
Market Study for the

**Mammoth Lakes Conference
Center**

Mammoth Lakes, CA

Prepared by:

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Submitted to:

Mr. James Smith
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September 23, 2008

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Dear Mr. Smith,

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We are pleased to submit our Market Study for the Mammoth Lakes Conference Center. We have studied the local and regional market and analyzed the feasibility of a conference center in Mammoth Lakes. The following report is not intended to serve as a master plan for all future lodging and conference space development in Mammoth Lakes; rather, it is a market study aimed at determining the most feasible size, location, and operating model for a proposed conference center in this market.

Based on our market analysis, comparable facilities analysis, survey results and key informant interviews, HVS recommends an integrated hotel conference center with roughly 16,200 square feet of meeting and banquet space. In order to achieve economies of scale, HVS recommends the conference center be developed in conjunction with a full-service hotel with a minimum of 180 to 200 guest rooms. This report does not reflect operational cost savings associated with an integrated hotel conference center using a single operator, as our scope of work did not include an analysis of the hotel market. However, we recommend such a study as the next step in the client's planning process.

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

Sincerely,

*HVS Convention, Sports & Entertainment
Facilities Consulting*

HVS Convention, Sports & Entertainment
Facilities Consulting
A Division of HVS International

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1. Executive Summary

Overview

HVS has evaluated the overall market potential of the community to support a conference/meeting facility. HVS determined that there is a potential demand for conference facilities, and, that conference facilities are best developed and operated in conjunction with hotel and hotel-like developments. HVS also determined that a free-standing conference facility would likely incur significant operating losses.

HVS reviewed five specific areas where conference facilities could be developed based on input from the client and town representatives. These sites were then evaluated in more detail and HVS determined that each site has different advantages and disadvantages, some of which can be addressed, offering different benefits to the developer, operator and community. This evaluation is not intended to suggest limiting private sector initiatives to include conference, meeting, or events facilities within specific projects, as this is not a planning study. Rather, this report is intended to be a market study analyzing the potential market demand to support conference and meeting facilities in properly conceived and designed projects.

HVS was engaged to study the market for a conference center in Mammoth Lakes. HVS determined that there is market potential for an integrated conference center in Mammoth Lakes with a single operator for both the conference center and the full-service hotel. In order to achieve economies of scale, HVS recommends a full-service hotel with a minimum of 180 to 200 guest rooms. Based on market analysis, comparable facilities analysis, survey results and key informant interview responses, HVS recommends an integrated hotel conference center with roughly 16,000 square feet of meeting space. HVS studied five sites in Mammoth Lakes and concluded that while the Four Corners and North Village sites offer distinct advantages, Sierra Star and Snowcreek would also be viable through a self-contained, all-inclusive resort, resort with dining options, retail outlets, a spa, gym and a full-service hotel, and existing golf courses.

This report does not reflect cost-savings associated with an integrated hotel conference center under a single operator, as we not did undertake a hotel study and cannot predict financial operations for an integrated facility. Therefore, HVS recommends a feasibility study of a hotel with conference space in order to better understand the feasibility of a traditional full-service hotel in Mammoth Lakes. This report includes, in addition to the sections previously mentioned, a facility recommendation, demand analysis, financial analysis and economic impact analysis.

Development Models and Comparable Facilities

For any potential conference center development there are two broadly defined facility types to consider - integrated hotel conference centers and a stand-alone conference centers.

The integrated hotel conference center model typically includes a full-service hotel with significant conference center space. In recent years, it has become increasingly important to meeting planners that key amenities, frequently used by event attendees, are centrally located in one area. Adjacent hotel rooms have become a crucial factor in meeting planners' decision making. Although there are a significant number of successful stand alone convention/conference centers, new supply is more likely to be successful if it offers some of the amenities, such as adjacent hotel rooms, meeting planners require. Especially in a market such as Mammoth Lakes, with a lack of adjacent or nearby full-service hotels, an integrated hotel conference center would increase the attractiveness and marketability of the conference center to meeting planners.

Financially, the integrated hotel conference center model allows for the minimization of food and beverage operating costs, primarily due to shared back-of-house space that serves both the hotel and conference center. Additionally, this model potentially allows for a singular sales and marketing department and the management team. While the conference center side of the project may operate at a loss, the combined conference center and hotel may yield significant profits and major economic impacts for the community.

However, the hotel conference center model may result, depending on the ownership and operating structure selected, in a conference center booking strategy that aims to induce the greatest number of room nights into the subject property rather than the community at large. This booking strategy, while benefiting the hotel, may result in fewer bookings of community events or events that would maximize economic impacts to the community. However, this is somewhat less of a concern in the Mammoth Lakes market,

as a majority of potential demand for a hotel conference center would create significant economic impacts for the community due to its remote location.

Within the integrated hotel conference center model are at least three different potential ownership and operating structures; a public model, public-private partnership model, and a private model, which are described later in this report.

The second broad model, the stand-alone conference center model, represents a conference center with no attached or integrated hotel. This is one of the most traditional models implemented by the public sector often in hopes of stimulating economic impact and economic development for a community. However, stand-alone conference centers typically do not generate enough revenue to pay for their operating expenses and repay construction costs over time. This model relies on the private sector to build amenities adjacent to it, including restaurants and retail outlets. It also usually requires ongoing financial investment from the public sector to subsidize operations and marketing.

The Mammoth Lakes market, lacking a substantial concentration of full-service hotels, would most likely require the addition of a hotel development adjacent to the facility to attract significant volumes of out-of-town meetings and conventions. However, since the hotel would not be integrated with the facility it would not offer some of the advantages of an integrated hotel conference center, specifically the ability to minimize sales costs and food and beverage costs. Additionally, a non-integrated adjacent hotel maybe not have the ability to coordinate bookings between the hotel and the conference center as well as an integrated facility would. However, that being said, there are successful examples of this model.

Within the stand-alone conference center model are two different potential ownership structures, public and private, which are described later in the report.

Due to the secluded location of Mammoth Lakes, lack of traditional hotels in the area, and the growing need for adjacent hotel rooms as indicated in survey responses and key informant interviews, HVS believes the integrated hotel conference center model would best serve potential conference center demand in Mammoth Lakes. This report contains an analysis of eight

examples of integrated hotel conference centers and four examples of stand-alone conference centers.

Local Advantages and Disadvantages

Currently, Mammoth Lakes does offer some conference center space and meeting space. The Mountainside Conference Center currently offers the greatest amount of conference space in Mammoth Lakes. However, the facility, originally housing the Gondola for the Main Lodge, still shares the same entrance as the Main Lodge and features large poles throughout the meeting spaces. While there are a number of other meeting spaces in Mammoth Lakes, their infrastructure and appearance reflect their use as a cafeteria/lounge for Mammoth Lakes visitors and not as traditional conference centers. The Westin Monache Resort, which opened in November of 2007, with its 2,050 square feet of meeting space, has increased exposure and enhanced the image of Mammoth Lakes as a meeting destination, but its meeting space is too small to accommodate large meetings, conferences or banquets. Development in the planning process for the current site of the Rodeway Inn includes a 6,000 square foot conference center and a 24,400 square foot outdoor plaza for special events.

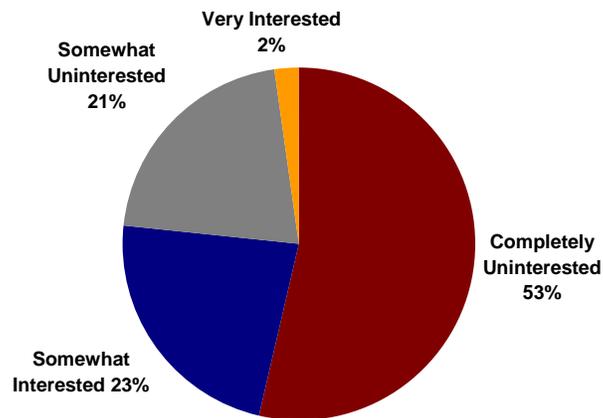
While a number of groups are satisfied with the current options of venues within Mammoth Lakes, the existing facilities and hotel supply are not competitive with other regional and statewide conference destinations. The following survey results expand on these local advantages and disadvantages, from the perspective of statewide meeting planners.

Survey Results

HVS surveyed contacts from Meeting Planners International and the California Society of State Association Executives and their responses significantly assisted in determining the demand potential for the proposed Mammoth Lakes Conference Center.

Roughly 23 percent of events planners said they were “somewhat interested” in holding an event in Mammoth Lakes if there was a new conference center, while 2 percent reported they were very interested. 53 percent of event planners said they were completely uninterested in holding an event in Mammoth Lakes. However, roughly 58 percent of all event planners indicated that they are not knowledgeable about Mammoth Lakes as a destination for meetings and conventions. While Mammoth Lakes is well known throughout California as a vacation destination, it has yet to establish itself as a meeting destination. The results shown below reflect both a lack of knowledge and concern over accessibility.

Figure 1-1
Frequency of Use at the Proposed Mammoth Lakes Conference Center



Source: HVS Survey

In addition, HVS conducted key informant interviews, via telephone, with lost business contacts, as provided by the town's Tourism Department and Mammoth Mountain Hospitality management. Roughly 75 percent of lost business event planners reported they would be very likely to book at least one event per year in a new conference center in Mammoth Lakes if it were built. However, these event planners noted their willingness to come depended on price and the availability of adjacent hotel rooms.

Facility Recommendations

HVS recommends the development of an integrated hotel conference center. In order to achieve economies of scale, HVS recommends a full-service hotel with a minimum of 180 to 200 guest rooms. The proposed Mammoth Lakes Conference Center will need to offer a significant amount of flexible ballroom space, and a sufficient number of meeting rooms. The table below outlines the proposed facility recommendations.

**Table 1-1
Proposed Facility Recommendations**

Name of Area	Size		Capacity			Exhibit Booths
	Square Feet	Banquet	Theater	Classroom	U-Shape	
Grand Ballroom	12,500	833	1,389	521	-	80
Ballroom A	7,500	500	833	313	-	40
Ballroom B	5,000	333	556	208	104	35
Meeting Room Block 1	1,500	100	167	63	31	-
Meeting Room 1A	600	-	67	25	13	-
Meeting Room 1B	450	-	50	19	9	-
Meeting Room 1C	450	-	50	19	9	-
Meeting Room Block 2	1,500	100	167	63	31	-
Meeting Room 2A	500	-	56	21	10	-
Meeting Room 2B	500	-	56	21	10	-
Meeting Room 2C	500	-	56	21	10	-
Board Room	700	Conference Configuration for 16 People				
Total Function Space	16,200					

Source: HVS

HVS recommends a modest-sized conference center building program with approximately 16,200 square feet of function space. The ballroom should be at least 12,500 square feet and should be divisible in order to break down larger events and host simultaneous events. HVS recommends the development of approximately 3,700 square feet of additional meeting room space for general sessions, classrooms, and breakout meetings.

A properly designed conference center will also require spaces for a lobby, pre-function, circulation, storage, loading, administrative offices, service corridors, kitchens, mechanical equipment, and other back-of-house areas that are vital to the operation of the facility. This preliminary facility program does not include these support spaces, which can often equate to more than a third of the total building space. HVS recommends retaining the advice of a qualified design firm to obtain more detailed estimates of total facility space requirements, based on the market-driven function space recommendations outlined in the preceding table.

Site Analysis

HVS evaluated five potential development sites, assessing the advantages, disadvantages, and the ability to address the disadvantages of each site. HVS analyzed the Clearwater development, Four Corners intersection, Sierra Star development, Snowcreek development and the East Village parking lot, based on access and transportation, constructability and financial considerations, marketability and urban impact.

The site chosen for any conference center and the neighborhood surrounding it contribute significantly to the experience of both event planners and attendees. Therefore, a facility's neighborhood being welcoming to visitors and providing nearby lodging, leisure attractions, dining and other guest activities and amenities will lead to greater success of the facility.

A major facility development can also have substantial impacts, both urban and economic, on the neighborhood and community in which it is located. Urban impacts can include improved appearance and vibrancy of a neighborhood. Specific potential sites in Mammoth Lakes offer greater stimulation of future development of retail outlets, restaurants and entertainment for out-of-town guests. Economic impacts on the community can include induced visitor spending at local area hotels, restaurants, and other businesses.

The Four Corners site and the East Village site emerged as the strongest potential sites for a conference center. The existing entitlement of the proposed development on the East Village site may limit the land available for conference center development. Therefore the Four Corners, with a potentially lower acquisition cost and excellent visibility, access, the use of town's amenities, and minimizing potential costs, appears as the best choice among all potential sites.

Demand Projections

HVS projects that current market conditions and the anticipated sales and marketing strategy could generate a stabilized demand level of approximately 260 events per year at the proposed Mammoth Lakes Conference Center in a stable operating year. These events represent estimated attendance of approximately 55,800 people annually. In the first complete operating year, HVS projects 200 events and attendance of approximately 39,000 people. The second complete year of operations should reflect a significant increase in demand, as sales and marketing efforts will be augmented. HVS assumes demand will stabilize during the fourth operating year, as is typical for a facility of this size and scope. The demand projections for the first five years are shown below.

Figure 1-2

	2011	2012	2013	Stabilized	2015
Events					
Conventions & Tradeshows	6	10	12	16	16
Consumer Shows	2	3	3	4	4
Banquets	64	80	80	80	80
Meetings and Conferences	120	150	150	150	150
Other	8	10	10	10	10
Total	200	253	255	260	260
Average Attendance					
Conventions & Tradeshows	300	300	300	300	300
Consumer Shows	3,000	3,000	3,000	3,000	3,000
Banquets	250	250	250	250	250
Meetings and Conferences	60	60	60	60	60
Other	1,000	1,000	1,000	1,000	1,000
Total Attendance					
Conventions & Tradeshows	1,800	3,000	3,600	4,800	4,800
Consumer Shows	6,000	9,000	9,000	12,000	12,000
Banquets	16,000	20,000	20,000	20,000	20,000
Meetings and Conferences	7,200	9,000	9,000	9,000	9,000
Other	8,000	10,000	10,000	10,000	10,000
Total	39,000	51,000	51,600	55,800	55,800

Source: HVS

Financial Analysis

HVS projected the financial operations for the proposed Mammoth Lakes Conference Center for the first ten years of operation. Financial operations are measured by various line items of revenues and expenses, discussed throughout this section. HVS recommends an integrated hotel conference center; however, our financial projections reflect only the projected financial performance of the conference center, assuming the conference center has its own kitchen and marketing and sales team. Therefore, this financial analysis does not illustrate the potential for this facility to combine departments with the hotel and does not reflect any cost savings associated with an integrated property with a single operator that would most likely result in the reduction of losses shown below. The following table displays projected financial operations for a conference center over a ten-year period.

**Table 1-2
Ten-Year Financial Operating Projections**

	2011		2012		2013		2014		2015		2016		2017		2018		2019		2020	
	\$	% of Total																		
OPERATING REVENUE																				
Facility Rental	153,000	11.7%	\$232,000	13.0%	\$262,000	13.7%	\$331,000	15.4%	\$341,000	15.4%	\$351,260	15.4%	\$361,798	15.4%	\$372,652	15.4%	\$383,831	15.4%	\$395,346	15.4%
Event Services (Gross)	98,000	7.5%	\$133,000	7.5%	\$139,000	7.3%	\$157,000	7.3%	161,961	7.3%	166,820	7.3%	171,824	7.3%	176,979	7.3%	182,288	7.3%	187,757	7.3%
Food & Beverage (Gross)	1,052,000	80.7%	\$1,418,000	79.5%	\$1,512,000	79.0%	\$1,665,000	77.3%	1,715,275	77.3%	1,766,734	77.3%	1,819,736	77.3%	1,874,328	77.3%	1,930,558	77.3%	1,988,474	77.3%
Total	\$1,304,000	100.0%	\$1,783,000	100.0%	\$1,913,000	100.0%	\$2,154,000	100.0%	\$2,218,265	100.0%	\$2,284,813	100.0%	\$2,353,358	100.0%	\$2,423,958	100.0%	\$2,496,677	100.0%	\$2,571,577	100.0%
OPERATING EXPENSES																				
Salaries	\$650,000	49.8%	\$670,000	37.6%	\$690,000	36.1%	\$710,000	33.0%	\$732,000	33.0%	\$754,000	33.0%	\$776,000	33.0%	\$799,000	33.0%	\$823,401	33.0%	\$848,000	33.0%
Benefits	130,000	10.0%	134,000	7.5%	138,000	7.2%	142,000	6.6%	146,000	6.6%	151,000	6.6%	155,000	6.6%	160,000	6.6%	164,680	6.6%	170,000	6.6%
Administrative & General	104,000	8.0%	143,000	8.0%	153,000	8.0%	172,000	8.0%	177,000	8.0%	183,000	8.0%	188,000	8.0%	194,000	8.0%	199,734	8.0%	206,000	8.0%
Food & Beverage Costs	789,000	60.5%	1,064,000	59.7%	1,134,000	59.3%	1,249,000	58.0%	1,286,000	58.0%	1,325,000	58.0%	1,365,000	58.0%	1,406,000	58.0%	1,447,918	58.0%	1,491,000	58.0%
Contractual Services	59,000	4.5%	80,000	4.5%	86,000	4.5%	97,000	4.5%	100,000	4.5%	103,000	4.5%	106,000	4.5%	109,000	4.5%	112,350	4.5%	116,000	4.5%
Marketing & Sales	39,000	3.0%	53,000	3.0%	55,000	2.9%	61,000	2.8%	63,000	2.8%	65,000	2.8%	67,000	2.8%	69,000	2.8%	70,686	2.8%	73,000	2.8%
Repair & Maintenance	46,000	3.5%	62,000	3.5%	67,000	3.5%	75,000	3.5%	78,000	3.5%	80,000	3.5%	82,000	3.5%	85,000	3.5%	87,384	3.5%	90,000	3.5%
Supplies & Equipment	35,000	2.7%	36,000	2.0%	37,000	1.9%	38,000	1.8%	39,000	1.8%	41,000	1.8%	42,000	1.8%	43,000	1.8%	44,337	1.8%	46,000	1.8%
Utilities	300,000	23.0%	309,000	17.3%	318,000	16.6%	328,000	15.2%	338,000	15.2%	348,000	15.2%	358,000	15.2%	369,000	15.2%	380,031	15.2%	391,000	15.2%
Other Expense	17,000	1.3%	19,000	1.1%	20,000	1.0%	22,000	1.0%	22,000	1.0%	23,000	1.0%	24,000	1.0%	24,000	1.0%	25,151	1.0%	26,000	1.0%
Total	\$2,168,000	166.3%	\$2,569,000	144.1%	\$2,698,000	141.0%	\$2,895,000	134.4%	\$2,981,000	134.4%	\$3,071,000	134.4%	\$3,163,000	134.4%	\$3,258,000	134.4%	\$3,355,672	134.4%	\$3,456,000	134.4%
OPERATING INCOME (LOSS)																				
	(\$865,000)	-66.3%	(\$786,000)	-44.1%	(\$785,000)	-41.0%	(\$741,000)	-34.4%	(\$763,000)	-34.4%	(\$786,000)	-34.4%	(\$810,000)	-34.4%	(\$834,000)	-34.4%	(\$858,995)	-34.4%	(\$885,000)	-34.4%
NON-OPERATING EXPENSES																				
Management Fees	\$100,000	7.7%	\$103,000	5.8%	\$106,000	5.5%	\$109,000	5.1%	\$113,000	5.1%	\$116,000	5.1%	\$119,000	5.1%	\$123,000	5.1%	\$127,000	5.1%	\$130,000	5.1%
Insurance	85,000	6.5%	88,000	4.9%	90,000	4.7%	93,000	4.3%	96,000	4.3%	99,000	4.3%	101,000	4.3%	105,000	4.3%	108,000	4.3%	111,000	4.3%
Capital Maintenance Reserve	52,000	4.0%	71,000	4.0%	77,000	4.0%	86,000	4.0%	89,000	4.0%	91,000	4.0%	94,000	4.0%	97,000	4.0%	100,000	4.0%	103,000	4.0%
Total	\$237,000	18.2%	\$262,000	14.7%	\$273,000	14.3%	\$288,000	13.4%	\$297,000	13.4%	\$306,000	13.4%	\$315,000	13.4%	\$324,000	13.4%	\$334,000	13.4%	\$344,000	13.4%
TOTAL NET INCOME (LOSS)	(\$1,102,000)	-84.5%	(\$1,048,000)	-58.8%	(\$1,057,000)	-55.3%	(\$1,029,000)	-47.8%	(\$1,060,000)	-47.8%	(\$1,092,000)	-47.8%	(\$1,125,000)	-47.8%	(\$1,158,000)	-47.8%	(\$1,193,000)	-47.8%	(\$1,229,000)	-47.8%

Source: HVS

The financial projections shown in the previous table reflect a stable-year operating loss of approximately \$741,000. Thereafter, the facility is expected to generate similar operating losses in each of the subsequent operating years in the projection period. Increases in the nominal operating income reflect our assumed inflation rate of 3.0 percent annually. The projected financial operations are typical for conference centers of this type.

Although HVS has not been retained to evaluate the financial operations of a jointly-operated hotel conference center, we recommend consideration of this development and operating strategy. A jointly-operated facility would likely produce significant operational cost savings compared to the preceding financial operating projections for a stand-alone conference center. These savings typically are realized through reduced personnel expenses since some of the conference center staffing functions can be performed by hotel employees. Additionally, the hotel benefits from an ability to achieve higher occupancies and average daily room rates as a result of induced demand from the conference center. HVS recommends further analysis of the jointly-operated development option.

Direct Economic Impact Analysis

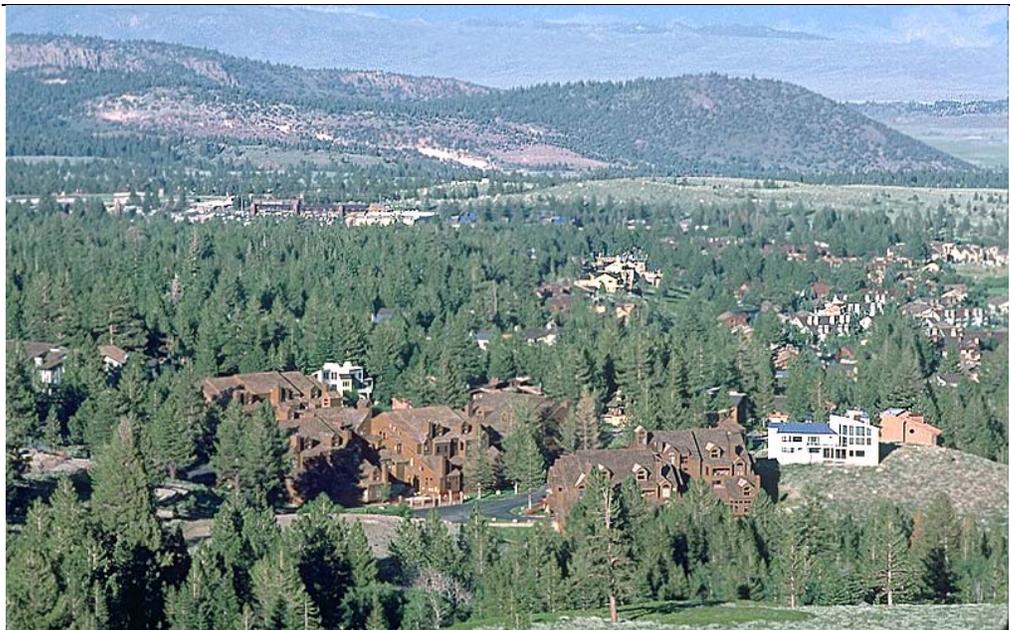
The estimated economic impacts from the proposed Mammoth Lakes Conference Center are relatively small compared to other larger facilities, due both the size of the facility and the significant number of community and local events that have previously held events in other facilities in Mammoth Lakes that would instead use the proposed Mammoth Lakes Conference Center. Additionally, indirect and induced economic impacts are not included in this study. Nonetheless, generating an expected \$7.3 million in economic impact for the Town of Mammoth Lakes, the proposed Mammoth Lakes Conference Center would significantly impact the Town of Mammoth Lakes, driving spending on amenities, and, therefore, economic development around the facility.

2. Market Analysis

Market Overview

The purpose of the market area analysis is to review specific economic and demographic trends that will reflect the overall condition of the local economy in Mammoth Lakes, California. The economic vitality of the area surrounding a proposed conference center is an important consideration in forecasting event demand. The market area for a conference center is the geographical region where the sources of demand and the competitive supply are located. The subject property will be located in the Town of Mammoth Lakes, the County of Mono, and the State of California. While Mono County is not part of a Metropolitan Statistical Area, it is often combined with the adjacent Inyo County for statistical purposes. HVS will focus on economic data and market trends in Mammoth Lakes, Mono County, and the combined area of Mono and Inyo Counties.

Mammoth Lakes

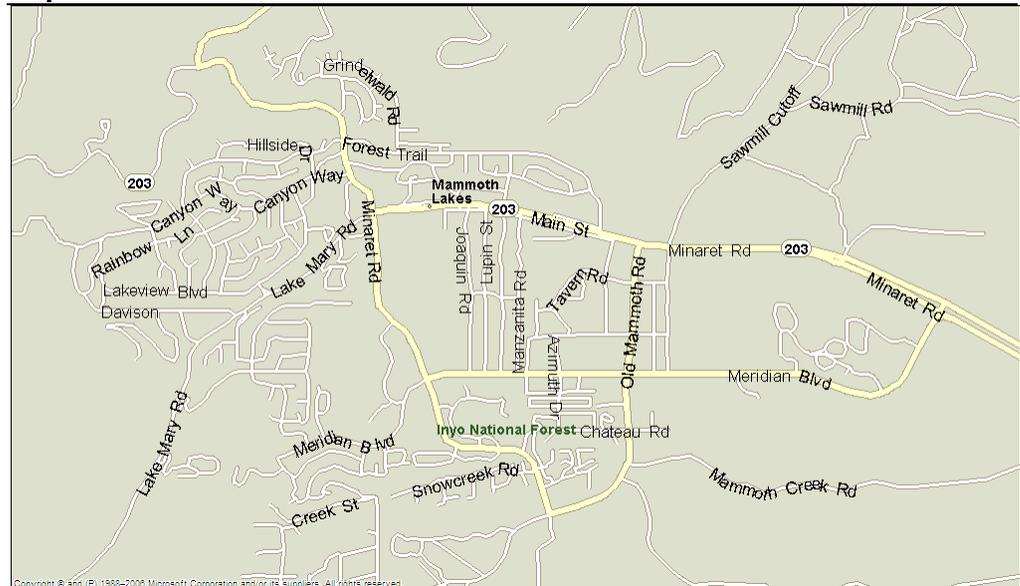


Source: United States Geological Surveys July 2007

Mammoth Lakes is located in north-eastern California and approximately 50 miles from the Nevada-California border. The incorporated town is 25.2 square miles in size, but only four square miles are within the urban growth boundary, which defines the area on which one can build.

Mammoth Lakes lies at an elevation of 7,900 feet at the edge of the Long Valley Caldera. The town is bordered to the west by the Mammoth Mountains and to the south by the Sherwin Mountain Range. Primarily regarded as a mountain resort community and ski destination, Mammoth Lakes is also reputed to be an active geological area complete with hot springs, rhyolite and obsidian domes. Mammoth Lakes' proximity to unique recreation and natural attractions like Ansel Adams Wilderness, Owens Valley, and Devil's Postpile National Monument attracts primarily outdoor enthusiasts.

Map of Mammoth Lakes



Source: Microsoft Streets & Trips

Economic & Demographic Overview

Based on fieldwork conducted in the area and our in-house data sources, we have evaluated various economic and demographic statistics to determine trends in economic growth. Historical statistics are based on U.S Census data, information published by the Bureau of Economic Analysis and forecasting models developed by Woods and Poole and ESRI, both highly regarded demographic forecasting firms. Additionally, HVS reviewed the ERA study performed for Mammoth Lakes.

Population Trends

Changes in population can indicate whether an economy is growing or shrinking. This data can also suggest whether growth rates are sustainable in a community or whether some short-term action or phenomenon is creating rapid growth or decline. The overall strength and stability of a local economy can contribute to a community's ability to support a conference center and provide continued investment in visitor infrastructure needed to support growth in the meeting and conference business.

Table 2-1 shows historical, current, and projected population data for Mammoth Lakes, Mono & Inyo Counties, the state of California, and the nation.

**Table 2-1
Population**

Market	1990	2000	2007	2012	CAGR	
					2000-07	2007-12
Mammoth Lakes	4,784	7,093	7,587	7,858	1.0%	0.7%
Mono County	9,956	12,853	13,376	13,726	0.6%	0.5%
Mono & Inyo County	28,237	30,798	31,802	32,462	0.5%	0.4%
California	29,760,021	33,871,648	37,483,448	40,011,731	1.5%	1.3%
United States	248,709,873	281,421,906	306,348,230	325,526,398	1.2%	1.2%

Source: ESRI 2008

From 2000 to 2007, the local population of Mammoth Lakes, Mono County and the combined area of Mono and Inyo Counties increased at a compounded annual rate of approximately roundly one percent. This rate is slightly less than the state of California and the nation, which have experienced compounded annual population increases of 1.5 and 1.2 percent respectively. This trend will most likely continue over the next five years with population growth slowing to just under one percent for the subject market.

Income Trends

Personal income levels are one of the most important indicators of a community's economic health. Trends in per capita personal income reflect the relative spending capacity of area residents, providing another benchmark for assessing the region's ability to develop and maintain both public and private services and attractions.

Table 2-2 shows income trends, as reported by ESRI, in Mammoth Lakes as well as the local county, combined area of Mono & Inyo counties, the state and nation.

**Table 2-2
Income Trends**

Market	2000			2007			2012 Projections			Average Household Income Growth Trends	
	Average Household Income	Median Household Income	Per Capita Income	Average Household Income	Median Household Income	Per Capita Income	Average Household Income	Median Household Income	Per Capita Income	2000-2007	2007-2012
Mammoth Lakes	\$60,592	\$44,575	\$24,526	\$59,453	\$82,922	\$34,334	\$102,245	\$69,596	\$42,489	-0.3%	11.5%
Mono County	57,409	44,990	23,422	56,259	75,563	31,569	66,230	91,483	38,403	-0.3%	3.3%
Mono & Inyo County	38,616	38,616	21,217	48,082	48,082	27,093	75,728	56,179	32,264	3.2%	9.5%
California	65,628	47,622	22,711	85,083	60,268	28,915	103,178	70,268	34,835	3.8%	3.9%
United States	56,644	42,164	21,587	73,126	53,154	27,916	88,685	62,503	33,873	3.7%	3.9%

Source: ESRI 2008

In 2007, Mammoth Lakes had a per capita income of approximately \$34,334, markedly higher than per capita incomes for the county, state, and nation. The average household income in Mammoth Lakes was \$59,453 in 2007, which resulted in only a slight decrease of 0.3 percent from average household income in 2000. Projections for Mammoth Lakes for 2012 predict an 11.5 percent growth in household income, typical for strongly a developing community.

