Coastal Policy Study : State of Maine : Travel Development Study

DRAFT

FOR

TECHNICAL REVIEW

COASTAL POLICY STUDY:

STATE OF MAINE: TRAVEL DEVELOPMENT STUDY

Prepared by: Economics Research Associates

for the

GOVERNOR'S ADVISORY COMMITTEE ON COASTAL DEVELOPMENT AND CONSERVATION

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STATE OF MAINE
TRAVEL DEVELOPMENT STUDY

PREPARED FOR

THE STATE DEVELOPMENT OFFICE
AND
THE STATE PLANNING OFFICE

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SECTION I

INTRODUCTION

The following report identifies the principal issues related to travel characteristics in Maine and recommends a course of action which the State should pursue to maximize the economic benefits of travel activity while minimizing the adverse social and environmental impacts related to resident and out-of-state travel. This report, which was prepared for the State Development Office and the State Planning Office, is intended to provide valuable input into the continuing work of the Committee on Coastal Development and Conservation. This committee is currently preparing a 306 Application for Maine's coastal program.

From Economics Research Associates' research, the work of others, and discussions with travel industry representatives in Maine, we know that travel-related employment, income, and public revenues have undergone substantial growth in Maine over the past two decades. For example, between 1960-1970, jobs in travel-related industries reportedly increased by 50 percent. In a 1974 State study, Tourism in Maine: Analysis and Recommendations it was indicated that the travel industry then accounted for approximately 4 percent of wage and salary income in Maine, 14 percent of State tax revenues, and 6.5 percent of Maine's overall jobs. In addition to the jobs, income, and tax revenues directly provided to residents of Maine as a consequence of travel expenditures, the industry has an important function in development of the State's overall economic base because, by its nature, dollars are brought into the State from outside its boundaries. Furthermore, maintenance and development of high quality travel/recreational opportunities within the State assure that Maine residents are provided leisure-time resources and that their travel and vacation dollars are also contributing to the State's economy.

At the same time that travel activities have provided benefits to the Maine economy, the costs of public services, the inconvenience and other social and environmental costs have also increased as a result of congestion and over-utilization of certain areas during the peak summer travel months. Additionally, the travel related infrastructure in Maine is comprised of many small scale operations which have been negatively impacted by the general economic conditions of the past few years which have tended to inhibit travel throughout the State.

Given the issues presented above and the need to encourage a greater level of four season travel activity, it is critical that the State of Maine develop a comprehensive and effective strategy to optimize the economic benefits of the travel industry to its residents, and to minimize travel-related adverse effects. This situation is particularly important for the coastal zone which absorbs a significant share of travel-related activity primarily in the peak summer travel season.

It should be noted that throughout this report the word "tourism" has been avoided because of its vague interpretation. Some identify tourism as all travel away from home while the dictionary restricts tourism to pleasure and personal trips. In fact, what we are discussing is "travel" activity and the "travel" industry. By definition of the U.S. Travel Data Center, travel refers to activities associated with all overnight trips away from home and day trips to places 100 miles from the traveler's origin. This condition obviously applies to many State residents as well as out-of-state travelers visiting Maine. The travel industry refers to businesses and recreational facilities which provide goods and services to the traveler or potential traveler primarily at the retail level. Additionally, the term "travel development" is utilized in the text. This term represents an economic development function and should not necessarily be construed as the construction of new facilities.

Following this Introduction, Section II summarizes the major findings and recommendations of the report. Section III provides an overview of travel development trends in Maine and a comparison of travel organizations in Maine with other states and Canadian Provincial governments. Section IV discusses the principal issues related to travel development in Maine while Section V identifies potential State actions related to travel development. Section VI provides an in-depth discussion of the State's potential role in destination resort development. Finally, in Section VII the potential State actions are evaluated and recommendations for State action are presented.

Economics Research Associates acknowledges with appreciation the input from John Christie, Senior Vice President, Ad Media, Inc. who served as a sub-consultant and provided valuable local experience to the study process.

SECTION II

SUMMARY OF FINDINGS AND RECOMMENDATIONS

The summary presented in this Section represents the most salient findings from Economics Research Associates analysis of the travel industry in Maine. Recommended State actions are also summarized on the following pages.

OVERVIEW OF TRAVEL DEVELOPMENT IN MAINE

- Prior travel studies indicate that the largest concentration of out-of-state travelers gravitate to Maine's coastal zone while State residents appear to be more aware of inland travel and recreation opportunities.

- There are no major year-round commercial recreation attractions in the State. The majority of existing commercial recreation-type facilities are located within the coastal zone and are primarily open only on a seasonal basis.

- Maine's most dramatic travel attractions are its natural environment and public recreation opportunities. Accordingly, sightseeing is a principal activity of many travelers.

- On a State government level, only a modest initiative to encourage travel development is evident as compared to other states and the Canadian Maritime Provinces. The direct State expenditures with respect to travel activities/promotion are administered by the State Development Office which currently is allocated approximately $48,000 for travel functions. Additionally, the State legislature has appropriated $200,000 annually during each year of the biennium in matching funds for travel promotion. To date, these funds have not been matched by a private travel organization.

- ERA's evaluation of travel development activities of other states and Canadian provinces reveals the following statistics.

  - Approximately $3.1 million is being spent on travel promotion/development in New England with Maine's budget accounting for 1.5 percent of these dollars.

  - 48 states have active travel programs with a travel director.

  - Travel office budgets range from $120,000 in Delaware to $6.4 million in Puerto Rico.

  - The average travel budget is $1.2 million including an average promotion budget of $257,000.

- 29 states have matching grant incentive programs with local and regional travel organizations.

- 35 states allow local governments to tax commercial lodging with these funds used for convention activity, travel development, and promotion.

ISSUES RELATED TO TRAVEL DEVELOPMENT IN MAINE

- The principal benefits related to travel activities are as follows: resident and out-of-state travel expenditures, taxes accruing to the State as a result of travel activity, employment opportunities primarily in the peak summer travel season and at ski areas, business location choices based on vacation experience in Maine by top management, the public infrastructure required to service the traveler, secondary and tertiary traveler expenditures (economic multiplier effect), and property taxes resulting from travel related facilities and second home development.

- The principal costs related to travel activities are the following: congestion primarily in the high impact travel areas along Maine's coastal zone, higher land values primarily in heavily utilized travel and recreation areas tend to inhibit the purchase of properties by many State residents, low paying jobs and seasonality of employment opportunities, demand for local services, potential environmental damage if travel-related facilities are not properly regulated and, finally, the potential loss of wildlife if development is uncontrolled.

- With an understanding of the benefits and costs associated with travel development, the opportunities and constraints in formulating a comprehensive State travel development program need to be established. State actions oriented to maximizing the economic benefits of travel development should be based upon the following qualities which the State offers, namely: the State's spectacular natural environment, market orientation to Canadian and Northeastern markets (primarily New England), linkage to the Maritime Provinces in terms of traveler flow through Maine, and land potentially available for future travel development.

- The potential constraints to effectuate a statewide travel development program include: divided public opinion on the subject, economic risks associated with new travel development ventures, energy availability, the decline of State travel organizations, the physical and functional nature of many smaller and older travel related facilities, and a transportation system which is often overloaded in high impact travel areas during the peak summer travel season.

POTENTIAL STATE ACTIONS

The following statements briefly describe the potential State actions regarding travel development initiatives which are discussed in Section V. The reader is advised to review Section V for a complete description of each potential State travel development program element.

- Establish Travel Development Division--To effectively and efficiently initiate a comprehensive State travel development program, an administrative division should be formed which functions in close cooperation with other state economic development activities. This division, which would provide extensive planning and technical assistance to regional/local governments and the travel industry as well as statewide promotional efforts, should be located within the State Development Office.

- Interagency Travel Advisory Board--The travel development function on a State government level requires continued input from the various departments involved in travel and recreation related activities. The Interagency Travel Advisory Board would provide this interagency coordination.

- State Travel Commission--Close communication between the State government and travel industry representatives, the financial community, and regional/local government planning organizations is vital to effectuating constructive travel development programs. Accordingly, this Commission, which would be selected by the Governor, would provide guidance for State programs and policies regarding travel activity.

- Travel Awareness Program--A first step in a comprehensive State travel development program should be an awareness program oriented to informing State residents, governmental agencies, and the travel industry of the benefits which result from this industry. Communications between the public and private sectors represents the critical element in establishing a Statewide travel development program. The responsibility for this program would be vested in the Travel Development Division.

- Establish Travel Development Regions--Consideration should be given to dividing the State into travel development regions in an attempt to responsively plan and promote the continued growth of the travel industry. This strategy will accomplish the following objectives: offer varied "travel and vacation experiences" based on a region's generic qualities, increase the four season potentials of the State, provide a geographic basis for State travel related financial incentives, and provide greater recognition of inland Maine as a travel destination.

Included within a program to establish travel development regions is the potential to identify and "package" destination areas (based on existing assets) and day trip strategies.

- Travel Information Dissemination Strategy--The need to establish an effective Statewide travel information system is an important element in an overall plan to maximize the economic benefits of travel while minimizing the adverse effects of this activity, primarily in high impact areas along Maine's coastal zone. The principal objectives of such a system are to: improve the "quality" of the travel experience by providing information as to facilities, attractions, and travel conditions; increase the length of stay and thus travel expenditures by increasing the traveler's awareness of travel and recreation opportunities; disperse travel throughout the State rather than concentrating travel activity in high impact coastal areas, increase the effectiveness of the intrastate travel information system, and increase the market capture rate of travelers who are destined for the Maritime Provinces. The major program actions in a travel information system include the potential use of low frequency radio transmitters, reorganization of information display areas in travel information centers, and the use of unmanned displays throughout the State.

- State Financial Incentive Programs--Financial incentives in terms of matching funds have been successfully used by various states to encourage private and local government initiatives for travel development. The financial/matching grant incentives which should be considered by the State include the following programs:

  - Convention Bureau Incentive Program: To maximize non-State convention and business meeting activity in Maine by providing funds to local convention bureaus.

  - Attraction and Events Incentive Program: To provide increased travel related economic activity on more of a four season basis by encouraging existing attractions and events to function in the non-peak season in addition to supporting new attractions and events throughout the State.

  - Travel Promotion Matching Grant Programs: Promotional activities by Statewide, regional, and local travel related organizations are important to projecting the travel image and resources of Maine. Matching funds to support private sector initiations should be considered by the State.

- Discretionary Lodging Occupancy Tax for Municipalities--Although a mandatory statewide lodging occupancy tax to support travel related facilities and activities is not appropriate for State action, the local option to initiate such a tax should be considered. As previously stated, 35 states allow municipalities to utilize this funding vehicle. Such a program in Maine would support local efforts for convention facility development, operation, and marketing; general travel promotion and advertising campaigns; local funds to match State travel-related financial incentives; development of local interpretative and travel information systems; encourage cultural events; and historic preservation and restoration efforts.

EVALUATION OF DESTINATION RESORT DEVELOPMENT AND OPERATION

Economics Research Associates was asked to evaluate the potentials of State involvement in the ownership and operation of destination resort projects. By definition, a destination resort is a concentration of extensive activities in a single development including accommodations and recreation amenities. The following statements summarize ERA's evaluation of this development venture.

- There are at least 12 generic combinations of resort development types depending on location, operating schedule, and management structure.

- Destination resort projects in Maine can be situated within existing travel destination areas or in currently underdeveloped parts of the State (non-destination areas). This situation has been evaluated for coastal and inland resort development.

- These resort developments can operate on either a year-round or seasonal basis.

- In terms of management structure, the State has three basic management alternatives which it can pursue, namely:

  - State as owner/operator of the resort complex

  - State participates with private developer(s) to own/operate the resort

  - State sells land to private developer(s)

- While the majority of privately sponsored destination resorts have typically been developed for the affluent traveler, many projects which have been developed by the public sector cater to a less affluent market. These public resort projects have primarily been constructed in conjunction with State parks.

- To evaluate the State's potential role in resort development projects, ERA hypothesized the construction of a coastal and inland resort development (see Table VI-2, page VI-18). The estimated total cost to the State in building a coastal resort would be $11.2 million as compared to $15 million for an inland resort project (includes a ski area).

- The detailed financial analyses which appear in Section VI indicate that the financial viabilty of State ownership and potential operation of destination resorts is questionable after the payment of the public debt (assumed as revenue bonds). Before the debt service requirements, these facilities on an operating basis can be profitable with the State as owner/operator. Therefore, the financial viability of these complexes is directly related to financing assumptions for infrastructure/construction costs and available funding sources.

- In terms of the State's role with regard to existing resort/ski area developments, ERA's surveys of initiatives by other States reveal the following conclusions:

  - State governments typically do not acquire private resort and recreation properties unless financial default on government secured loans has occurred and where the loss of a major facility would represent a significant negative impact to the local area.

  - Few states have become directly involved in the ownership and operation of ski area facilities with New Hampshire and New York as leaders in this recreational endeavor.

  - The most substantial commitment of State monies for destination resort facilities is seen in major State park complexes.

- The most appropriate way for the State to aid existing resort/ski area facilities is to initiate a well-coordinated and aggressive travel development program to aid Maine's ailing travel infrastructure. The State will thus minimize its potential risk as the ultimate owner of resort- and travel-related properties throughout the State.

EVALUATION OF POTENTIAL STATE ACTIONS AND RECOMMENDED PROGRAMS

The final section of this report provides an overall impact and cost assessment of the potential State actions previously identified and a recommended travel development program. The following statements provide a summary of this section.

- In terms of quantifiable economic impacts, the concept of State involvement in destination resort development has the following impacts:

  - A coastal resort would generate approximately 300 on-site construction jobs while an inland resort complex would create approximately 400 construction jobs during the assumed 2.5 year development process.

- Total direct and indirect spending by patrons to a resort complex ranges from $4.2 to $5.4 million for the coastal and inland resorts respectively.

- Direct on-site, operational employment opportunities are estimated at 110 and 128 for the coastal and inland resorts respectively.

- State sales tax revenues accruing from the hypothetical resort project would be approximately $100,000.

- While it is difficult to quantify the impact of other potential State actions, it is Economics Research Associates' opinion that each program should provide at least a moderate to significant positive economic and fiscal impact and a moderate reduction of social and environmental damage created by travel activity for most programs.

- Cost estimates for each potential State action are summarized below (see Section VII for a more complete discussion).

  - Establish Travel Development Division/1 - $325,000-$375,000

  - Interagency Travel Advisory Board - Represents a State department organizational function and therefore minimal costs would be incurred.

  - State Travel Commission - Voluntary, Governor appointed Commission. Reimbursable travel costs - $7,500-$10,000.

  - Travel Awareness Program - Included within Travel Development Division. Costs for travel, publication charges and promotion related expenditures $25,000-$30,000.

  - Establish Travel Development Regions - Minimal costs would be included in establishing these regions since regional coordinators would not be required and principal functions could be handled by the State Planning and State Development Offices.

  - Travel Information Dissemination Strategy - Estimated costs to implement a statewide travel information system must be presented on a per unit basis since the number of facilities involved is unknown at this time.

/1 Does not include State financial incentive program.

- Low Frequency Radio Transmitter System - $8,000-$12,000

- Reorganization of information displays within travel information centers (estimate for Kittery facility) - $50,000-$75,000.

- Unmanned Display Panel - $4,000-$5,000.

