



Economics Research Associates

Final Draft

**Real Estate Market Outlook and
Development Strategy
Recommendations**

Prepared for

**Town of Mammoth Lakes
Community Development Department**

Submitted by

Economics Research Associates

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General Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this study reflect the most accurate and timely information possible, and they are believed to be reliable. This study is based on estimates, assumptions and other information reviewed and evaluated by Economics Research Associates from its consultations with the client and the client's representatives and within its general knowledge of the industry. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives or any other data source used in preparing or presenting this study.

This report is based on information that was current as of March 2007 or as noted in the report, and Economics Research Associates has not undertaken any update of its research effort since such date.

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Section I: Introduction and Executive Summary

Introduction

The Town of Mammoth Lakes retained Economic Research Associates (ERA) to prepare this market analysis of its long term development outlook and to provide economic development strategy recommendations that will assist the town in achieving its objectives. Founded in 1958, ERA is the longest established and largest economics planning consulting firm in the country. The San Francisco office of ERA, which provided the consulting services to Mammoth, has long-standing specialties in both resort planning, with particular experience in mountain resorts, and downtown revitalization. The key objectives that ERA focused on are stated in the community goals for the Economy Element in the recently adopted General Plan:

- Be a world-renowned destination community in order to achieve a sustainable year-round economy.
- Achieve sustainable tourism by building on the area's natural beauty, recreation, cultural and historic assets.
- Achieve a more diversified economy and employment base consistent with community character.

By pursuing a community economic development strategy, the Town is pursuing plans and policies that serve the long term economic interest of the community as a whole. In the past, the development initiative in Mammoth has come largely from property owners and real estate developers. The Town government has served a regulatory function to minimize the adverse impacts of new development. In the increasingly competitive resort and recreation destination environment of the 21st century, regulating private development will not be sufficient if Mammoth is to become a world-renowned destination community. This is because the Town is largely built and the next generation of development will be in-fill and redevelopment. Given the fragmented land ownership patterns of a built town, it is virtually impossible for any private developer to assemble sufficient land to develop a project that has major impact without civic leadership and community participation.

While ERA believes in the importance of community vision and civic leadership, the role of the private developer remains an important one. The Town has a number of on going plans and development projects that will contribute to its future success:

Snowcreek – This resort community, which sits at the foot of the Sherwin Range, an extension of the Sierra Nevada range, received Master Plan approval for 2,332 units in the 1981. To date, approximately 1,000 units have been developed. This resort offers

second home lots, townhouses, condominiums, a nine-hole golf course, a major athletic club and a well known tennis complex. The next phase, Snowcreek VIII, will offer single family units, townhouses, stacked flats, 400 guest suites (hotel/condominium hotel and fractional ownership), an additional nine golf course holes, a new club house, a general store and public amenities. Snowcreek will continue to cater to buyers and visitors preferring a low-keyed and high amenity resort environment.

North Village – According to the *North Village Specific Plan*, adopted in late 2000, “the North Village development is to create a unique and attractive commercial center which will be of interest to local, regional, day, and destination visitors during all seasons of the year. ... A major premise guiding the form of North Village is that the pedestrian system ultimately establishes the structure of the village. As an example, the Conceptual Site Plan organizes buildings to create two major high-quality, auto free pedestrian districts.” The North Village should succeed as a high-end visitor destination with lodging, restaurants and support retail and services. However, its ability to function as Mammoth’s “Town Center” pedestrian district faces three challenges: 1) Minaret Road, a high traffic volume arterial during the peak season, and other major roads bisect the pedestrian districts making one continuous and cohesive district impossible; 2) the parking facilities are designed for the lodge guests and not for the others who wish to shop or dine at the village, and 3) the grade changes of the area makes the pedestrian shopping experience more difficult particularly during poor weather conditions.

Eagle Lodge – The Mammoth Mountain Ski Area (MMSA) proposes to construct a permanent base lodge at the northwest corner of the intersection of Majestic Pines Road and Meridian Boulevard. This development will include a visitor lodge, ski resort support uses, a convenience market, a restaurant and day spa. This facility is primarily designed to improve the ski visitor experience.

Main Street – Main Street is the all important highway link between US395, where most visitors come from, and the ski mountain, to where most visitors want to go. Because the essential role of this street is to carry through traffic and its established character is suburban and automobile oriented, Main Street is not well suited to becoming a pedestrian scale street. It non-the-less will continue to serve an important transportation and commercial function in the Town.

The Need for Leadership

The Town of Mammoth Lakes benefits from a world class ski mountain and the scenic beauty and recreation opportunities offered by the High Sierra range. However, much of the town was built during the automobile dominated era of the 1960s and 1970s, and many of the older districts are showing their age.

It has been the tradition in Mammoth to allow private property owners and developers to lead the development process. Being a built community with fragmented property ownership, it is now difficult for any private developer, regardless of depth of



capitalization, to create new projects of sufficient scale to move Mammoth noticeably up the global competitive ladder.

In addition, in today's resort real estate market place, the financial return comes first from the sale of condominiums and second from operating overnight accommodations. Retail commercial, while providing a necessary supporting amenity, does not generate much financial return, especially if parking must be provided in expensive subterranean garages.

If the tradition of private initiative continues to lead the way, Mammoth will see the construction of a collection of individual projects, many of them well designed, with each attempting to maximize its own financial return. Second home condominiums and guest lodging will receive priority consideration in site planning and project design with retail and restaurant space viewed as desirable but secondary support space. The future retail space in town will be built in scattered locations, depriving the town of both a strong shopping area, which can only be achieved through retail concentration, and an effective pedestrian district able to serve as the heart and soul of the community.

If Mammoth is to transform itself into a world class resort destination, a collection of good individual private development projects will not be sufficient. As the leadership in resort towns like Park City, Breckenridge, Ketchum, and others have realized, it is the public infrastructure and facilities – streets, sidewalks, bicycle paths, trails, plazas, fountains, parks, street furniture, plantings, public art, cultural venues, and parking facilities coupled with good planning and strong design guidelines – that separate the good from the world class. For Mammoth to move into that class, the town government needs to assume a proactive leadership role in dramatically upgrading the public infrastructure that serves to weave together the collection of existing and future private development projects.

Strong Market Opportunities

Demand for Guest Lodging in Mammoth

Over the next 18 years, ERA projects that the Town of Mammoth Lakes will be able to support an additional 400 to 500 hotel units based upon tourism growth plus an additional 2,000 to 2,100 guest condominium units on a net gain basis. However, much of the town's existing 1,335 hotel units will not be very competitive as new and higher quality product is introduced. Some of these units will be demolished for site redevelopment or converted into workforce housing, while the better quality ones will be renovated to remain competitive. Assuming that 500 of the existing hotel units will be demolished, the new hotel construction anticipated is 900 to 1,000 units by 2025, including condominium hotel and lodge units. When the two products are combined, the construction anticipated is approximately 3,000 units of guest lodging over the next 18 years, or an average demand of 160 to 175 new guest units per year (**Table I-1**). This projected pace of development is considerably above the 38 units per year average gain



achieved over the past seven years. The total number of guest units in the town’s development application pipeline represents about 20 years of demand growth.

Table I-1
SUMMARY OF NEW LODGING DEMAND AT MAMMOTH LAKES

	<u>2007 Base</u>	<u>Increase in Supportable Units</u>		<u>2007-25</u>	<u>Percentage Above 07</u>
		<u>2007-15</u>	<u>2015-25</u>		
Rental Condos Units	2,913	1,098	960	2,057	71%
Hotel, Lodge & Condo Hotel Units ¹	1,335	486	474	960	72%
Hotel and Condo Units Combined	4,248	1,584	1,434	3,018	71%

¹ Assume redevelopment of 500 existing units

Source: Mammoth Lakes Finance Department and Economics Research Associates

Retail Demand by 2015 and 2025

When the new resident-generated demand, new visitor-generated demand and the current undersupply (estimated at 20,000 square feet of grocery store space) are all combined, ERA estimates that the Town of Mammoth Lakes will be able to support 225,000 square feet of additional retail space by 2015 and a total of 500,000 square feet of additional space by 2025. The mix by retail sector is detailed in **Table I-2**.

Table I-2
SUMMARY OF RETAIL DEVELOPMENT POTENTIAL FOR TOWN OF MAMMOTH LAKES

	<u>New Retail Space (SF) Supportable in Town</u>			
	<u>2007-15</u>	<u>2016-25</u>	<u>Total</u>	<u>Prct Dist</u>
Apparel Stores	15,100	19,700	34,800	7%
Gen. Merchandise & Drug	15,400	20,500	35,900	7%
Food Stores	46,700	55,300	102,000	20%
Eating & Drinking Places	68,600	90,000	158,600	31%
Furnishing & Appliances	30,600	40,000	70,600	14%
Other Retail Stores	21,600	28,400	50,000	10%
Entertainment & Services	27,100	35,600	62,700	12%
Total Retail & Service Outlets	225,100	289,500	514,600	100%

Source: Economics Research Associates



Recommendations

Recognizing both the town’s objectives and the market opportunities ahead, ERA recommends the following strategies to enhance Mammoth’s competitive position.

A. Create a New Main Street or Town Center

The Town of Mammoth Lakes needs to create a place that defines the heart, soul, spirit, and heritage of the community. No such place exists in town today. ERA recommends that this new “Main Street” be located near the commercial center of gravity, which is the intersection of Old Mammoth Road and Tavern Road. This effort will require a cooperative public/private enterprise, with the town providing the public spaces and amenities that make this new Main Street special and supplying approximately half of the required retail commercial parking. The private sector would be responsible for the land assembly, real estate development, and all required parking other than approximately half of the retail commercial parking.

The project, as envisioned by ERA, would be a retail street of no more than 1,200 linear feet with ample sidewalks, intersections that facilitate pedestrian crossing, on-street parking on both sides of the street, and one lane of traffic in each direction. The shops and restaurants would line both sides of the street with resort lodging, worker housing, or office space on the upper floors. The recommended retail program and phasing are shown in **Table I-3**. Wallace Roberts and Todd has provided the following preliminary concept illustration of the layout of a new Main Street, and two photographs illustrate what the area might look like. ERA strongly encourages the Town of Mammoth Lakes to prepare a detailed Specific Plan to guide the development of this area, and we understand that a Special Study of the North Old Mammoth Road area is underway.

Table I-3

RECOMMENDED RETAIL DEVELOPMENT PROGRAM FOR MAMMOTH TOWN CENTER

	Retail Space (SF) Supportable in Town Center			
	2007-15	2016-25	Total	Prct Dist
Apparel Stores	8,000	17,000	25,000	9%
Gen. Merchandise & Drug	10,000	8,000	18,000	7%
Food Stores	45,000	12,000	57,000	21%
Eating & Drinking Places	30,000	45,000	75,000	28%
Furnishing & Appliances	12,000	8,000	20,000	7%
Other Retail Stores	15,000	25,000	40,000	15%
Entertainment & Services	15,000	20,000	35,000	13%
Total Retail & Service Outlets	135,000	135,000	270,000	100%

Source: Economics Research Associates



While no one has perfect foresight, it is ERA's opinion that the Town's investment in an authentic pedestrian Town Center retail and restaurant district will have a substantially positive long term benefit. With a well planned and well constructed Town Center, the total estimated supportable retail square footage in Mammoth would be approximately 1,093,000 square feet in 2025. Without this Town Center and assuming the retail development in Mammoth will continue to be built in decentralized locations, the supportable square footage would be 923,000 square feet of about 15 percent less. The average sales per square foot would also be ten percent greater with a Town Center. This is because retail stores benefit from agglomeration; consumers save time and effort by being able to patronize a large array of stores and restaurants in one trip. By having that concentration, visitors to Mammoth and local residents will spend more money in town.

