



## **DRAFT Business Plan: Reservoir Hill Recreation Park**

### **1. Executive Summary**

The Reservoir Hill Recreation Park project is designed to provide needed infrastructure and additional recreational amenities in Reservoir Hill in downtown Pagosa Springs in order to increase tourism by (1) increasing lengths of stay, (2) attracting new visitors, (3) converting a larger percentage of first time visitors into repeat visitors and (4) increase number of day trip visitors from competing tourism communities in the area.

The natural amenities offered and surrounding forest lands offers a multitude of reasons for visitors to explore the area, but Pagosa Springs struggles with keeping visitors in town and spending money during their visit. This project is designed to increase the recreational and tourism opportunities that could enhance and fuel continued growth and build a strong foundation of tourism dollars for years to come. Tourism is an economic catalyst for the area and can serve as the foundation for the growth and development of a broader local economy.

This concept is, first and foremost, an economic development project. The outcomes sought are crystal clear: build visitation, increase length of stay, bring vibrant, new businesses to Pagosa Springs and create jobs.

The overall project will allow Pagosa Springs to capitalize on its growing tourism base and increase its reach to key markets, such as families, groups, business retreats, weddings, and outside event organizers.

#### **1.1. Objectives**

The objective is to create year-round recreational amenities on Reservoir Hill in downtown Pagosa Springs in order to minimize existing peaks and valleys in tourism market and drive further economic growth in the Pagosa Springs area.

The goals for the Reservoir Hill Recreation Park include:

- Increase length of visitation, creating a significant economic boost to the local economy
- Create a more stable job environment
- Provide a more stable tourism base year-round, minimizing the off-season valley-effect



- Provide affordable activities for families / youth, while enhancing the downtown enjoyment for everyone
- Preserve the beauty and natural amenities on Reservoir Hill

### **1.2. Mission**

The Town of Pagosa Springs seeks to establish a profitable and well managed resource, while at the same time creating an atmosphere of fun and excitement for the entire family, with activities designed to please the local residents, as well as the existing tourism base of the Pagosa Springs area.

### **1.3. Keys to Success**

Based on our research, our primary targeted market is families, i.e. parents and their children (ages 4-17). With that in mind, we intend to design our facilities to address this primary market, while keeping in mind the secondary markets such as the existing tourism base, local residents and more.

We believe that our main keys to success include:

- Providing additional recreational activities
- Ample and secure parking
- Activities for year-round entertainment
- Easy access
- Design facilities to curb overcrowding

We believe that we can minimize certain risk factors to potential recreational concessionaires by:

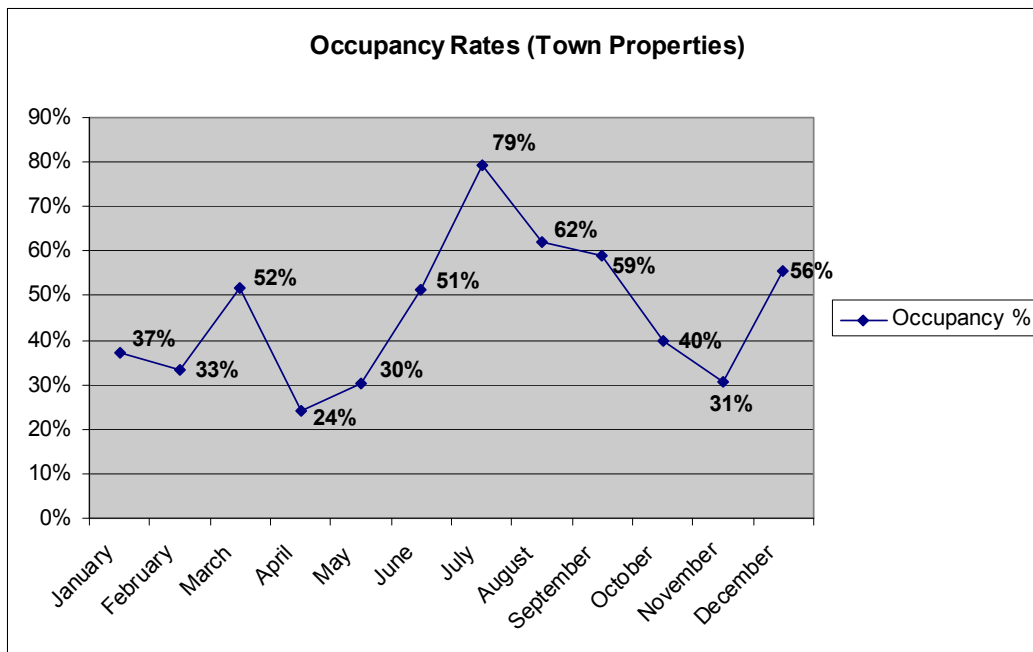
- Initial capitalization of the Town to sustain operations through year one
- Low overhead through the use of multi-skilled employees and continual training
- Strong customer base through aggressive marketing
- Strong community ties and involvement
- Eliminate collection costs by establishing cash/credit/debit card only facilities