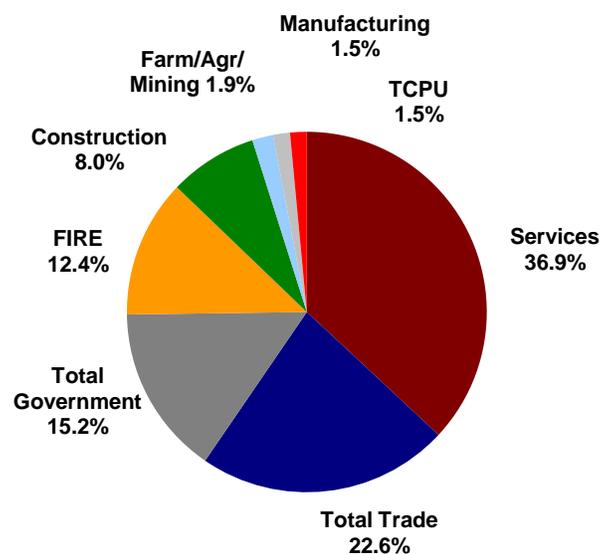
Work Force Characteristics

The characteristics of a market's workforce provide an indication of the type of transient visitation local businesses will likely generate. For example, sectors such as finance, insurance, and real estate (FIRE), wholesale trade and services produce a considerable number of visitors who are not especially rate sensitive. The government sector often generates transient room nights. However, per-diem reimbursement allowances often limit the accommodations selection to budget and mid-priced lodging facilities. Contributions from manufacturing, construction, and transportation, communications, and public utilities (TCPU) employers can also be important for the meeting industry, depending on the type of company.

Projections are formulated by Woods & Poole, and all dollar amounts have been adjusted for inflation, thus reflecting real change. This data is summarized in the following table.

Figure 2-1 shows the distribution of total employment by industry in Mono County, as reported by Woods & Poole.

Figure 2-1
Mono County Employment by Industry Sector



Source: Woods & Poole

As is typical in most markets, the services sector and trade sectors make up the two largest sectors of employment, capturing 37 and 23 percent of the market respectively. Government and FIRE sectors make up 15 and 12 percent of the Mono County job market. Unlike many larger highly developed markets the transportation, communication and public utilities sector represents just 1.5 percent of the market's workforce; also atypical is the 8.0 percent of the workforce employed in construction.

Unemployment Statistics

Labor market characteristics also can help to indicate economic health. Growth in employment can be an indicator of a growing economy and successful economic development efforts, while unemployment rates can help determine the constraints of the subject's labor market. Additionally, unemployment rates affect labor costs, and consequently will impact many conference center employees.

Table 2-3 gives full employment data for Mono County and unemployment rates for the state, and nation.

Table 2-3
Labor Force Data

Year	Mono County				Mono & Inyo County	California	United States
	Labor Force	Employed	Unemployed	Unemployment Rate			
1998	6,127	5,622	505	8.2%	7.7%	6.0%	4.5%
1999	6,140	5,726	414	6.7	6.2	5.3	4.2
2000	7,397	7,053	344	4.7	4.7	4.9	4.0
2001	7,614	7,258	356	4.7	4.6	5.4	4.7
2002	7,918	7,512	406	5.1	5.3	6.7	5.8
2003	8,341	7,919	422	5.1	5.4	6.8	6.0
2004	8,364	7,940	424	5.1	5.2	6.2	5.5
2005	8,441	8,031	410	4.9	4.6	5.4	5.1
2006	8,381	8,012	369	4.4	4.5	4.9	4.6
2007	8,959	8,504	455	5.1	5.4	5.4	4.6
Jan-08	9,268	8,862	406	4.4	5.3	6.4	4.8

Source: Bureau of Labor Statistics

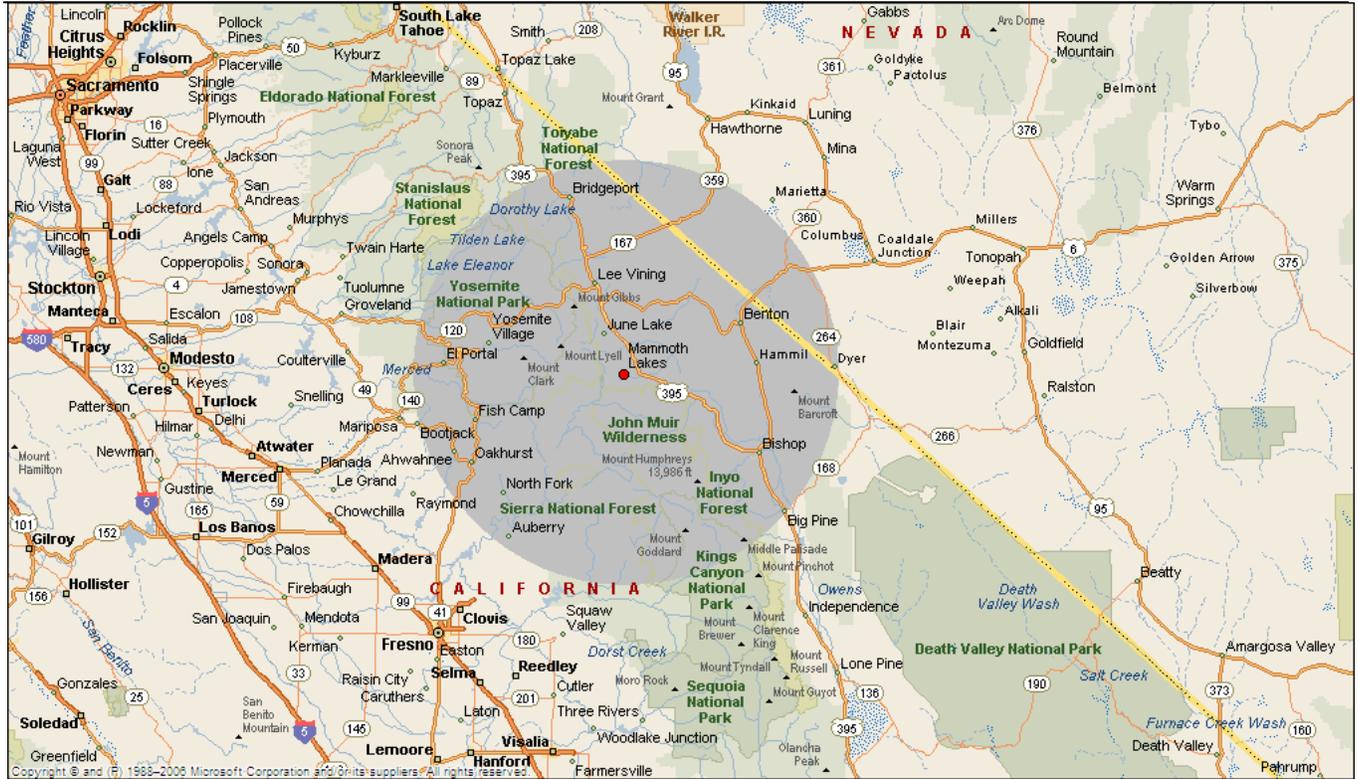
From 1998 through 2000, Mono County and the combined area of Mono and Inyo Counties have experienced significantly higher unemployment rates than the nation as a whole and slightly higher than the state of California. In subsequent years, unemployment in Mono and Mono/Inyo counties has continued to decrease to levels comparable to the state and nation. As of January 2008, the Mono County unemployment rate of 4.4 percent was the lowest it's been since 1998.

Transportation

Transportation access is a key variable in determining a community's attractiveness as a destination for meetings, conferences, and transient hotel business. Meeting and event planners specifically seek locations for their events that will allow them to maximize attendance and convenience for their delegates. Therefore, highway and air transportation infrastructure is an important consideration for any community planning a conference center.

The following map shows the road and highway system serving the Mammoth Lakes area.

Regional Access



Source: Microsoft Streets & Trips

California State Route 203 passes through Mammoth Lakes between the Madera-Mono county line and US Route 395. Mono’s County’s major roadway is US Route 395, which extends north to the Oregon state line and south to San Bernardino, California. U.S. Route 6 goes from Bishop east-west all the way east to Rhode Island. The following California State Routes 108, 120, 167, 182 and 270. Additional roadways in Mono County include the east-west SR-120,108, 167, and 270, and the north-south SR-182.

Table 2-4 shows distance and drive times to major cities in California and Nevada. Some drive times are seasonal as road accessibility and weather conditions vary greatly from summer and winter.

Table 2-4
Distance to Metro Areas

City	Distance (Miles)
Yosemite Valley*	100
Reno, NV	164
Fresno (summer)	200
Death Valley	214
Bakersfield	260
Sacramento	290
San Bernardino	290
San Francisco (summer)	300
Los Angeles	325
Fresno (winter)	357
San Francisco (winter)	360
Orange County	363
Las Vegas, NV	377
Santa Barbara	385
San Diego	400

* Eastern route closed in winter

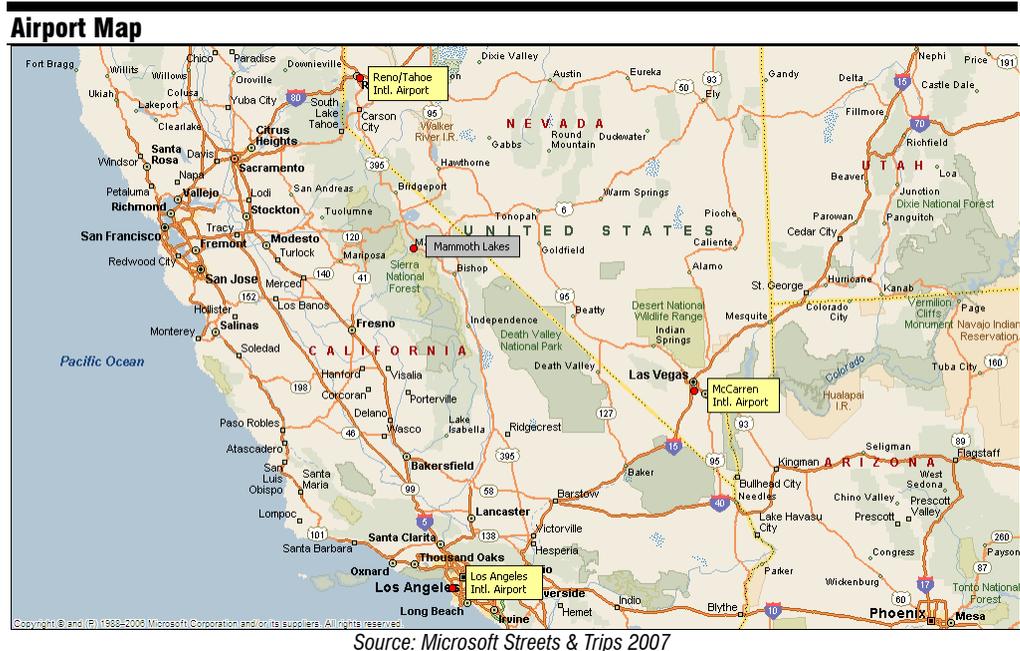
Source: Microsoft Streets & Trips 2007

Air Access

Airport passenger counts are important indicators of potential statewide and regional demand. Moreover, an area's airlift capacity is a key factor in determining whether a location is suitable for hosting statewide, regional and national events. Depending on the proximity of other markets that may be within driving distance, airport traffic is generally considered a key indicator of a market is potential to attract major regional or national events. The following map shows the region's major commercial air facilities and their proximity to Mammoth Lakes, CA.

While there is currently no commercial air service directly to Mammoth Lakes, charter air service is available through the Mammoth-Yosemite Airport which also provides regional shuttle, bus, taxi, and car rental services. From May 2008 to September 2008 the Mammoth-Yosemite Airport is undergoing runway rehabilitation and terminal construction. Horizon Air will initiate one round-trip flight daily, with roughly 40 seats, to and from the Los Angeles Airport starting on December 18, 2008. Air service from the Mammoth Lakes-Yosemite Airport may be expanded in the future to include more flights, larger planes and additional cities, depending on the initial success.

Currently, the Reno-Tahoe International Airport is the closest commercial facility and is 165 miles northwest of Mammoth Lakes on Highway 395. Mammoth Lakes is a roughly a five hour drive from Las Vegas' McCarran International Airport and Los Angeles International Airport (LAX).



Reno/Tahoe International Airport serves the Reno metropolitan area, western Nevada, and parts of eastern California. It is the closest commercial airport to the vacation and ski resort destinations of Lake Tahoe and Mammoth Lakes. Reno/Tahoe International Airport is the second-busiest airport in the state of Nevada after McCarran International in Las Vegas. The airport is serviced by a number of national carriers including Alaska, Horizon, Aloha, American, Continental, Delta, Delta Connection, Frontier, Scenic, Southwest, United, Ted, and US Airways.

Table 2-5 illustrates recent operating statistics for the primary airport facility serving the subject market.

Table 2-5
Airport Statistics

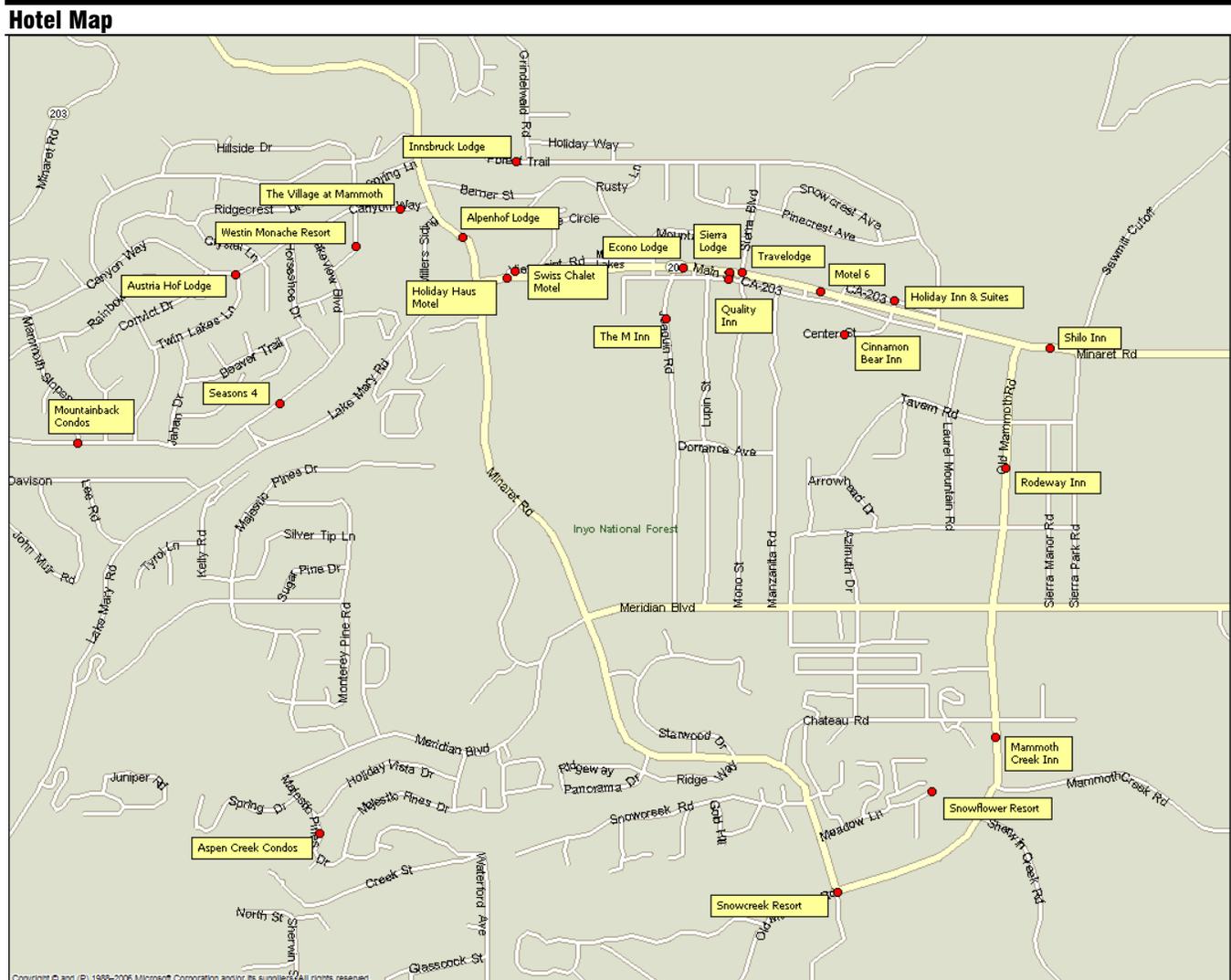
Reno/Tahoe International Airport (August)		
Year	Total Passengers	% Change
1998	6,722,673	--
1999	6,140,424	-8.7%
2000	5,626,034	-8.4%
2001	4,871,982	-13.4%
2002	4,510,406	-7.4%
2003	4,586,027	1.7%
2004	5,093,914	11.1%
2005	5,169,256	1.5%
2006	5,000,663	-3.3%
Aug-06	3,460,459	--
Aug-07	3,495,332	1.0%

Source: Respective Facilities

The average annual change during the period shown was -3.6 percent. Between 1999 and 2002, the Reno/Tahoe reported passenger volume declines between seven and 13 percent, followed by increases from 2003 through 2005. This facility recorded 5,000,663 passengers in 2006 and 3.3 percent decrease from 2005 partly reflecting a national downtrend in number of flights. The change in passenger traffic between August 2006 and August 2007 was 1.0 percent.

Local Hotel Inventory

A conference center's ability to attract out-of-town groups depends greatly on the availability of adjacent or nearby hotel rooms within walking distance. The following map shows the location of various hotels located within the town of Mammoth Lakes.



Source: Microsoft Streets & Trips 2007

The majority of Mammoth Lakes’ lodging properties are proximate to the town’s major roadways including Mains Street/Minaret Road and Old Mammoth Road. Larger hotels like Sunflower Resorts and Aspen Creek Condos are located farther from the downtown area and major infrastructure than other midscale or economy properties.

Table 2-6 provides a more comprehensive list of hotel, motel, and rental properties within 20 miles of Mammoth Lakes as reported by *Smith Travel Research*.

Table 2-6
Market Area Hotel Inventory

Property Name	Rooms	Meeting Space (sf)	Year Open	Chain Scale
Westin Monache Resort Mammoth	230	2,050	2007	Upper Upscale
1849 Condominiums at Canyon Lodge	100	400	--	Independent Upper
Alpenhof Lodge	60	call	1971	Independent Upper
Austria Hof Lodge	23	1,200	1972	Independent Upper
Boulder Lodge	62	--	1952	Independent Upper
Convict Lake Resort	29	call	1929	Independent Upper
Double Eagle Resort & Spa	32	call	1998	Independent Upper
Herdleberg Inn Resort	24	call	1927	Independent Upper
June Lake Motel	20	call	--	Independent Upper
Mammoth Creek Condos	42	call	--	Independent Upper
Mammoth Mountain Chalets	20	--	1992	Independent Upper
Mammoth Mountain Inn	213	2,650	1959	Independent Upper
Mammoth Ski Resort	133	call	1997	Independent Upper
Mountainback Condominiums	60	call	1981	Independent Upper
Snowcreek Resort	200	--	1975	Independent Upper
Snowflower Resort	88	call	1983	Independent Upper
Tamarack Lodge & Resort	33	2,750	1924	Independent Upper
Whispering Pines Resort	24	call	1965	Independent Upper
Aspen Creek	84	call	1980	Independent Middle
Cinnamon Bear Inn	22	600	1995	Independent Middle
Innsbruck Lodge	15	--	--	Independent Middle
Juniper Springs Resort	209	924	--	Independent Middle
Mammoth Creek Inn	24	750	--	Independent Middle
Reverse Creek Lodge	15	--	--	Independent Middle
Seasons 4	100	call	1972	Independent Middle
Sierra Lodge	35	call	1970	Independent Middle
Swiss Chalet Motel	21	call	--	Independent Middle
Holiday Haus Motel	16	--	1960	Independent Middle
June Lake Villager Motel	22	call	1920	Independent Lower
Holiday Inn & Suites Mammoth Lakes	72	1,740	1999	Midscale with F&B
Quality Inn Mammoth Lakes	59	call	1988	Midscale with F&B
Shilo Inn Suites Mammoth Lakes	71	770	1989	Midscale without F&B
Econo Lodge Wildwood Inn	32	call	1968	Economy
Motel 6 Mammoth Lakes	151	call	1981	Economy
Rodeway Inn Sierra Nevada	156	840	1970	Economy
Toms Place Resort	19	call	1924	Economy
Travelodge Mammoth Lakes	40	call	1998	Economy
The M	10	--	--	*
The Village at Mammoth	279	3,705	--	*

*Not listed with STR

Source: Smith Travel Research, Respective Facilities

There are currently 2,845 hotel/motel rooms throughout the market area.

Table 2-7 shows the hotel and rooms supply arranged by service level.

Table 2-7
Market Area Hotel Supply by Chain Scale

Chain Scale	Hotel Properties	Percent Total	Hotel Rooms	Percent Total
Upper Upscale	1	2.6%	230	8.1%
Independent Upper	17	43.6%	1,163	40.9%
Independent Middle	10	25.6%	541	19.0%
Independent Lower	1	2.6%	22	0.8%
Midscale	3	7.7%	202	7.1%
Economy	5	12.8%	398	14.0%
Unidentified	2	5.1%	289	10.2%
TOTAL	39	100%	2,845	100%

Source: Smith Travel Research

Independent upscale properties represent the majority of the market's lodging, comprising 44 percent of hotel properties and 41 percent of the room supply. Independent middle properties comprise 26 percent of the market, and provide 541 rooms or 19 percent of the rooms supply, while there are only three midscale properties offering a total of 202 rooms. Economy properties represent 13 percent of the properties and 14 percent of rooms.

Activities & Attractions

The Mammoth Lakes area benefits from a variety of tourist and recreational attractions and activities, including:

Mammoth Mountain – is located in the Inyo National Forest just west of Mammoth Lakes. Roughly 11,000 feet at its summit, Mammoth Mountain is a popular area for skiing and winter sports. In the summer, the mountain is attracts tourists with its panoramic views of the Eastern Sierra and the Long Valley Caldera and is a popular destination for hikers, mountain bikers, and nature enthusiasts.

Devil's Postpile – is one of the Eastern Sierras most unique geological attractions, featuring a cliff of columnar basalt towers that reach up to 60 feet. Devil's Postpile has been a national monument since 1911 and is noted for its height and marked symmetry. The area is open seasonally from early

summer through the fall and features ample trails for hiking and biking and the 101-foot Rainbow Falls.

Top of the Sierra Interpretive Center - opened in March of 2007 at a cost of \$1.5 million. Located at summit of Mammoth Mountain, the Center features five interactive exhibits highlighting the geological history of the Eastern Sierra. Additional amenities include the Top of the Sierra Café and the completely renovated Panorama Lookout Station. The Center opened in after size years of research, planning and construction from the combined efforts of the US Forest Service, US Geological Survey, the Paiute Tribal Council, and local environmental organizations.

Table 2-8 presents a more comprehensive list of activities and attractions in the subject market area.

Table 2-8
Area Attractions & Activities

Attraction	Type	Attraction	Type
Ansel Adams Wilderness Area	Nature, recreation	Mono Lake	Lake, Geological formation
Busy Beez' General Store	Shopping	Munchkins	Shopping
Color Me Mine	Shopping	Obsidian Dome	Geological formation
Crowley Lake	Lake, Geological formation	Once Upon a Christmas	Shopping
Devil's Postpile National Monument	National Park	Owens Valley	Hiking, Recreation
First street Leather	Shopping	Panache	Shopping
Gallerie Barjur	Shopping	Rhyolite Dome(s)	Geological formation
Hot Creek	Hot Spring	Soda Spring(s)	Geological formation
Hot Creek Fish Hatchery	Nature Center	Sierra Star Golf club	Golf course
Inyo National Forest	National Park	Snowcreek Golf Course	Golf course
Kamikaze	Bike Trail (mountain)	Surefoot	Shopping
Mammoth Adventure Center	Tourist/Visitor Center	Tamarack Cross Country Ski Center	Ski area
Mammoth Gallery	Shopping	The Lingerie Lounge	Shopping
Mammoth Mart	Shopping	Tonik	Shopping
Mammoth Memories	Shopping	Top fo the Sierra Interpretive Center	Specialty Museum
Mammoth Mountain	Mountain, Recreation	Troppe Borse	Shopping
Mammoth Mountain Bike Path	Bike Trail (mountain)	Yosemite National Park	Nature, recreation
McCoy Sports	Shopping	Wilderness Outfitters	Shopping
Minaret Summit	Geological formation, Recreation		

Source: Mammoth Lakes Visitor's Bureau

Market Summary & Conclusions

Mammoth Lakes has experienced population growth greater than Mono County and Inyo County, while it remains slower than the growth of California and the United States. Additionally, Mammoth Lakes and Mono County have experienced negative income growth in the past few years. However, a number of these negative economic factors are temporary and

turnaround is expected in future years. Mammoth Lakes is still developing its identity and its infrastructure and long-term planning efforts are being led by local planning and economic development officials. The town has a significant inventory of hotel condominium rooms, a large percentage being upscale, full-service properties and a wide array of nearby attractions, activities and amenities crucial in attracting meeting and conference demand. Additionally the expected air service from the Los Angeles Airport to the Mammoth-Yosemite Airport will greatly enhance the ability of Mammoth Lakes to attract additional visitation and meeting and conference demand from inside and outside the Southern California market.

3. Industry Trends

The purpose of this section is to describe the convention and meeting industry and analyze trends in the number of events, attendance, and the supply of meeting and exposition facilities. The definitions provided herein will aid in understanding the market analysis and the demand potential for the proposed Mammoth Lakes Conference Center.

Facility Characteristics

Exhibition centers, convention centers, and trade centers typically provide several types of space that are used in different combinations depending on the type of event.

- **Exhibition space** is typically the largest single area in a convention center, with high ceilings and clear spans that limit the number of support columns in the room. Large contiguous areas are divisible with movable, soundproof walls so that the halls can be used in various configurations. Most exhibition halls have a low level of finish, and their concrete floors are designed to support heavy loads. Neutral in their design, exhibit halls are more like empty stages that are appropriately decorated for each event. Loading docks with high doors allow easy loading access, and trucks may be allowed to drive on the floor. Utilities for exhibition booths are provided from boxes in the floor or dropped from the ceilings. Utilities typically include electricity, telecommunication hookups, and water, and compressed air and natural gas are sometimes included.
- **Ballroom space** is primarily designed for food and entertainment functions. Ballrooms typically have the highest level of finish in the convention center with permanent carpet and various lighting fixtures. Like exhibit halls, ballrooms also offer high ceilings, clear spans, and divisible space with soundproof movable walls. Often used as assembly space or for entertainment events, ballrooms are usually equipped for staging presentations. Sound attenuation and sophisticated sound systems are also important features of a ballroom. Close proximity to kitchen facilities is vital for the efficient delivery of food service.

- **Meeting or breakout rooms** are intended for small groups; these rooms range from 500 to 10,000 square feet. They are often divisible into smaller units to provide maximum flexibility. Meeting rooms are characteristically carpeted, and they have a high level of finish. Most meeting spaces have flat floors and no fixed seating so that they can be configured for an assortment of meeting styles. Meeting rooms offer variable lighting setups and sound attenuation, and newer facilities offer access to advanced telecommunications technology. Some meeting rooms are designed exclusively for presentations and may have fixed tiered theater-style seating and video projection capabilities. Boardrooms are elegant meeting rooms with the permanent installation of a conference table.
- **Breakout space** is synonymous with meeting and ballroom space. HVS International's analysis of US convention centers shows that the average ratio of breakout space to exhibition space is 42%.
- **Assembly halls and theaters** are frequently located within convention centers. These rooms have a large number of fixed seats and stages. Convention centers may also be connected to arena facilities that are occasionally used as assembly spaces for events with a large number of attendees.
- **Multi-purpose space** can be used as an exhibit hall or as banquet space. Similar to exhibit halls, multi-purpose rooms offer the amenities necessary for hosting exhibitions, but the level of finish is more like that of a ballroom. A multi-purpose space may also combine arena and exhibit-hall functions.
- **Pre-function space** is located just outside of or adjacent to the event space. Pre-function areas support the circulation of pedestrian traffic throughout the facility, serve as registration areas, and are essential to the control of access to event spaces.
- **Back-of-the-house space** comprises storage, loading docks, administrative offices, service corridors, kitchens, mechanical spaces, and other areas that are vital to the operation of the facility but not visible to the public.

Types of Meetings and Facility Needs

The convention and meeting industry includes several types of events, from large trade and exhibition events to conferences and corporate meetings. Each type of event has unique facility needs. Certain events require large

amounts of contiguous space, whereas other events require several smaller meeting rooms. A single event may use different types of space, including exhibit halls, banquet rooms, breakout meeting rooms, and theater seating. Event facilities need to offer the proportions of different types of space that are appropriate for their markets. We have summarized the key attributes of various types of events and their facility requirements in the following table.

Figure 3-1
Event Types and Characteristics

Event Types and Related Facility Requirements				
Event Type	Common Attendance Range	Primary Purpose	Major Facility Requirements	Typical Facility Used
Conventions with Exhibits	500 to 30,000	Information exchange and sales	Exhibition, breakout meeting space, and banquet space	Convention Centers
Conventions without Exhibits	300 to 5,000	Information exchange	Meeting space and banquet space	Hotels, Conference Centers, Convention Centers
Tradeshows	1,000 to 50,000	Sales	Exhibition and breakout meeting space for some events	Convention Centers, Trademarts, Fairgrounds, Exposition Centers
Consumer Shows	3,000 to 50,000	Advertising and sales	Exhibition space	Convention Centers, Trademarts, Fairgrounds, Exposition Centers
Combination Shows*	3,000 to 50,000	Advertising and sales	Exhibition space	Convention Centers, Trademarts, Fairgrounds, Exposition Centers
Corporate and Other Meetings	Less than 100	Training and information exchange	Meeting space (minimal)	Hotels, Conference Centers, Convention Center Meeting Rooms
Conferences	50 to 2,000	Information exchange	Meeting space and banquet space	Hotels, Conference Centers, Convention Center Meeting Rooms
Social, Military, Educational, Religious, Fraternal	25 to 1,000	Civic and social	Meeting and/or banquet space	Civic center or Auditorium
Concerts and Entertainment	500 to 10,000	Entertainment	Stage, seating, lighting, concession areas, ticket booths, and lobby	Arenas, Stadiums, Theaters, Auditoriums, Convention/Civic Centers
Assemblies	1,000 to 50,000	Information exchange	Stage, seating, and breakout meeting rooms	Convention Centers, Arenas, Stadiums, Fairgrounds

*A tradeshow with private access is followed by a consumer show with public access.