In addition, it is ERA's view that the Town Center will induce some additional lodging development, perhaps five percent more. However, more significantly the average per room receipts will be possibly ten percent higher for the town as a whole. By 2025, the incremental sales and transient occupancy tax receipts attributable to the Town Center amount to over \$6.3 million per year. Using a capitalization rate of six percent (municipal borrowing or return rate) to translate this annual cash flow stream into a one time value, we arrive at a value or benefit of \$105.4 million in 2025. ERA's estimated cost for the public parking and public amenities necessary to create this Town Center is \$25 million in today's dollars. Using an annual inflation factor of 2.75 percent, this cost would amount to \$41.9 million in 2025. The benefit to cost ratio of this project is approximately 2.7. We would rank this as the top priority long-term investment project for the Town in light of the goal of achieving world renowned status (see **Table I-4** for detailed estimates).



Table I-4
ESTIMATED FISCAL BENEFIT AND COST OF TOWN CENTER INVESTMENT

		<u>Total Retail SF</u>	<u>Town Avg Sales per SF</u>	<u>Total Retail Sales</u>
2006	Current Retail Space	578,000	\$281	\$162,329,000
2025	Without Town Center	922,858	\$449	\$414,339,733
2025	With Town Center	1,092,713	\$492	\$538,123,310
2025	Gain in Retail Sales (1% to Town)			\$123,783,577
2025	Sales Tax Gain (food for home consumption excluded)			\$1,114,052
2025	Capitalized Value @ 6% of Town Center Induced Sales Tax Gain			\$18,567,537
		<u>Total Guest Units</u>	<u>Room Receipts Per Guest Unit</u>	<u>Total Room Receipts</u>
2006	Current Condo & Hotel Inventory	4,248	\$20,554	\$87,314,000
2025	Without Town Center	6,948	\$39,515	\$274,552,772
2025	With Town Center	7,265	\$43,304	\$314,628,322
2025	Gain in Room Receipts			\$40,075,551
2025	Gain in Transient Occupancy Tax (13%)			\$5,209,822
2025	Capitalized Value @ 6% of Town Center Induced TOT Gain			\$86,830,360
2025	Capitalized Value of Sales Tax & TOT Gain			\$105,397,896
2008	Estimated Town Investment in Town Center Parking & Amenities (2008 dollars)			\$25,000,000
2025	Estimated Town Investment in Town Center Parking & Amenities (2025 dollars)			\$39,648,899
Benefit to Cost Ratio of Town Center Investment				2.7

Source: Economics Research Associates





B. Require New Larger Hotels to Include Meeting Space

Mammoth has strong visitor appeal during its peak winter season. However, like many mountain resorts, it has considerable excess capacity during other seasons. To better utilize its current and future lodging stock and to boost the economy during the mid-week and off-peak seasons, Mammoth needs to attract the meetings market. Given its remoteness from major population centers, Mammoth will have limited ability to attract large group meetings or conventions. Its target market should be smaller corporate conferences, strategic planning sessions, group retreats, and even family reunions. From

a recent market survey provided by another firm, it is apparent that many of the higher quality mountain resort hotels provide meeting space. The ten hotels surveyed at various world renowned resorts averaged 165 rooms and 14,300 square feet of meet space each. As detailed in Section IV, they average 87 square feet of meeting space per guest room.

To address the issue of off-peak visitation, ERA strongly recommends that the Town of Mammoth Lakes require the inclusion of meeting space in future larger hotels as a condition of approval. The meet space would include meeting rooms, ballrooms, banquet halls, breakout rooms and pre-function space. The standards ERA recommends are as follows:

- Hotels of 75 to 150 rooms (keys) – 40 to 50 square feet of meeting space per room.
- Hotels above 150 rooms (keys) – 70 to 80 square feet of meeting space per room.

From the Town’s perspective, there is no cost to this requirement. The meeting space provides substantial benefits to the Town achieving a more sustainable year-round economy by encouraging the properties to promote off-peak and mid-week group business. By increasing off peak usage of guest capacity and public infrastructure, the town improves the economic return from any scale of public and private development. That is the essence of “sustainability,” a key General Plan objective. While developers with short term financial goals may object to this requirement, hoteliers concerned with long term operating economics will understand the benefits of meeting space. This strategy has very good benefit to cost relationship, although it is not one we are able to quantify.

C. Create a Non-Government Tourism Marketing Organization

Most cities use non-profit corporations to promote tourism and conventions or conferences. In contrast to city departments, these organizations typically have multiple sources of funding including municipal budget allocation, membership dues and fund raising events. In addition, staff of these non-profits have more operating latitude in terms of travel, entertainment and promotion, typically resulting in a more effective marketing effort. To ensure that the town has collaborative tourism marketing and effective conference promotion, ERA recommends that these functions be handled by a non-profit organization. Non-profit tourism marketing organizations handle destination marketing in many communities that are similar to Mammoth Lakes, including Taos, Telluride, Park City, North Lake Tahoe, and Jackson Hole.

This recommended change in legal form of organization structure has little cost impact on the Town’s budget. The risks of abuse can be minimized by having a solid governance structure and by selecting high quality staff. Assuming that the non-profit tourism and conference marketing organization is properly managed, the benefit to cost ratio should be very favorable for the hoteliers and for the Town. The key objective of

this organization would be to promote off-peak and mid-week visitation, again supporting the General Plan objective of sustainability.

D. Improve Pedestrian Vitality in the Village Area

The developer of the North Village area patterned this development after Whistler in British Columbia with a pedestrian retail spine internal to the lodging development and parking underneath. The shops and restaurants were intended to primarily to service the lodge guests living above the street level commercial space. However, here in Mammoth a considerable amount of street facing retail space also has been built into the North Village area. This bifurcation of the retail district, both internal to the development and along the street frontage, will create challenges to this area's overall success as a pedestrian district.

The street front retail space is likely to struggle unless parking and traffic circulation improvements are made with the needs of this retail in mind. During the ski season, Minaret Road and Canyon Boulevard are the primary access roads to the ski lifts. The heavy through traffic, restricted on-street parking, wide street dimensions, limited ability to have double loaded retail streets, and the design concept of North Village itself limits how much street facing pedestrian scale retail can be successful in this district. The grade changes make the creation of a pedestrian district more challenging, especially in winter.

Because of these challenges, it will be difficult for the North Village area to evolve into a pedestrian retail district with sufficient scale to both serve as Mammoth's Town Center and to significantly advance Mammoth as a world-class resort destination. The retail shops and restaurants in the North Village area will primarily serve the lodging guests in the immediate vicinity, which is likely the original intent of the developer.

For this district to become more effective as a pedestrian area, ERA recommends diverting ski mountain-bound traffic off Minaret Road to a new bypass road, insuring that both sides of Minaret Road have street facing retail, providing on-street parking, and applying traffic calming strategies to this portion of Minaret Road. However, ERA would rank this strategy as having lower priority as compared to the three recommended above and would prefer to see the Town focus its resources on creating a world class Town Center.

E. Share in the Up Zoning Windfall

During the recent period of intense development interest, property owners and developers have been applying for additional zoning and entitlements for their properties. The larger and denser entitled development projects, in most cases, result in greater value for the property. In the event of granting such additional entitlements, the Town is interested in benefiting from the additional value created rather than having all of that value accrue to the developer/property owner. The Town is considering a policy of exchanging additional entitlements for community amenities. This concept of using rezoning to gain public amenities places the Town into a position of having to balance the conflicting



General Plan objectives of: 1) “protecting the natural environment and supporting our small town atmosphere,” and 2) “building a great place to live and work.”

The additional value created by the expanded entitlements can be quantified. ERA frequently use development pro formas to estimate residual land value, which is the land value supportable by the development after all costs and reasonable developer’s profit have been deducted. In this case, the difference in land value before and after the rezoning is the value of the rezoning to the developer. However, due to the greater risks associated with a larger development project, a developer will not be willing to give up all of this value increase due to rezoning but may be willing to share in that increase in order to gain the necessary entitlements. Allowing for the uncertainties of any land development process, the value increase due to rezoning is quantifiable with pro forma financial analysis.

On the community amenities side of the calculation, the Town would need a prioritized list of community amenities with associated development and operating costs. Then it is simply a negotiations process. The Town would approach the applicant and indicate that the rezoning is worth “X” in additional land value and require 60 percent of X for the construction or operations of certain community facilities as a condition of the rezoning. It basically amounts to a negotiated exaction with the applicant developer given the choice of either building the community amenities or providing the dollars for its construction or operations.

The amenities that partially benefit the applicant’s project and partially benefit the town as a whole present a more challenging set of negotiating parameters. In those cases, an apportionment of benefits provided by the amenity will be necessary.

F. Be Wary of On-Going Operating Cost Subsidies

Many public facilities require not only up-front capital investment but also on-going annual operating subsidies. The facilities that typically fall into this group include ice skating rinks, public swimming pools, municipal recreation facilities, performing arts theaters and civic museums and galleries. These facilities typically appeal first and foremost to local residents (who are the voters). They have different degree of appeal to visitors. For example, a boomer couple seeking a world class resort destination is not likely to be influenced by the presence of a municipal swimming pool. However, a community that is better able to attract and retain a capable work force is likely to have an indirect appeal to visitors as well.

Depending upon size, location and service levels, ice rinks, swimming pools, recreation facilities and performing arts centers are likely to require annual operating subsidies in the \$500,000 to \$1.2 million range. When the operating subsidy is taken into consideration, the benefit to cost ratio for these facilities are likely to fall into the 0.7 to 1.5 range, well below the ratios for the top ERA’s recommended Strategies A, B and C described above.

Section II: Long Term Market Demand for Lodging & Retail

In this section, ERA analyzes the long term market demand for lodging and retail facilities within the Town of Mammoth Lakes. The analysis is designed to provide a basis for town planning and to help establish economic development policies that are realistic and achievable. When preparing long term market and strategy studies, ERA typically will provide an overview of past population and economic growth. However, the recently completed *Report to the Town of Mammoth Lakes* by the UCSB Forecast Project provides that essential background information in a comprehensive manner. This study uses that UCSB report as a point of departure.

Development of Mammoth

A Brief Development History

The Town of Mammoth Lakes was originally a mining camp in the late 1870s. Yet the mining did not prove to be prosperous and the camp was short lived. The grand Sierra Nevada Mountains and the numerous alpine lakes made the basin popular for outdoor recreation for those that could reach the area. The construction of U.S. Route 395, which was built as a two-lane road in 1937, made the area more accessible from Southern California. A limited ski facility was developed about that time.

After World War II, with the population of the Los Angeles basin growing and automobile ownership dramatically increasing, ski development began gaining momentum. The main lodge was built in 1947 and the first lift was installed in 1955. Much of the town was developed during the 1960s and 1970s to cater to skiers from the Los Angeles basin. Its urban form reflects the laissez faire spirit of Southern California and that area's love affair with the automobile. Ski lift services have been expanded to include three gondolas, nine high-speed quad chairs, and 19 other lifts. Individual residential and commercial projects with their own parking facilities dominate the town's urban form today.