- State Financial Incentive Programs

• Convention Bureau Incentive Program	$ 60,000
• Attraction and Events Incentive Program	$ 50,000
• Travel Promotion Matching Grant Program	$280,000
Total Budget	$390,000

- Discretionary Lodging Occupancy Tax to Municipalities - Administrative costs for each municipality utilizing the occupancy tax and the State Bureau of Taxation.

- State Development of Destination Resorts - As previously stated, the total estimated cost for the State to build a destination resort would range from $11.2 to $15 million.

- It is recommended that the State seriously consider the approval and implementation of the potential State actions described in the preceding paragraphs. With regards to the State's role in new destination resort development, it is Economics Research Associates' opinion that while economic benefits are created primarily on a local and regional level, the initial development costs and potential operating subsidies required for such facilities should be given serious considerations by the State in light of other potential funding priorities.

- The establishment of the Travel Development Division, which could implement many of the travel development program components, would have a budget equal to approximately one percent of State tax revenues collected from travel related facilities and activities (exclusive of the State financial incentive program). These expenditures should be evaluated in light of a better managed State travel initiative. Additionally, a State travel development program would provide a stimulus for improving the travel infrastructure within Maine while creating increased economic activity through extending the length of stay and increasing per capita expenditures from travelers.

- The most logical way to proceed with a travel development program is to establish a Basic and Active implementation strategy. The Basic strategy would include the Travel Development Division, Interagency Travel Advisory Board, State Travel Commission; the Travel Program, and basic planning/promotion for the travel development regions. Once the organizational framework has been established the Active Program would include the travel information dissemination strategy, State financial incentive programs, and the discretionary lodging occupancy tax for municipalities.

SECTION III

OVERVIEW OF TRAVEL DEVELOPMENT IN MAINE

This section of the report is intended to provide a background on travel characteristics and State travel organizations in Maine. The information contained in this section in addition to the identification of travel issues which are discussed in the following section will provide the basis for potential State actions regarding travel developments.

EXISTING CHARACTERISTICS OF THE MAINE TRAVEL INDUSTRY

The State of Maine is characterized as a travel destination State by its rugged coastline and associated sea-related activities. To the non-resident visitor the image of Maine is formed largely by the image of the sea and rocky coastline so well captured in one dimension by the paintings and watercolors of Winslow Homer and in another dimension in the image of the lobster pot and the associated imagery of the sea. Less known to the out-of-state visitor are the inland lakes and mountain areas that add a special character to the State as a whole. A number of prior studies and local experience indicate that the greatest percentage of out-of-state visitors concentrate their activities in the coastal zone communities. With the exception of the White Mountain areas, the coastal counties south of and including Hancock County account for the greatest percentage of total visitor days of out-of-state travelers to Maine. The study, Tourism in Maine: Analysis and Recommendations, (1974) that quantified these results also indicated that for residents of the State, the inland areas as well as the coastal areas were also important destination areas. Such findings would tend to support the idea that while inland parts of the State may not be as widely visited by out-of-state travelers, local residents are more aware of the opportunities for travel and recreational activities in these inland areas and take advantage of these areas. Among the other findings of this study were the following:

- "Between September 1972 and September 1973, Maine hosted an estimated 3.1 million non-resident tourists. Residents took an average of seven trips in Maine per person, accounting for 7.1 million tourists. Thus, over a one-year period, there were 10.2 million tourists in Maine. They spent 22.5 million days in the State. This number was almost evenly divided between residents and non-residents.

- Massachusetts residents account for almost 30% of the tourists. Adding New Hampshire and New York residents, these three states account for over half of Maine's non-resident tourists.

- Of the 22.5 million tourist days spent in Maine, 7.7 million were day trips, i.e., the tourists did not stay overnight.

Among those tourists that do spend at least one night in Maine, the seasonal home dweller accounts for nearly 20% of the total. Motels, followed closely by campgrounds are the most popular commercial lodging facilities.

- Sightseeing is the most popular activity in the State. Almost 20% of all tourist days are spent in this activity. Fresh-water beaching and business trips each account for about 11% total tourist days.

- There is a distinct difference in the distribution of residents versus non-residents among the different tourist activities. Of the total tourist days spend in each activity, non-residents dominated in: camping (81%); business (71%); sightseeing (59%); and conventions (51%). Resident tourists dominated in: snowmobiling (94%); fresh-water boating (75%); and skiing (61%). Residents are the predominant day-trip tourist (81%) and seasonal home owner (70%)". /1

In addition to the overall patterns related to travel activity in the State, which were analyzed in the 1974 study, Economics Research Associates also developed additional data on traveler attractions in the State and on the overall organization of travel development within the State. Data presented in Table III-1 illustrates the operating characteristics at selected commercial and recreation attractions in the State of Maine. The following statements represent a summary of findings from Economic Research Associates' survey.

- There are no major commercial recreation attractions in the State. As shown by data in Table III-1 attendance at selected commercial attractions ranges from 4,600 persons at the Brick Store Museum to 50,000 persons at the Museum of Art at Bowdoin College.

- The majority of commercial tourist-oriented attractions are only open seasonally, typically from the end of May through the middle to the end of October.

- Seasonal distribution of attendance at most facilities was unavailable due to incomplete reporting systems. However, a review of seasonal distribution figures at Acadia National Park provide an indication of visitor flow to Maine. As seen by data in Table III-1 51 percent of Acadia's attendance is recorded in the peak summer season followed by 28 percent visitation in the fall.

- At least 50 percent of attendance at surveyed attractions was from out-of-state individuals with the largest number of out-of-state persons reported at Acadia National Park (80 percent) and Prince of Fundy Cruises (97 percent).

/1 Tourism in Maine: Analysis and Recommendations, 1974.

TABLE III-1

OPERATING CHARACTERISTICS AT SELECTED ATTRACTIONS IN MAINE

Attraction	Montpelier	Brick Store Museum	Bowdoin College Museum of Art	Farnsworth Art Museum	Portland Museum of Art	Seashore Trolley Museum	Colonel Black Mansion	Penobscot Marine Museum	Bath Marine Museum	Willowbrook	Acadia National Park	Prince of Fundy Cruises
Location	Thomaston	Kennebunk	Brunswick	Rockland	Portland	Kennebunkport	Ellsworth	Searsport	Bath	Newfield	Bar Harbor	Portland
Fee									Summer[5]/Fall-Spring			
Adult	$1.00	Free	Free	Free	Free[3]	$2.00	$1.00	$2.00	$3.50 $2.75	$2.75	Free[7]	$27.50
Child	.25 (under 12)					1.00 (6-11)	.50	1.00 (13-17) .50 (7-12)	1.00 .75 (6-14)	$1.50		13.75 (5-14)
Attendance												
1972	NA	6,233	28,712	47,100	19,000	40,400	NA	9,000	41,000	10,845	2,645,000	150,000
1973	6,939	6,367	30,660	44,875	15,500	39,000	NA	8,100	30,710	12,167	2,777,000	150,000
1974	6,302	7,283	20,604	43,060	16,526	35,300	6,000	7,150	30,750	11,561	2,735,000	150,000
1975	7,000	4,600	closed	46,000		38,000	6,000	8,000	28,000	13,281	2,787,000	150,000
1976	9,000	4,600	50,000	44,000		40,000	5,000	8,000	23,500	18,411	2,775,000	130,000
Open Season	May 30 - Sept. 5	year round	year round	year round	year round	May 24 - Oct. 30	June 1 - Oct. 15	May 28 - Oct. 15	May 30 - Oct 15	May 1 - Sept. 30	year round	May 1 - Oct. 15
Seasonal Distribution	NA	NA				NA	NA	NA	NA	NA		NA
Summer			41%[1]	45%[1]	37%[1]						51%[1]	
Fall			21%	21%	23%						28%	
Winter			17%	20%	22%						3%	
Spring			21%	14%	18%						19%	
Visitor Origin												
Maine	30%	50%	50%	NA	NA	30%	NA	50%	35%	50%	20%	3%
Other	70%	50%[2]	50%	NA	NA	70%[4]	NA	50%	65%[6]	50%[8]	80%	97%[9]
Average Stay	45 minutes	20 minutes	1 hour	NA	1½ hours	2 hours	45 minutes	1-1½ hours	3½-4 hours	3 hours	6 hours	
Revenues	$6,000	NA	NA	NA	NA	1976: Tickets $68,000 Gift Shop $46,000	$4,000	NA	1976: Tickets $55,000 Gifts and Donations $120,000 1977 Budget: $250,000	NA	1976 Camping Fees $130,000	$5,000,000

NA means "not available"

[1] 1974 figures

[2] majority from New England

[3] average donation $1.00

[4] 35% from Massachusetts

[5] Summer Admission includes boat ride

[6] mostly from Connecticut, Massachusetts, and New York

[7] camping fee $3.00 per party

[8] mostly from Massachusetts and New Hampshire

[9] 30% from Massachusetts, 20% New York, 15% Connecticut, 15% New Jersey, 10% Pennsylvania

Source: Economics Research Associates

- Average length of stay at facilities is 1.5 hours (excluding Acadia National Park) which is indicative of the limited scale of most commercial attractions. The majority of Maine's commercial recreation facilities are concentrated at or near high impact areas along Maine's coast.

EXISTING TRAVEL DEVELOPMENT ORGANIZATIONS IN MAINE

The travel industry infrastructure in Maine can best be characterized as a fragmented approach to accomplishing stated objectives of increasing the economic benefits of travel activity while minimizing adverse harm to local areas. The State government's direct initiatives with respect to travel development, not including recreation activities, have diminished to a modest level compared to other states. The organizational shift from the former Department of Commerce and Industry which in FY 1973-74 had a promotion and advertising budget of approximately $279,000 to the $48,000 which is presently being spent by the State Development Office, represents only a minimal commitment of funds necessary to effectuate a comprehensive travel program within the State which is sensitive to local concerns. Current responsibilities within the State Development Office with regards to travel development include the following:

- limited preparation of promotional materials;
- distribution of promotion literature as a result of prospective visitor inquiries;
- liaison with quasi-public and private industry groups;
- funding for the Montreal and New York promotional offices.

Other State departments which are responsible for travel/recreation related facilities and activities include the Departments of Conservation, Transportation, State Planning Office, State Development Office, Marine Resources, State Museum, Environment Protection, Inland Fish and Wildlife, State Police, Bureau of Waterways, the Baxter State Park Authority, and the Maine Guarantee Authority.

In terms of development incentives for the travel/recreation industry, the Maine Guarantee Authority (M.G.A.) provides mortgage guarantees to qualified projects. While the M.G.A. is authorized to guarantee $12 million of recreation loans, currently only an estimated $6.3 million of guarantees are outstanding. Discussions with management of the M.G.A. indicate that the criteria for executing future state guarantees on recreational properties will become more stringent given the loan status of several existing commitments. In addition to the M.G.A., two State entities which may be helpful to the travel industry are the Maine Development Foundation and the Maine Capital Corporation. The Maine Development Foundation would be established as a not-for-profit, public-purpose private corporation which would assist private developers in pursuing projects or would initiate development ventures on its' own behalf. The Maine Capital Corporation would be a for-profit, private corporation with the express purpose of making viable investments in new or expanding Maine businesses. Both the Development Foundation and the Capital Corporation are proposed to be operational in 1978.

The most recent expression of State support for the travel industry was the passage of a law which authorizes the State Development Office to offer $200,000 annually for the next two years in matching funds to a single private industry organization for the purposes of travel promotion. To date, these State funds have not been matched by private monies although several organizations have expressed interest in pursuing such an agreement.

Within the private sector, the Maine Publicity Bureau functions as the only statewide organization established to promote the travel industry. Made up of private enterprises, municipalities, and other organizations serving the travel industry, the Publicity Bureau's major responsibilities include the operation of five visitor centers in Maine, publication of travel literature for both industry users and the traveling public, and promotional campaigns. In addition to the Maine Publicity Bureau's attempt to provide travel information and promotional services, and industry associations such as the Maine Innkeepers Association and the Maine Campground Owners Association, 48 local Chambers of Commerce dissemination information to travelers.

SELECTED STATE/CANADIAN PROVINCIAL TRAVEL DEVELOPMENT PROGRAM CHARACTERISTICS

In an attempt to evaluate Maine's relative position within the travel industry, ERA conducted interviews with a number of State travel directors and representatives of tourism departments in Nova Scotia and New Brunswick. The purpose of these discussions was to identify the current level of public expenditures devoted to the travel industry and travel development programs elements which might be applicable to the State of Maine. Additionally, ERA utilized a recent nationwide survey of State travel offices which was prepared by the U.S. Travel Data Center to identify State travel programs.

The data in Table III-2 illustrates travel budget allocations for the six New England states and other selected states. As indicated in this table, total direct travel budget expenditures for the New England region are approximately $3.1 million with Maine accounting for 1.5 percent of this total spending (not including $200,000 in State matching appropriations). It is further seen that besides Massachusetts which is spending $1.35 million on travel development (43 percent of the total New England public sector travel dollars), the remaining four states, excluding Maine, are currently spending an average of $428,000 compared to $48,000 for Maine.

TABLE III-2

OPERATING TRAVEL BUDGETS
NEW ENGLAND AND OTHER SELECTED STATES
1977-1978/1

State	Administrative Costs	Media Advertising	Promotion	Press and Public Relations	Research	Matching Funds Program	Other	Advertising Breakdown By Medium and Dollar (1976-1977)	Welcome Center Construction and/or Operation	Total Budget
NEW ENGLAND										
Connecticut	$ 184,700	$ 101,000	$ 55,000	$ 108,000	N.A.	N.A.	N.A.	N.A.	N.A.	$ 448,70
Massachusetts	77,500/3	400,000	260,000	80,000/2	20,000	$ 500,000	Storage:$2,500 Exhibits:$10,000	Magazine:60% Newspaper:40%	--	1,350,000
New Hampshire/2	52,000	85,000	206,000	1,000	N.A.	$ 8,200	Regional Assoc. Subsidy:$40,000 Staff Travel: $5,170	Magazine:28% Newspaper:45% Other:27%	N.A.	397,37
Rhode Island	N.A.	N.A.	N.A.	N.A.	N.A.	$ 2,440	$ 397,560	N.A.	N.A.	400,000
Vermont	24,108	70,000	107,000	25,000	2,000	N.A.	Community Info. Booth Grants: $16,000 Personal services:$160,000 Rent & Utilities: $12,000	Magazine:75% Newspaper:20% Radio:5%	54,000	470,00
Maine	9,500	--	11,400	--	--	/4	Maine Publicity Bureau: $2,180		25,000	48,08
TOTAL NEW ENGLAND	$ 347,803	$ 656,000	$ 639,400	$ 214,000	$ 22,000	$ 510,640	$ 645,410		$ 79,000	$ 3,114,258
OTHER SELECTED STATES										
New York	$ 125,000	$2,700,000	$ 917,000	--	--	$ 600,000	--	N.A.	—	$4,347,00
Michigan	$ 910,000	$ 956,000	$ 189,000	$ 155,000	$ 40,000	State Grant Program:$1,010,000	Product Development:$200,000	N.A.	N.A.	$3,380,000
Wisconsin	496,300	450,000	84,600	50,000	3,400	$ 150,000	Mail Service: $30,000	N.A.	N.A.	1,264,30
Minnesota	194,316	200,000	68,000	18,000	3,200	$ 190,000	N.A.	Magazine:10% Newspaper:70% Radio:20%	N.A.	673,516
Utah	352,800	609,000	212,3000	5,000	28,000	$ 180,000	Travel per diem:$26,600	Magazine:27% Newspaper:4% Radio:22% T.V.:26% Outdoor:10% Other media:3% Cooperative campaigns:8%	156,000	1,551,70
Pennsylvania	266,100	--	44,000	25,000	1,500	$2,000,000	$ 25,000	N.A.	470,000	2,831,600
Texas	226,000	468,000	43,500	29,000	23,400	--		Magazine:43% Newspaper:3%	N.A.	789,90
Kentucky	582,700	350,000	450,000	100,000	4,000	$ 329,000		Magazine:43% Newspaper:22% Radio:22% T.V.:13%	50,000	1,865,700
Tennessee	1,655,900	25,000	228,000	74,000	50,000	$ 275,000	Hotel & Restaurant: $265,000	N.A.	123,900	2,646,800

N.A. means not available

/1 Except when noted

/2 1976-1977 Figures

/3 Includes expenditures for operation of visitor centers

/4 A matching promotional grant of $200,000 has been approved by the State legislature and an R.F.P. to match this appropriation has been distributed to private travel organizations.