Source: HVS

HVS measures convention center demand by the number of events held in a facility. We organize events by event category. The following definitions describe each of the event categories that commonly take place in convention centers.

Conventions — Associations, professional groups, and other membership organizations hold conventions; attendance ranges from 300 to 30,000 attendees, the average of which is approximately 800 to 900. The larger of these meetings typically take place in convention centers with exhibit halls of 100,000 square feet or more. Smaller events are held in hotels and conference centers. Conventions usually consist of a number of concurrent meetings with a few general sessions. Facility needs include assembly space for general sessions, banquet facilities, and numerous breakout rooms. Approximately two-thirds of conventions use exhibit space for displays and booths.

Tradeshows — Tradeshows provide a means for wholesalers and retailers to transact business with industry buyers. Trade associations, independent show organizers, and other companies sponsor and produce trade shows. Similar to conventions, tradeshows require exhibit halls. As such, they are generally restricted to convention centers as opposed to hotel or conference center event spaces.

Like conventions, tradeshows offer a forum for exchanging industry ideas. Tradeshows are more product and sales oriented than conventions. They are exhibit-intensive, and exhibitors prefer column-free, single-story, open-space facilities. Exhibitors construct temporary custom booths for product display. Tradeshows typically attract a large number of attendees who originate from outside the host city, but their length of stay is shorter and their average spending lower than convention attendees. Many tradeshows are increasing the amount of meetings and other breakout sessions they conduct in order to augment the educational component of their events, attract more attendees, and keep attendees in the host city for longer periods of time.

Consumer Shows — Consumer shows are public, ticketed events featuring the exhibitions of merchandise for sale or display. Consumer shows provide a means of product distribution and advertising. Some consumer shows, such as auto and boat shows, have recreational and entertainment components as well. Consumer shows range in size from small, local, specialized shows with a few hundred attendees to large shows with many thousands of attendees. The larger consumer shows may occur in convention centers, shopping malls, fairgrounds, and other public-assembly facilities with large exhibition areas.

Most attendees are local residents, although a few large consumer shows have a regional or national draw. Exhibitors often come from out of town and may follow a series of events occurring in different venues. Site selection considerations for consumer shows include the size and income of the local population, the availability of facilities, and the number of competitive shows in the market. Many consumer shows are beginning to incorporate educational seminars, and the availability of meeting space is becoming increasingly important for these events.

Corporate and Other Meetings — Corporate meetings include training seminars, professional and technical conferences, sales meetings, shareholder events, product introductions, and management meetings. Attendance ranges up to 100 with an average of fewer than 50. These meetings are held in hotels with meeting space, conference centers, and sometimes in the meeting room blocks of larger convention centers. Corporate meetings usually require meeting rooms or ballroom space but not exhibition space. Larger functions are sometimes held at convention centers. Corporate meeting planners and attendees prefer facilities with business amenities and a high-quality, professional appearance.

Conferences — Conferences are events held by associations, professional groups, and other membership organizations. These events do not always require exhibit space but are otherwise similar to conventions. They require meeting space for general sessions, food service areas, and breakout meeting rooms. Hotels and conference centers host the majority of conferences.

Conventions and conferences generate a greater amount of new spending in the area economy than consumer shows and local meetings because a large percentage of attendees originate from outside the local area, typically stay several nights in the host city, and spend money on accommodations, food, retail goods, transportation, and entertainment.

Social, Military, Educational, Religious, Fraternal, and Ethnic Events — Referred to as "SMERFE" events, these events include weddings, fund-raising events, educational seminars, religious gatherings, parties, and other community events that have a civic, social, or entertainment purpose. These events typically require a ballroom or multipurpose space where food and beverage services and, in some cases, entertainment can be provided. SMERFE events are the most common type of events in most civic centers and locally oriented conference facilities. Generally, SMERFE groups are highly price sensitive with respect to hotel-room and space-rental rates.

Concerts and Entertainment — Convention centers sometimes host concerts and other types of entertainment events. The absence of fixed seating and a raked floor limits the types of events convention centers can accommodate. Concerts are problematic in exhibit halls because the concrete floors and spaciousness creates acoustic challenges. Sports events like boxing matches are sometimes set up in exhibit halls. Exhibit halls can also accommodate tournaments that include several performance spaces with simultaneous events, such as a series of mats for a wrestling meet.

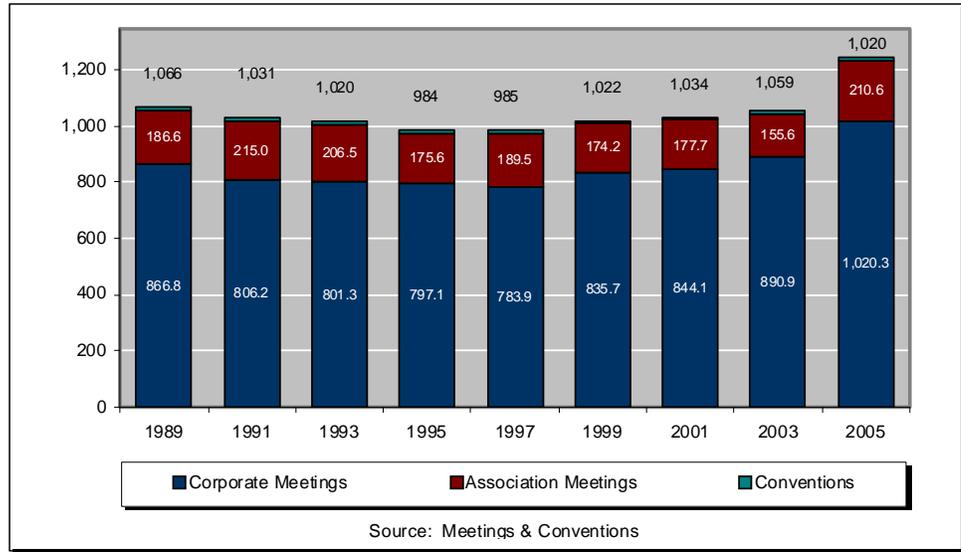
Assemblies — Assembly events usually involve a ceremony, a speech, or another similar activity that attracts a crowd of spectators. These events attract anywhere from 1,000 to 50,000 people or more and many require arena or stadium seating. Assemblies stem from many of the same sources as SMERFE events, but they are less likely to involve a food and beverage element. These events do not usually require large amounts of exhibit and meeting-room space.

Number of Meetings

The analysis of demand trends is based on the *Meetings Market Report*, published every two years by Meetings & Conventions Magazine. The *Meetings Market Report* has been published since 1974, and is based on meeting planner survey data collected by third-party research firms. HVS has reviewed data from the most recent *Meetings Market Report* (2006), which reflects data from 2005. This data indicates continued increases in demand in the meetings and convention industry, as measured by two key demand variables: the number of events booked last year and the annual attendance at these events.

Corporations, associations, and convention planners book more than one million meetings in the United States each year. The following graph shows the total number of meetings held annually in these three specific meeting segments throughout the past 17 years.

Figure 3-2
Total Number of Meetings (in Thousands)

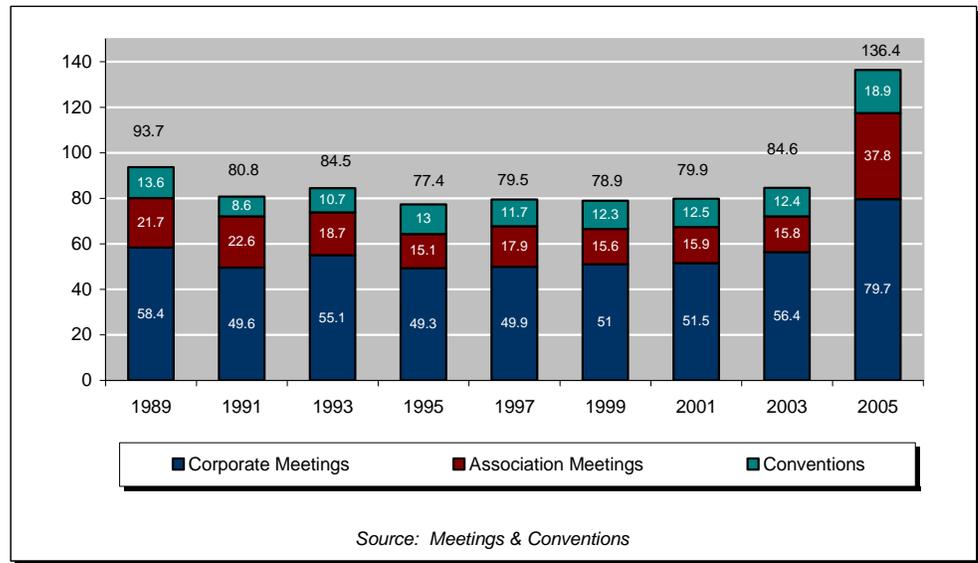


For the past two decades, the United States has hosted approximately one million meetings and conventions each year. Most events are corporate meetings, but associations also generate a large number of meetings. Over the past 17 years, between 10,200 and 12,700 conventions were held in this country on an annual basis. The total number of meetings and conventions has stayed in a somewhat narrow range from 1989 to 2003. In 2005, survey methodology changed, increasing the total number of meetings significantly. However, we believe that the 2005 data indicates there is some real growth.

Attendance Trends

In the United States, approximately 80 million people participated in meetings and conventions each year from 1989 to 2003, while roughly 136 million people participated in meetings and conventions in 2005. The following graph shows total attendance figures for the meeting industry between 1989 and 2005.

Figure 3-3
Attendance (in Millions)



During the 1990s, total attendance in the meetings industry declined from its peak level in the late 1980s. This downward trend appeared to level in 2001 with a larger increase in 2003. The significant rise in attendance in corporate and association meetings and conventions in 2005 is in part due to the survey methodology change previously discussed. However, we believe that this data represents some real growth in attendance.

The table below shows the average meeting size for these three market segments over the past 17 years. The compound annual growth rate (“CAGR”) for each meeting category shows the rate of change in average attendance over each two-year period on an annual basis.

Figure 3-4
Average Attendance by Type of Event

Type of Event / Growth	1989	1991	1993	1995	1997	1999	2001	2003	2005
Conventions									
Average Attendance	1,079	843	907	1,193	1,035	1,060	1,059	1,016	1,488
CAGR ¹	--	-11.6%	3.7%	14.7%	-6.8%	1.2%	0.0%	-2.0%	21.0%
Associations									
Average Attendance	116	105	91	86	94	90	89	102	179
CAGR ¹	--	-4.9%	-7.2%	-2.6%	4.8%	-2.6%	0.0%	6.5%	33.0%
Corporate Meetings									
Average Attendance	67	62	69	62	64	61	61	63	78
CAGR ¹	--	-4.4%	5.7%	-5.2%	1.5%	-2.1%	0.0%	1.9%	11.1%

¹ Compound annual growth rate

Source: Meetings and Conventions

While attendance had been in decline from 1989 onward, the average meeting size was falling as well. Before 2005, meeting size peaked in 1995 when the average convention had 1,193 people in attendance. Data from 2003 showed a 2.0 percent decrease in convention attendance, but also showed a 6.5 percent increase in association attendance and a 1.9 percent growth in corporate meeting attendance. While data from 2005 represents a change in survey methodology, a part of the increase is believed to be real growth. Therefore, data from 2005, in addition to increases in 2003, showing average attendance, along with previously discussed demand factors, indicates a climb in demand in the industry.

Tradeshow Trends

The following table shows the historical growth in exhibit-space square footage, the number of trade and consumer shows, and the net square footage of exhibit space that exhibitors use. *Tradeshow Week* data focus on larger consumer shows, trade shows, and conventions in the United States and Canada with exhibitions that typically occur in convention and exhibition centers.

Figure 3-7
Historical Annual Supply of Exhibit Space, Number of Trade & Consumer Shows, and Net Square Footage Used

Year	SF of Exhibit Space (millions)	% Change	Number of Trade & Consumer Shows	% Change	Net Square Feet Used (millions)	% Change
1989	47.3	--	3,289	--	3,218	--
1990	52.0	9.8%	3,783	15.0%	3,388	5.3%
1991	54.6	5.0%	3,887	2.7%	3,510	3.6%
1992	55.9	2.3%	4,066	4.6%	3,489	-0.6%
1993	57.7	3.3%	4,172	2.6%	3,507	0.5%
1994	60.6	5.1%	4,316	3.5%	3,686	5.1%
1995	60.1	-0.9%	4,315	0.0%	3,855	4.6%
1996	62.0	3.2%	4,400	2.0%	4,094	6.2%
1997	63.0	1.6%	4,336	-1.5%	4,299	5.0%
1998	63.0	0.0%	4,295	-0.9%	4,591	6.8%
1999	63.4	0.6%	4,503	4.8%	4,858	5.8%
2000	65.5	3.3%	4,637	3.0%	5,047	3.9%
2001	67.6	3.2%	4,333	-6.6%	5,203	3.1%
2002	72.4	7.1%	4,342	0.2%	5,125	-1.5%
2003	77.2	6.6%	4,578	5.4%	4,854	-5.3%
2004	80.5	4.3%	4,778	4.4%	4,834	-0.4%
2005	82.3	2.2%	4,889	2.3%	5,012	3.7%
2006	85.1	3.4%	5,001	2.3%	5,590	11.5%
2007	85.9	0.9%	5,036	0.7%	6,409	14.7%
CAGR 89-07		3.0%		2.0%		4.1%

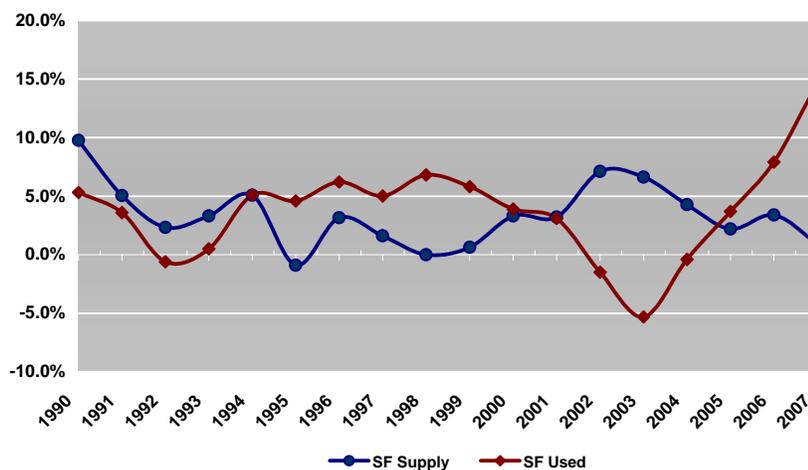
Source: Tradeshow Week

The demand for exhibit space declined between 2000 and 2004. During this same period, a substantial number of facility expansions and new projects increased the supply of exhibit space at a rate that exceeded the historical supply growth rate. Because development projects are planned and funded many years before their completion, changes in supply generally lag behind key economic indicators. This phenomenon created a booking environment that strongly favored event planners, as facility managers often had to make significant financial concessions in their efforts to attract business from a smaller pool of events with more competition.

In 2005, demand growth resumed. Demand growth continued at an accelerating pace through 2006 and 2007 as this industry, and the economy at large, expanded. Currently, the demand for exhibit space and the level of supply is at its highest level in history.

The following table presents in graphic form the previously shown *Tradeshow Week* data on the total square feet of exhibit space available and the total amount of square feet that events utilize.

Figure 3-8
Annual Percent Change in Square Feet of Exhibit Space and Square Feet of Exhibit Space Used



Source: *Tradeshow Week*

The chart shows that the rate of change in the demand for exhibit space was consistently above the rate of change in supply between 1994 and 2001. During this period, several expansions and new convention centers were planned in response to the strong growth in the demand for space. However, the economic downturn helped cause the demand for space to plummet beginning in 2001. Responding to this decline in the demand for space, the rate of increase in the supply began a steady decline in 2003 with a small increase in 2006. The rate of increase in demand has been on a steady up climb since 2003. In 2007, the change in supply was .94 percent and the change in demand was 14.7 percent, indicating growth in demand and further decline in the increase of supply.

The following table presents exposition budgets of organizations, as reported by event planners. This data is taken from the *Annual Meeting Markets Survey*, a report from *Convene Magazine*, which surveyed event managers and planners.

Figure 3-9
Exposition Budget Trends

Year	< 100	100-499	500-999	1,000-2,500	2,500+
2006	8.0%	18.0%	15.0%	19.0%	20.0%
2005	6.0%	14.0%	17.0%	24.0%	25.0%
2004	9.7%	24.2%	17.7%	23.2%	20.2%
2003	6.1%	32.6%	19.6%	24.8%	17.2%
2002	6.6%	27.3%	14.8%	27.0%	14.5%
2001	6.0%	21.0%	17.0%	25.5%	18.5%
2000	8.0%	22.0%	17.0%	24.0%	16.0%
1999	9.0%	32.0%	16.0%	22.0%	13.0%
1998	9.0%	29.0%	20.0%	26.0%	16.0%
1997					
1996	7.6%	36.1%	14.5%	20.3%	15.1%

Source: Annual Meeting Markets Survey

In past years, most planners reported their organizations' exposition budget was \$1- \$2.5 million, while a majority of planners recorded budgets of \$2.5 million and above for the first time in 2005. From 1996 to 2004, a large percentage of budgets recorded were between \$100,000 and \$499,999, while a much smaller percentage recorded budgets in that bracket in 2005 and 2006. The large percentage of budgets over \$1 million from 2004 to 2006 indicates growth in size of exposition budgets.

The following presents average expenditures per day for delegates, event organizers, and exhibitors. The data is from the *ExPact 2004 Convention Expenditure and Impact Study*.

Figure 3-10
Expenditures

<u>Delegate Expenditures</u>		
	<u>Daily Expenditures</u>	<u>% of Total</u>
Lodging and Incidentals	\$126.45	47.62%
Food and Beverage	\$76.16	28.68%
Hotel Food and Beverage	\$26.38	
Other Food and Beverage	\$49.78	
Entertainment/Recreation	\$8.29	3.12%
Tours and Sightseeing	\$5.57	
Recreation	\$1.86	
Sporting Events	\$0.86	
Retail	\$29.16	10.98%
Transportation	\$25.30	9.53%
Local Transportation	\$8.42	
Auto Rental	\$6.66	
Gas, Tolls and Parking	\$10.22	
Other	\$0.17	0.06%
Total	\$265.53	
<u>Event Organizer Expenditures</u>		
	<u>Daily Expenditures</u>	<u>% of Total</u>
Food and Beverage	\$28,235.23	26.57%
Exhibition Space Fees	\$24,876.67	23.41%
Services Hired	\$23,415.45	22.04%
Equipment Rental	\$10,309.55	9.70%
Staff Living	\$6,575.13	6.19%
Advertising (in Event City)	\$3,811.05	3.59%
Technology Services	\$1,758.04	1.65%
Additional Space	\$1,277.16	1.20%
Local Transportation	\$1,076.55	1.01%
Other	\$4,916.60	4.63%
Total	\$106,251.43	
<u>Exhibiting Company Expenditures</u>		
	<u>Daily Expenditures</u>	<u>% of Total</u>
Staff Living	\$897.79	50.16%
Vendor Services	\$219.86	12.28%
Food and Beverage	\$217.07	12.13%
Equipment Rental	\$188.97	10.56%
Advertising (in Event City)	\$51.53	2.88%
Local Transportation	\$50.44	2.82%
Services Hired	\$37.86	2.12%
Additional Meeting Rooms	\$28.15	1.57%
Other	\$98.34	5.49%
Total	\$1,790.01	

Source: ExPact2004

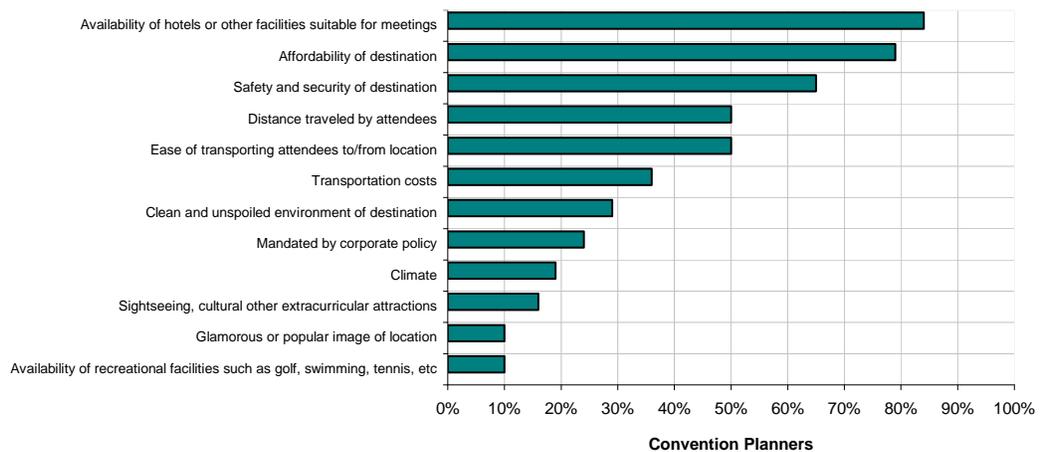
Delegates and exhibiting companies spent the most on lodging, with exhibiting companies spending over 50 percent of their expenditures on lodging alone. Event organizers spent almost the same percentage on exhibition space fees and services hired as on food and beverage. Delegates spent roughly 28 percent on food and beverage, while retail spending topped both transportation and entertainment for delegate expenditure.

**Event Planner Location
Criteria**

The following data is from *Meeting Market Report's* survey asking respondents how important certain factors were in selection of a destination for their

major convention. The graph below shows the factors that meeting planners ranked in order of importance for the destination selection process.

Figure 3-11
Share of Convention Planners Citing Factors as Important in Selection of Destination



Source: *Meetings and Conventions*

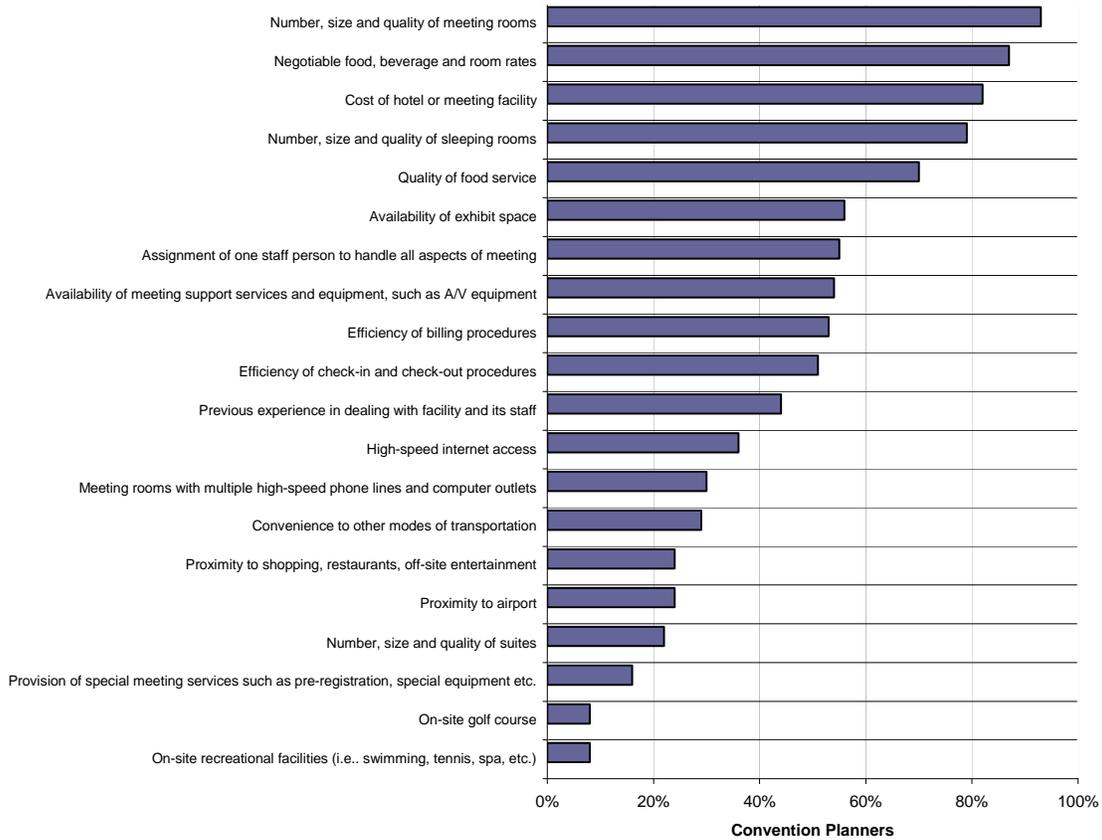
Key criteria for planners included the availability of hotels or other facilities suitable for meetings and affordability of the destination. In addition, ranking high in importance, was safety and security of destination, distance traveled by attendees, and ease of transporting attendees to/from the location. Both the image of the location and the availability of recreational facilities fall least important in determining a destination.

Meetings and Conventions also asked respondents how important certain factors were in selecting a facility or hotel for their major convention. The factors that were cited as being the most important for site selection were number, size and quality of meeting rooms, and negotiable food, beverage, and room rates. Also influential to planners' decisions was the cost of hotel or meeting facility and the number, size and quality of sleeping rooms.

The Mammoth Lakes Conference Center will fulfill crucial planner needs for a substantial number of meeting rooms, and an affordable destination, as a lower cost alternative to other California destinations and competing mountain resort destinations. Unfortunately, ease of transportation and transportation costs currently act as a barrier for some portion of meeting and convention demand. However, accessibility issues will be alleviated, to some

degree, when air service begins from Los Angeles to Mammoth Lakes beginning December 18, 2008.

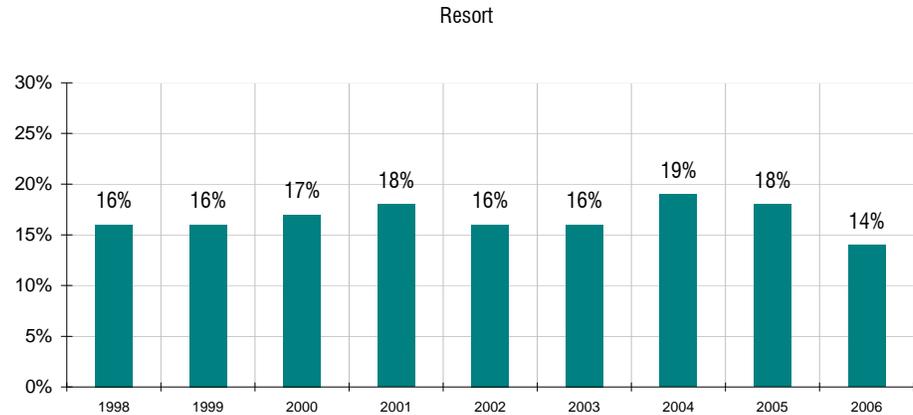
Figure 3-12
Share of Convention Planners Citing Factors as Important in Selection of a Facility/Hotel



Source: Meetings and Conventions

Convene Magazine asked planners at what type facility they held their meetings. The following table presents the average percentage of events held in resorts from 1998 to 2006. The graph illustrates that the resort market continually draws in a significant portion of all events. Although the resort market does not fluctuate much, the strongest year for resorts appears to be 2004, with 2006 experiencing the weakest event demand at resorts with 14 percent.

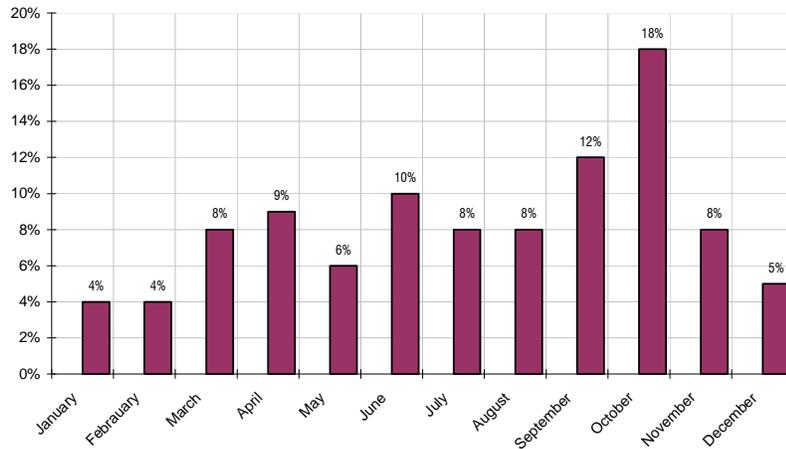
Figure 3-13
Share of Planners Holding Events at Resorts



Source: Annual Meetings Market Survey

The following table presents the seasonality of expositions, displaying which months draw the greatest number of events. October and September draw the greatest number while June and April also are popular months. The winter months of November, December, and January, on average, attract the least amount of meetings and conventions. Convention demand historically has peaked in the spring and fall months, which are shoulder months for hotels in Mammoth Lakes, and therefore ideal months to fill in meeting and group demand. Summer months, which the proposed Mammoth Lakes Conference Center will strongly target for meetings and conventions, are also relatively strong.

Figure 3-14
Seasonality

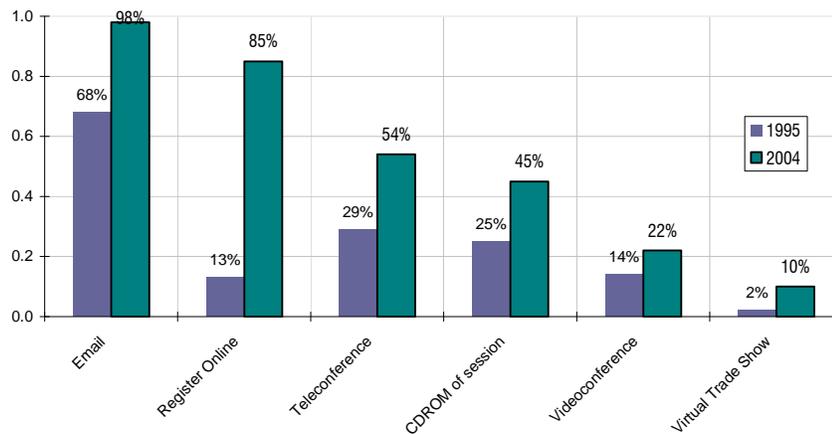


Source: Meetings and Conventions

Use of Technology in Meeting Facilities

Overall, the meeting and conference industry uses a moderate amount of technology during events – typically computers with Internet access and audiovisual presentation equipment. In the past decade, technological requirements and the complexity of technology used at meetings and conventions has increased dramatically, as indicated in the graph below.