Being a resort community in excess of 300 miles from the Los Angeles, San Francisco, and Las Vegas metropolitan areas, the economy of Mammoth Lakes is heavily dependent upon tourism. As such, events that affect tourism contribute to the fluctuation of the local economy. In 1980, a severe earthquake of 6.1 on the Richter Scale caused capital flight and a major surplus of real estate product. The terrorist events of September 11, 2001 discouraged air travel, and Mammoth enjoyed the benefits of being a drive to destination from Southern California. With Intrawest's investment in Mammoth Mountain in early 1996 stimulating broad based development interest, the past decade has been one of strong economic growth. In 2005, Starwood Capital purchased a majority interest in the Mammoth Mountain Ski Resort, including its real estate, and the nearby June Mountain Resort.

Statistical Indicators of Recent Economic Momentum

The best measure of the economic health of a resort community is room receipts. Over the past ten years, lodging receipts in the town have more than doubled (see **Table II-1** below). The average annual growth was 8.8 percent, which is more than 6.0 percent above inflation, indicating substantial real growth. The average receipt per guest unit has nearly doubled since 1999. This is partly due to the rapid increase in lodging room rates experienced in the town during this period.

Table II-1
ROOM RECEIPTS IN TOWN OF MAMMOTH LAKES
(In thousands of dollars)

<u>Year</u>	<u>Room Receipts</u>	<u>Growth</u>	<u>Prct Growth</u>	<u>Hotel & Lodge Guest Units</u>	<u>Receipts Per Guest Unit</u>
1997	\$41,224	--	--	--	--
1998	\$42,640	\$1,416	3.4%	--	--
1999	\$45,307	\$2,667	6.3%	3,983	\$11,375
2000	\$52,827	\$7,520	16.6%	3,950	\$13,374
2001	\$54,945	\$2,118	4.0%	3,883	\$14,150
2002	\$61,429	\$6,484	11.8%	3,801	\$16,161
2003	\$66,105	\$4,676	7.6%	3,863	\$17,112
2004	\$75,502	\$9,397	14.2%	3,916	\$19,280
2005	\$79,325	\$3,823	5.1%	3,995	\$19,856
2006	\$87,314	\$7,989	10.1%	4,248	\$20,554
Avg			8.8%		

Source: Town of Mammoth Lakes Finance Department

A second confirming indicator is sales tax receipts collected by the Town of Mammoth Lakes. As shown in **Table II-2** below, the sales tax receipts have grown from under \$1.2 million in 1997 to over \$2.4 million by 2006. The real annual growth rate is again approximately six percent. While room receipts and retail sales essentially doubled during the ten years from 1997 through 2006, new development in Mammoth did not reflect this strong growth. The town added only 265 rental units and 47 additional campsites over this ten year period (see **Table II-3**). Other than the retail added to the Mammoth Village area recently, the larger retail centers in town all were built during the 1970s.



Table II-2
SALES TAX RECEIPTS IN TOWN OF MAMMOTH LAKES
(In thousands of dollars)

<u>Year</u>	<u>Total</u>	<u>Growth</u>	<u>Percent Growth</u>
1997	\$1,169	--	--
1998	\$1,299	\$130	11.1%
1999	\$1,481	\$182	14.0%
2000	\$1,648	\$167	11.3%
2001	\$1,677	\$29	1.8%
2002	\$1,827	\$150	8.9%
2003	\$1,892	\$65	3.6%
2004	\$2,068	\$176	9.3%
2005	\$2,324	\$256	12.4%
2006	\$2,422	\$98	4.2%
Avg			8.5%

Source: Town of Mammoth Lakes Finance Department

Table II-3
TOTAL TRANSIENT FACILITIES AVAILABLE IN TOWN OF MAMMOTH LAKES

<u>Year</u>	<u>Rental Condos</u>	<u>Hotel, Inns & Lodges</u>	<u>Condos & Hotels</u>	<u>Camp Sites</u>	<u>Total</u>	<u>Occupancy</u>	<u>Growth</u>	<u>Percent Growth</u>
1999	2,523	1,460	3,983	588	4,571	NA	--	--
2000	2,595	1,355	3,950	586	4,536	NA	-35	-0.8%
2001	2,602	1,281	3,883	582	4,465	37.2%	-71	-1.6%
2002	2,586	1,215	3,801	561	4,362	38.2%	-103	-2.3%
2003	2,632	1,231	3,863	637	4,500	38.5%	138	3.2%
2004	2,706	1,210	3,916	637	4,553	39.6%	53	1.2%
2005	2,763	1,232	3,995	635	4,630	38.3%	77	1.7%
2006	2,913	1,335	4,248	635	4,883	39.2%	253	5.5%
Avg	56	-18	38	7	45			0.8%

Source: Town of Mammoth Lakes Finance Department



Lodging Development Outlook

While relatively little new development occurred during the past ten years, development interest has intensified recently. ERA attributes the strong interest to the following:

- The investment by Starwood Capital, which is a well known and respected resort investment and development organization, has increased the profile of Mammoth within the financial community.
- As “baby boomers” approach retirement age, interest in second homes and retirement communities has heightened.
- In the past five years, prices have escalated steeply in many well known mountain resort communities such as Aspen, Vail, and Park City. Mammoth appears to be a good value considering the quality of the mountain experience offered.
- When the Town of Mammoth Lakes was in the process of updating its General Plan, property owners had concerns that the overall number of permitted units could be capped, leading them to seek entitlements in the near term.
- The Environmental Impact Report (EIR) for the Mammoth Airport expansion, which was challenged in court, has been certified. Speculation exists that the airport will offer commercial air service to Los Angeles, the San Francisco Bay Area, and possibly Las Vegas to test depth of market interest.

In response to the above influences, property owners and developers have submitted development applications for a large number of projects. A summary of these projects is shown in **Table II-4** below. Active and pending development applications include approximately 3,700 guest units with potential for 4,500 to 5,500 guest rooms. In addition, the retail commercial components of these projects total 246,000 square feet in smaller decentralized locations. It should be noted that these applications change weekly. The applicants have varying degrees of development experience and access to capital. Consequently, ERA expects only a portion of these projects to proceed to completion in the near term. Other projects may experience several iterations of concept, design, ownership, and financial structure before eventually moving to construction.



Table II-4
ACTIVE AND PENDING DEVELOPMENT APPLICATIONS - MAY 2007

<u>Project</u>	<u>Location</u>	<u>Commercial Sq Ft</u>	<u>Guest Units</u>	<u>Guest Rooms</u>	<u>Workforce Units</u>
Clearwater	Old Mammoth Road	28,200	328	480	43
Eagle Lodge	4000 Meridian Boulevard	80,000	83	213	
Hidden Creek Crossing	West of Old Tavern Road	31,000			200
Mammoth Crossing Lodestar	5862 Minaret Road		45	45	
Mammoth Crossing	Main Street & Old Mammoth Road	28,205	463	878	
Mammoth View			208	330	
Snowcreek VII	Old Mammoth Road	40,000	250	400	
Sierra Star	Main Street & Old Mammoth Road	29,000	821	821	
The "I" Hotel			149	149	
The Sherwin			120	189	
Total Major Projects		236,405	2,467	3,505	243
Smaller Projects (Estimated)			1,200	1,800	
Grand Total		236,405	3,667	5,305	243

Source: Town of Mammoth Lakes Community Development Department

Growth Forecast

Considering the development momentum that has been created, ERA is forecasting steady and reasonably strong long term growth for the Town of Mammoth Lakes. As shown in **Table II-5**, population in Mono County is projected to grow from 13,500 today to 16,000 by 2025. Much of the new population will reside in Mammoth, and the town's population is projected to grow from approximately 8,000 today to over 11,200 by 2025. More importantly, the number of visitor-nights in Mammoth is projected by ERA to increase from an estimated 2.16 million in 2007 to 3.04 million by 2025, an increase of 41 percent over 18 years. In the long term, the growth in visitor-nights will drive the development of hotels, condominium hotels, and other guest units.

Table II-5
POPULATION AND VISITOR NIGHTS FORECAST FOR MAMMOTH

	<u>2005</u>	<u>2007</u>	<u>2010</u>	<u>2015</u>	<u>2020</u>	<u>2025</u>	<u>Annual Growth Rate</u>	
							<u>2007-15</u>	<u>2015-25</u>
Town of Mammoth	7,602	7,976	8,532	9,447	10,345	11,228	2.14%	1.74%
Mono County	13,200	13,519	13,761	14,534	15,326	15,926	0.91%	0.92%
Percent in Mammoth	58%	59%	62%	65%	68%	71%		
Visitor Nights (1,000)	2,080	2,164	2,436	2,608	2,838	3,042	2.36%	1.55%

Source: UCSB Economic Forecast Project and Economics Research Associates

After establishing the visitor-nights forecast to serve as an anchor, ERA proceeded to estimate demand for hotel units, including condominium hotels and lodge units, and condominium units available for rent. The steps in this analysis included the following:

- Using historical information provided by the town about the number and occupancy rates of campsite spaces, rental condominium units, and hotel/lodge units, ERA estimated the occupancy rate by type of lodging facility. The town's annual overall guest room occupancy rate was 38 to 39 percent. To arrive at this overall average, ERA estimated a 35 percent occupancy rate for campsites due to seasonality, a 50 percent occupancy rate for hotel and lodge units, and a 34 to 35 percent occupancy rate for rental condominiums.
- Based upon the total visitor nights and occupied unit-nights, ERA calculated an average party size of 3.21 for 2005 and 3.10 for 2007. As additional higher end units are developed, ERA expects this number to decline slightly.
- ERA assumed a modest increase in the number of campsites from 635 today to 750 by 2025.
- With the provision of meeting facilities by the larger hotels and the expected promotion of off-peak season activities, ERA expects hotel occupancy to gradually increase from 50 percent today to 54 percent in 2025.
- As Mammoth gains popularity as a second home destination, with second home owners viewing rental income as incidental to offsetting ownership cost rather than essential to justifying the purchase decision, the rental occupancy rate of guest condominiums will remain fairly low in the 33 to 34 percent range.

Demand for Additional Guest Lodging in Mammoth

All of the above factors were used to calculate the number of additional guest units likely to be developed in Mammoth. As detailed in **Table II-6** and summarized in **Table II-7**, ERA projects that the Town of Mammoth Lakes is able to support on a net gain basis an additional 400 to 500 hotel units based upon tourism growth. However, much of the town's existing 1,335 hotel units will not be very competitive as new and higher quality product is introduced. Some will be demolished for site redevelopment, while better quality ones will be renovated to remain competitive. Other units may be converted into worker housing. Assuming that 500 of the units will be demolished, approximately 900 to 1,000 units of new hotel construction is anticipated by 2025, including condominium hotel and lodge units. The number of new guest condominium units anticipated by this market analysis is 2,000 to 2,100. When the two products are combined, the construction anticipated is approximately 3,000 units over the next 18 years or an average of 160 to 175 units per year. Over the past seven years, Mammoth has added only 38 units per year on average. The total number of guest units in the town's development application pipeline represents about 20 years of demand growth.