Source: U.S. Travel Data Center, "Survey of State Travel Offices, 1976-1977, 1977-1978," and Economics Research Associates

The data in Table III-2 further identifies states which have established extensive travel development programs or are geographically and climatically similar to Maine. For example, New York and Michigan spend more than all the New England states on promotion and travel development. New York State is currently apportioning $4.3 million primarily for travel advertising and promotion while Michigan has established one of the most comprehensive travel development programs in the country. The Michigan program emphasizes technical aid to the private sector, planning and development, assistance, matching grants and intra and out-of-state travel promotion.

A comparison of administrative staffing within selected state and Canadian provincial tourism offices is presented by the data in Table III-3. It is evident from this table that the New England states utilize smaller full-time staffs for travel development functions than other selected states and Canadian provincial governments. Including the State of Maine which employs only one person in the State Development Office, the average number of full-time staff in a New England State travel office is 7.2 persons.

The U.S. Travel Data Center has compiled state travel office characteristics for all states and U.S. territories except Maine and California which currently do not operate travel offices (California is re-initiating a state travel department). The following characteristics represent a summary of findings formulated by the U.S.T.D.C.

- Total travel office budgets range from $120,000 in Delaware to $6.4 million in Puerto Rico.
- The average total state budget for travel development is $1.2 million.
- Administrative Costs average $313,000 for 45 states.
- 35 states allow local governments to tax commercial lodging establishments with the funds used for promotional efforts, convention activity, planning and development.
- Average travel advertising budget for 46 states is $289,000.
- Average travel promotion budget for 47 states is $257,000.
- Average size of full-time staff is 31 persons.

The data in Table III-4 reveals the importance of the travel industry in the Canadian Province of Nova Scotia. As shown in this table, total travel related spending in Nova Scotia is approximately $6.2 million. Nova Scotia has developed a wide ranging travel program which is oriented to maximizing the economic benefits of the travel industry by combining a comprehensive planning and development program, a well conceived system of grants to local and region-

TABLE III-3

GENERAL ADMINISTRATIVE CHARACTERISTICS
SELECTED STATE AND PROVINCIAL TRAVEL/TOURISM OFFICES

State	State Agency Responsible for Tourism	Staff Size	Number of Clerical/ Secretarial
Connecticut	Tourism Division Connecticut Dept. of Commerce	6 full-time 17 part-time	4
Massachusetts	Mass. Dept. of Commerce & Development	7 full-time 6 part-time	3
New Hampshire	Office of Vacation Travel - Division of Economic Development, Dept. of Resources and Economic Development	8 full-time 2 part-time	3
Rhode Island	Tourism Promotion Division, Dept. of Economic Development	8 full-time 4 part-time	4
Vermont	Info/Travel Division, Agency of Development & Community Affairs	13 full-time 2 part-time	4
Maine	State Development Office	1 full-time	
New York	Travel Bureau, New York Commerce Dept.	10 full-time	4
Michigan	Michigan Travel Commission	24 full-time 2 part-time	12
Wisconsin	Division of Tourism	21 full-time 19 part-time	3
Minnesota	Dept. of Economic Dev. Division of Tourism	5 full-time 3 part-time	5
Utah	Utah Travel Council	15 full-time 7 part-time	8
Pennsylvania	Bureau of Travel Development	45 full-time 7 part-time	38
Texas	Texas Tourist Development Agency	10 full-time	5
Kentucky	Dept. of Public Info. Division of Advertising & Travel Promotion	51 full-time	2
Tennessee	Tourist Development	145 full-time 4 part-time	13
Selected Canadian Provinces		138 full-time	
Nova Scotia	Department of Tourism	57 full-time	34
New Brunswick	Tourism New Brunswick	138 full-time	

Source: U.S. Travel Data Center, "Survey of State Travel Offices 1976-77," and Economics Research Associates.

TABLE III-4

ESTIMATED OPERATING TOURISM BUDGET
PROVINCE OF NOVA SCOTIA
1977-1978

Administrative Costs	$ 485,400
Planning and Development	694,600
Travel Services	1,026,000
Marketing and Promotion	2,010,000
Resort Hotel Operations	1,967,800
TOTAL Estimated Budget	$ 6,183,800

Source: Nova Scotia Department of Tourism al industry groups, travel services, and promotional efforts. Similar initiatives, although not as extensive, have been established in New Brunswick.

Public Sector Incentive/Matching Grant Programs

Throughout the United States a total of 29 states have matching grant incentive programs with local and regional travel organizations. The information presented in Table III-5 describes selected incentive programs which exemplify the type of State initiatives which may be applicable to Maine. Michigan offers one of the most wide ranging incentive programs offered in the United States. In total, the State of Michigan distributes approximately $1 million in grants to convention bureaus, regional planning groups and tourist associations, and non-profit tourist organizations for promotion and travel development. It should be recognized, however, that the majority of states which offer financial incentives in the form of matching grants are allocated to more than one organization within the State while Maine's recent legislation authorizing $200,000 is to be matched by a single private, non-profit organization.

The information shown in Table III-5 further reveals the extensive nature of incentive programs adopted by the Province of Nova Scotia in cooperation with the Canadian government. In total, the Nova Scotia Department of Tourism in conjunction with the Canadian government will distribute $2.5 million over the next five years to the private travel industry for capital investment and interest rebate grants to stimulate the construction of additional travel and recreation facilities. Additionally, Nova Scotia offers grants without matching funds for selected tourist attractions and events, tourist bureaus throughout the Province, operating grants for area tourist attractions and cooperative advertising funds to stimulate increased visitation to the Province. The Nova Scotia government is concerned with providing financial aid to improve the travel industry infrastructure in the Province, increase visitor flow to the Province, and extend the length of stay of visitors.

SUMMARY

This section has provided a summary of the significant travel related characteristics in Maine. As indicated, the largest volume of travel activity occurs within the coastal zone whereas inland Maine is currently a major destination area primarily for resident travelers. Additionally, the State has no major commercial recreation attractions and therefore the travel industry captalizes on the vast natural environment throughout the State. This fact is a reason for the continued importance of sightseeing as a principal activity of many travelers. The section further reveals that on a State government level, only a modest initiative to encourage travel development is evident as compared to other selected states and the Canadian Maritime provinces. The need to effectuate a comprehensive travel development program on a statewide basis is evident based on stated

TABLE III-5

Selected Public Sector
Incentive Programs for
The Travel Industry

State/Province	Type of Incentive/ Matching Grant Programs	Basis of Funding	Total Available Funds	Program Descriptions	Effect of Public Sector Action
Massachusetts	Matching grants to qualified tourist promotion agencies	1:1	$ 500,000	Financial assistance to public or non-profit regional and local tourist promotion agencies to provide services for tourism, conventions, travel and recreation in the Commonwealth.	Increased private sector promotional efforts within Commonwealth on a regional basis.
Michigan	Program grants for convention bureaus	Matched by $10,000 local funds/applicant	$ 430,000	Grants for convention solicitation (promotion and advertising). Local convention bureau must have full-time staff of 2 persons.	Increased convention business in state.
	Program grants for regional tourist assoc.	No matching of local funds.	$ 500,000	Four regional assoc. receive equal grants ($125,000) for promotion.	Has aided in providing operating stability for regional tourist assoc.
	Special project grants	No matching of local funds.	$ 80,000	Available to any non-profit tourist organization or regional planning commission to assist in travel development and promotion. No more than 20% of total funds to any group.	Has proven valuable in implementing travel related development and promotional efforts.
Pennsylvania	Tourist promotion matching funds grant program	1:1	$2,000,000	Matching funds available to 62 recognized tourist promotion county agencies for operating costs, research, planning, and promotion. In FY 76-77, counties matched $1.5 million of state money with $2.7 million of local funds.	$32,000 per county agency is an important source of funds and provides stimulus for local financial commitments.
New York State	Matching grants with county tourist promotion agencies.	1:1	$ 600,000	Available to 53 county agencies plus City of New York for promotion. County must raise at least $8,000 to be eligible for program.	Although state funds are limited, aids in travel promotion.
Utah	Matching grants for regional tourist organizations.	1:1	$ 180,000	Available to 9 tourist regions in state for promotion and tourist development.	Stimulus for regional promotion and development efforts.
Tennessee	Tourist promotion matching grants	1:1	$ 225,000	Distributed to 9 tourist planning regions in state on matching basis. Funds used only for promotional efforts. Each regional planning organization receives up to $25,000.	Increased regional initiate to promote travel industry.
	Cooperative Advertising Program	2/3 local 1/3 state	$ 50,000	State funds available to tourist attractions, travel facilities, local chambers of commerce, and regional tourist organizations.	Has provided incentive for private actions.
Kentucky	Cooperative Advertising Program	1:1	$ 225,000	Funds available to 15 area development districts each with a travel committee. Monies used for advertising and brochures of regional attractions.	Successful as catalyst for regional investment in travel promotion.
Nova Scotia	Interest Rebate Program	N.A.	$1,500,000	Interest rebate offered to owners/operators or perspective owners/operators of hotels, motels, inns, restaurants, and tourist cottages and cabins. Under this program, 100% of first year's interest and 50% of second year's interest from a commercial or public lending institution will be rebated to operator/owner from the Provincial/Federal governments. Eligible capital improvements include water/sewer plants, buildings/furnishings, equipment, roads, landscaping, and recreational facilities which are an integral part of a tourism operation.	Project to be initiated Jan. 1978.
	Capital Investment Grants		$1,000,000	Grants offered to owners/operators or persoective owners/operators of hotels, motels, inns, restaurants, and tourist cottages and cabins. Grants of up to 50% on eligible assets of $50,000 to $100,000 and up to 25% on eligible assets above $100,000 may be made.	Project to be initiated Jan. 1978.
	Attraction and Event Incentive Grants	No matching of local funds	$ 90,000	To provide 9 Area Tourist Associations with capital/operating funds whereby they may encourage the development of attractions and events in their region on a matching basis. Tourist Associations are encouraged to use 1/3 of yearly grants for development of "shoulder" month attractions and events.	Assists festivals and events by providing "seed money."
	Tourist Bureau Grants	No matching of local funds	$ 53,000	$1,250 per private and municipal bureau for capital and/or operating funds. Grants dependent on tourist bureau operating 8-hr. day, 7 days per week. Must remain open from June 15 to Sept. 15.	Provides a major source of operati capital.
	Operating Grant for Area Tourist Association	1:1	$ 81,000	Operating grant of $9,000 per Association for promotion and travel development.	Important to increased program development of associations.
	Cooperative Advertising Program	1:1	N.A.	Assistance to festival events and attractions for incremental promotion.	One year of operation. Increased visitiation to events "festivals

N.A. Means not available.

Source: Economics Research Associates

objectives of increasing economic activity within the State while minimizing social and environmental harm which is most seriously realized within Maine's coastal zone during the peak summer season.

SECTION IV

ISSUES RELATED TO TRAVEL DEVELOPMENT IN MAINE

This section of the report is intended to provide a comprehensive review of the postive and negative characteristics of Maine's travel industry as interpreted by Economic Research Associates through initial interviews with key public and private sector individuals and a review of published reports which deal with travel and recreation activities in Maine. Additionally, this section presents a summary of opportunities and constraints which should be considered in developing a state travel development policy.

BENEFITS AND COSTS ASSOCIATED WITH TRAVEL DEVELOPMENT

The travel industry in Maine under its' current structure has many diverse characteristics which affect various segments of the resident population and economic sectors in different ways. Clearly, what is a benefit to one interest group might be a cost to another group. Accordingly, the following discussion is intended to provide a general framework upon which can be built a series of potential State actions.

Benefits Associated with Travel Development

Presented below are the principal benefits which accrue to Maine residents as a result of travel and recreation activities and facilities within the State.

Travel Expenditures - As indicated in the report, Tourism In Maine: Analysis and Recommendations, approximately $260 million was spent by both resident and non-resident travelers during a full year period beginning in the fall of 1972 through the summer of 1973. Approximately 80 percent of these expenditures were generated by out-of-state travelers. This estimate should be considered as conservative in light of more recent research which has been conducted by the United States Travel Data Center. The research prepared by U.S.T.D.C. indicates that Maine travel related activity in 1975 was approximately $700 million.[/2] The substantial variation in travel expenditures is principally due to definitional issues and impact assessment methodologies employed in both studies.

Tax Impacts - The study, Tourism In Maine: Analysis and Recommendations, further reveals that during the 1972-1973 study period, travelers accounted for approximately 14 percent of non-real estate tax revenues generated in the State. Comparing state government services (estimated at $15.3 million in

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/2 U.S. Travel Data Center, The Impact of Travel on State Economies, 1975.

1972/1973) and taxes generated as a result of travel activities ($30 million), it is seen that the State's benefit is shown as a 1.95 ratio of benefits to allocated costs.

Employment - Employment in Maine's travel industries is highly seasonal in nature, which has both negative and positive implications for local residents. Approximately 250,000 man-months of employment are created annually with an estimated 80 percent of these jobs attributed to out-of-state travelers.

Business Location Choices - The recently prepared study for the Casco Bank and Trust Company entitled, Why Firms Decide For or Against a Maine Location, indicated that approximately 80 percent of firms surveyed selecting Maine as a new location for their businesses had chief executives or location team members who have vacationed near their recent business location choice. Three-quarters of the firms contacted during this survey had an executive or a locational team member with a second home or cottage in Maine. The overall "quality of life" in Maine, was important to these individuals and was reflected in their decision to locate their business in the State.

Public Infrastructure - Due to the peaking of visitors to the State in the summer months and to a lesser extent in the fall, the public sector has been required to upgrade transportation facilities in primarily high impact travel areas along the coast and the major north-south arterials. Additionally, the State has developed extensive recreational offerings (e.g., state parks) that service resident and out-of-state users.

Economic Multiplier - The initial spending represented by travel dollars is spent and respent in the local economy. This multiplier phenomenon has a direct relationship to the economic viability of many small businesses in the State. An indication of this economic impact is revealed in the study, Tourism In Maine: Analysis and Recommendations, where it was shown that $260 million of total tourist expenditures created a demand for goods and services that resulted in total expenditures of $458 million.

