluride are connected by a free gondola service.

Colorado is the eighth largest state in the nation, with an area of roughly 104,247 square miles—a rectangle extending approximately 387 miles east to west and approximately 276 miles north to south. Colorado is bordered by Utah to the east, Wyoming to the north, Nebraska and Kansas to the west, and New Mexico and Oklahoma to the south. The main feature of the state's geography is the Continental Divide, extending roughly north/south, bisecting Colorado into the eastern and western slopes. Interstate 70 extends east/west, while Interstate 25 provides the area with north/south access.

The state capital of Colorado is Denver, located in the central part of the state. Despite its rugged terrain, Colorado has developed an extensive highway network. These highways are used as links to other major metro centers in the state such as Boulder (west), Fort Collins (north), Colorado Springs and Pueblo (south), and Steamboat Springs (northwest). In addition, according to the Grant Thornton Manufacturing Climates study, Colorado has one of the most attractive manufacturing climates in the country. Colorado also has one of the most highly educated populations in the United States.

## MOUNTAIN VILLAGE, COLORADO

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### **Economic and Demographic Review**

The Complete Economic and Demographic Data Source published by Woods & Poole Economics, Inc. – a well-regarded forecasting service based in Washington, D.C. contains a database of more than 900 variables for each county in the nation. Woods & Poole employs a sophisticated regional model to forecast economic and demographic trends. Historical statistics are based on census data and information published by the Bureau of Economic Analysis. Projections are formulated by Woods & Poole, and all dollar amounts have been adjusted for inflation, thus reflecting real change.

The following figure summarizes these statistics for San Miguel County, the state of Colorado and the entire U.S.

**FIGURE 2-3 ECONOMIC AND DEMOGRAPHIC DATA SUMMARY**

	1990	2000	2009	2015	Average Annual Compounded Change		
					1990-00	2000-09	2009-15
<b>Resident Population (Thousands)</b>							
San Miguel County	3.7	6.6	7.7	8.4	5.9 %	1.7 %	1.5 %
State of Colorado	3,307.6	4,327.8	5,015.4	5,477.1	2.7	1.7	1.5
United States	249,622.8	282,171.9	307,050.4	325,421.9	1.2	0.9	1.0
<b>Per-Capita Personal Income*</b>							
San Miguel County	\$25,779	\$37,090	\$41,656	\$46,365	3.7	1.3	1.8
State of Colorado	26,358	36,164	37,100	39,898	3.2	0.3	1.2
United States	26,226	32,352	35,142	37,963	2.1	0.9	1.3
<b>W&amp;P Wealth Index</b>							
San Miguel County	117.6	141.6	147.8	150.6	1.9	0.5	0.3
State of Colorado	103.0	114.6	109.4	109.0	1.1	(0.5)	(0.1)
United States	100.0	100.0	100.0	100.0	0.0	(0.0)	0.0
<b>Food and Beverage Sales (Millions)*</b>							
San Miguel County	\$13	\$27	\$34	\$40	7.4	2.8	2.5
State of Colorado	3,902	6,301	7,924	8,743	4.9	2.6	1.7
United States	250,451	332,342	388,117	415,376	2.9	1.7	1.1
<b>Total Retail Sales (Millions)*</b>							
San Miguel County	\$51	\$88	\$96	\$114	5.6	1.0	3.0
State of Colorado	36,465	60,210	63,942	76,050	5.1	0.7	2.9
United States	2,545,947	3,516,734	3,544,629	4,093,326	3.3	0.1	2.4

\* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

Historically, San Miguel County population growth rates met or exceeded those for the State of Colorado and far exceeded those for the U.S. as a whole. The population growth rate is expected to decline slightly in the coming years, but maintain a level which is consistent with the rest of the state. Personal income and spending parameters increased at rates much higher than the state and the national as a whole. Higher than average income and spending growth is expected to continue in the coming years, suggesting an overall stronger economic outlook for the County.

To augment the County-level demographics presented above, HVS used ESRI to analyze specific demographic data and trends for the individual towns of Mountain Village and Telluride. Growth rates for the State of Colorado and the entire U.S. are also provided for reference.

**FIGURE 2-4 LOCAL MARKET DEMOGRAPHICS**

Market	Population			Households			Median Household Income (\$)		
	2011	2016	Annual Growth Rate	2011	2016	Annual Growth Rate	2011	2016	Annual Growth Rate
Mountain Village	1,315	1,334	0.29%	747	767	0.53%	54,290	59,815	1.96%
Telluride	2,339	2,438	0.83%	1,095	1,150	0.98%	47,993	54,208	2.47%
Colorado			1.17%			1.28%			3.55%
United States			0.67%			0.71%			2.75%

Source: ESRI

The above projections are based on the most recent 2010 U.S. Census data. Both Mountain Village and Telluride have small permanent local populations. Projected growth rates are smaller than those for rest of the State of Colorado, suggesting that there is no trend moving these communities away from tourism-based economies. The following analysis of the local workforce and corporate profile provide further evidence.

**Workforce Characteristics**

The characteristics of an area's workforce provide an indication of the type and amount of transient visitation likely to be generated by local businesses. Sectors such as finance, insurance, and real estate (FIRE); wholesale trade; and services produce a considerable number of visitors who are not particularly rate sensitive. The government sector often generates transient room nights, but per-diem reimbursement allowances often limit the accommodations selection to budget and mid-priced lodging facilities. The following table shows San Miguel County's workforce distribution by business sector.

**FIGURE 2-5 SAN MIGUEL COUNTY HISTORICAL AND PROJECTED EMPLOYMENT**

Industry	1990	Percent of Total	2000	Percent of Total	2009	Percent of Total	2015	Percent of Total	Average Annual Compounded Change		
									1990- 2000	2000- 2009	2009- 2015
Farm	1,460	4.0 %	1,180	1.6 %	1,090	1.4 %	1,130	1.3 %	(2.1) %	(0.9) %	0.6 %
Forestry, Fishing, Related Activities And Other	210	0.6	390	0.5	840	1.1	870	1.0	6.4	8.9	0.6
Mining	360	1.0	430	0.6	1,190	1.5	1,190	1.4	1.8	12.0	0.0
Utilities	480	1.3	290	0.4	130	0.2	150	0.2	(4.9)	(8.5)	2.4
Construction	4,900	13.5	12,070	16.5	12,930	16.8	15,130	17.5	9.4	0.8	2.7
Manufacturing	790	2.2	1,360	1.9	1,740	2.3	1,730	2.0	5.6	2.8	(0.1)
Total Trade	3,330	9.2	5,850	8.0	5,620	7.3	6,340	7.3	5.8	(0.4)	2.0
Wholesale Trade	70	0.2	240	0.3	410	0.5	440	0.5	13.1	6.1	1.2
Retail Trade	3,260	9.0	5,610	7.7	5,210	6.8	5,900	6.8	5.6	(0.8)	2.1
Transportation And Warehousing	440	1.2	530	0.7	580	0.8	680	0.8	1.9	1.0	2.7
Information	410	1.1	1,150	1.6	1,760	2.3	1,880	2.2	10.9	4.8	1.1
Finance And Insurance	1,040	2.9	2,200	3.0	1,690	2.2	1,860	2.1	7.8	(2.9)	1.6
Real Estate And Rental And Lease	4,670	12.8	9,680	13.2	8,960	11.6	9,710	11.2	7.6	(0.9)	1.3
Total Services	14,840	40.8	30,950	42.4	32,030	41.5	36,520	42.2	7.6	0.4	2.2
Professional And Technical Services	1,830	5.0	4,370	6.0	5,240	6.8	5,980	6.9	9.1	2.0	2.2
Management Of Companies And Enterprises	170	0.5	300	0.4	290	0.4	310	0.4	5.8	(0.4)	1.1
Administrative And Waste Services	1,050	2.9	2,720	3.7	2,570	3.3	3,050	3.5	10.0	(0.6)	2.9
Educational Services	220	0.6	560	0.8	1,310	1.7	1,570	1.8	9.8	9.9	3.1
Health Care And Social Assistance	730	2.0	1,500	2.1	2,570	3.3	3,080	3.6	7.5	6.2	3.1
Arts, Entertainment, And Recreation	2,610	7.2	5,860	8.0	6,280	8.1	6,940	8.0	8.4	0.8	1.7
Accommodation And Food Services	6,080	16.7	11,300	15.5	9,050	11.7	10,230	11.8	6.4	(2.4)	2.1
Other Services, Except Public Administration	2,150	5.9	4,340	5.9	4,720	6.1	5,360	6.2	7.3	0.9	2.1
Total Government	3,440	9.5	7,000	9.6	8,530	11.1	9,370	10.8	7.4	2.2	1.6
Federal Civilian Government	410	1.1	380	0.5	410	0.5	400	0.5	(0.8)	0.8	(0.4)
Federal Military	150	0.4	190	0.3	170	0.2	170	0.2	2.4	(1.2)	0.0
State And Local Government	2,880	7.9	6,430	8.8	7,950	10.3	8,800	10.2	8.4	2.4	1.7
TOTAL	36,370	100.0 %	73,080	100.0 %	77,090	100.0 %	86,560	100.0 %	7.2 %	0.6 %	1.9 %
U.S.	139,381	—	166,759	—	177,667	—	192,314	—	1.3	0.7	1.3

Source: Woods & Poole Economics, Inc.

The services sector represents the largest percentage of employment in San Miguel County with the strongest employment in hospitality and recreation-based sectors. While most employment sectors are growing, education along with health care and social services have the strongest projected growth in the coming years.

The following figure presents employment by sector for the towns of Mountain Village and Telluride.

**FIGURE 2-6 LOCAL MARKET EMPLOYMENT**

Sector	Mountain Village 2010	Telluride 2010
Agriculture/Mining	0.2%	0.7%
Construction	11.9%	9.9%
Manufacturing	0.6%	1.7%
Wholesale Trade	0.9%	1.0%
Retail Trade	10.7%	11.4%
Transportation/Utilities	3.0%	3.0%
Information	2.2%	2.1%
Finance/Insurance/Real Estate	13.6%	11.2%
Services	53.3%	54.3%
Public Administration	3.7%	4.6%
Total Employed Population 16+	899	1,774

Source: ESRI

The majority of residents of Mountain Village and Telluride are employed in the services sector. The employment profile suggests that businesses within the local economy would generate minimal group conference and meeting demand.

**Unemployment  
Statistics**

Unemployment statistics provide a measure of the health of the local economy and comparisons to state and national trends. The following table presents historical unemployment rates for San Miguel County.

**FIGURE 2-7 SAN MIGUEL COUNTY UNEMPLOYMENT STATISTICS**

Year	County	State	Country
2001	3.8 %	3.8 %	4.7 %
2002	5.0	5.7	5.8
2003	5.6	6.1	6.0
2004	4.8	5.6	5.5
2005	4.3	5.1	5.1
2006	3.4	4.3	4.6
2007	3.1	3.7	4.6
2008	3.9	4.8	5.8
2009	6.8	8.3	9.3
2010	7.7	8.9	9.6
<i>Recent Month - October</i>			
2010	8.7 %	8.4 %	9.6 %
2011	7.7	7.7	9.0

Like the rest of the country, the population in San Miguel County experienced a spike in unemployment in 2009. In 2010, the local unemployment rate was 7.7 percent, lower than both state and national unemployment. Since then, the unemployment rate has remained at or above that level while the rest of the state and the country have begun to rebound.

### Airport Traffic

Since airport access is an important consideration for event planners, airport passenger counts provide an indication of the ability of a market to support conferences and other group events. Trends showing changes in passenger counts also reflect local business activity and the overall economic health of the area.

Telluride Regional Airport is a public airport located five miles west of Telluride. It is the highest commercial airport in North America, at an elevation of 9,078 feet (2,767 meters) above sea level. Great Lakes Airlines provides service to Denver with several daily arrivals and departures. Due to Telluride Regional's proximity to the towns of Telluride and Mountain Village, the airport allows travelers to bypass the hour-plus shuttle ride associated with the region's other airport facilities. Because of limited flights and seating in the smaller planes which regularly fly into Telluride Regional, many groups opt to book flights through one of the more accessible regional airports, the most popular being Montrose Regional Airport.

The Montrose Regional Airport is among the most accessible airports located on Colorado's Western Slope. Airport facilities include a passenger terminal, rental car facility, long- and short-term parking, retail spaces, and a café. The airport has two

runways both of which feature high-intensity lights that are pilot-controlled. Airport access is highly seasonal, in that many flights operate from the airport only during the winter. United Express, operated by SkyWest, with flights to Denver, services the airport year-round. Summer service includes Continental Airlines flights to Houston, Texas and American Airlines flights to Dallas, Texas. Winter service includes flights to Houston, Texas and Newark, New Jersey (operated by Continental Airlines); flights to Dallas, Texas and Chicago, Illinois (operated by American Airlines); and flights to Atlanta, Georgia and Salt Lake City, Utah (operated by Delta Air Lines).

The following figure presents the flight statistics for Telluride Regional and Montrose Regional airports.

**FIGURE 2-8 AIRPORT STATISTICS**

**Telluride Regional Airport**

Year	Passenger Traffic	Percent Change*	Percent Change**
2002	49,570	—	—
2003	58,926	18.9 %	18.9 %
2004	69,231	17.5	18.2
2005	68,195	(1.5)	11.2
2006	66,220	(2.9)	7.5
2007	65,134	(1.6)	5.6
2008	58,086	(10.8)	2.7
2009	25,866	(55.5)	(8.9)
2010	41,462	60.3	(2.2)

\*Percent change from the previous year

\*\*Compounded percent change from first year of data

Source: Telluride Regional Airport

**Montrose Regional Airport**

Year	Passenger Traffic	Percent Change*	Percent Change**
2002	140,046	—	—
2003	136,821	(2.3) %	176.0 %
2004	143,473	4.9	70.1
2005	156,365	9.0	46.7
2006	157,356	0.6	33.5
2007	184,314	17.1	30.0
2008	174,634	(5.3)	23.4
2009	184,097	5.4	20.6
2010	192,752	4.7	18.5

\*Percent change from the previous year

\*\*Compounded percent change from first year of data

Source: Montrose Regional Airport

Passenger volumes at Montrose Regional are about 5 times those for Telluride Regional. Like other facilities across the country, both airports experienced post-recession declines in 2008 and 2009. Telluride Regional's declines were much more severe and the airport has struggled to get back to passenger levels from a decade ago. Despite the dip, Montrose Regional has expanded operations by nearly 19 percent over the past decade. Telluride Regional Airport is not an appropriate option for many event groups, especially larger groups and those with attendees arriving from numerous locations across the country. Comparative analyses presented later in this report, therefore, rely on statistics for Montrose Regional as the primary airport for groups.

### Lodging Supply

A conference center's ability to attract out-of-town groups depends greatly on the availability of adjacent or nearby hotel rooms within walking distance. Moreover, different events have different preferences with respect to the types of hotels that best meet the needs of their delegates and attendees. Most planners of professional conventions and conferences prefer large blocks of full-service hotel rooms in nationally branded upper-upscale hotels. Some other group event planners prefer less expensive, limited-service hotel options that offer guest amenities such as complimentary breakfast and free internet connections. Smith Travel Research ("STR") maintains a database of approximately 140,000 hotel properties and 13 million hotel rooms around the world. The figure below shows the inventory of hotel rooms within Mountain Village and Telluride, Colorado according to the STR database.

**FIGURE 2-9 CURRENT LODGING SUPPLY**

<b>Mountain Village</b>	
Hotel Madeline Telluride	100
The Peaks Resort	174
Mountain Lodge	129
Lumiere Hotel	29
Inn at Lost Creek	32
Bear Creek Lodge	38
<b>Total</b>	<b>502</b>
<b>Telluride</b>	
Victorian Inn	32
New Sheridan Hotel	26
The Ice House	22
Telluride Mountainside Inn	83
San Sophia Inn & Condos	50
Camel's Garden	34
Hotel Columbia	21
Hotel Telluride	59
<b>Total</b>	<b>327</b>
<b>Total</b>	<b>829</b>

Source: STR

There are six hotels in Mountain Village with three offering at least 100 rooms. All hotels are independent properties with varying levels of amenity and service. While Telluride has eight hotels, they are all small, independent hotel properties with fewer than 100 rooms, and the total number of hotel rooms in Telluride is much lower than that in Mountain Village. In addition to the above hotels, both Mountain Village and Telluride have a variety of independently owned condominiums, lodges, townhomes, and houses which are available for short-term rentals. In its Comprehensive Plan, the Town of Mountain Village defines a “hotbed” as a lodging/accommodation type unit that is available on a nightly basis or for short-term rentals; this would include hotel units, hotel efficiency units, lodge units, and efficiency lodge units. According to the Comprehensive Plan, Mountain Village currently has 836 hotbed units (334 of those units are in properties other than the hotels described above).

**Meeting and Event Infrastructure**

With approximately 7,800 square feet of meeting function space, the TCC is the main meeting venue in the Mountain Village and Telluride region. Other venues include hotels, private clubs, theaters, municipal facilities, and historic buildings. The following figure presents the current indoor meeting and event infrastructure.

**FIGURE 2-10 SUPPLY OF MEETING AND EVENT FACILITIES**

Venue	Type of Venue	Total Function Space (SF)
<b>Mountain Village</b>		
Telluride Conference Center	Conference Center	7,792
The Peaks Resort & Spa	Hotel	10,637
Hotel Madeline	Hotel	3,991
Mountain Lodge	Hotel	500
Inn at Lost Creek	Hotel	600
Ridge Club	Lodge (TSG)	1,900
Gorrono Ranch	Lodge (TSG)	6,000
Allreds	Restaurant (TSG)	1,500
Tempter House	Lodge (TSG)	400
Alpino Vino	Lodge (TSG)	400
<b>Telluride</b>		
Ah Haa School of the Arts	Historic Building	900
Elk's Lodge	Historic Building	1,700
Ice House	Hotel	360
Camel's Garden Hotel	Hotel	525
Palm Theater	Theater	587 seats
Sheridan Opera House	Theater	1,300 SF / 238 seats
Silver Bell Building	Historic Building	800
Wilkinson Public Library	Library	959

Source: Telluride Tourism Board, Telluride Ski & Golf

Outside of the TCC, the meeting and event space available in Mountain Village and Telluride is limited. Only two hotels, both in Mountain Village, have sufficient ballroom and meeting space to host small conferences. Despite a larger amount of total function space at the Peaks, its largest room, the 2,800 square foot Big Billie Ballroom, is considerably smaller than the ballroom at the TCC. Both the Peaks and Madeline report hosting both corporate and leisure groups. While the hotels work exclusively with smaller groups, there are many instances in which the hotels work together with each other, other lodging properties, and the TCC in hosting citywide events. In the Mountain Village market, approximately 40 percent of all hotel room nights can be attributed to group events with an even split between corporate and leisure groups.

Telluride Ski and Golf (“TSG”) also runs a number of venues suitable for meeting and social events as noted on the figure above. TSG reports that corporate group demand has fallen from a pre-recession average of around 20 groups per year to only a handful. TSG also hosts approximately 60 destination weddings each year. As with the hotels, TSG venues can accommodate a maximum of around 200 attendees. TSG

often works with the TCC for larger groups and other instances when additional event space is needed. The preferred hotel provider for TSG events is the Hotel Madeline, however, through central reservations, TSG is able to book guest in all hotels in Mountain Village.

Other venues are suitable for local events, weddings, and social functions, but are not the type of spaces typically preferred by meeting and event planners. While not included above, meeting space in Mountain Village and Telluride is augmented by several outdoor plazas and decks which are available for rental during the warmer months.

### **Recreation and Tourist Attractions**

The market benefits from a variety of tourist and leisure attractions in the area. The San Juan Mountains are the ideal spot for winter activities such as skiing, snowboarding, snowshoeing, and snowmobiling. Summer activities include hiking, biking, fly-fishing, river rafting, mountain climbing, and horseback riding. The towns of Mountain Village and Telluride also offer a variety of retail and dining options as well as live music, theater, art exhibits, and other entertainment.

The Telluride Ski Resort sits amidst the highest concentration of 14,000-foot peaks in Colorado. There are over 2,000 skiable acres, consisting of a mix terrain for all skill levels. Telluride Ski Resort is open from late November through mid-April and hosts approximately 420,000 annual skier visits.

## TELLURIDE SKI RESORT

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Source: Telluride Ski Resort

Throughout the year, the Mountain Village and Telluride community hosts over twenty multi-day festivals and events, with a variety of themes including cultural, musical, culinary, scientific, and athletic. The name “Telluride” is synonymous with its signature events, including the Telluride Film Festival, one of the longest running film festivals in the country. As the following figure demonstrates, the market is more than just a winter resort destination. The summer season in Mountain Village and Telluride is packed with festivals and other special events.

**FIGURE 2-11 SIGNATURE EVENTS**

<u>Name of Event</u>	<u>Annual Schedule</u>
KOTO Street Dance	Early April
Mountainfilm in Telluride	Late May
Telluride Ballroom Festival	Early June
Wild West Festival	Early June
Heritage Festival	Mid June
Telluride Bluegrass	Late June
Telluride Music Festival	Late June
Telluride Wine Festival	Late June/Early July
Telluride Plein Air	Late June/Early July
Telluride Playwright's Festival	Early July
Telluride Yoga Festival	Mid July
Hardrock 100 Endurance Run	Mid July
KOTO Doo-Dah Concert	Mid July
Ah Haa Art Auction	Late July
Telluride Rotary 4x4	Late July
Cajun Festival	Late July
KOTO Duck Race	Early August
Telluride Jazz Festival	Early August
Telluride Chamber Music Festival	Mid August
Full Tilt in Telluride	Mid August
Telluride Mushroom Festival	Mid August
Telluride Festival of the Arts	Mid August
KOTO Garage Sale	Mid August
USA Pro Cycling Challenge	Late August
Telluride Film Festival	Late August
Imogene Pass Run	Early September
Blues & Brews Festival	Mid September
Mountains to the Desert Ride	Late September
Telluride Arts Bazaar	Early December

Opened in 1992, the Telluride Golf Course, located in Mountain Village, is open from May to mid-October. The 6,679-yard, 18-hole course is part of the private Telluride Ski and Golf Club and is open to public use for local residents and guests.

**Conclusion**

The Mountain Village economy relies heavily on outside visitation. Primarily a winter ski resort destination, the market also benefits from the natural beauty of the area and the many outdoor recreation activities available year round. Despite the relative affluence of its residents, population and income growth have been significantly lower than the rest of State of Colorado, which has enjoyed growth well above national averages over the past decade. Mountain Village's service-based economy does not create demand for conferences, meetings, and other group events

which would bring out-of-town event attendees to the area. Therefore, the Mountain Village must generate group event demand based on its appeal as a resort destination, transportation access, lodging options, event space, and tourist amenities are the most important elements of destination appeal. Future economic growth and public support of Mountain Village and Telluride's resort amenities will be essential to the success of the TCC.

While the Mountain Village and Telluride area benefits from its natural beauty and a wide array of recreation options, its current infrastructure does not currently satisfy the requirements of event planners. Limited air service to a handful of major cities is problematic. The hotel market lacks the national branded full service hotel property preferred by event planners and attendees. Larger room blocks must rely on attendees spread amongst several properties, many of which are condominium and efficiency units rather than standard hotel rooms. Mountain Village benefits from its pedestrian-friendly plan and the variety of retail, dining, and nightlife options within walking distance to the TCC. The free gondola ride to the town of Telluride is also an attractive feature for groups looking for more dining and retail options.

Section 4 of this report compares the key market features presented in this section to several competitive and comparable conference centers in North America. These comparisons inform the programming recommendations and demand estimates that follow.

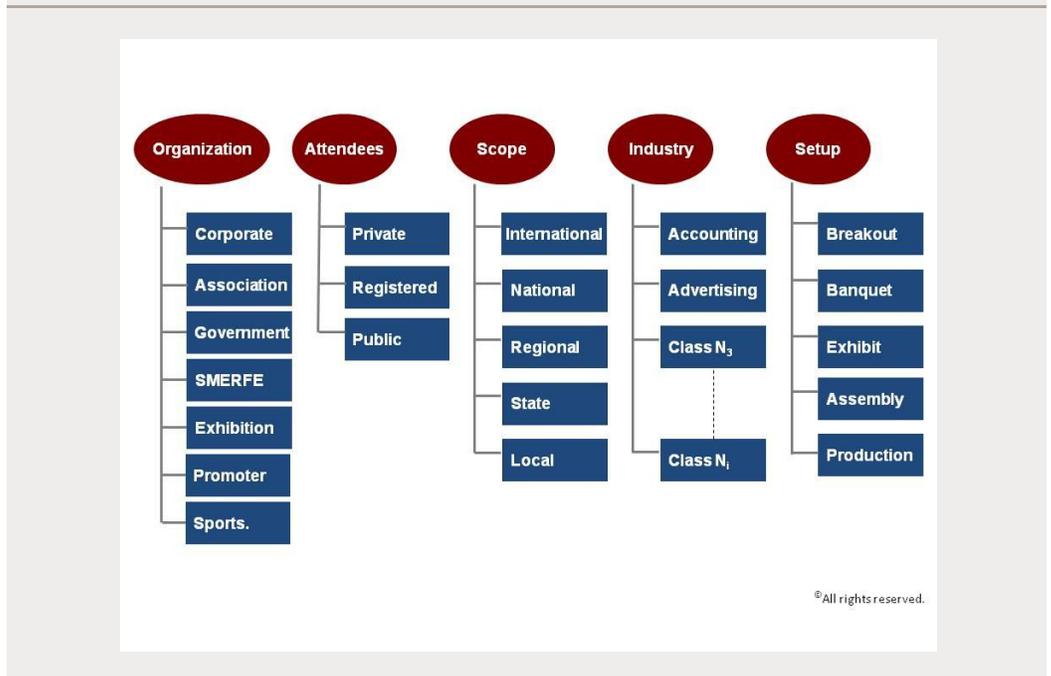
### 3. Industry Trends

In this section, HVS presents an analysis of the convention, tradeshow and meeting industry, including trends in the supply and demand of meeting and convention facilities, as well as trends in expenditures and meeting planner preferences. The purpose of this trends analysis is to provide background information necessary to assess the potential for a conference center expansion in Mountain Village. This section of the report also provides definitions of industry terms used throughout the remainder of this report.

#### OASIS® Event Classification System

Convention centers measure their performance by tracking event activity, but the definition and classification of events lacks consistency throughout the industry. Each convention center or marketing organization has their own way of classifying and measuring event demand. HVS has developed a proprietary method of event classification called OASIS Event Classification Method® or OASIS®, which is a convenient acronym for five criteria of event categorization: Organization, Attendees, Scope, Industry, and Set-up. See the figure below.

**FIGURE 3-1 OASIS EVENT CLASSIFICATION SYSTEM**



Following are definitions of the criteria in the OASIS Event Classification Method<sup>®</sup> and descriptions of the categories within each.