Table II-6
LODGING DEMAND FORECAST FOR MAMMOTH LAKES

	<u>2005</u>	<u>2007</u>	<u>Forecast</u>			<u>2025</u>
			<u>2010</u>	<u>2015</u>	<u>2020</u>	
Mammoth Visitor Nights	2,079,725	2,163,746	2,436,161	2,608,152	2,837,512	3,041,778
Camp Sites	635	635	635	700	700	750
Camp Site Nights Available	231,775	231,775	231,775	255,500	255,500	273,750
Camp Site Occupancy Percent	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Camp Site Nights - Occupied	81,121	81,121	81,121	89,425	89,425	95,813
Growth in Camp Site Visitor Nights		0.0%	0.0%	10.2%	0.0%	7.1%
Rental Condos Units	2,763	2,913	3,596	4,011	4,535	4,970
Condo Unit Nights Available	1,008,495	1,063,245	1,312,641	1,463,887	1,655,363	1,814,229
Condo Occupancy Percentage	34.0%	35.0%	34.0%	33.5%	33.2%	33.1%
Condo Unit Nights - Occupied	342,888	372,136	446,298	490,402	549,580	600,510
Growth in Condo Visitor Nights		5.4%	23.5%	11.5%	13.1%	9.6%
Hotel, Lodge & Condo Hotel Units	1,232	1,335	1,444	1,571	1,669	1,795
Hotel Unit Nights Available	449,680	487,275	526,968	573,576	609,176	655,328
Hotel Occupancy Percentage	49.7%	50.4%	50.5%	51.5%	53.0%	53.8%
Hotel Unit Nights - Occupied	223,491	245,587	266,119	295,392	322,863	352,566
Growth in Hotel Visitor Nights		8.4%	11.0%	9.3%	9.2%	8.8%
Total Visitor Night Capacity	1,689,950	1,782,295	2,071,384	2,292,963	2,520,038	2,743,307
Occupied Visitor Nights	647,501	698,844	793,538	875,219	961,868	1,048,889
Overall Occupancy Rate	38.3%	39.2%	38.3%	38.2%	38.2%	38.2%
Avg Party size	3.21	3.10	3.07	2.98	2.95	2.90
Growth in Visitor Nights		7.9%	13.6%	10.3%	9.9%	9.0%

Source: Mammoth Lakes Finance Department and Economics Research Associates

Table II-7
SUMMARY OF NEW PRODUCT DEMAND AT MAMMOTH LAKES

	<u>2007 Base</u>	<u>Growth and Demand</u>			<u>Percentage Above 07</u>
		<u>2007-15</u>	<u>2015-25</u>	<u>2007-25</u>	
Mammoth Visitor Nights	2,163,746	444,406	433,626	878,032	41%
Camp Sites	635	65	50	115	18%
Rental Condos Units	2,913	1,098	960	2,057	71%
Hotel, Lodge & Condo Hotel Units ¹	1,335	486	474	960	72%

¹ Assumes redevelopment of 500 existing units

Source: Mammoth Lakes Finance Department and Economics Research Associates

Retail Market Potential

With the exception of the Village at Mammoth, which recently added 58,000 square feet of retail and restaurant space, the retail development in town is dominated by suburban style shopping centers built during the 1970s. As visitor guest nights rise and local



population grows, demand for additional retail and restaurant facilities also will increase. Since the new condominium villages and hotels built by Starwood Capital and others are expected to be of higher quality than the previous generation of lodging, the new and more affluent visitors to Mammoth will expect shops and restaurants of a contemporary quality.

Currently the town has an estimated 578,000 square feet of retail space, as shown in **Table II-8** below. The convenience sector, which includes the 48,000 square foot Von’s Supermarket that is the only supermarket in Mono County, appears to be performing exceptionally well. With a number of new construction projects underway and the extensive renovation of older units, the hardware and building supply establishments are also performing extremely well. In forecasting future demand for retail space, the undersupply in these sectors has been taken into consideration.

Table II-8
ESTIMATED RETAIL SPACE IN MAMMOTH

	Area in SF	Space Distribution	Est. Sales	Sales Distribution	Sales / SF
Convenience Good Stores	116,000	20.1%	\$54,019,000	33.3%	\$466
Comparison Goods Stores	206,000	35.6%	48,823,000	30.1%	237
Eating & Drinking Establishment	235,000	40.7%	40,809,000	25.1%	174
Bldg Materials, Hardware & Garden Supplies	<u>21,000</u>	<u>3.6%</u>	<u>18,678,000</u>	<u>11.5%</u>	<u>889</u>
Total Retail Store Space	578,000	100.0%	\$162,329,000	100.0%	\$281

Source: Town of Mammoth Lakes and Economics & Planning Systems

Future retail development in Mammoth will be supported by the growth in resident and visitor spending. ERA’s retail demand analysis projects new demand generated by population, real income, visitors, and spending growth. This analysis examines demand generated by residents and visitors separately and then combines them to determine overall and Town Center demand. The focus is on the retail uses that are typically found in pedestrian retail districts of resort towns. Automobile dealerships and lumber yards are not included.

New Resident-Generated Retail Demand

The analysis steps that ERA employed to estimate incremental resident-generated retail demand included the following:

- Since the growth in local resident population will be constituted by a mix of fairly affluent retirees, semi-retired professionals that are able to live anywhere, retail and resort service workers, and government employees, ERA used the California per capita retail sales generation as the baseline estimate of retail sales attributable to each new resident.

- As average housing values increase due to expensive and higher quality new construction, the new Mammoth residents will have increasingly higher incomes. Over the next eight years, ERA increased the average per resident retail sales generation by 1.2 percent per year to reflect the higher real income and purchasing power of new residents and the induced spending effect of greater and more varied shopping opportunities.
- ERA then estimated the retail sales generated by Mammoth residents in 2007, 2015, and 2025 with the difference being the retail demand growth in dollars attributable to population, income, and spending growth.
- Retail demand growth in dollars by sector was then divided by the expected “annual sales per square foot” factor for each category to determine the demand growth in retail space.
- Since Mammoth has a limited range of retail offerings due to its size, residents are likely to make certain types of purchases elsewhere. Department store goods, fashion apparel, major appliances, and automobiles likely will be bought in Carson City, Reno and Southern California. ERA considered this factor in estimating the share of incremental resident spending that will be captured by Mammoth retailers.
- ERA then added a factor for personal and entertainment services, including hair or nail salons, barber shops, and possibly a cinema complex.
- The new local resident-generated retail demand for the town as a whole was first calculated for 2007 to 2015 in **Table II-9** and then for 2007 to 2025 in **Table II-10**. It amounted to 40,300 square feet for the next eight years and 95,000 for the next 18 years without considering the current undersupply in selected sectors.

New Visitor-Generated Retail Demand

Much of the future retail demand in Mammoth will be generated by visitors. In order to estimate the future visitor-generated demand, ERA performed the following:

- ERA estimated per person retail sales generation for Mono County residents based on the per capita sales of Kern County. Kern County was selected because of its lack of tourist generated demand, self-contained regional trade area, and similarity of average income.
- ERA then computed the resident-generated retail sales for Mono County by multiplying that per resident estimate by the Mono County population.



Table II-9
RETAIL DEMAND GENERATED BY TOWN OF MAMMOTH FULL TIME POPULATION: 2007-2015
 (Dollars are in Thousands)

	<u>2007</u>		<u>2015</u>		<u>Growth in Demand from 2007 to 2015</u>					
	Per Capita	Total Market Area Demand			Total Demand			In Town Demand		
					Sales	Sales/SF	Sq Ft	Local Share	Total Sq Ft	Perct Distribution
New Town Population			7,976	9,447						
Real Income Adjustment			1.000	1.100						
Apparel Stores	\$0.463	\$3,693	\$4,812	\$1,119	\$250	4,476	25.0%	1,119	3%	
Gen. Merchandise & Drug	\$1.518	12,109	15,779	3,669	275	13,343	50.0%	6,672	17%	
Food Stores	\$1.623	12,945	16,868	3,923	425	9,230	95.0%	8,768	22%	
Eating & Drinking Places	\$1.182	9,428	12,284	2,857	300	9,523	90.0%	8,570	21%	
Furnishing & Appliances	\$1.760	14,036	18,289	4,253	250	17,013	10.0%	1,701	4%	
Bldg Materials & Farm Eqmt	\$0.353	2,819	3,673	854	250	3,417	35.0%	1,196	3%	
Auto Dealers & Supplies	\$0.131	1,044	1,361	316	NA	430	0.0%	0	0%	
Service Stations	\$0.895	7,139	9,302	2,163	NA	2,472	85.0%	2,101	5%	
Other Retail Stores	\$1.338	10,672	13,906	3,234	300	10,780	40.0%	4,312	11%	
Total Retail Stores	\$9.263	\$73,884	\$96,273	\$22,389		70,683	48.7%	34,440	85%	
Allowance for Personal Services and Entertainment Uses at 15% of total								5,855	15%	
Total Retail Demand by Full Time Residents: 2007-2015								40,294	100%	

Source: Economics Research Associates



Table II-10
RETAIL DEMAND GENERATED BY TOWN OF MAMMOTH FULL TIME POPULATION: 2007-2025
 (Dollars are in Thousands)

	<u>2007</u>		<u>2025</u>		<u>Growth in Demand from 2007 to 2025</u>					
	Per Capita	Total Market Area Demand			Total Demand			In Town Demand		
					Sales	Sales/SF	Sq Ft	Local Share	Total Sq Ft	Perct Distribution
New Town Population			7,976	11,228						
Real Income Adjustment			1.000	1.218						
Apparel Stores	\$0.463	\$3,693	\$6,330	\$2,637	\$250	10,548	25.0%	2,637	3%	
Gen. Merchandise & Drug	\$1.518	12,109	20,757	8,647	275	31,445	50.0%	15,722	17%	
Food Stores	\$1.623	12,945	22,189	9,244	425	21,751	95.0%	20,663	22%	
Eating & Drinking Places	\$1.182	9,428	16,160	6,732	300	22,441	90.0%	20,197	21%	
Furnishing & Appliances	\$1.760	14,036	24,058	10,023	250	40,092	10.0%	4,009	4%	
Bldg Materials & Farm Eqmt	\$0.353	2,819	4,832	2,013	250	8,051	35.0%	2,818	3%	
Auto Dealers & Supplies	\$0.131	1,044	1,790	746	NA	1,014	0.0%	0	0%	
Service Stations	\$0.895	7,139	12,236	5,098	NA	5,826	85.0%	4,952	5%	
Other Retail Stores	\$1.338	10,672	18,293	7,621	300	25,403	40.0%	10,161	11%	
Total Retail Stores	\$9.263	\$73,884	\$126,645	\$52,761		166,572	48.7%	81,160	85%	
Allowance for Personal Services and Entertainment Uses at 15% of total								13,797	15%	
Total Retail Demand by Full Time Residents: 2007-2025								94,958	100%	

Source: Economics Research Associates

- We then subtracted the estimated countywide resident-generated demand from Mono County's total taxable sales, as reported by the State Board of Equalization. The difference is tourist-generated demand.
- ERA divided the tourist-generated demand by retail sector by the number of visitor-nights in Mammoth, using 2004 data.
- The retail spending per visitor-night then was adjusted to 2007 as the starting year of the computation. The retail spending per visitor-night was estimated to be \$51.19 in 2007, with over one-third of this spending occurring in restaurants and other eating and drinking establishments.
- Then, the incremental visitor retail demand growth was estimated for both the 2007 to 2015 and 2007 to 2025 time periods based upon the projected growth in visitor nights. Again, ERA applied a real income adjustment factor to reflect the growing affluence of visitors to Mammoth attributable to the much higher quality of new lodging development and the induced spending effect of greater and improved retail choice.
- The new visitor-generated retail demand for the town as a whole was first calculated for 2007 to 2015 in **Table II-12** and then for 2007 to 2025 in **Table 13-10**. It amounted to 173,000 square feet for the next eight years and 399,000 square feet for the next 18 years.