Figure 3-15
Technology Used to Deliver Meeting Content



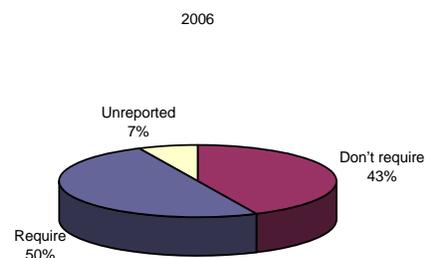
Source: Annual Meetings Market Survey

From 1995 to 2004 the amount of planners who use online registration has skyrocketed, with only 13 percent using it in 1995 and 85 percent employing

it in 2005. For use during meetings and conventions, teleconference ability is reported as having been required 54 percent of the time in 2004, a large difference from only 29 percent in 1995. Videoconferencing has grown slightly more popular, while the virtual trade show still lacks strong demand.

The variety of methods used for delivering meeting content indicates that conference center facilities need to be as flexible as possible in how they are configured. Conference center facilities need to incorporate design elements that facilitate the use of a wide variety of technologies. The numerous methods used for delivering meeting content suggest that portable elements or easily adaptable elements are preferred to permanent, built-in elements. Over 50 percent of planners reported that they required wireless access at meetings and conventions in 2006 as shown in the graph below.

Figure 3-16
Wireless Access



Source: Annual Meetings Market Survey

Emerging Industry Trends

Over the past few decades, the meeting and convention industry has evolved dramatically from a budding industry to a more mature one that has become an important driver of the national economy. Currently, industry expenditure estimates are over \$40 billion per year. As an established industry, the rapid growth of the last four decades is not likely to persist. However, continued evolution and growth can be expected on a controlled scale. We have identified the following emerging industry trends.

Supply and Demand Equilibrium — Since the majority of convention and meeting facilities involve public funding, the expected relationship between supply and demand found in the private sector does not necessarily hold true for the meeting and convention industry. Public entities are motivated to develop event centers because they seek to stimulate local economic activity by attracting new visitors to the community. These public entities are not

constrained by the need to achieve a return on investment in the facility. Rather, convention and meeting facilities are considered "loss leaders" for overall expenditures in the local economy. This disengagement between the rationale for an increase in supply and the given available demand has the potential to lead to an overbuilt situation as currently planned new construction and expansions are completed. However, public entities are constrained by limitations on tax resources to support these developments. If event facilities do not produce the expected economic impacts, the justification for increasing public support of convention and meeting facility development will become less politically viable. These political constraints are likely, in the long run, to keep the supply of space commensurate with demand.

Quality of Supply — As the industry has matured and competition among cities has become more intense, meeting planner expectations for quality have increased. For example, the proximity of full-service hotels to event facilities has become a primary determinant in the decision to locate a meeting at a particular location. Cities lacking suitable hotel properties typically lose business to cities with a superior "hotel package." Similarly, advanced communications technologies in event centers are now routinely expected. Furthermore, surveys of meeting planners show that expectations for quality service have become one of the most important site-selection criteria. In an oversupplied market, quality expectations are likely to increase in importance.

Emergence of "Destination Meeting Resorts" – Several resort communities such as Las Vegas and Orlando have emerged as primary meeting resort destinations. These cities have undergone rapid growth in the supply of hotels, resort conference centers, and convention center facilities, and this new supply has been quickly absorbed with new business. Destination meeting resorts have a strong tourist appeal and an attractive climate in common, and they offer an appealing experience for the event attendee. Their ability to attract a large number of attendees is a prime consideration in site selection. Cities with such strong appeal are likely to continue to be the most successful event destinations in terms of overall number of attendees.

Additionally a number of ski resorts, in recent years, have built convention centers in an attempt to attract the summer visitor. With most of these resorts located within a two-hour drive from a major metropolitan city, many of these ski destination convention centers have experienced success. Stimulating team building and creative thinking, offering centralized

amenities and activities for everyone, including the family, and the overall appeal of the destination for attendees draw event planners to ski resorts.

Propensity to Travel — The declining cost of travel (in real terms) and the increase in the propensity to travel are the primary drivers of long-term growth in the meeting industry. Recent events that temporarily reduced the ability and desire to travel clearly demonstrate the importance of propensity to travel for this industry. In the long run, however, expansions in the transportation system and continued innovations that reduce costs and increase the ease of travel are likely to support the growth of the meeting industry.

Improved Communications Technology — Over the past decade, industry experts have speculated a great deal that improvements in telecommunications technology would supplant the need for face-to-face meeting. To date, there is no evidence that video conferencing or the Internet have become a viable substitute for in-person communication. Society still prefers person-to-person interaction to exchange ideas and information and build relationships. To the extent that improvements in communications technology have contributed to overall economic growth, they have more likely fostered the growth of the meeting industry.

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

Implications for Mammoth Lakes

HVS assumes the proposed Mammoth Lakes Conference Center will target corporate meetings, banquets, civic events, and state association conference and convention demand. Additionally, HVS projects that the facility will host a handful of consumer shows related to skiing and other winter and summer outdoor activities.

Continued growth in the corporate demand depends largely upon continued growth of the national and local economies. The seasonality of conventions and meetings, opposite of the highest visited months in Mammoth Lakes,

should aid in the ability to balance meeting and group demand with leisure demand.

The proposed Mammoth Lakes Conference Center, with at least one adjacent hotel and a variety of dining and retail options within the immediate area, will offer amenities that event planners find crucial, especially in a destination resort. As a unique destination with significant recreational amenities, Mammoth Lakes may attract more events to Mammoth Lakes, while transportation issues will remain a concern for many event planners.

4. Development Models & Comparable Facilities

Development Models

There are two potential facility models for the proposed Mammoth Lakes Conference Center — an integrated hotel conference center and a stand-alone conference center without an integrated hotel. While there are significant fundamental differences between these two development models, different potential ownership and operating structures for each of these models, results in five potential models that we have seen succeed in other communities. For each of the five models, unique ownership and operating structures result in different marketing and sales strategies, as well as different means of measuring success, and different levels of economic impact on the community.

While each of the five models offer its own distinct advantages and disadvantages, understanding the circumstances under which each model works best often provides a better guide to the most appropriate model for a proposed development. Additionally, the goals and desires of the community, regarding public financing, financial performance of the facility and economic impacts on the community, can identify one or two of the most suitable models for the proposed development.

HVS will first present a description of each of the five models and then will provide an analysis of comparable facilities for each of the models.

Integrated Hotel Conference Center Models

The integrated hotel conference center model represents a full-service hotel with significant conference center space. In recent years, it has become increasingly important to meeting planners that key amenities their event attendees will use are all integrated into a single building or closely grouped buildings . Adjacent hotel rooms have become a crucial factor in meeting planners' decision making. Although there are a significant number of successful stand alone convention/conference centers, new supply is more likely to be successful if it offers some of the amenities, such as adjacent hotel rooms, meeting planners require. Especially in a market such as Mammoth Lakes, with a lack of adjacent or nearby full-service traditional hotels, an

integrated hotel conference center would increase the attractiveness and marketability of the conference center to meeting planners.

Financially, the integrated hotel conference center model allows for the minimization of food and beverage operating costs, primarily due to shared back-of-house space that serves both the hotel and conference center. Additionally, this model potentially allows for a singular sales and marketing department and team. While the conference center side of the project operates at a loss, the combined conference center and hotel yields significant profits and major economic impacts for the community.

However, the hotel conference center model may result, depending on the ownership and operating structure selected, in a conference center booking strategy that aims to induce the greatest number of room nights. This booking strategy, while benefiting the hotel, may result in fewer bookings of community events or events that would create significant economic impacts to the community. However, this is somewhat less of a concern in the Mammoth Lakes market, as a majority of potential demand for a hotel conference center would create significant economic impacts on the community.

An integrated hotel conference center and a stand-alone conference center measure performance differently. An integrated hotel conference center measures performance on the number of room nights their conference center induces for the hotel, which generates greater revenue for the facility than rental and food and beverage revenue. Therefore, occupancy, segmentation of total demand for the hotel conference center, and percent of meeting and group demand that comes specifically because of the conference center, results in the number of room nights induced by the conference center. This figure, then analyzed, allows for the comparison of a number of comparable facilities. Additionally, a number of hotel conference centers report total events and attendance at these events, while these figures are reported than room nights induced by the conference center.

Public Ownership

In this model, the integrated full-service hotel and conference center are both publicly owned with a private operator. The public funds both the construction of the conference center and a portion of the operating costs. A single private operator, typically a hotel brand, operates both the hotel and

the conference center. This model, with a single operator for both the hotel and the conference center, allows for cost savings in the sales and marketing department.

This model is most often used when the public does not trust the private operator in terms of bookings. As mentioned previously, it may happen that the private operator would rather book a low-impact event that increases revenue, but does not stimulate new economic impact, rather than cutting a deal for a high-impact event that would stimulate new economic impact for the community but would not bring in significant revenue for the facility. While this model allows for the community to influence the booking strategy of the conference center seems attractive, there remains a long-term commitment to fund a portion of the operating costs of the facility.

Public- Private Partnership

In this model, the conference center is publicly owned, while the hotel is privately owned. Both the hotel and the conference center are operated by a single private operator. Again, this model, with a single operator for both the hotel and the conference center, allows for cost savings in the sales and marketing department. This model has become one of the most popular in recent years, because both the public and private share costs and risks. Additionally, this model benefits both the public and private sides of the partnership.

In this model, the public only needs to fund the initial construction of the conference center, rather than commit to ongoing support of the operating costs. Therefore, the public is not consuming as large of long-term risks. However, the public is unable to affect the bookings strategy to maximize economic impact on the community. The advantage for the private operator is that they essentially acquired meeting space for free, as they did not have to pay the capital for it. Additionally, they control of the bookings of the conference center so they are better able to maximize room revenue.

Private Ownership

In this model, both the conference center and the hotel are privately owned and operated. Typically, this model is not financially feasible. Additionally, as conference centers characteristically stem from the public's aspirations for a

public assembly facility, some financial involvement by the public is often implicit.

Although there are a few examples of this model being used effectively, they are rare. They are a number of examples which were built and operated for a few years as a public- private partnership, but have recently sold the conference center to the owner of the hotel.

Stand-Alone Conference Center

The stand-alone conference center model represents a conference center with no attached integrated hotel. This is one of the most traditional models implemented by the public sector in hopes of stimulating economic impact and economic development for the community. However, stand-alone conference centers typically do not generate enough revenue to cover their operating expenses and repay construction costs over time. This model relies on the private sector to build amenities adjacent to it, including restaurants and retail outlets. Additionally, the model typically results in the eventual building of adjacent or nearby headquarters hotel.

The Mammoth Lakes market, lacking a traditional hotel, would most likely require the addition of a traditional hotel development adjacent to the facility. However, since the hotel would not be integrated with the facility it does not offer some of the advantages of an integrated hotel conference center, specifically lacking the ability to minimize sales costs, food and beverage costs. Additionally, a non-integrated adjacent hotel maybe not have the ability to coordinate bookings between the hotel and the conference center as well as an integrated facility would. However, that being said, they are many successful examples of this model.

Public Ownership

In this model, the stand-alone conference center is publicly owned and operated, without an integrated hotel. This is historically, the most commonly chosen model with expectations of it stimulating new economic impact for the community and economic development within the community. However, this model represents a long-term commitment by the public, as the public funds both the construction of the facility and the ongoing operating costs. Additionally it requires the community to have the desire, the staff, industry knowledge and means to support the successful operation of the facility.

Private Ownership

In this model, a stand-alone conference center is privately owned and operated, without an integrated hotel. This model is similar to the private hotel conference center model in that it is also very rare and is typically not feasible. This model is typically not the result of the community desiring a new conference center, but rather represents a private enterprise targeting some specialty group or some specific niche in the market that other facilities cannot entertain.

Analysis of Examples of Each Model

The purpose of this section is to analyze successful examples of all five models. In this section, HVS compares the facility programs, demographic market factors, and performance measures of selected hotel conference centers and stand-alone conference centers. Selected facilities are comparable to the subject in several important ways. In addition to featuring similar facility programs to the proposed Mammoth Lakes Hotel Conference Center, a majority of facilities are located in popular tourist destinations and/or resort locations. HVS reviewed facility programs, market characteristics, and performance data for 12 comparable facilities. In this section HVS analyzes the following properties:

Integrated Hotel Conference Centers

Public Ownership

- Hilton Conference Center Vancouver
- Coralville Marriott and Conference Center

Public- Private Partnership

- Embassy Suites Dallas- Frisco
- Marriott Meadowview and Conference Center
- The Chattanooga

Private Ownership

- Resort at Squaw Creek
- Hyatt Lake Tahoe
- St. Regis Monarch Beach

Stand-Alone Conference Centers

Public Ownership

- San Francisco Conference Center
- Monterey Conference Center

Private Ownership

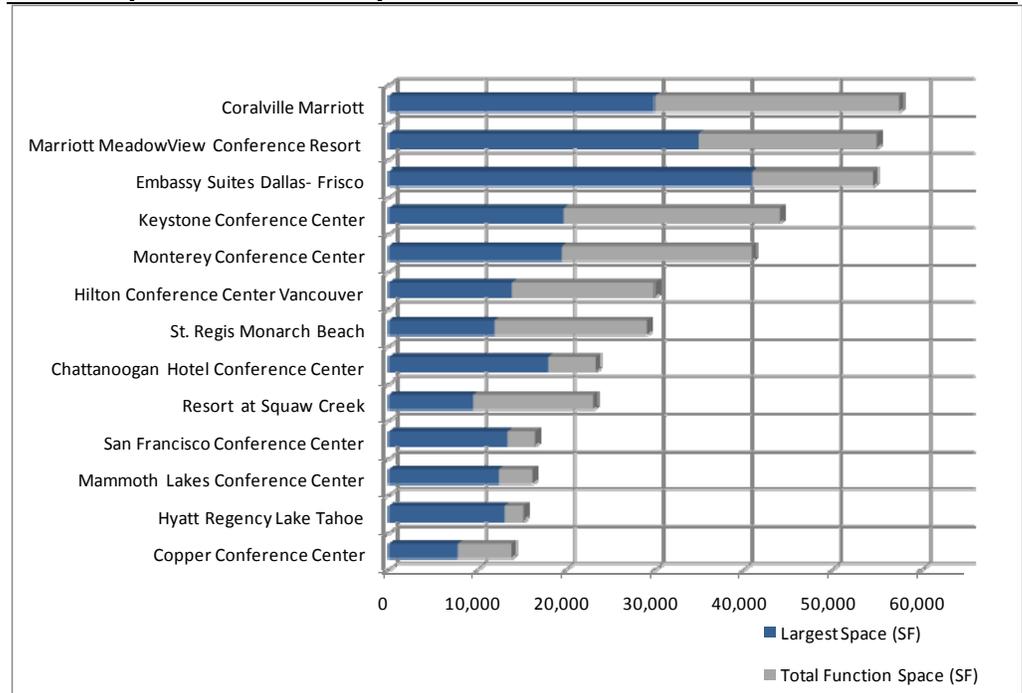
- Keystone Conference Center
- Copper Conference Center

Size & Scope of Comparable Facilities

The selected facilities are not all expected to compete directly with the proposed facility in Mammoth Lakes, although a handful of the facilities may act as competitors to the proposed facility. Instead, these comparable projects provide some background and precedent for estimating demand potential for a project of this size and scope. In this section we review the ways in which these other projects are similar or different to the subject and what these other projects may be able to teach us about the likely performance of a conference center in Mammoth Lakes.

Initially, in order to better understand the positioning of individual facilities, HVS analyzed the total function space each facility offers. Figure 4-1 shows total function space available at each of the selected comparable facilities. The figure also shows how much space is available in the largest single hall or room.

**Figure 4-1
Function Space Available at Comparable Facilities**



Source: Respective Facilities

Total function space ranges from about 14,000 square feet at the Copper Conference Center to roughly 57,588 square feet at the Coralville Marriott. The proposed conference center in Mammoth Lakes would fall towards the bottom of the range with 16,200 square feet of function space. Only four of the comparable facilities offer a single ballroom or exhibit hall larger than 20,000 square feet, including the proposed Mammoth Lakes Conference Center.

**Integrated Hotel
Conference Center**

**Public Ownership
Model**

The **Hilton Conference Center Vancouver**, built in 2005, is owned by the City of Vancouver and operated by Hilton Hospitality, Inc. The 226-room facility, which is LEED certified, sits in downtown Vancouver, Washington, roughly twelve miles from the Portland International Airport and ten miles from downtown Portland. The facility features a grand ballroom of roughly 14,000

square foot ballroom, a 7,500 square foot junior ballroom, and nine meeting rooms totaling 8,338 square feet.

According to management at the Hilton Conference Center Vancouver, the property, which is still ramping up demand, as it just opened in 2005, does a significant amount of group demand. A majority of its demand comes from local and regional groups, traveling Seattle, the Bay Area in California and Western Montana. The property has been successful at attracting associations, which constitutes roughly 60 percent of their group demand, while 30 percent of their demand stems from local and regional corporate demand and 10 percent from local SMERF demand. Some of the Clark County's largest employers include Hewlett Packard, S.E.H. America, Georgia-Pacific Corporation, AVC Vancouver Corporation and Columbia Machine, Inc.

With no other conference facility in the City of Vancouver, the Hilton Conference Center Vancouver was developed to accommodate community and local events, as well as attract regional group demand from neighboring states to stimulate economic activity in Vancouver's downtown. Originating as part of a downtown development plan, the Hilton Vancouver Conference Center sits in the Esther Short District, appropriated for mixed-use developments, including apartments and retail outlets, office buildings, while future plans call for this area to connect with the Waterfront area.

The **Coralville Marriott and Conference Center**, located adjacent to the Iowa River and the University of Iowa, sits in Coralville, Iowa near Iowa City and the other Quad Cities. The 280-room facility, owned by the City of Coralville was developed as part of the Iowa River Landing Project, which includes a retail/apartment building adjacent to the Coralville Marriott. The facility features a 30,000 square foot exhibit hall, a 15,000 square foot ballroom, divisible into five sections, and a 7,200 square foot ballroom, also divisible into five sections. The second floor features ten meeting rooms totaling 5,388 square feet.

Table 4-1 below illustrates the estimated induced demand for the two public integrated hotel conference center models.

Table 4-1
Public Integrated Hotel Conference Center – Induced Demand

	Hilton Conference Center Vancouver	Coralville Marriott and Conference Center
Location	Vancouver, Washington	Coralville, Iowa
Convention Space	29,000	57,590
Guest Rooms	266	280
Room Night Demand	60,196	51,100
Group Demand	27,088	25,550
Estimate Induced Demand	24,379	20,440
Induced Demand Per Room	91.7	73.0
Induced Demand Per CCSF ¹	0.84	0.35

¹ Convention Center Square Footage

Source: Respective Facility Managers, City of Coralville, City of Vancouver and HVS

Due to the lack of additional conference space within a reasonable distance of the Hilton Vancouver Conference Center, roughly 90 percent of group demand is induced by their conference center, resulting in 24,379 room nights induced for the facility. The Coralville Marriott conference center induces 20,440 room nights, due to lower occupancy and smaller group and meeting demand. The Hilton Vancouver conference center induces roughly 0.84 room nights per conference center square foot, while the Coralville Marriott conference center only induces 0.35 room nights per conference center square foot, in part due the large ratio of function space to guest rooms, much higher than that of the Hilton Vancouver. Nonetheless the Hilton Vancouver conference center, mostly as a result of the facility's market and its proportion of conference center space to number of guest rooms, appears to induce more demand than the conference center at the Coralville Marriott.

Public-Private Partnership Model

The **Embassy Suites Hotel and Conference Center** sits in Frisco, Texas, approximately 30 miles north of the City of Dallas. The facility opened in 2005 and had a total development cost of \$60 million. Approximately \$40 million went to the hotel and \$20 million was used for the conference center. The City of Frisco owns the conference center while John Q Hammons Inc. (JQH) owns the hotel. JQH is responsible for the daily management of both the

hotel and the conference center. The conference center has approximately 54,600 square feet of rentable function space. The connected hotel has 330 guest rooms. The Frisco Grand Ballroom encompasses nearly 41,000 square feet of function space, and divides into nine break-out rooms. Six meeting rooms account for 12,800 square feet of meeting space.

According to management at the Embassy Suites, group demand accounts for roughly 70 percent of all demand, with strong demand from the corporate sector. Near Legacy Business Park and Hall Office Park, with a number of corporate headquarters in the Frisco area, including EDS, Frito Lay North America, Cadbury Schweppes, and SANYO Energy, corporate demand accounts for 55 percent of group business. The SMERF segment contributes roughly 35 percent of group demand, due to the large number of pharmaceutical companies in the State of Texas, while associations, mostly from the State of Texas, contribute 20 percent of demand.

The facility hosts annually approximately 300 meetings, with average attendance between 50 and 75, and 120 conferences/conventions, with average attendance between 150 and 200. Roughly 65 to 70 events per year are contributed by the SMERF segment, while a handful of sporting events and two tradeshow round out group demand, which results in annual attendance in the range of 50,000 to 57,000 attendees. The facility does not hold any consumer shows, and only hosts two annual tradeshow, due to its lack of an exhibit hall. With growing corporate presence and ongoing economic development, management and the City alike, foresee a steady pace or increased pace of group demand.

The **Marriott Meadowview Conference Resort & Convention Center** is in Kingsport, Tennessee. Kingsport, Tennessee is between the Appalachian and Great Smoky Mountains, approximately 102 miles northeast of Knoxville. The facility was opened in 1996 with a total cost of \$16 million. Eastman Chemical Corp. owns the hotel component, while the City of Kingsport owns the convention center. Marriott Corp. operates both the hotel and the convention center. The hotel has 195 rooms, and the convention center has a total of 54,596 square feet of total function space. Nearly 35,000 square feet of the convention center is exhibition space. The convention center has a total of 6,216 square feet of meeting space, and roundly 13,600 square feet of ballroom space.

The Marriott Meadowview underwent capital improvements in 2006 that included a major renovation of the hotel lounge and permanent carpeting for

the convention center exhibit hall. Future plans include an expansion of the Marriott hotel, which could add up to 110 additional guest rooms in the near future. The City of Kingsport is also contemplating the possible addition of several breakout meeting rooms and conference rooms at the convention center.

According to management at Meadowview Conference Resort, average occupancy is approximately 66 percent this year at the hotel. This represents approximately 46,700 room nights annually. Group demand accounts for approximately 40 percent of total room night demand. Associations make up roughly 50 percent of group demand. Corporate groups make up another 40 percent of group demand. SMERF and other groups make up the remaining 10 percent of group demand at the Meadowview Conference Resort.

The **Chattanooga Hotel Conference Center** is located in the historic Southside area, approximately ten blocks from a newly revitalized riverfront entertainment district of Chattanooga and roughly two and half hours from the Nashville International airport. Owned by the city and operated by Benchmark Hospitality, the facility opened in 2001 and offers 202 guest rooms.

The Chattanooga features 23,340 square feet of function space. The facility features a ballroom of 7,752, divisible into four sections and five large meeting rooms offer 6,787 square feet of space. Additionally, the Chattanooga offers 13 meeting rooms totaling 6,405 square feet. The facility also offers an amphitheater of 2,392 square feet, with tiered fixed seating for 85.

According to management at the Chattanooga, approximately 50 percent of business is group demand. Of this group demand, roughly 40 percent is association and 40 percent is corporate. The association demand mostly consists of state associations, while corporate demand includes local, state and regional demand including northern sections of Georgia. Additionally, SMERF contributes 20 percent to demand. A majority of all demand is a drive-in market, with core business having an average of 30 attendees, staying two nights. Competing with the nearby Chattanooga Convention Center, the facility hosts two to four events per week, all of which are meetings or conferences.

Table 4-2
Public-Private Partnership Integrated Hotel Conference Center- Estimated Induced Room Nights

	The Chattanooga	Embassy Suites Hotel and Conference Center Frisco	Marriott Meadowview
Location	Chattanooga, TN	Frisco, TX	Kingsport, TN
Function Space	25,000	54,600	53,000
Guest Rooms	202	330	195
Room Night Demand	48,662	86,724	46,700
Group Demand	29,197	60,707	23,350
Estimate Induced Demand	18,978	45,530	18,680
Induced Demand Per Room	93.95	137.97	95.79
Induced Demand Per CCSF ¹	0.76	0.83	0.35

Source: Respective Facilities, HVS

Despite their differences in number of guest rooms and total function space, both The Chattanooga and the Embassy Suites Hotel and Conference Center Frisco induce similar room nights per guest room and per conference center square feet, both acting as prime examples of a successful hotel conference center. The group and meeting segment of demand at the Marriott Meadowview constitutes only 50 percent of all demand, and the ratio of function space to guest rooms is much larger than the two comparable facilities. Therefore, the Marriott Meadowview has considerably lower induced demand per conference center square foot than both The Chattanooga and the Embassy Suites Hotel and Conference Center Dallas Frisco, while the it still induces almost as many room nights as the Chattanooga.

Private Ownership Model

The **Hyatt Regency Lake Tahoe Resort and Casino** sits on the Northeast side of Lake Tahoe, with 422 guest rooms, some of which are private lakeside cottages. Roughly twenty miles from the Reno Tahoe International Airport, the Hyatt Regency Lake Tahoe is removed from a majority of the other properties in the Lake Tahoe region.

The Hyatt Tahoe features roughly 15,170 square feet of total function space. The facility offers significant conference space including a ballroom of 7,346 square feet, divisible into six smaller meeting rooms, and a ballroom of 5,813 square feet, divisible into three sections. Three meeting rooms combine for 1,196 square feet, and two boardrooms each offer 812 square feet of meeting space. An outdoor tent offers 6,000 square feet of outdoor event space.

The **Resort at Squaw Creek** sits in Olympic Valley, California northwest of Lake Tahoe, approximately 30 miles from the Reno-Tahoe International Airport. The Resort features 405 rooms, roughly half of them being suites with kitchen facilities. The Resort, which just completed a \$53 million renovation, is a ski-in, ski-out facility with an adjacent 18-hole championship golf course.

The Resort features 23,030 square feet of function space. It features a ballroom of 9,525 square feet, divisible into four sections and ballroom of 5,120 divisible into two sections. The facility also offers twelve meeting rooms totaling 8,385 square feet, with a sun deck for outdoor events of 6,000 square feet.

According to management at the Resort at Squaw Creek, approximately 60 percent of all demand is group demand. The largest portion of group demand is generated by corporations for sales meetings, incentives, and conferences. Approximately 30 of group demand is generated by state associations from Nevada and California, while only 10 percent of demand is contributed by local demand. The facility experiences strong seasonality tendencies with low shoulder seasons in May and September, and strong demand in the peak winter months of December, January and March, and summer months of June, July and August.

The **St. Regis Monarch Beach** is located in Dana Point, California, off of the Pacific Coast Highway, midway between Los Angeles and San Diego. It opened in 2001 and sits in between two major cities, but overlooking the Pacific Ocean, it provides a secluded vacation spot for business and travel customers.

The St. Regis Monarch Beach features 29,212 square feet of meeting and banquet space. It features a ballroom of 12,000 square feet, divisible into three sections and a ballroom of 5,800 square feet, also divisible into three sections. It also offers ten meeting rooms offering roughly 10,000 square feet of meeting space. Outdoor flexible use space totals 33,176 square feet.

According to management at the St. Regis Monarch Beach, approximately half of demand is group demand. A large percentage, roughly 65 percent, of group demand comes from the association market. While some of these associations are State of California associations, a significant portion of demand are national extensions of California associations. As a destination market, the summer accounts for a majority, roughly 68 percent, of group demand, with the highest demand between the months of April and November. A large percentage of all group demand, with the exception of national events, is a drive-in market.

Table 4-3
Private Integrated Hotel Conference Center- Estimated Induced Demand

	Hyatt Lake Tahoe Resort and Casino	Resort at Squaw Creek	St. Regis Monarch Beach
Location	Incline Village, NV	Olympic Valley, CA	Dana Point, CA
Convention Space	15,167	23,030	29,212
Guest Rooms	422	403	400
Room Night Demand	103,200	76,489	106,580
Group Demand	41,280	45,894	52,290
Estimate Induced Demand	16,512	25,242	44,447
Induced Demand Per Room	39.1	62.6	111.1
Induced Demand Per CCSF ¹	1.09	1.10	1.52

Source: Respective Facilities

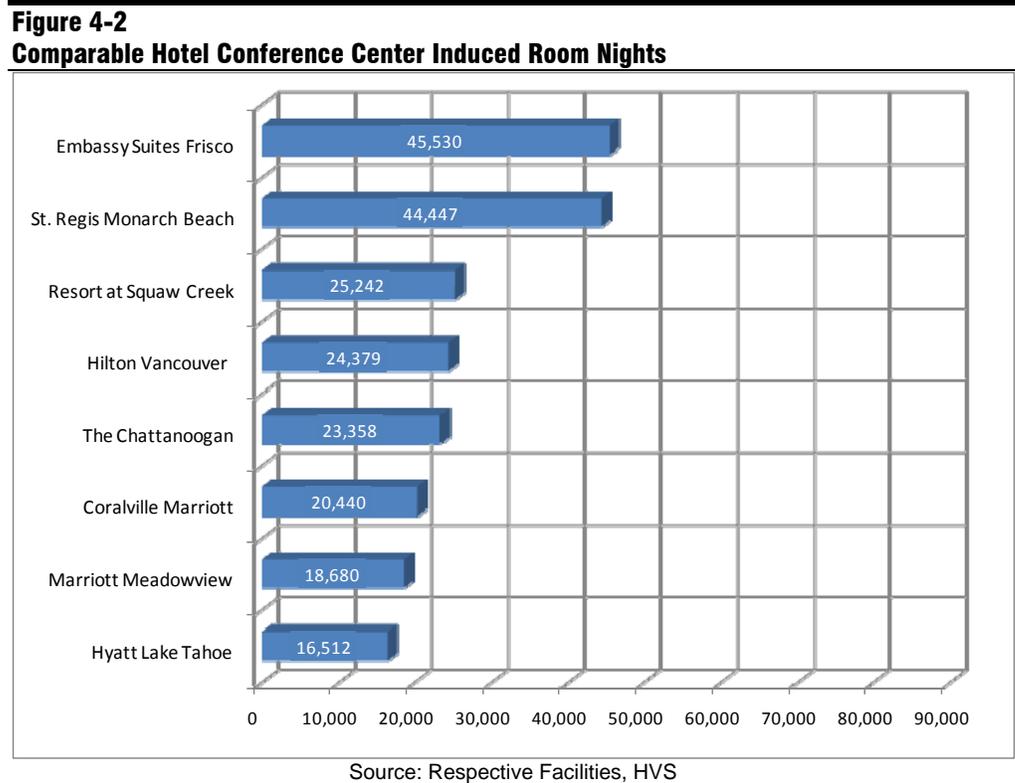
The St. Regis Monarch Beach induces the greatest number of rooms at 44,447 induced room nights as a result of strong meeting and group demand and the conference center inducing a majority of all group demand to its secluded, destination location. Inducing 111.1 guest rooms per square foot and 1.52 guest rooms per conference center square foot, the St. Regis Monarch Beach is a good example for a new hotel conference center in a destination location, with the conference center inducing 85 percent of all group and meeting demand.