Property Tax Income - Real property taxes resulting from travel and private recreation facilities in addition to second home development provide further support to local economies. For example, studies have shown that in many instances, property tax revenues generated from small scale second home development exceed municipal costs to service such dwelling units. In the case of larger scale development which may require extensive public infrastructure improvements to service the community, such a relationship is less likely to exist.

Costs Associated with Travel Development

The real costs of travel development are difficult in many respects to accurately quantify given the qualitative circumstances which surround the topic. The following represent the most salient costs of developing travel facilities and services in Maine.

Congestion - Whether real or perceived, congestion, primarily along Maine's coastal zone, is one of the greatest inconveniences to both local residents as well as visitors to the area during the peak travel months. Unless a comprehensive travel strategy is initiated and information dissemination services are provided to minimize congestion in high impact areas and induce visits to other less popular areas of the State, congestion is likely to remain and proportionally intensify with increased travel flow to these impacted areas.

Higher Land Values - Within the most desirable recreation areas of the State, primarily along the Atlantic coast and in close proximity to ski areas and lakes, the price of land has accelerated to a point where many Maine residents are unable to afford year-round or seasonal houses. While this condition is identified as a cost it should also be recognized that inflated real estate values may be viewed as an economic benefit in terms of increased taxes as well as equity return to existing property owners.

Low Paying Jobs - Studies have shown that the majority of employment opportunities in the travel industry are relatively low paying compared to more technically advanced production; governmental; business, professional and medical services; and manufacturing employment opportunities. This situation is not unique to Maine and can be viewed as a generic characteristic of the travel industry. Furthermore, such jobs may provide employment opportunities for persons with little experience or technical training.

Seasonal Employment - One of the most visible economic constraints characterized by travel/recreation activity is the seasonal nature of employment which in many instances implies unemployment and thus public expenditure for non-peak season periods. Although this situation is commonly regarded as a negative implication of the travel industry, it must also be realized that employment opportunities and training are provided for individuals who only require season employment such as students who are committed to educational endeavors for non-peak periods, and who are not eligible for unemployment compensation.

Demand for Local Government Services - This need is most pronounced in the high impact coastal areas during the peak summer season where large numbers of non-local persons require municipal services. Excluding seasonal home owners, non-local individuals and groups have not been shown to provide a reasonable economic return for services which are provided principally through local real estate tax revenues.

Environmental Damage - A potentially serious negative impact can be created through the development of travel/recreation facilities at or near environmentally "fragile" areas. Selected activities (e.g., snowmobiling, motor boating, etc.) may also represent a threat to the environmental balance of a specific area. Through zoning and planning controls and development guidelines formulated by municipal, regional, and State agencies, such environmental harm should be minimized.

Loss of Wildlands - Maine is noted for its natural beauty and varied physiographic features both along the Atlantic coast and in inland regions. Future development must be compatible with Maine's precious wildlands with travel/recreation activity concentrated in areas which will not be in conflict with forever wild zones. In areas where wildland preservation is mandated by State regulating agencies, passive recreational activities should be considered to limit potentially adverse effects upon the area.

TRAVEL DEVELOPMENT OPPORTUNITIES AND CONSTRAINTS

Prior to identifying potential State actions that will maximize the benefits of travel industry while minimizing social and environmental harm, it is first necessary to establish realistic parameters within which such actions can be expected to be initiated. The following subsections of this report describes these opportunities and constraints which will guide future discussions.

Opportunities

State actions oriented to maximizing the benefits of travel development should capitalize on the following assets inherent to Maine.

Natural Environment - Maine offers one of the most spectacular natural environments in the Northeast if not the entire nation. Coastal areas as well as inland regions provide travelers with a wide variety of natural attractions.

Market Orientation - Although distance and accessibility are critical factors, with increased exposure to both Canadian markets (e.g., Quebec and Montreal) and Northeast population centers, Maine has the ability to gradually extend its out-of-state market base. Research conducted by the United States Travel Service shows that 53 percent of Canadians traveling to the New England States are destined for Maine. The expansion of this market capture can benefit the economic base of the State. As indicated in prior planning efforts, a sizeable resident population also exists which participates in varied forms of outdoor recreation.

Linkage to Maritime Provinces - Traditionally Maine has functioned as a "pass through" State to and from the Maritime Provinces. A July 1973 report prepared by the Department of Commerce and Industry entitled, Analysis of Maine/Maritime Vacation Travel estimated that 25 percent of vacation travelers to Maine pass through the State on their way to or from the Maritime Provinces of Canada. This sizeable market potential with origins from both the United States (notably Massachusetts) and the Province of Ontario should be seriously considered in developing a strategy to maximize the benefits of travel facilities and activities.

Availability of Land for Travel/Recreation Development - Large tracts of land are available for development both inland and at selected coastal areas. As indicated in prior planning documents and through public opinion surveys, such development should be carefully planned to maximize the economic benefits to State residents while minimizing social and environmental harm.

Development Constraints

The ability to effectuate a comprehensive travel development strategy is potentially inhibited by the following conditions. These constraints must be seriously considered in preparing State policy on travel development.

Divided Public Opinion - One of the most important considerations in preparing a comprehensive travel development is the need to respond to concerns of State residents. In many respects, the economic benefits that accrue to local residents from travel activities are overshadowed by the desire to preserve the "quality of life" in coastal and inland areas of the State. This concern is fully understandable given the concentration of travel activity centers along Maine's coast, limited facility capacity, and a transportation network which is overloaded in peak travel periods.

Economic Risks - Recent interviews conducted by Economic Research Associates indicate that seasonality factors, access from major markets, and limited promotional efforts have combined to make many travel/recreation facilities only "marginally attractive" as private investment alternatives. Planning for future construction of such facilities should include a careful evaluation of the economic risks involved in these ventures.

Energy - The availability of energy is one of the key variables which may guide the travel industry in Maine in future years. A dramatic reduction of gasoline availability could significantly impact the growth potential of out-of-state travel markets thus suggesting a greater emphasis on intrastate travel development.

Decline of Travel Organizations - The travel industry in Maine is characteristic of this fragmented industry in the New England region. A lack of common purpose, organizational structure and limited funding capacity have provided the major causes for a decline of travel as a unified economic entity. In Maine, the Maine Publicity Bureau has provided a statewide presence as the private sector voice of tourism. Limitations with regards to membership initiative, management and funding have diminished the capabilities of the MPB.

Obsolescence of Physical Plants - Many of the private sector travel and recreation facilities in the State have fallen victim to recent economic conditions, physical disrepair over time, and the lack of available financial resources to sustain long-term operating viability. This situation is present both at coastal and inland areas and is most evident with respect to older properties which require upgrading to be considered competitive.

Transportation Systems - As previously stated, roadways in high impact coastal areas are many times at capacity during the peak summer season thus creating a source of conflict for both local residents and visitors. Currently, inland development potentials are also constrained by a generally limited transportation network. It is further recognized that improved and additional transportation facilities (e.g., airports) represent an important element in providing a more equitable distribution of travel/recreation activities throughout the State.

SUMMARY

This section has provided a presentation of the major issues involved in establishing a comprehensive travel development program for the State of Maine. It is evident that while the travel industry provides many advantages for the State, the negative implications in terms of social and environmental impacts should be factored into future travel related planning initiatives. Based on the information contained in this section, the following section discusses potential State actions related to travel development.

SECTION V
POTENTIAL STATE ACTIONS

This section of the report describes potential state actions which are presented to accomplish the following principal objectives:

- Maximize economic benefits of travel by increasing per capita spending and increasing length of stay
- Increase four season travel experiences within the State
- Minimize social/environmental harm at high impact travel areas (primarily in coastal areas)
- Improve physical plants and management structures at private travel/recreation facilities
- Encourage Maine residents to travel within the State
- Create the mechanism to induce greater travel to inland Maine from both out-of-state visitors and citizens of the State.

While the programs described in this section represent alternatives for all areas of the State, each program element is intended to increase economic activity and reduce the negative impacts of the travel industry on heavily traveled coastal areas. Preliminary cost estimates and impact assessments are provided to evaluate relative merits of each program in Section VII.

The possible State actions that are discussed in this section are the following:

- Establishment of a Travel Development Division
- Establishment of an Interagency Travel Advisory Board
- Establishment of a State Travel Commission
- Institution of a Travel Awareness Program
- Establishment of Travel Development and Management Regions
- Travel Information Dissenination Strategy
- State Financial Incentive Programs
- Discretionary Lodging Occupancy Tax
- State Development of Destination Resorts

ESTABLISH TRAVEL DEVELOPMENT DIVISION

To effectively and efficiently manage and coordinate the State's role in travel development, an administrative division should be established which functions in close cooperation with other economic development and planning activities of the State government. Accordingly, it is recommended that this division be integrated into the operations of the State Development Office where overall business development activities are initiated and Canadian liaison functions are maintained.

In establishing the Travel Development Division, it should be fully recognized that the travel industry is an important economic force within the State. This industry has suffered over the years both physically and functionally to a point where affirmative State action is necessary to at least maintenance and hopefully increase the economic benefits which result from its existence. In contrast to prior State efforts (i.e. Promotion Division of the Maine Department of Commerce and Industry), a new travel development division should provide both extensive planning and technical assistance to regional/local governments and the travel industry as well as promotional efforts on a statewide basis. The importance of travel planning and technical assistance cannot be emphasized enough. Maine's travel related physical plant and the people who own and operate these facilities represent the "heart" of this industry. Without financially viable operations, the travel industry in Maine will become less competitive with more progressive vacation states and foreign countries. Therefore, a primary focus of this division should be placed upon improving the attractions, accommodation base, travel information systems, restaurant offerings, etc. by providing the professional guidance which currently may be lacking by private operators and regional/local government agencies.

The principal functions of the Travel Development Division are summarized below:

- Provide technical assistance to regional and local governments and the private travel industry through such programs as:

  - travel industry operating manuals for hotel owners/operators, attractions, restaurants, etc. The purpose of such detailed manuals is to provide advice and guidelines for efficient operations.

  - travel development guidelines manuals to assist community, county and regional planning organizations in planning travel activities in an area and to measure the economic impacts of the travel industry. The manual would provide a detailed procedure for preparing an action plan for travel development within a certain area which is interested in maximizing the benefits of the travel industry while minimizing social and environmental harm to the area. A model for this type of planning assistance is successfully employed by the State of Michigan. The State Travel Bureau in Michigan has developed a two-part manual which includes the following major sections:

    Part 1. Local Area Inventory--Assessing what the area has

    - Determining the nature of the local travel activity

    - Determining what products the area has to offer

- Reviewing local area promotion, advertising and market efforts

Part 2. Preparing a local area Action Plan for Travel Development

- Determining the area's travel development objectives
- Analyzing problems that must be overcome in order to achieve these objectives
- Identifying solutions
- Evaluating the feasibility of the solutions
- Finalizing the action plan

- Responsibility for providing technical assistance towards the implementation of an effective intrastate information system which would develop within State and local visitor centers. Such a system is a vital element in spreading travel throughout the State (see description of travel information system on page V-8).

- Administer financial incentive/matching grant programs.

- Coordination with travel industry and local/regional planning organizations to insure that the State is actively involved in an advisory capacity with such groups in formulating travel strategies which are sensitive to local needs and objectives while being consistent with an overall State travel development program.

- Development of package tours to various areas of the State through cooperation with travel agents, transportation operators, and private travel facilities.

- Establishment of "familiarization tours" of the State for out-of-state wholesale and retail travel brokers. The purpose of such a program is to encourage group travel in future years recognizing that energy availability is certain to become a critical factor in the growth of the travel industry in Maine.

- Administer a comprehensive travel promotional effort with a primary focus on <u>non-peak</u> seasons and <u>winter/ski opportunities</u> in the State. Promotion remains a key ingredient in attracting out-of-state persons to Maine especially in non-peak travel seasons. Given the volume of travel promotion activity in the other New England states and Canada, the State of Maine should agressively promote its unique travel and recreation offerings to both out-of-state markets and residents of Maine.

- Provide technical, marketing, and financial assistance to local convention bureaus in an attempt to attract a greater number of out-of-state business conventions to Maine. As indicated in prior studies, the convention segment of the travel industry if properly developed offers high economic benefits with limited social and environmental harm. Accordingly, the State, through the Travel Development Division should actively encourage this type of business.

- Provide market research services in support of the travel industry and regional/local planning efforts. The need for "hard" data regarding visitor flow, seasonal fluctuation of visitor flow, current estimates of travel expenditure patterns, lodging occupancy factors, facility inventory updates, etc. are necessary to initiate sound, comprehensive travel planning efforts.

To initiate the administrative functions specified in the preceding paragraphs, the Travel Development will require the services of at least the following individuals:

Title	Responsibilities
Travel Director	Overall administration of travel development programs and promotional efforts, coordinate with other State agencies and industry representatives, administer a travel awareness program, prepare familiarization and package tour programs.
Travel Planning and Development Coordinator	Prepare regional/local government travel development guidelines and manuals; establish and maintain contact with individuals and groups who might have a potential investment/development interest in the State's travel industry; coordinate the division's role in preparing and implementing a statewide travel information system; and assist communities, counties and regions in evaluating the opportunities for new travel related facilities and attractions and improving the existing travel infrastructure.
Financial Assistance Administrator	Prepare and administer a comprehensive financial incentive program for regional/local governments and the private industry.

Market Research Director	Compile and tabulate relevant statistical information related to the travel industry on a continuing basis to aid in public and private planning and development efforts.
Support Staff (3 Individuals)	Provide administrative support for the division's programs. One person should function as a travel information coordinator.

For the State to minimize its staff costs, it should attempt to utilize existing staff currently within the State Development Office, the State Planning Office, or other State offices. It must be recognized, however, for the travel development function to be a meaningful State investment, the services of an experienced travel director should be solicited. The estimated costs to initiate this State action appear in Section VII.

INTERAGENCY TRAVEL ADVISORY BOARD

The travel development function on a State level requires the input from many State departments which are involved in various aspects of the travel and recreation industries. The Departments of Conservation, Transportation, State Planning Office, State Development Office, Marine Resources, State Museum, Environmental Protection, Inland Fish and Wildlife, State Police, Bureau of Waterways, the Baxter State Park Authority, and the Maine Guarantee Authority all play an important role in travel and recreation activities. Therefore, the integration of concepts, programs, and policies is a necessary step in formalizing uniform travel programs which are consistent with the mandates of each department while being responsive to the State's economic development initiatives.

It is recommended that senior staff members from each department including a representative from the Governor's office attend meetings of the Interagency Travel Advisory Board. In a positive spirit of cooperation, the goals and objectives of each department can be molded into constructive travel development strategies which are oriented to progressive proposals to increase the benefits of the travel industry while ensuring that negative impacts are carefully controlled.

STATE TRAVEL COMMISSION

The planning for a progressive travel program requires the continued input from travel industry representatives including the Maine Publicity Bureau, the financial community, and regional/local organizations. The State Travel Commission would be comprised of staff from the State Travel Division and other persons selected by the Governor who represent a responsive cross-section of public and private interests throughout the State. This voluntary organization would provide advice on State programs and policies in addition to a continued sense of direction so that public policies are sensitive to community and private interests.