Total Retail Demand by 2015 and 2025

When the new resident-generated demand, new visitor-generated demand and the current undersupply (estimated at 20,000 square feet of grocery store space) are all combined, ERA estimates that the Town of Mammoth Lakes will be able to support 225,000 square feet of additional retail space by 2015 and a total of over 500,000 square feet of additional space by 2025. The mix by retail sector and tourist versus resident contribution is detailed in **Table II-14**.

Unlike second home condominium developments where the developer has made his or her profit when the unit is sold regardless of how frequently the buyer comes to visit, retail development in resort communities depends upon the actual visitation. In a ski resort destination like Mammoth, retailers face whether related risks resulting in lower visitation. In addition, if the retail development is of small size and in scattered locations, there is the additional risk from future competition due to weak location and lack of scale. The strongest retail location in all of Mammoth Lakes is at Old Mammoth Road near the intersection with Main Street. While we are not able to address whether related risk, having a significant retail concentration at the strongest possible location serves to minimize the risks associated with weak location and lack of concentration.

Benefit versus Cost

The above demand analysis assumes the development of a Town Center pedestrian retail district. With a well planned and constructed Town Center, the total estimated supportable retail square footage is approximately 1,093,000 square feet in 2025. Without this Town Center and assuming the retail in Mammoth will largely continue to be built in decentralized locations, the supportable square footage would be approximately 923,000 square feet of about 15 percent less. The sales per square foot would also be less. This is because retail stores benefit from agglomeration; consumers save time and effort by being able to patronize a large array of stores and restaurants in one trip. By having that concentration, visitors to Mammoth and local residents will spend more money in town.

In addition, it is ERA's view that the Town Center will induce some additional lodging development. More significantly, the average per room receipts will be possibly ten percent higher for the town as a whole. By 2025, the incremental sales and transient occupancy tax receipts attributable to the Town Center amount to over \$6.3 million per year. Using a capitalization rate of six percent (municipal borrowing or return rate) to translate this annual cash flow stream into a one time value, we arrive at a value or benefit of \$105.4 million in 2025. ERA's estimated cost for the public parking and public amenities necessary to create this Town Center is \$25 million in today's dollars. Using an annual inflation factor of 2.75 percent, this cost would amount to \$41.9 million in 2025. The benefit to cost ratio of this project is approximately 2.7 considering only the sales and transient occupancy tax impacts. It would be even higher if property tax gains were brought into the calculation. In light of the Town's General Plan objective of achieving world renowned status, ERA would rank the creation of an authentic and pedestrian scale Town Center as the top priority long-term investment project for Mammoth (see **Table I-4** for detailed benefit versus cost estimates).



Table II-11
ESTIMATION OF TOURISTS GENERATED DEMAND IN MONO COUNTY 2004
 (Dollars are in Thousands)

						2,029,000	
Visitor Nights to Mammoth in 2004							
Mono County Population in 2004		13,100					
	Per Capita	Estimated Resident Demand	Countywide Taxable Store Sales	Estimated Tourist Demand	Percent Tourist Contribution	2004 Spending Per Visitor Nights	2007 Spending Per Visitor Nights
Apparel Stores	\$0.211	\$2,760	\$9,158	\$6,398	70%	\$3.15	\$3.45
Gen. Merchandise & Drug	\$1.285	16,827	21,737	\$4,910	23%	2.42	2.64
Food Stores	\$2.149	28,155	42,840	\$14,685	34%	7.24	7.91
Eating & Drinking Places	\$0.817	10,701	45,431	\$34,730	76%	17.12	18.70
Furnishing & Appliances	\$0.262	3,429	23,707	\$20,278	86%	9.99	7.92
Bldg Materials & Farm Eqmt	NA	NA	NA	NA	NA	NA	NA
Auto Dealers & Supplies	NA	NA	NA	NA	NA	NA	NA
Service Stations	\$0.911	11,931	20,997	\$9,066	43%	4.47	4.88
Other Retail Stores	\$1.200	15,723	20,702	\$4,979	24%	2.45	5.68
Total Retail Stores	\$6.834	\$89,527	\$184,572	\$95,045	51%	\$46.84	\$51.19

Source: Economics Research Associates



Table II-12
RETAIL DEMAND GENERATED BY TOWN OF MAMMOTH VISITOR POPULATION: 2007-2015
 (Dollars are in Thousands)

		<u>2007</u>	<u>2015</u>	<u>Growth in Demand from 2007 to 2015</u>					
		Per Visitor Night	Total Market Area Demand	<u>Total Demand</u>			<u>In Town Demand</u>		
				Sales	Sales/SF	Sq Ft	Local Share	Total Sq Ft	Perct Distribution
Visitor Nights (1,000)		2,164	2,608						
Real Income Adjustment		1.000	1.218						
Apparel Stores	\$3.45	\$7,455	\$10,949	\$3,494	\$250	13,975	100.0%	13,975	8%
Gen. Merchandise & Drug	2.64	5,722	8,403	2,681	275	9,751	90.0%	8,776	5%
Food Stores	7.91	17,112	25,131	8,019	425	18,869	95.0%	17,926	10%
Eating & Drinking Places	18.70	40,471	59,437	18,966	300	63,221	95.0%	60,060	35%
Furnishing & Appliances	7.92	17,139	25,170	8,032	250	32,128	90.0%	28,915	17%
Bldg Materials & Farm Eqmt	NA	NA	NA	NA	NA	NA	NA	NA	NA
Auto Dealers & Supplies	NA	NA	NA	NA	NA	NA	NA	NA	NA
Service Stations	4.88	10,564	15,515	4,951	NA	5,658	85.0%	4,810	3%
Other Retail Stores	5.68	12,293	18,054	5,761	300	19,204	90.0%	17,283	10%
Total Retail Stores	\$51.19	\$110,755	\$162,660	\$51,905		162,806	93.2%	151,745	88%
Allowance for Personal Services and Entertainment Uses at 12% of total								21,244	12%
Total Retail Demand by Overnight Visitors: 2007-2015								172,989	100%

Source: Economics Research Associates



Table II-13
RETAIL DEMAND GENERATED BY TOWN OF MAMMOTH VISITOR POPULATION: 2007-2025
 (Dollars are in Thousands)

			Growth in Demand from 2007 to 2025						
			Total Demand			In Town Demand			
	Per Visitor Night	Total Market Area Demand	Sales	Sales/SF	Sq Ft	Local Share	Total Sq Ft	Perct Distribution	
Visitor Nights (1,000)		<u>2007</u> 2,164	<u>2025</u> 3,042						
Real Income Adjustment		1.000	1.480						
Apparel Stores	\$3.45	\$7,455	\$15,506	\$8,051	\$250	32,202	100.0%	32,202	8%
Gen. Merchandise & Drug	2.64	5,722	11,901	6,179	275	22,468	90.0%	20,221	5%
Food Stores	7.91	17,112	35,591	18,479	425	43,479	95.0%	41,306	10%
Eating & Drinking Places	18.70	40,471	84,174	43,703	300	145,677	95.0%	138,393	35%
Furnishing & Appliances	7.92	17,139	35,646	18,507	250	74,030	90.0%	66,627	17%
Bldg Materials & Farm Eqmt	NA	NA	NA	NA	NA	NA	NA	NA	NA
Auto Dealers & Supplies	NA	NA	NA	NA	NA	NA	NA	NA	NA
Service Stations	4.88	10,564	21,973	11,408	NA	13,038	85.0%	11,082	3%
Other Retail Stores	5.68	12,293	25,568	13,275	300	44,250	90.0%	39,825	10%
Total Retail Stores	\$51.19	\$110,755	\$230,357	\$119,602		375,145	93.2%	349,656	88%
Allowance for Personal Services and Entertainment Uses at 12% of total								48,952	12%
Total Retail Demand by Overnight Visitors: 2007-2025								398,608	100%

Source: Economics Research Associates



Table II-14
SUMMARY OF MAMMOTH RETAIL DEMAND BY RESIDENTS & VISITORS
 (Units are Square Feet of Retail Space)

	Mammoth Retail Space Supportable 2007 to 2015					Mammoth Retail Supportable 2007 to 2025				
	Resident	Tourist	Total	Prct Dist	%Tourist	Resident	Tourist	Total	Prct Dist	% Tourist
Apparel Stores	1,119	13,975	15,094	7%	93%	2,637	32,202	34,839	7%	92%
Gen. Merchandise & Drug	6,672	8,776	15,447	7%	57%	15,722	20,221	35,944	7%	56%
Food Stores	13,768	32,926	46,694	21%	71%	25,663	76,306	101,969	20%	75%
Eating & Drinking Places	8,570	60,060	68,631	30%	88%	20,197	138,393	158,590	31%	87%
Furnishing & Appliances	1,701	28,915	30,616	14%	94%	4,009	66,627	70,636	14%	94%
Other Retail Stores	4,312	17,283	21,595	10%	80%	10,161	39,825	49,986	10%	80%
Entertainment & Services	5,855	21,244	27,099	12%	78%	13,797	48,952	62,749	12%	78%
Total Retail & Service Outlets	41,997	183,180	225,177	100%	81%	92,188	422,526	514,713	100%	82%

Source: Economics Research Associates

Section III: Lessons from Other World Renowned Mountain Resorts

In this section, ERA provides three case studies of world-renowned ski resort towns in the American West. The objective of this section is to provide the Town of Mammoth Lakes with some examples of how other resort communities are investing their resources to compete for visitors in a changing market climate. The true destination resort communities have not only scenic beauty and recreation opportunity, like Mammoth; they also have strong and unique sense of place that is etched in the memory of the visitor.

Ketchum, Idaho

History of Ketchum and Sun Valley

Ketchum, Idaho, is home to the Sun Valley Ski Resort. The City of Ketchum initially developed with the gold and silver mining rush of the late 19th century. By 1891, the quaint mining town was the home of over 2,000 residents. At that time, a Union Pacific Railroad line was installed into the town, allowing a new industry of sheep exportation to keep the local economy alive after the mining boom ended at the turn of the century. In the 1920s, several entrepreneurs from New York and executives of the Union Pacific Railroad envisioned the lure of a European-style resort in the west, and chose to carry out the project on the 4,300-acre Brass Ranch, which is adjacent to Ketchum and is the



present site of Sun Valley. Sun Valley Ski Resort opened in 1935 and attracted thousands of visitors to the Ketchum area. The railroad played a critical role by serving as a direct artery to Ketchum from areas all across the country.

Like many traditional western towns, Ketchum was laid out using an interconnected grid with alleys. Many of the streets were close to 100 feet wide to allow wagons with horses to turn around. Sidewalks often were very wide to assist pedestrians

and prevent them from having to walk in the mud. A highway, U.S. Route 93, was erected through Ketchum on Main Street in the early 1930s, but was rerouted in 1977 as U.S. Route 75 to accommodate higher levels of traffic. After the Union Pacific Railroad sold Sun Valley Resort in 1964, the shift from railroad to automobile transportation was complete. The highway system remains the primary route to Ketchum and Sun Valley.

A master plan for downtown Ketchum was adopted by the City Council in early 2006. The following paragraphs describe three major public projects that grew out of the Downtown Master Plan. All three projects are expected to strengthen the commercial core of Ketchum and make it a welcoming environment for pedestrians. Additionally, this section concludes with descriptions of other relevant private real estate projects taking place.