In comparison, the Hyatt Lake Tahoe Resort and Conference Center does not attract as strong of group and meeting demand. With other conference facilities in the area, the Hyatt Lake Tahoe Resort and Conference Center hosts a large number of banquets, but these events do not induce a large number of room nights. While the conference center induces only 39.1 room nights per guest room, its limited function space results in a competitive induced demand per conference center square foot.

The group and meeting demand at the Resort at Squaw Creek, a definite competitor to a potential hotel conference center in Mammoth Lakes, dominates the facility’s total demand. With 62.6 induced room nights per guest room and 1.10 induced room nights per conference center square foot, the facility falls within the mean of comparable successful hotel conference centers.

Comparable Hotel Conference Center Induced demand

Figure 4-2 below shows the number of induced room nights for each comparable hotel conference center.



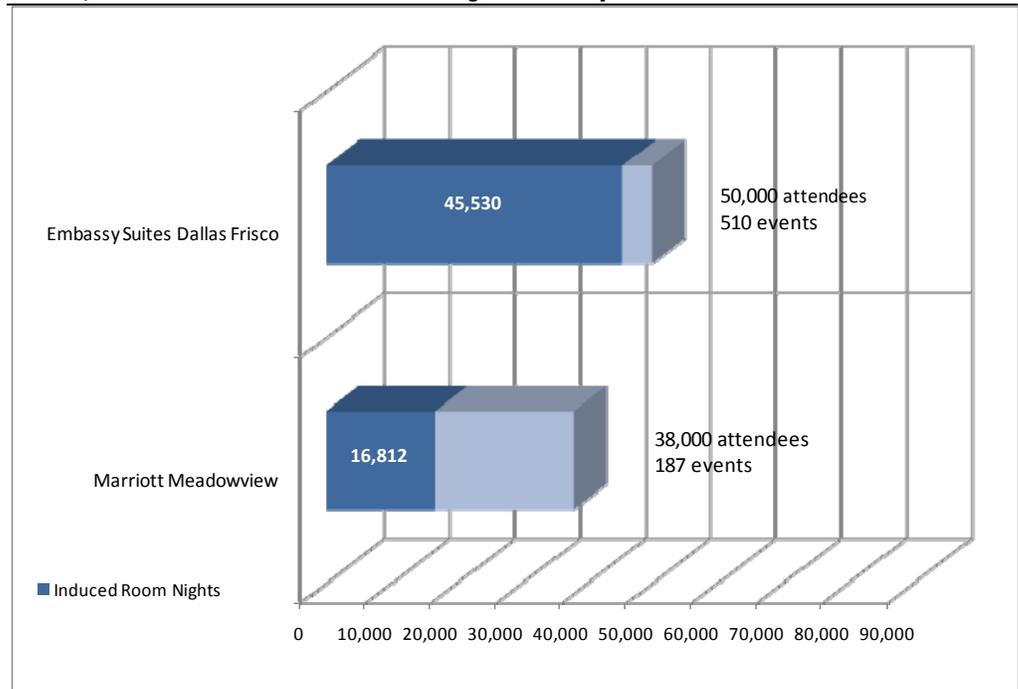
The Embassy Suites Frisco and the St. Regis Monarch Beach induce the greatest number of room nights with 45,530 and 44,447 induced room nights, respectively. The Marriott Meadowview, with only 195 guest rooms, and the Hyatt Lake Tahoe, with 400 guest rooms, induce less than 20,000 room nights.

Events and Attendance at Hotel Conference Centers

For two of the hotel conference centers, HVS obtained the total number of events and attendance for each of these facilities in the past year. Figure 4-3

shows the total events, attendance and induced room nights at three hotel conference centers.

Figure 4-3
Events, Attendance and Induced Room Nights at Comparable Hotel Conference Centers



Source: Respective Facility Managers, HVS

The Embassy Suites Dallas Frisco hosts 510 events, resulting in 45,530 induced room nights and 50,000 attendees. The Marriott Meadowview, with less group and meeting demand as a percentage of total demand for the facility, hosted 187 events, totaling 38,000 attendees, resulting in 16,812 induced room nights. As is apparent from the above figure, the conference center at the Embassy Suites Dallas Frisco induce more room nights than the conference center at the Marriott Meadowview.

**Stand-Alone
 Conference Centers**

Public Ownership

The **South San Francisco Conference Center**, located in South Francisco, sits six minutes from the San Francisco International Airport. The facility features a 13,500 square foot ballroom, divisible into eight sections and a 3,000 square foot meeting room, divisible into two sections. The City of South San Francisco owns this conference facility and the City Council established a local Conference Center Authority to manage the facility.

According to HVS interviews with management, the South San Francisco Conference Center hosted 400 events in 2007. Approximately 65 percent of event demand came from corporate groups; a majority of these events are corporate meetings, conferences and seminars, almost all of which stimulate room nights. Roughly 25 percent of event demand came from the association and government market. The remaining 10 percent came from SMERF groups, including a number of weddings, local banquets and weekend community educational events. Additionally a significant portion of both corporate and association demand comes from the national market, in addition to the regional market.

The groundbreaking of the **Monterey Conference Center**, located in Monterey, California, was held in 1975, while the facility opened in 1977. The MCC is owned by the City of Monterey and has a contract with the Portolo Plaza Hotel for use of its major ballroom. Although they do not actively try to sell the ballroom to allow for short-term bookings of the ballroom by the Portolo Plaza Hotel, the Monterey Conference Center hosts a few large events needing the extra space that are allowed overflow into the Portolo Plaza Hotel.

The MCC offers 19,600 square feet of unobstructed exhibition space in the Serra Exhibit Hall. It also features the De Anza ballroom of 10,655 square feet and nine meeting rooms totaling 5,451 square feet. A forum room provides 5,260 square feet of flexible meeting/conference space. Three lobbies, one on each floor, offer pre-function space.

According to management, the Monterey Conference Center functions primarily as a host for State of California events. National demand has been relatively low, which management partially attributes to the size of the main ballroom relative to larger resort conference centers. Historically associations have represented approximately 28 percent of group events. The corporate segment represents approximately 22 percent of group events. The SMERF segment represents about 14 percent of group events. The remaining 36 percent of group demand consists of consumer shows, non-profit events, and

other meetings. The facility also hosts a large number of local government meetings, civic events, and several community festivals that generate additional attendance.

Private Ownership

The **Keystone Conference Center** located in Keystone, Colorado is east of Vail, approximately 99 miles from Denver International Airport. Vail Resorts owns and operates the facility. A set of assessments supports the financial operations of the center. The Keystone Conference Center features a 19,800 square foot ballroom exhibit hall, a 16,000 square foot ballroom and a 3,950 square foot ballroom. It also offers 4,430 square feet of meeting space.

Management at the Keystone Conference Center indicated that, currently, the corporate segment constitutes 45 percent of total group demand and the association segment constitutes another 45 percent of total group demand, while SMERF only constitutes 10 percent of total group demand, with the medical segment dominating SMERF demand. However, due to current economic conditions, the association business, management reported, remains more stable and reliable. A majority of group demand is national, especially during peak seasons. The facility typically only serves local demand during the shoulder seasons.

In recent years the accessibility of the Keystone Conference Center has been a growing concern for event planners, as the struggling economy has led them to scrutinize travel costs more closely and consider holding their event regionally. Management also reported that the lack of an adjacent hotel causes significant lost business for the facility, even though the conference center sits within easy walking distance of a number of hotels.

While the facility does offer a 20,000 square foot exhibit hall, the facility often divides the hall and sells it as meeting space to small corporate and association events. The Keystone Conference Center is owned by the Keystone Resort and thus sales are focused on inducing the greatest number of room nights for the surrounding hotel proprietaries, a majority of which are also owned by the Keystone Resort.

Management reported that the facility hosts approximately 800 meetings/conferences a year. 60 percent of the meetings/conferences each

induce roughly 100 room nights over the entirety of the event, which typically induces between two and three overnight stays. The other 40 percent of the meetings and conferences are significantly larger, inducing as many as 1,000 room nights over the entirety of the event. The facility also hosts roughly six conventions annually, drawing in roughly 300 attendees per event, one consumer show annually and frequent special events for military throughout the winter. Local events, as mentioned earlier, are not as frequent due to the marketing and sales strategy of the facility.

The **Copper Conference Center** in Copper Colorado sits in the center of the Village, across from ski slope access. The facility, roughly 90 miles from the Denver International Airport, is privately owned and operated by Intrawest ULC. The Copper Conference Center features a 7,776 square foot ballroom, divisible into three sections, a large meeting room divisible into three sections and two additional meeting rooms.

Table 4-4
Events and Attendance at Comparable Stand-Alone Conference Centers

Data Year	Monterey	Keystone	South San Francisco
	CY 2006	CY 2007	CY 2007
Number of Events			
Conventions & Tradeshows	58	6	25
Conventions	280	0	
Tradeshows	0	0	
Conferences	0	0	
Consumer Show	5	1	0
Combo Shows			
Banquet	14	5	35
Meeting/Conference	61	800	320
Assembly	0	0	
Sports	0	0	
Concerts & Entertainment	0	0	
Other	20	10	20
Total	158	822	400
Average Attendance			
Conventions & Tradeshows	523	300	450
Consumer Show	1,505	1,000	0
Banquet	556	350	360
Meeting/Conference	207	150	270
Other	2,869	250	500
Overall Average	732	155	301
Total Attendance			
Conventions & Tradeshows	30,356	1,800	11,250
Consumer Show	7,525	1,000	0
Banquet	7,788	1,750	12,600
Meeting/Conference	12,602	120,000	86,400
Other	57,378	2,500	10,000
Total	115,649	127,050	120,250

Source: Respective Facilities, HVS

HVS prepared events and attendance data based on information received from facility managers, interviews with facility managers and HVS estimates. While the number of events among the three comparable venues differ greatly, they all result in similar total attendance figures.

The Keystone Conference Center hosts the largest number of events, with 822 total events, due to the large number of meetings the facility hosts. The South San Francisco Conference Center hosted 400 events, again most of which are meetings, resulting in 120,250 total attendees. The Monterey Conference Center has a large number of conventions and tradeshow due to its association market demand, and significantly fewer meetings. Even though it hosts significantly fewer events than the other two comparable facilities, its convention and tradeshow demand, in addition to large events categorized as “other” results in a similar total attendance figure of 115,650. However, The Keystone Conference Center’s market and demand segments may be the best indicator of the potential demand for a hotel conference center in Mammoth Lakes, specializing in attracting small to medium sized meeting and conferences from the corporate segment and some larger conferences from the association market.

5. Survey Results and Key Informant Interviews

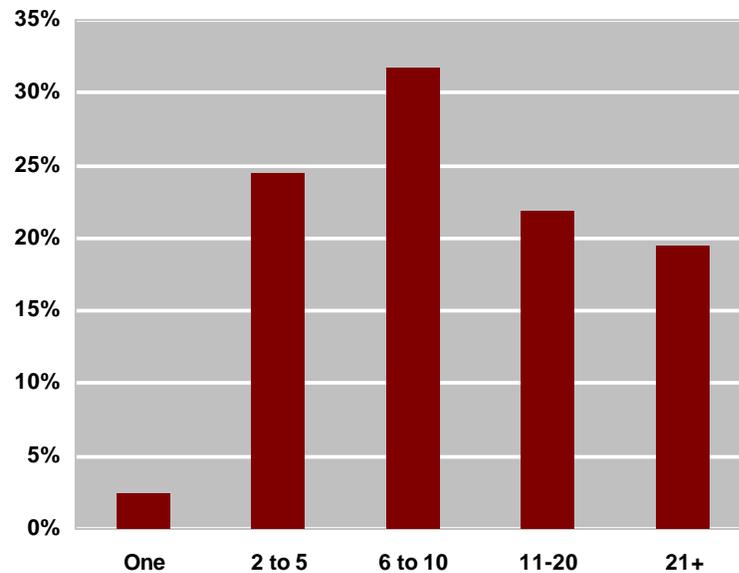
A thorough analysis of conference center demand potential and the development of facility recommendations rely in part on direct, detailed input from event planners. Event planners play a leading role in selecting event locations and provide valuable insight regarding the overall attractiveness of a market and its convention facilities relative to other potential event locations. HVS conducted a web-based survey of state association and corporate event planners throughout California. Our sample included event planners from two publications - Meeting Planners International and the California Society of Association Executives.

This survey is not intended to serve as a statistically valid measure for the future demand for the facility, but rather serves as a tool to measure the general interest level in a new convention facility and to determine how event planners view Mammoth Lakes as a potential location for their events.

HVS designed the survey instrument and conducted all surveys in-house. Surveys were conducted on-line. HVS invited 394 event planner professionals to participate in the survey. The survey yielded 48 complete responses after two rounds of surveys. This represents a completion rate of approximately 12 percent, which is within a normal response rate range compared to other surveys of this nature that we have conducted in recent years.

The majority of surveyed event planners plan between six and ten events per year. Approximately 24 percent plan between two and five events each year, only three percent plan just one event per year. The high number of meetings planned in the market area indicates a wide range of events from small banquets and training sessions to larger conventions.

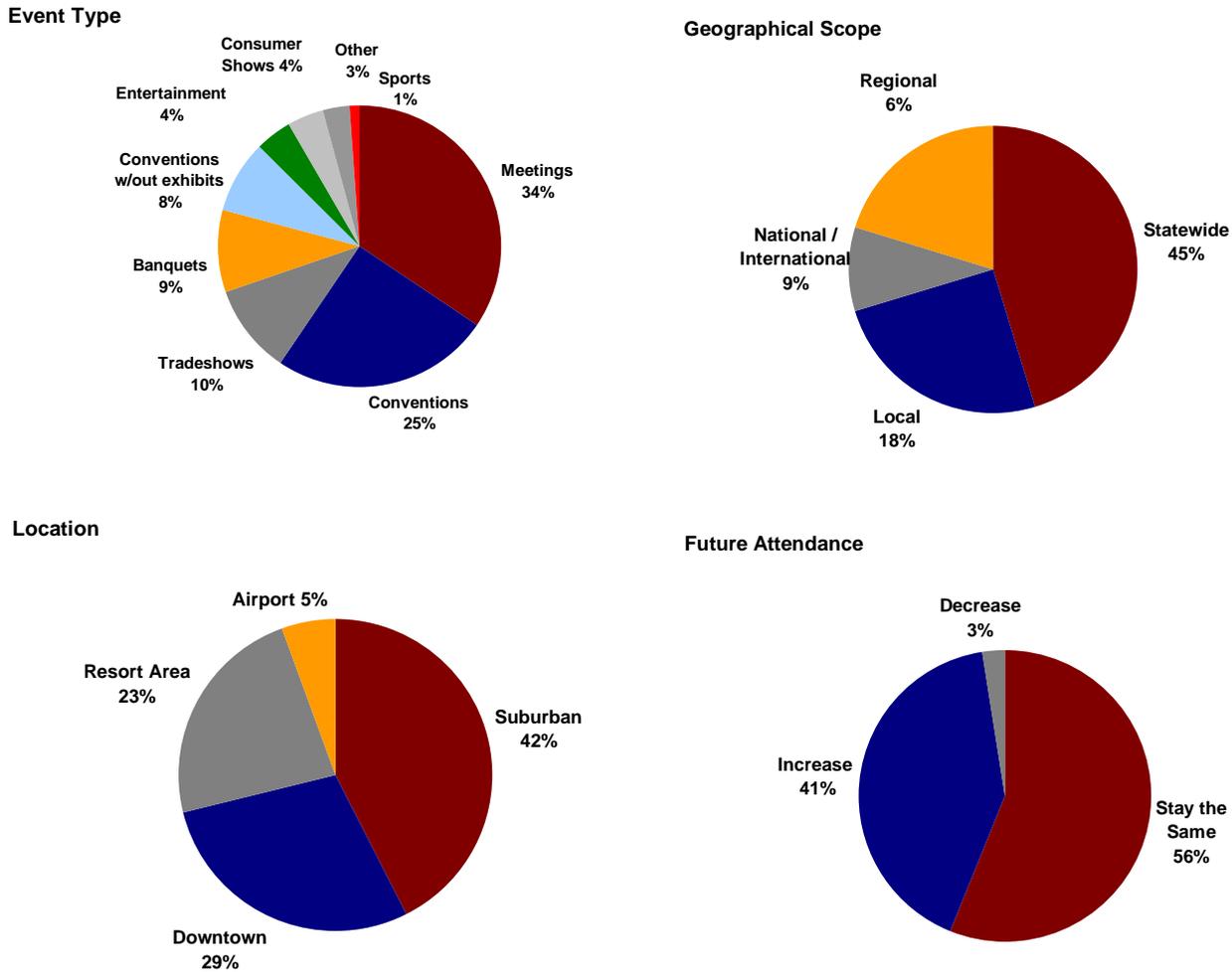
Figure 5-1
Events Planned per Year



Source: HVS Survey

Event planners were asked to describe the types of events they plan, as well as the event's general location, geographic scope, and attendance. Their insights are important because they can help the facility's management team identify the most likely potential market segments to target in future sales and marketing campaigns. HVS tabulated and summarized the event data as shown in Figure 5-2.

**Figure 5-2
Event Characteristics**



Source: HVS Survey

The majority of survey respondents plan meetings and conventions (with exhibits) are the two most common types of events planned by survey participants followed by tradeshows, banquets, and conventions without exhibits. Survey respondents prefer suburban and downtown locations to facilities in resort areas like Mammoth Lakes; over half of those surveyed are planning events for a statewide or local population. Over half of those surveyed plan events for state or local populations. HVS asked event planners to forecast future attendance trends during the next five years. The majority

of event planners are optimistic: 56 percent expect attendance to remain stable, while 41 percent expect attendance to increase. Only three percent of expect attendance to decline over the next five years.

Delegates and attendees that come from out of town are likely to have the greatest impacts on the local economy. Overnight visitors require lodging, which is one of the largest spending categories for most event participants. In addition to the overall number of attendees, the longer an event lasts, the greater its impact is likely to be for the local economy and host community. HVS asked survey participants to estimate the total length and average number of attendees. Survey respondents represent a broad sample of event planners, organizing a varied range of small, large and multi-day events, as shown in Table 5-1 below.

Table 5-1
Event Length & Attendance

	Attendees	Move-In Days	Event Days	Move Out Days	Total Length
Low	15	1.0	1.0	1.0	3.0
High	8,000	4.0	4.0	4.0	12.0
Average	954	2.2	2.6	2.6	7.5

Source: HVS Survey

The average event planned by survey respondents lasts a total of about 3.6 days, including move-in and move-out days. Some events do not need move-in and move-out days. Other events may require up to 4.0 move-in days and 4.0 move-out days, depending on how much equipment they have and how elaborate the exhibits. Some events such as meetings and banquets may last only one day or a part of one day. Most large tradeshows and conventions last multiple days.

Overnight visitors require lodging, which is one of the largest spending categories for most event participants. In addition to the number of attendees, hotel rate requirements are another indicator of an event's economic impact on the market area. Because they are one of the largest areas of spending for a meeting planner, hotel affordability adds or detracts to a market's overall appeal. The hotel room rates preferred by survey respondents are shown in Table 5-2 below.

Table 5-2
Hotel Room Rates

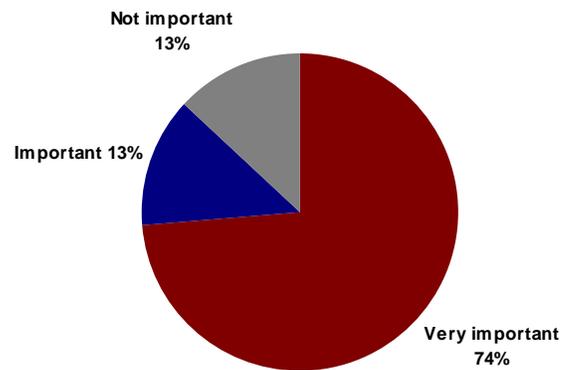
	Preferred	Maximum
Low	\$79.00	\$90.00
High	300.00	380.00
Average	142.46	188.41

Source: HVS Survey

On average, survey respondents prefer rates around \$146 and are unwilling to pay more than \$200. However, some event planners were willing to pay between \$300 and \$380 per night. The proposed Mammoth Lakes Conference Center would have the ability to attract top corporate and associations groups, with the capacity for a higher ADR. However, a considerable number of planners would not consider spending over \$125 per night. Several event planners indicated the need for government rates and are unwilling to utilize facilities that did not offer these specialized rates. In addition to cost, event planners tend to prefer lodging facilities proximate to their events.

During the past decade, meeting planners have become accustomed to having access to a single, large, hotel that provides lodging for all or many of their delegates during a major convention, conference, or tradeshow. These hotels also typically provide amenities and spaces that complement nearby or adjoined convention or conference centers. Such hotels have come to be known as “headquarters hotels” as they often serve as a central gathering place for delegates and the central point of operations for event planners. HVS asked event planners to determine how important the presence of a headquarters hotel is in determining their selection decisions. Those who do not consider a headquarters hotel of great importance are in a distinct minority as seen in Figure 5-3.

Figure 5-3
Headquarters Hotel



Source: HVS Survey

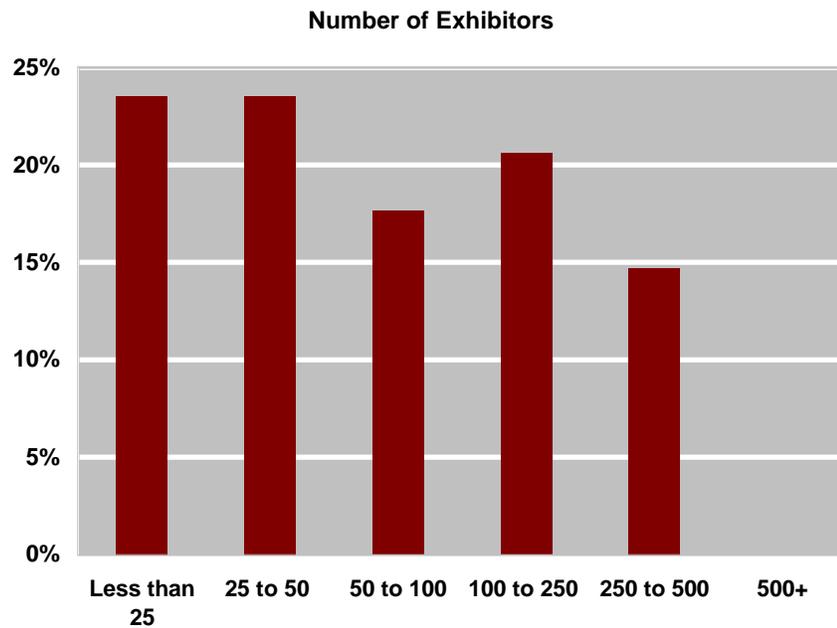
Facility Use

In order to successfully attract specific events it is important to meet the specific facility needs of those events. HVS asked event planners to approximate their facility requirements. We asked survey participants to describe their needs with respect to each of three basic types of event space, including exhibition space, banquet space, and meeting rooms.

HVS asked event planners to estimate minimum and preferred amounts of exhibition space.

**Figure 5-4
Exhibition Space Requirements**

	Minimum (Square Feet)	Preferred (Square Feet)
Low	0	0
High	110,000	150,000
Average	21,968	29,167

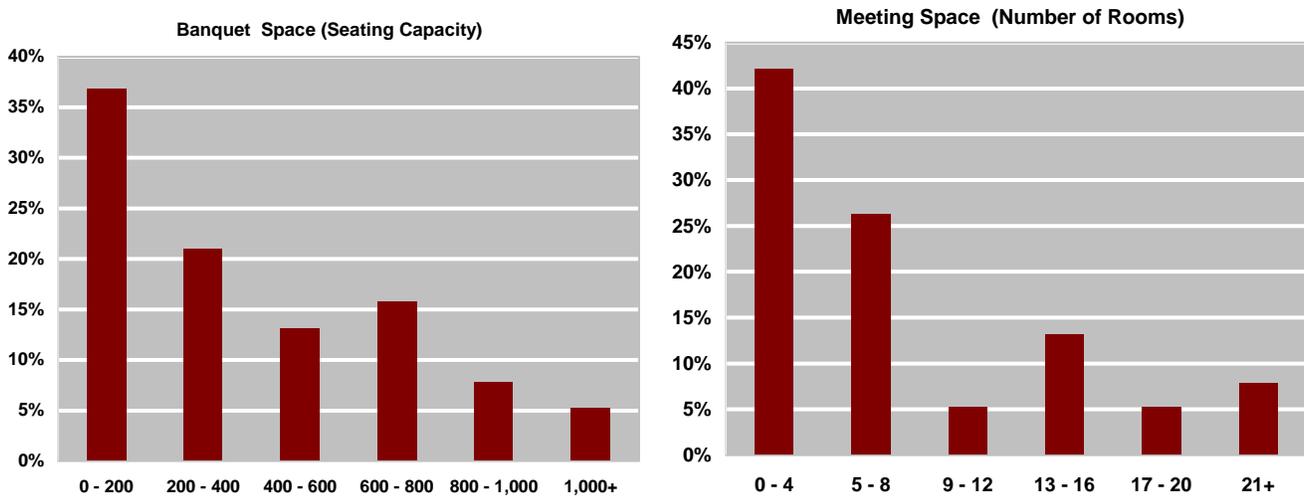


Source: HVS Survey

While a significant portion, over one quarter, of meeting planners indicated they did not need exhibit space, a majority of those who did indicate a need for exhibit space, 48 percent, said they needed room for 50 or fewer exhibitors, which translates into approximately 8,000 square feet of function space. The proposed Mammoth Lakes Conference Center would feature a ballroom with the ability for it to be used as exhibit space for up to 80 exhibitors.

Figure 5-5 summarizes the facility space needs of the survey participants, based on recent events they planned.

**Figure 5-5
Facility Space Requirements**



Source: HVS Survey

Roughly 37 percent of all survey respondents indicated the need for banquet space with capacity for 200 persons or fewer. The proposed Mammoth Lakes Conference Center, with capacity for approximately 800 persons in its ballroom, would have the ability to accommodate 87 percent of banquet space demand. Of all survey respondents, 42 percent indicated they need zero to four meeting rooms, while 26 percent indicated the need for between five and eight meeting rooms. The proposed Mammoth Lakes Conference Center, with seven meeting rooms would have the ability to accommodate roughly 65 percent of meeting room space demand.

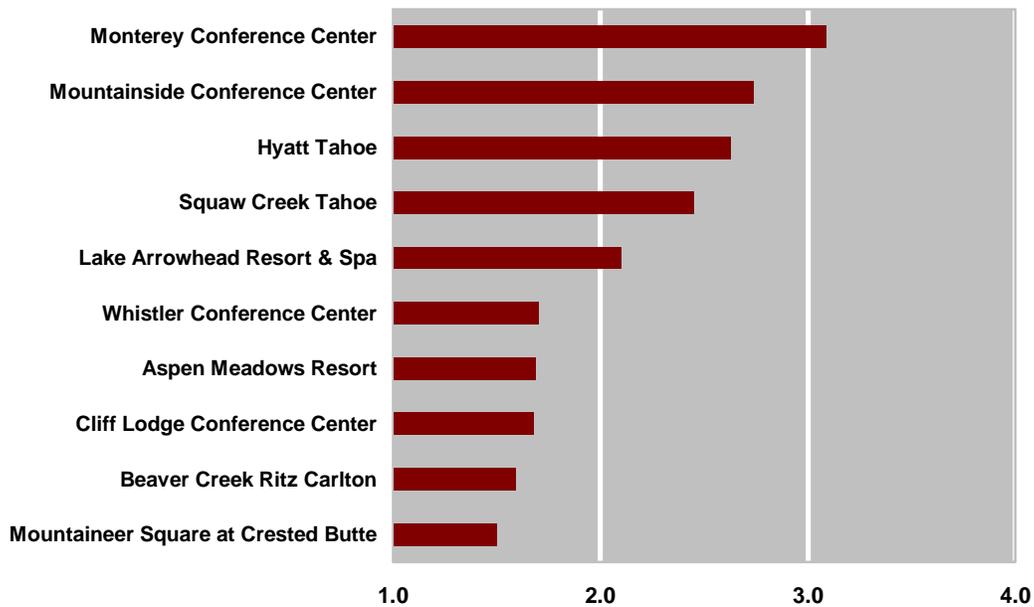
Competitive Facilities

A key criterion for selecting a location for an event is the event planner’s perception of the overall destination appeal of a given community. Because event planners evaluate the success of their events in part based on how many delegates and attendees they draw to their events, it is critical to find communities that will be appealing to their delegates and attendees.

HVS identified ten hotel, resort and conference facilities comparable to the proposed property in Mammoth Lakes. We asked survey participants to rank these facilities according to how attractive the facilities are for the events they plan. This will provide important insight about how event planners rank competing facilities around the state. It will also allow us to gauge how

California facilities are perceived by regional and national event planners. See Figure 5-6.

**Figure 5-6
Selected Competitive Facilities**



Source: HVS Survey

In ranking convention and conference facilities throughout the region, the combined average rating for the ten facilities listed above was a moderately attractive 2.1, suggesting that survey respondents are only somewhat satisfied with the comparable smaller resort and conference facilities.