TRAVEL AWARENESS PROGRAM

Economics Research Associates believes that a comprehensive State travel development initiative should begin with an awareness program oriented to informing State residents, governmental agencies, and the travel industry of the benefits which result from this diverse industry. ERA's overall evaluation of the dynamics involved both within the travel industry and citizen's concerns throughout the State suggest that travel related issues and conditions for the most part are misunderstood.

Once an awareness can be established within governmental agencies, industry sources and the State residents, such individuals and groups can begin to appreciate the importance of formulating a program which will maximize the benefits of travel and recreation activities. Communication on all levels represents the critical factor in establishing a State travel development strategy. For this reason the following key objectives should become the basis for a travel awareness program.

- to provide communication between government, industry, community and residents of the State
- to facilitate a better understanding of the economic, social, cultural, and environmental impact of travel
- to familiarize residents with Maine's tourist/recreation attractions
- to provide basic training opportunities within communities, overcome apathy and upgrade travel services.

Responsibility for the travel awareness program should be established within the newly formed Travel Development Division of the State Development Office. Working in cooperation with industry representatives, this "internal" to Maine promotional effort could be structured around a Public Service Advertising campaign, brochure on the benefits to State residents of the travel industry capitalizing on information compiled in the report Tourism in Maine: Analysis and Recommendations (1974) and statewide presentations and seminars to local governmental agencies, travel organizations and citizen groups. In addition to providing a rationale for constructive travel development efforts, the awareness effort would identify resources and natural attractions which are indigenous to Maine with the hope of increasing intrastate resident travel.

ESTABLISH TRAVEL DEVELOPMENT REGIONS

To responsively plan and promote the continued growth of the travel industry throughout Maine, serious consideration should be given to dividing the State into travel development regions. This concept has been successfully utilized in major travel oriented states throughout the country as well as Canadian Provinces such as Nova Scotia and New Brunswick. By definition, a travel development region would encompass an area which has similar or unique physical, cultural, historic and social characteristics.

The advantages of initiating such a program in Maine would be as follows:

- Offer varied "travel and vacation experiences" based on a region's generic qualities. The intent is to explore all of the resources within a region through destination area and day-trip strategies which will be discussed subsequently. Assuming that the State was divided into six or eight regions, it is conceivable that a traveling party would visit a region one year and then return to experience other regions in following years thus maximizing the economic benefits to the State. The regional approach to travel development further represents an important step in recognizing inland areas and diverting travel from high impact coastal areas.

- Increase the four season potentials of the State. The regional strategy would be geared to developing more of a four season environment by identifying travel and recreation opportunities for State residents and out-of-state persons. Advertising and promotional campaigns could be structured to highlight the attractions and facilities available within each region.

- Geographic basis for State financial Incentives/Matching Grant Programs. Area travel organizations, chambers of commerce, local convention bureaus within each region would be eligible to receive funding assistance from the State.

Sub-components of a strategy to establish travel development regions include the planning for destination areas and day trips within each region. These concepts are described in the following paragraphs.

Destination Area Concept

Within travel development regions, areas with existing facilities and public infrastructural improvements should evolve into well organized destination areas throughout the State. By definition a destination area includes four basic components, all of which must complement each other to achieve the objectives of increasing four season travel, extended lengths of stay, and increased per capita visitor expenditures. The four components for establishing destination areas within travel development regions are facilities, attractions, transportation, and communications.

Travelers will typically visit an area which offers suitable facilities in terms of lodging, restaurants and service facilities. In terms of accommodations a sizeable number of quality units (hotel, motel, lodge, campgrounds) are necessary to serve travelers. Restaurants offering a wide variety of eating experiences must also exist to attract the traveler into a destination area. Extended lengths of stay in an area create the need for a selection of restaurants in the area. Additionally, shopping, health, and automotive services must exist in a destination area. The primary responsibility for providing the above mentioned facilities generally rests with the private sector. Public sector planning initiatives can aid in encouraging additional facilities and the expansion of existing operations, but the need for private resources is critical to implementing a destination area strategy.

The availability of both major and minor attractions is a basic requirement of a destination area. These attractions can either be natural, which is most common in Maine, or man-made tourist and recreation attractions. A wide variety of recreational activities, events, day and evening entertainment should be considered before selecting potential destination areas.

Travelers must be capable of traveling to a destination area without delay due to inadequate transportation facilities. Once a person arrives within a delineated destination area, he must be able to experience the various attractions and facilities within the area. It is at this point where day trips become an integral element in maximizing the economic benefits of the traveling public. The ability to offer day trips also relates to travelers without automobiles and those persons who wish not to drive. Accordingly, consideration might be given to providing public transportation or tour bus operations within the destination areas.

Potential visitors to a destination area must be able to receive reliable and detailed information while planning their trip or on-route within the State. At the point of origin, marketing and promotional efforts play an important role in attracting the traveler to a destination area. While on-route, the visitor center facility and information panels can be the principal factor in directing the traveler to specific areas within the State.

In total, the destination area concept attempts to "package" existing facilities within travel development regions into a marketable product. The continued direction of local citizen groups, private travel organizations and State planners can help assure that maximum economic benefits are realized with minimal social and environmental negative impacts on the local areas.

Day Trip Strategies

Recognizing that sightseeing is a major activity in Maine, it is important to develop a travel program geared to maximizing the economic benefits of this pastime in such a manner as to minimize social and environmental impacts to local areas. A day trip refers to a combination of attractions within a destination area, linked together by mode of transportation and special interest, and marketed within and outside the destination area to existing and potential visitors. The day trip program must incorporate the same four basic elements as a destination area namely: facilities, attractions, transportation, and communication. Combining portions of these elements creates a day trip program within a destination area. It is conceivable that several day trips can be included within a destination area and travel region so that a visitor fully explores all of the attractions and facilities available. Each day trip would develop various themes such as scenic, historic, cultural or ethnic experiences.

Communication is especially important to the day trip strategy. Therefore the use of uniform informational panels which identify ones position on a selected day trip route, hand-out literature, and interpretative displays would be useful in providing an enjoyable experience for the traveler.

TRAVEL INFORMATION DISSEMINATION STRATEGY

The need to develop a comprehensive travel information system on a statewide basis is a critical element in an overall program to maximizing the benefits of travel while minimizing the adverse effects of this industry primarily in heavily utilized areas along Maine's coastal zone. The intention of this travel development program element is to build upon the efforts formalized in the recently enacted Maine Traveler Information Services legislation. The objectives of establishing an extensive travel information system within state-oriented and local travel information centers and at informational panels or kiosks throughout the State are as follows:

- Increase the effectiveness of the intrastate travel information system in terms of providing the appropriate travel information in a useable format to aid in the traveler's decision making process.

- Improve the "quality" of the travel experience by providing accurate information as to attractions, facilities, recreational offerings, events, travel conditions, etc.

- Increase the length of stay and thus travel expenditures by increasing the awareness of travel and recreation opportunities.

- Disperse travel throughout the State rather than concentrating the travel activity in high impact coastal areas.

- Increase the market capture rate of travelers who are destined for the Canadian Maritime Province by providing information on travel/recreation opportunities in Maine.

The development of travel information programs is especially important within existing visitor centers such as the Kittery facility and other state oriented operations for the following reasons:

- These facilities provide personalized information to the traveler by virtue of the face to face contact, with the potential for dispensing highly detailed information on the State as well as on the local area.

- They assist travelers enroute to and at selected destinations.

- They are highly visible and accessible to the greatest number of travelers by virtue of the fact that the existing visitor center network is the primary physical source of travel information in the State.

- The information scale and mix is highly adjustable and can easily be tailored to individual visitor centers.

- The program is easily expandable.

- It is compatible with other information program components such as the new highway signing policy of the State.

The major program actions which should be considered in state-oriented travel information centers are as follows:

- Potential use of low frequency radio transmitters.

- The reorganization of information display areas within travel information centers.

- Unmanned displays.

The following paragraphs briefly describe each program.

<u>Low Frequency Radio Transmitters</u>

The low frequency radio transmitter is a relatively inexpensive and innovative means of increasing market penetration within travel information centers. Keyed in by advance highway signing, this system disseminates programmed information to a traveler on the AM radio communications system within the automobile. The transmitter, which is placed within the travel information center, broadcasts within a 5 mile radius a multiple message which alerts the traveler to the following types of information before the person reaches the information center. Once a person tunes to the appropriate frequency, the following types of information may be available:

- welcome message to travelers entering Maine.
- location and services available at the upcoming travel information center.
- highway, weather, emergency information to alert travelers of conditions ahead.
- available sources of travel information within the State and the general area in which the transmitter is located.
- special events in the general area or other parts of the State.

This type of information system has been used by the State of California, the National Park Service in several national parks, the Army Corps of Engineers (at recreation centers), the U.S. Department of Transportation, and various state highway departments throughout the country.

The utilization of the low frequency radio transmitters as part of the travel information center improvement program represents an innovative approach in attracting travelers to information centers while providing relevant information enroute that will enhance the level of knowledge of travelers regarding state-wide as well as local information. Surveys have proven radio to be a valuable aid to the motorist because it allows the traveler to relieve his overtaxed visual sense and utilize his audio sense. While the use of low frequency transmitters is an exciting concept, additional planning will need to be undertaken to ensure that this travel information aid can be implemented within the State of Maine.

Reorganization of Information Display Areas in Travel Information Centers

One of the most effective tools in providing travel information services is to orient the traveler to the opportunities available within the State. This can be accomplished within existing and proposed information centers by the proper utilization of space for interpretative displays and information dissemination. The need for broad ranging informational services is likely to become even more critical when the recently enacted State highway signing ordinance is put into effect.

In excess of 70 percent of out-of-State visitors enter Maine via Interstate 95. Accordingly, it would be appropriate for the State to pursue an overall information improvement strategy at the Kittery Information Center as an initial travel information center program. In ERA's opinion, the Kittery facility, which is the largest travel information center in New England (7,000 square feet), does not provide the comprehensive interpretative displays which fully describe the travel and recreation opportunities available throughout the State. Currently, the informational component of the Kittery Center is used by the traveler to principally obtain maps and individual brochures of travel facilities and attractions. To maximize the impact of this facility, a properly designed interpretative system should be established to highlight the recreation, cultural, and historic attractions within the State. Such a system should be closely related to the previously described travel development regions thereby amplifying the complete vacation experiences within coastal and inland regions. The use of interpretative displays (e.g. rear screen projection devices, display panels, etc.) which provide the traveler with a brief visual presentation of each region, destination areas, and day trip programs, has been used successfully to assist travelers in their travel planning process. Even though many travelers have a final destination planned prior to their arrival in Maine, the use of interpretative presentations combined with detailed information on current activities, events, and attractions will tend to spread the economic benefits in areas which may not be the final destination for the traveler.

In summation, the Kittery information center, which is currently operated by the Maine Publicity Bureau, should function as a "Gateway Center" for Maine with more extensive informational resources than currently are available. Once a model program has been established for the Kittery facility, additional information center improvement programs should be initiated at other State-oriented information centers for the purpose of providing uniform travel information to the public.

Unmanned Display Panels

To complement the State-oriented travel information centers and local facilities (e.g. Chamber of Commerce offices), it is recommended that consideration be given to the installation of travel information panels at key locations (e.g. rest areas, scenic cut-offs, major roadway interchanges, etc.) throughout the State. The purpose of these modular panels is to provide the resident and out-of-State traveler with directional guidance, sources of travel information and emergency phone numbers/addresses, and major tourist/recreation attractions and facilities.

This display system should be modular with multiple panel capability with each panel displaying a different informational theme. In this manner, the informational panels could be arranged to reflect statewide information, facts including cultural, historic, and recreational attractions within travel development regions, day trip routes and options within destination areas, and other significant information resources to enhance the travel experience and thus economic benefits. The display panels described above relate principally to public information. It is possible that these information panels could be assembled with privately sponsored information displays. The details of this effort should be coordinated between the State Department of Transportation, the Travel Information Advisory Council, the State Department Office, and the State Planning Office.

These panels should be installed as outdoor information kiosks at areas designated as travel information plazas. An information plaza requires limited parking availability and easy access to a roadway. These panel systems should be vandal and weather resistant to ensure year-round usefulness.

STATE FINANCIAL INCENTIVE PROGRAMS

Financial incentives to enhance the economic viability of the travel industry have in other states proven to be an integral component of an overall travel development strategy. The financial incentives which should be considered in Maine include State initiatives regarding matching grants for travel development and promotional efforts. Prior to discussing the above stated programs, ERA has identified the current financial initiatives being offered by the State to the private travel industry.

A recently enacted State law (P.L. 579, Part II, 108th Legislature) provides $200,000 annually during each year of the biennium for tourism promotion and information services. These funds, which are appropriated to the State Development Office, provide for the SDO to "contact with one private organization which represents all major segments of the tourist industry in Maine to conduct a promotion and advertising campaign to attract tourists to Maine and make prompt, effective responses to requests for information from actual and potential tourists."

The following financial incentive programs should be given serious consideration by the State Legislature as a means to strengthen the private industry and local government's ability to executive travel planning and promotional activities.

Convention Bureau Incentive Program: Recognizing the importance of convention activity to the State economy, this incentive program is intended to maximize non-State convention and business meeting activity in Maine by providing matching funds to local convention bureaus.

Objectives

- To increase the level of sales of non-State conventions or business meetings by at least 10 percent annually based on previous years performance.
- To achieve a level of non-State convention or business meeting activity which constitutes at least 20 percent of the total convention or business meeting sales of each grant recipient.

- To increase attendance of non-State conventions or business meetings.

- To implement a cooperative program with the State Travel Development Division to increase pre- and post-convention or business meeting vacation activity in Maine.

Eligibility

- Non-profit organizations typically referred to as convention bureaus or convention and visitors bureaus which operate programs designed to attract convention and/or business meeting activity to their local community(s).

Use of Funds

- Direct cost of advertising and promotional efforts designed to attract non-State conventions to the State and local area.

- Conduct market analysis and feasibility studies for the purpose of preparing convention business strategies.

Recommended Initial Funding

- $30,000 per convention bureau based on an equal matching of local funds.

Attraction and Events Incentive Program: The intention of formulating a comprehensive travel development strategy is to provide increased travel related economic activity in Maine on more of a four season basis. To accomplish this overall objective, the State needs to be supportive of attractions and events which are a major reason for intrastate and out-of-state persons to travel throughout the State.

Objectives

- To encourage private interest in and support for travel related attractions and events.

- To encourage the development of long-range financial and market planning for attractions and events.

- To encourage the establishment of theatrical, musical, arts, and crafts events during "shoulder season periods" (May 1 to June 30 and September 1 to October 31).

- To improve the quality of events and attractions on a continuing basis.

- To make attractions and events self-sustaining over the longer term.

- To encourage new events, primarily those at a location and time to enhance parckage tours or extend the travel season.

Eligibility

- Local travel associations/Chambers of Commerce on behalf of cultural groups, attractions, communities, etc.

- Travel related attractions and events which provide a stimulus to local and regional travel development strategies.

Use of Funds

- Promotional and advertising activities oriented to drawing non-local persons to the attraction or event.

- Operating and "seed" money for new events.

- Training of personnel including courses and seminars.

Recommended Initial Funding

- $50,000 with an established limitation per attraction or event. At least 60 percent of funds to be used by attractions and events between September 1 and June 30 of the following year.

Travel Promotion Matching Grant Programs: Promotional activities by statewide, regional and local travel related organizations are an important component of an overall plan for travel development in Maine. Therefore a matching grant program which is supportive of private sector promotional initiatives should be initiated.