**ORGANIZATION**—the organization that sponsors or owns the event provides an important area of classification and can be described in five mutually exclusive categories:

- **Corporations**—corporations, or private business interests, are responsible for organizing the majority of events. The event organizers may be internal to the business or professional meeting planners.
- **Associations**—associations are usually membership organizations centered on specific business types, professions or political purposes.
- **Government**—international, national, state or local government organizations sponsor events. This category is particularly important in markets with a large government office presence.
- **Exhibition Company**—exhibiting organizations are companies or subsidiaries of companies established for the purpose of owning and promoting exhibiting events, such as trade and consumer shows.
- **Event Promoter**—event promoters are organizations that exist for the purpose of promoting concerts, entertainment and other types of live events that require production set-up.
- **Sports Enterprise**—sports enterprises are companies or subsidiaries of companies that exist for the purpose of owning and promoting sporting events.
- **Social, Military, Educational, Religious, Fraternal and Ethnic (“SMERFE”)**—although similar to associations, this category includes the types of organizations described in the title. Sometimes called “affinity groups” SMERFE represents a distinct category because members of these organizations use personal disposable income for membership dues and event attendance and therefore tend to be more price-sensitive than associations with professional memberships.

The organization criterion is most useful to marketing and sales organizations that rely on this information to make decisions on the allocation of staff and resources according to the type of organization sponsoring the event. Other industry participants, such as destination management companies and venue operators, also need to understand the type of organizations active in sponsoring events and value personal relationships with the event planners that represent them.

**Attendees**—Event attendees can be placed in three distinct categories that distinguish among the ways in which attendees gain access to events:

- **Private**—attendees come to the event by invitation only and do not pay a registration or admission fee. Private attendees may be individually asked to attend, as to a wedding, or invited by virtue of belonging to a certain group, such as company employees or shareholders.
- **Registered**—attendees do not necessarily need an invitation, but typically pay an advance registration fee to attend the event. Registered attendees are often called delegates or qualified buyers and they usually attend an event for multiple days.
- **Public**—the event is open to the general public. Attendees may need to purchase a ticket for admission such as at a consumer show. Other civic events may be free of charge.

Knowledge of this category is particularly important to venue operators and industry analysts. Understanding the type of attendee is critical for assessing the impact on convention center operations and projecting the economic impact of events. The length of stay of attendees and their spending patterns varies considerably among the types of attendees.

**SCOPE**—this category refers to the geographic origin of the attendees. Events are classified accordingly if a significant proportion of the attendees come from the indicated geographic region surrounding the convention center. Five categories capture all the potential geographic scopes and are self-explanatory:

- International
- National
- Regional
- State/Provincial
- Local

Understanding the origin of attendees is critical to event planners and in the estimation of the economic impact of events. Events that draw attendees from larger geographic regions tend to have higher new spending associated with the event. The allocation of marketing and sales resources may also break down according to the geographic scope of events.

**INDUSTRY**—in North America, HVS recommends relying on the North American Industry Classification System (“NAICS”) which replaced the previously used U.S. Standard Industrial Classification (“SIC”) system. NAICS was developed jointly by the U.S., Canada and Mexico to provide new comparability in statistics about business activity across North America. Other economic regions and countries

have similar industrial classification systems that are widely used and can be adopted for the purposes of classifying events by industry.

NAICS has hundreds of categories but these categories are organized hierarchically in five levels. All categories can be rolled up into twenty of the top levels in the hierarchy. However, not all top level industry classifications are useful for event classification because little or no event activity is associated with them. Other top level categories, such as Manufacturing, are too broad to provide meaningful information, and level two or three categories can be used to form a useful breakdown of events.

The choice of industry classifications should result in a reasonable share of events falling into each category. According to the Tradeshow Week data book, the leading industries that are represented by conventions, tradeshow and exhibition include:

- Medical and Health Care
- Home Furnishings and Interior Design
- Sporting Goods and Recreation
- Apparel
- Building and Construction
- Landscape and Garden Supplies
- Computers and Computer Applications
- Education
- Gifts
- Associations

Use of the NAICS codes allows for the orderly roll-up of industrial classifications across different events and venues, regardless of the categories or the hierarchical levels that different people may choose to use. Industrial classification information is useful for those planning to develop new events and for other analysts that need to understand how trends in economic health of the underlying industries affect the success of particular events and venues.

**SPACE SETUP**—this final criterion provides for the categorization of events by set-up of the function spaces they utilize. These categories are not mutually exclusive as events may use any combination of the five primary types of event set-up.

- **Breakout**—typically involves the use of meeting rooms, boardrooms or other multi-purpose spaces for meeting functions in a classroom or meeting setting. This set-up may involve some catering services such as coffee breaks or lunches.
- **Banquet**—includes the set-up for catered banquets events such as a wedding and may include some staging for presentations such as at a general session event.
- **Exhibit**—includes the set-up displays in exhibition halls or other multi-purpose spaces. Concession services and buffet lunches are often a component of this set-up.
- **Assembly**—includes set-up in theater style seating in plenary halls and fixed seat theaters or other multi-purposes spaces that are used primarily for assemblies and general sessions.
- **Production**—includes the set-up for concerts, entertainment, sporting events and other types of events that require significant staging, lighting, and other live-event related set-up.

## Event Types

Application of the OASIS<sup>®</sup> system can provide precise definitions of commonly used event classifications. All commonly used terms for event types can be defined by a combination of three OASIS<sup>®</sup> categories: organization, attendees and space set-up.

- **Conventions**—associations, government, and SMERFE organizations register attendees for multi-day events. Facility set up includes breakout, banquet and exhibit space set-up and may include plenary sessions. Typically, the primary purpose of a convention is information exchange.
- **Tradeshows**—provide a means for wholesalers and retailers to transact business with industry buyers. Like conventions, tradeshows offer a forum for exchanging industry ideas. In order to clearly differentiate conventions from tradeshows, HVS assumes that only corporations and enterprises can sponsor and produce tradeshows. Similar to conventions, tradeshows require registered attendees. While they also require exhibit space set-up, they only sometimes require banquet, plenary, and/or breakout space set-up.
- **Combination Shows**—are either corporate or enterprise produced, typically with have an initial period of attendance by registered attendees only, and later by the public. Always requiring exhibit set-up, they sometimes require plenary, banquet and/or breakout set-up for additional portions of their show.

- **Consumer Shows**—are public, ticketed events featuring the exhibitions of merchandise for sale or display. Exhibition companies produce consumer shows, as they provide a means of product distribution and advertising. They only require exhibit space set-up.
- **Conferences**—require a mix of banquet and breakout space set-up as well as occasional assembly space, but do not require any exhibit set-up. Conferences can be conducted by any organization type, but always require attendees to be registered.
- **Meetings**—only require breakout space set-up. Like conferences, they can be produced from any of the organization types, but unlike conferences, they are private events to which one must be invited.
- **Banquets**—only require a banquet set-up for food and beverage meal service. These events also can be produced by any organizational type, and are either held privately or require guests to register.
- **Assemblies**—usually involve a ceremony, a speech, or another similar activity that attracts a crowd of spectators. Produced by any type of organization, assemblies are always public events. Additionally, assemblies only require a plenary set-up.
- **Fairs**—usually involve an exhibit booth set-up for a public event in which a number of organizations or companies represent themselves and/or a product or service, with a similar theme or purpose uniting the event. Corporations, associations, governments or SMERFE groups may present a fair.
- **Concert/Entertainment**—usually a concert or some form of live entertainment, owned and organized by an event promoter for the public. Entertainment events only require a production set-up.
- **Amateur Sports**—require only a production set-up. Attendees to sporting events, which are always organized by sports enterprises, may be public or registered. Some sporting events have both a registered and public aspect to the event over the span of a few days.

## Trends

The purpose of this section is to describe the convention and meeting industry and analyze trends in the number of events, attendance, and the supply of meeting and exposition facilities.

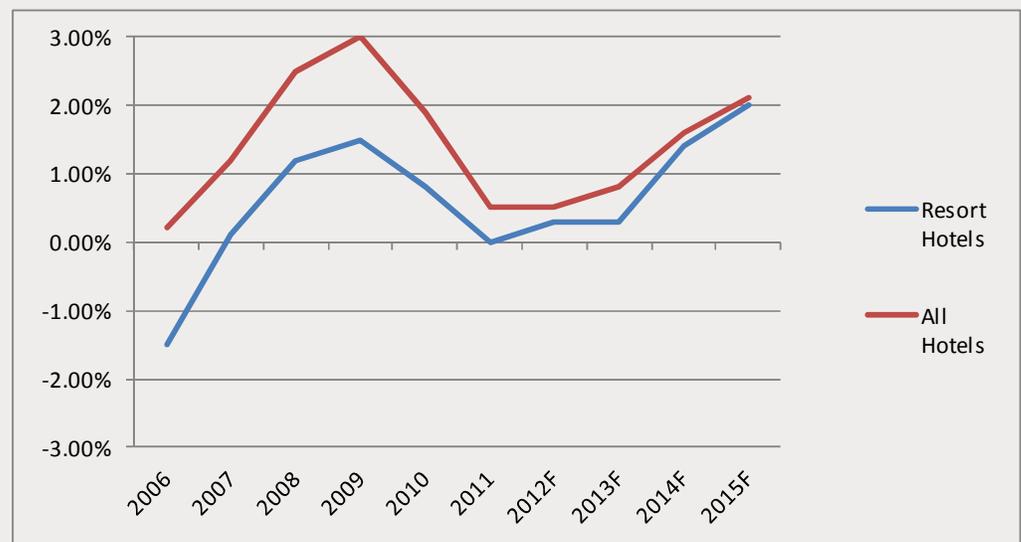
## Supply Trends

The convention center industry experienced significant year-over-year growth in supply from 2000 through 2006. Since 2007, the rate of growth in supply has slowed, but remained positive. As the majority of convention and meeting facilities involve public funding, economic conditions affect the level of public investment in convention and meeting facilities that are intended to stimulate economic activity. As poor economic conditions continue to constrain public budgets nationwide,

lack of available funding for convention and meeting facilities will continue to limit supply growth in the near future. As the economy improves, supply growth will likely remain low as convention venue projects have long lead times due to planning, financing, and construction requirements.

Resort hotels are lodging properties located in resort areas where the primary source of business is from leisure destination travel. Resort hotels also cater to business, social, and other group demand through integrated meeting function spaces. A recent study prepared by PKF Hospitality Research identified the historical and forecasted changes in supply for various hotel segments. The following figure compares trends in resort hotel supply to all hotels.

**FIGURE 3-2 RESORT HOTEL SUPPLY GROWTH RATES**



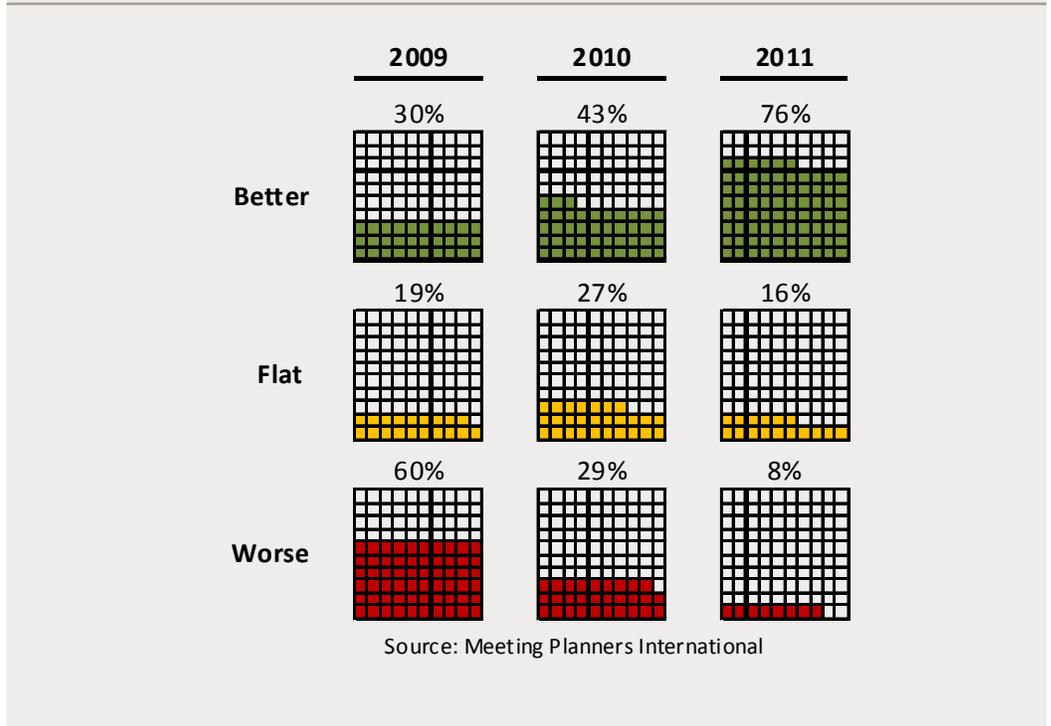
Source: PKF Hospitality Research

Resort hotel changes in supply have been below that for the entire hotel market. Market indicators suggest that the current relatively flat growth rates of resort hotel supply will be followed by an increase in supply such that, by 2015, the resort hotel growth rates will converge with those of the total hotel market.

**Event Planner Outlook**

Event planners are reporting a more optimistic outlook in coming years as the U.S. economy continues to recover. The following figure provides a snapshot of how meeting planners had predicted that their business levels would change over the past three years.

**FIGURE 3-3 EVENT PLANNER OUTLOOK**



As compared to predictions for 2010, meeting planners are more optimistic on the improvement in their meeting business for 2011.

The future trends in demand, according to data from Future Watch 2010 and 2011, show increased numbers of events and attendance, but decreases in meeting length and expenditures. Figure 3-5 shows the average projected change for 2011 in these four demand indicators.

**FIGURE 3-4 DEMAND INDICATORS**

Demand Indicator	2010 Predictions		2011 Predictions	
Number of Meetings	↑	2.8%	↑	8.0%
Projected Attendance	↑	4.5%	→	2.0%
Average Meeting Length	→	-0.4%	→	0.0%
Average Expenditure Per Meeting	→	-0.4%	↑	5.0%

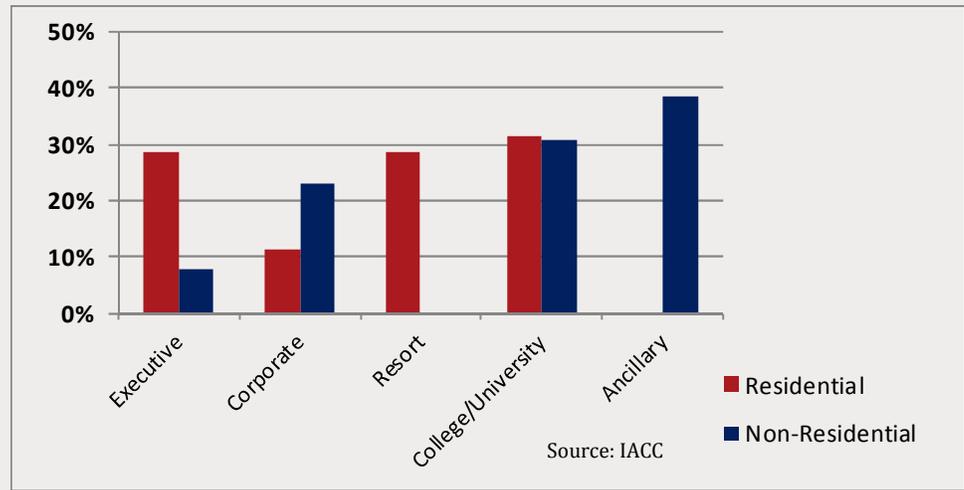
Source: Future Watch

In addition to actual facility size, the survey indicates that site selection is largely based on two important amenities - hotels and airports. This reaffirms the changing dynamic of the convention and meeting industry that is now focused on reducing costs for the hosting organization and its attendees as well as maximizing accessibility.

### Conference Centers

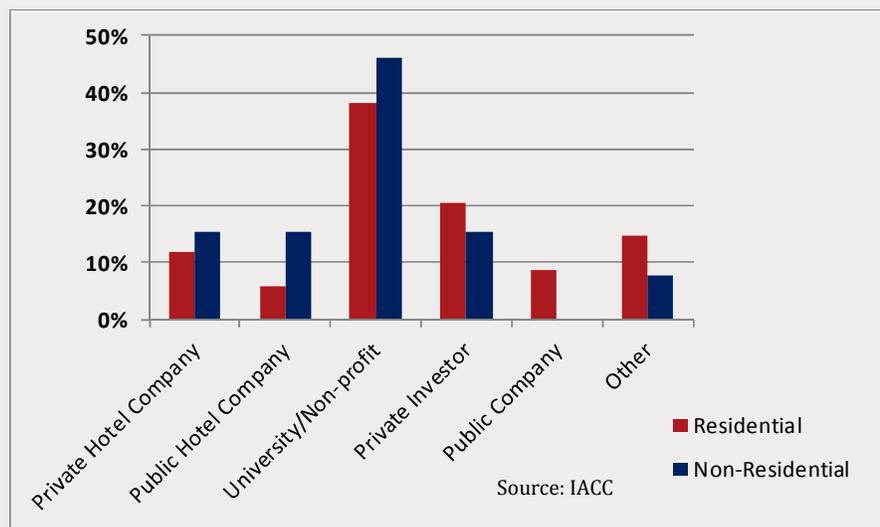
Conference centers typically have a mix of meeting and ballroom space (but not dedicated exhibit space) and are ideally suited for conferences, meetings, and small conventions without exhibits. Conference centers often host weddings, banquets, and other social functions. Each year the International Association of Conference Centers (IACC) conducts an in-depth survey of IACC certified conference centers in North America and issues a trends report based on its findings. The report distinguishes between residential and non-residential conference centers and provides a statistical and financial profile for each. While the majority of conference centers across the country do not have an IACC certification, the overall trends reported by survey do provide some insight into the industries which have the most direct implications on the operations of the TCC.

**FIGURE 3-5 PROFILE OF NORTH AMERICAN CONFERENCE CENTERS**



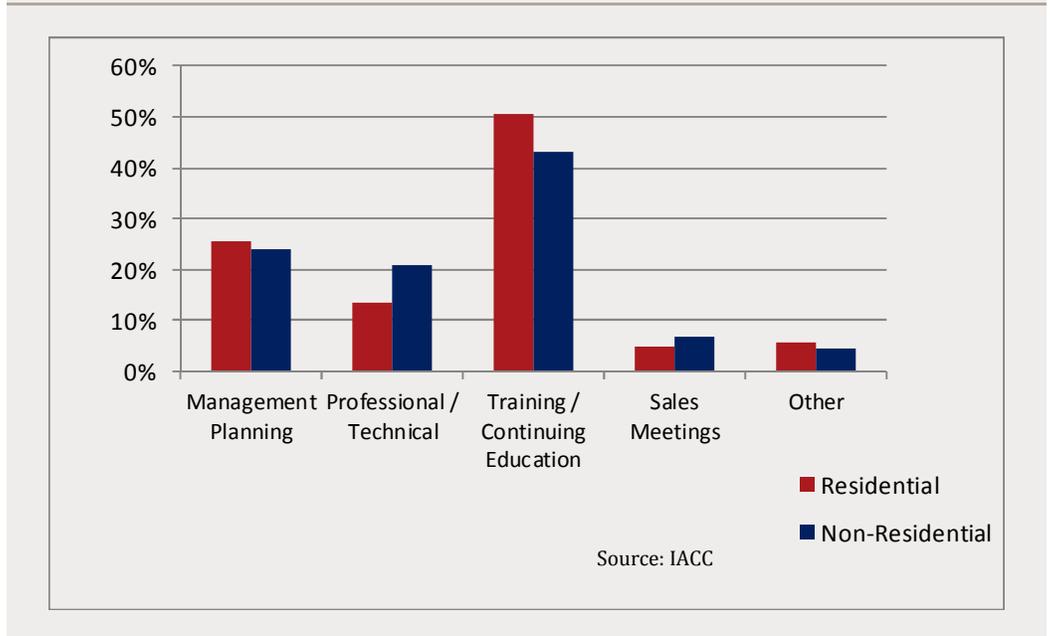
Unlike convention centers, which are typically owned by a city or other public entity, conference centers have a variety of ownership structures. Public and private corporations, universities, and non-profit organizations often own conference centers for their internal meetings and training. Function spaces are then rented to external organizations when not in use by the primary tenant.

**FIGURE 3-6 PROFILE OF CONFERENCE CENTER OWNERSHIP**



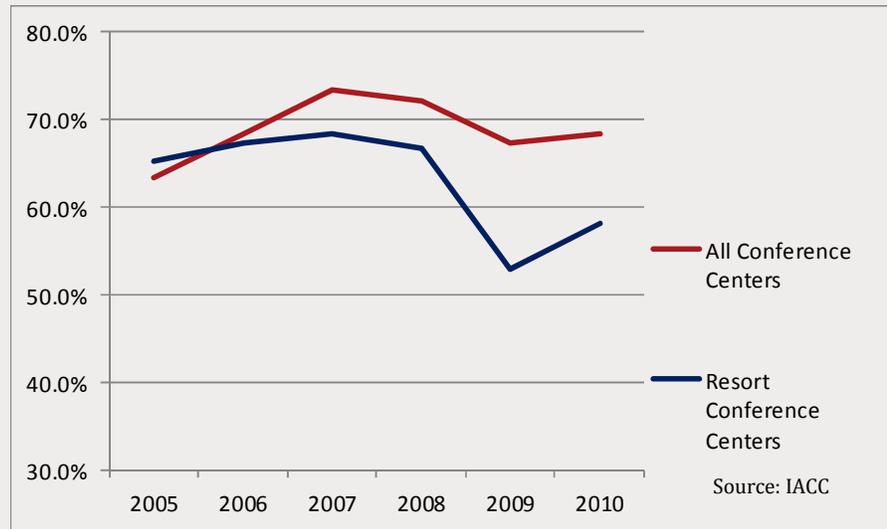
Unlike convention centers which utilize exhibit space to introduce new products and services in an industry, conference centers are most often used for training and continuing education purposes.

**FIGURE 3-7 TYPES OF MEETINGS IN CONFERENCE CENTERS**



As with the entire meetings industry, conference center occupancy declined in response to the economic downturn. As the following figure demonstrates, resort conference centers were particularly hard hit and have just recently started to rebound.

**FIGURE 3-8 CONFERENCE CENTER OCCUPANCY RATES**



As the meetings industry as a whole continues to rebound, meeting planners also report being less concerned about the negative publicity associated with hosting events in upscale properties and destinations than in recent years.

Another indicator of the national recession's impact on the meetings market is the geographic scope of meetings. As groups reduced their meetings budget, conference facilities began to rely more heavily on local meetings and events. IACC reports that over the past year, this trend has improved with a six percent increase in the overall percentage of national events booking conference centers and a commensurate six percent drop in local and regional events.

**Convention and Meeting Trends for the Future**

Over the past few decades, the meeting and convention industry has evolved dramatically from a budding industry to a more mature one that has become an important driver of the national economy. As an established industry, the rapid growth of the last four decades has been followed by a slowdown in supply growth in the late 2000s. As the economic recession continues to affect the level of demand and available budgets for conventions and meetings, the industry continues to evolve.

**Changes in Demand and Supply Transformation:** As discussed earlier, the maturity of the industry has sharply increased competitiveness. Nearby or attached quality hotel rooms, flexible meeting space, as well as price points at convention centers and hotels, and airport capacity and rates continue to drive site selection, and, therefore, dictate how supply changes over time. Quality of

convention facilities and hotels, in addition to size, price, and proximity, continue to be important factors in site selection.

**Travel Costs:** Organizations hosting and planning events continue to work with tightened budgets, as do attendees. Recent increases in travel costs have decreased the desire to travel for some attendees and exhibitors. In the long-run, expansions in the transportation system and continued innovations, as well as improved economic conditions, which reduce costs and increase the ease and affordability of travel, are likely to support the growth of the meeting industry.

**Electronic Meetings:** In recent years, industry experts have speculated that improvements in telecommunications technology would supplant the need for face-to-face meetings. While data indicates that some meetings and events have been replaced by webinars or other electronic forms of meetings, in the long-run, electronic meetings act as a demand generator for future meeting growth as it expands the networks and interactions of businesses and organizations. Further advancements in communications technology will be necessary before electronic meetings became a realistic substitute for face-to-face meetings.

**Mixed-Use Developments:** For many cities, states, areas and developers convention centers have become an opportunity to spawn a mixed-use attraction, an area often including hotels, retail, dining, sports venues, and entertainment options, in addition to housing a convention center. Convention centers have become the center of their own “districts” offering almost everything a delegate, event organizer or exhibitor could want in one area. The growth of mixed-use developments, particularly after economic conditions have improved, will continue to change the meeting and convention industry as supply transforms.

### Implications for Mountain Village

As the meetings and convention industry continues to rebound from its 2009 lows, the Telluride Conference Center (“TCC”) should have the opportunity to improve market share of events and attendance by addressing its programming and strategic needs. Improved and expanded meeting space, a more attractive hotel package, and other improvements should meet the needs of event planners. However, the TCC faces a considerable challenge in overcoming its location and relatively low air service capacity. As will be demonstrated later in this report, air access is the most critical factor in destination selection for Telluride and Mountain Village and lack of air access will continue to preclude certain events from considering the TCC due to both the cost and logistics of transporting large groups to the area. Despite this inherent reduction in demand potential, the location of the TCC within the pedestrian-friendly resort town of Mountain Village is a positive feature. The convenience of nearby hotels, restaurants, skiing, recreation, and retail establishments creates an attractive setting for all types of meetings and events. Further analysis in this report identifies the recommended improvements to the overall meetings package in Mountain Village that help the TCC reach its demand potential.

## 4. Comparable Venues

This analysis of competitive and comparable venues provides a basis for forecasts of event demand and financial operations. The analysis compares the function spaces in each of the facilities, adjacent hotel capacities, and characteristics of the markets that are relevant to the success of the venues. It concludes with an assessment of the relative strengths and weaknesses of Mountain Village.

The Telluride Conference Center (“TCC”) competes directly with other cities and resort destinations in the region for a share of the group meetings market. Event planners select host cities for their events based the overall package that a destination may offer. Several factors determine a market’s overall strength and potential in the meetings market. These factors include the attributes of the conference facilities, lodging supply, the economic and demographic profile of the community, transportation access, tourism amenities, and overall destination appeal. This analysis will help in understanding the competitiveness of the Mountain Village and the Telluride Conference Center.