### 1.4. Current State of Tourism in Pagosa Springs

Tourism has emerged as the dominant industry in the local area. Tourism in Pagosa Springs has grown by almost 30% since 2007, as indicated through increased lodgers tax collections, during a time in which most other Colorado destinations have experienced decreases. Prior to 2007, Archuleta County also had thriving construction and real estate market segments. Since that time, tourism has been the brightest light in an otherwise very dim economic climate. While tourism has been increasing, the increase has not been enough to offset the losses seen in other industries. By developing and linking enhanced year-round recreational opportunities, the project seeks to create an epicenter of recreational, cultural and artistic opportunities in Pagosa Springs. This effort will bring more businesses and residents to the community, as well as providing tourists an additional avenue to spend vacation dollars locally.

Currently, Pagosa Springs sees over 200,000 tourists each year, with summer and early fall being the dominant seasons, with approximately 50% of visitors to the Pagosa Springs area representing out of state tourists. Local lodging options include a time share resort with 476 units, multiple hotel / motel options, including two with hot springs facilities on site, vacation homes, bed and breakfasts, cabins, RV parks and other lodging options available in the area. In addition to overnight visitation, Pagosa Springs also sees some day traffic from other area tourism destinations, such as South Fork / San Luis Valley, Chama, New Mexico and Durango.





## 2. Reservoir Hill and Facilities

Reservoir Hill, located in downtown Pagosa Springs, is a 110-acre town-owned property that is mostly undeveloped and underutilized, surrounded by largely undeveloped parcels private-property. Existing facilities are minimal. To begin the project, Reservoir Hill would need infrastructure improvements, such a sewer and electrical.

### 2.1. Overview of Potential Recreational Amenities

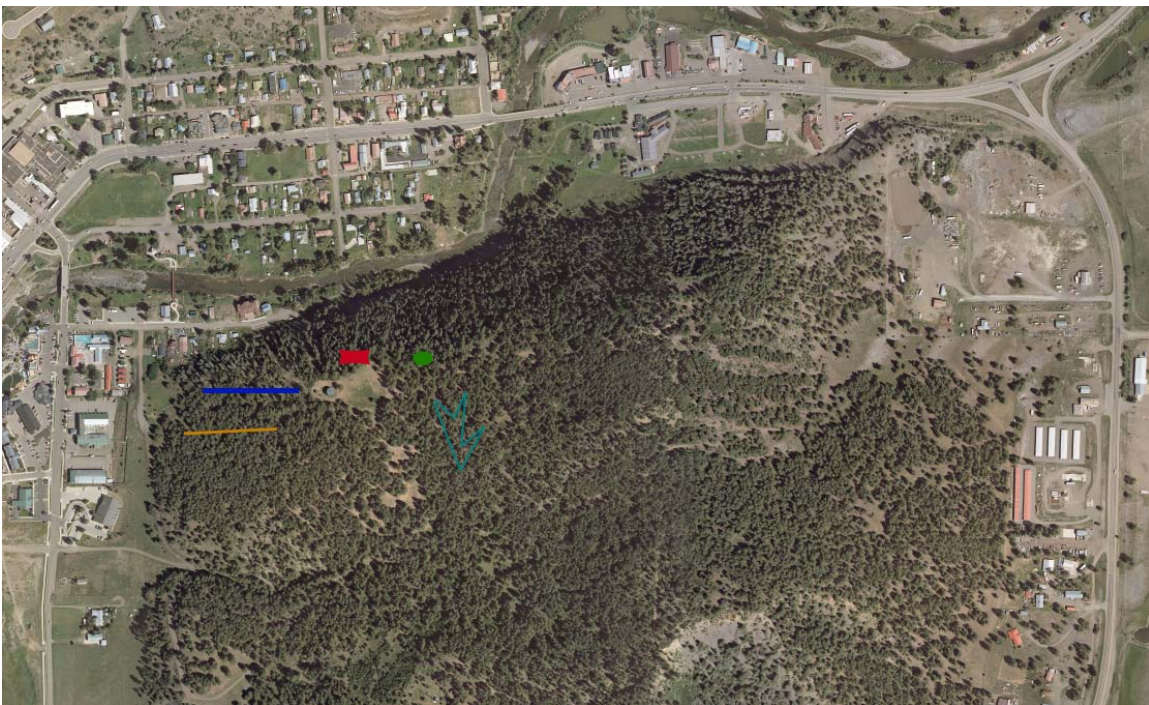
Pagosa Springs will develop a solid leadership position in the tourism market by providing:

- Year round play with a wide variety of activities
- Family-oriented
- Aggressive marketing
- Easy access and exposure

The amenities included in the business plan are the following:

- *Chairlift*
  - An integral part of the Recreation Park will provide free, year-round access to Reservoir Hill
- *Amphitheater*
  - Unique design to enhance natural beauty of music venue with the capability to provide up to 500 covered seats, green room, stage and incredible views
- *Alpine Coaster*
  - Year-round amenity that can be operated in rain and snow; offers high repeat value and reason to visit during off season
- *Observation Tower*
  - Providing birds-eye views and information about the surrounding peaks
- *Zip line*
  - canopy style zip line; thrill is created by flying through trees, provides an activity that lasts up to 2 hours per tour
- *Tethered Hot Air Balloon Ride*

- Provides visible amenity for Reservoir Hill, plus opportunity to promote Pagosa on balloon; short, inexpensive, tethered ride lasts 5-8 minutes and provides a unique view of the area
- *Sprayground*
  - A playground with spraying water; located in a downtown park, visible from the river, Hwy 160, Riverwalk, etc to entice families. Park would utilize geothermal waters to heat water as it comes out of pipes to provide unique and fun experience with geothermal waters; great draw for families



### 2.3. Future Services

The market will dictate the need for future services offered. The Town would have full control on any additional services offered. However, keep in mind, at 30 seconds between alpine coaster cars to maximize user experience, a line of 50 people waits 25 minutes for the amenity.



### **3. Market Analysis Summary**

The Reservoir Hill area offers everything you could ever hope to find in a location that is unmatched in every way. It is located in the heart of historic downtown Pagosa Springs, Colorado. Reservoir Hill is directly across the street from Pagosa Springs world renowned mineral Hot Springs which was recently listed in the Guinness Book of World Records.

The meadow area of Reservoir Hill is also home of the Folk n' Bluegrass and Four Corners Folk Festivals, which draws performers and spectators from all over the country, with an estimated 3,000 - 4,000 visitors for the weekend events. Pagosa Springs also draws a great deal of tourists from Colorado, New Mexico, Arizona, Texas, Oklahoma, California and others. We are also one of the two communities offering lodging to the Wolf Creek Ski area, located just 23 miles away.

The market area for Reservoir Hill and Pagosa Springs includes not only our own residents, but Colorado, New Mexico, Arizona, Texas, Oklahoma, California and many other key tourism markets for Pagosa. The amenities being proposed are the closest in Colorado to the majority of Pagosa's target audience.

Additionally, investments into recreational amenities have proven extremely successful, with prominent examples added in recent years – the 18-hole disc golf course located on Reservoir Hill and the river enhancements and fish stocking efforts, which have created opportunities for additional recreation, including kayaking, tubing and incredible fishing through the highly visible downtown stretch of the San Juan River. The features have shown that our visitors and locals alike will utilize recreational amenities, which provides an opportunity to spend more time and money in town.

#### **3.1. Market Segmentation**

The target market for Reservoir Hill is focused on three categories:

1. Vacationing families
2. Outdoor adventurer
3. Musical and theatre lovers

#### **3.2. Target Market Segment Strategy**



The potential customer base is entirely open to age, sex, race, income levels, local residents, local school aged students and tourists to the area. The most important factors are that they enjoy themselves, want to stay longer, make Pagosa Springs a repeat vacation destination, or possibly a second home location.

### **3.3. Market Needs**

After examining demographics here in Archuleta County, Reservoir Hill is a underutilized attraction that offers so many more possibilities for the community, area residents and our tourists.

Our primary targets are the states mentioned above along with expanding our visibility to other areas, for those looking to discover our amazing community; of which, the character and charm will not be impacted in a negative manner.

### **3.4. Market Trends**

Incorporating the amenities proposed has proven extremely successful in other communities. Alpine Coasters, on average, have an 18-24 month return on investment. The proposed amenities are leading edge in the recreation market and would prove to make Pagosa Springs more competitive as a tourism destination.