Objectives

- Provide a vehicle for public/private participation with regards to travel promotion and advertising.

- Increase through promotional efforts the economic impacts to local and regional areas by identifying travel opportunities thereby encouraging State residents and out-of-state persons to travel in Maine.

- Assist travel industry organizations in becoming more effective groups in terms of promotional efforts and planning initiatives.

Eligibility

- State oriented industry organizations.

- Regional travel groups who will provide promotional/advertising programs which are supportive of travel development regions.

- Local Chambers of Commerce.

Use of Funds

- Development and purchase of media advertising.

- Printing and distribution of promotional material.

- Participation in travel trade shows (exclusive of travel).

- Funding of information centers.

- Production and distribution of travel films and photographs.

- Other promotional efforts specifically approved by the State Travel Development Division which are supportive of a State travel strategy.

Recommended Initial Funding

- $180,000 to be allocated to travel development regions (e.g. assuming 6 regions--each region would receive $30,000). Within each region, travel industry organizations may apply for these matching funds with a maximum amount established for each applicant.

- $100,000 in State matching funds to be available for State oriented travel organizations (e.g. Maine Publicity Bureau, Maine Innkeepers Association, etc.).

DISCRETIONARY LODGING OCCUPANCY TAX FOR MUNICIPALITIES

While it is recognized that a mandatory statewide lodging occupancy tax to support travel related facilities and activities is not a feasible approach to provide funds for travel related functions, the local option to initiate such a tax should be considered. Besides fiscal impacts which are realized by the State government, the majority of positive as well as negative impacts related to travel activity are realized on the local level. For this reason, it is appropriate for the municipalities throughout the State to determine whether in fact they desire travel/recreation related facilities and activities. If communities want to encourage such development and activity programs, then they should have the alternative to initiate or not have a special purpose hotel occupancy use tax.

As previously stated, the concept of providing a legislative vehicle for communities to approve a local lodging tax for events and attractions; travel promotion; and the construction and renovation of travel, recreation and convention facilities is currently being utilized in 35 states throughout the country. In these states special purpose lodging occupancy taxes range from 1 or 2 percent in several states to 10 percent in Guam. One of the most extensive hotel occupancy tax programs is in Texas were in 1976, eighty-six municipalities collected $11.7 million for convention center, travel, recreation, and cultural projects. Local lodging tax rates in Texas range from 1 to 3 percent of room sales.

It is recommended that the State provide legislation to allow municipalities the option of initiating a lodging occupancy tax. The monies derived from such a tax would be utilized for the following purposes:

- General travel promotion and advertising campaigns.
- Acquisition of land for and the construction, improvement, equipping, and operation of convention center facilities including civic centers, coliseums, museums, auditoriums, and related parking facilities.
- Convention business marketing efforts.
- Funds to travel development organizations to be used to match State financial incentives.
- Development of local interpretative and travel information systems.
- Encouragement of cultural events.
- Historic preservation and restoration efforts.

STATE DEVELOPMENT OF DESTINATION RESORTS

The concept of the State's involvement with regards to the ownership and potential operation of destination resorts either in destination or non-destination areas of Maine represents a possible public sector action which has been employed in other states. By definition, a destination resort represents a concentration of extensive activities in a single development including accommodations and recreation amenities. Given the magnitude of evaluating this potential State travel development action, ERA provides a comprehensive analysis of the destination resort program option in Section VI.

SUMMARY

This section of the report has described a variety of potential State actions which are intended to increase the economic benefits of travel development while attempting to minimize social and environmental harm throughout the State. The major thrust of these potential State actions is to provide a closer linkage between State government and regional/local governmental agencies involved in travel planning and travel industry organizations. The programs described in this section will be evaluated in Section VII in terms of estimated impact assessment costs (as appropriate) and final recommendations.

SECTION VI

EVALUATION OF DESTINATION RESORT DEVELOPMENT AND OPERATION

Economics Research Associates has been asked to evaluate the State's role in the potential ownership and operation of destination resorts. Included within this section of the report is a discussion of alternatives for destination resort development in Maine, comparable destination resorts throughout the country, financial evaluation of the State's participation in resort development and finally recommendations with regards to new and existing destination resorts in the State.

DESTINATION RESORT DEVELOPMENT

In order to test the viability and feasibility of State involvement in destination resort developments, Economics Research Associates has postulated a series of alternative development options which address the key alternative development conditions related to a) basic locational options, b) basic operational options and c) basic management options. In the following sub-sections the various locational, operational, and management characteristics of potential destination resort developments are discussed and evaluated. Data in Figure 1 illustrates the various basic options for destination resort development within the State, and indicates that there are at least twelve generic combinations of development types depending on location, operation and management structure.

Basic Locational Alternatives

There are two basic locational options for the development of a destination resort in the State of Maine. The first option is to develop such a project within an existing traveler destination area. The primary destination areas in the State are Mt. Desert Island, Boothbay Harbor, York Beach area, Sabago/Long Lakes area, Moosehead Lake, Rangley Lakes, the Carrabassett Valley, Belgrade Lakes, and the Penobscott Bay region.

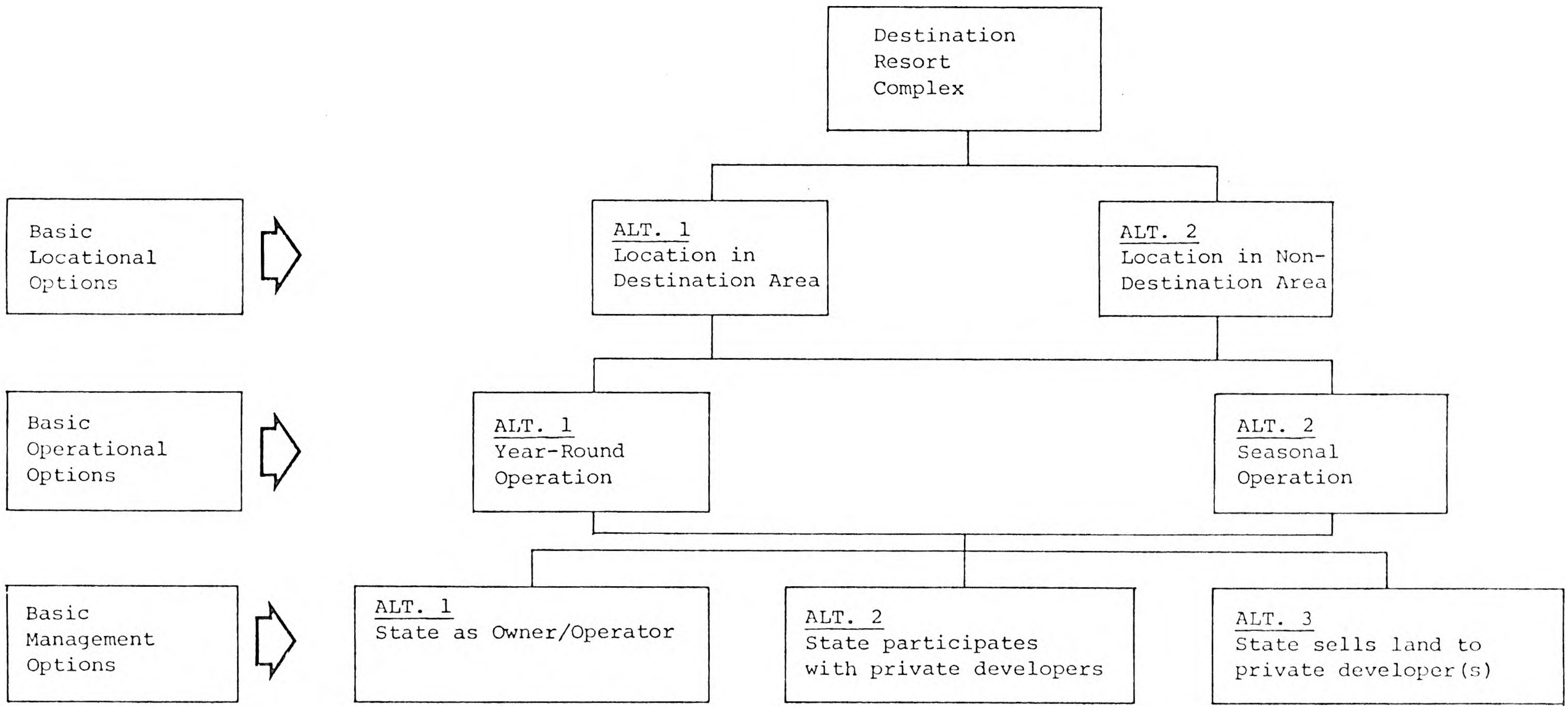
In the destination area option, the idea would be to capture travelers in existing highly traveled areas and build a resort facility which would be integrally related to traveler destinations and visitor activities. Examples of such developments would be ski resort development in the Carrabassett or Rangely Lakes area or coastal resort development in areas such as Mt. Desert Island. Advantages and disadvantages of this option from the State's perspective include:

Advantages

- Focusing of investment on already proven attraction areas.
- Reinforcement of existing destination area infrastructure.

FIGURE 1

BASIC OPTIONS FOR DESTINATION RESORT DEVELOPMENT IN MAINE



Source: Economics Research Associates

- Increasing length of stay and visitor expenditures in destination areas.

Disadvantages

- Potential for increased congestion and other spillover effects on currently impacted areas. This condition is of special concern in heavily traveled coastal communities.

- Potential competition with existing developments in the destination area.

The second basic locational option is to develop a resort facility in an area of the State that is not currently a destination area for travelers. In this alternative, the basic approach would be to provide an economic stimulus for development in currently underdeveloped parts of the State and to assist in the goal of distributing visitors away from currently congested parts of the State.

Advantages and disadvantages of this approach from the state's perspective include:

Advantages

- Provides economic stimulus to non-tourist areas of the State.

- Increase visitor spending and length of stay within the State.

Disadvantages

- Potentially expensive investments requiring substantial infrastructure costs.

- Higher development risk factor due to the potentially isolated nature of such a project.

Basic Operational Alternatives

There are at least two basic patterns that a destination resort complex can operate under: either a seasonal operation or a year-round operational schedule. Both patterns have proven workable in different circumstances. The seasonal operation would respond to seasonal demand patterns from various types of visitors, while the year-round operation would attempt to create visitor activities and support services for a year-round operation. Many of the current resort-type developments in the State operate on a seasonal basis, although some such as the Treadway Samoset operate on a year-round basis.

Advantages and disadvantages of the seasonal operational pattern from the State's perspective include:

Advantages

- Better ability to respond to highly seasonal characteristics of visitation in Maine.

Disadvantages

- Reinforces existing patterns of seasonality in terms of impact on jobs, retail sales.

- Does not assist in spreading visitors over a longer season and hence increasing positive economic impact on a four season basis.

Advantages and disadvantages of the year-round operation from the state's perspective include:

Advantages

- Increased employment and positive economic impact on a year-round basis.

- Opportunity to reinforce and expand the travel based sectors of the economy.

Disadvantages

- Seasonality of travel to and within State may effect project feasibility.

Alternative Management Structures

Based on experience at existing recreational resorts, three alternative management structures should be evaluated by the State pertaining to the development and operation of proposed resort complexes. Although other options do exist, most can be categorized into the following alternatives:

Alternative 1 - Public sector serves as developer and operator of the entire complex.

Alternative 2 - Public sector assembles the land, provides the infrastructure and plans the project. Revenue producing components such as sites for the lodge, restaurants, camping, etc., are leased to the private sector for development. Non-revenue producing components are developed by the public sector.

Alternative 3 - Public sector sells the land, either in whole or in part to private developer(s) who build and operate the complex contingent upon certain public sector provisions.

These three alternatives are discussed in the following paragraphs. Specific consideration is given to the advantages and disadvantages of each alternative as viewed from the perspective of the State.

Alternative 1

The public sector, under this alternative, is totally committed to designing, constructing and operating the resort complex. Public funds are used to assemble the land, plan the project, finance the improvements and finally underwrite all operating deficits.

A number of state and local governments have developed resort parks in this manner, specifically Oglebay Park, (Wheeling, W. Va.) Kentucky Dam Village and Kenlake (Kentucky) and other state parks in Tennessee, Oklahoma, West Virginia, and Alabama.

Advantages and disadvantages of this alternative from the State's perspective include:

Advantages

- Planning, development and operation can be closely managed and supervised by a single purpose public agency.
- The return on investment to the public sector can be maximized.

Disadvantages

- No private investment.
- Management and operating expertise must be brought into the public sector.
- Reduced tax revenues.
- The State incurs long-term liability.
- Public exposure is maximized.
- Potential conflict of the State competing with private travel and recreation development in the surrounding area.

Alternative 2

Through this alternative the State of Maine would be responsible for planning and developing the resort as a whole while the private sector would participate in construction and/or operation of specific income producing components of the complex. Specifically the State might be responsible for providing the following services/facilities.

- Land assembly.

- Infrastructure (roads, utilities, etc.).
- Master planning.
- Non-revenue producing components (infrastructure, day use areas).
- Management and operational coordination.
- Operational expenditures for non-revenue producing components and overall operational costs (landscaping, maintenance, repairs, etc.).

Through the State's master planning efforts key commercial sites would be identified--including the hotel, restaurants, retail and similar revenue producing uses which could attract private investment. To encourage private interest, prospective reports could be prepared by the State detailing the investment opportunities of each site. Having provided this groundwork, the State could pursue a number of options regarding the method of private sector participation. The major options which might be considered within Alternative 2 include the following:

<u>2-A</u> Direct sale of key commercial sites to private developers.

<u>2-B</u> Long-term leasing of key parcels to private developers who construct and operate the commercial element.

<u>2-C</u> Leasing the structure to a private operation either under a turn-key or management fee basis.

<u>2-D</u> Forming a joint venture partnership between the State and private developers to construct and operate the key commercial elements of the project.

Specific responsibilities of both the public and private role for each option are presented below in addition to a listing of major advantages and disadvantages of each which should be considered.

<u>2-A Direct Sale of Key Commercial Sites to Private Developers</u>

Under this option the State, having designated and planned recreational resort areas, would place key commercial sites for sale on the open market. Such a system is currently in use by the Tennessee Valley Authority who indicate that such an approach has been a satisfactory method for achieving recreational facility goals. In order to regulate the type and quality of such private investment, the State should incorporate various controls within the sale agreement such as easements or reverter clauses to be used in the event the conditions of the sale are voided. In the event land cannot be sold to private developers, lease arrangements such as those suggested in options 2-B, 2-C, or 2-D could be implemented.

Specific advantages and disadvantages of the direct sale option are presented below:

Advantages

- Through the selling of key commercial sites the State would have front money to plan and construct the infrastructure and amenities to be provided by the public sector.

- The State through reverter clauses in the deed of sale, could control to some extent the private sector investment.

- The State would be relieved of the normal costs of supervision and regulation which are associated with concessioner contract management.

Disadvantages

- The State would not receive any annual revenues (other than taxes) from the key commercial components of the resort and without such revenues would be forced to subsidize all other park related costs.

- The State might have difficulty in enforcing reverter clauses and would thus have little day to day control over the policies and operation of the private sector.