HVS analyzed two sets of venues:

- Meeting and conference facilities in Colorado winter resort destinations. These facilities compete with the Telluride Conference Center for in-state association and corporate business as well as national and international groups.
- Meeting and conference facilities in winter resort destinations in the western U.S. and Canada which compete with the Telluride Conference Center for regional, national, and international conferences and other group events.

HVS analyzed comparable venues shown in the figure below.

**FIGURE 4-1 COMPARABLE AND COMPETITIVE VENUES**

Name of Venue	Location	
<b>State Competitors</b>		
Aspen Meadows Conference Center	Aspen	CO
Beaver Run Resort & Conference Center	Breckenridge	CO
Estes Park Conference Center	Estes Park	CO
Keystone Conference Center	Keystone	CO
Mountaineer Conference Center	Mount Crested Butte	CO
Snowmass Conference Center	Snowmass Village	CO
Vail Cascade Resort & Spa	Vail	CO
<b>Regional Competitors</b>		
Banff Centre	Banff	AB
Canyons Grand Summit	Park City	UT
Cliff Lodge & Snowbird Center	Snowbird	UT
Resort at Squaw Creek	Olympic Valley	CA
Snow King Resort and Center	Jackson	WY
Sun Valley Inn Convention Center	Sun Valley	ID
Whistler Conference Center	Whistler	BC
Yarrow Hotel & Conference Center	Park City	UT

**Function Space  
Assessment**

The total function space of a meeting venue limits the maximum size of events. If the space is flexible (divisible into a variety of room sizes) a venue may host simultaneous multiple events. For integrated hotel conference venues, the number of hotel rooms often dictates the amount of function space. For stand-alone conference venues, the available function space should complement the market hotel supply and any meeting space integrated into the hotel properties. The figure below compares of available function space in the comparable venues and the existing TCC.

**FIGURE 4-2 TOTAL FUNCTION SPACE IN COMPETITIVE VENUES**

State Competitors		sf
Keystone Conference Center		44,180
Vail Cascade Resort & Spa		37,245
Beaver Run Resort & Conference Center		28,186
Snowmass Conference Center		24,759
Aspen Meadows Conference Center		22,620
Estes Park Conference Center		12,848
<b>Telluride Conference Center</b>		<b>7,792</b>
Mountaineer Conference Center		5,581
Average		22,901
Regional Competitors		sf
Banff Centre		53,172
Cliff Lodge & Snowbird Center		33,750
Snow King Resort and Center		31,780
Resort at Squaw Creek		28,450
Whistler Conference Center		26,380
Sun Valley Inn Convention Center		16,458
Yarrow Hotel & Conference Center		10,349
Canyons Grand Summit		9,580
<b>Telluride Conference Center</b>		<b>7,792</b>
Average		24,190

The average function space in the state and regional competitive venues is between 23,000 and 24,000 square feet. The function space available at the TCC is well below this average and is one of the lowest among its competitors, with only the Mountaineer Conference Center in Mount Crested Butte, Colorado ranking lower.

**Ballroom Space  
Assessment**

Banquet space is important for conference centers as facility operators attempt to grow food service revenues at their facilities and event planners seek a higher level of service for their attendees. In addition to social events (such as weddings and fundraisers) that host banquets, several other types of events, such as conventions and conferences, typically require food services in a ballroom setting. General assemblies at conventions and conferences are held in a ballroom and with a theater or banquet set-up. Smaller conventions often utilize ballroom space for exhibits in venues without a dedicated exhibit hall. Consequently, the size of the ballroom and its divisibility can determine a venue’s flexibility and event size capacity. The figure below compares of available banquet space in the competitive venues and the existing TCC.

**FIGURE 4-3 BALLROOM SPACE IN COMPETITIVE VENUES**

State Competitors		sf	# divisions
Keystone Conference Center	35,800	17	
Beaver Run Resort & Conference Center	18,898	18	
Snowmass Conference Center	15,323	6	
Estes Park Conference Center	11,600	9	
Vail Cascade Resort & Spa	11,250	11	
<b>Telluride Conference Center</b>	<b>6,069</b>	3	
Mountaineer Conference Center	5,061	4	
Aspen Meadows Conference Center	0	0	
Average	14,857	10	
Regional Competitors		sf	# divisions
Snow King Resort and Center	25,452	3	
Whistler Conference Center	16,500	3	
Resort at Squaw Creek	14,945	6	
Cliff Lodge & Snowbird Center	14,050	7	
Sun Valley Inn Convention Center	8,470	3	
Canyons Grand Summit	7,480	5	
Yarrow Hotel & Conference Center	6,340	5	
<b>Telluride Conference Center</b>	<b>6,069</b>	3	
Banff Centre	1,550	0	
Average	11,206	4	

Most conference venues have dedicated ballroom space. Certain venues, such as the Banff Centre and the Aspen Meadows Conference Center, which are affiliated with non-profit cultural or research institutes, have little to no traditional ballroom space. These venues typically have a large amount of dedicated meeting and classroom spaces while meals, banquets, and social functions are held in separate dining rooms, foyers, and other pre-function and outdoor spaces. The majority of the TCC's competitors have more ballroom space and greater flexibility in sub-dividing this space. The size and configuration of ballroom space available at the TCC limits the banquet capacity to around 400 people and the lack of divisibility limits opportunities for simultaneous events.

**Meeting/Break-out  
 Room Assessment**

Meeting rooms can accommodate sub-groups as they break out of larger general sessions at conventions and conferences. Additionally, these smaller rooms can accommodate self-contained meetings, training sessions, seminars, classes, and a variety of small meeting functions. A facility's meeting rooms are often its most frequently used function spaces. The following figure presents a comparison of available meeting space at the competitive venues and the existing TCC.

**FIGURE 4-4 MEETING SPACE IN COMPETITIVE VENUES**

State Competitors		sf	# rooms
Aspen Meadows Conference Center		22,620	14
Snowmass Conference Center		9,436	9
Keystone Conference Center		8,380	6
Vail Cascade Resort & Spa		6,761	8
Beaver Run Resort & Conference Center		6,008	4
<b>Telluride Conference Center</b>		<b>1,723</b>	4
Estes Park Conference Center		1,248	2
Mountaineer Conference Center		520	1
Average		7,087	6
Regional Competitors		sf	# rooms
Banff Centre		51,622	62
Cliff Lodge & Snowbird Center		19,700	24
Resort at Squaw Creek		13,505	13
Whistler Conference Center		9,880	13
Sun Valley Inn Convention Center		7,988	9
Snow King Resort and Center		6,328	8
Yarrow Hotel & Conference Center		4,009	6
Canyons Grand Summit		2,100	4
<b>Telluride Conference Center</b>		<b>1,723</b>	4
Average		12,984	16

Meeting room space at the TCC is among the lowest of the competitive venues. The TCC's meeting room capacity severely limits the potential of the facility and the number of events that would consider Mountain Village as a destination.

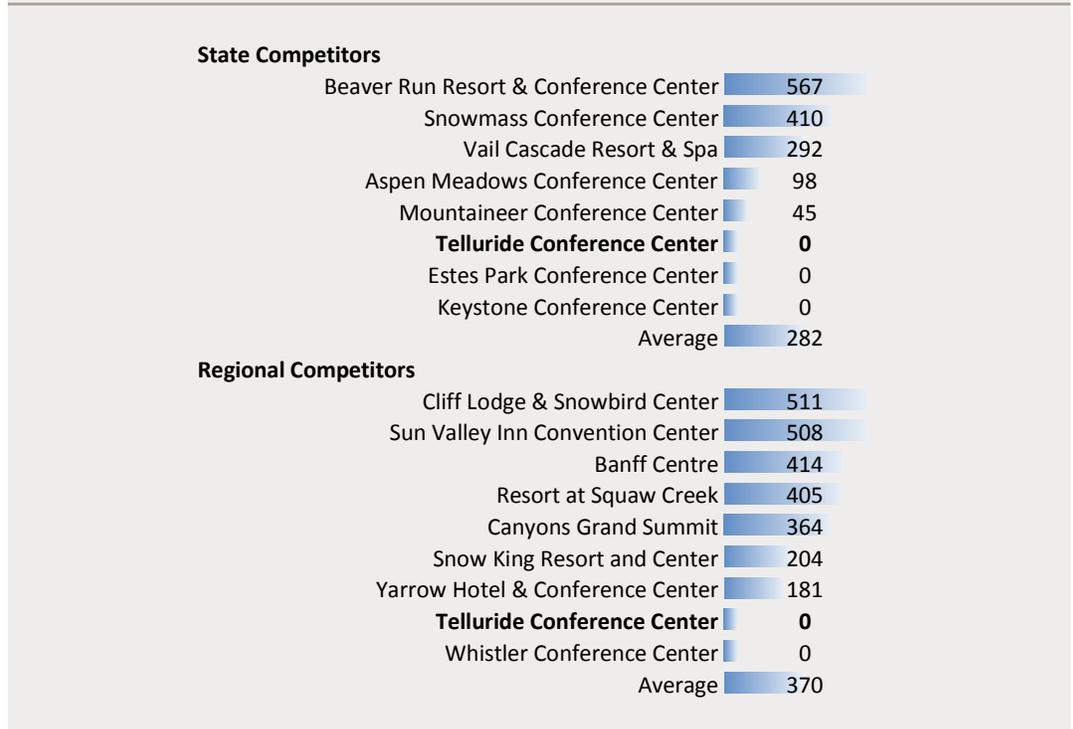
The above analysis of competitive conference center function space suggests that an expansion of the TCC's banquet and meeting spaces is warranted in order to compete effectively for conferences and other group business. However, the appropriate level of the expansion is dependent upon a variety of market factors. The amount of conference center function space must complement a market's other meeting infrastructure, including lodging, other meeting space, and recreation and entertainment options. It must also be consistent with the other market characteristics which support this infrastructure, including population, air service, and corporate climate.

**Adjacent or Integrated  
Hotel Capacity**

The quality and proximity of hotel supply has increasingly become one of the most important selection factors for facility users in recent years. To attract out-of-town groups, an adequate supply of nearby hotel rooms should support the lodging needs of delegates and other attendees. Proximity and connectivity are critical factors that event planners consider in evaluating overall hotel packages available in competing communities. Generally, the number of rooms offered at one or more hotels that are

adjacent or connected to the convention center is the key point of comparison. Other factors that can be important are hotel brand, service level, building age, management, and available meeting and banquet space in these hotels.

**FIGURE 4-5 ADJACENT OR INTEGRATED HOTEL CAPACITY**

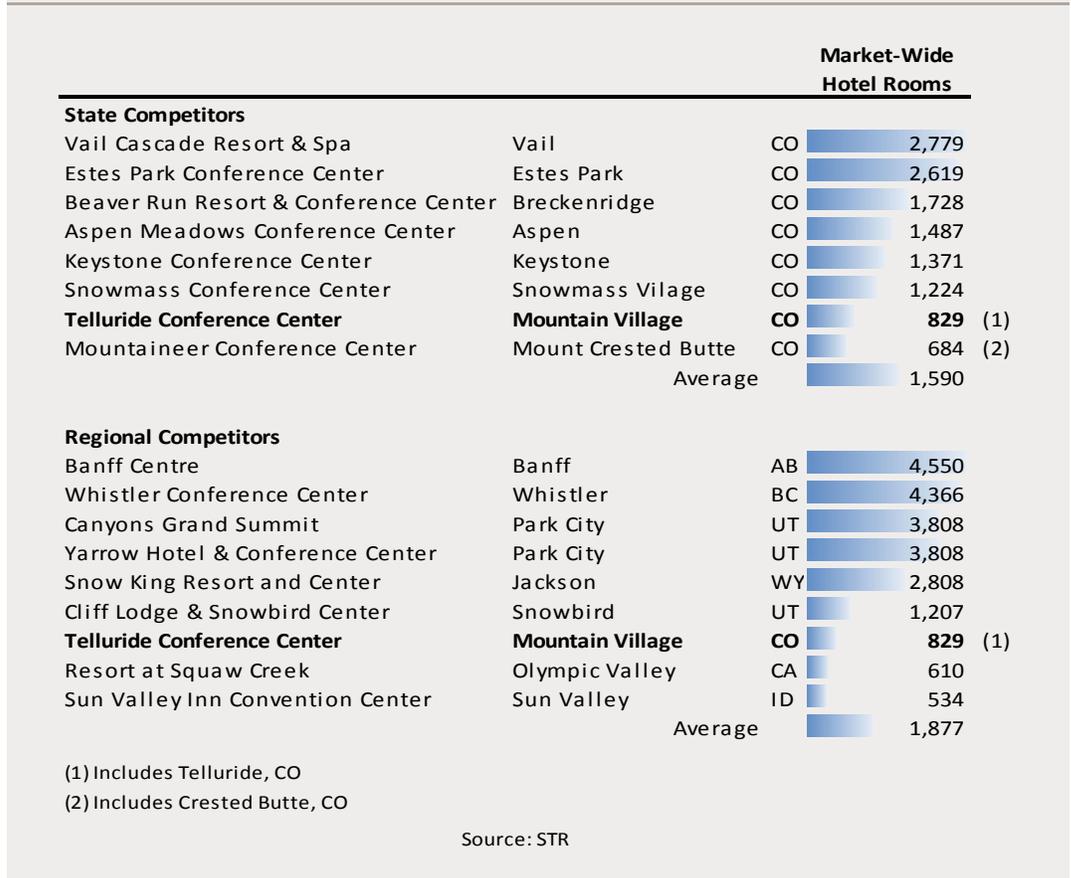


The TCC is one of only four stand-alone conference facilities in the competitive set of venues. For those conference centers with an integrated or adjacent hotel property, the average number of hotel rooms is approximately 300. While not physically attached to lodging, both Keystone and Whistler have a single resort operator which manages both the conference center and associated resort lodging.

**Market-Wide Hotel  
and Meeting Capacity**

Many of the resort locations, including Mountain Village, have been developed such that several hotel properties are conveniently located within walking distance of the conference venue and the resort's core village. The following figure compares the number market-wide hotel rooms which are available for group meetings and events.

**FIGURE 4-6 MARKET-WIDE HOTEL CAPACITY**



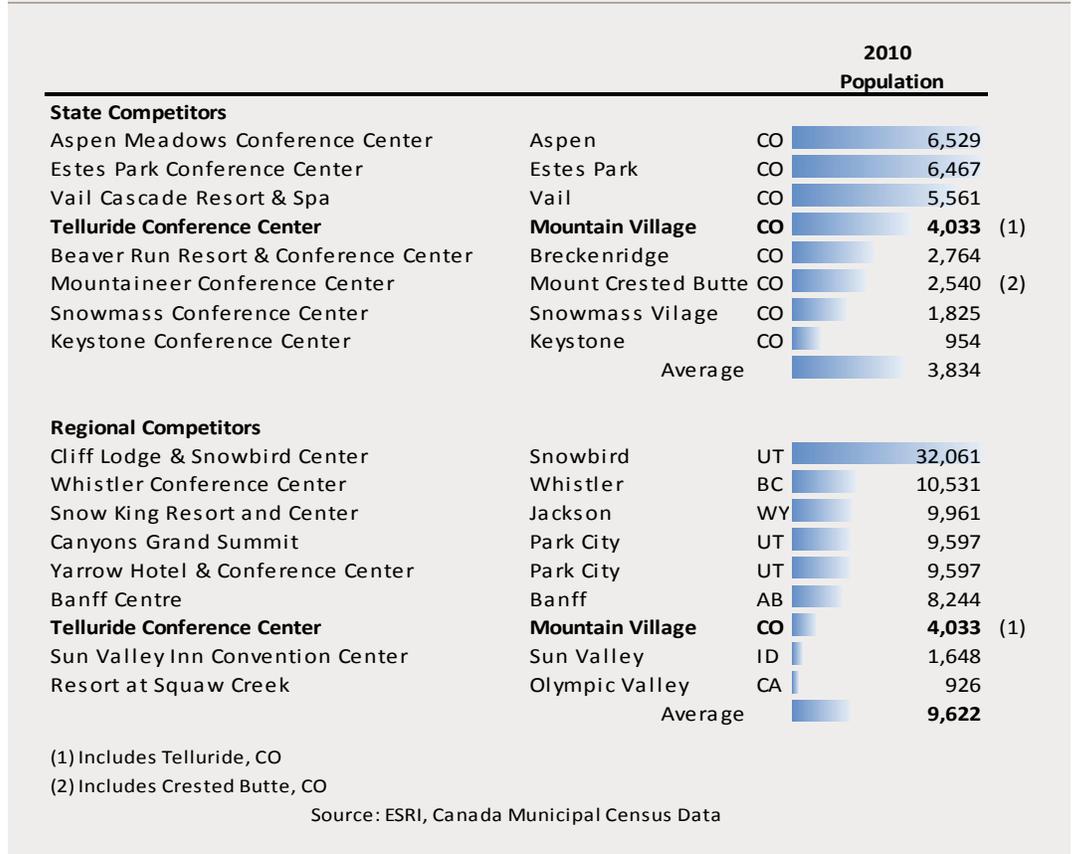
The available hotel room inventory in Mountain Village and Telluride is among the lowest in both competitive sets and is well below the average of 1,600 to 1,900 hotel rooms. The result is that the group potential for the TCC is below that of other competing destinations. Larger events may be constrained by fewer hotel rooms and simultaneous events are more difficult to accommodate.

**Population Comparison**

Local area population data can provide evidence of a community’s overall economic size and ability to support public services and visitor amenities that are important for convention center users. Because most conference centers primarily target out-of-town users, local area population figures rarely have an indirect correlation with overall demand potential. However, population data can provide a basis for understanding a community’s ability to support and sustain a conference center, the surrounding neighborhood and market. Additionally, demand potential for certain types of events such as locally-generated meetings, banquets, festivals, charity

events and shows can be linked to population. The following figure presents the total full and part-time population.

**FIGURE 4-7 TOTAL LOCAL IN-TOWN POPULATION**



When compared to its in-state competitors, the total population of Mountain Village and Telluride is above average. However, the bulk of Colorado’s population lives in the Front Range. Aspen, Vail, and several other Colorado resorts have superior access to this relatively high population density of the state. In contrast, Mountain Village in the San Juan Mountains is sparsely populated with only a handful of smaller cities. When compared to the regional competitors, the population of Mountain Village and Telluride is well below the average.

**Air Service Capacity**

Transportation linkages, including airports, can play a critical role in the success of conference centers that target regional and national user groups. One of the best indicators of an airport’s ability to enhance a convention center’s draw is its service capacity, generally measured as total annual passenger volume, or traffic. An airport with relatively high annual passenger volumes generally is more convenient and has

a wider draw than an airport with relatively low annual passenger volumes. The following figure presents the passenger statistics for the primary airports that serve each competitive venue as well as the distance to this primary airport and the nearest international airport.

**FIGURE 4-8 PROXIMITY AND AIR SERVICE AT PRIMARY AIRPORTS**

	Nearest Primary Airport	Distance (Miles)	Primary Airport 2010 Passengers	Nearest International Airport	Distance (Miles)
<b>State Competitors</b>					
Estes Park Conference Center	Denver International	57	52,209,377	Denver International	57
Keystone Conference Center	Eagle County Regional	73	410,572	Denver International	96
Aspen Meadows Conference Center	Eagle County Regional	70	410,572	Denver International	220
Beaver Run Resort & Conference Center	Eagle County Regional	72	410,572	Denver International	104
Snowmass Conference Center	Eagle County Regional	70	410,572	Denver International	220
Vail Cascade Resort & Spa	Eagle County Regional	35	410,572	Denver International	130
<b>Telluride Conference Center</b>	<b>Montrose Regional</b>	<b>68</b>	<b>192,752</b>	<b>Denver International</b>	<b>352</b>
Mountaineer Conference Center	Gunnison-Crested Butte Regional	30	71,690	Denver International	230
	Average	59	10,770,333		176
<b>Regional Competitors</b>					
Canyons Grand Summit	Salt Lake City International	36	21,016,686	Salt Lake City International	36
Cliff Lodge & Snowbird Center	Salt Lake City International	29	21,016,686	Salt Lake City International	29
Yarrow Hotel & Conference Center	Salt Lake City International	36	21,016,686	Salt Lake City International	36
Whistler Conference Center	Vancouver International	136	16,778,774	Vancouver International	136
Banff Centre	Calgary International	90	4,473,894	Calgary International	90
Resort at Squaw Creek	Reno-Tahoe International	46	3,822,485	Reno-Tahoe International	46
Snow King Resort and Center	Jackson Hole	10	584,552	Salt Lake City International	196
<b>Telluride Conference Center</b>	<b>Montrose Regional</b>	<b>68</b>	<b>192,752</b>	<b>Denver International</b>	<b>352</b>
Sun Valley Inn Convention Center	Twin Falls	82	41,895	Boise International	150
	Average	54	4,315,725		121

The passenger counts at Montrose Regional Airport indicate a below average level of capacity for out-of-state travel. Many direct flights to Montrose are seasonal and are limited to a few major U.S. cities, including Denver, Houston, Dallas, Chicago, Newark, and Atlanta. The TCC's distance to the nearest major international airport makes it an impractical option for event planners. The majority of the competitive facilities have better access to national destinations through busier regional airport or proximity to a Denver International Airport.

**Conclusions and Implications for Mountain Village**

The comparison of function spaces in the TCC and the other venues presented in this section shows that the meeting and ballroom spaces at the TCC are well below average in terms of both size and flexibility. The lack of adequate function space reduces the marketability of the TCC and reduces the potential to host multiple simultaneous events. As a stand-alone conference center, the TCC is also hindered by the lack of the integrated hotel rooms found at hotel conference center resort

properties, which make up the majority of the TCC's competition. Despite having an average resident population for the group, the number of market-wide hotel rooms is also much lower than the average of the comparable markets. An analysis of comparable airport proximity and air service capacity shows that many of the resort destination included in this study are not conveniently located near a major airport, but rather rely mainly on regional airports and shuttles. Montrose Regional Airport has a considerably lower level of passenger activity, suggesting that the TCC has an even greater challenge than the majority of its competitors. Convenient air access to a group event destination is a key factor for event planners and attendees. Every effort should be made to maintain, and ideally increase, the level of ongoing airlift support to Montrose.

Each of programming and market factors noted above contributes to making Mountain Village a less attractive group meeting and event destination than most of its competitors. Mountain Village should work to improve each of these elements to enhance its competitive position. The following section of this report identifies specific facility program recommendations to accomplish this goal. These recommendations also address certain market improvements and strategic incentives which would support the TCC and enhance its potential in the industry.

## 5. Facility and Market Recommendations

HVS relied on an in-depth event planner survey, other market research, a site inspection, an analysis of competitive and comparable conference centers, an analysis of historical operations at the Telluride Conference Center (“TCC”), and knowledge of industry practices to recommend two expansion phases for the TCC. These recommended phases should serve as a guide for subsequent physical planning aimed at providing the desired program elements.

### Event Planner Survey

Currently, the TCC provides a valuable resource for public events, social functions, and meetings, however, a review of historical demand demonstrates that the TCC under performs its peers with respect to its ability to attract out-of-town meeting and conferences. HVS developed a comprehensive meeting planner survey to evaluate the needs of potential users of the TCC and understand their impressions of Mountain Village and the TCC as a meeting destination as compared to other regional destinations. HVS also issued the survey to several organizations which had considered hosting an event in Mountain Village, but selected another destination to understand their specific reasons for not selecting Mountain village. HVS collected 292 names of event planners from the Telluride Tourism Board (“TTB”), and 32% of the valid contacts completed a web-based survey. A complete survey report is included in Appendix A of this report. Key survey findings include the following:

- Mountain Village’s remote location, relative inaccessibility, and limited airlift are the overriding weaknesses of the market and the main reasons why meeting planners do not select the TCC as a meeting destination.
- Meeting planners recognize the area’s natural beauty and numerous recreation options as a key strength for the market.
- As a group meeting and incentive travel destination, event planners rate Mountain Village and Telluride in the middle of competing and comparable North American winter resort destinations.
- With a maximum attendance of around 400 people, the TCC’s current function space can accommodate over 60 percent of events organized by the meeting planners in the survey.
- Ninety percent of events described by the survey respondents require a room block of more than 50 hotel rooms.

- Forty-seven percent of meeting planners say that would be “very likely” or “likely” to host an event in Mountain Village if the meeting and hotel facilities met their needs.
- When asked why they have not hosted groups in Mountain Village, meeting planners cite inaccessibility as the main reason with lack of interest and limited knowledge about the destination ranking second and third.

### Building Program Recommendations

HVS provided two alternative building programs for further consideration and analysis. Both programs share three objectives:

- Increasing market share of state, regional, and national associations;
- Increasing market share of corporate meetings, conferences, training, and incentive events; and
- Serving local demand for community events.

The first option is a lower cost option but would be less effective at achieving the stated objectives than the second, higher cost option. Both building program options would require physical planning efforts to test their feasibility, and this additional work is not a part of the scope of this study. For the remainder of the analysis, HVS considers the two building options as phased components of a single building program recommendation.

### Building Program Phase 1

**Improve Existing Facility** - Building Program Phase 1 involves the renovation and improvement within the existing TCC footprint. Through the enhancement of the interior of the facility, the TCC should improve its marketability to meeting planners and be in a better position to accommodate simultaneous events. Specific recommendations include:

- conversion of the mezzanine area to flexible meeting function space,
- enhancing connections to the Peaks Resort via either a covered outdoor walkway or conditioned space, and

These above improvements to the TCC would not put Mountain Village in a position to accommodate larger events, but would improve its chances of attracting events within its current scope. The following figure outlines the function spaces that would be available in the renovated TCC, including approximate sizes for new meeting spaces which are identified by shading.

**FIGURE 5-1 PHASE 1 PROGRAM RECOMMENDATIONS**

Event Space	Total Area (SF)	Seating Capacities				Exhibit Booths (10'x10')
		Theatre	Banquet	Classroom	Boardroom	
<b>Ballroom</b>	<b>6,069</b>	515	400	300		30
Sub-Divisions						
West & Center Ballroom	3,947	412	600	250		
East Ballroom	2,120	120	110	80		
Center Ballroom	1,725	120	110	80		
West Ballroom	2,222	200	130	120		
<b>Meeting Rooms</b>						
Klammer	732	72	50	36	16	
Fallon Boardroom	367	38		18	12	
Chipeta Boardroom	300	30		15	10	
Business Office	312	30		15		
<b>Mezzanine Meeting Rooms</b>	<b>600</b>					
Meeting room 1	300	30		20		
Meeting room 2	300	30		20		
<b>TOTAL FUNCTION SPACE</b>	<b>8,380</b>					

The total amount of meeting space at the TCC would increase modestly; however, the additional meeting rooms should allow the venue more flexibility when servicing events and expand opportunities for multiple simultaneous events.

In addition to the above public areas, HVS recommends that this phase be accompanied by the following improvements to back of house areas.