Fourth Street Heritage Corridor

The goal of the Fourth Street Heritage Corridor project is to make Fourth Street a pedestrian and bicycle friendly corridor that showcases the heritage of Ketchum through streetscape design and public art. The project includes eight blocks of Fourth Street from Spruce Avenue to Second Avenue. The eastern end of the project is anchored by the community library and the western end will be anchored by the Sun Valley Performing Arts Center. Many businesses and government facilities that service the surrounding community are located on or near Fourth Street, including the post office, City Hall, and one of the two local supermarkets.

This project was identified in the Downtown Master Plan as an important component of downtown's revitalization. The Master Plan called for Fourth Street to become the strongest, most important pedestrian street. The underlying philosophy of the streetscape design is that the needs of cars and drivers are secondary to the needs of the street's other users. The goal of the project is to have Fourth Street be shared by pedestrians, bicyclists, and low-speed motor vehicles. Interpretive signage, public art, water features, gathering spaces, and other pedestrian amenities will be provided and will showcase the heritage of Ketchum.

Ketchum is spending an estimated \$4.5 to \$5 million on the Fourth Street project. The funding sources are the Capital Improvement Fund, Development Impact Fees, and Tax Increment revenue. Construction of this project began in April 2007 and is scheduled to be completed in three phases. Ketchum's high season for tourism is in the summer and construction can not take place in the winter due to the weather. Thus, construction is scheduled to take place from April to July 1st and from Labor Day to Columbus Day.

First Avenue Arts Promenade

First Avenue currently is home to a number of art galleries. The First Avenue Arts Promenade will be two blocks long, stretching from Second Avenue to Fifth Street. The Downtown Master Plan calls for the project to have wide sidewalks lined with planters, outdoor public art displays, and small spaces for pedestrians to gather and sit. The goal



of the project is to develop the street into a public meeting space that can host arts festivals. Currently the city hosts two festivals that attract an estimated 20,000 visitors.

Construction for the project is scheduled to start in 2010, after completion of the Fourth Street Heritage Corridor. The estimated budget is \$1 million, which will be funded through the Capital Improvement Fund. The city anticipates that the public art will be donated and that a design competition will take place for the decorative streetlights.

Ketchum Town Center

The City of Ketchum recently acquired a property along Fourth Street, which is planned to be redeveloped for use as a Town Center. The property encompasses one half of a city block and was formerly the home of the Ketchum branch of Bank of the West. The Town Center, which currently is being designed, will include a visitor center, underground parking, and open space for multi-purpose events. There has been discussion about possibly flooding part of the site in the winter for the creation of an ice skating rink. Relocation of City Hall also is being considered.

Construction of the Town Center will not start until the Fourth Street Heritage Corridor and First Avenue Arts Promenade projects are completed. A rough budget for the project is \$15 million, which is anticipated to be funded by Tax Increment revenues.

Other Arts and Recreation Amenities in Ketchum

In addition to the public projects discussed above, a number of public facilities are being developed by private entities, including the Sun Valley Performing Arts Center and the Wood River YMCA. The Sun Valley Performing Arts Center will be home to the Sun Valley Center for the Arts, an organization currently located in downtown Ketchum. The center has outgrown its current location and the city has played an active role in attracting it to the new location on Fourth Street.

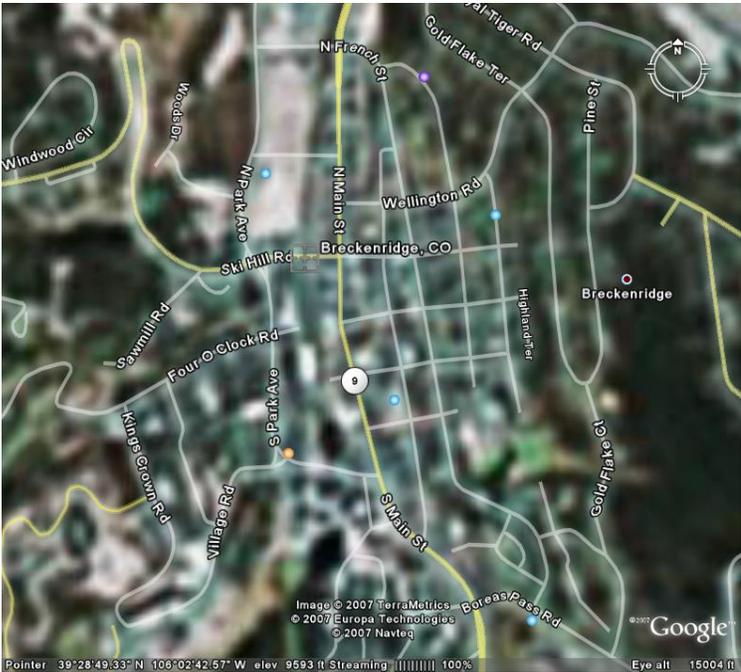
The Woods River YMCA will be approximately 84,000 square feet and will include a swimming pool/aquatic center, an ice rink, a fitness center, a climbing wall, and a gymnasium. The \$18 to \$20 million dollar project is being funded privately. The YMCA approached the city, indicating their desire to open a facility. The city's only role in the project was acquiring the land. The YMCA has entered into a 99-year lease with the city and pays \$1 annually for use of the land. The project is comprised of two phases. The initial phase, which will open in November of 2007, includes the core facility and aquatic center. The second phase is anticipated to include an ice rink and event center. The YMCA currently is raising funds for the second phase.

Breckenridge, Colorado

History of Breckenridge

Breckenridge was settled in the late 1850s during the Pike's Peak Gold Rush. A railroad depot was constructed in 1882, connecting the town to Denver, but this had little effect

on the local economy. Mining was the dominant driver of the town’s economic and population growth until 1942, when all mining efforts ceased. Breckenridge then experienced a roller coaster ride of success and failure, but the city never achieved “ghost-town” status. Breckenridge’s spot on the map finally gained national attention when the first ski resort was opened in 1960. This would mark the beginning of an era of growth and popularity that this Rocky Mountain resort destination continues to enjoy today.



The town is laid out in a traditional western grid, parallel to the Blue River. The community is centered around Main Street, which once featured large sidewalks suitable for pedestrians and a wide pathway to accommodate horses and stagecoaches. Along with the skiing boom in the 1960s, transportation improvements fueled the demand for recreation. The Eisenhower Tunnel on Interstate 70 was completed in 1973, which reduced the drive time from Denver to 90 minutes.

Breckenridge currently has two projects that are focused on the revitalization of downtown with the goal of creating a pedestrian friendly environment. The Town of Breckenridge also manages a number of amenities including an ice skating rink, a golf course, a performing arts center, and a recreational center. The following sections detail the Main Street Revitalization Plan, the Arts District of Breckenridge, and several of the key public facilities that the Town of Breckenridge owns and operates. It should be noted that none of the public facilities are located within the central business district. While these projects have been successful, city officials state that the biggest challenge they have faced in regards to downtown development is transportation. They needed transit networks and an effective parking strategy to get mountain visitors to come to Main Street.

Main Street Revitalization Plan Overview

The Main Street Revitalization Plan is being created for an eight-block segment of Breckenridge’s Main Street within the central business district. The plan will focus on implementing improvements to the area’s landscaping, streetscaping, architecture, and urban design.

In October of 2004, Design Workshop Inc. was selected to assist the town and community in designing these improvements. The master planning process began in February 2005, with a public meeting, charette, and open house to discuss proposed alternatives. In April 2005, a block-by-block visual survey of Main Street was completed by the Steering Committee, which was comprised of Main Street property and business owners and representatives from the Town Council, Breckenridge Resort Chamber, and Breckenridge Sanitation District. The committee identified strengths, weaknesses, opportunities, and constraints for each block. An initial list of possible Main Street enhancements has been generated and these preliminary findings are being used to create a refined conceptual plan. Some key areas of improvement discussed by the initial findings are:

- Improving pedestrian connectivity along Main Street and to the Riverwalk and downtown parking lots, possibly by providing a user-friendly way-finding system.
- Designing improvements for pavement, sidewalks, storm sewer systems, lighting, landscaping, and street furniture.
- Installing a snowmelt system for some or all of the area covered by the project.
- Integrating on-street activities such as parking, loading areas, transit stops, horse drawn carriages, bicycle carriages, and pedestrian crossings.
- Accommodating transit opportunities, in part by providing bus shelters.
- Evaluating and enhancing parking downtown, in part through adding “pay and display” type parking meters.
- Enriching the shopping and community environment through use of lights and banners year round to add vitality, construction of festival amenities for block parties, and creation of well-positioned seating that will capture mountain views but not restrict store views.

Arts District of Breckenridge

The Arts District of Breckenridge is seeking to provide a collection of structures and outdoor spaces that will integrate a wide mix of arts and cultural uses. The Arts District began in 2001 with the purchase of the Shamus O’Toole’s property at 121 South Ridge Street. The structure was renovated in 2002 for use as the Breckenridge Theatre. Also in 2002, the Town of Breckenridge purchased the properties on the corner of Washington Avenue and Ridge Street with the vision of creating an Arts District and began working on a Master Plan to implement that vision. In 2004, the town council adopted the Arts District of Breckenridge Master Plan, which has the following objectives:

- Explore the potential for a vibrant downtown focal point that is an integral extension of the existing downtown fabric, including the retail spine along Main Street and civic recreational spine along the Riverwalk.
- Investigate the role of the arts district in the context of the larger socio-economic system in Breckenridge.

- Strengthen the overall image of Breckenridge through coordinated master planning of the town’s amenities.
- Consolidate a dedicated arts district within Breckenridge that acknowledges and complements existing arts-based facilities.
- Create an arts-based community asset that will appeal to and engage local residents and visitors alike.
- Stimulate existing community interest in the arts and create opportunities for the public to experience and participate in arts activities.

The master plan anticipates a lively arts campus developed within restored historic structures, sensitively designed new structures, and outdoor spaces. When completed, the campus will be a pedestrian friendly environment that is comprised of landscaped plazas uniform lighting, street furniture, and public art. The Arts District is intended to be utilized year round. Several historic buildings are under renovation, with one building currently open and another scheduled to open the summer of 2007. The Arts District also functions as the town’s multi-purpose event space. The area hosts a number of cultural and civic events, including the annual celebration over the Fourth of July.

Ice Arena

In 1997, the town constructed a 17,000 square foot outdoor ice skating facility. The initial capital investment of approximately \$5 million was funded by bonds. The bonds were approved by voters and are amortized through an excise tax. In 2000, the town added a year-round enclosure for part of this facility, locker rooms, a lobby, a pro shop, a warming facility, meeting rooms, and seating for approximately 500 spectators. The indoor rink now is open year round, while the outdoor rink is open from mid-September through mid-April.

The Ice Arena hosts many groups and activities, including daily public skating sessions, public hockey sessions, youth and adult hockey leagues, and learn to skate classes. The Summit Youth Hockey Association, Summit High School Hockey team, various adult hockey teams, and competitive figure skaters all practice at the ice arena.

The Ice Area has a total operating budget of \$1.1 million. Approximately 65 percent of its operating costs are covered through revenue generated by users. The following table details the expenditures for the ice skating rink. The current annual operating subsidy required from the town’s taxpayers is \$382,500.