2-B Long-Term Land Leasing to Private Developers

Through this option the State leases, rather than sells, key commercial sites to private developers. The private sector would then construct and operate the hotels, restaurants, gift shops, etc., under specific concessioner contracts with the State. Under such an arrangement the State would retain title to the facilities constructed by the concessioners and would be able to supervise the types and prices of the services rendered.

Most Federal lands available for public recreation are managed under such a leasing procedure--specifically, National Parks operated under the National Park Service. Private sector involvement is encouraged in the Federal government by offering various privileges to concessioners willing to invest in construction of facilities and provision of services specifically these privileges include:

1) Grants of possessory rights to the concessioner including all privileges of ownership except legal title;
2) exclusive rights to additional business sites within the complex;
3) provisions for compensating the concessioner if he suffers a loss of investment as a result of government action; and
4) preference in renewal of contracts and for the construction of additional facilities in the same complex.

Through these incentives the Federal government has been quite successful in providing recreational services to the public and at the same time minimizing their investment in areas where the private sector is better equipped to function.

Based on this experience the following advantages and disadvantages should result to the State from the implementation of such a lease arrangement.

Advantages

- The State would be relieved of the need to appropriate funds to construct income producing recreational facilities.
- The State would receive payments from the concessioners in the form of rental income as well as the tax revenues.
- The State would be relieved of the responsibility of operations suitable for private enterprise.
- The State has more control over development and operation of the resort than in a direct sale arrangement.

Disadvantages

- The State must pay operational related expenses for all non-revenue producing components as well as general resort operating expenses.
- Participation in operating profits by the public developer is not as great as other modes of investment.

2-C Management Leasing to Private Operators

This arrangement entails no private investment but assumes that the State would construct all facilities and infrastructure for the resort and lease various components to private operators on a percentage of gross sales basis. This policy has been used with limited degrees of success at various state parks (Ohio, West Virginia, Alabama) and by the Federal government at specific resort operations (e.g., Fontana Dam Village).

The management fee arrangement is usually considered only when private capital cannot be obtained but private expertise is needed in managing and operating the public investment.

As such this arrangement is considered inferior to option 2-B as the advantages and disadvantages considered below indicate.

Advantages

- The State retains control over the project and receives a percentage of gross sales as lease income.

- The private management corporation can lend expertise to the project management which may be unavailable through the public sector.

Disadvantages

- The State, having invested the capital for the project, receives only limited return on investment.

- The State also must pay all general operating expenses (maintenance, repairs, overhead upkeep, landscaping).

2-D Joint Venture Partnership Between Public Corporation and Private Developers

Many of the disadvantages inherent in the other options previously discussed could be minimized through the creation of a public corporation who could form a joint venture partnership with private investors to develop the resort complex. Such a corporation would be a single purpose development agency. As a joint venture partner the corporation would provide the land while private investment would construct the improvements. Cash flow (profit) sharing is accomplished on the basis of relative contributions of capital.

Advantages

- Operations and development of the complex could be set apart from political influences.

- The public corporation could maintain public service objectives, and, if necessary, counter pure profit motives of investors.

- Public and private are both able to participate and as joint venture partners can both maximize their investments.

- Investment shares in the corporation could be sold allowing local citizens to participate in planning and funding the resort complex.

Disadvantages

- This public/private joint venture concept is relatively innovative and would probably require a great deal of planning, organization, and promotion before the private sector will begin to participate.

- Monitoring of operations would require a great deal of staff and could possibly hinder cooperation between public and private investors.

Alternative 3

Under this alternative the State would be responsible only for initial land assembly, master planning and infrastructure development. At this stage the entire package would be sold, under special provisions, to private developer(s) who would construct and operate all components of the resort. Through this alternative the State would be able to achieve two primary objectives: 1) the provision of recreation/tourism facilities to service the recreation/toursim needs in Maine; 2) the expansion of the economic base through private tourism development.

Specifically, Alternative 3 presents a number of positive and negative factors including the following:

Advantages

- The State initiates the development, but incurs no long-term liability.
- Public investment exposure is limited.
- Private investment is maximized.
- The State can receive tax revenues from the private investment.

Disadvantages

- The State loses all operational control.
- Opportunities for public participation in the project (local or regional) are minimized.
- The State loses control over design and implementation of the project.
- Private sector control will attempt to optimize investment and, in so doing, may sacrifice many of the public objectives.
- If several developers buy parts of the resort, fractional operation and management could occur.

COMPARABLE DESTINATION RESORT DEVELOPMENTS

Destination resorts have been operating in numerous forms for many years. Typically the destination resort has been characterized by a luxury or first class hotel, various amenity packages including sports and health facilities, specialty retailing and restaurant developments and convention or conference center facilities. Such facilities have tended to be developed most extensively in travel destination areas such as Hawaii, Florida, California, and Arizona, although there are examples of such developments widely scattered throughout the country. While most privately developed destination resorts have catered to the affluent traveler many projects have been developed which serve the less affluent traveler. Many of these latter facilities have been developed in relation to state parks and have been jointly developed by the public and private sector as part of overall economic development strategies. The following sub-section review some of these development types to provide background for the program evaluation which follows.

New England Destination Resorts

In recent years the construction of destination resorts in New England has advanced at only a modest pace as compared to other areas of the United States and in foreign countries. The prevailing seasonality factors which have generally inhibited the income generation potentials of such projects, the costs of land acquisition and development, and the extensive public approval process required to initiate this type of development, have combined to constrain this form of development venture in New England.

Destination resort development in New England has developed primarily at inland regions within close proximity to ski areas and other recreation facilities. The data in Table VI-1 shows the characteristics of selected destination resort properties in New Hampshire, Vermont, and Maine.

The only true destination resort/conference center in Maine is the Treadway Samoset which is located in Rockland. While this property has extensive facilities, the operating performance of this resort project has been less impressive than other destination resorts in New England. This condition appears to be caused by the current financial circumstances of this development. In comparison to other resort properties in New England, the Treadway Samoset has fewer rooms than properties surveyed except for the high quality Woodstock Inn in Woodstock, Vermont. Annual occupancy rates are also lower than other facilities surveyed.

Privately Developed Destination Resorts

The Mauna Kea on the island of Hawaii is a true destination resort, complete with an extensive amenity package (ocean side golf course, 9 tennis courts, beach, pool, and so forth). It is isolated setting appeals to a wealthy clientele desiring to get-away-from-it-all. The lavish accommodations, decor, and amenities are designed to appeal to the affluent. The hotel opened in 1965 with 154 rooms, expanding to 256 rooms, and finally its current 310 rooms. Occupancy levels have been high since it caters to a select market. In fact, seasonality is somewhat different with the summer, particularly June and July, less busy than the winter. Because it is a destination resort, guests tend to stay longer, generally 2.5 to 3.0 days. The high occupancy levels demonstrate market acceptance of luxury accommodations in a resort environment. The Mauna Kea is owned and oper-

TABLE VI-1

CHARACTERISTICS OF SELECTED DESTINATION RESORT DEVELOPMENTS IN NEW ENGLAND

Name and Location	Ownership	Operation	Year Opened	Number of Rooms	Per Person Rate	Annual Occupancy Rate	Facilities and Amenities	Total Investment Level (million)	Comments
TREADWAY-SAMOSET Rockland, Maine	Private	Private Year-round	1974	150	European Plan $20-84	Less than 50% /1	Golf, Tennis, Indoor Pool, Conference Facility Restaurant	$7-$7.5	Isolated location, in Chapter 1 bankruptcy
WOODSTOCK INN Woodstock, VT	Private	Private Year-round	1969	111	American Plan $31-55	73%	Golf, Tennis Skiing, Restaurant, Conference Facility	N.A.	Convenient to retail, specialty shopping
BRETTON WOODS MOTOR INN (MI) HOTEL (H) Bretton Woods, NH	Private Real Estate Trust Co.	(MI)-Year-round (H)-Summer	1965 1902	(MI)-59 (H)-250	(MI)-$14 in-season $8 off season (H)-$45 American Plan	60%	Golf, Tennis, Indoor Pool, Outdoor Pool, Conference Facility, Nightly Entertainment Equestrian Facility	$6.5-8	9,000 acres. Extensive Conference Facilities
WENTWORTH-BY-THE-SEA New Castle, NH	Private	May - October	1874	240	American Plan $40	86%	Golf, Tennis, Cruiser, Heated Outdoor Pool, Nightly Entertainment, Conference Facility	$8	52 miles from Boston
THE BALSAMS Dixville Notch, NH	Private	Year-round	summer 1873 winter 1965	232	summer-American Plan $45-60 winter Mod. Amer. with lifts $30-45	summer-75% winter-45%	Golf, Tennis, Movie Theatre, Conference Facility, Full Marina and Ski Facilities	N.A.	15,000 acres

N.A. means Not Available

/1 Information provided by management

Source: Economics Research Associates

ated by Rockresorts, the same group that owns the Woodstock Inn in Vermont.

Another example of the destination resort is illustrated by Maine Chance. Maine Chance is the most exclusive of all U.S. health spas/ resorts. Originally established about 1940 in Mount Vernon, Maine, by Elizabeth Arden, Inc., as a summer retreat for patrons of the firm's beauty salons, it proved so popular that it was followed in 1948 by a second spa in Phoenix. The two locations originally were operated as seasonal complements, with each operated during part of the year by the same staff of 60 persons. Now only the operation in Phoenix remains. Maine Chance accepts only women and is largely beauty oriented--the daily schedule is devoted 40 percent to excercise and 60 percent to beauty. A minimum stay of two weeks is suggested, and most guests are reported to stay at least that long. With accommodations for only 45, this establishment is booked one to two years in advance. Accommodations are available on American plan only, at a cost of $1,000 to $1,200 per week including all treatments but exclusive of gratuities.

Publicly Developed Destination Resorts

Many park and resort planners consider Wheeling, West Virginia's Oglebay Park as one of the best-designed and operated resort park complexes in the country. Annual visitation has ranged from 1.5 million to 2.5 million persons over the 1973-1976 period.

Situated on 1,402 acres, two miles from Interstate 70 and four miles from downtown Wheeling, Oglebay Park is operated by the Wheeling Park Commission, a non-partisan board of philanthropic citizens which have operated and developed the complex since the property was deeded to the citizens of Wheeling in 1928 by the estate of Colonel Earl W. Oglebay.

Since the Wheeling Park Commission is responsible for the operation of this facility, park development has taken place over many years, often financed through operating revenues.

The Park features a comprehensive array of recreational, lodging, educational, and entertainment facilities and attractions. Wilson lodge offers 123 rooms, a number of meeting rooms, a multipurpose auditorium (seats 500 persons banquet style and 700 theatre style) and a main dining room which seats 140 persons. Vacation cabins include twelve deluxe, winterized, four bedroom units, and 24 additional units ranging from one bedroom efficiency to three bedroom.

Recognizing the popularity of golf and tennis as resort sports, Oglebay Park provides its visitors with a substantial number of facilities. Within the Park are three 18-hole golf courses, a small public course, one designed for lodge and cabin guests, and a championship course designed by Robert Trent Jones. A nine-hole course, situated in Wheeling Park is located for miles away. There are thirteen tennis courts (six of which are lighted). Other facilities include: two small fishing ponds, a garden center, a golf driving range, miles of wooded trails and open meadows, an arboretum, a nature center, riding stables, ice skating rink, a 40-acre ski area, and picnic sites.

The Wilson Lodge at Olgebay Park generates a substantial net operating income and maintains a high occupancy level. Due to its proximity to the downtown area, the lodge attracted a number of traveling businessmen as well as tourists and convention and conference groups. Convention and conference groups accounted for 50 percent of the lodge's overnight guests, resulting in relatively strong off-season occupancy rates.

Throughout the southeastern United States particularly many states have developed extensive state park systems which incorporate destination resort components.

The State of Kentucky as an example operates one of the most successful state parks systems in the U.S. Although the Kentucky Department of Parks manages some 15 resort park complexes, three are exceptional in terms of their level of development and annual visitation--Kentucky Dam Village, Kenlake, and Lake Barkley. Each of these parks consist of a full range of recreational facilities including a resort lodge, cabins, golf, tennis, lakes, trails, etc. The three are located within a 50 mile radius and according to the State, draw some 8.0 million visitors annually.

Originally, the land upon which the parks exists was owned by the Federal Government (TVA and the Corps of Engineers) and transferred to the State of Kentucky during the 1948-1964 period. Prior to this time, the State of Kentucky had developed a State Park System with the dual goal of providing comprehensive recreational services to its residents and at the same time improving the economic vitality of the State. Judging from the success of the three major parks identified above, these goals have been realized.

The State operates, manages, and develops all parks within the system and does not utilize private concessionaires or developers within these parks. Under this arrangement the park system does not generally operate at a profit and the State, recognizing the indirect benefits generated by the system, subsidizes the operation.

Initial development at the parks were financed through a combination of federal funds (largely through Economics Development Administration and Tennessee Valley Authority sources) and State funds (through general obligation and revenue bonds).

Lake Barkley State Resort Park is an example of one such park in the Kentucky system. Located in Cadiz, Kentucky at the confluence of the Cumberland and Little Rivers, on the east shore of Lake Barkley, this 3,600-acre Park area officially became a part of the Kentucky

Park System in 1964, and officially opened in 1967. The resort complex is presently served by U.S. Highways 62, 68 and 641, in addition to local and state roads in the vicinity.

Considered the most elaborate facility in the Kentucky State Park System, the destination resort complex includes a 120-room lodge built in a half circle around the shoreline of the lake. A pool is included in the lodge complex, and all public spaces were designed to accommodate large meeting groups. Complementing the resort lodge are nine luxury two bedroom cottages located in wooded hills overlooking the lake. The lodge complex contains two meeting rooms; each of which can seat 300 persons banquet style, and a dining room designed to seat 350 persons. Other facilities include two bathhouses and beach areas, stables and trails for horseback riding, picnicing facilities, walking trails, and rental boat facilities. The marina, located near the lodge contains a boat dock, covered slips (126 slips of which 80 are covered) and other full service facilities for fishermen and pleasure boaters. An 18-hole golf course, two tennis courts, an indoor recreation building, and a small campground with 80 spaces completes the inventory of facilities. The resort lodge operates at close to full capacity. Moreover, approximately 25 percent of all lodge guests were members of a convention or conference group. In total, overnight guests represented 5.6 percent of the Park's annual visitors.

Jointly Developed Destination Resorts

The Ohio Department of Parks currently operates its four most expensive resort parks--Hueston Woods, Salt Fork, Burr Oak and Punderson Manor under the following management policy which can be summarized as follows:

- The State developed these parks in their entirety--including all infrastructure, the amenities and the resort lodge and cabins (as well as all necessary equipment).

- Next, the State negotiated a medium term lease (ten years) with Ohio Inns Inc. to operate and manage the resort lodge and cabin component of these parks. Ohio Inns, under this arrangement, pays all the operating expenses of these components (maintenance, utilities, cost of goods, etc.) in turn for a percentage of gross sales.

Hueston Woods Resort Park covers 3,596 acres (including 625-acre Lake Acton) and is located 4.5 miles north of Ohio Route 732, in southwestern Ohio. Major population centers within a two to three hours drive of the Park include: Cincinnati, Dayton, Columbus, Lexington, Louisville and Indianapolis. Also Miami University is only a few miles from the park. Major facilities at the Park include indoor and outdoor pools, tennis courts, an 18-hole golf course (7,373 yard, per 73) with pro shop and coffee lounge, ice skating rink, marina with landing ramps and public docks, 14 miles of hiking trails, riding stables, a 1,500-foot beach with bathhouse, a nature center, and an auditorium.