- **Kitchen** – The current 1,750 square foot kitchen is adequately sized to service function spaces in this phase.
- **Loading Dock** – HVS recommends removing storage from the marshalling area and disposing of any unusable and outdated items. The current fire lane configuration is problematic for event loading and unloading. HVS recommends creating a more user-friendly loading area with the reconfiguration of the dock area. To reduce event costs, HVS recommends allowing unsupervised use of the loading dock subject to certain operating protocols.

- **Reconfiguration** – HVS recommends reconfiguring back of house areas to increase storage and improve functionality of space for both clients and operations staff.
- **Off-site Parking** – HVS recommends that Mountain Village locate and designate a nearby, off-site area for event bus and semi-trailer parking.

### Building Program Phase 2

**Expansion of the TCC** - Building Program Phase 2 involves the expansion of the TCC on an adjacent parcel of land as designated by the Mountain Village Comprehensive Plan. A potential site, located between the TCC and the Peaks and pictured below, would allow for the expansion of TCC function space and improve connection to the Peaks, allowing for more seamless event coordination. Specific recommendations include:

- Depending on site constraints, developing 5,000 to 6,000 square feet of meeting function space, including;
  - 3,000 square foot junior ballroom
  - 2,000 to 3,000 square feet of flexible meeting space

Connect expanded space to the TCC via conditioned space and to the Peaks via covered walkways or conditioned space.

## AERIAL VIEW OF TCC AND POTENTIAL EXPANSION SITE



Functional requirements of the above phase revolve around the principal that the venue as a whole must have the flexibility to host a variety of events with different venue needs. Design of functional and service spaces must also consider the need to host simultaneous events that serve both outside groups and local needs. The following figure outlines the function spaces that would be available in the expanded TCC, including approximate sizes for new meeting spaces, which are identified in the shaded rows of the table.

**FIGURE 5-2 PHASE 2 PROGRAM RECOMMENDATIONS**

Event Space	Total Area (SF)	Seating Capacities				Exhibit Booths (10'x10')
		Theatre	Banquet	Classroom	Boardroom	
<b>Ballroom</b>	<b>6,069</b>	515	400	300		30
Sub-Divisions						
West & Center Ballroom	3,947	412	600	250		
East Ballroom	2,120	120	110	80		
Center Ballroom	1,725	120	110	80		
West Ballroom	2,222	200	130	120		
<b>Meeting Rooms</b>						
Klammer	732	72	50	36	16	
Fallon Boardroom	367	38		18	12	
Chipeta Boardroom	300	30		15	10	
Business Office	312	30		15		
<b>Junior Ballroom</b>	<b>3,000</b>	300	300	200		20
Sub-Divisions						
Two-thirds hall	2,000	220	170	140		
One-third hall	1,000	110	80	70		
<b>Meeting Room Block</b>	<b>2,500</b>					
Sub-division a	625	70	50	40		
Sub-division b	625	70	50	40		
Sub-division c	625	70	50	40		
Sub-division d	625	70	50	40		
Boardroom	500	60	40	30	15	
<b>TOTAL FUNCTION SPACE</b>	<b>13,780</b>					

This phase almost doubles the amount of function space at the TCC. The additional function space in the expansion would allow the TCC to expand its potential scope of events to accommodate some larger events with both higher attendance levels and longer durations. Specific room recommendations follow:

**Junior Ballroom** - In addition to hosting banquets and social events, ballroom space is essential to provide a single meeting space for conference general sessions and assembly events. Properly designed ballroom space can also be subdivided into several break out meeting rooms to support larger conferences

or simultaneous smaller events. The 3,000-square foot junior ballroom space at the expanded TCC would function as secondary banquet space for smaller events and when the main ballroom is in use. It would also provide valuable meeting space for a large general session meetings or when divided, for up to five break out meetings. In order to serve meals and other food service efficiently, the ballroom should be serviced via rear access to the service corridor. Temporary walls would create a variety of configurations for maximum flexibility and allow for simultaneous events. Pre-function area should surround the ballroom on three sides to allow the space to divide into smaller meeting rooms. While site constraints and other design issues will affect the final layout of these functional spaces, HVS recommends junior ballroom space in areas which are conveniently accessible for attendees and efficiently serviced by event staff.

**Meeting Rooms** - Meeting space is essential to provide break out space for larger conference and to support stand-alone meetings and food and beverage functions. Many events require meeting space which is separate and distinct from a ballroom. A 3,000 square foot meeting room block at the expanded TCC would provide up to four individual meeting rooms plus a 500 square foot boardroom. Temporary walls would create a variety of configurations for maximum flexibility and allow for simultaneous events. In order to serve meals and other food service efficiently, meeting room block should be serviced via rear access to the service corridor. While site constraints and other design issues will affect the final layout of these functional spaces, HVS recommends that the new meeting space be located in areas which are conveniently accessible for attendees and efficiently serviced by event staff.

In addition to the exhibit and meeting function spaces provided above, the gross floor area of the TCC expansion would include the following elements:

- Pre-function – The expansion area should contain a well-appointed pre-function area which provides meeting planners a designated location for greeting and registration, social gatherings, and well-defined public access to the junior ballroom and meeting rooms.
- Circulation – Circulation space provides for the movement of attendees into and through the conference center and expansion. For the expansion phase, these areas would include an entrance lobby, hallways, and connecting walkways and bridges as required. Depending on the concept plan for the expansion, these areas could also include vertical circulation (stairwells, elevators, and escalators).
- Service access – Service corridors provide non-public access to the event hall and meeting rooms as well as connection to loading docks, mechanical rooms, and storage.

- Kitchen – The production kitchen in the existing TCC should have capacity to handle food preparation for the expansion’s junior ballroom and other areas. The expansion, however, should contain a 450-600 square foot catering pantry with back of house connection to the main TCC kitchen and access to all junior ballroom divisions.
- Loading areas – Service access that is separate from the drop-off zone, truck docks, and waste disposal areas are needed to support the expansion.
- Storage – Adequate and convenient equipment storage is important to the efficient operation of the expansion.
- Facility Operations – Spaces are needed to support expansion’s physical plant, including HVAC, plumbing, electrical and fire protection systems.

A more precise determination of the floor areas would require a concept plan created by a design firm that illustrates how the proposed expansion would fit on the site and interact with the existing TCC and the Peaks. The process of concept planning will likely require adjustments to the recommended floor areas.

### **Other Strategic Initiatives**

Implementation of the recommended building program plans would not be sufficient to achieve the objectives of increasing market share of association and corporate group business. Additional strategic initiatives would be necessary to address other market weaknesses and improve operational and sales performance. HVS has outlined an action plan of short, medium, and long-term actions to complement and support the above program phases.

### **Technology Improvements**

The variety, availability, and convenience of conference center technology have grown exponentially over the past decade and continue to change and improve with each year. The International Association of Conference Centers (“IACC”) commissioned a task force to establish universal criteria for technology and to review these criteria periodically as the industry changes. IACC recognizes the variety of room types and the multi-functional aspects of conference center spaces and therefore bases its technology criteria on a particular room’s size and function. IACC also categorizes specific equipment as a basic, medium, or high level of technology for each room type. In order to apply the IACC recommended technology criteria to the existing and proposed spaces at the TCC, HVS classified each space as shown in the following figure.

**FIGURE 5-3 TCC MEETING SPACE CLASSIFICATION**

<b>Room Classification</b>	<b>Definition</b>	<b>Room</b>	<b>Location</b>
Large Multi-purpose flexible function room	Ballroom and multi-purpose space 3,000 sf and greater	Ballroom	Existing TCC
		Junior Ballroom	Option 2
Large Breakout Meeting Room	Meeting rooms and board rooms with flexible furnishings 500 to 1,250 sf	Klammer	Existing TCC
		Expansion Meeting Rooms	Option 2
Small Breakout Meeting Room	Meeting rooms and board rooms with up to 600 sf	Fallon, Chipeta, and Business Office	Existing TCC
		Mezzanine Meeting Rooms	Option 1

The following figure shows the recommendations for basic, medium, and high levels of technology for each of the room classifications presented above.

**FIGURE 5-4 MATRIX FOR TECHNOLOGY RECOMMENDATIONS BY ROOM TYPE**

	Basic Level	Medium Level	High Level
<b>Power and Data Outlets</b>			
Large Multi-purpose flexible function room	Available throughout room, minimum of 2 access points for high speed internet	At least one outlet per wall, one floor box every 500 sf of area to central data control	Cable trunking access and/or cable management
Large Breakout Meeting Room	Available throughout room, minimum of 2 access points for high speed internet	At least one outlet per wall, one floor box every 500 sf of area to central data control	
Small Breakout Meeting Room	Available throughout room; at least 1 access point for high speed internet	At least 1 floor box with connection to central data control	At least 1 power outlet per wall
<b>Communications</b>			
Large Multi-purpose flexible function room	Wired or wireless high speed internet connections; Assisted listening system	Wired and wireless high speed internet connections	Built-in telephone hybrid system, portable or built-in video conferencing system
Large Breakout Meeting Room	Wired or wireless high speed internet connections	Wired and wireless high speed internet connections; Assisted listening system	Built-in telephone hybrid system, portable or built-in video conferencing system
Small Breakout Meeting Room	Wired or wireless high speed internet connections	Wired and wireless high speed internet connections	Assisted listening system
<b>Speaker/Sound Systems</b>			
Large Multi-purpose flexible function room	Built-in sound system with microphone input and in-room controls; Digital sound processing system	Ceiling speaker sound system; point-source speakers built in at main display/screen	
Large Breakout Meeting Room	Built-in sound system with microphone input and in-room controls		Ceiling speaker sound system; Point-source speakers built in at main display/screen
Small Breakout Meeting Room			Point-source speakers built in at main display/screen

Source: IACC

**FIGURE 5-5 MATRIX FOR TECHNOLOGY RECOMMENDATIONS BY ROOM TYPE (CONT.)**

	Basic Level	Medium Level	High Level
<b>Lighting</b>			
Large Multi-purpose flexible function room	Zone controlled programmable / dimmable lighting with in-room controls; Electrically-operated blackout curtains on windows	Retractable fixtures for rigging with tech power and tie lines	
Large Breakout Meeting Room	Manually or electrically-operated blackout curtains on windows	Zone controlled fully-dimmable lighting	Programmable lighting with in-room control panel
Small Breakout Meeting Room	Manually or electrically-operated blackout curtains on windows	Zone controlled fully-dimmable lighting	Programmable lighting with in-room control panel
<b>Video Systems</b>			
Large Multi-purpose flexible function room		Built-in remote input video image display system with multiple inputs and at least 1 front projector of 4,000 lumens	At least 1 electrically operated, concealable screen; Rear projections with high definition equipment
Large Breakout Meeting Room	Built-in remote input video image display system with multiple inputs and at least 1 front projector of 2,000 lumens	At least 1 manually or electrically operated screen or flat panel LCD display with remote input	Multiple inputs for image display system
Small Breakout Meeting Room		At least 1 manually or electrically operated screen	Built-in remote input video image display system with multiple inputs and at least 1 front projector of 2,000 lumens; flat panel LCD display with remote input
<b>AV Input-Output Connections</b>			
Large Multi-purpose flexible function room	Through at least 1 access plate at front of room	Through an increased quantity of access plates	Digital programmable system with optional portable control panel
<b>Rigging and Show Requirements</b>			
Large Multi-purpose flexible function room	Fixed 500 lb live load rigging points; Show power access at front wall	Lightweight hang-track around periphery walls including operable partitions; Control booth are rear of room	

Source: IACC

HVS recommends that the TCC follow the IACC criteria for the medium level of technology in all newly constructed function spaces. To the extent this medium level is not met in the existing TCC function spaces, HVS recommends further evaluation pending cost estimates to retrofit spaces with highest priority given to communications and audio/visual technology infrastructure.

**Coordination with Hotels**

HVS also recommends that the above phases for the TCC be accompanied by the continuation of ongoing improvements to the Peaks' physical property and level of service. The more than 10,000 square feet of nearby function space currently available at the Peaks would be a valuable asset when marketing to larger events. To fully realize this potential, joint marketing agreements and defined booking policies should be in place with the TCC and the Peaks, along with the Hotel Madeline, the Mountain Lodge and other lodging properties in Mountain Village. These marketing agreements should focus on events with over 200 attendees that would require TCC function spaces and room blocks in several hotels.

**Improved Lodging Mix**

The lodging infrastructure available to support events at the TCC is not consistent what is typically preferred by meeting planners and attendees. Meeting planners prefer that their meeting attendees be housed in a minimal number of hotel properties. Events at the TCC which have larger room blocks must be spread out through a number or properties with inconsistent levels of service. The lack of a recognized hotel brand is also less desirable for meeting planners. The two scenarios outlined in the Mountain Village Comprehensive Plan and economic model project between 879 and 1,328 new hotbed units over the next 30 years. The following figure presents the detailed breakdown of this plan.

**FIGURE 5-6 MV COMPREHENSIVE PLAN FUTURE HOTBED UNITS**

Venue	Hotel	Hotel Efficiency	Lodge	Efficiency Lodge	Total Hotbed
<b>Current Conditions</b>	177	8	171	260	616
Remaining Buildout	79	21	47	73	220
Buildout by Right	256	29	218	333	836
<b>Scenario 1</b>					
Difference	(23)	(2)	717	636	1,328
Alternative Buildout	233	27	935	969	2,164
<b>Scenario 2</b>					
Difference	(23)	(2)	512	392	879
Alternative Buildout	233	27	730	725	1,715

Source: Mountain Village Economic Model

As the figure above demonstrates, under both scenarios the number of hotbed units will increase, however, the number of traditional hotel units will decrease. Meeting planners typically prefer to house their attendees in large room blocks in conventional, full-service hotel properties. A single hotel property is preferred, however, for large events, room blocks in a few different properties is common. In this case, a meeting attendee can select from the various properties and price points. Meeting planners do not like to place attendees in a large number of smaller properties with inconsistent levels of quality and service. Additionally, meeting attendees prefer standard hotel rooms rather than units with efficiency kitchens and other amenities that would be found in a privately owned condominium unit. With a small number of hotel properties currently in the market, the current plans for lodging would not address the current group lodging mismatch. HVS recommends that Mountain Village consider incentives for providing a full-service, branded hotel project that includes 300 hotel rooms which are not condominiums.

As detailed above, the number of hotbed units will increase significantly over the next 30 years. To assess the appropriateness of the meeting space recommendations given the expected future number of hotbed units, HVS used the industry standard range of 30 to 60 square feet of meeting function space per hotel room as the appropriate range for meeting function space. For the analysis presented below, HVS assumes that only standard hotel rooms, hotel efficiency units, and lodge efficiency would directly support the meeting space. HVS does not include lodge units in the analysis.

**FIGURE 5-7 MEETING SPACE VS. FUTURE HOTBED UNITS**

	Hotbeds Supporting Meeting Space	Market-wide Meeting Space (SF)	Conference Space SF per Room	Appropriate Range of Total Market Meeting Space	
				Minimum (30 SF per room)	Maximum (60 SF per room)
<b>Current Conditions</b>	618	33,720	55	18,540	37,080
<b>Phase 2 Expansion</b>					
MV Buildout Scenario 1	1,229	39,720	32	36,870	73,740
MV Buildout Scenario 2	985	39,720	40	29,550	59,100

The above analysis demonstrates under current conditions, there is 55 square feet of meeting space per hotel room. This ratio is somewhat high, but is within the acceptable range. As the number of Hotbeds in the market increases in accordance with the two hotbed build out scenarios contemplated by the Mountain Village comprehensive plan, the amount of meeting space can also increase. According to the analysis presented above, following the Phase 2

expansion of the TCC and future hotel build out, the amount of meeting space would shift to the low end of the acceptable range (32 to 40 square feet per hotel room). This indicates that the meeting space could adequately serve the hotel inventory and that some capacity would remain for additional meeting space to be constructed within future hotel properties.

### **Air Service Improvements**

While a number of large cities throughout the U.S. have direct flights to Montrose Regional Airport, the seasonal nature of this service hinders Mountain Village's ability to attract events during target shoulder seasons when hotel occupancies are at their lowest. Current sales tax provisions transfer 50 percent of the 4 percent lodging tax collected in Mountain Village to the Telluride Montrose Regional Air Organization ("TMRAO") for its airline Guarantee Programs. One hundred percent of the 2 percent restaurant tax also goes to this program. TMRAO's Airline Guarantee Program is a crucial element to the region's tourist-based economy, providing broader air travel options to those flying to and from the area. Started in 1985, the program encourages major airlines to offer adequate and attractively priced flights into the Telluride and Montrose regional airports through revenue guarantees, a type of cost sharing. If hotel occupancies and lodging and restaurant tax collections increase, the amount of funds transferred to the Airline Guarantee Program would also increase, enhancing this program's ability to fund more flights and direct more passengers to the area. HVS understands that other efforts are ongoing to expand air service to Montrose. Convenient air travel to an event destination is a significant consideration for meeting planners. HVS recommends that these efforts continue, however, the demand projections presented later in this report reflect the current level of air service available.

### **Retail and Dining**

Retail, dining, and entertainment establishments all contribute to improving an event location's overall appeal as a destination. While not the most important consideration, meeting planners do evaluate the after-hours opportunities for their event attendees. The pedestrian friendly, village atmosphere of Mountain Village is ideal for group attendees; however, the town does need to incorporate initiatives which expand retail, dining, and entertainment options within the town to create the vibrant and lively atmosphere which is preferred by meeting planners and attendees. Consideration should be given to maintaining business operations during the traditional off-peak periods of the year, so that there are an adequate number of proximate options available for event attendees. Evening business hours are essential, so that attendees do not feel that the village "shuts down" at the end of the business day when attendees have free time from their conference agendas. The proximity and easy pedestrian access to the town of Telluride is a positive feature for events held at the TCC; however, it is essential to have a commensurate level of cultural and entertainment alternatives in Mountain Village.

## Sales and Booking Policies

The Telluride Tourism Board (TTB”) is a non-profit community organization dedicated to marketing Mountain Village and Telluride to the leisure tourism and group markets. The TTB’s most basic sales efforts involve educating event planners about Mountain Village, Telluride, and the TCC. These efforts include advertising campaigns, participation in tradeshow and conventions that target event planners, sales presentations, and coordinating familiarization tours for event planners. The TTB currently leads efforts in all of these areas.

If event planners are willing to consider Mountain Village and Telluride as a site for their events, then the TTB also plays the role of event facilitator in two critical areas. First, the TTB matches event planners’ facility requirements with the most suitable event space in the market (e.g. the TCC). Second, the TTB matches event planners’ hotel requirements with the most suitable lodging properties in the community.

One of the most important reasons for having a convention and tourism board is because representatives of the hotel industry wish to have a centralized organization that can serve as an entry point or information hub for visitors from all segments, including the group segment, business transient travelers, and leisure travelers. Therefore, it is common for hotels located in the same community to organize and agree to tax their revenues with the goal of funding such an organization. Using hotel tax revenue to pay for tourism board funding is common. The principle behind this arrangement is typically an attempt to coordinate those who benefit from hotel taxes with those properties that pay them. In the case of convention and tourism boards like the TTB, the primary beneficiaries of the organization’s efforts are generally hotels, and to a lesser extent restaurants, retail stores, visitor attractions, service providers, and car rental companies. For this reason, hotel taxes (and sometimes restaurant taxes and car rental taxes) are among the most common sources of funding for these organizations in the United States.

In Mountain Village and Telluride, local hotel occupancy tax revenues are the primary source of funding for the TTB. The total hotel occupancy tax in Mountain Village is currently 12.4 percent, while that in Telluride is 10.4 percent. For both Mountain Village and Telluride, 2.9 percent of this tax goes to the State of Colorado. One percent goes to San Miguel County, and 4.5 percent goes to the respective town governments. The remaining four percent is split evenly to fund the TTB and the Telluride Montrose Regional Air Organization for its Airline Guarantee Program. The TTB currently receives funding the Town of Mountain Village Owners’ Association (“TMVOA”) and collects commissions from its lodging partners on group rooms booked by the organization. These room commissions allow the TTB to offer complimentary or reduced conference center room rental rates to meeting groups. These room subsidies allow Mountain

Village and the TCC to be more competitive with other integrated resort properties which often offer their meeting function space free of charge. By increasing hotel room revenues and lodging commissions, the TTB’s goal is to become self-funding in the shortest time possible, thus no longer requiring partner funding from the TMVOA.

The TTB has developed a comprehensive Group Sales and Marketing Strategy for 2012. HVS has reviewed this strategic plan, along with the 2011 Group & conference Sales Plan “Snapshot”, and finds both of these documents to be comprehensive, well-conceived plans, which should renew the market’s presence in the group meetings industry. With the overall goal of increasing group visitation in the market, HVS feels that the TTB’s current and future marketing strategies successfully recognize and address the opportunities and challenges that the market faces. The strategic focus and methods are consistent with the recommendations made in this report. Key strategic highlights include:

- Increase awareness of Telluride and Mountain Village as a world-class meeting and events destination by bringing more qualified buyers to our area and aligning ourselves with the right industry trade alliances.
- Position Mountain Village and the TTB Groups Sales Team as cutting-edge, innovative partners, which offsets any applicable destination challenges.
- Strengthen the foundation of group services in our community and partnerships with local suppliers.

The TTB group sales effort is comprised on three segments, each headed by a sales team member. In addition to a market focus, each sales team member also has a geographic focus. The following figure outlines this sales structure.

**FIGURE 5-8 TTB SALES DEPARTMENT STRUCTURE**

<b>Position</b>	<b>Market Focus</b>	<b>Geographic Focus</b>
Director	Corporate / Incentive	IL, CA, GA, NY/NJ
Manager	Association	TX, AZ, CO, DC
Associate	SMERF Source: Telluride Tourism Board	NM, UT, AZ, PA/NJ

This basic organizational structure is typical for group sales in convention and visitor organizations around the country. The TTB; however, does not have any

staff dedicated solely to conference support services, which is common with CVBs of all sizes. Once a group is booked, sales team members are responsible for ensuring that a group's lodging, transportation, recreation, and other on-site needs are met.

HVS does not recommend any major changes to the TTB sales staff organization at this time, however, the vacant manager position should be filled as soon as possible. As sales efforts take hold and budgeting allows, the TTB should consider adding a group services staff position. This addition will allow sales staff to focus on sales and marketing efforts and create a TTB division dedicated solely to client satisfaction. The potential future expansion or redevelopment of the TCC should be coordinated with the creation of additional sales staff positions and an expansion of group services staff.

While the TTB and the TCC have no formal agreement, these organizations should work together in booking events in a way that maximizes the benefit for the entire community. HVS recommends the TTB take the lead and have booking priority at the TCC for dates at least 12 months in the future and beyond. Any dates within the 12-month booking window are open to any potential user groups on a first-come, first-served basis.

The primary intent of such a booking policy is to maximize the likelihood of attracting high-impact conventions, and conferences from out of town by giving them booking priority. While all potential clients are made aware of all venue options in the market, the TTB has identified conferences with 100 to 400 attendees as the key target market for the TCC. Hotel properties are capable of hosting and typically are preferred by smaller groups. Opening up the schedule inside the 12-month, booking window allows a facility to fill in empty dates with lower-impact events in an effort to maximize revenue for the facility and serve as a valuable resource to the community as a venue for charitable and other community events.

Traditionally conventions and conferences are high-impact events while local entertainment and community events are low-impact events. Because of Mountain Village's position as tourism destination, certain local shows may have the potential to generate substantial economic impacts for the local economy. If they can demonstrate that their economic impacts exceed a certain threshold, then it makes sense for them to have some formal preferential treatment with respect to the booking policy. Therefore, HVS recommends implementing a system to objectively measure the new room night demand generated by local shows that includes both event organizers and attendees. This system would not only justify booking certain local events outside the 12-month window, it would

**Ongoing TCC  
Operational  
Assessment**

also create some valuable and informative data for the conference center annual reports discussed below

Communication is critical between the Town officials, day-to-day managers of the TCC, and the public. It is common practice for facility managers to provide annual reports to officials in charge of guiding public policy decisions related to conference centers. HVS recommends that the annual report prepared by TCC management should include, at a minimum, a description of events and attendance at the TCC well as a description of operating revenues and expenses associated with managing the venue. At least two years of historical annual data should be included in the annual report for comparison purposes. Based on our knowledge of industry standards, HVS suggests that the most common types of information typically available to a municipal owner of a civic or conference center include the following items:

- Aggregated data on historical events and attendance, organized by event type,
- Historical operating revenues and expenses associated with the venue, organized by year,
- Organizational chart depicting staffing structure for the venue,
- Strategic plan, expressing marketing strategies, future booking and operational goals, and an approach to achieve those goals,
- Annual estimates of room nights and the economic and fiscal impacts generated by the venue's events, and
- An overview of positive impacts on the Mountain Village community including data on charitable and community service events.

Facility managers typically collect most of this data, with the exception of room night and economic impact estimates which may require input from the TTB records.

HVS recommends presenting summaries of all the preceding data points in an annual report document that can be distributed to town officials. Implementation of this annual comprehensive reporting process may enable Mountain Village to communicate better the overall success and importance of the TCC to the public. In most communities, this is a collaborative process that helps to ensure continued public support of the, meetings and convention industry and public investment in convention related assets and marketing organizations.

### **Align TCC Management Incentives with Goals**

It is imperative that the operational goals of the TCC be in line with the overall strategic goals of the TTB, hoteliers, and other partners involved in the area's group meeting industry; the goal of attracting out-of-town conferences and other groups to Mountain Village and Telluride. The above-mentioned reporting procedures, most notably room nights generated and visitor spending estimates should be the guide by which the TCC operation is evaluated. Every effort should be made to minimize the annual subsidy required to operate the conference center through various methods, including using the TTB hotel commission to subsidize TCC rent paid by certain groups. However, TCC management incentives should be tied to the economic impact generated by events held at the TCC rather than by the profitability of the TCC operation. These economic impacts, further detailed in Section 8 of this report, have the potential to outweigh the operating subsidy needed to achieve them.

### **Action Plan Summary**

The following figure summarizes the facility and market recommendations presented in this section. The figure specifies the period in which the town of Mountain Village should implement these recommendations.