Table III-1
EXPENDITURES FOR ICE SKATING RINK, 2006

Personnel	\$	(578,700)
Material & Supplies	\$	(96,000)
Charges for Services	\$	(287,700)
Capital Outlay	\$	(1,500)
Fixed Charges	\$	(128,900)
Operating Cost	\$	(1,092,800)
Operating Revenue	\$	710,000
Operating Subsidy Required	\$	(382,500)

Source: Town of Mammoth Lakes

Riverwalk Center

The Riverwalk Center is a performance venue owned by the Town of Breckenridge. It is a 774-seat amphitheater with radiant heating that is covered in the summer months by a tent structure. The lawn area expands the center's capacity to 2,000 people.

The center is home to two orchestras in the summer and the International Snow Sculpture Championships in the winter. Additionally, many summer activities are held at the center, including Town Party, classical performances by the National Repertory Orchestra and the Breckenridge Music Festival Orchestra, the Blue River Series, Fourth of July concerts and other civic activities.

The center was constructed 15 years ago using no debt. The Riverwalk Center was included in the Blue River Restoration Project embarked on by the town in 1992. The town is currently adding a permanent roof on the venue to extend its usable season. These renovations are estimated to cost approximately \$2.5 million and town resources will be supplemented by approximately one million dollars raised from the private sector.

Golf Course

The Town of Breckenridge has the only municipally-owned 27-hole golf course designed by Jack Nicklaus. The course opened for play in 1985. Since that time, national and regional honors have been bestowed on the course. Honors awarded by the Colorado Golfer (the State Golf Newspaper) have included Best Mountain Course and Toughest Mountain Course. Golf Digest's "Places to Play" list rates Breckenridge as a 4½-Star Facility, and as one of their top "Upscale Places to Play" in the nation. During the summer, the town opened another nine holes also designed by Nicklaus.

As shown in **Table III-2**, the golf course generates an estimated \$2.4 million in annual revenue and costs approximately \$2.4 million to operate.



Table III-2
OPERATING BUDGET FOR GOLF COURSE, 2006

Revenues	
Green Fees	\$ 1,248,600
Cart Rentals	\$ 243,270
Resident Carts	\$ 489,100
Clubhouse Lease	\$ 45,000
Driving Range Fees	\$ 46,000
Other Income	\$ 53,000
Interest	\$ 30,000
Transfer from Excise Fund	\$ 250,000
Total	\$ 2,404,970
Expenditures	
Administrative	\$ 184,110
Equipment Maintenance	\$ 125,137
Course Maintenance	\$ 750,123
Debt Service	\$ 663,500
Capital Projects	\$ 233,000
Operations/Customer Service	\$ 446,623
Total	\$ 2,402,493
Operating Surplus	\$ 2,477

Source: Town of Mammoth Lakes

Recreation Center

The Breckenridge Recreation Center is an award-winning 76,000 square foot facility that hosts a variety of athletic and community activities. The center is located at the north end of town and is accessible via public transit. The facility is nearly 20 years old and required an initial investment of \$6 million dollars, which was funded through bonds that are now almost completely paid off. The center contains a gymnasium, indoor tennis courts, lap and leisure pools, a water slide, racquetball courts, basketball courts, indoor rock-climbing walls, an indoor track, equipment for weight training, and cardiovascular training machines. Outdoor amenities include playgrounds, basketball and tennis courts, a skateboard park, and fields for softball, soccer, and rugby. The recreation center is run by the Town of Breckenridge and has an operating budget of \$1.8 million. Revenues from the center cover approximately 60 percent of operating costs (see **Table III-3**).

Table III-3
OPERATING BUDGET FOR RECREATION CENTER, 2006

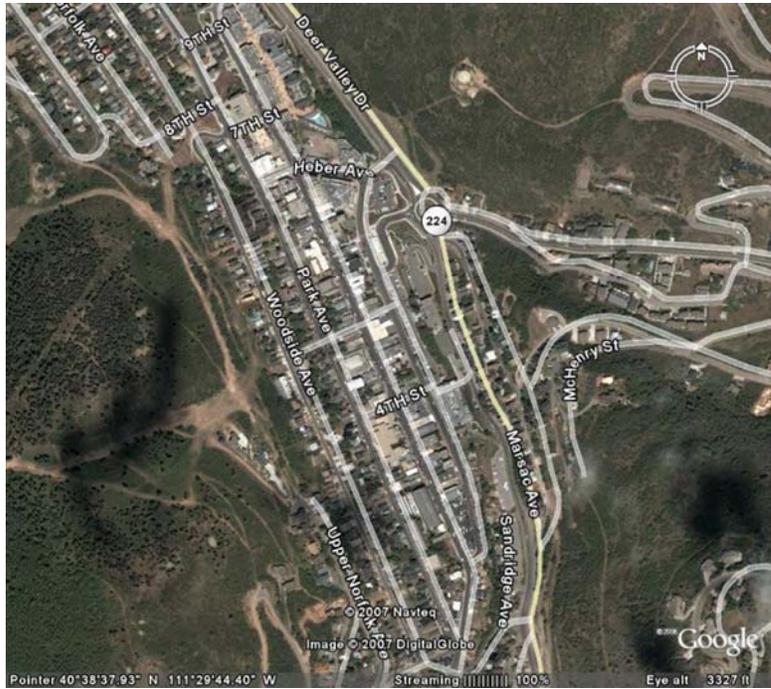
Personnel	\$	(924,200)
Material & Supplies	\$	(176,600)
Charges for Services	\$	(540,400)
Capital Outlay	\$	(74,500)
Fixed Charges	\$	(55,200)
Operating Cost	\$	(1,770,900)
Operating Revenue	\$	1,062,500
Operating Subsidy Required	\$	(708,400)

Source: Town of Mammoth Lakes

Park City, UT

History of Park City

With the discovery of gold, silver, lead, and zinc, Park City was originally one of the most mineral-rich mining towns in the west. Before the turn of the 19th century, the town flourished from its vast resources and its proximity to booming Salt Lake City. In 1898, the majority of the town was engulfed in flames, and the mining industry suffered heavily, so much so that the city was declared a “ghost town.” Skiing made its debut in 1930 as ski jumping contests began, bringing skiers to the mountains from nearby Salt Lake City. Once the last mine was shut down in 1949, the town did not see any turnaround from its depressed economy until 1963, when Treasure Mountain Resort (now Park City Mountain Resort) opened.



The Town of Park City is laid out in the form of a grid, with the heart of the city centered around Main Street. Access from Salt Lake City used to be via the “Ski Train” in the 1930s, but U.S. Highway 40 was built soon after, allowing automobiles easy access to the



city. Since the opening of the first ski resort, Park City has expanded with two more resorts and world class Olympic facilities. It is considered a premier year-round recreation destination and is the most popular skiing destination in Utah. The three ski resorts in Park City, which include Deer Valley, The Canyons, and Park City Mountain Resort, experienced a total of 1.7 million skier days in 2006, representing over 40 percent of statewide visitor days.

In 2004, the Town of Park City developed a Downtown Improvement Plan, which was created to enhance the quality of Park City's commercial core. According to the city officials, the key to successful development downtown has been to get as much community buy-in as possible. The city officials believe that without the community support, particularly from the Main Street retailers, implementation of the Downtown Improvement Plan would not have occurred. The economic development officials recommend bringing the community into the development process as soon as the idea is hatched. A full discussion of the plan is provided below, along with a section about other projects that have occurred in Park City.

Downtown Improvement Plan

The Downtown Improvement Plan consists of two phases. Phase I, which was completed in February 2006, includes a parking structure with pedestrian amenities. This phase cost an estimated \$7 million for development and construction, which utilized redevelopment funds.

Phase II includes the development of a town plaza and 4,500 square feet of retail space. The retail component is located next to the parking structure and cost an estimated \$1.7 million to develop. The city used funds from the redevelopment authority to construct the space. Construction was completed in September 2006. The current tenants are a liquor store and the local radio station. A third space is currently vacant.

The town plaza component of Phase II will be located at 5th and Main Streets, which is currently the location of the Park City Post Office. The City envisions a 15,000 square foot town plaza that will function as a central meeting place for civic events and possibly a weekly farmers market. At this time, the city converts Main Street to a pedestrian corridor when hosting festivals and civic events. The City is in negotiations with the U.S. Postal Service to acquire a portion of their land. The U.S. Postal Service is looking into reducing the size of the Park City Post Office building. The City hopes that the post office will remain on Main Street to give life to the town plaza, since many residents visit the post office to receive their daily mail. The City estimates that the town plaza will cost between \$5 and \$7 million to develop. While the City is still looking for sources of financing to develop the town plaza, it is anticipated that construction will start in the summer of 2008. The redevelopment funds that were used for the retail space and the parking structure are no longer available.



Other Arts and Recreation Projects in Park City

Park City is home to numerous recreation amenities operated by the city. One amenity is the Park City Racquet Club, which is an official training site for the U.S. Ski and Snowboard Team and offers tennis courts, leisure and lap pools that are open in summer and fall seasons, a Jacuzzi, saunas, a gymnasium, cardiovascular equipment, weight training equipment, a pro shop, and approximately 40 group classes weekly in aerobics and spinning. The facility offers low rates for those holding a County Resident Card and higher rates for visitors. The Park City Ice Arena is another key public amenity. Park City also has a bicycle dirt jump park, a free skate park, and recreation leagues in a variety of sports for both children and adults.

Summary of Lessons Learned

ERA believes that the Town of Mammoth Lakes can learn from the three world class mountain resort destinations discussed above. In these three communities, civic leadership has focused on the creation of well-designed pedestrian districts that are complemented by the arts. To implement these districts, priority has been placed on developing civic gathering spaces, constructing street level retail with other uses above, and installing high-quality lighting, streetscaping, landscaping, and street furniture.

The revitalization efforts in these communities have focused on insuring uniqueness and authenticity by connecting new development to the history of the place, integrating needed civic services, and building on the visual and performing artists present in the city. Ketchum and Breckenridge provide exceptionally strong examples in terms of the integration of arts and history into new development concepts. Park City is making a special attempt at incorporating civic services by seeking to retain the downtown Post Office adjacent to the planned town plaza. The tourists that the Town of Mammoth Lakes is seeking to draw have many choices when it comes to resort destinations, making these components of development very important.

Also essential has been establishing a clear delineation of the transportation types that will be prioritized within the downtown area. In the case of Breckenridge, it was decided that the comfort of pedestrians, bicyclists, and mass transit users should be prioritized over those driving automobiles. The Town of Mammoth Lakes has a significant amount of through traffic crossing downtown to reach the ski slopes. To have an attractive downtown core, the key pedestrian street should have through traffic but should not be a major traffic arterial.

While these locales have ample recreation and arts facilities, the private sector may choose to construct them if the public sector makes wise infrastructure investments, as has occurred in Ketchum. Recreation and arts facilities are not themselves the strongest generators of development in the community. Rather, private sector investment has gained steam when developers have seen civic leaders make a clear commitment to creating a high-quality downtown that is pedestrian friendly, attractive, and lively.



For Mammoth to become a world renowned visitor destination, it has to create a memorable sense of place within the town itself. Rather than scattering resources amongst multiple projects that are relatively easy to implement, ERA suggest that the Town focus its resources initially to create a world class Town Center pedestrian district that will define Mammoth in the minds of visitors for the next two or three decades.



Section IV: Recommendations

Based upon the market potential identified in Section II, the lessons learned in Section III, and the firm's considerable resort and town planning experience, this final section presents ERA's key recommendations.