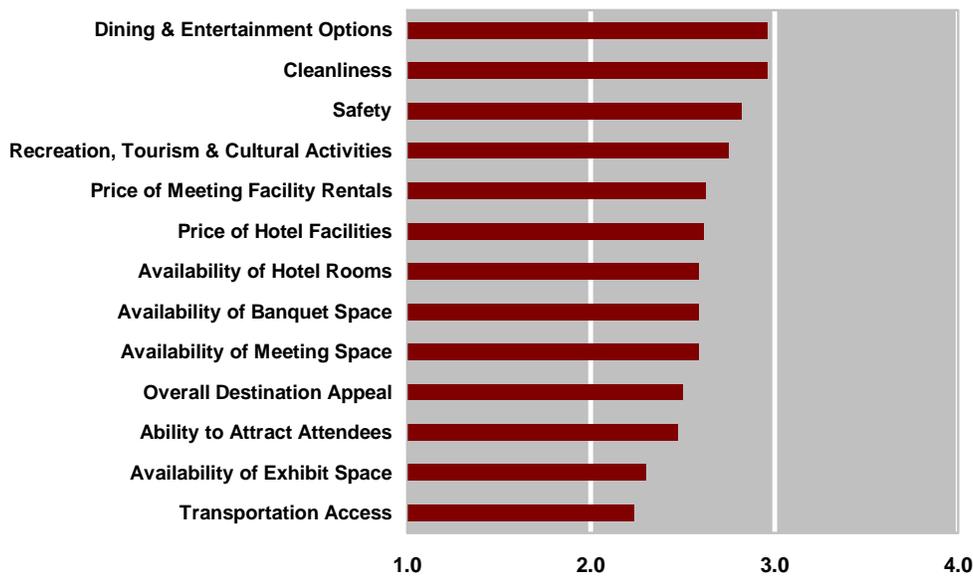
HVS asked event planners to identify other facilities where they have booked events in recent years. These responses were not limited to facilities located in the state. Responses could also include resorts and hotel properties, or any other type of facility that meeting planners had recently used for an event.

Event planners cited the Sacramento Convention Center more frequently than any other facility. The Monterey Conference Center and the Moscone Center in San Francisco were cited frequently as well. Similarly, Sacramento, Monterey, and San Francisco were the most frequently mentioned cities.

Site Selection Criteria

HVS identified 13 key site selection factors that are important to event planners in deciding where to locate an event. We surveyed event planners to determine which of these criteria are considered most important. In many communities the ranking of these criteria can be different than the rankings from national surveys, as shown earlier in the Industry Trends chapter of this report. The rankings provided by survey participants are presented below in Figure 5-7.

**Figure 5-7
Selection Criteria**



Source: HVS Survey

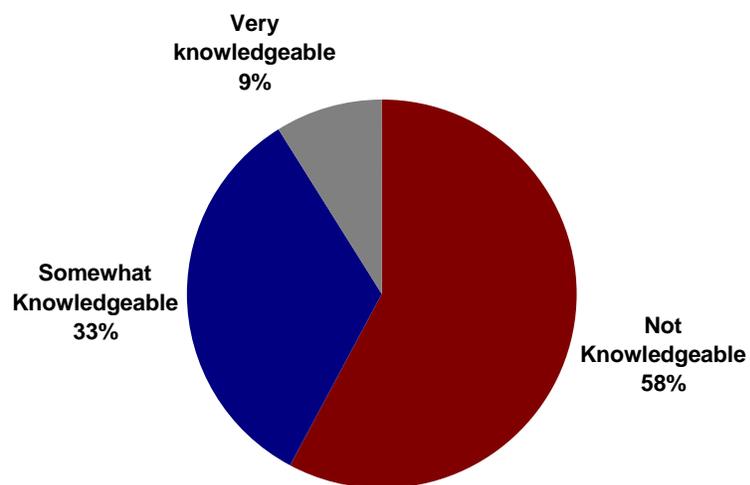
Dining and entertainment options, along with cleanliness, and safety rank as the top selection criteria for the event planners surveyed. Transportation access and availability of exhibit space were the least important among all factors. However none of the selection criteria were ranked considerably higher than the others, and therefore, it can be assumed that these event planners consider strongly all of the selection criteria provided.

Knowledge

Event planners generally choose locations they are familiar with for their events. If an event planner has little or no knowledge about a community and its convention facilities, they will be hesitant to book an event there until they learn more about it.

Figure 5-8 shows how knowledgeable all survey respondents are about Mammoth Lakes as a meeting and convention destination.

Figure 5-8
Event Planner Knowledge of Mammoth Lakes



Source: HVS Survey

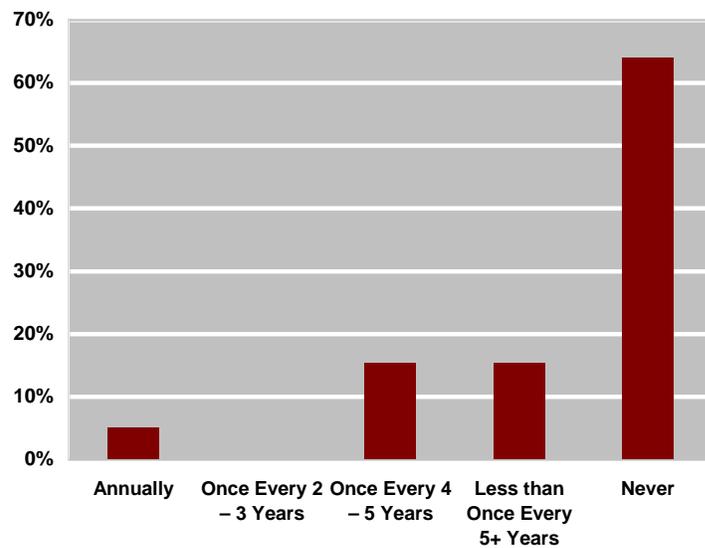
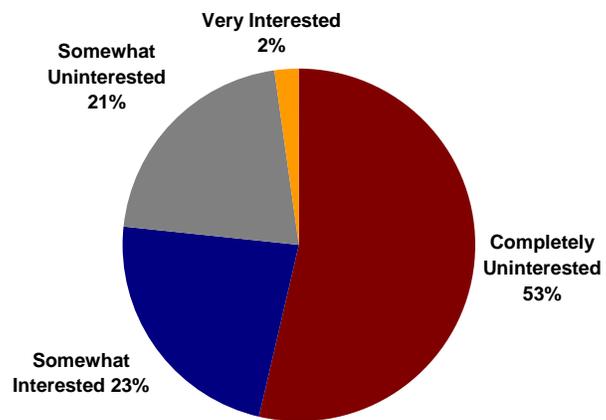
The majority of survey respondents admitted they were not knowledgeable about Mammoth Lakes as a destination for meetings and conventions. Only 33 percent indicated they were “somewhat” knowledgeable and nine percent claimed to be “very” familiar. This may represent a significant opportunity to educate event planners about Mammoth Lakes. Familiarization tours, direct mailing campaigns, and continued presence at industry tradeshow will be critical in Mammoth Lakes’ efforts to increase event planners’ knowledge of the destination. Focusing on selling to state associations should also increase the knowledge of Mammoth Lakes as an event destination in the state.

Interest

One of the most critical questions we asked in our survey is whether event planners are interested in holding an event at the proposed facility. The results from this question, when weighed against our experience of conducting similar surveys all across the country, can be an important determining factor in evaluating future demand potential for a convention

center. Roughly 60 percent of those surveyed are not interested in holding an event in Mammoth Lakes. See Figure 6-9.

Figure 6-9
Interest in Holding Events in Mammoth Lakes



Source: HVS Survey

Over half of survey respondents said they would never consider holding an event in Mammoth Lakes. This disinterest could be due in part to Mammoth Lakes' reputation as a mountain, ski resort area and the majority of event planners are simply not looking to hold an event at such a destination. The remote location and lack of air service are also contributing factors. The findings may also reflect meeting planner's lack of knowledge about Mammoth Lakes as a possible destination for meetings and conventions, as discussed previously, which can be addressed through sales and marketing.

HVS asked event planners to describe their perceived strengths and weaknesses of Mammoth Lakes. All informants reported that natural beauty, resort and outdoor recreation amenities were the biggest advantages for Mammoth Lakes. While informants found Mammoth Lakes to be beautiful, almost all survey respondents remarked on its inaccessibility and its distance from any major airport as its primary weakness.

Key Informant Interviews

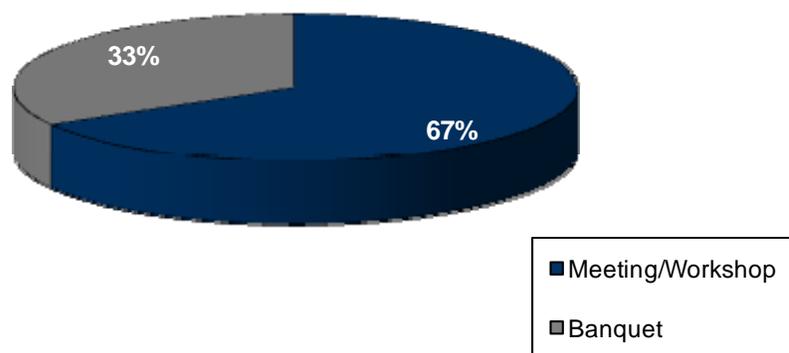
In order to obtain a deeper understanding of the convention and meeting market for Mammoth Lakes, HVS interviewed another set of potential users of the proposed Mammoth Lakes Conference Center. Lost business data from Mammoth Mountain Sales and the Mammoth Lakes Tourism Department provided HVS with corporate and community contacts who have considered and declined hosting events in Mammoth Lakes or who cancelled a previously planned event in Mammoth Lakes.

HVS interviewed a number of lost business contacts and questioned them as to why they did not hold an event in Mammoth Lakes. The most common reasons were accessibility, namely the need to drive from the Reno-Tahoe Airport, and the lack of adjacent traditional hotel rooms. However, also frequently mentioned issues were the lack of appropriate function space and high hotel rates.

One key informant specifically pointed to the need for adjacent hotel rooms, while two key informants pointed at high hotel rates as the greatest deterrent. Additional factors mentioned included the lack of function space and ease of transportation.

HVS questioned these contacts as to the type of event that they have considered, or would potentially consider holding in Mammoth Lakes, if a new conference center were built. Figure 5-10 shows the results.

Figure 5-10
Event Type



Source: HVS Interviews

A majority of event planners indicated that their organizations hold only small meetings or workshops that require breakout meeting rooms. They indicate a need for multiple meeting rooms in the same facility and various configurations. Therefore, divisibility and flexibility of meeting space should be an important consideration for any new conference center.

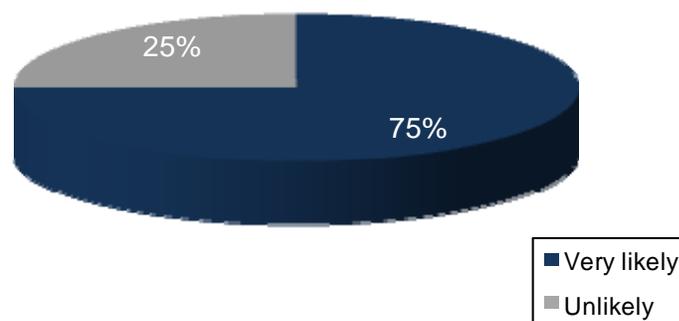
A significantly smaller percentage of event planners reported hosting banquets, receptions or similar events that typically requires use of ballroom space. Interestingly, one event planner noted the banquet was recently held at a restaurant in the Mammoth Lakes area, while another noted the need for a “large, open space”, not necessarily a ballroom.

HVS then asked informants of the typical attendance at these events. Meeting had a range of five to 125 people, with an average attendance of 34, while banquets ranged in size from 50 to 100 attendees, with an average attendance of 90.

In order to better understand the potential market demand for the proposed Mammoth Lakes Conference Center, HVS questioned event planners if they would host an event at a new conference center in Mammoth Lakes. The responses to this question are shown below in Figure 5-11. Results are divided

into categories of “very likely” and “unlikely” to reflect the indefinite answers of potential competitors due to the broadness of the question.

Figure 5-11
Use of a New Conference Center



Source: Key Informant Interviews

Event planners responded positively to using a new conference center in Mammoth Lakes, with 75 percent of event planners very likely to hold at least one event per year at a new conference center in Mammoth Lakes. However, a majority of these event planners remained cautious as to definitely answering the question, as they said it would depend heavily on the rates of the facility. Additionally, they mentioned that potential difficulties with transportation and lack of air service could diminish the attractiveness of a new conference center in Mammoth Lakes. Of the 25 percent who reported that it was unlikely they would use a conference center, many remarked that it would most likely be out of their price range or the lack of air service would render their event impossible to hold in Mammoth Lakes.

Implications for Mammoth Lakes

While Mammoth Lakes clearly has a positive image and most event planners recognize it as an attractive destination for recreation, event planners show significant concern over accessibility and affordability for their members. Additionally, event planners expressed the need for an adjoining hotel, as well as nearby dining and entertainment options for any new conference center. These concerns and facility needs expressed by event planners and

other key informants, are important factors in our facility recommendations discussed throughout this report.

6. Site Evaluation and Facility Recommendations

In this section, HVS evaluated five potential development sites, assessing the advantages, disadvantages, and the ability to address the disadvantages of each site. Additionally in this section, HVS provides facility program recommendations, based on our market research, input from meeting planners we interviewed, and an analysis of comparable successful facilities located around the state and the country.

Site Evaluations

The site chosen for any conference center and the neighborhood surrounding it contribute significantly to the experience had by both event planners and attendees. Therefore, a facility's neighborhood being welcoming to visitors and providing nearby lodging, leisure attractions, dining and other guest activities and amenities will lead to greater success of the facility.

A major facility development can also have substantial impacts, both urban and economic, on the neighborhood and community in which it is located. Urban impacts can include improved appearance and vibrancy of a neighborhood. Specific potential sites in Mammoth Lakes offer greater stimulation of future development of retail outlets, restaurants and entertainment for out-of-town guests. Economic impacts on the community can include induced visitor spending at local area hotels, restaurants, and retail centers.

HVS has attempted to take these considerations into account as we evaluated potential development sites and facility programs for the proposed Mammoth Lakes Conference Center. HVS analyzed the following five potential development sites for review:

- The Clearwater development
- The Four Corners intersection
- The Sierra Star development

- The Snowcreek development
- The East Village parking lot

As part of our field work while in Mammoth Lakes, HVS toured each of the five sites. In our following analysis, HVS presents the geographic location, the neighborhood surroundings, and a photograph for each of the five sites.

Clearwater

Figure 6-1 shows the Clearwater site.

Figure 6-1
Clearwater Site



Source: HVS

The Clearwater development is the site of the Rodeway Inn at 164 Old Mammoth Road, approximately 700 feet from the intersection of Old Mammoth Road and Main Street. The Clearwater development is currently slated for a 400 room condo hotel, with 6,000 square feet of conference space and a 24,400 square foot outdoor plaza for special events.

Advantages

The site sits adjacent to a number of small retail outlets, in addition to a number of restaurants, as it sits in the town's traditional downtown, which provides an advantage in that there is already established amenities adjacent to the site. Additionally, accessibility at the Clearwater site is good, while ingress and egress are excellent, due to its proximity to the intersection Old Mammoth Road and Main Street.

Disadvantages

The Clearwater does not provide direct access to any outdoor recreational activities, and is not within a reasonable walking distance of ski slope access. Additionally the site is weakened by a number of unattractive neighbors and a limited scenic view. Although the nearby amenities may act as a strength, they also deter from the overall feeling of the site, lacking a true "mountain destination" feeling that would be expected and desired for a conference center in Mammoth Lakes.

Ability to Address Disadvantages

Most of the negative characteristics of this site are inherent to its location and would be difficult to alter, specifically due to the extent of development surrounding the facility. Additionally the fact that it is not within a short distance of ski slope access cannot be altered. It is possible, however, through further development, to increase the attractiveness of the neighborhood.

Four Corners

Figure 6-2 shows the Four Corners site.

Figure 6-2
Four Corners Site



Source: HVS

The Four Corners site, of 4.5 acres, is the empty lot on the southwest corner of the intersection between Minaret Road, and Main Street, which turns into Lake Mary Road as it passes Minaret Road.

Advantages

This site provides excellent visibility, access and ingress and egress, as it is visible from south and north of the site on Minaret Road. Anchoring the south end of the North Village, with a number of restaurants, ski access, and condo hotels, the site offers excellent access to conference-related amenities and popular recreation activities. Additionally, the site, on the climax of the hill that is Minaret Road provides a great scenic view.

Disadvantages

Three of the corners at this intersection are vacant or have properties that are either closed or in disrepair. Although no evaluation has been performed by a structural engineer, the constructability of the facility may be complicated due to the site's slope.

Ability to Address Disadvantages

This site has strong potential to initiate further development south of the North Village, stretching the downtown amenities down Minaret Road, as new developments would benefit from the conference center. The potential for broadening development beyond the North Village is two-fold as it would benefit the community and the potential facility, increasing the attractiveness of the site and the adjacent amenities.

Sierra Star

Figure 6-3 shows the Sierra Star site.

Figure 6-3
Sierra Star



Source: HVS

The Sierra Star site sits adjacent to the Sierra Star golf course off of Minaret Road, approximately a half mile south of the Four Corners intersection. The site, of roughly 6.0 acres, sits at the corner of West Bear Lake Road and Sierra Star Parkway.

Advantages

The site benefits from the golf course, a popular draw for conference centers in the spring and summer months. Additionally, the site offers a distinct

“mountain destination” feeling as it sits amongst clusters of trees, adjacent to a lake and golf course. While it is only a half mile from the Four Corners intersection, it retains a secluded feeling. Additionally, the site is only 0.5 miles from the Eagle Lodge Ski Portal.

Disadvantages

On the other hand, while the site is near the Four Corners intersection, it is a substantial uphill walk to the visitor downtown. As it currently offers no adjacent amenities, with the exception of the golf course, this site is strongly disadvantaged by its location. Even with auxiliary development, the facility would still retain some inherent complications. While its location is a benefit for aesthetic appeal, it is also a negative in terms of visibility, access, and ingress and egress. Additionally, it would not provide as strong of an incentive for the stretching of the tourist downtown, as it sits a considerable distance from the corner of Main Street and Minaret Road..

Ability to Address Disadvantages

With further development, currently under discussion, adjacent to this site, including hotels, restaurants, retail and shuttles from the North Village, this site, as an all- inclusive resort, could be potentially feasibility. Alternatively, substantial development along Minaret Road, could provide the site with adjacent amenities.

Snowcreek

Figure 6-4 shows the Snowcreek site.

Figure 6-4
Snowcreek



Source: HVS

The Snowcreek site is located on the western edge of the Town of Mammoth Lakes, directly off of Old Mammoth Road, and shares characteristics of the Sierra Star site. This site actually contains four separate parts adjacent to the current golf course totaling 153.4 acres.

Advantages

Also adjacent to the golf course, the site provides an excellent scenic view, adjacent to empty meadows with a clear view of mountain ranges. Ease of constructability would prove arguable the easiest of all potential sites, due to its zero slope and no need for tree clearing. Additionally, access is excellent, as its ingress and egress, due to the openness of the site.

Disadvantages

Inherently, unfortunately, it would not provide as strong of an incentive for nearby development as it sits distant from the tourist downtown and the traditional downtown. Additionally, its visibility remains an inherent negative

characteristic, as it is relatively easily visible from more than 300 feet down Old Mammoth Road, but is not visible from Main Street, the traditional downtown or the visitor downtown.

Ability to Address Disadvantages

With further development, currently under discussion, adjacent to this site, including hotels, restaurants, retail and shuttles from the North Village, this site, as an all-inclusive resort, could be potentially feasibility.

East Village

Figure 6-5 shows the East Village site.

Figure 6-5
East Village



Source: HVS

The East Village site, the current site of the parking lot for visitors of the North Village and skiers using the North Village gondola, sits on Minaret Road, across the street from the North Village. This site of 4.92 acres, shares many similarities with the Four Corners site.

Advantages

Across from the North Village, it provides access to outdoor recreation activities, while offers a very short walking distance to restaurants, condo hotels, retail and entertainment. Furthermore, this site blends the best with adjacent uses, easily stretching the North Village across the street, and perhaps stimulating further development adjacent to the site, as well as west of the site, on the initial climb up Minaret Road to ski portals, or directly east of the facility. Additionally, the proposed "Ski Back Trail" will open in 2009 or 2010, offering skiers a trail from the Main Lodge to the development site.

Disadvantages

While this site offers a pleasant view of the North Village, its view of the mountains is blocked by the North Village and surrounding trees. However, depending on the height of the development, a higher elevation on this site could provide scenic views of the nearby mountains. Its main weaknesses, inherent to the site, are its visibility and access. While it is easily visible from the North Village, it is not visible from Main Street, and, due to curves in the road and current development, it is not visible on Minaret Road before coming upon the current entrance to the site. Its access is limited due to the proximity to the North Village and the tight road that currently provides access to the site. The existing entitlement of a proposed development on the site may limit the land available for conference center development.

Ability to Address Disadvantages

Access could be potentially improved through construction and designing efforts, while visibility remains an inherent disadvantage to the site.

Recommendations and Conclusion

Taking into account access and transportation issues, constructability and financial considerations, marketability and the economic and neighborhood impacts of each site, the Four Corners site and the East Village site emerge as the strongest potential sites for a conference center. The existing entitlement of a proposed development on the site may limit the land available for conference center development. Therefore the Four Corners, with a potentially more reasonable acquisition cost and process, maximizing visibility, access, the use of town's amenities, and minimizing potential costs, appears as the best choice among all potential sites.

However, the Sierra Star and Snowcreek sites could also potentially be viable sites if a self-contained, all-inclusive resort, was built at these locations. While a simple integrated hotel conference center is not recommended for these sites that are not within walking distance of major amenities, a self-contained

resort with dining options, retail outlets, a spa, gym and a full-service hotel, with the existing golf course, would enable a conference center to be successful at these site.

On the other hand, a self-contained resort could reduce the use by attendees of amenities in the traditional downtown and tourist downtown of Mammoth Lakes. Furthermore, this type of development, secluded from the rest of the Town of Mammoth Lakes, would not directly facilitate economic development. While conference centers typically, stimulate significant economic development in its immediate area, an all-inclusive resort, with a majority of these amenities already built into the property, would not stimulate the demand for significant additional amenity development. Nonetheless an all-inclusive resort conference center would help the image of the town of Mammoth Lakes and would stimulate additional visitation, especially in shoulder months and the summer season.

To maximize the impact on existing properties and amenities, stimulate the greatest economic development and take advantage of superior visibility and access, HVS recommends the Four Corners site for the proposed Mammoth Lakes Conference Center, or, alternatively, the East Village site if that site's disadvantages are adequately addressed.

Facility Program

This section identifies a preliminary conference center facility program that would best serve the demand potential in the Mammoth Lakes market. This program takes into account local, statewide, and regional demand and potential future growth in demand for event space in the overall Mammoth Lakes market area. HVS also provides recommendations about important facility characteristics that should be considered in the planning and design phases of this project.

Key Planning Considerations

The review of existing event facilities, the event planner interviews, and the analysis of comparable facilities that have succeeded in other markets provide a basis for facility recommendations in Mammoth Lakes. Several key factors influenced HVS' facility program recommendations. The following points summarize the key implications of our analysis that pertain to facility recommendations.

Current Void in the Market—Mammoth Lakes does not have a dedicated conference or meeting facility that is easily accessible, of industry standard quality, and capable of hosting multiple event types such as small conventions, conferences, large banquets, consumer shows, festivals, and

meetings. The Mountainside Conference Center, a dedicated conference center, currently offers the greatest amount of conference space within Mammoth Lakes. However, the facility, originally housing the Gondola for the Main Lodge, still shares the same entrance as the Main Lodge, and therefore skiers as well, and it features large columns/poles throughout the meeting spaces. While there are a number of other current meeting spaces within Mammoth Lakes, their infrastructure and appearance reflect their use as a cafeteria/lounge for Mammoth Lakes visitors and not as traditional conference centers. Local hotels, such as the Westin Monache Resort, with meeting space have very limited function spaces incapable of hosting large events or simultaneous meetings. Other existing event facilities sometimes market themselves as “convention” centers, including the Canyon Lodge. The Mountainside Conference Center and Canyon Lodge, in addition to a handful of local hotels can host moderately sized banquets and meetings. But they are not large enough for most conventions or large banquets and infrastructure limit the ability for them to host simultaneous events at these facilities. Moreover, they are not of sufficient quality to attract large numbers of corporate meetings, professional conferences, or state association conventions.

Any new conference center developed in Mammoth Lakes should offer larger function space than any of these existing event facilities. It should feature a higher level of finish and amenities than is currently available in the market. Moreover, HVS recommends a design that allows for maximum flexibility and divisibility of primary function spaces to augment the facility’s ability to serve a broad range of event types.

Ability to Serve Simultaneous Events—Unfortunately for many conference centers, event demand is not smoothly distributed throughout the year and throughout each week. Convention demand tends to peak in the fall and spring months. Banquet demand often peaks in December around the holiday season and in summer months, especially on the weekends with weddings. Additionally, Mammoth Lakes experiences significant demand fluctuations from the ski season to the summer months. Because event demand can spike at certain times of the week and certain times of the year, it is important to design a facility that can address fluctuations in demand. In particular, most modern facilities are designed specifically to accommodate more than one event simultaneously. This can allow facilities to maximize revenues and facility use during peak demand periods while maintaining high service levels for their customers.

Flexibility of Facility Program—Facility managers at other successful facilities, including comparable facilities discussed earlier, stress the importance of developing flexible event space that can accommodate a wide range of event types and sizes. HVS recommends the development of a multi-purpose ballroom with sound-proof, divisible walls that can allow the space to be configured in several different sizes for different groups and different types of use that could include light exhibition events, dances, banquets, general sessions, and breakout meetings.

Destination Appeal & Market Niche—Event planners expressed the strong appeal of Mammoth Lakes, because of its natural beauty, resort and outdoor recreation amenities. However, almost all event planners also noted Mammoth Lake’s inaccessibility as a major weakness. However, Mammoth Lakes will have great destination appeal to certain groups who prefer a resort and/or mountain destination for their event.

Retention of Local Demand—A primary consideration in developing a conference center is the ability to capture the demand for events generated by local businesses, institutions, and residents. The availability of a facility capable of hosting local corporate demand could also be effective in retaining and attracting business development in the community. Moreover, a suitable space for local meetings and banquets could represent an important quality of life improvement for residents and members of local social groups.

Mammoth Lakes currently has no convention facility or conference center capable of accommodating statewide conventions. The facility recommendations consider the need for a venue to serve an important civic role in the Mono County area, in addition to the need to attract a sufficient level of corporate and convention event demand from a broader regional or statewide market area.

Distinguish from Competition—HVS’ facility recommendation is intended to distinguish this facility from existing venues both in terms of overall size and in terms of the quality of function space that it will provide. A new venue in Mammoth Lakes should minimize competition with existing meeting facilities. It should also be designed and planned with the intention of attracting out-of-town groups that will generate economic impacts for the local economy through visitor spending at hotels, restaurants, and other local establishments. HVS suggests that any new facility in Mammoth Lakes should provide a larger block of meeting rooms than existing facilities can

offer. It should also provide a more elegant ballroom with a substantially larger seating capacity than existing venues.

Headquarters Hotel—One potential related development that would greatly distinguish the facility from other local meeting facilities would involve the development of a full-service headquarters hotel. HVS recommends that in order to maximize economies of scale, the proposed development should act as an integrated hotel conference center with a minimum of 180-200 guest rooms.

Many statewide and regional event planners require a full-service headquarters hotel for their events. Moreover, 77 percent of surveyed event planners indicated that a headquarters hotel was very important. Without a full-service headquarters hotel adjacent to the conference center it will be very difficult to attract a significant number of state association conventions and professional conferences that draw attendance from across California or a multi-state region. During the past 10 years it has also become increasingly important to have a physical connection between the headquarters hotel and the conference centers they serve. Additionally a combined hotel and conference center, operating together would minimize costs of personnel and food and beverage as well as allow for additional congruency between the two facilities.

Target Marketing—While Mammoth Lakes is well known in California for its skiing and its appeal as a vacation destination, is not currently well known by state and regional association executives and event planners as a meeting destination. An aggressive marketing campaign will be necessary to establish Mammoth Lakes as an event destination prior to and immediately following the opening of a new conference center. A full-service headquarters hotel could play a substantial role in a successful pre-opening marketing strategy. But it will also be important that internal or external marketing organizations are established in time to create an effective opening of any new conference center. Marketing strategies should be developed in coordination with Mammoth Mountain Sales and the Town of Mammoth Lakes to create goals and objectives for the facility. These goals and objectives could include:

- Maximizing economic impacts,
- Minimizing financial operating deficits,
- Generating room night demand for local hotels,

- Creating a place to host festivals, competitions, or celebrations that could spur tourism, and

These considerations will have important implications for how the facility should be designed, marketed, and operated.

HVS utilized the information in the preceding report sections to develop facility program recommendations for Mammoth Lakes. The program recommendations identify the size and characteristics of what is likely to be the most appropriate facility program to serve the demand for event space in Mammoth Lakes. These recommendations can serve as a guide for subsequent planning and architectural analysis aimed at providing the desired program elements.

Facility Program Recommendations

HVS recommends an integrated hotel conference center, with a modest-sized conference center that would be designed to attract statewide and, possibly, national conventions and conferences, as well as corporate meetings. The facility could also accommodate local banquets and civic events. The comparable facilities, described in an earlier section of this report, serve as a general guide for this type of facility concept. HVS recommends a conference center with approximately 16,200 square feet of meeting space.

Table 6-1 shows the recommended conference center's functions spaces and the capacity of the individual rooms in various configurations.

Table 6-1
Recommended Conference Center Function Spaces

Name of Area	Size		Capacity			Exhibit Booths
	Square Feet	Banquet	Theater	Classroom	U-Shape	
Grand Ballroom	12,500	833	1,389	521	-	110
Ballroom A	7,500	500	833	313	-	37
Ballroom B	5,000	333	888	208	104	50
Meeting Room Block 1	1,500	100	167	63	31	-
Meeting Room 1A	600	-	67	25	13	-
Meeting Room 1B	450	-	50	19	9	-
Meeting Room 1C	450	-	50	19	9	-
Meeting Room Block 2	1,500	100	167	63	31	-
Meeting Room 2A	500	-	56	21	10	-
Meeting Room 2B	500	-	56	21	10	-
Meeting Room 2C	500	-	56	21	10	-
Board Room	700	Conference Configuration for 16 People				
Total Function Space	16,200					

Source: HVS

HVS recommends a modest--sized conference center building program with approximately 16,200 square feet of function space. The design of the conference center's function space should maximize the facility's flexibility. It should allow the facility to host a broad range of events such as large banquets, small conventions with exhibits, one-day and multi-day conferences, and numerous breakout sessions or meetings simultaneously.

Function Space Description

The following discussion provides a general description of each of the main function spaces and facility areas recommended for the proposed conference center in Mammoth Lakes. These descriptions explain the basic functional requirements for each type of space and the necessary relationships they have with adjacent spaces.