- Short Term – within 2 years
- Medium Term – within 5 years
- Long Term – within 10 years

**FIGURE 5-9 ACTION PLAN**

	Short Term (2 years)	Medium Term (5 years)	Long Term (10 years)
<b>Building Program</b>	<ul style="list-style-type: none"> <li>- Improve interior condition of TCC and ready all meeting rooms for use.</li> <li>- Allow unsupervised use of loading dock subject to specific operating protocols</li> <li>- Reconfigure back of house spaces to increase storage and improve functionality for both event clients and operations staff</li> <li>- Implement planning and design of selected program option</li> </ul>	<ul style="list-style-type: none"> <li>- Implement construction phase selected program option</li> </ul>	<ul style="list-style-type: none"> <li>- Consider incentives to attract resort hotel with an integrated conference center and repositioning TCC as a local events venue.</li> </ul>
<b>Technology Improvements</b>	<ul style="list-style-type: none"> <li>- Evaluate costs of retrofitting existing spaces to comply with IACC medium technology level with highest priority on communications and audio/visual infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>- Implement IACC medium technology level in new Option 2 spaces (if selected)</li> </ul>	
<b>Coordination with Hotels and Improved Lodging Mix</b>	<ul style="list-style-type: none"> <li>- Establish marketing agreements and defined booking policies with hotels</li> <li>- Continue ongoing improvements to Peaks physical condition and level of service.</li> </ul>	<ul style="list-style-type: none"> <li>- Implement MV Comprehensive Plan for lodging development</li> </ul>	<ul style="list-style-type: none"> <li>- Implement MV Comprehensive Plan for lodging development</li> </ul>
<b>Air Service Improvements</b>	<ul style="list-style-type: none"> <li>- Continue ongoing efforts to increase number of available flights at Montrose and Telluride Regional Airports.</li> <li>- Grow tax collections and contributions to Airline Guarantee program.</li> </ul>	<ul style="list-style-type: none"> <li>- Continue ongoing efforts and tax contributions to Airline Guarantee Program.</li> </ul>	<ul style="list-style-type: none"> <li>- Continue ongoing efforts and tax contributions to Airline Guarantee Program.</li> </ul>

**FIGURE 5-10 ACTION PLAN (CONT.)**

	<b>Short Term (2 years)</b>	<b>Medium Term (5 years)</b>	<b>Long Term (10 years)</b>
<b>Retail and Dining</b>	<ul style="list-style-type: none"> <li>- Work with commercial establishments to maintain hours of operation during traditional off-peak periods</li> <li>- Work with commercial establishments to expand hours of operation to include evenings.</li> </ul>	<ul style="list-style-type: none"> <li>- Continue efforts to fill vacant commercial spaces in Mountain Village Center, with priority given to sites within close proximity to the TCC.</li> <li>- Implement MV Comprehensive Plan for commercial development</li> </ul>	<ul style="list-style-type: none"> <li>- Implement MV Comprehensive Plan for commercial development</li> </ul>
<b>Sales and Booking Policies</b>	<ul style="list-style-type: none"> <li>- Implement TTB Group Sales &amp; Marketing Plan as lead strategy for TCC bookings</li> <li>- Fill vacant Sales Manager position at TTB</li> <li>- Create Group Services staff position when funds available</li> </ul>	<ul style="list-style-type: none"> <li>- Implement TTB Group Sales &amp; Marketing Plan as lead strategy for TCC bookings</li> <li>- Under either expansion option, expand Group Sales and Group Services staff</li> </ul>	<ul style="list-style-type: none"> <li>- Implement TTB Group Sales &amp; Marketing Plan as lead strategy for TCC bookings</li> </ul>
<b>Ongoing TCC Operational Assessment and Management Incentives and Goals</b>	<ul style="list-style-type: none"> <li>- Implement additional annual reporting procedure for TCC operations</li> <li>- Align TCC operational goals with the best interest of the Mountain Village, the TTB and other strategic partners -attracting out-of-town conferences and groups.</li> <li>- Create TCC operational incentives based on room night generation and estimates of new visitor spending as a result of TCC events.</li> </ul>		

## 6. Demand Analysis

HVS based event demand estimates for the Telluride Conference Center (“TCC”) on the following research and analysis.

- The program and market recommendation presented in Section 5 of this report
- Market and economic indicators outlined in Section 2,
- Historical TCC demand data,
- An event planner survey
- Industry data and trends reports,
- Comparable venue program and operating data,
- Existing state competitive venues,
- Interviews with government official and other stakeholders, and
- Discussions with representatives from the current TCC management, local hotel sales and management, and the Telluride Tourism Board.

The demand projections presented herein are based on the assumption that all recommendations throughout this report are implemented. HVS assumes Phase 1 renovation completion in Year 1 and the subsequent Phase 2 expansion completion in Year 5. HVS further assumes that the town of Mountain Village and the TCC begin to implement the strategic and market-based recommendation within one year, well prior to the completion of any changes to the physical facility program. HVS estimates that event demand would stabilize in the third year of operation following the expansion completion—Year 8. Demand projections also assume a highly qualified, professional sales and management teams for the proposed TCC.

### Historical Demand

The TCC provided HVS with a list of events that occurred at the facility between the calendar years 2006 through 2011. Changes in management and reporting procedures over this time resulted in an inconsistent level of detail in the historical data sets. In general, the data sets included event names, dates, and estimates of attendance. Certain years were incomplete. Based on this available information and additional primary research, HVS combined data sources and reclassified event types into standard event categories to allow comparisons with

other venues. The figure below summarizes the event and attendance history at the TCC for the past five years.

**FIGURE 6-1 EVENT AND ATTENDANCE HISTORY**

	* 2007	2008	2009	2010	2011
<b>Number of Events</b>					
Conferences	4	5	7	5	5
Meetings	10	28	20	11	4
Banquets	22	21	5	11	19
Concerts & Events	22	20	15	13	16
Assemblies	8	16	11	0	0
<b>Total</b>	<b>66</b>	<b>90</b>	<b>58</b>	<b>40</b>	<b>44</b>
<b>Total Attendance</b>					
Conferences		2,216	2,321	805	415
Meetings		1,999	883	1,655	572
Banquets		3,154	1,485	2,900	4,970
Concerts & Events		14,392	8,505	6,850	7,130
Assemblies		1,898	1,390	0	0
<b>Total</b>		<b>23,659</b>	<b>14,584</b>	<b>12,210</b>	<b>13,087</b>
<b>Average Attendance</b>					
Conferences		443	332	161	83
Meetings		71	44	150	143
Banquets		150	297	264	262
Concerts & Events		720	567	527	446
Assemblies		119	126		

\* 2007 historical data had incomplete attendance data.

Source: Telluride Conference Center, Restated by HVS

The demand profile of events at the TCC has changed significantly over the past five years. From 90 events and a total attendance of over 23,000 in 2008, both the number of events and the total attendance have declined, reaching lows in 2010 and rebounding slightly in 2011. The direction of this trend is consistent with the overall meetings industry which resulted from the nationwide economic downturn. The percentage declines at the TCC, however, are more severe than industry averages. The IACC reports that overall occupancy at resort conference centers fell by just over 20 percent between 2008 and 2009. In 2010, resort conference center occupancy rebounded by approximately 10 percent. In contrast, the TCC experienced a 35 percent decline in the number of events between 2008

and 2009, and a continued decline of another 31 percent between 2009 and 2010. This trend suggests that in addition to the general economic downturn, some local influences are also playing an important role in shaping TCC demand. HVS analyzed the history each event type independently resulting in the following key observations and conclusions.

- **Conferences** - Conferences are multi-day events that require a combination of banquet and meeting space. Sources of TCC conference demand include visiting corporate and association groups as well as SMERF groups. While the overall number of conferences has remained consistent, the average attendance of these events has dropped significantly. HVS notes that some larger state association events, such as the Colorado Fire Fighters Academy (“CFFA”) and the Colorado Symposium on Emergency Care (“CSEC”), used to host annual events at the TCC, but selected other venues in recent years. These events, which have attendance levels of over 500 people, have been replaced by smaller, national conferences with less than 100 attendees. Several factors contributed to this trend. The CFFA moved their event to Pagosa Springs, Colorado mainly due to overall cost savings. The CSEC notes both cost and location as the reason for moving their event to Durango, Colorado. In this more accessible location, more of their attendees are able to make a daily trip to the event rather than incur lodging costs. The TCC is able to charge higher rental rates to the less price-sensitive national conferences noted above, so the TCC’s net rental revenue has not changed significantly, however, the reduced number of visitors does have a negative impact on the room nights generated and the overall economic impact to the community. A secondary impact of this strategic shift to smaller, less price-sensitive conferences is that the TCC must compete with local hoteliers for these smaller groups. The TCC’s competitive relationship with local hoteliers may hinder the cooperative efforts that are needed to book the larger, higher impact events that are more appropriate for the TCC. The TCC is also using valuable staff time and filling the venue’s calendar with events that are more appropriate for the hotel properties.
- **Meetings** – Meetings are events that require breakout-meeting space but do require banquet space. Sources of TCC meeting demand include local sources as well as visiting groups that are not using the TCC as their main conference venue. The number of stand-alone meetings has fluctuated over the years from a high of 28 in 2008 to just four in 2011. In reviewing event data, HVS noted that the gradual decline in local meetings held at the TCC. These local meetings, including hotel training sessions, education workshops, and corporate meetings, averaged around 50 attendees. The TCC currently hosts a number of larger training sessions which significantly increase the average meeting attendance from previous years. The specific cause for this shift in meeting profile is unclear; however, the privatization of the TCC operation may have

resulted in pricing policies that are no longer practical for local businesses and organizations.

- **Banquets** – Banquets are stand-alone social events, luncheons, and other meals typically booked by local corporations, social and civic organizations, and private clients. Sources of TCC banquet demand include local corporate and private clients, destination wedding groups, and visiting group that are not using the TCC as their main conference venue. The number of banquets at the TCC declined in 2009, but has since rebounded back to pre-recession levels. The average banquet attendance has also remained steady and is consistent with the 6,000 square foot size of the TCC’s ballroom.
- **Concerts & Events** – Concerts & Events include shows, festivals, and other entertainment as well as public and private social functions without a catered meal component. In addition to independently promoted concerts, the TCC is also a venue for several town-wide, multi-day festivals, including the Telluride Film Festival. The TCC is also the annual venue for the Telluride Aids Benefit Fashion Show. The number of concerts and events at the TCC has declined moderately, since 2007. Data suggests that total and average attendance figures have had significant declines. However, this attendance trend may be more a result of varying reporting procedures used by the different TCC management groups than actual results. While not the main strategic focus of the TCC, these events are an important component of tourism in Telluride and Mountain Village. The TCC reports a good working relationship with event organizers when scheduling events, to avoid conflicts with conferences and other group events.
- **Assemblies** – Assemblies may include religious events, lectures, large meetings, graduations and other civic ceremonies which require a large seating capacity. As one of the largest event spaces in the market, the TCC ballroom is an appropriate location for such events, which typically have a local origin. Following 2009, the Pinhead Town Talk series stopped hosting their lectures at the TCC, thus eliminating all future events in this category. The TCC reports the main reason for the departure of the Pinhead Town Talks was cost. In 2010, the TMVOA stopped subsidizing TCC rental for these events, and organizers moved the series to locations which offer drastically reduced or free rental space.

### Future Events and Opportunities

The TTB is the main organization dedicated to bringing group events to Mountain Village and Telluride. During the HVS site visit, the TTB provided HVS with a list of definite booked events as well as a list of opportunities for which the TTB is currently vying for selection. The definite booking list includes 12 events which will take place during 2012 and 2013. Of those 12 events, three events are conferences which will use the TCC. These three events are national and state associations which will produce an estimated 1,280 room nights and generate an

estimated \$187,500 in visitor spending. The TTB has also identified 24 events as opportunities. The following figure summarizes these opportunities by year and by the type of organization hosting the event.

**FIGURE 6-2 EVENT OPPORTUNITIES**

	Number of Events	Number of Room Nights	Estimated Revenue (\$)
<b>Opportunity by Year</b>			
2012	8	766	147,300
2013	13	4,388	905,400
2014	3	1,250	130,000
Total	24	6,404	1,182,700
<b>Opportunity by Organization Type</b>			
Corporate	10	2,241	384,400
Association	8	2,782	594,800
SMERF	6	1,381	203,500
Total	24	6,404	1,182,700

Source: Telluride Toursim Board

These 24 event opportunities represent approximately 6,400 room nights and \$1.2 million in visitor spending. While only a portion of these opportunities will actually book their event in Mountain Village and Telluride, the above analysis provides an indication of the organizations that the TTB currently targets in its sales and marketing efforts. There is a mix of corporate, association, and SMERF groups with a slightly greater weight on corporations and associations which tend to have attendees who are less price sensitive and have a greater spending impact. The average group represents approximately 270 room nights.

**Lost Business**

The TTB also provided HVS a summary of lost business. An event is considered lost business if the event planner had booked tentative dates in Mountain Village, but ultimately decided to book the event in another venue or not go ahead with the event. The TTB records the each lost event, the potential room nights associated with each event, and an estimate of lost revenue. The TTB also records to reasons for an event planner’s decision to not host an event in Mountain Village and Telluride. HVS analyzed the report provided by the TTB and created the following figure which identifies lost event by the year they would have occurred, the type of event, and the reason for losing the business.

**FIGURE 6-3 LOST BUSINESS**

	Number of Events	Number of Room Nights	Estimated Revenue (\$)
<b>Lost Business by Year</b>			
2011	16	3,218	603,900
2012	6	1,699	244,575
2013	3	1,335	228,500
Total	25	6,252	1,076,975
<b>Lost Business by Organization Type</b>			
Corporate	11	2,027	432,500
Association	7	3,049	505,575
SMERF	7	1,176	138,900
Total	25	6,252	1,076,975
<b>Lost Business by Reason</b>			
Insufficient/Expensive Air Lift	4	1,155	215,075
Competing Resort (overall package)	4	900	120,000
Overall Cost	5	523	114,500
Insufficient/Expensive Lodging	3	1,057	163,900
Client Preference	3	347	82,500
Insufficient/Expensive Conference Space	1	350	35,000
Other	5	1,920	346,000
Total	25	6,252	1,076,975

Source: Telluride Tourism Board, Restated by HVS

The 25 events in the figure above represent approximately 6,250 room nights and \$1.1 million in estimated revenue in the form of visitor spending. The breakdown of organizations represented and the average size of these lost events is similar to that indicated by the event opportunities discussed above. HVS reviewed the reasons event planners did not select Mountain Village and Telluride for their event and grouped them into the categories noted in the above figure. A significant majority of the lost events cite the cost associated with air travel, hotel room rates, and overall cost of the event as the main reason for not selecting Mountain Village and Telluride. Only one group found Mountain Village and Telluride to have an insufficient amount of conference space for their event.

**TCC Demand  
Projections**

The information revealed in the market overview, the survey of event planners, the analysis of comparable facilities, the analysis of historical TCC demand, and the TTB opportunities and lost business reports indicate that there is the opportunity to increase the number of conferences and other group events held in the TCC each year. Implementation of the facility program and market recommendations

presented in Section 5 of this report is the key to achieving this demand potential. In developing demand projections, HVS makes the following assumptions.

- The recommended interior improvements to the TCC public and back-of-house spaces would begin within one year.
- Evaluation and retrofitting of technology infrastructure in TCC would begin within one year.
- Continued efforts are made to increase air service to the market, especially during off-peak seasons.
- The town of Mountain Village and the Telluride Mountain Village Home Owners Association will work with retail, dining, and entertainment establishments to ensure that sufficient options are in operation to serve group attendees during their visits.
- The TTB continues to lead the coordinated group sales and marketing efforts, which includes market-wide cooperation between the TCC, hotels, and other properties as needed.
- When marketing the TCC as an event venue, the main target market of these efforts is corporate and association conferences with 100 to 400 attendees.
- When budgets allow, the TBB expands its staff to include a group services position and additional group sales staff.
- Mountain Village clearly defines the strategic goals of the TCC operation to include the generation of overnight visitation and associated visitor spending in the market.
- Mountain Village establishes reporting procedures for TCC management to ensure that strategic goals are met

HVS forecast the event demand for the phased facility improvements. For the purposes of this analysis, HVS assumes the proposed renovation is completed in year 1 of the demand projections and that the expansion is completed in Year 5. Following the completion of Phase 1, demand would ramp up until the completion of the Phase 2 expansion. Following the expansion, demand again improve and stabilize by the third year after expansion, Year 8. The following figures present these demand projections through the first year of stabilized demand.

**FIGURE 6-4 EVENT DEMAND PROJECTIONS**

	Renovation			Expansion				
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
<b>Events</b>								
Conferences	8	9	10	11	14	14	16	18
Meetings	17	17	18	18	23	24	24	24
Banquets	16	18	20	20	25	28	28	28
Concerts & Events	17	17	17	17	20	20	20	20
Assemblies	4	5	5	6	8	9	10	10
<b>Total</b>	<b>62</b>	<b>66</b>	<b>70</b>	<b>72</b>	<b>90</b>	<b>95</b>	<b>98</b>	<b>100</b>
<b>Average Attendance</b>								
Conferences	240	240	240	240	300	300	300	300
Meetings	100	100	100	100	100	100	100	100
Banquets	240	240	240	240	210	210	210	210
Concerts & Events	560	560	560	560	560	560	560	560
Assemblies	-	-	-	-	120	120	120	120
<b>Total Attendance</b>								
Conferences	1,920	2,160	2,400	2,640	4,050	4,320	4,860	5,400
Meetings	1,700	1,700	1,800	1,800	2,280	2,400	2,400	2,400
Banquets	3,840	4,320	4,800	4,800	5,292	5,880	5,880	5,880
Concerts & Events	9,520	9,520	9,520	9,520	11,200	11,200	11,200	11,200
Assemblies	-	-	-	-	960	1,080	1,200	1,200
<b>Total</b>	<b>17,000</b>	<b>17,700</b>	<b>18,500</b>	<b>18,800</b>	<b>23,800</b>	<b>24,900</b>	<b>25,500</b>	<b>26,100</b>

*Note: Phase 1 Renovation is completed in Year 1. Phase 2 Expansion is completed in Year 5*

HVS has projected a relatively long ramp-up period due to several factors. First, air service limitations would continue to hinder group sales efforts. Improvements to air service are outside of the direct control of the Mountain Village and Telluride communities and may take longer to take effect. Second, the goal of increasing awareness and improving perceptions of Mountain Village and Telluride as a group event destination is challenging and may hinder marketing efforts in the near term. Third, successful group marketing depends on the overall package a destination can provide, including hotel rooms and commercial establishments.

A brief explanation of demand projections by event type follows.

**Conferences** – Under the Option 1 renovation scenario, the expanded number of meeting rooms would help the TCC to compete effectively for some additional events. This small addition to meeting space, however, must be accompanied by a strong working relationship with the nearby Peaks resort in pursuing events,

which require more meeting rooms than the TCC or the Peaks can provide on their own. Under the Option 2 expansion scenario, the additional 6,000 square feet of flexible meeting and function space would have a greater positive impact on demand. Because of the proximity of the expansion to the Peaks resort, both organizations should consider the possibility of combining management to create a more effective and efficient operation.

**Meetings** – HVS feels that the TCC is an important and valuable resource for local businesses and organizations. If scheduling permits, the TCC should be available for local groups to host off-site meetings, training sessions, and other events at a reasonable rental rate. HVS assumes that additional meeting space would allow a commensurate number of local meetings to book TCC space.

**Banquets** – Due to economic and other factors, the number of banquets at the TCC has dropped in recent years. Under Option 1, HVS assumes that banquet demand would remain consistent, but return to levels experienced prior to the economic downturn. Under Option 2, the addition of a junior ballroom space would reduce schedule conflicts and create a new, smaller option for certain banquets. HVS projects an increase in the number of banquets over historical levels and a corresponding decrease in the average attendance due to increased use of the junior ballroom.

**Concerts & Events** – Under Option 1, HVS projects that concert and event demand would remain consistent with historical levels. Under Option 2, the additional meeting and banquet space may reduce scheduling conflicts and allow for a modest increase in the number of these events held at the TCC.

**Assemblies** –The TCC make every effort to accommodate events which offer local residents the opportunity to meet. These may include educational lectures, school ceremonies, and other large meetings. Although absent from event demand for the past few years, these assembly events could return with a favorable rental structure.

## Room Night Projections

HVS calculated the potential room nights that the TCC would generate if demand estimates are met. HVS used available data on historical room night generation to develop the following assumptions.

**FIGURE 6-5 ASSUMPTIONS FOR ROOM NIGHT GENERATION**

Type of Event	Lodgers per Room	Percent Lodgers	Nights per Lodger
Conferences	1.50	90%	2.0
Meetings	1.00	10%	1.0
Banquets	2.00	75%	1.5
Concerts & Events	2.00	80%	2.0
Assemblies	1.00	10%	1.0

HVS applied the above assumptions to the projected demand for each option to arrive at the following room night estimates through the first year of stabilized demand.

**FIGURE 6-6 ROOM NIGHT ESTIMATES**

Type	Renovation			Expansion				
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Conferences	2,300	2,590	2,880	3,170	4,860	5,180	5,830	6,480
Meetings	170	170	180	180	230	240	240	240
Banquets	2,160	2,430	2,700	2,700	2,980	3,310	3,310	3,310
Concerts & Events	7,620	7,620	7,620	7,620	8,960	8,960	8,960	8,960
Assemblies	0	0	0	0	100	110	120	120
<b>Total</b>	<b>12,250</b>	<b>12,810</b>	<b>13,380</b>	<b>13,670</b>	<b>17,130</b>	<b>17,800</b>	<b>18,460</b>	<b>19,110</b>

Following the TCC expansion, the stabilized room night projections increase to 19,110 or around 7,800 more than current levels. Some of these room nights would result from contract blocks with groups and others would result from individual hotel reservations.

## 7. Financial Analysis

### Economic Impact

Based on the demand projections presented in the previous section, HVS identified the new spending that would occur in the local economy due to the operations of the Telluride Conference Center (“TCC”). HVS direct spending estimates include only new spending that originates from outside the Mountain Village/Telluride market area as defined by the limits of the 81435 zip code. Spending by attendees who live within the market area is a transfer of income from one sector of the area’s economy to another; therefore, this analysis does not count spending by local residents as a new economic impact.

### Direct, Indirect, and Induced Spending

Spending falls into three categories:

- Direct spending impacts include the new spending from four sources as defined below. For example, a delegate’s expenditure on a restaurant meal is a direct economic impact.
- Indirect spending impacts are generated from the business spending resulting from the initial direct spending. For example, an event attendee’s direct expenditure on a restaurant meal causes the restaurant to purchase food and other items from suppliers. The portion of these restaurant purchases that remain within the Mountain Village/Telluride is then counted as an indirect impact.
- Induced spending impacts represent the change in local consumption due to the personal spending by employees whose incomes are affected by direct and indirect spending. For example, a waiter at a local restaurant may have more personal income as a result of an event attendee dining at the restaurant. The amount of the increased income that the waiter spends in the local economy is considered an induced impact.

HVS enters the direct spending estimate into the IMPLAN input-output model of the local economy to estimate indirect and induced spending. The sum of direct, indirect, and induced spending estimates make up the total estimated spending impact of the TCC operations.

Indirect and induced impacts are often referred to as multiplier effects. The relationship between direct spending and the multiplier effects can vary based upon the specific size and characteristics of a local area’s economy.

**Sources of Direct Spending**

HVS identified three sources of new direct spending impact for the Mountain Village/Telluride:

- **Overnight Attendees:** Participants, including conference delegates, meeting attendees, banquet guests, and event attendees, who attend conference center events and require paid lodging.
- **Daytrip Attendees:** Participants, including conference delegates, meeting attendees, banquet guests, and event attendees, who attend conference center events and do not require paid lodging.
- **Event Organizers:** Individuals, associations, or other organizations that plan, sponsor, organize, and coordinate events that take place at the conference center.

**Overnight and Daytrip Attendee Assumptions**

Attendees at conferences, meetings, and other events are classified as either overnight or daytrip delegates, depending on whether they require overnight lodging. Typically, events attract a mix of local and non-local attendees, depending on the type of event. Since Mountain Village and Telluride are resort destinations with relatively low resident populations, most event attendees arrive from outside the local market area. HVS estimated the percentage of room nights, day trips, and organizer spending that is new to the Mountain Village/Telluride area. The figure below summarizes these assumptions.

**FIGURE 7-1 NEW TO THE MARKET**

<b>Geographic Area/Visitor Type</b>	<b>Overnight Guests</b>	<b>Day Trips</b>	<b>Attendee/Delegates</b>
<b>Mountain Village/Telluride</b>			
Conferences	100%	100%	100%
Meetings	100%	50%	0%
Banquets	100%	80%	0%
Concerts & Events	100%	80%	0%
Assemblies	100%	50%	0%

The assumptions of the percent of attendees that are lodgers are based on historical analysis of TCC event data and sales and marketing reports prepared by the TTB.

**Sources of Impact**

HVS combined the event demand forecasts for a stabilized year of demand following the phased renovation and expansion of the TCC (described in the Section 6 of this report) with the assumptions of the percent of demand that is new

to the market. This analysis yields an estimate of the sources of new impact shown in the figure below.

**FIGURE 7-2 SOURCE OF NEW IMPACT – STABILIZED YEAR**

Event Type	Overnight Guest Stays	Day Trips	Conference Delegate Days
Conferences	5,040	5,880	14,700
Meetings	100	450	0
Banquets	1,148	1,020	0
Concerts & Events	1,344	2,419	0
Assemblies	120	540	0
<b>Total</b>	<b>7,752</b>	<b>10,309</b>	<b>14,700</b>

The above figure is net of the existing demand at the TCC and represent only new sources of impact as a direct result of the renovation and expansion of the TCC. These estimates of overnight stays, day trips, and conference delegate days provide the basis for estimating new spending in the local market.

**Spending Parameters**

Attendees and event organizers spend locally on lodging, meals, recreation, local transportation, facility rentals, vendor services, meeting room rentals, equipment rentals, and other goods and services.

In order to estimate average spending by overnight guests, day trippers, and event organizers in Mountain Village and Telluride, HVS compiled and evaluated data from three data sources. First, the Mountain Village economic impact model estimates spending by overnight visitors on lodging, retail, and food & beverage. Second, the Colorado Tourism Office published the results of a comprehensive visitor survey which identifies Colorado visitor spending on accommodations, food & beverage, recreation, transportation, and retail. Third, the 2004 Destination Marketing Association International (“DMAI”) survey (the most recent one available) focuses on spending by convention participants and organizers. HVS analyzed data from these three sources to estimate total spending by overnight attendees, day trippers, and event organizers. All daily spending parameters are stated as the daily spending by individual overnight delegates, day trippers, and event organizers in 2012 dollars.

**Overnight Attendee Spending**

Multiplying the number of new overnight stays projected in each of the demand scenarios by the daily spending parameters produces an estimate of new spending by overnight attendees as shown in the figure below. Direct Spending estimates reflect a stabilized year of demand in 2012 dollars.