### **3.5. Market Growth**

The population of Archuleta County experienced a 22.1% increase between 2000 and 2010 from 9,896 to 12,084. Further breakdown demonstrates that 20.5% are under the age of 18 and only 15.0% are 65 or older. Additionally, over 200,000 tourists are currently visiting the area each year, with recent trends indicating tourism is growing in Pagosa Springs. All indications point towards a consistent growth pattern through 2020 with more tourism dollars coming into the market, of course followed by increased revenues in other economic areas of development and growth.

### **3.6. Service Business Analysis**

In a feasibility study for a Downtown Development Authority (DDA) conducted by RRC Associates from Boulder, Colorado for the Town of Pagosa Springs in January 2007, Reservoir Hill was noted to be a major asset of the downtown development.



“At the same time, there is recognition that the downtown is home to assets unique to Pagosa Springs and treasured by locals and tourists alike- the San Juan River, hot springs, Reservoir Hill, and the park system to name a few. Building upon these assets by investing in the downtown through addressing the above challenges in a systematic way will hopefully send the message to the broader community that the Town is committed to revitalization efforts.”

In the summary section, there were several key areas that Council members felt needed to be addressed in the near-term if downtown were to be preserved:

1. Appropriate design and planning regulations
2. Parking
3. Businesses
4. Activities and special events

### **3.7. Main Competitors**

The three main competitors in Colorado for recreational amenities include:

1. **Durango Mountain Resort**, located 78 plus miles to the west, is located in a ski/resort area 20 miles outside of Durango. DMR offers summer amenities, including a new zip line feature, alpine slide, chairlift and other activities. However, with the exception of the zip line, the features offered are summer only and increasingly outdated. Alpine slides are typically a one-time activity, and notably dangerous. Additionally, it was observed that the area only had one small restaurant serving food, with the closest other options being 20 miles away in Durango. Of the areas visited during a mid week research trip, Durango Mountain Resort had the fewest patrons. Its distance from town and non park-like feel limited audience and certainly has a huge impact on repeat visitation.
2. **Glenwood Springs/Glenwood Caverns Adventure** is located about six hours away. While the Adventure Park has been designed very well, retaining the natural feel of the surrounding landscape, access to the park requires a lengthy commute to the actual park and is limited by the weather. The main form of transportation to the Adventure Park is a 20-minute tram ride, however lightening shuts down the tram system, and the Park relies on old school buses to transport patrons to and from the Park utilizing a mostly one-lane road. If the Park closes the Tram, the wait for people to ride a bus back to their vehicles can take hours. The isolation and limited access to the park makes it a one-day visit during a stay in Glenwood, however,



is likely not frequented more than once during a visit to the area and may suffer from repeat visitation.

Glenwood Springs also features a hot springs facility in downtown with a large swimming pool and waterslides in the summer months. Glenwood is a huge draw for families, especially from the Denver area, located 3 hours from Denver.

3. **Breckenridge Peak 8 Fun Park** is about four hours from Pagosa Springs and doubles as their ski area during the winter. While it is also very popular it also requires all of its customers to commute by a free 20-minute gondola. Breckenridge has expanded their amenities over the last few years, recently adding an alpine coaster. Breckenridge seemed more interested in moving people through the rides, versus creating a quality experience. On both the Alpine Slide and Alpine Coaster, the riders were sent down too closely together, which caused backups and hindered rider experience. Additionally, Breckenridge was the most expensive of the three parks visited, however, notably the most crowded. Due to the expense, they likely experience limited repeat visitation. The atmosphere was ski area fell, versus a park-setting.



#### **4. Strategy and Implementation Summary**

##### **4.1. Competitive Edge**

One of the key competitive advantages that Pagosa Springs will have is the location of Reservoir Hill in downtown Pagosa Springs. If the chair lift must be shut down due to storms, Park users will have various options to transport them down the hill, including hiking, biking, park shuttle service, etc. The proposed amenities serve to provide area visitors unique

##### **4.2. Marketing Strategy**

Pagosa Springs is marketed as a tourism destination through the efforts of multiple area entities. Much of the promotion of Pagosa specifically as a tourism destination is handled through the Town Tourism Committee, funded through the town's 4.9% lodging tax. Marketing efforts include social media, mobile, online and print advertising, billboard campaigns and many other avenues of reaching potential tourists. Additionally, area organizations and event organizers, such as the Chamber of Commerce, GECKO, Folk West and others market Pagosa Springs through the promotion of their established events.