Arrival Zone

The facility's design should establish a street-level arrival zone along one face of the building. An internal boulevard should allow vehicles to drop off their passengers without blocking traffic flow. The arrival zone should be designed to accommodate buses, with a visual separation between pedestrian ways and vehicular traffic. This separation may consist of planters, colored paving patterns, bollards, or similar features that provide for a free flow of pedestrians while restricting vehicular access. There should not be a traditional curb or wheel stops that could create a trip hazard.

Canopies should extend from the drive to the entrance doors of the building for much of its length. This open-air space should act as a covered outdoor terrace and entrance to the building. For feature events and more formal functions—new product unveilings, black-tie dinners or receptions—a portion of this area may be converted to a ceremonial entrance with temporary decoration rather than built-in features. Specialty lighting for the canopy would allow the ability to create a formal setting for certain evening gatherings. Programmable lighting should control different light sources to support the desired setting.

Off-site, directional signage to the parking area should be provided on the major approaches to the facility. On-site traffic flow should allow convenient access to parking for valet service or for private vehicles unloading passengers at the door. Visibility from major highways and thoroughfares is a distinct advantage for facilities that seek to attract out-of-town groups.

Conference Registration and Pre-function Space

Registration occurs in lobby areas, which should be located just outside each of the primary function rooms. The depth of the pre-function space should be sufficient to set up modular registration booths in lobby vestibules, avoiding interference with lateral circulation. Pre-function spaces serving the meeting rooms can be smaller. But they should allow for registration areas to be set-up for tabletop check-in.

Ballroom

Ballroom space should be column-free space and divisible into multiple sections. The design of multi-purpose ballroom space should enable it to serve as an exhibit hall for conventions and tradeshow, a ballroom for banquets, and as auxiliary meeting space. Evening functions may include cocktail receptions with dancing or other entertainment events. Therefore, most ballrooms are equipped with sound equipment, specialty lighting, and a removable dance floor.

Ballroom features should include a finished ceiling with a preferred height of 30 feet. As a banquet hall, the room should have a variety of lighting types, including dimmable incandescent, fluorescent, and specialty lighting to highlight architectural features. The space should have built-in flexibility for installing theatrical lighting for special events. Wall finishes should be made of durable materials that would resist damage when the room is used for exhibits. If extensive exhibit use is anticipated, the facility could be designed

with utilities built into the floor at regular intervals to accommodate 10' x 10' exhibit booths. Divisibility is accomplished with the use of movable partitions that provide a sufficient sound barrier to enable simultaneous events to occur without disturbing activities in adjacent halls.

Breakout Meeting Rooms

The conference center should offer several meeting room blocks for breakout meetings that would serve groups that are also utilizing the ballroom or a general session room. Movable partitions should subdivide some of the meeting rooms. The meeting rooms should provide a mix of room sizes. The standard meeting room should have a minimum twelve-foot ceiling height, with larger rooms having proportionally greater ceiling heights. The meeting rooms should also have easy access to support facilities such as restrooms, telephones, and food service corridors.

Each meeting room should have preprogrammed lighting scenes, cable television hookup, telecommunications access, and nearby storage areas for stackable seating and tables. Each room should have built-in spaces for screens and projection devices. Portable audio/visual equipment is preferable to built-in hardware because it provides more flexibility and is easier to upgrade. Distinctive carpet patterns can be useful in determining table and chair layout.

Client Support Areas

A variety of spaces are required to support event attendees, who would include convention delegates, meeting participants, banquet attendees, exhibitors, and show managers. Among the most important types of client support areas are an adequate number of public restrooms, telephone alcoves, management offices, and dedicated storage spaces. HVS recommends a minimum of three sets of public restrooms for a conference center of this size.

Banquet Kitchen

The banquet kitchen should be located near the ballroom with a direct connection to the main loading dock or a dedicated loading area. The kitchen should have capacity to service at least 1,300 meals at a single function. It should be designed to serve multiple meal functions in different areas of the conference center simultaneously. Based on common industry standards, it is likely that the banquet kitchen will need to be approximately 2,000 square feet or larger.

Parking

The number of parking spaces required at a conference center varies depending upon the character of the surrounding environment in terms of the availability of transit options and the anticipated character and origin of guests and attendees. HVS assumes a maximum event capacity of approximately 1,300 people for large events. Using a ratio of 2.0 people per vehicle, such events would require approximately 650 dedicated parking spaces, not including employee parking. HVS does not offer parking expertise and therefore we recommend a parking study. Shared parking with the hotel could be achieved under an integrated hotel conference center operating scenario.

It is preferable for these spaces to be located in close proximity to the conference center, or at least close enough to facilitate quick retrieval of vehicles via valet service or self-parking areas with a relatively short walk to and from the facility's entrance. However, many facilities utilize off-site lots or nearby public parking facilities during times of peak event demand. Additionally, Mammoth Lakes has served as a drive-in market, with visitors and groups driving up to seven hours to reach Mammoth Lakes. As a significant portion of potential demand also will comprise of drive-in groups from California, it is very important that there is ample parking close to the facility.

If the plans the proposed conference center in conjunction with one or more adjacent hotels, this could substantially reduce parking requirements at the conference center. The ratio of parking spaces to guest rooms, in suburban locations, is often as high as 1.0 parking space per room. It is preferable for these spaces to be directly adjacent to the conference center and the hotel.

Loading Docks

Loading docks should be located on the "back-side" of the facility. Deliveries for the kitchen should use a dedicated dock area. Truck access to the loading docks should be separate from vehicular traffic for facility users. Loading activities and vertical circulation of large and heavy materials such as exhibits should be secluded from pedestrian areas. Truck staging areas should be available either on- or off-site. There should be ample storage and service areas on-site.

Employee Support Areas

Staff support areas should be centralized near a dedicated employee entrance and have easy access to the back-of-house service corridors. Once past the building security office, full-time staff members should have access to locker areas. Uniforms should be issued to part-time food service staff from an office near the main kitchen. Technical support areas should include central control and storage rooms for lighting, sound, and distributed television systems. Telecommunications and data support switches should be located near the service entrance to the building. Engineering, electrical, and maintenance shops should be located near the dock, with easy access to the exhibition floor. This area should house a carpentry shop, electrical, and radio repair functions, setup and housekeeping crews, and other non-technical staff who support the daily operation of the building.

Future Expansion

The selected site should accommodate long-term planning that could include facility expansions or additional hotel and restaurant developments. It is important that space adjacent to the conference center is preserved for future expansion to facilitate responsiveness to changes in future market conditions. Moreover, it may be necessary to plan for at least one full-service headquarters hotel development if the conference center is intended to target state association conventions and other out-of-town business. In most cases, it is important that the headquarters hotel be physically connected to the conference facility or immediately adjacent to it.

Conference Services

Meeting and event planners' expectations have increased substantially during the past two decades with regard to what services should be available at a modern conference center. Any new conference center should offer high-tech communication services, food and beverage services, audio and video equipment and support, power service, professional lighting equipment and support, and a range of modern business services. The following discussion highlights key considerations in each of these conference service categories.

Communications

Any modern conference center should have modern communications technology and a broad range of additional technology infrastructure. In general, mobile and easily adaptable systems are preferred over fixed and "built-in" technology services. Wireless Internet service should be available in several, if not all, of the main function areas. The facility should have the

capability of hosting videoconferences and the latest in audio and visual technology.

Food & Beverage

Food and beverage service is essential for modern conference and meeting facilities of this size. Full-service catering should be able to provide a variety of menus for all three main meals as well as several different snack and refreshment options throughout the day. The most common catering arrangement at mid-sized and large conference centers is the use of an exclusive catering company to provide all food and beverage services to groups using the facility. This prevents disputes between multiple catering companies that may arise regarding proper safety procedures, equipment maintenance, and kitchen clean up and organization. It also ensures a consistent service level for all guests at all events.

Technical Services

Audio and video equipment should be available at the conference center. There should also be adequate support staff with specialized training in how to set up and use all audio and video equipment. In some communities, a third-party vendor provides these functions.

Electrical service should also be available in all meeting rooms. Especially in areas that can be used as exhibit space, HVS recommends providing electrical and telephone service through floor boxes. Additional services could include gas, water, and Internet connections.

Business Services

Meeting planners, convention delegates, lecturers, and business professionals demand a variety of general and specific business services while conducting or attending various events. Basic services should include photocopying, laser printing, faxing, and assistance with document preparation for presentations or handouts.

In addition to these general and technical conference services, some facilities offer in-house decorating services, security services, and entertainment services. However, in many instances, meeting planners will contract with third-party vendors for these services.

Summary Remarks

Any new conference center in Mammoth Lakes should consider the importance of flexible space and divisibility of banquet or multi-purpose

ballroom space. Development of meeting and banquet spaces in the same building will be one important step in allowing Mammoth Lakes to market a true conference center. An attached full-service hotel would provide a substantial competitive advantage and may be one potential option for subsidizing the operating losses generally produced by stand-alone conference centers. Finally, demand potential for a conference center in Mammoth Lakes is diverse and any new facility should be designed with the intent of serving a broad range of niche market segments including local demand for banquets and meetings as well as out-of-town demand for meetings, retreats, banquets, and small conventions or conferences.

7. Demand Analysis

HVS forecast the event demand for the proposed Mammoth Lakes Conference Center for a five-year period. For the purposes of this analysis, HVS assumes the proposed facility will open on January 1, 2011 and operate on a calendar year. These projections are based on an in-depth analysis of the local area market and research on comparable properties.

The draft demand projections presented herein reflect the building program recommended by HVS. Additional physical concept planning (which is beyond the scope of this study) would determine the actual size and configuration of the recommended program and changes in the building program could have a material impact on this forecast of demand and financial operations. HVS assumes the development of a new, state-of-the-art conference center with 12,500 square feet of multi-purpose banquet space in addition to 3,700 square feet of meeting rooms. We assume the facility will have an in-house catering kitchen and adequate surface parking for groups of up to 1,000 people. Demand projections also assume a highly qualified, professional sales and management team.

Historical Demand

Mammoth Mountain Group Sales, who sells all meeting space owned by Mammoth Mountain, which includes almost all meeting space in town, provided HVS with historical demand for meeting space for all of the venues combined from May 2007 to May 2008. The data is summarized below in Figure 7-1.

**Figure 7-1
Historical Demand**

Events	Average/Event	Total
Meeting	-	54
Banquets	-	15
Other	-	9
Total Events	-	78
Covers	64	4,911
Event Days	3	224

Source: Mammoth Mountain Group Sales

From May 2007 to May 2008, there were a total of 78 events held in Mammoth Mountain meeting venues. A majority of these were meetings or conferences, with only 15 banquets booked during this period. The average cover per event was 64 people, totaling 4,911 covers from May 2007 to May 2008. With average event days of three, Mammoth Mountain hosted 224 event days in this period. This data representing a mix of meeting venues and ski lodge areas/cafeterias that double as meeting areas does not represent the potential for a new conference center in Mammoth Lakes, but rather acts a base of demand for which a new facility can build on and provides guidelines for the average attendance and number of event days typical of the Mammoth Lakes market.

Demand Projections

The information revealed in the market overview, industry trends review, the analysis of comparable facilities, and event planner interviews indicates that the development of a mid-sized conference center in Mammoth Lakes could generate a modest amount of convention and tradeshow demand, as well as a substantial amount of demand for meetings, banquets, and other events, which would include community and civic events.

Event demand is projected to stabilize with approximately 260 events annually. Attendance is expected to reach over 55,800 people annually. The proposed development of a conference center in Mammoth Lakes would serve the regional and national corporate market, targeting incentive meetings and sales meetings. The project could also help attract a number of out-of-town conferences and conventions from certain niche segments of the state association market. The community also has some demand for space to host local business expos, government meetings, weddings, religious celebrations, award ceremonies, private parties, graduations, and civic events. In this section HVS provides our estimates of demand potential in each of several event categories.

The basic conference center facility program that we assume for the purposes of projecting demand potential reflect the facility recommendations outlined earlier in this report. Table 7-1 shows the number of events and attendance by event type projected for the subject project.

**Table 7-1
Demand Projections**

	2011	2012	2013	Stabilized	2015
Events					
Conventions & Tradeshows	6	10	12	16	16
Consumer Shows	2	3	3	4	4
Banquets	64	80	80	80	80
Meetings and Conferences	120	150	150	150	150
Other	8	10	10	10	10
Total	200	253	255	260	260
Average Attendance					
Conventions & Tradeshows	300	300	300	300	300
Consumer Shows	3,000	3,000	3,000	3,000	3,000
Banquets	250	250	250	250	250
Meetings and Conferences	60	60	60	60	60
Other	1,000	1,000	1,000	1,000	1,000
Total Attendance					
Conventions & Tradeshows	1,800	3,000	3,600	4,800	4,800
Consumer Shows	6,000	9,000	9,000	12,000	12,000
Banquets	16,000	20,000	20,000	20,000	20,000
Meetings and Conferences	7,200	9,000	9,000	9,000	9,000
Other	8,000	10,000	10,000	10,000	10,000
Total	39,000	51,000	51,600	55,800	55,800

Source: HVS

The projected events and attendance for 2014 represents stabilized demand. These projections assume an increase in overall demand from the opening year in 2011 until stabilization in 2014, as is typical of most conference centers. Different event types reach their stabilized level of demand more quickly than others. For example, the demand for meetings and banquets stabilizes in the second year of operation. But conventions and tradeshows, as well as consumer shows, do not reach stabilized demand until the fourth year of operation, mainly because these events are booked further in advance and event planners hesitate to book events in a facility until it establishes a track record of success.

HVS projects event demand by providing estimates of both the number of events and the average attendance in each event category. The following discussion outlines demand projections for each of the relevant event categories shown above.

Conventions & Tradeshows– HVS projects stabilized event demand at the proposed new conference center would include approximately 16 conventions annually, representing attendance of about 4,800 people. New flexible banquet space, which can be utilized as exhibit space, will not, in and of itself, generate additional convention demand. Transportation access and event planners lack of knowledge of Mammoth Lakes as an event destination are expected to constrain demand for some state association conventions. Additionally, the size and the high level of finishes at the conference center are expected to limit its ability to serve as a true tradeshow venue. The average attendance per event is expected to be approximately 300 people, based on a calculation of weighted averages for large, medium, and small conventions and tradeshows. This figure includes delegates, exhibitors, and event organizers. The proposed facility is expected to target the state association market for conventions and tradeshows.

Consumer Shows – A new conference center would compete for local and regional consumer shows because there are so few venues in the area that can accommodate any type of large public function. However, Mammoth Lake’s remote location, with a small population within driving distance, minimizes the potential demand for consumer shows. However, HVS believes there will be some demand for a handful of outdoor recreation related consumer shows.

HVS projects event demand for about four consumer shows annually, representing attendance of about 12,000 people. The limited supply of conference space in the area makes this one of the only facilities in Mammoth Lakes that is capable of hosting even a small consumer show. Although consumer shows are not expected to generate significant economic impacts for the community, these shows can often generate substantial revenue for the host facility.

Banquets – A new conference center with a large, flexible ballroom can be expected to compete for local area banquet events. The level of finishes and services at a facility will dictate how well it can compete for certain types of banquets. Annual government and SMERF banquets are often price sensitive and require large ballrooms. Large local and regional corporate banquets can require a high level of services in an upscale atmosphere. Smaller corporate

banquets, wedding receptions, religious celebrations, and private parties usually require smaller ballrooms with attractive finishes and extensive services. The subject facility should have the flexibility to serve a range of banquet clients. HVS estimates approximately 80 catered banquet events could be booked at the proposed new conference center in Mammoth Lakes annually, representing attendance of approximately 20,000 people in a stable year of demand.

Meetings and Conferences – Development of new conference and meeting space in Mammoth Lakes would allow the City to better serve regional demand for corporate, association, educational, government, and other meeting functions. With a substantial block of meeting rooms, there would be limited scheduling conflicts and availability of meeting space would grow substantially in Mammoth Lakes. Moreover, as the newest and most modern meeting facility in the market, the subject could attract meetings from the broader area. Therefore, HVS projects demand for approximately 150 meetings in a stable year of operation. This represents annual attendance of approximately 9,000 people annually.

Other Events – Conference centers are also suitable for certain large government-sponsored functions, job fairs, civic or religious ceremonies, town meetings, press conferences, festivals, and other special events not easily organized into one of the above event categories. The proposed new facility is expected to be the nicest and most prominent public assembly facility in town, which will make it an attractive option for such events if scheduling permits. HVS estimates that about ten such events could be held in the new conference center annually. These events would represent attendance of approximately 10,000 people each year, assuming an average of 1,000 attendees per event.

Implications for Mammoth Lakes

Demand potential for the proposed conference center in Mammoth Lakes is distributed through each of several demand segments and across various event types. Maximum flexibility and divisibility of function space will allow the subject to capture a broad range of demand. The ability to generate significant economic impacts for the community will depend on the subject's ability to successfully target several state association events and a number of small and medium-sized regional conventions and tradeshows. However, it may be necessary to offer significant price discounts and incentives to lure these groups to Mammoth Lakes, especially considering the highly competitive nature of the convention and conference center industry in the state of California and given the accessibility issue of Mammoth Lakes. The

ultimate financial success of the proposed conference center will also rely on the ability to successfully capture a large number of meetings and conferences, banquets, and conventions that have the potential to generate food and beverage revenues, as well as revenues associated with related event services and room rentals.

8. Financial Operations

In this section HVS projects the financial operations for the proposed Mammoth Lakes Conference Center for the first ten years of operation. Financial operations are measured by various line items of revenues and expenses, discussed throughout this section. HVS recommends an integrated hotel conference center; however, our financial projections reflect only the projected financial performance of the conference center, assuming the conference center has its own kitchen and marketing and sales team. Therefore, this financial analysis does not illustrate the potential for this facility to combine departments with the hotel. HVS also assumes that the selected operator will place a sales and marketing focus on meetings and conferences and conventions as the primary target market for the proposed Mammoth Lakes Conference Center.

Conference Center Operating Model

HVS uses a proprietary financial operating model to forecast revenue and expenses at conference centers. This model quantifies the key variables and operating ratios that determine revenue potential and expenses for small and mid-sized conference centers. HVS analyzes both fixed and variable components of revenues and expenses. Variable components of expenses are estimated based on the level of anticipated convention center demand, as projected earlier in this report. The model projects fixed expenses based on our knowledge of the project and the industry, as well as historical data from the Mammoth Mountain Group Sales.

The conference center industry does not use a standardized set of accounting principles for reporting financial operations. Conference center operators employ a variety of accounting methods. Financial statements from different conference centers organize revenue and expenses differently. However, a few major revenue and expense categories are common to most facilities. HVS developed a financial operating model that organizes financial operations according to these primary revenue and expense categories. Therefore, our financial operating projections may differ somewhat from any particular comparable conference center.

The HVS conference center model estimates individual revenue and expense items for each of several major financial operating categories. HVS assumes financial operations will stabilize, in conjunction with demand, during the fourth complete year of operation after an opening or expansion. Thereafter, the model assumes an annual inflation rate of 3.0 percent, unless indicated otherwise, which applies both to revenue and expenses. A description of individual revenue and expense items appears in the following summary.

Revenues

There are four projected revenue categories for the proposed Mammoth Lakes Conference Center. These include meeting space rental, food and beverage sales, event services, parking, and other revenue. The HVS model uses a series of revenue assumptions that are based on attendance or the projected utilization levels of function space to estimate revenue. Therefore, assumptions for different revenue line items will vary by event type and size. A summary of the relevant revenue categories follows.

Meeting Space Rentals - reflect the rental revenue the facility receives from clients that reserve one or more function area in the facility. Conference centers typically charge event planners either a fixed daily fee per exhibit hall or a rate based on occupied days, meaning the total number of days the event is using the facility, including move-in days, event days, and move-out days. Larger facilities with dedicated exhibit space tend to charge more rental fees. Event space revenue can also be tied to revenue from ticket sales for certain entertainment functions or public shows. Not all events pay directly for the use of function space. In many cases, a facility will waive the space rental charges if an event generates a certain threshold of food and beverage revenue. For this reason banquets often do not generate space rental fees. Moreover, some facilities sell complete meeting packages (“CMPs”) or daily meeting packages (“DMPs”) instead of renting space. CMPs and DMPs include meeting space rental fees, food and beverage service charges, equipment rental fees and event services charges all in a bundled fee based on total attendance at the event. For the proposed Mammoth Lakes Conference Center, we assume management will use a rental fee structure based on the number of occupied days.

Food and Beverage - includes charges for food and beverage services, including catering services, coffee breaks, snacks and concession sales. Most events that utilize conference center function space arrange for food service for their attendees during events. HVS assumes the proposed Mammoth Lakes Conference Center will feature an on-site, full-service catering kitchen; moreover, we assume the facility will have an exclusive food and beverage

service contract with a qualified catering company. Alternatively, the facility could internalize the food and beverage service function; this could increase revenues for the facility, but it would also require additional personnel with catering management experience. Most conventions and conferences generate demand for multiple meals during the course of these multi-day events. Meetings and banquets generally include a single meal or refreshment services. Concessions operate during consumer shows, entertainment events, and most civic functions.

Event Service Charges - include the fees charged to tenants for services that could include business services, audio and video technical assistance, set-up and take down of function spaces, cleaning services, security services, electricity and other utilities, commissions from decorators and other services provided by third-party contractors at events. All events use utilities. Many events also require audio, video, communications and Internet services. Banquets and other upscale events can often require elaborate decorating services. Almost all events require cleaning services; cleaning of common areas may be complimentary for most events while cleaning services offered to individual exhibitors can represent a significant source of revenue. Service charges vary by type of event. Some of these services may be included in the rental charges for using the facility, but others will be add-on service charges.

Parking - includes income from parking fees collected during all events. Although some facilities offer inexpensive or free parking as a competitive advantage, parking revenues are typically a very important component of financial operations for privately-owned facilities that do not receive public subsidies. For the purpose of this report, we assume market rate parking fees will be collected during all events at the facility, due to the Mammoth Lakes market being a primarily drive-in market. HVS estimates that the average parking fee will be approximately \$10.00 per vehicle.

Historical Demand

Mammoth Mountain Group Sales provided HVS with food and beverage revenues and facility rental revenues. Although the following data does not determine the projected performance of the proposed Mammoth Lakes Conference Center, the data allows for an understanding of the current market in Mammoth Lakes and a base from which a new conference center could build on.

Table 8-1
Mammoth Mountain Group Sales Historical Revenue

Event Type	Food and Beverage Per Attendee Per Day	Rental Revenue Per Event Day
Banquet	\$35	\$181
Meeting	\$17	\$273
Other	\$13	\$666

Source: Mammoth Mountain Group Sales

Food and beverage revenue per cover per day averages to \$35 at banquets and \$17 at meetings, similar to industry standards. Events classified as other showed \$13 in food and beverage revenue per attendee per day, considerably higher than the industry standard for other events. It is highly likely that a number of events classified as other act as banquets with a full meal.

Rental revenue per day averages \$273 for meetings and \$181 for banquets. A considerable number of facility rental fees were waived, as is typical in the industry, due to their large food and beverage revenue.

These ratios allowed HVS to better estimate operating income assumptions, shown in the following table.

Table 8-2
Operating Income Assumptions by Type of Event in 2006 Dollars

Type	Facility Rental per Occupied Day	Event Services (Gross) per Attendee	Food & Beverage (Gross) per Attendee	blank per Attendee
Conventions & Tradeshows	\$ 2,200.00	\$ 3.00	\$ 80.00	\$ -
Consumer Shows	2,000.00	3.00	1.00	-
Banquets	175.00	2.50	50.00	-
Meetings	300.00	1.50	12.00	-
Other	2,000.00	3.00	2.00	-

The HVS model assumes that the proposed Mammoth Lakes Conference Center will waive or discount the space rental fee for some banquets and meetings, as is common in the industry for events that generate substantial amounts of food and beverage revenue. Other events are expected to pay

rent based on the amount of space they utilize. Food and beverage revenues are expected to range between a low of \$1.00 per capita at consumer shows and a high of \$80.00 per capita at multi-day conventions, which could include two or more meals over multiple days. Event service fees are expected to generate substantial amounts of revenue for the facility. We assume this will be closely tied to the number of attendees at each event. HVS assumes event services revenue will range up to \$3.00 per attendee. For the purpose of this study, we assume parking will be an important revenue source for the conference center; we assume average parking fees of \$10.00 per vehicle will apply for all events. Moreover, we assume 2.0 attendees per vehicle at conventions and tradeshow, consumer shows and banquets and 1.0 attendees per vehicle at meetings.

Expenses

The HVS model includes assumptions for fixed and variable components of operating expenses. The variable expenses depend on the level of event activity in the facility, measured by a percentage of operating revenue. Certain expenses are considered variable operating expenses if they increase and decrease with activity at the center. Fixed components of expenses do not vary with facility utilization; the conference center will incur these fixed expenses regardless of whether the facility is heavily utilized.

Non-operating expenses such as capital maintenance, building insurance, and management fees do not fluctuate with day-to-day changes in the operations of the facility. These non-operating expenses are essentially unchanged regardless of how much business takes place at the conference center. Instead, non-operating expenses generally are part of an annual budget or multi-year contract. A summary of the relevant expense categories follows.

Salaries and Benefits – expenses cover the salaries, wages, benefits, and related expenses for full-time and part-time employees at the facility. Benefits are calculated as a percentage of salaries. Full-time positions include a general manager, an administrative assistant, a director of sales, two sales managers, a marketing coordinator, a building engineer, and two event managers. Part-time positions will primarily be related to security, set-up, housekeeping, repair and maintenance. Food and beverage personnel expenses are not included in this category, as they will likely be part of a contract with a professional food service provider. Based on the typical operations of comparable conference center venues, HVS assumed annual salary expenses of \$650,000, with benefit expenses as 20 percent of salary expenses.

Food and Beverage - represents the costs associated with providing food services to events at the conference center. This includes the cost of goods sold, overhead and labor expenses for food service employees. The food service costs vary with the level of food and beverage sales. For the purposes of this report, HVS assumes a professional, third-party catering company will manage all food and beverage services at the conference center. The conference center's share of overall food and beverage expenses will be commensurate with overall food and beverage revenue generated at the conference center. HVS assumes total food and beverage related expenses would equal 75% of gross food and beverage revenues.

Marketing and Sales - includes the direct costs to the facility operator associated with advertising and promoting the facility, excluding payroll expenses for sales and marketing employees at the facility. Marketing expenses can include direct marketing, promotional discounts, professional marketing services and other expenses incurred to market the facility. A strong sales and marketing effort is a critical component of operating a successful exhibition center. HVS assumes marketing and sales costs correlate with attendance at \$1.50 in marketing and sales cost per attendee.

Contract Services – expenses in this category cover costs associated with repair and maintenance that is outsourced or requires specialized third-party expertise. Examples could include linen and cleaning services, waste removal, special equipment repairs, installation of furniture, fixtures and equipment as well as other operations or maintenance services contracted to third-party providers by the operator. Expenses for catering and parking contracts are excluded from this category.

General & Administrative – includes normal overhead expenses that occur on a regular basis. These could include expenses such legal and accounting services, special training expenses, office equipment and supplies, automobile related expenses, costs associated with debt collections or relocation expenses. Other examples include office machines, postage, freight, travel expenses, credit card fees, bank fees, entertainment expenses, dues and subscriptions, warehouse services and certain printing services.

Repair and Maintenance - includes both routine and one-time expenses for maintaining the conference center and repairing damaged or worn-out equipment. This includes the costs of operating and maintaining equipment rented to facility tenants. Although our projections show relatively stable expenses in this category, it is likely that these costs will fluctuate

substantially from year to year, depending on the condition of equipment and the level of facility use. Moreover, we do not include most long-term capital maintenance expenses in this category. HVS recommends the establishment of a capital reserve fund to provide for major capital improvements and long-term maintenance projects at the conference center center.

Supplies and Equipment - these costs reflect all expenditures on office supplies, computer supplies, cleaning supplies and other small items generally required for the successful operation of the conference center. Most large supply items or purchases required for the proper maintenance and repair of the facility would be categorized in the Repair and Maintenance category. Therefore, this is a relatively small expense category in most conference centers.

Utilities - these expenses include gas, electricity, water and sewer, telecommunications and cable charges paid by the facility. The conference center operator can pass through many of these expenses to facility users as “event services” fees, but the ability to do so will depend on the price-sensitivity of customer groups and the facility’s negotiating leverage. Moreover, some utility use is necessary even when the facility is not being utilized.

Other Expenses - includes expenses that are not easily categorized and may not recur on a regular basis. These could include expenses such as special training expenses, special equipment or supplies, automobile related expenses, costs associated with debt collections or relocation expenses. Other examples include office machines, postage, freight, travel expenses, credit card fees, bank fees, entertainment expenses, dues and subscriptions, warehouse services and certain printing services.

Management Fee - this item represents the cost of retaining a professional management firm to operate the conference center. This fee is in addition to all operating expenses incurred by the facility. This management fee is typically the result of a selection and negotiation process in which the facility owner seeks proposals from qualified management firms for a multi-year management contract. It is common for these agreements to be structured with a base management fee component and certain potential incentives when performance thresholds are met. We assume a fee based on our knowledge of management contracts at other facilities; however, this figure may change significantly depending on the specific details of a final management contract.

Insurance - this item mainly represents the cost of providing building insurance for the proposed facility. It may be difficult to estimate this expense category accurately until the facility has been built. Moreover, if the developer owns the conference center in conjunction with several other major buildings at the proposed site, the insurance costs associated with the facility may be part of a larger, more comprehensive insurance policy negotiated by the developer. For the purpose of this analysis, HVS assumes an annual insurance cost of approximately \$85,000 for the conference center.

Capital and Maintenance Reserve - HVS recommends the establishment of a reserve fund to pay for regular improvements to the conference center. During the first fifteen years of operation, key spending categories are likely to include technology, carpeting, roofing, meeting room renovations and other miscellaneous improvements. Buildings of this type generally require greater investments the older they become. Therefore, HVS suggests setting a capital reserve budget that is equivalent to 4.0 percent of gross revenues. In the early years of the facility's life cycle, these funds can accumulate. In later years, the facility can draw on these funds to make the necessary capital and maintenance improvements likely to be required to keep the facility competitive.

The following table shows a summary of the expense assumptions that include fixed components and variable components based either on facility utilization rates or as a percentage of total revenue or category revenue.