**FIGURE 7-3 OVERNIGHT ATTENDEE SPENDING**

Daily Spending Parameter	Spending Per Overnight Stay	New Overnight Attendee Stays	Overnight Attendee Direct Spending
Lodging and Incidentals	\$207.00		
Hotel F&B	21.67		
Restaurants	43.33		
Recreation	48.44		
Retail Stores	41.52		
Local Transport	19.72		
Auto Rental	0.00		
Gasoline, Tolls, Parking	27.94		
<b>Total</b>	<b>\$409.62</b>	<b>X 7,752</b>	<b>\$3,175,169</b>

HVS estimates that the renovation and expansion of the TCC would generate approximately 7,800 new overnight stays new to the Mountain Village/Telluride market. These overnight attendees purchase lodging, restaurant meals, retail goods, transportation services, and other goods and services that would result in approximately \$3.3 million in new annual spending in the Mountain Village/Telluride market area.

### Daytrip Spending

Attendees at conferences and other events who do not stay overnight generate Daytrip spending. In most markets, day trippers typically spend \$30-\$80 per day on meals, shopping, local transportation, recreation and entertainment and other goods and services while in town.

Multiplying the number of new delegates to the Mountain Village/Telluride area and by the estimated daily spending figure produces an estimate of new spending by daytrip delegates in the Mountain Village/Telluride area as shown below.

**FIGURE 7-4 DAYTRIP SPENDING**

Daily Spending Parameter	Spending per Day Trip*		New Day Trips	Day Trip Attendee Direct Spending
Restaurants	\$17.75			
Retail Stores	15.57			
Recreation	8.36			
Local Transport	2.88			
Auto Rental	0.00			
Gasoline, Tolls, Parking	3.49			
<b>Total</b>	<b>\$48.05</b>	<b>X</b>	<b>10,309</b>	<b>\$495,357</b>

HVS estimates that the Option 2 Expansion would generate approximately 10,300 new day trips in Mountain Village/Telluride producing \$523,000 in new spending in the local market.

**Event Organizer Spending**

Conference organizers spend on lodging, meals, local transportation, facility rentals, equipment rentals and other goods and services required to plan and organize a successful event. Adjusted DMAI data provides estimates of conference organizer spending per conference attendee day as shown in the figure below.

**FIGURE 7-5 EVENT ORGANIZER SPENDING**

Daily Spending Parameter	Spending per Attendee Days		New Conference Attendee Days	Event Organizer Direct Spending
Hotel	\$1.60			
F&B	5.73			
Exhibition Space Fees	6.05			
Services Hired	5.69			
Equipment Rental	2.51			
Advertising	0.00			
Technology Services	0.43			
Additional Spaces	0.31			
Local Transportation	0.26			
Other	1.20			
<b>Total</b>	<b>\$23.77</b>	<b>X</b>	<b>14,700</b>	<b>\$349,387</b>

Based on \$23.77 in daily spending per 14,700 new conference attendees, event organizers would generate approximately \$350,000 in new spending in Mountain Village/Telluride.

### Summary of Direct Spending

The following table summarizes the new direct spending estimates derived from overnight attendees, day trippers, and event organizers. Spending estimates are for a stabilized year of demand and stated in 2012 dollars.

**FIGURE 7-6 ESTIMATED ANNUAL DIRECT SPENDING**

Source	Stabilized Year (2012\$)
Overnight Attendees	\$3,175,169
Day Trippers	495,357
Event Organizers	349,387
Total Direct Impact	\$4,019,913

### Indirect and Induced Spending Estimates

HVS uses the IMPLAN input-output model to estimate indirect and induced impacts. IMPLAN is a nationally recognized model developed at the University of Minnesota to estimate indirect and induced economic impacts. An input-output model generally describes the commodities and income that normally flow through the various sectors of a given economy. The indirect and induced spending and employment effects shown here represent the estimated changes in the flow of income and goods caused by the estimated direct spending. The IMPLAN model accounts for the specific characteristics of the local area economy and estimates the share of indirect and induced spending that it would retain.

HVS categorized new direct expenditures into spending categories that are inputs into the IMPLAN model. Specifically, the IMPLAN model relies on spending categories defined by the U.S. Census according to the NAICS. Because the spending data from the spending surveys used by HVS do not match the NAICS spending categories, HVS translates the spending categories into the NAICS spending categories that most closely match the intent of the data.

The following table shows new direct spending, categorized into each of several major NAICS spending categories, or sectors of the local economy, that are compatible with the IMPLAN model.

**FIGURE 7-7 DISTRIBUTION OF DIRECT SPENDING**

Category	Stabilized Year	
	2012 \$	% Total
Local Transport	186,397	4.6%
Gasoline, Tolls, Parking	252,556	6.3%
Supplies & Misc. Retail	499,927	12.4%
Auto Rental	0	0.0%
Equipment Rental	36,843	0.9%
Technology Services	6,283	0.2%
Event Services	83,680	2.1%
Recreation	461,668	11.5%
Hotel Services	1,628,083	40.5%
Space Rental	93,466	2.3%
Food & Beverage	771,011	19.2%
<b>TOTAL</b>	<b>4,019,913</b>	<b>100%</b>

**Indirect and Induced Spending**

The following figures the output of the IMPLAN model—the projected new direct, indirect, and induced economic impacts and that are attributable to the conference center renovation and expansion scenarios. IMPLAN also estimates the jobs created based on the direct, indirect, and induced spending estimates. Spending estimates are for a stabilized year of demand in 2012 dollars.

**FIGURE 7-8 ANNUAL INDIRECT AND INDUCED SPENDING**

Spending Type	New Spending	New Jobs
Direct	\$4,019,900	49
Indirect	624,300	5
Induced	588,300	5
<b>Total</b>	<b>\$5,232,500</b>	<b>59</b>

**Long Term Spending Impacts**

HVS estimated the long-term economic impact of the renovation and expansion by calculating the Net Present Value (“NPV”) of the potential new spending streams to the local market over the assumed 25-year life of the operation. For the purpose of this analysis, HVS assumes that the Year 1 renovation is completed in 2015 and the Year 5 expansion is completed in 2020. The NPV of impacts is calculated in current 2012 dollars.

**FIGURE 7-9 LONG TERM SPENDING IMPACTS**

Year	2012 Dollars	Actual Dollars	Discounted Value
2016	626,108	691,106	568,574
2017	985,632	1,115,152	873,751
2018	1,353,302	1,569,415	1,171,122
2019	1,553,858	1,847,049	1,312,663
2020	3,880,267	4,727,729	3,199,913
2021	4,320,180	5,395,313	3,477,867
2022	4,781,207	6,120,349	3,757,363
2023	5,232,459	6,865,439	4,014,080
2024	5,232,459	7,037,075	3,918,507
2025	5,232,459	7,213,002	3,825,209
2026	5,232,459	7,393,327	3,734,133
2027	5,232,459	7,578,160	3,645,225
2028	5,232,459	7,767,614	3,558,434
2029	5,232,459	7,961,805	3,473,709
2030	5,232,459	8,160,850	3,391,002
2031	5,232,459	8,364,871	3,310,263
2032	5,232,459	8,573,993	3,231,448
2033	5,232,459	8,788,343	3,154,508
2034	5,232,459	9,008,051	3,079,401
2035	5,232,459	9,233,252	3,006,082
2036	5,232,459	9,464,084	2,934,509
2037	5,232,459	9,700,686	2,864,639
2038	5,232,459	9,943,203	2,796,434
2039	5,232,459	10,191,783	2,729,852
2040	5,232,459	10,446,578	2,664,855
			<b>\$ 73,693,542</b>

Assuming a 2.5% inflation rate and a 5% discount rate, HVS estimates the net present value of the recurring spending impacts for 25 years of operation following the opening of the Phase 1 renovation in 2016 at approximately \$73.7 million.

**Fiscal Impacts**

Fiscal impacts represent the public sector share of the economic impacts, as represented by tax collections on new spending. The previously discussed spending estimates provide a basis for estimating potential tax revenue as some of the spending will be subject to taxation.

The IMPLAN analysis results in direct, indirect, and induced spending classified into hundreds of detailed spending categories. HVS evaluated each of these

spending categories to determine which taxes would apply to each type of spending output. The appropriate tax rates are then used to estimate the amount of tax revenue. The following figure lists the local taxes that apply to spending and income generated in the Mountain Village and Telluride markets. The figure also shows the respective nominal tax rates or basis for each category.

**FIGURE 7-10 MOUNTAIN VILLAGE/TELLURIDE TAX CATEGORIES AND RATES**

<b>Tax Category</b>	<b>Nominal Rate</b>
Food & Beverage	2.00%
Lodging	4.00%
Property Taxes	\$3.53 per mil
Sales & Use	4.50%

Source: Mountain Village and Telluride, CO

In order to separate spending and estimate the taxes collected by Mountain Village and by Telluride, HVS applied percentage spending estimates to the direct, indirect, and induced spending as shown in the figure below.

**FIGURE 7-11 SPENDING BREAKDOWN BY MUNICIPALITY**

<b>Category</b>	<b>Total in Stabilized Year</b>		<b>Mountain Village</b>		<b>Telluride</b>	
	<b>2012 \$</b>	<b>% Total</b>	<b>%</b>	<b>Total</b>	<b>%</b>	<b>Total</b>
Local Transport	186,397	4.6%	35%	65,239	65%	121,158
Gasoline, Tolls, Parking	252,556	6.3%	35%	88,395	65%	164,161
Supplies & Misc. Retail	499,927	12.4%	35%	174,974	65%	324,953
Auto Rental	0	0.0%		0		0
Equipment Rental	36,843	0.9%	90%	33,159	10%	3,684
Technology Services	6,283	0.2%	90%	5,654	10%	628
Event Services	83,680	2.1%	90%	75,312	10%	8,368
Recreation	461,668	11.5%	50%	230,834	50%	230,834
Hotel Services	1,628,083	40.5%	80%	1,302,466	20%	325,617
Space Rental	93,466	2.3%	90%	84,119	10%	9,347
Food & Beverage	771,011	19.2%	42%	323,825	58%	447,186
<b>TOTAL</b>	<b>4,019,913</b>	<b>100%</b>		<b>2,383,977</b>		<b>1,635,936</b>

Percentage to use for indirect & induced

59%

41%

Analysis of historical tax collections reveals that actual collections are approximately equal to the nominal tax rates. HVS therefore applied these nominal tax rates to a detailed breakdown of spending and income categories that result from direct, indirect, and induced spending in the local economies of Mountain village and Telluride as a result of the proposed renovation and expansion. HVS then estimated the potential annual revenue from each tax source as shown in the following figures.

**FIGURE 7-12 ESTIMATED INCREMENTAL TAX REVENUES – MOUNTAIN VILLAGE**

Tax Category	Tax Base (\$)	Effective Tax Rate	Estimated Tax Revenue (\$)
Food & Beverage	390,400	2.00%	7,800
Lodging	1,439,500	4.00%	57,600
Property Taxes	568,500	0.35%	2,000
Sales & Use	2,275,000	4.50%	102,400
<b>Total</b>			<b>\$169,800</b>

**FIGURE 7-13 ESTIMATED INCREMENTAL TAX REVENUES – TELLURIDE**

Tax Category	Tax Base (\$)	Effective Tax Rate	Estimated Tax Revenue (\$)
Food & Beverage	498,100	2.00%	10,000
Lodging	352,700	4.00%	14,100
Property Taxes	357,700	0.35%	1,300
Sales & Use	1,320,600	4.50%	59,400
<b>Total</b>			<b>\$84,800</b>

HVS estimates that in a stabilized year of demand, the event activity associated with the renovation and expansion of the TCC would generate approximately \$170,000 in annual local tax revenues in Mountain Village and approximately \$85,000 in Telluride (stated in 2012 dollars).

**Long Term Fiscal Impacts**

HVS estimated the long-term fiscal impacts of the renovation and expansion scenarios by calculating the Net Present Value (“NPV”) of the potential new tax streams to the local markets over the assumed 25-year life of the operation.

**FIGURE 7-14 LONG TERM FISCAL IMPACTS**

Year	Mountain Village Discounted Value	Telluride Discounted Value
2016	\$ 18,094	\$ 9,036
2017	27,669	13,818
2018	37,086	18,521
2019	41,569	20,760
2020	101,333	50,607
2021	110,135	55,003
2022	118,986	59,423
2023	127,116	63,483
2024	124,089	61,972
2025	121,135	60,496
2026	118,251	59,056
2027	115,435	57,650
2028	112,687	56,277
2029	110,004	54,937
2030	107,384	53,629
2031	104,828	52,352
2032	102,332	51,106
2033	99,895	49,889
2034	97,517	48,701
2035	95,195	47,541
2036	92,928	46,410
2037	90,716	45,305
2038	88,556	44,226
2039	86,448	43,173
2040	84,389	42,145
<b>NPV</b>	<b>\$ 2,333,777</b>	<b>\$ 1,165,514</b>

Assuming a 2.5% inflation rate and a 5% discount rate, HVS estimates the net present value of the recurring fiscal impacts for 25 years of operation following the opening of the renovated TCC in 2016 at approximately \$2.3 million for Mountain Village and \$1.2 million for Telluride.

**Summary and Conclusion**

The following table shows a summary of the projected annual impact the operation of the proposed renovation and expansion of the TCC would have on the local Mountain Village/Telluride economy. The stabilized year of demand would occur in Year 8 following the completion of the proposed Phase 1 TCC renovation

**FIGURE 7-15 SUMMARY OF IMPACTS**

<u>Summary of Impacts</u>	<u>Stabilized Year in 2012\$</u>
Economic Impacts	\$5,233,000
Fiscal Impacts - Mountain Village	169,800
Fiscal Impacts - Telluride	\$84,800
Jobs	59

These economic and fiscal impact estimates are subject to the assumptions and limiting conditions described throughout the report. Since the estimates are based on numerous assumptions about future events and circumstances and although we consider these reasonable assumptions, we cannot provide assurances that the project will achieve the forecasted results. Actual events and circumstances are likely to differ from the assumptions in this report and some of those differences may be material. The readers should consider these estimates as a mid-point in a range or potential outcomes.

**TCC Financial  
Operations**

HVS uses a proprietary financial operating model to estimate revenues and expenses at convention and conference centers. This model quantifies the key variables and operating ratios that determine revenue potential and expenses levels. The revenues and expenses presented in this model are expressed in constant 2012 dollars.

For the purposes of this study, HVS assumes that the Town of Mountain Village, Colorado would own the renovated or expanded Telluride Conference Center (“TCC”). The town would contract with a third party venue operator to actively manage the conference center spaces.

**Conference Center  
Revenues**

Conference center revenue line items include facility rental, food and beverage sales, and event services. The model uses a series of revenue assumptions based on attendance that reflect the projected utilization levels of function space. The model also assumes continued support from the TMVOA via event grants. These grants are included as a separate revenue line item.

To formulate the revenue assumptions, HVS relied on financial data from the TCC historical operations. Revenue assumptions reflect the typical revenues realized over the past five years of TC operation. HVS also relied on other industry information and knowledge of the performance of comparable venues and adjusted the assumptions for inflation and other anticipated trends in price levels.

The figure below summarizes the event revenue assumptions for the TCC by type of event. A brief description of each revenue item follows.

**FIGURE 7-16 TCC EVENT REVENUE ASSUMPTIONS**

Type	Facility Rental per Attendee	Food & Beverage (Gross) per Attendee	Event Services (Gross) per Attendee	Other Revenue per Fixed Amt	Economic Development Funds per Fixed Amt
Conferences	\$ 11.50	\$ 83.50	\$ 51.20	\$ 19,400	\$ 108,500
Meetings	7.20	6.40	4.40	-	-
Banquets	3.80	36.20	15.30	-	-
Concerts & Events	-	4.05	2.20	-	-
Assemblies	3.70	-	6.80	-	-

**Facility Rental**—Facility rental revenue includes the revenue the conference center receives from clients that reserve one or more function areas in the facility. Despite having published rates, conference centers typically charge rental fees based on negotiated daily rental fees. Not all events are charged a facility rental fee. A facility may waive or reduce the space rental charges if the event meets a certain minimum of food and beverage charges, as is usually the case for most banquets.

**Food and Beverage**—Most events that use the TCC’s function space also arrange for food service for their attendees during their events. This food service includes catering which can range from coffee breaks associated with a meeting to a full dinner associated with a conference or banquet. Concerts and other public events may generate concessions revenue. Most conferences generate demand for multiple meals during the course of these multi-day events. Meetings and banquets generally include a single meal or refreshment services. HVS projects estimated gross food and beverage revenues on a per capita basis depending on the type of event.

**Event Services**—Event Services include the fees charged to tenants for services that could include business services, audio and video technical assistance, set-up and take down of function spaces, cleaning services, security services, electricity and other utilities, commissions from decorators and other services provided by third-party contractors at events. Many events also require audio, video, communications and internet services. Banquets and other upscale events can often require elaborate decorating services. Almost all events require cleaning services. Service charges vary by type of event. Some of these services may be

**Conference Center  
Operating Expenses**

included in the rental charges for using the facility, but others will be add-on service charges. The HVS model estimates event services revenue based on the type of event and the number of attendees.

**Other Revenue**—Other revenue could include damages billed to tenants, special fees or dues, interest income, and certain non-recurring income. Other revenue may also include equipment rentals and offsite catering.

**Economic Development Funds** - The TMVOA provided financial support for certain public events and shows through a grant program. Grants covered several facility-related costs for the event promoter, including rent, equipment rental, and security.

HVS estimated direct event and other expenses for the future operations of the renovated or expanded TCC as a blend of fixed costs and variable percentage of operating revenues as summarized below. The fixed base year expenses shown below represent the existing TCC operation. HVS determined the appropriate modification to these fixed expenses based on the recommended facility program options and the recommended strategic changes to the TCC operation. An explanation of these modifications and a brief description of each expense line item follows.

**FIGURE 7-17 TCC EXPENSE ASSUMPTIONS**

Expenditure	Percentage Revenue	Fixed Expense for Base Year
<b>Operating Expense</b>		
Wages & Benefits	12.0% of Total Operating Rev	\$175,000
Food & Beverage Costs	65.0% of Food & Beverage (Gross)	\$0
Event Services Costs	78.0% of Event Services (Gross)	\$0
Administrative & General	3.5% of Total Operating Rev	\$15,000
Repair & Maintenance	1.7% of Total Operating Rev	\$0
Marketing & Sales	1.3% of Total Operating Rev	\$10,000
Supplies & Equipment	1.5% of Total Operating Rev	\$10,000
Utilities	2.2% of Total Operating Rev	\$40,000
Other Expense	0.0% ### \$0	\$2,000

**Wages & Benefits**—The TCC currently has two full-time management personnel. The above base year expense represents wages, payroll taxes, and benefits associated with these positions as well as wages for part-time event personnel.

HVS assumes that the proposed expansion would require expanding staff to operate the TCC and service events properly. HVS assumes that three additional support staff would be hired, increasing the fixed salaries and benefits expense by 50 percent. Part-time wages increase as a percentage of operating revenues.

**Food and Beverage Costs**—HVS assumes that the food and beverage operation would be operated by an in-house food service operator. Costs of food service include the raw costs of food and beverages sold as well as the labor associated with food preparation and are service. HVS estimated food and beverage costs as a percentage of gross food and beverage sales. To determine the appropriate variable food and beverage percentage, HVS used a combination of historical food and beverage costs data and industry standards for quality catering service.

**Event Services Costs**—Event services costs are the costs incurred by the facility for client reimbursed expenses such as audio visual set-up, security, cleaning, event set-up and event labor. HVS estimated event service costs as a percentage of gross event service revenues. To determine the appropriate variable event service percentage, HVS used a combination of historical event service costs data and industry standards for quality event services.

**Administrative & General**—Office and administrative operations incur day-to-day facility expenses. Such expenses typically include travel, telephone, printing, permits, and other miscellaneous services. This category also includes property-related-insurance costs as well as professional accounting and legal services.

**Repair & Maintenance**—Both routine and one-time facility maintenance expenses are primarily the responsibility of in-house facility operations personnel. More specialized activities, such as HVAC system maintenance, electrical work, and maintenance of other mechanical systems often must be contracted out to third parties.

**Marketing and Sales**—Marketing costs include the costs associated with promoting the facility and its events. These may include advertising fees, printing, and other costs associated with creating promotion materials.

**Supplies & Equipment**—Items such as computers, office machines, furniture, consumables, and chemicals are required to support the operations of the facility.

**Utilities**—Utilities, including electricity, gas, water, and other charges often represent one of the largest expenses incurred by facility operators. For Phase 1, HVS assumes that the opening of the renovation would cause a 10% percent increase in base utility costs. For Phase 2, HVS assumes that the opening of the renovation would cause a 50% percent increase in base utility costs.



**Conference Center  
Operating Pro Forma**

**Other Expenses**—These other expenses could include expenses such as special training expenses, special costs associated with managing volunteer workers, collection costs, credit losses, bank fees, and other small miscellaneous expenses.

The figures below present the ten-year financial projections for the proposed renovation and expansion of the TCC. The projections are in constant 2012 dollars. The Year 1 projections reflect the opening of the renovated TCC and continued implementation of other strategic recommendations presented in Section 5 of this report. Year 5 projections reflect the opening of the expanded TCC. HVS projects that demand will stabilize in Year 8, three years following the expansion.

**FIGURE 7-18 DETAILED FORECAST OF TCC INCOME AND EXPENSE**

	Renovation			Expansion				
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
	2012	2013	2014	2015	2016	2017	2018	2019
<b>OPERATING REVENUE</b>								
Facility Rental	\$49,000	\$53,000	\$59,000	\$62,000	\$87,000	\$93,000	\$100,000	\$106,000
Food & Beverage (Gross)	349,000	386,000	424,000	444,000	590,000	634,000	679,000	724,000
Event Services (Gross)	185,000	205,000	225,000	237,000	330,000	354,000	382,000	410,000
Other Revenue	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000
* Economic Development Funds	109,000	109,000	109,000	109,000	109,000	109,000	109,000	109,000
<b>Total</b>	<b>\$711,000</b>	<b>\$772,000</b>	<b>\$836,000</b>	<b>\$871,000</b>	<b>\$1,135,000</b>	<b>\$1,209,000</b>	<b>\$1,289,000</b>	<b>\$1,368,000</b>
<b>OPERATING EXPENSES</b>								
Wages & Benefits	\$260,000	\$268,000	\$275,000	\$280,000	\$399,000	\$408,000	\$417,000	\$427,000
Food & Beverage Costs	227,000	251,000	276,000	289,000	383,000	412,000	442,000	471,000
Event Services Costs	145,000	160,000	176,000	185,000	257,000	276,000	298,000	320,000
Administrative & General	40,000	42,000	44,000	46,000	55,000	58,000	60,000	63,000
Repair & Maintenance	12,000	13,000	14,000	14,000	19,000	20,000	21,000	23,000
Marketing & Sales	19,000	20,000	20,000	21,000	24,000	25,000	26,000	27,000
Supplies & Equipment	21,000	22,000	23,000	23,000	27,000	29,000	30,000	31,000
Utilities	56,000	57,000	59,000	59,000	85,000	87,000	89,000	90,000
Other Expense	2,000	2,000	2,000	3,000	3,000	3,000	3,000	3,000
<b>Total</b>	<b>\$782,000</b>	<b>\$835,000</b>	<b>\$889,000</b>	<b>\$920,000</b>	<b>\$1,252,000</b>	<b>\$1,318,000</b>	<b>\$1,386,000</b>	<b>\$1,455,000</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(\$71,000)</b>	<b>(\$63,000)</b>	<b>(\$53,000)</b>	<b>(\$49,000)</b>	<b>(\$117,000)</b>	<b>(\$109,000)</b>	<b>(\$97,000)</b>	<b>(\$87,000)</b>

*Note: Phase 1 Renovation is completed in Year 1. Phase 2 Expansion is completed in Year 5*

\* TMVOA economic development funds were historically provided to the TCC for certain events that provided economic development. The future provision of TMVOA, Telluride Foundation, or other grants are not guaranteed and are not predictable. Therefore, financial planning for any TCC improvements or expansion should not count of these funds to ensure adequate financing.

### Comparable Analysis

To test the reasonableness of the operating projections, HVS compiled available operating data from five similarly sized, stand-alone conference centers in the western U.S. HVS compared the comparables' operating data to a projected stabilized year of operation for the TCC stated in 2012 dollars. To maintain confidentiality of the data, the names of the venues are not included.

**FIGURE 7-19 COMPARABLE VENUE OPERATING DATA**

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Average of Available Data	TCC Expansion Stabilized Year in 2012\$
<b>Total Operating Revenue</b>	2,365,668	1,451,000	1,427,387	774,401	725,250	1,348,741	1,368,344
<b>Total Operating Expense</b>	3,813,642	2,132,213	3,122,285	1,015,004	830,584	2,182,746	1,455,854
<b>Operating Income (Loss)</b>	(1,447,974)	(681,213)	(1,694,898)	(240,603)	(105,334)	(834,004)	(87,510)
<b>Total Function Space (sf)</b>	33,403	20,600	23,476	15,402	24,100	30,125	13,780
<b>Income (Loss per sf)</b>	(43.3)	(33.1)	(72.2)	(15.6)	(4.4)	(24.1)	(6.4)

Few publicly owned, stand-alone conference centers across the country are able to produce an operating profit. While the operations of conference centers can vary widely depending on local staffing levels, departmental responsibilities, and a variety of other factors, the operating revenue and expense projections for the proposed TCC options are within the range established by the comparable analysis. Assuming a professional management team is in place, the TCC should continue to operate efficiently and be able to maintain a below average operating loss from operations.

HVS financial projections are intended to show the expected levels of revenues and expenses over a ten-year period. Projections show smooth growth over time. However, event demand and booking cycles are not always smooth. Business can be affected by unpredictable local and national economic factors. Event demand is often cyclical, based on rotation patterns and market conditions. Therefore, HVS recommends interpreting the financial projections as a mid-point of a range of possible outcomes and over a multi-year period rather than relying on projections for any one specific year.

## 8. Statement of Assumptions and Limiting Conditions

1. This report is to be used in whole and not in part.
2. No responsibility is assumed for matters of a legal nature.
3. We have not considered the presence of potentially hazardous materials on the proposed site, such as asbestos, urea formaldehyde foam insulation, PCBs, any form of toxic waste, polychlorinated biphenyls, pesticides, or lead-based paints.
4. We have made no survey of the property, and we assume no responsibility in connection with such matters. Sketches, photographs, maps, and other exhibits are included to assist the reader in visualizing the property. It is assumed that the use of the land and improvements is within the boundaries of the property described, and that there is no encroachment or trespass unless noted.
5. All information, estimates, and opinions obtained from parties not employed by HVS are assumed to be true and correct. We can assume no liability resulting from misinformation.
6. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject property.
7. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless specified otherwise.
8. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and only when our standard per diem fees and travel costs are paid prior to the appearance.
9. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
10. We take no responsibility for any events or circumstances that take place subsequent to the date of our field inspection.
11. The quality of a conference/event center facility's on-site management and organization that market the facility have a direct effect on a center's economic viability. The forecasts presented in this analysis assume responsible

ownership, competent management and effective marketing and sales. Any departure from this assumption may have a significant impact on the projected operating results.

12. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client, and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.
13. This report was prepared by HVS Convention, Sports & Entertainment Facilities Consulting, a division of HVS Global Hospitality Services. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of these two organizations, as employees, rather than as individuals.
14. This report is set forth as a market study of the subject project; this is not an appraisal report.

## 9. Certification

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

1. that the statements of fact presented in this report are true and correct to the best of our knowledge and belief;
2. that the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. that we have no (or the specified) present or prospective interest in the property that is the subject of this report and no (or the specified) personal interest with respect to the parties involved;
4. that we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
5. that our engagement in this assignment was not contingent upon developing or reporting predetermined results;
6. that this report sets forth all of the limiting conditions (imposed by the terms of this assignment) affecting the analyses, opinions, and conclusions presented herein;
7. that the fee paid for the preparation of this report is not contingent upon our conclusions, or the occurrence of a subsequent event directly related to the intended use of this report;
8. that Thomas Hazinksi and Catherine Sarrett personally inspected the property described in this report;
9. that no one other than those listed above and the undersigned prepared the analyses, conclusions, and opinions concerning the real estate that are set forth in this market study; and
10. that our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.



Convention, Sports & Entertainment  
Facilities Consulting  
Chicago, Illinois

*Thomas Hazinski*

---

Thomas Hazinski  
Managing Director

*Catherine Sarrett*

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Catherine Sarrett  
Project Manager

## 10. Appendix A - Survey Results

### Overview

HVS conducted a survey of event planners to provide a basis for assessing the potential demand for an expanded conference center in Mountain Village, Colorado. The purpose of this survey was to gather information from professional event planners about their event needs and event destination preferences.

HVS collected 292 names of event planners from the Telluride Tourism Board ("TTB"). Three mass emailings were sent by HVS. Responses included the following:

- 94 respondents took a web based survey. Of these, 42 completed the survey while 52 partially completed the survey (left one or more questions blank).
- 1 bad email address
- 1 replied stating that they were not a current event planner
- 3 requests to unsubscribe
- 2 invalid responses (duplicate or inadequate responses)
- 32.3 percent of valid email addresses responded to the survey.

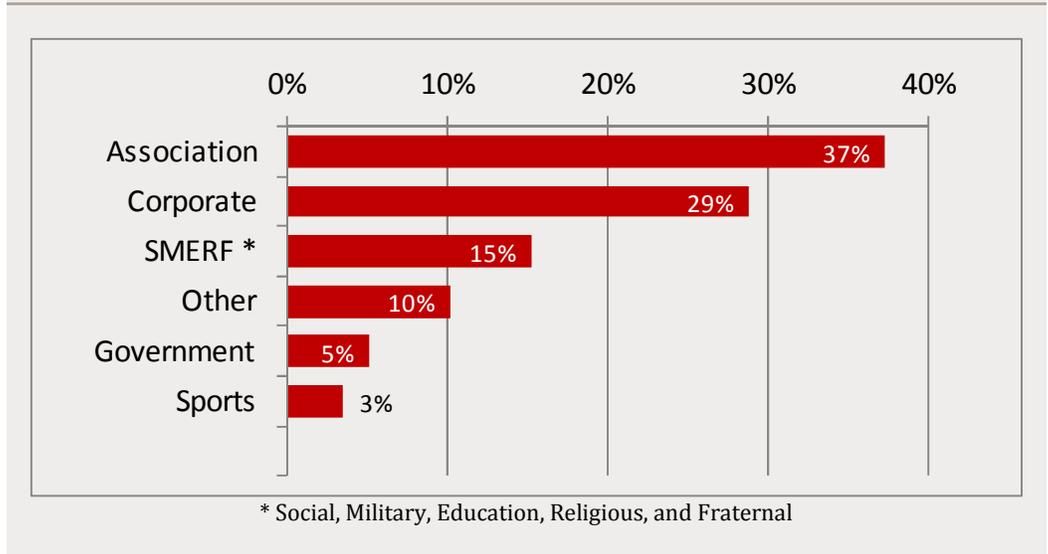
Respondents included professionals from organizations representing national, regional, state, and local associations, government entities, corporate and other organizations conducting or planning events.

The following summary of responses highlights key results. A complete survey report and the aggregate responses to each survey question are presented at the end of this appendix.

### Survey Respondents

In order to gain understanding of the type and size of the organizations responding to the survey, HVS asked respondents a series of questions which describe the organization they represent. Respondents may represent more than one type of organization. The figure below indicates the type of organizations which responded to the survey.

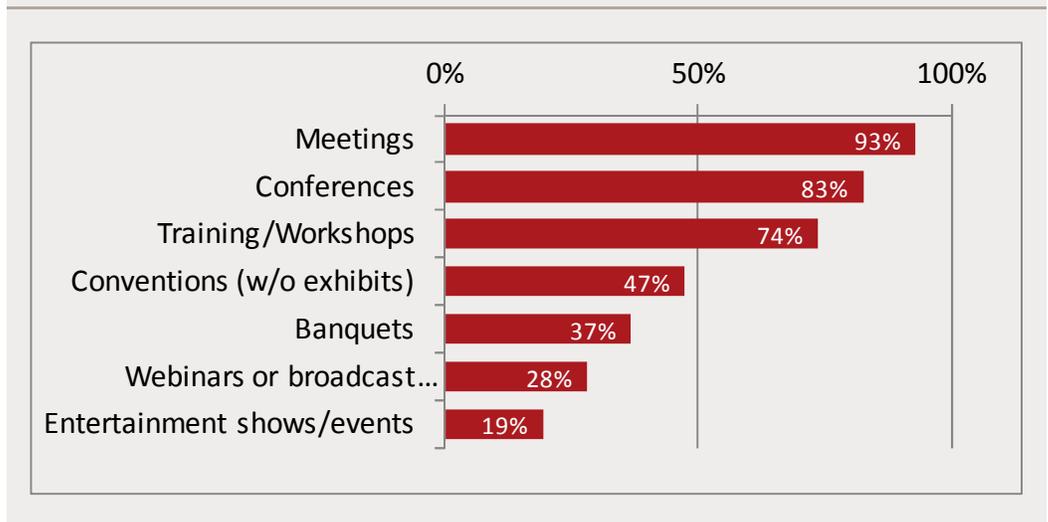
**FIGURE 11-1 RESPONDING ORGANIZATION TYPE**



Event planners representing associations made up over one-third of the sample, followed by corporate event planners.

HVS asked event planners to identify the types of events they regularly plan and host. The following figure presents the percentage of respondents who plan each type of event.

**FIGURE 11-2 EVENT TYPES**

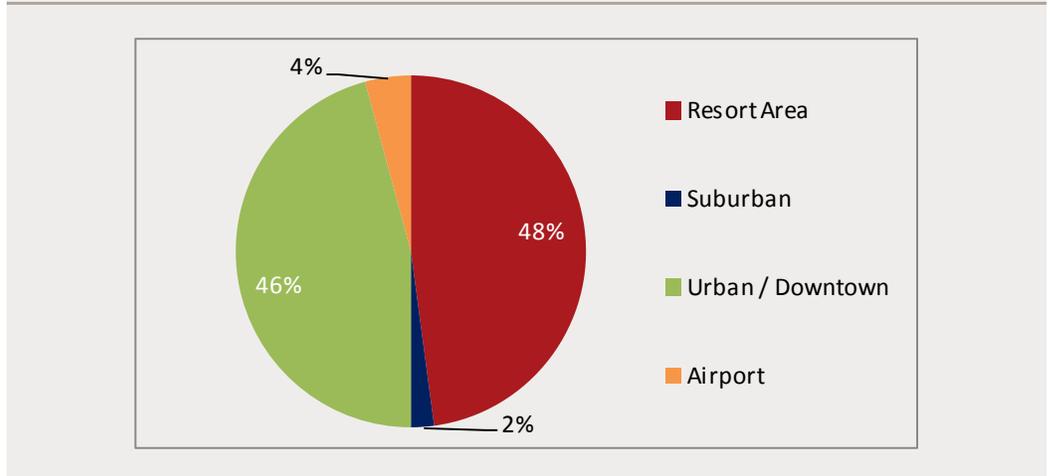


**Meeting Planner  
Preferences and  
Perceptions**

Most event planners who responded to the survey plan or host a variety of meetings, conferences, and other events throughout the year. More than 90 percent of respondents plan meetings for their organizations. Conferences and training workshops are also common.

Meeting planners were asked to select the type of location they prefer for their events.

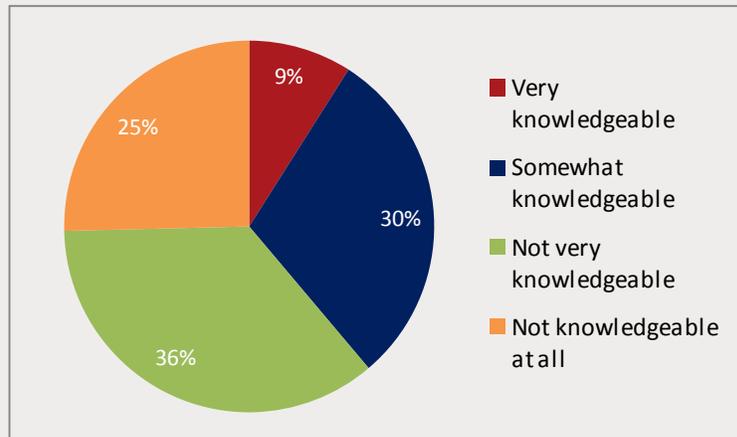
**FIGURE 11-3 PREFERRED LOCATION**



Survey respondents overwhelmingly prefer and are evenly split between resort and urban setting for their meetings.

Before responding to a series of question regarding their perception of Mountain Village and Telluride as group event location, meeting planners were asked to identify their level of knowledge about the area.

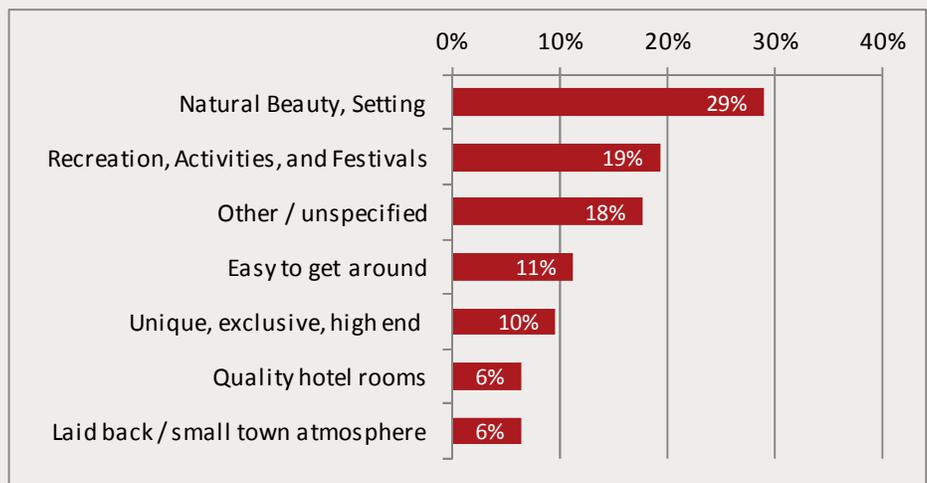
**FIGURE 11-4 KNOWLEDGE OF THE AREA**



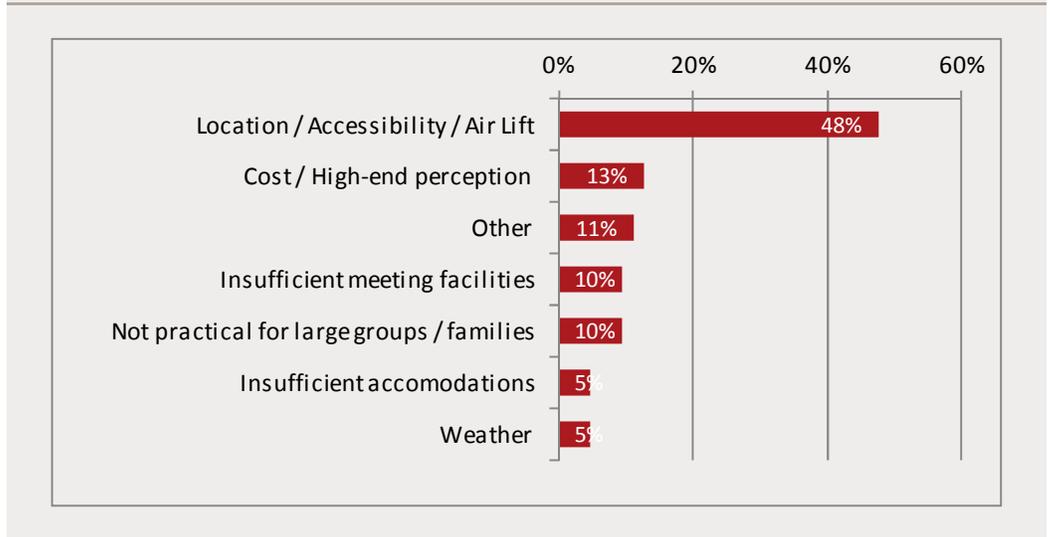
More than half of the survey respondents (61 percent) report that they are not knowledgeable on the Mountain Village and Telluride area. Their perceptions are, therefore, based on incomplete facts rather than past experience and research.

The following figures present the respondents' perceived strengths and weaknesses of Mountain Village and Telluride.

**FIGURE 11-5 MOUNTAIN VILLAGE AND TELLURIDE MARKET STRENGTHS**



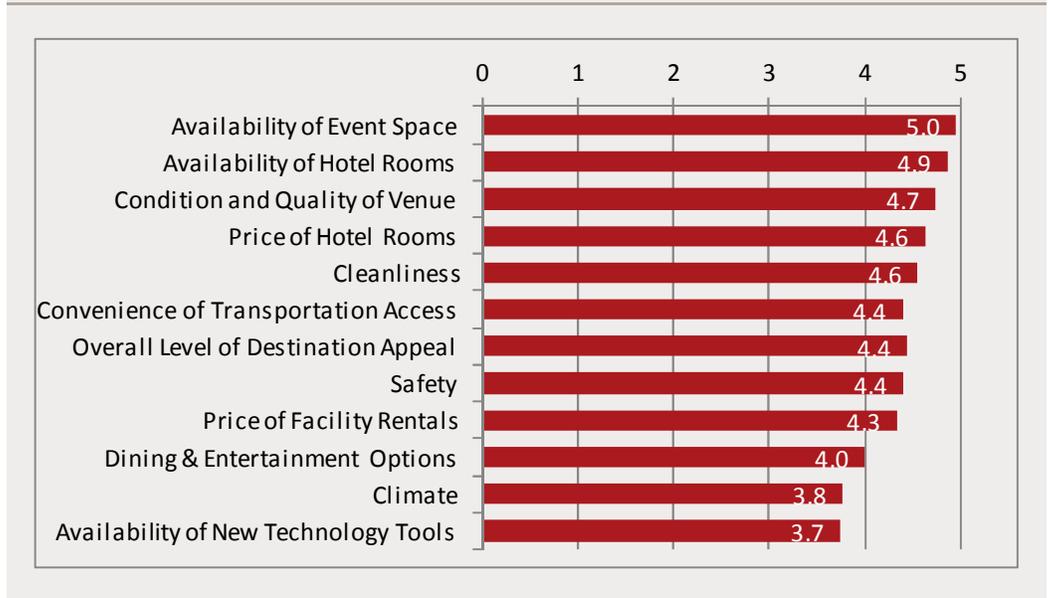
**FIGURE 11-6 MOUNTAIN VILLAGE AND TELLURIDE MARKET WEAKNESSES**



Meeting planners recognize the natural beauty and variety of recreation activities in the area as the key strengths. The overriding weakness is the location and lack of air service to the area.

Meeting planners were then asked the relative importance of various market characteristics when selecting a destination for their events. In the following figure, 5 represents very important and 1 represents not important at all.

**FIGURE 11-7 RELATIVE IMPORTANCE OF MARKET CHARACTERISTICS**



According to the meeting planners, the characteristics of meeting function space and hotel rooms are the most important considerations. The following chart presents how the respondents view Mountain Village and Telluride in these same market characteristics.

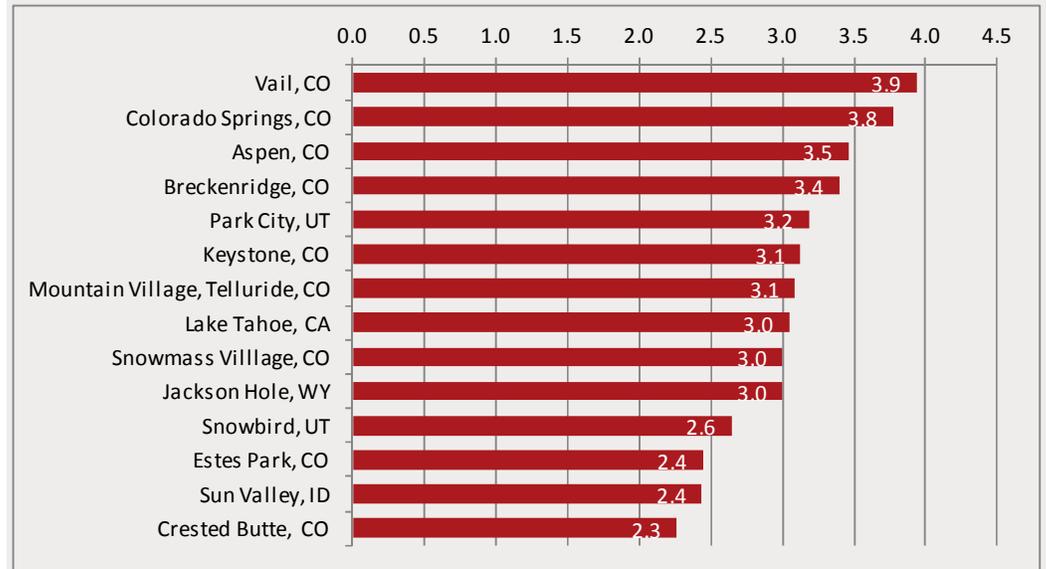
**FIGURE 11-8 PERCEPTIONS OF MOUNTAIN VILLAGE AND TELLURIDE**



Mountain Village and Telluride rank high in cleanliness, safety, and quality and low in convenience and availability of air travel.

Meeting planners were asked to rank Mountain Village and Telluride along with several other Colorado destinations and winter resort destinations in North America as an overall event destination. In the following figure 5 represents a very high level of destination appeal and 1 represents a very low level of destination appeal.

**FIGURE 11-9 OVERALL LEVEL OF DESTINATION APPEAL**



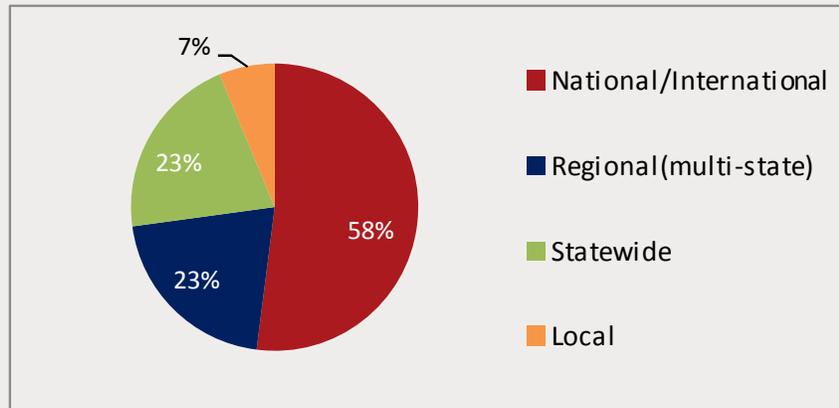
In terms of overall destination appeal, Vail, CO ranks the highest among the respondents and Crested Butte, CO ranks the lowest. Mountain Village and Telluride rank approximately in the middle.

**Event Characteristics  
and Facility  
Requirements**

In order to obtain information about the scope, size, length, space utilization and other event characteristics, respondents were asked about their most typical or important event.

Participants were asked to identify the scope (geographic origin of attendees) of their most important or typical event. Respondents were asked which of the terms—local, statewide, regional (multi-state), or national/international—best describes the origin of attendees for the event.

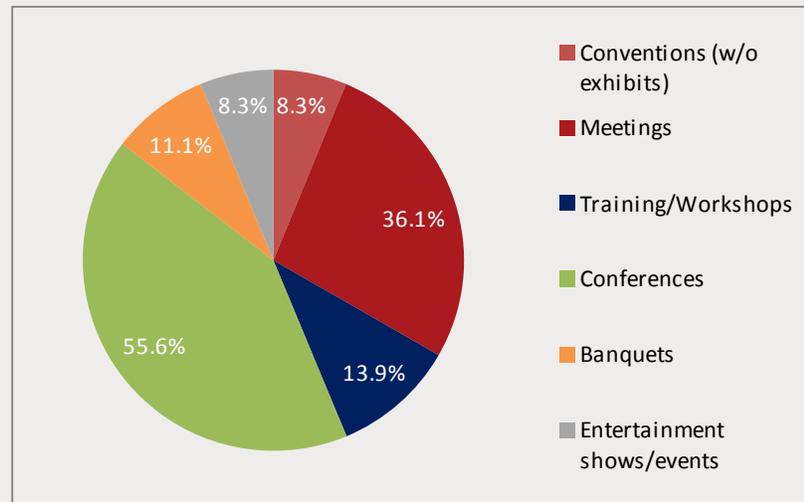
**FIGURE 11-10 GEOGRAPHIC ORIGIN**



The majority of event planners represent national or international events, however, regional and state are well represented.

Meeting planners were asked to identify the type of event for their most typical or important event.

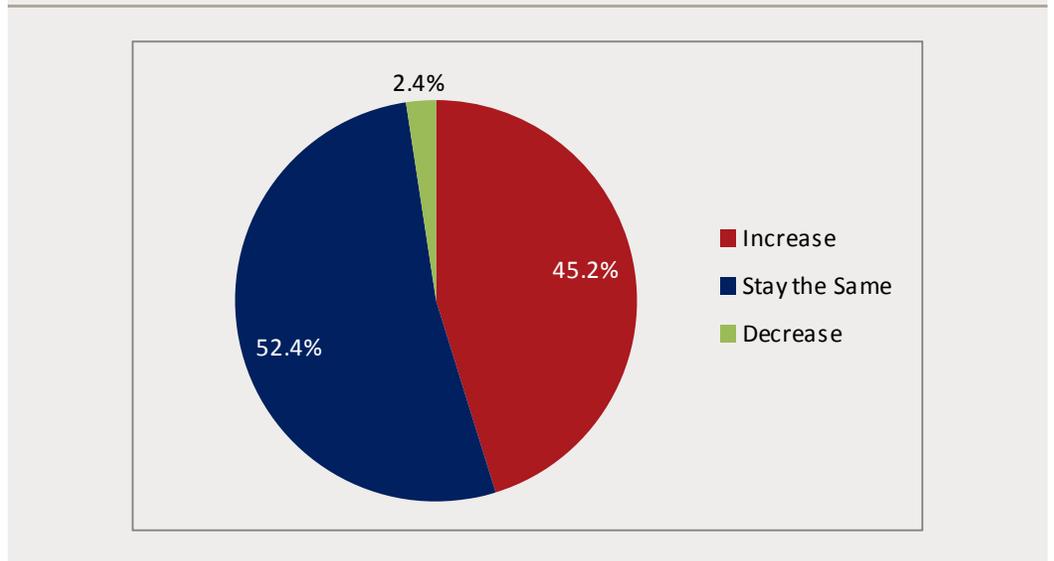
**FIGURE 11-11 TYPE OF EVENTS**



Conferences and meeting again make up the majority of events planned by the survey respondents.

Respondents were asked whether they believe the attendance at their most typical or important event will increase, stay the same, or decrease over the next five years. The next figure illustrates the responses.

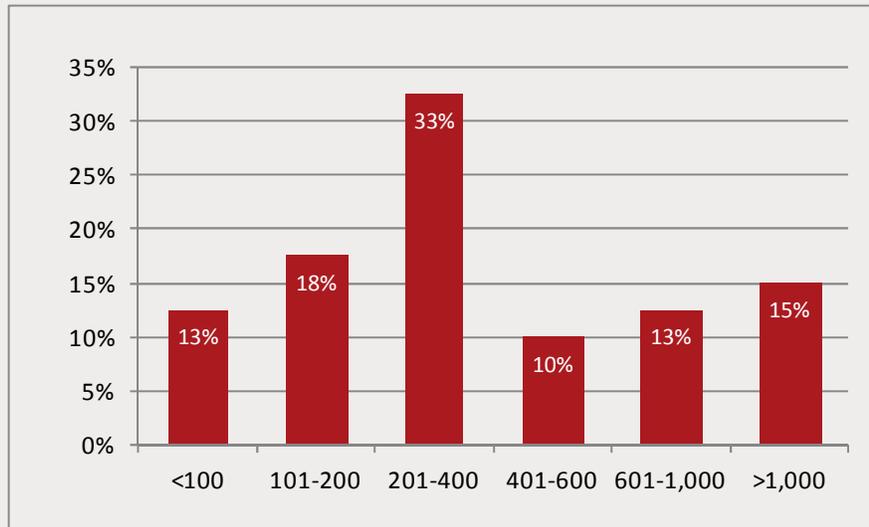
**FIGURE 11-12 FUTURE ATTENDANCE**



Event planners have a stable and positive outlook about the future growth of attendance at their events. This outlook reflects a general expectation for recovery from the recession which caused prior decrease in event attendance.