The area visitor center is managed by the Pagosa Springs Area Chamber of Commerce and funded through Town and County lodging tax collections. Additionally, Pagosa Springs recently launched an Ambassador Program which provides a personal touch for area tourists, helping them with information in the field, where the tourists are enjoying the views and activities. Additionally, many area businesses promote Pagosa Springs through their marketing efforts.

With a solid marketing base in place, Pagosa Spring is poised to easily take advantage of opportunities presented as a result of the Reservoir Hill Recreation Park.

##### **4.3. Pricing Strategy**

To establish the following detailed chart, we referred to several factory-pricing recommendations and the local competition. Please see attached workbook for additional information.

<b>Recreational Amenity</b>	<b>Price</b>	<b>Users (annually)</b>
Alpine Coaster	\$12	129,452
Zip Line	\$89	4,383
Chair Lift	Free	68,977



Hot Air Balloon Ride	\$12	5,935
----------------------	------	-------

#### **4.4. Promotion Strategy**

The Pagosa Springs Town Tourism Committee has an annual operating budget of \$400,000. Approximately 25% of the annual budget is focused on marketing efforts, through direct promotion of the community as a tourism destination and the funding of the marketing efforts of area events.

Additionally, the business plan identified an annual budget of \$100,000 within park operations to promote the Park and recreational amenities.

#### **4.5. Sales Strategy**

The Town of Pagosa Springs intends on providing a venue in which the entire family can truly enjoy their vacation time by participating in fun and exciting activities that add to the existing use of the Park. Supported with a convenient downtown location, great customer experience at competitive prices, the Reservoir Hill Recreation Park will have the winning combination. The new amenities on Reservoir Hill, combined with the already popular hot springs, river features and year-round recreation options in the surrounding wilderness and national forest areas, will provide the basis for families to visit Pagosa Springs time and time again.

Our sales strategy is set on the very basics of business – to provide an enjoyable experience for our tourists so that they will return again and again.

#### **4.6. Sales Forecast**

Overall, the numbers presented in the business plan are based on existing tourism. While we recognize that Pagosa is discovered by new visitors all of the time, the projections in the business plan are based on increasing the tourism base by increasing length of stay of 50% of existing visitors by one night. The numbers presented do not reflect additional benefits from bring new tourists, more tourists or additional events to the area – in addition to increasing our existing visitors stays. The purpose was to be as conservative and realistic as possible in the expected returns.

The user estimates per amenity were determined through the following process:

(1) Determined estimated max riders per hour for peak use (significantly less than ride capacity / hour)



(2) Determined formula to factor decrease in riders / hour based on lodgers tax collections per month, using collections in 2012 as the base – for example, July is max, each month is a % less, based on % less in lodgers tax - July shows 100 / hour; April reflects 28 riders / hour.

(3) Riders / hour was multiplied by operating hours per month to determine monthly totals

Please note that user estimates for the zip line were based on people per day, versus hourly usage.



**5. Financial Plan**

The primary goal of the Pagosa Springs Recreation Park is to increase tourism in Pagosa Springs and Archuleta County by increasing overnight visitation of existing tourists. The goal is to keep families in Pagosa for an additional night as well as encourage families to come to Pagosa that may have only had plans to visit nearby towns. Based on the 2008 Conversion Study, we know the average person spends over \$147 per day in our local economy. The survey also indicated each lodging room / rental unit has on average 2.5 people per unit per night. Our goal is to increase overnight stays by 50% in 3 years, or by 100,000 additional visitor stays or 40,000 additional room nights per year. This will result in and additional \$14,700,000.00 in sales volume injected to our local economy as well as an additional \$294,000.00 per year in Town Sales Tax and approximately \$100,000.00 in additional town Lodging Tax, as not all overnight stays will stay in town limits.

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

As the chart above indicates, increases above 50% will continue to provide substantial returns to the local economy.

Additionally, the Reservoir Hill Recreation Park will increase day trip traffic from competing tourism markets (Durango, South Fork, New Mexico), create jobs – direct (15-20) and add many indirect jobs in a variety of businesses and create a diverse local economy by developing a stable tourism base to allow other industries to thrive.



### 5.1. Financial Plan - Amenities

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

### 5.2. Financial Plan – Labor & Services

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

\*Loan Amortization assumes principal of \$4,345,000 at a 4.5% rate over 10 year term



### **5.3. Operating Structure and Funding Options**

It is understood that the Town does not desire to manage and operate the amenities, however, options were explored that allowed the Town to own the proposed amenities.

Multiple operating structures have been identified, including:

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

Additionally, funding options were identified for the entire project, including:

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