Table 8-3
Summary of Expense Assumptions in 2008 Dollars

Expenditure	Percentage Revenue	Fixed Expense for Base Year
Operating Expense		
Salaries		\$650,000
Benefits	20.0% of Salaries	
Administrative & General	8.0% of Total Operating Rev	
Food & Beverage Costs	75.0% of Food & Beverage (Gross)	
Contractual Services	4.5% of Total Operating Rev	
Marketing & Sales		
Repair & Maintenance	3.5% of Total Operating Rev	
Supplies & Equipment		\$35,000
Utilities		\$300,000
Other Expense	0.5% of Total Operating Rev	\$10,000
Non-Operating Expense		
Management Fees		\$100,000
Insurance		\$85,000
Capital Maintenance Reserve	4.0% of Total Operating Rev	

As with revenue, food and beverage services usually represent one of the largest expense categories for conference centers. Salaries, at \$750,000 per year, also represent one of the largest expense categories. Parking also contributes significantly to expenses, as well as utilities, repair, and maintenance costs and marketing costs are likely to be the next largest operating expense categories. Management fees, property taxes, insurance and capital maintenance represent significant non-operating expenses for the facility.

Financial Projections

HVS recommends an integrated hotel conference center; however, our financial projections reflect only the projected financial performance of the conference center, assuming the conference center has its own kitchen and marketing and sales team. Therefore, this financial analysis does not illustrate the potential for this facility to combine departments with the hotel and does not reflect any cost savings associated with an integrated property with a single operator that would most likely result in the reduction of losses shown below. The following table displays projected financial operations for the facility over a ten-year period.

Table 8-4
Ten-Year Financial Operating Projections

	2011		2012		2013		2014		2015		2016		2017		2018		2019		2020	
	\$	% of Total																		
OPERATING REVENUE																				
Facility Rental	153,000	11.7%	\$232,000	13.0%	\$262,000	13.7%	\$331,000	15.4%	\$341,000	15.4%	\$351,260	15.4%	\$361,798	15.4%	\$372,652	15.4%	\$383,831	15.4%	\$395,346	15.4%
Event Services (Gross)	98,000	7.5%	\$133,000	7.5%	\$139,000	7.3%	\$157,000	7.3%	161,961	7.3%	166,820	7.3%	171,824	7.3%	176,979	7.3%	182,288	7.3%	187,757	7.3%
Food & Beverage (Gross)	1,052,000	80.7%	\$1,418,000	79.5%	\$1,512,000	79.0%	\$1,665,000	77.3%	1,715,275	77.3%	1,766,734	77.3%	1,819,736	77.3%	1,874,328	77.3%	1,930,558	77.3%	1,988,474	77.3%
Total	\$1,304,000	100.0%	\$1,783,000	100.0%	\$1,913,000	100.0%	\$2,154,000	100.0%	\$2,218,265	100.0%	\$2,284,813	100.0%	\$2,353,358	100.0%	\$2,423,958	100.0%	\$2,496,677	100.0%	\$2,571,577	100.0%
OPERATING EXPENSES																				
Salaries	\$650,000	49.8%	\$670,000	37.6%	\$690,000	36.1%	\$710,000	33.0%	\$732,000	33.0%	\$754,000	33.0%	\$776,000	33.0%	\$799,000	33.0%	\$823,401	33.0%	\$848,000	33.0%
Benefits	130,000	10.0%	134,000	7.5%	138,000	7.2%	142,000	6.6%	146,000	6.6%	151,000	6.6%	155,000	6.6%	160,000	6.6%	164,680	6.6%	170,000	6.6%
Administrative & General	104,000	8.0%	143,000	8.0%	153,000	8.0%	172,000	8.0%	177,000	8.0%	183,000	8.0%	188,000	8.0%	194,000	8.0%	199,734	8.0%	206,000	8.0%
Food & Beverage Costs	789,000	60.5%	1,064,000	59.7%	1,134,000	59.3%	1,249,000	58.0%	1,286,000	58.0%	1,325,000	58.0%	1,365,000	58.0%	1,406,000	58.0%	1,447,918	58.0%	1,491,000	58.0%
Contractual Services	59,000	4.5%	80,000	4.5%	86,000	4.5%	97,000	4.5%	100,000	4.5%	103,000	4.5%	106,000	4.5%	109,000	4.5%	112,350	4.5%	116,000	4.5%
Marketing & Sales	39,000	3.0%	53,000	3.0%	55,000	2.9%	61,000	2.8%	63,000	2.8%	65,000	2.8%	67,000	2.8%	69,000	2.8%	70,686	2.8%	73,000	2.8%
Repair & Maintenance	46,000	3.5%	62,000	3.5%	67,000	3.5%	75,000	3.5%	78,000	3.5%	80,000	3.5%	82,000	3.5%	85,000	3.5%	87,384	3.5%	90,000	3.5%
Supplies & Equipment	35,000	2.7%	36,000	2.0%	37,000	1.9%	38,000	1.8%	39,000	1.8%	41,000	1.8%	42,000	1.8%	43,000	1.8%	44,337	1.8%	46,000	1.8%
Utilities	300,000	23.0%	309,000	17.3%	318,000	16.6%	328,000	15.2%	338,000	15.2%	348,000	15.2%	358,000	15.2%	369,000	15.2%	380,031	15.2%	391,000	15.2%
Other Expense	17,000	1.3%	19,000	1.1%	20,000	1.0%	22,000	1.0%	22,000	1.0%	23,000	1.0%	24,000	1.0%	24,000	1.0%	25,151	1.0%	26,000	1.0%
Total	\$2,168,000	166.3%	\$2,569,000	144.1%	\$2,698,000	141.0%	\$2,895,000	134.4%	\$2,981,000	134.4%	\$3,071,000	134.4%	\$3,163,000	134.4%	\$3,258,000	134.4%	\$3,355,672	134.4%	\$3,456,000	134.4%
OPERATING INCOME (LOSS)	(\$865,000)	-66.3%	(\$786,000)	-44.1%	(\$785,000)	-41.0%	(\$741,000)	-34.4%	(\$763,000)	-34.4%	(\$786,000)	-34.4%	(\$810,000)	-34.4%	(\$834,000)	-34.4%	(\$858,995)	-34.4%	(\$885,000)	-34.4%
NON-OPERATING EXPENSES																				
Management Fees	\$100,000	7.7%	\$103,000	5.8%	\$106,000	5.5%	\$109,000	5.1%	\$113,000	5.1%	\$116,000	5.1%	\$119,000	5.1%	\$123,000	5.1%	\$127,000	5.1%	\$130,000	5.1%
Insurance	85,000	6.5%	88,000	4.9%	90,000	4.7%	93,000	4.3%	96,000	4.3%	99,000	4.3%	101,000	4.3%	105,000	4.3%	108,000	4.3%	111,000	4.3%
Capital Maintenance Reserve	52,000	4.0%	71,000	4.0%	77,000	4.0%	86,000	4.0%	89,000	4.0%	91,000	4.0%	94,000	4.0%	97,000	4.0%	100,000	4.0%	103,000	4.0%
Total	\$237,000	18.2%	\$262,000	14.7%	\$273,000	14.3%	\$288,000	13.4%	\$297,000	13.4%	\$306,000	13.4%	\$315,000	13.4%	\$324,000	13.4%	\$334,000	13.4%	\$344,000	13.4%
TOTAL NET INCOME (LOSS)	(\$1,102,000)	-84.5%	(\$1,048,000)	-58.8%	(\$1,057,000)	-55.3%	(\$1,029,000)	-47.8%	(\$1,060,000)	-47.8%	(\$1,092,000)	-47.8%	(\$1,125,000)	-47.8%	(\$1,158,000)	-47.8%	(\$1,193,000)	-47.8%	(\$1,229,000)	-47.8%

Source: HVS

The financial projections shown in the previous table reflect a stable-year operating loss of approximately \$741,000. Thereafter, the facility is expected to generate similar operating losses in each of the subsequent operating years in the projection period. Increases in the nominal operating income reflect our assumed inflation rate of 3.0 percent annually. The projected financial operations are typical for conference centers of this type.

Although HVS has not been retained to evaluate the financial operations of a jointly-operated hotel conference center, we recommend consideration of this development and operating strategy. A jointly-operated facility would likely produce significant operational cost savings compared to the preceding financial operating projections for a stand-alone conference center. These savings typically are realized through reduced personnel expenses since some of the conference center staffing functions can be performed by hotel employees. Additionally, the hotel benefits from an ability to achieve higher occupancies and average daily room rates as a result of induced demand from the conference center. HVS recommends further analysis of the jointly-operated development option.

Non-operating expenses include insurance premiums, management fees, and payments into a capital maintenance reserve fund. HVS projects non-operating expenses will add approximately \$200,000 - \$300,000 to total expenses in a stable operating year; however, the tax treatment of the facility is currently undetermined, which could lead to significant changes in the preceding financial projections. Moreover, a management strategy has not been finalized and therefore, management fees could also change, significantly altering the preceding financial projections.

HVS financial projections are intended to show the expected levels of revenue and expenses over a ten-year period. Projections show smooth growth over time. However, the nature of convention booking, meeting planning and other group event demand is not always smooth. Business can be affected by local and national economic factors that are not predictable. Consumer show and tradeshow booking is often cyclical, based on rotation patterns and economic conditions. Therefore, HVS recommends interpreting the financial projections over a multi-year period rather than relying on projections for any specific year. Moreover, financial performance of the facility may fluctuate substantially during the first few years of operations before demand stabilizes. HVS assumes demand will stabilize in the fourth complete operating year. Total revenue is expected to increase substantially for the first four years of operation, until demand stabilizes.

9. Economic Impact Analysis

In many communities, the potential for increased positive economic impacts provides the primary rationale for public investment in conference centers. When attendees come from outside the area and spend significant amounts of money during events, they inject new money into the local economy. These industry participants may further generate economic impacts as tourists both before and after events. The economic impacts discussed in this section include those direct economic impacts that would result from activity at the proposed Mammoth Lakes Conference Center. Indirect and induced economic impacts are not included in this study.

Sources of Economic Impact

HVS identified four different categories of direct spending that creates economic impact for Mammoth Lakes. These four impact categories derive from the following sources:

- **Overnight delegates** – participants, other than event organizers and exhibitors, who attend conference center events and require paid lodging.
- **Daytrip delegates** – participants, other than event organizers and exhibitors, who attend conference center events and do not require paid lodging.
- **Event organizers** – individuals, associations, or other organizations that plan, sponsor, organize and coordinate events that take place at the conference center.
- **Exhibitors** – individuals or companies that rent exhibition space, typically from event organizers, to display information or products at conference center events. Exhibitors typically are present at conferences, tradeshows and consumer shows.

These four different categories of people spend money that enters the local economy. Some of this spending would not have occurred if the conference

center were not operating. Therefore, each category generates some level of *new* spending for the local economy.

New Overnight Delegate Estimates

The following table summarizes our calculations and assumptions that determine our estimate of net new room nights occupied by overnight delegates generated by the proposed Mammoth Lakes Conference Center in 2014.

Net New Roomnights							
Event Category	Attendance	Lodging %	Overnight Delegates	Length of Stay	Room Nights	Net New %	Net New Room Nights
Conventions & Tradeshows	4,000	70%	2,800	3.0	8,400	80.0%	6,720
Consumer Shows	12,000	5%	600	2.5	1,500	15.0%	225
Banquets	18,000	40%	7,200	2.0	14,400	15.0%	2,160
Meetings	9,000	45%	4,050	2.0	8,100	70.0%	5,670
Other	10,000	5%	500	1.0	500	10.0%	50
Total	53,000		15,150		32,900		14,825

Source: HVS, DMAI

HVS estimated attendance and event length data for each of the defined event types and also estimated the number of net new room nights generated by all event types. HVS assumed roughly 70 percent of attendees at conventions and tradeshows require lodging, while 45 percent of meeting attendees require lodging and 40 percent of banquet attendees require lodging.

HVS assumes the net new room nights are generated by approximately 80 percent of total attendees at conventions and tradeshows who require lodging – defined as overnight delegates – and net new room nights are generated by roughly 70 percent of total attendees at meetings who require lodging. All other event types generate net new room nights of 15 percent or less of total attendees who require lodging at these events.

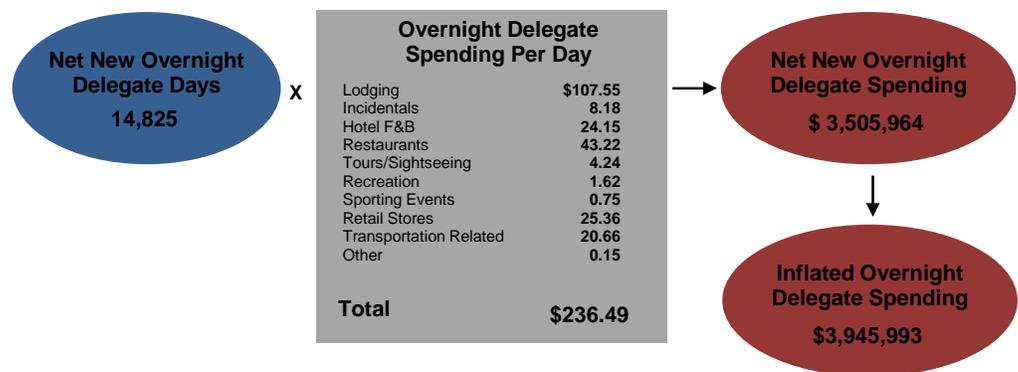
Overnight Delegate Spending

Overnight delegate spending is spending by delegates and their guests who stay overnight for conventions and tradeshows, consumer shows, banquets and meetings. In most markets delegates typically spend \$200 to \$500 per day on lodging, food, local transportation, recreation, and entertainment and other items. HVS evaluated (1) overnight visitor spending survey data from 2004 DMAI, which focuses on spending by convention and tradeshow participants nationally; (2) visitor spending survey data from the Corporate Travel Index, which focuses on spending patterns specific to the Washington County; and (3) an assumed three percent inflation rate to grow the most

recently available 2004 DMAI numbers to 2007 dollars. Using these sources of survey data, HVS created an index that allows us to estimate delegate spending in Mammoth Lakes for each of several spending categories. Based on this index, we estimate total spending per overnight delegate per day was approximately \$236.49 in 2007 in Mammoth Lakes.

Multiplying the number of net new delegates to Mammoth Lakes by the estimated daily spending figure produces an estimate of net new spending by overnight delegates in Mammoth Lakes, as shown in the following figure.

**Figure 9-1
Overnight Delegate Spending (2008)**



Sources: VCC, DMAI, CTI, HVS

Net new spending by overnight delegates is typically the single-largest source of direct economic impact generated by conference centers. HVS estimates there would be approximately 14,825 net new delegate days in 2014, as measured by hotel room nights. These overnight delegates purchase lodging, restaurant meals, retail goods, transportation services, and other goods and services while visiting Mammoth Lakes. HVS estimates that net new spending by overnight delegates using the proposed Mammoth Lakes Conference Center would be approximately \$3.5 million in 2014. After adjustments for inflation, we estimate net new direct spending by overnight delegates would be approximately \$3.9 million in 2008 dollars.

Net New Day Trips

The following table summarizes our calculations and assumptions that determine our estimate of net new daytrips generated by the proposed Mammoth Lakes Conference Center in 2014. Net new day trips are defined as participants, other than event organizers and exhibitors, who attend events,

but do not require paid lodging, and who would not have otherwise come to Mammoth Lakes. In this market, net new day trips would be generated mostly by consumer shows and local banquets.

Net New Daytrips							
Event Category	Attendance	Daytrip %	Daytrip Delegates	Length of Stay	Daytrips	Net New %	Net New Daytrips
Conventions& Tradeshow	4,000	30%	1,200	3.0	3,600	65%	2,340
Consumer Shows	12,000	95%	11,400	2.5	28,500	65%	18,525
Banquets	18,000	60%	10,800	2.0	21,600	35%	7,560
Meetings	9,000	55%	4,950	2.0	9,900	65%	6,435
Other	10,000	95%	9,500	1.0	9,500	65%	6,175
Total	53,000		37,850		73,100		41,035

Source: HVS, DMAI

- Attendance data was estimated by HVS.
- Our assumptions about the percentage of attendees who are daytrip delegates are the inverses of our previous assumptions about the percentage of attendees who are overnight delegates, or lodgers. Every attendee not requiring lodging is considered a daytrip delegate.
- The number of daytrips is the total number of daytrip delegate times the length of stay.
- HVS considered attendees coming from outside Mammoth Lakes as new delegates and considered the spending of the delegates from within Mammoth Lakes as transfer spending. Population data indicates that roughly 65 percent of the population within a 60 minute-drive time from Mammoth Lakes lives outside Mammoth Lakes. HVS used the percentage to estimate of the number of new daytrips. This percentage was divided in half for the banquet category, due to the ability for local groups to host banquets in a variety of other facilities.

These methods and assumptions result in an estimate of approximately 41,035 net new daytrips generated by the proposed Mammoth Lakes Conference Center in 2014.

Daytrip Spending

Daytrip spending is spending by delegates and other attendees who stay only during the day (and not overnight) for events. In most markets delegates typically spend \$40 to \$100 per day on meals, shopping, local transportation,

recreation and entertainment, and other goods and services while in town. HVS evaluated (1) daytrip visitor spending survey data from DMAI, which focuses on spending by convention and tradeshow participants nationally, as well as (2) visitor spending survey data from the Corporate Travel Index, which focuses on spending patterns specific to the Mammoth Lakes County market. Using these two separate sources of survey data, HVS created an index that allows us to estimate delegate spending in Mammoth Lakes for each of several spending categories. Based on this index, we estimate total spending per daytrip delegate per day was approximately \$45.03 in 2007 in Mammoth Lakes.

Multiplying the number of net new delegates to Mammoth Lakes by the estimated daily spending figure produces an estimate of net new spending by daytrip delegates in Mammoth Lakes, as shown in the following figure.

Figure 9-2
Daytrip Delegate Spending (2008)



Sources: DMAI, CTI, HVS

Net new spending by daytrip delegates is typically a moderate source of direct economic impact generated by conference centers. Based on our assumptions about what percentage of daytrip delegates visit Mammoth Lakes because of the proposed Mammoth Lakes Conference Center, HVS estimates there would be approximately 41,035 net new delegate daytrips resulting from events taking place at the proposed Mammoth Lakes Conference Center. These daytrip delegates purchase meals, retail goods, gasoline, parking, and other goods and services while visiting Mammoth Lakes. HVS estimates that net new spending by daytrip delegates using the proposed Mammoth Lakes Conference Center would be approximately \$1.8 million in 2014. After adjustments for inflation, we estimate net new direct

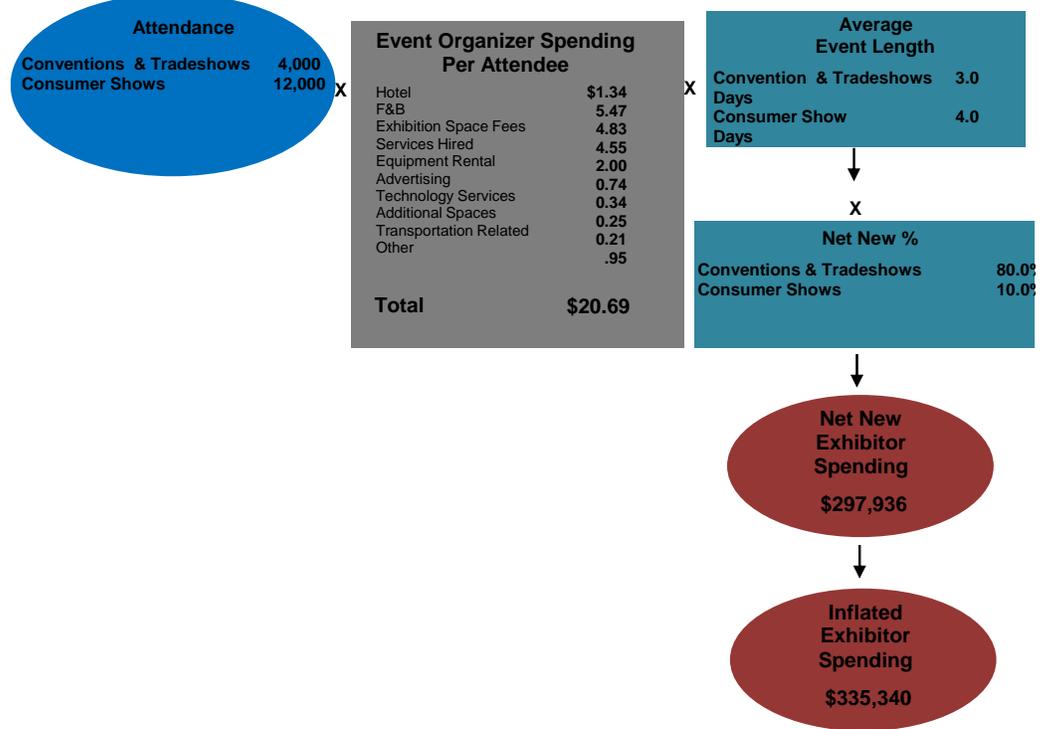
spending by daytrip delegates would be approximately \$2.1 million in 2008 dollars.

Event Organizer Spending

Event organizer spending is the local spending within the area by organizations that sponsor events taking place at the proposed Mammoth Lakes Conference Center. In most markets event planners spend several thousands of dollars on lodging, meals, local transportation, facility rentals, equipment rentals, and other goods and services required to plan and organize a successful event. HVS evaluated (1) event organizer spending survey data from DMAI, which focuses on spending by convention and tradeshow participants nationally, as well as (2) visitor spending survey data from the Corporate Travel Index, which focuses on spending patterns specific to the Mammoth Lakes market. Using these two separate sources of survey data, HVS created an index that allows us to estimate event organizer spending in Mammoth Lakes for each of several spending categories. Based on this index, we estimate total spending by event organizers. We estimate event organizer spending was approximately \$20.69 per attendee per day in 2007 in Mammoth Lakes.

The product of the number of attendees in relevant event categories, the estimated daily spending figure, the average event length, and the percentage of spending thought to be net new to Mammoth Lakes produces an estimate of net new spending by event organizers in Mammoth Lakes, as shown in the following figure.

**Figure 9-3
Event Organizer Spending (2008)**



Sources: DMAI, CTI, HVS

Event organizers typically spend money on lodging, meals, space rental, event services, equipment rentals, advertising, and other goods and services. Moreover, we assume that most, or all, of the money spent by event organizers on advertising will be spent outside the local economy. Therefore, we adjusted the spending assumptions to \$0 in these two categories. Net new spending by event organizers is typically a moderate source of direct economic impact generated by convention centers. Using HVS estimated attendance data, we estimate that net new spending by event organizers would be approximately \$297,900 million in 2014. After adjustments for inflation, we estimate net new direct spending by event organizers would be approximately \$335,300 million in 2008 dollars.

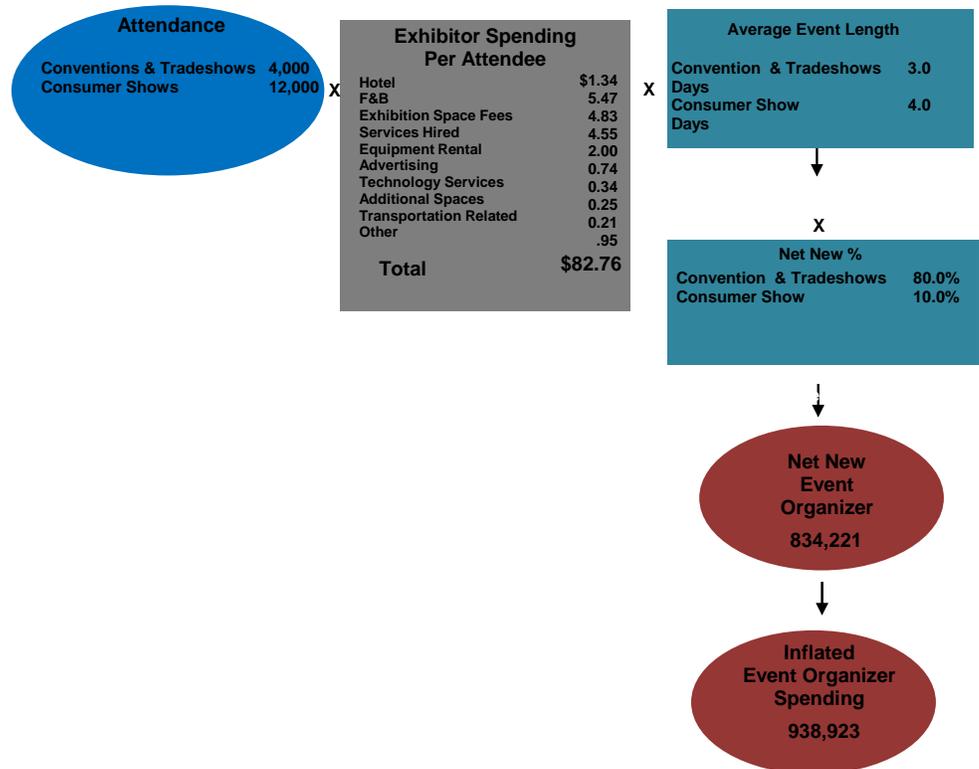
Exhibitor Spending

Exhibitor spending includes the local spending within the area by exhibitors that participate in events taking place at the proposed Mammoth Lakes Conference Center. In most markets exhibitors spend several thousands of dollars on lodging, meals, local transportation, vendor services, meeting room rentals, equipment rentals, and other goods and services required to produce successful exhibits.

HVS evaluated (1) event exhibitor spending survey data from DMAI, which focuses on spending by convention and tradeshow participants nationally, as well as (2) local visitor spending survey data as published in the Corporate Travel Index. Using these two separate sources of survey data, HVS created an index that allows us to estimate exhibitor spending in Mammoth Lakes for each of several spending categories. We estimate exhibitor spending was approximately \$82.76 per attendee per day in 2007 in Mammoth Lakes.

The product of the number of attendees in relevant event categories, the estimated daily spending figure, the average event length, and the percentage of spending thought to be net new to Mammoth Lakes produces an estimate of net new spending by exhibitors in Mammoth Lakes, as shown in the following figure.

**Figure 9-4
Exhibitor Spending (2007)**



Sources: DMAI, CTI, HVS

Exhibitors typically spend money on lodging, meals, vendor services, equipment rentals, advertising, and other goods and services. We assume that most, or all, of the money spent by exhibitors on advertising will be spent outside the local economy. Therefore, we adjusted the spending assumptions to \$0 in this category. Net new spending by exhibitors is typically one of the larger sources of direct economic impact generated by conference centers. We estimate that net new spending by event organizers would be approximately \$834,221 in 2014. After adjustments for inflation, we estimate net new direct spending by exhibitors would be approximately \$938,923 in 2008 dollars.

Direct Spending Estimates

The results of the selected methodology produce direct spending figures in each of the four previously defined categories of impacts.

The following table summarizes the net new spending estimates derived from overnight delegates, daytrip delegates, event organizers, exhibitors, and the hotel rate premium.

Table 9-1
Estimated Direct Impacts Spending (000's)

Impacts by Category	2014
Mammoth Lakes	
Overnight Delegate Spending	3,945,993
Daytrip Delegate Spending	2,079,722
Event Organizer Spending	335,340
Exhibitor Spending	938,923
Total	7,299,978

Source: HVS

Overnight delegates represent the single largest source of net new direct spending impacts, while daytrip delegates also contribute a significant source of spending. The other two categories represent substantial net new direct spending in the local economy. Total direct spending attributed to the conference center, based on stabilized demand, is projected to be approximately \$7.3 million in 2014.

Summary and Conclusion

The estimated economic impacts from the proposed Mammoth Lakes Conference Center are relatively small compared to other larger facilities, due both the size of the facility and the significant number of community and local events that have previously held events in other facilities in Mammoth Lakes that would instead use the proposed Mammoth Lakes Conference Center. Additionally, indirect and induced economic impacts are not included in this study. Nonetheless, generating an expected \$7.3 million in economic impact for the Town of Mammoth Lakes, the proposed Mammoth Lakes Conference Center would significantly impact the Town of Mammoth Lakes, driving spending on amenities, and, therefore, economic development around the facility.

10. Statement of Assumptions & Limiting Conditions

1. This report is to be used in whole and not in part.
2. No responsibility is assumed for matters of a legal nature.
3. We have not considered the presence of potentially hazardous materials on the proposed site, such as asbestos, urea formaldehyde foam insulation, PCBs, any form of toxic waste, polychlorinated biphenyls, pesticides, or lead-based paints. The appraisers are not qualified to detect hazardous substances, and we urge the client to retain an expert in this field if desired.
4. We have made no survey of the property, and we assume no responsibility in connection with such matters. Sketches, photographs, maps, and other exhibits are included to assist the reader in visualizing the property. It is assumed that the use of the land and improvements is within the boundaries of the property described, and that there is no encroachment or trespass unless noted.
5. All information, estimates, and opinions obtained from parties not employed by HVS are assumed to be true and correct. We can assume no liability resulting from misinformation.
6. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject property.
7. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless specified otherwise.
8. None of this material may be reproduced in any form without our written permission, and the report cannot be disseminated to the public through advertising, public relations, news, sales, or other media.
9. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and only when our standard per diem fees and travel costs are paid prior to the appearance.

10. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
11. We take no responsibility for any events or circumstances that take place subsequent to the date of our field inspection.
12. The quality of a convention center facility's on-site management and organization that market the facility have a direct effect on a center's economic viability. The forecasts presented in this analysis assume responsible ownership, competent management and effective marketing and sales. Any departure from this assumption may have a significant impact on the projected operating results.
13. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded to the nearest tenth of a percent. Thus, these figures may be subject to small rounding errors.
14. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client, and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.
15. This report was prepared by HVS Convention, Sports & Entertainment Facilities Consulting, a division of HVS International. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of these two organizations, as employees, rather than as individuals.
16. This report is set forth as a market study of the proposed subject project; this is not an appraisal report.

11. Certification

We, the undersigned, hereby certify:

1. that the statements of fact presented in this report are true and correct to the best of our knowledge and belief;
2. that the reported analyses, opinions, and conclusions presented in this report are limited only by the assumptions and limiting conditions set forth, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. that Hans Detlefsen and Nina Vetter personally inspected the convention center site and market described in this report; Katherine Fullan participated in the analysis and research supporting this study, but did not personally inspect the subject site and market;
4. that we have no current or contemplated interests in the real estate that is the subject of this report;
5. that we have no personal interest or bias with respect to the subject matter of this report or the parties involved;
6. that this report sets forth all of the limiting conditions (imposed by the terms of this assignment) affecting the analyses, opinions, and conclusions presented herein;
7. that the fee paid for the preparation of this report is not contingent upon our conclusions, or the occurrence of a subsequent event directly related to the intended use of this report;
8. that our engagement in this assignment was not contingent upon developing or reporting predetermined results; and
9. that no one other than those listed above and the undersigned prepared the analyses, conclusions, and opinions concerning the real estate that are set forth in this market study.

Hans Detlefsen

Hans Detlefsen
Director