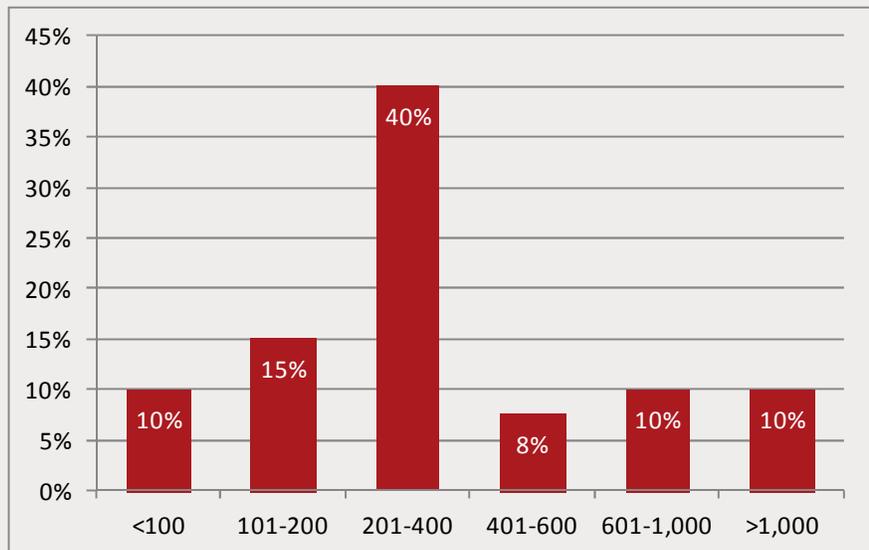
Meeting planners were then asked a series of questions regarding the size and facility requirements for a typical or most important event. The following figures present the results of this analysis

**FIGURE 11-13 NUMBER OF ATTENDEES**



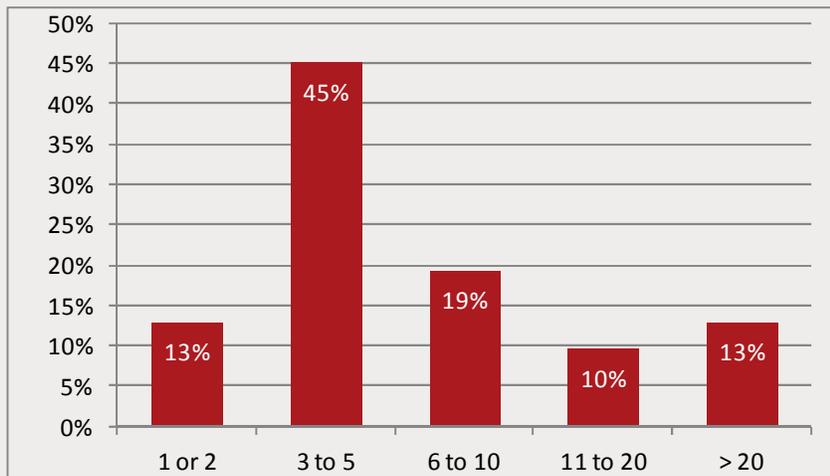
Almost 65 percent of meeting planners report that their events have 400 attendees or fewer, with the greatest majority in the 201 to 400 attendee range.

**FIGURE 11-14 BANQUET SEATING REQUIRED**



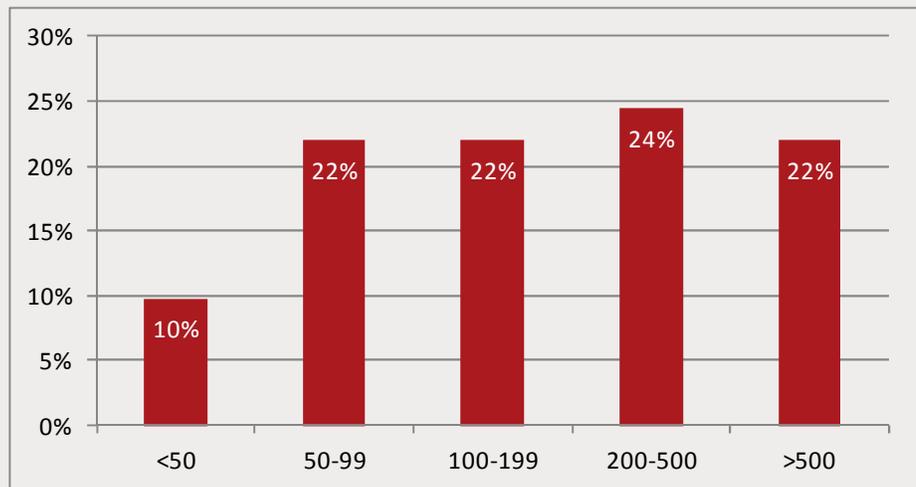
Survey respondents report similar needs for banquet seating with 65 percent requiring banquet seating for 400 persons or less and the most common banquet size between 200 and 400 persons.

**FIGURE 11-15 NUMBER OF MEETING ROOMS REQUIRED**



The greatest percentage of meeting planners require 3 to 5 breakout meeting rooms, with 19 percent requiring 6 to 10 rooms.

**FIGURE 11-16 HOTEL ROOM BLOCK REQUIRED**

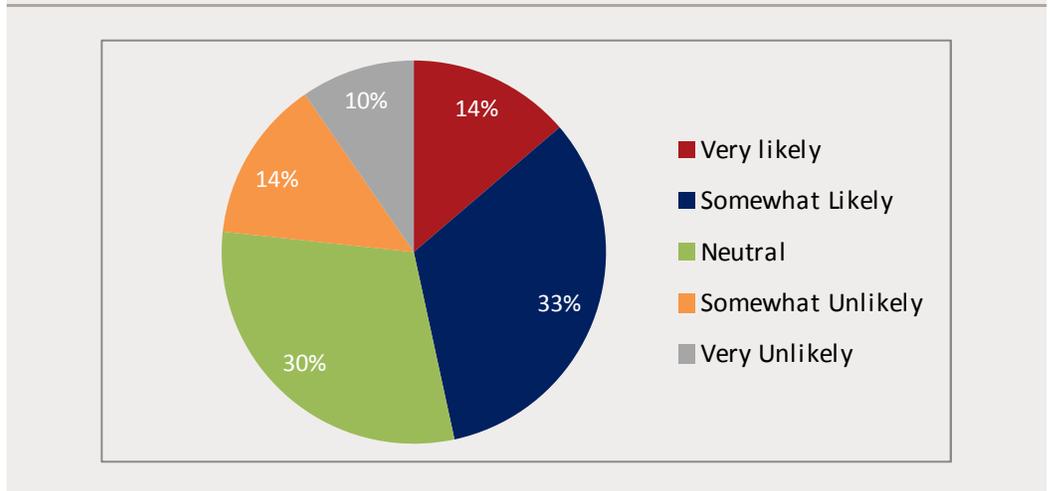


**Likelihood of Hosting  
Event in Mountain  
Village**

90 percent of meeting planners require a hotel room block of greater than 50 rooms. Above this, room block requirements are evenly spread amongst the size categories.

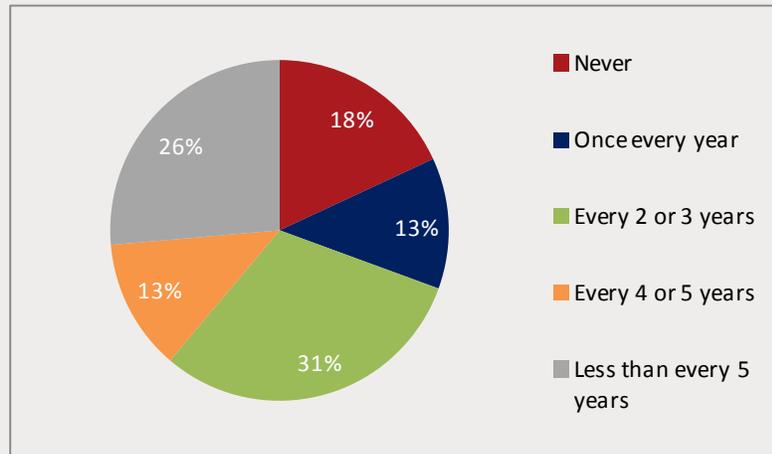
Meeting planners were asked whether they would host an event in Mountain Village assuming all of their facility requirements were met.

**FIGURE 11-17 LIKELIHOOD OF HOSTING EVENT IN MOUNTAIN VILLAGE**



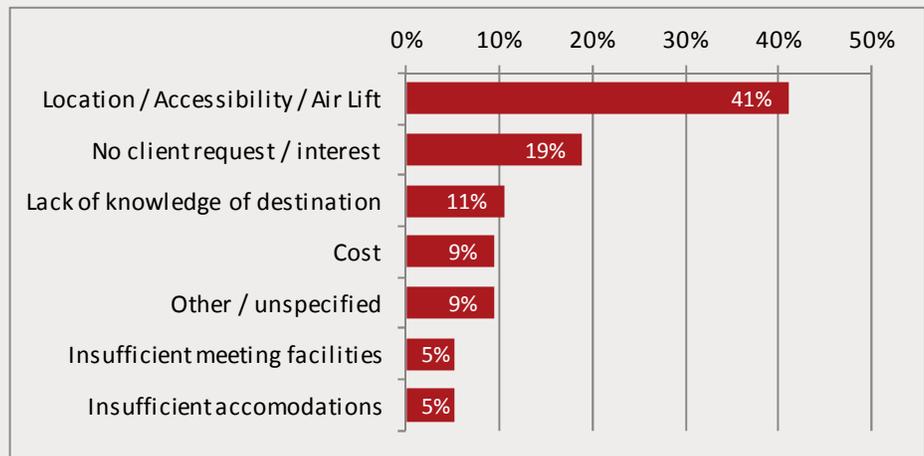
Almost half of the survey respondents said that they would be very likely of somewhat likely to host in Mountain Village. A large percentage of meeting planners, 30 percent, remain neutral, however, suggesting that continued efforts in increasing awareness of destination are warranted. The following chart shows how often meeting planners would host an event in Mountain Village.

**FIGURE 11-18 FREQUENCY OF EVENTS**



Most meeting planners who would consider hosting in Mountain Village would do so on an event rotation cycle of two years or more. The following figure shows the main reasons for meeting planners' not selecting Mountain Village for their events.

**FIGURE 12-19 REASONS FOR NOT SELECTING MOUNTAIN VILLAGE**



Location and lack of air lift are again cited as the main weaknesses of the market. Lack of interest of a lack of knowledge about the destination also rank high, again suggesting the need for effort to increase its market's awareness in the industry.

## 11. Appendix B - Conference Center Case Studies

HVS prepared additional research on four conference centers it considers successful conference center models. Each of the centers detailed below are located in small markets which rely on tourism and outside visitation as the primary driver of their local economies. Two of the venues are publicly owned, stand-alone conference centers that play similar roles in their communities as the Telluride Conference Center (“TCC”). Unlike the TCC, these two venues are operated by the local tourism board as main driver of room night generation. The other two privately held properties are similar to the TCC in that they are the primary conference and event venues in their markets, serving both out-of-town group demand as well as locally generated events.

### WHISTLER CONFERENCE CENTRE – WHISTLER, BC

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The Whistler Conference Centre (“WCC”) sits in the heart of Whistler Village in Whistler, British Columbia. Originally opened in 1982 and renovated in 2003 and 2008, the facility is roughly two hours from the Vancouver International Airport. The WCC features a 16,500 square foot ballroom, divisible into three sections, and 13 meeting rooms totaling 9,880 square feet. Additionally, it offers a 300-seat theater. Approximately 4,400 hotel rooms support the WCC, including the 550-room Fairmont Chateau and the 400-room Westin Resort & Spa.



The WCC underwent extensive renovations in 2007-08 to address deficiencies and provide infrastructure improvements for conferences, events and festivals key to the resort’s success. In advance of the 2010 Winter Games, the Whistler municipality supported additional capital improvements budgeted using Resort Municipality Transfer Tax Program funds. This allowed Whistler to host large-scale events such as the 2009 Federation of Canadian Municipalities Conference, Keystone Symposia, and BC Water Waste.

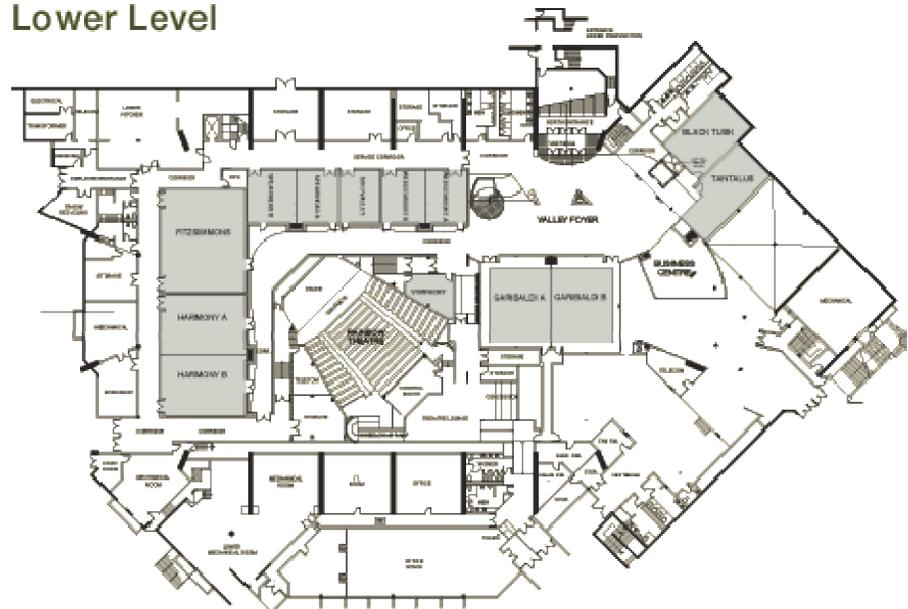
Tourism Whistler owns and operates the WCC along with the Whistler Golf Club. Tourism Whistler is a non-profit, legislated membership organization responsible for creating coordinated sales and marketing strategies to promote room nights at the Whistler Resort properties. Tourism Whistler’s annual sales and marketing budget is approximately \$9 million.

The WCC provides exclusive, in-house catering, offering a variety of plated and buffet menu options for each meal, including a “Happy Earth” green menu. The WCC offers a complete range of audio/visual services through a single, third party provider.

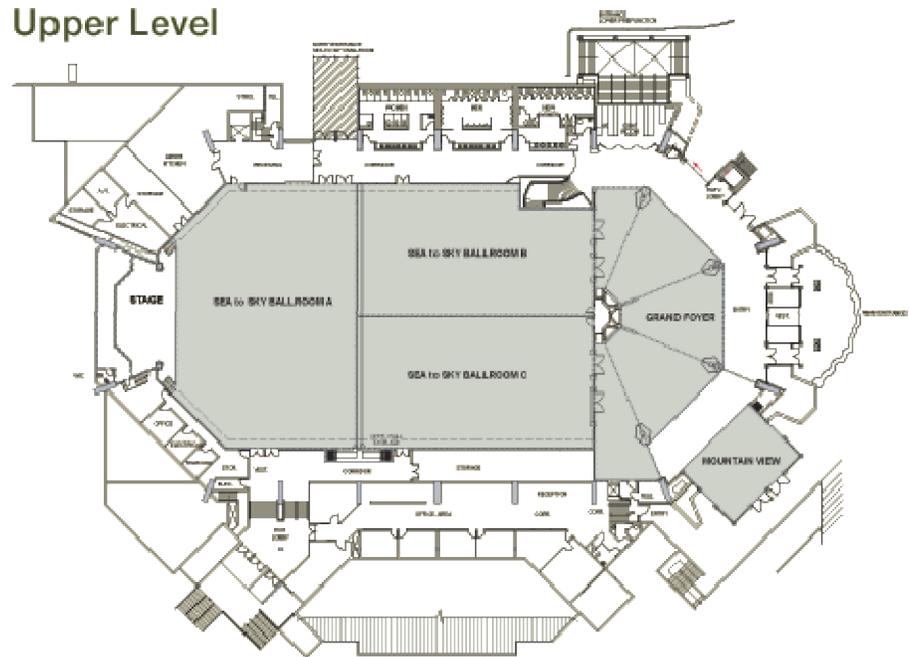
In 2010, the WCC was not available for regular business during the months of January, February, and March due to the Olympic Games. During the remaining months, the WCC hosted 40 group events and three festivals which generated approximately 35,000 room nights for the resort. In a typical year, events at the WCC generate over 60,000 room nights. A typical year of operation at the WC yields just below \$2 million in event revenues and has an annual operating deficit between \$300,000 and \$500,000.

**WHISLTER CONFERENCE CENTRE LOWER LEVEL FLOOR PLAN**

Lower Level



## WHISTLER CONFERENCE CENTRE UPPER LEVEL FLOOR PLAN



## DAVOS CONGRESS CENTRE - DAVOS, SWITZERLAND

The Davos Congress Centre (“DCC”) opened in 1969 in Davos, Switzerland amidst the backdrop of the Swiss Alps. Originally conceived as a venue for advanced medical training, the DCC has developed into a popular research center and congress venue. The DCC has opened major expansions and renovations in 1979, 1989, and 2010. Travel time from Zurich is approximately 2 hours by car or rail service. The DCC features a 14,000 square foot ballroom, divisible into three sections, and 31 meeting rooms totaling 27,150 square feet. Since its 2010 expansion, the DCC is capable of hosting groups of up to 5,000 delegates. Approximately 6,900 hotel rooms support the DCC



The 2010 expansion of the DCC added approximately 14,000 square feet of function space to the venue for a cost of \$37.9 million Swiss francs. In addition to its conference space, Davos is also recognized as a health resort with some of the best-equipped clinics and hospitals. The premiere research resort in the Alps, renowned scientific institutes include the Institute for Snow and Avalanche research SLF, the Physical-Meteorological Observatory and World Radiation Centre PMOD, and the Global Risk Forum GRF. The DCC is the host venue of major economic conferences, such as the World Economic Forum with around 3,000 attendees the representing business, politics, and science from around the world.

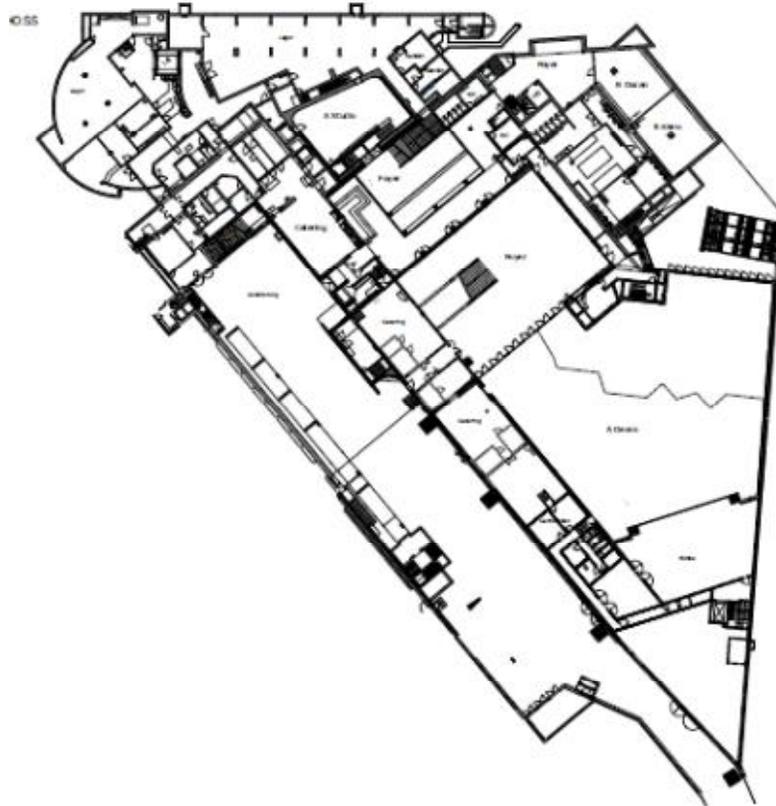
The DCC is owned by the Davos community and is operated under a management contract with the Davos Destination Organization (“DDO”). The DDO is a member organization dedicated to promoting leisure tourism and business travel to Davos and the surrounding region. The DDO has a business division dedicated to the management and operation of the DCC with a separate marketing division in charge of a coordinated sales effort for all Davos hotel and meeting venues.

The DCC provides exclusive, in-house catering for all event food and beverage needs. Meals, coffee breaks, and drink receptions have set prices per person and a variety of menu options. The DCC also provides in-house technical support. The 2010 expansion included retrofitting all rooms with state-of-the-art video and audio systems.

The DCC is a key driver of visitation to Davos. The venue is occupied 250 days each year and hosts an average of 55 group events and over 100 other events each year. DCC events generate approximately 120,000 room nights, 15 percent of Davos’ total annual room nights.

## DAVOS CONGRESS CENTRE – LEVEL ONE FLOOR PLAN

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## RESORT AT SQUAW CREEK – OLYMPIC VILLAGE, CA

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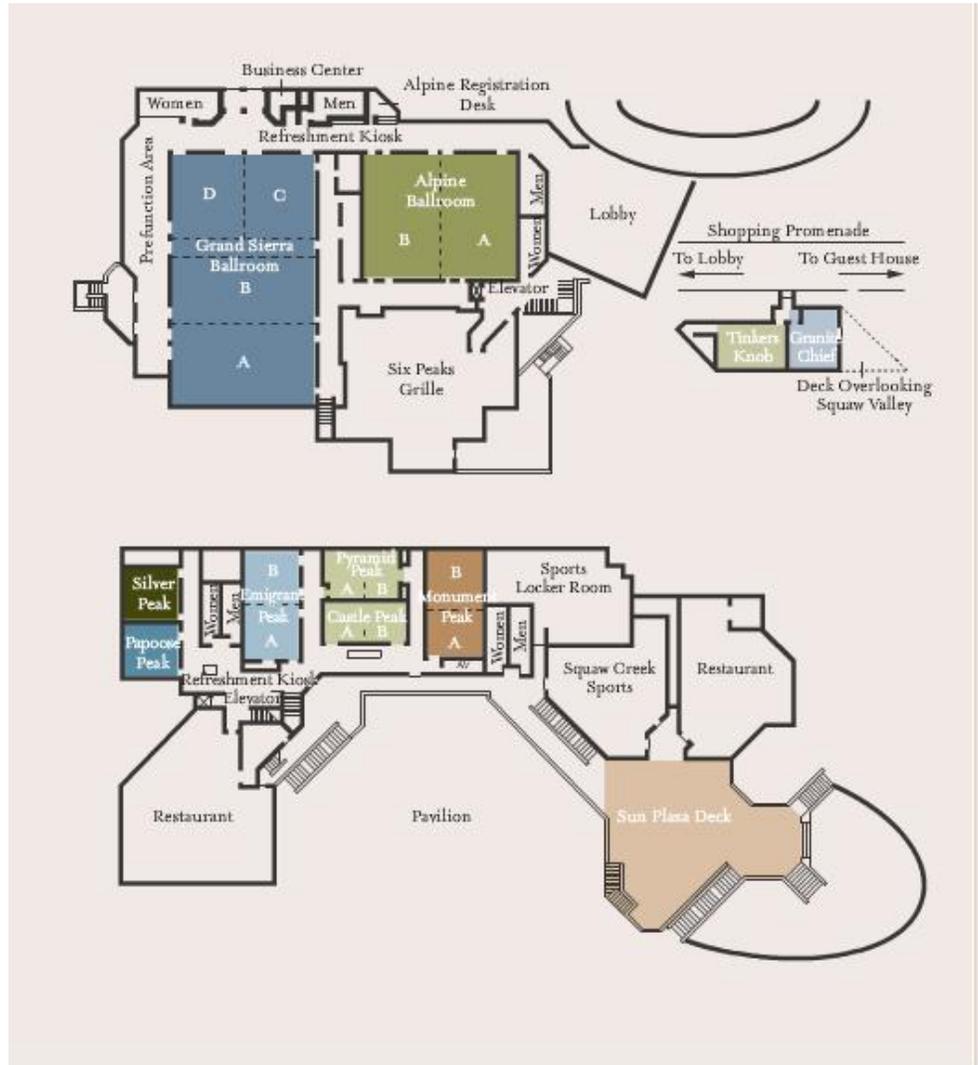
The Resort at Squaw Creek (“RSC”) rests at the base of Squaw Valley, the site of the 1960 Winter Olympic Games. Originally opened in 1990, the resort underwent a \$53 million resort-wide renovation in 2005. The RSC features 15,000 square feet of ballroom space, divisible into six sections, and 13 meeting rooms totaling 13,500 square feet. The RSC is an integrated hotel property with 405 guest rooms and suites.



The RSC was privately developed by Perini Resort for \$130 million. During the 2005 renovation, the property was converted to a condominium ownership structure. This conversion caused the available guest rooms to decline from 405 to 365. Roughly half of the units are suites with a resort kitchen. The property is operated by Destination Hotel & Resorts, the 5th largest hospitality management company in the U.S. On-site catering options include banquet meals, a la carte selections, break services, and full meal packages which include all meals and breaks during the day.

The RSC is the main venue for events hosted by the Squaw Valley Institute, a non-profit organization which hosts speakers and other programs on a variety of topics, including the environment, entertainment, world affairs, health and wellness, arts and sciences, and travel. Squaw Valley Institute events are open to the public and are intended to enhance the quality of life of local residents. The Squaw Valley Institute is funded mainly through grants from local foundations and endowments as well as through sponsorships by local businesses and organizations.

## RESORT AT SQUAW CREEK FLOOR PLAN



## SUN VALLEY RESORT – SUN VALLEY, ID

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After months searching for the ideal location for a grand ski resort in America, followed by seven months of construction, Averill Herriman opened the Sun Valley Resort (“SVR”) in the winter of 1936. Sun Valley Resort is in the Northern Rockies region of south central Idaho, approximately 150 miles from Boise, ID. The first lodging property, opened in 1936, was the 148-room Sun Valley



Lodge. In 1937, the 109-room Sun Valley Inn opened. Other lodging includes 243 apartments, cottages, and condominiums. The Sun Valley Convention Center, which is integrated with the Sun Valley Inn, houses the majority of SVR’s meeting and banquet space. In total, the SVR features an 8,500 square foot of ballroom space, divisible into three sections, and 9 meeting rooms totaling 8,000 square feet.

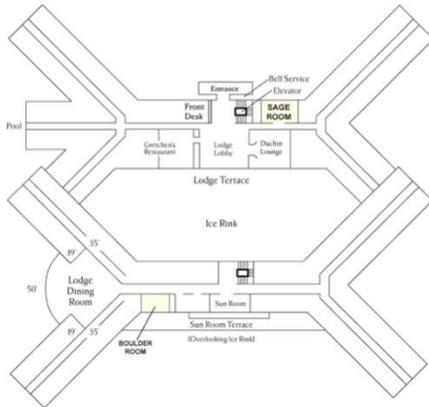
In 1977, R. Earl Holding took ownership of the Sun Valley Resort through his company, Sinclair Oil, which also operates Little America Hotels & Resorts. Sister properties include the Snowbasin Ski Resort near Salt Lake City, UT and several Little America properties in Utah, California, Arizona, and Wyoming.

Since 1983, the SVR has been host to a high-level conference sponsored by media investment banking boutique, Allen & Co. Each summer, around 300 media moguls meet in Sun Valley for a week to discuss the state of the media industry and hatch new plans for the future. Since 1995, the SVR has hosted the Sun Valley Writers Conference, writers and discerning readers come together to consider ideas set forth in fiction, nonfiction, journalism, poetry, and filmmaking. Originally attracting just 100 attendees and 12 writers, the Sun Valley Writers’ Conference now has grown with over 1,000 attending the four-day event.

## SUN VALLEY RESORT CONVENTION FACILITIES FLOOR PLAN



### Lodge Convention Facilities



### Inn & Village Convention Facilities