The Competitive Context for Mammoth

Expectations of the Target Market

World class mountain resort destinations serve a broad and international market. The bulk of this market is the “baby boom” generation, an age cohort born in the first dozen years after the end of World War II. This generation has considerable accumulated wealth, much of it gained from home value and real estate appreciation as well as global business success. It is a well-traveled generation that seeks both luxury and authenticity. In addition to scenic beauty and recreation opportunities, this generation also is interested in culture, history, and a unique sense of place in its travel destinations. This generation has a new-found commitment to sustainability. If Mammoth is to become a world class destination, it must appeal to the preferences of this generation.

Industry Consolidation Elevating Competition

Considering the broad-based national interest in sustainability, the development of new mountain resorts on previously undeveloped virgin land has become extremely difficult. As a consequence, well capitalized resort chains have turned their attention to buying independently owned resorts that have upside potential with an injection of new investment capital. Starwood Capital's purchase of the Mammoth Mountain Resort is one example of this industry trend. This injection of global capital into previously “sleepy” or under-invested resorts has elevated the level of competition. In moving forward, Mammoth must compete at this new higher level.

Constraints to Becoming World Class

The Town of Mammoth Lakes benefits from a world class ski mountain and the scenic beauty and recreation opportunities offered by the High Sierra range. However, much of the town was built during the 1960s and 1970s, an era dominated by the automobile. Today, many of the town's older districts are showing their age and are not pleasant environments for pedestrians.

It has been the tradition in Mammoth to allow private property owners and developers to lead the development process. Being a built community with fragmented property ownership, it is now difficult for any private developer, regardless of depth of capitalization, to create new projects of sufficient scale to move Mammoth noticeably up the global competitive ladder.

In addition, in today's real estate market place, financial returns come first from the sale of resort condominiums and second from the operation of overnight accommodations. Retail commercial, while providing a necessary supporting amenity, does not generate much financial return, especially if parking must be provided in expensive subterranean garages. Most developers in Mammoth would be delighted to allow others to build the supporting retail and restaurant space near their projects.

If the tradition of private initiative continues to lead the way, Mammoth will see the construction of a collection of individual projects, many of them well-designed, with each attempting to maximize its own financial return. Second home condominiums and guest lodging will receive priority consideration in site planning and project design, while retail and restaurant space will be viewed as desirable but secondary support space. The future retail space in town will be built in scattered locations, depriving the town of both a strong shopping area, which can only be achieved through retail concentration, and an effective pedestrian district able to serve as the heart and soul of the community. Other projects simply may be imitations of other successful resort villages, leaving the town without an authentic and unique "sense of place."

Town Leadership Essential to Success

If Mammoth is to transform itself into a world class resort destination, a collection of high quality individual private development projects will not be sufficient. As the leadership of resort towns like Park City, Breckenridge, Ketchum and others have realized, it is the public infrastructure and facilities – streets, sidewalks, bicycle paths, trails, plazas, fountains, parks, street furniture, plantings, public art, cultural venues, and parking facilities coupled with good planning and strong design guidelines – that separate the good from the world class. For Mammoth to move into that class, the town government needs to assume a proactive leadership role in dramatically upgrading the public infrastructure that serves to weave together the collection of existing and future private development projects.

Strategic Recommendations

A. Create a New Main Street or Town Center

The Town of Mammoth Lakes needs to create a place that defines the heart, soul, spirit, and heritage of the community. No such place exists in town today. ERA recommends that this new "Main Street" be located near the commercial center of gravity, which is the intersection of Old Mammoth Road and Tavern Road. In addition to being the strongest retail commercial location in town, there is vacant and substantially under-utilized in this area. Also new proposed developments such as the Civic Center, the public parking lot and Hidden Creek Crossings can be designed to support a Town Center at this location.

This effort will require a cooperative public/private enterprise, with the town providing the public spaces and amenities that make this new Main Street special and supplying approximately half of the required retail commercial parking. The private sector would be responsible for the land assembly, real estate development, and all required parking

other than approximately half of the retail commercial parking. The project, as envisioned by ERA, would be a retail street of no more than 1,200 linear feet with the following characteristics:

- A pedestrian scale street with ample sidewalks and intersections that facilitate safe cross street movement.
- Retail and restaurant spaces along the ground level on both sides of the street with minimum glass front requirements of 50 to 75 percent, which will encourage window shopping.
- Residential, guest lodging, or office space above the ground level retail.
- One lane of automobile traffic in each direction.
- Two-hour on-street public parking on both sides of the street, either parallel or diagonal depending on street widths.
- Well-marked and readily visible public parking lots or garages to support the retail spaces, ideally in several decentralized facilities.

The retail market analysis indicates that this new Main Street should include 270,000 square feet of retail and restaurant space, built in two phases of approximately 135,000 square feet each (see **Table IV-1**). The first phase would be anchored by a grocery store and the second phase would have an emphasis on restaurants and specialty shops, perhaps including a three-screen cinema theater. The first phase should proceed immediately and be completed no later than 2010. The timing of the second phase would depend on the success of the first phase. ERA expects the second phase to be complete in the 2018 to 2020 time frame. Since ERA's recommended program is designed to capture approximately 55 percent of the retail and restaurant demand increase from 2007 to 2025, this development allows existing and other new retail projects in town to succeed as well. At 2.0 to 2.5 parking spaces per 1,000 square feet of gross retail commercial space, the number of public parking stalls anticipated is in the range of 540 to 675 spaces. Total costs for the Town of Mammoth Lakes could be in the \$25 to \$30 million range for public amenities and parking.



Table IV-1
RECOMMENDED RETAIL DEVELOPMENT PROGRAM FOR MAMMOTH TOWN CENTER

	Retail Space (SF) Supportable in Town Center			
	<u>2007-15</u>	<u>2016-25</u>	<u>Total</u>	<u>Prct Dist</u>
Apparel Stores	8,000	17,000	25,000	9%
Gen. Merchandise & Drug	10,000	8,000	18,000	7%
Food Stores	45,000	12,000	57,000	21%
Eating & Drinking Places	30,000	45,000	75,000	28%
Furnishing & Appliances	12,000	8,000	20,000	7%
Other Retail Stores	15,000	25,000	40,000	15%
Entertainment & Services	15,000	20,000	35,000	13%
Total Retail & Service Outlets	135,000	135,000	270,000	100%

Source: Economics Research Associates

ERA has reviewed the property ownership patterns in this area and is of the opinion that private land assembly is likely due to the limited number of owners. The project would be built by redeveloping existing commercial property. No residential property would need to be included in the project. If the town is prepared to invest in public parking and public amenities, the property owners have strong incentive to cooperate and create a “win-win” situation for all.

ERA strongly encourages the Town of Mammoth Lakes to prepare a detailed Specific Plan to guide the creation of this town center area. The Specific Plan can insure that the designs of the private developments and public amenities fully reflect the heritage and uniqueness of Mammoth. It also would provide a basis for negotiations between the parties about who is responsible for what portion of the project in this joint public/private development.

The development of a high-quality Town Center will encourage existing visitors to stay longer, visit more often, and spend more of their money in town. It will encourage new visitation and new investment. It will not only enhance the values of properties surrounding the Town Center, but also will boost property values throughout the Town of Mammoth Lakes.

B. Require New Larger Hotels to Include Meeting Space

Mammoth has strong visitor appeal during its peak winter season. However, like many mountain resorts, it has considerable excess capacity during other seasons. To better utilize its current and future lodging stock and to boost the economy during the off-peak seasons, Mammoth needs to attract the meetings market. Given its remoteness from major population centers, Mammoth will have limited ability to attract large group



meetings or conventions. Its target market should be smaller corporate conferences, strategic planning sessions, group retreats, and even family reunions. If the town had a series of smaller meeting venues, multiple groups could be in town simultaneously.

From a recent market survey provided by another firm, it is apparent that many of the higher quality mountainside resort hotels provide meeting space (**Table IV-2**). The meeting spaces allow for the promotion of group business, which is essential to off-peak season occupancy.

Table IV-2
ANALYSIS OF RESORT HOTELS

Property	Resort Location	Ski In and Out	Condo Units	Hotel Rooms	Meeting Space	Space per Hotel Rm
St Regis	Aspen	No		179	20,000	112
Ritz-Carlton	Beaver Creek	Yes		238	40,000	168
Park Hyatt	Beaver Creek	Yes		191	23,000	120
Stein Ericksen	Park City	Yes	62	170	5,980	35
Sun Valley Lodge	Sun Valley	Yes		142	16,500	116
The Peaks	Telluride	Yes		225	13,578	60
Four Seasons	Teton Village	Yes		124	8,000	65
Four Seasons	Whistler	Yes	273	114	9,855	86
Teton Mt Lodge	Teton Village	Yes	81	129	2,200	17
Snake River	Teton Village	Yes	57	<u>140</u>	<u>4,000</u>	<u>29</u>
Average				165	14,311	87

Source: PKF

To address the issue of off-peak visitation, ERA strongly recommends that the Town of Mammoth Lakes require the inclusion of meeting space in future large hotels as a condition of approval. Providing such space is not only in the interest of the community, but also in the long-term interest of the hotels themselves, including condominium hotels. The standards ERA recommends are as follows:

- Hotels of 75 to 150 rooms (keys) – 40 to 50 square feet of meeting space per room.
- Hotels above 150 rooms (keys) – 70 to 80 square feet of meeting space per room.

The meeting space could include meeting rooms, ballrooms, banquet rooms, breakout rooms, auditoriums, and pre-function spaces that are not part of the hotel lobby.

C. Create a Non-Government Tourism Marketing Organization

To ensure that the town has an effective tourism marketing and conference promotion organization, ERA recommends that these functions be handled by a non-profit organization. With this arrangement, the non-profit will be able to develop, pursue and

entertain prospective clients as needed. Non-profit organizations handle destination marketing in many communities that are similar to Mammoth Lakes, including Taos, Telluride, Park City, North Lake Tahoe, and Jackson Hole. In the case of Park City, the marketing organization works in conjunction with the State of Utah's Tourism Marketing Division. North Lake Tahoe's marketing is conducted by a membership-based resort association that is funded through a variety of sources, including membership dues, transient tax revenues, and City and County General Funds.

D. Improve the Village Area as a Pedestrian District

ERA is concerned with the future success of the Mammoth Village retail district because the design of the complex is intended to have the retail and pedestrian activity internal to the complex rather than facing the street. However, a considerable amount of street facing retail has been built and is likely to struggle unless parking and traffic circulation improvements are made with the needs of retail in mind. During the ski season, Minaret Road and Canyon Boulevard are the primary access roads to the ski lifts. The heavy through traffic, restricted on-street parking, wide street dimensions, limited ability to have double loaded retail streets, and design concept of Mammoth Village itself limits how much street facing pedestrian scale retail can be successful in this district. The grade changes make the creation of a pedestrian district more challenging, especially in winter. As more condominium and hotel buildings are completed, the Mammoth Village district will become a better pedestrian area than it is today. For this district to become more effective as a pedestrian area, ERA recommends the following:

- Divert through traffic to the Main Lodge off Minaret Road, to a new bypass road.
- Ensure that the portions of Minaret Road and other streets that are intended for street front retail have retail on both sides of the street
- Provide on-street parking along pedestrian retail streets, with diagonal parking in areas that have ample street width and limited through traffic volume.
- Reduce traffic volume and speed with traffic calming strategies.
- Ensure that public parking is readily visible from the street.

The high cost and high rents of the retail spaces created in this district and the limited amount of convenient public parking suggest that the Mammoth Village and Mammoth Crossing area will evolve into one that caters to the more affluent visitors rather than serve as the Town Center for the entire community.