Lodge, cabin and dining room concessions are operated by Ohio Inns, Inc., of Cincinnati, Ohio. The resort lodge is a beautifully designed A-frame structure, containing 94 rooms, each of which is carpeted, and has a balcony. The lodge which opened in July of 1967, cost approximately $3 million. Supplementing the lodge are 50 vacation cabins. Twenty-five of the cabins are modern four room units while the remaining 34 cabins are single-room efficiency units. There are 255 camping pads, although the park contains a substantial number of more primitive sites.

As one of the most frequently visited resort parks in the nation, Hueston Wood's popularity has grown over the years. Park visitation has averaged well over 2 million per year in the last 8 years. The number and quality of the day-use facilities at this $12 million complex attracts a large number of overnight guests. Although the lodge and cabins were popular, the vast majority of the overnight guests were campers. In total, lodge and cabin guests represented 3.8 percent of total Park visitors and 27.6 percent of total overnight guests.

Pipestem Resort in West Virginia built at a cost in excess of $14 million, was totally financed through public funds (primarily federal EDA funds). Originally the resort lodge, cabins and food service components were leased to a private concessionaire, the Branniger Corporation, while the remainder of the resort was operated by the State Department. However, this arrangement was terminated in 1973 because Branniger was unable to return a profit on the operation. Branniger's major problems at Pipestem included low occupancy at the lodge and escalating maintenance costs.

Currently the State manages and operates the entire resort with the exception of food service. No attempt was made to interest another concessionaire for the resort lodge because the State felt they could operate as efficiently and profitably as the private sector. They contend that since the public sector developed the resort they, not the private sector, should reap the economic benefits.

Food service, due to the need for specific expertise, is still leased to private concessionaires on a graduated percent of gross income. Under this arrangement costs associated with operating the food service facilities are paid by the private concessionaire while the State receives only the percentage of gross sales shown above.

Fontana Village is a major recreation resort located in the mountains of western North Carolina. The original complex was developed in 1942 by the Tennessee Valley Authority and served as a self-contained community to house construction workers and their families during development of the Fontana Dam. Following completion of the dam in 1945, the community was vacated, and both the Federal Government and TVA began exploring the possible utilization of this sizeable investment. In 1946 Government Services, Inc., a non-profit corporation organized to provide food service to government buildings, entered into a lease agreement to operate Fontana Village as a recreation resort. The original lease agreement involved a concessionaire arrangement whereby GSI simply operated and managed the resort and paid TVA a percent of gross revenues. In 1972 a new lease arrangement was conveyed which offered GSI a greater level of participation in the operation, management, and development of the resorts. This lease conveyed to GSI for a 40-year period also provides the lessee a 40-year renewal option which, if reviewed, will terminate in the year 2051. At present the resort contains a wide variety of recreational components including a 56 unit resort lodge, 302 vacation cottages, tennis courts, recreation hall, theatre, riding stables, trails, pool, miniature golf, a large lake and a variety of commercial facilities (grocery store, barber and beauty shop, drugstore, gift shop, etc.). In addition a 200 unit resort lodge and conference center and camping facility are currently under construction.

The existing management structure at Fontana Village is detailed in the lease agreement between TVA (the lessor) and GSI (the lesses). Under this arrangment TVA Has agreed to:

- Sell and convey to GSI all their right, title, and interest in all the improvements and buildings at the resort for the period of the lease--with the option to buy back all improvements at the termination of the lease.

- Convey in lease fee estate to GSI the rights to all the land and property of the resort.

- Allow GSI to construct and operate new facilities and improvements and retain exclusive rights to all existing and future services.

In return GSI is obligated to the following:

- Pay TVA a lease rental of $30,000 per year plus 2.0 percent of all gross revenues per year.

- Bear all costs associated with the operation and management of the resort.

- Invest not less than $3,000,000 in capital improvements to the resort within ten years of the effective date of th lease.

- Maintain, operate and develop the property and its improvements for purposes of public recreation which will be made available to all members of the general public without discrimination.

TVA has absolved itself from operating, arranging, and developing the resort yet receives annual income through lease payments averaging $40,000 to $50,000 per year. GSI on the other hand, holds a long-term lease and many of the privileges of ownership yet need not pay taxes on the land holdings. Additional investment, financed by GSI, includes the building of a new sewage treatment plant, the reorganization of all commercial uses into a retail village and the redeveloping and improvement of the vacation cabins and boat dock facilities. Thus, through the above arrangement GSI is obligated to expend considerable funds on improving and expanding the resort--a move which will improve both their return on investment and provide a better quality of recreation facilities to the public (a major goal of TVA--the lessor).

DESTINATION RESORT EVALUATION

To better understand the opportunities and constraints in the State's participation with destination resorts, Economics Research Associates has prepared financial analyses for selected development options. The financial statements are based upon two basic hypothetical development programs for coastal and inland developments. These programs are displayed in Table VI-2 . As shown by the data in Table VI-2, the total estimated development costs for the hypothetical coastal resort is $11.2 million while the costs to construct an inland resort with a ski area, exclusind a marina, is estimated at $15 million. The largest development cost item is the hotel/conference center structure which is proposed as a first class facility. It should be noted that a 150 room hotel is assumed for the coastal and inland non-destination location given the anticipated lower year-round occupancy which is likely at such a location. In both the coastal and inland resort cases it has been further assumed that the land upon which the facilities would be constructed is owned by the State of Maine. Therefore, land costs have been excluded from each development program.

Financial Analyses

ERA has prepared pro forma financial statements for potential state participation options with regards to resort development programs. The alternatives which have been reviewed include the State as owner/operator of such a complex and variations of the State participating with private developers to initiate the hypothetical resort project. In ERA's opinion, the option of the State selling land to a private developer or developers (Alternative 3 which was discussed on page) is not a realistic alternative given the disadvantages of this alternative which were previously identified.

State as Owner/Operator: This condition is similar to the State of Kentucky's resort park operation. In Kentucky, the State operates, manages and develops all parks and does not utilize private concessionaires or developers within their 15 resort parks. Under this arrangement, the resort park system is paid for with a combination

TABLE VI-2

HYPOTHETICAL DEVELOPMENT PROGRAMS AND
SUMMARY OF ESTIMATED DEVELOPMENT COSTS
COASTAL RESORT AND INLAND RESORT
(IN THOUSANDS)

PROGRAM ELEMENT		COASTAL RESORT	INLAND RESORT
INCOME GENERATING ELEMENTS			
Hotel/Conference Center /1	175 Rms., 15,000 Sq. Ft., Conference Center, 600 Seat Restaurant/Bar	$ 6,450.0	$ 6,450.00
Golf Course	18 holes	1,440.0	1,440.0
Tennis Courts	4 courts	60.0	60.0
Outdoor Swimming Pool	1 pool	150.0	150.0
Indoor Swimming Pool	1 pool	500.0	500.0
Marina Facilities	50 slips	150.0	-
Ski Facilities	Peak Day 1600 Skier Capacity	-	3,200.0
Subtotal		$ 8,750.0	$ 11,800.0
NON-INCOME GENERATING EXPENSES			
Non-Income Generating Recreation Areas /2		$ 250.0	$ 250.0
Unallocated Site Improvements and Contingencies (25% of Total Income Uses) /3		$ 2,200.0	$ 2,950.0
Subtotal		$ 2,450.0	$ 3,200.0
TOTAL DEVELOPMENT COSTS /4		$ 11,200.0	$ 15,000.0

/1 Program and costs for a resort development in a destination area. In a non-destination area the development program and costs are as follows: 150 rooms, 15,000 sq. ft. conference center, and 400 seat restaurant/bar. Estimated development costs - $5.5 million.
/2 Lump sum estimate.
/3 For entrance roads, utilities, landscaping, general maintenance and development.
/4 Assumes land owned by State.

Source: Economics Research Associates.

of general obligation and revenue bonds. The resort park system does not operate at a profit and the State recognizing the indirect benefits generated by the resorts provides subsidy for the operation of these facilities. One of the most extensive State resort parks is the Kentucky Dam facility. As shown by the data in Table VI-3, this park reports a modest profit of $46,000 before allocation of public debt service payments.

The data in Tables VI-4 and VI-5 summarizes the findings from financial analyses of each program element. Detailed typical year operating statements for each program element appear in Appendix "A". As shown in both tables, the State could make a profit from owning and operating resort complexes before the allocation for servicing the public debt (revenue bonds) in constructing such facilities. The data in these tables reveals that the year-round operations are the most profitable before payments for capital expenses. This condition is due primarily to the added income generated in the "off-seasons" which is lacking in the seasonal operation./1

To obtain the estimated "bottom line" for public participation in resort complexes, it has been assumed that public revenue bond financing could be available at 6 percent interest for 30 years. Utilizing this financing assumption it is seen that a negative cash flow is projected for the hypothetical resorts in destination and non-destination areas of the State. In both areas, the inland resort with a ski facility offers the most substantial income generation capabilities although the annual cash flow after debt service is still negative.

It should be understood that the only capital improvement financing assumed was obtained from State revenue bonds. If Federal funds could be obtained through such agencies as the Bureau of Outdoor Recreation and the Economic Development Administration, then the financial picture could change dramatically given the reduction in the State's financing obligations for these projects.

<u>Sale of Key Commercial Sites to Private Developer</u>: Under this development option, the revenues to the State would result from the initial sale of commercial sites within the resort complex while on an annualized basis the State would receive real estate tax payments on these properties. The determination of parcel sale prices would result from the appraised value of the land plus any existing improvements on the subject properties.

/1 Seasonal operation varies by program component. Tables which appear in Appendix "A" describe the seasonal period for each use.

TABLE VI-3

SUMMARY OPERATING STATEMENT FOR
KENTUCKY DAM STATE PARK
1977

MAJOR ITEM *	SALES	EXPENSES	NET
Accommodations	$ 737,510.89 /1	$ 330,164.67	$407,346.22
Campgrounds	94,452.45	21,945.41	72,507.04
Dining Room	467,168.42 /1	449,920.38	17,248.04
Independent Shop	84,292.08 /1	65,692.50	18,599.58
Grocery	57,335.10	46,461.89	10,873.21
Boat Dock	87,212.17 /2	0	87,212.17
Golf	196,906.01	147,479.74	49,426.27
Miscellaneous	262,377.01	155,915.70	106,461.31
Park Administration /3	-	722,877.63	(722,877.63)
TOTAL	$1,987,253.93	$1,940,457.82	$ 46,796.11

* Sales in excess of $50,000
/1 Net of sales, hotel tax
/2 Lease receipts
/3 Includes utilities, insurance, park rangers, public swimming pools, administration staff, recreation programs, physical maintenance staff, advertising, etc.

Source: Kentucky Department of Parks and Economics Research Associates.

TABLE VI-4

SUMMARY OF ANNUAL REVENUES AND EXPENSES (IN THOUSANDS)
VARIOUS DESTINATION RESORT ALTERNATIVES
STATE OWNER/OPERATOR

	COASTAL RESORT--DESTINATION AREA		INLAND RESORT--DESTINATION AREA	
	Year-Round	Seasonal	Year-Round	Seasonal
OPERATING REVENUES/EXPENSES				
REVENUES				
Hotel/Conference Center	$1,842.0	$1,350.0	$1,842.0	$1,350.0
Golf Course	251.0	213.0	251.0	213.0
Outdoor Tennis Courts	12.7	11.4	12.7	11.4
Outdoor Swimming Pool	18.8	18.8	18.8	18.8
Indoor Swimming Pool	57.7	37.5	57.7	37.5
Marina	47.9	33.8	--	--
Ski Facility	--	--	724.6	724.6
Total	$2,230.1	$1,664.5	$2,906.8	$2,355.3
EXPENSES				
Hotel/Conference Center	$1,474.0	$1,080.0	$1,474.0	$1,080.0
Golf Course	174.0	169.0	174.0	169.0
Outdoor Tennis Courts	7.5	7.4	7.5	7.4
Outdoor Swimming Pool	17.5	17.5	17.5	17.5
Indoor Swimming Pool	60.0	30.0	60.0	30.0
Retail/Restaurant Space	70.8	30.8	70.8	30.8
Marina	33.8	21.0	--	--
Ski Facility	--	--	339.5	339.5
Sub-total	$1,837.6	$1,355.7	$2,143.3	$1,674.2
Unallocated Expenses/1	$ 183.8	$ 135.6	$ 214.3	$ 167.4
Total	$2,021.4	$1,491.3	$2,357.6	$1,841.6
NET OPERATING INCOME	$ 208.7	$ 173.2	$ 549.2	$ 513.7
CAPITAL EXPENSE	$ 635.5	$ 635.5	$ 856.9	$ 856.9
ANNUAL CASH FLOW	($ 426.8)	($ 462.3)	($ 307.7)	($ 343.2)

/1 Estimated at 10% of other expenses; includes maintenance, utility, repair, and related costs at non-income generating facilities, as well as non-allocated promotion, advertising and other costs.

Source: Economics Research Associates

TABLE VI-5

SUMMARY OF ANNUAL REVENUES AND EXPENSES /1
VARIOUS NON-DESTINATION RESORT ALTERNATIVES
STATE OWNER/OPERATOR

	COASTAL RESORT-NON-DESTINATION AREA		INLAND RESORT-NON-DESTINATION AREA	
	Year-Round	Seasonal	Year-Round	Seasonal
OPERATING REVENUES/EXPENSES				
REVENUES				
Hotel/Conference Center	$1,317.0	$1,158.0	$1,317.0	$1,158.0
Golf Course	166.0	137.0	166.0	137.0
Outdoor Tennis Courts	8.2	7.3	8.2	7.3
Outdoor Swimming Pool	13.4	13.4	13.4	13.4
Indoor Swimming Pool	43.1	28.1	43.1	28.1
Marina	36.0	25.4	--	--
Ski Facility	--	--	544.0	544.0
Total Revenues	$1,583.7	$1,369.2	$2,091.7	$1,887.8
EXPENSES				
Hotel/Conference Center	$1,054.0	$ 926.0	$1,054.0	$ 926.0
Golf Course	161.0	158.0	161.0	158.0
Outdoor Tennis Courts	5.9	5.8	5.9	5.8
Outdoor Swimming Pool	17.5	17.5	17.5	17.5
Indoor Swimming Pool	60.0	30.0	60.0	30.0
Marina	28.0	17.3	--	--
Ski Facility	--	--	254.9	254.9
Total Expenses	$1,326.4	$1,154.6	$1,553.3	$1,392.2
NET OPERATING INCOME	$257.3	$214.6	$538.4	$495.6
CAPITAL EXPENSE	$566.5	$566.5	$787.9	$787.9
ANNUAL CASH FLOW	($309.2)	($351.9)	($249.5)	($292.3)

/1 In thousands

Source: Economics Research Associates

The annual tax revenues have been estimated by Economics Research Associates. The real estate taxes are based on the assumption that such taxes are calculated at 3 percent of gross revenues. It is further assumed that the State would own and operate the 18 hole golf course for the coastal and inland resort and the ski area in the case of the inland complex. Real estate taxes on privately developed resort components are estimated to range from $42,000 to $60,000 depending on whether the facility were operated on a year round or seasonal basis. A detailed breakdown of taxes is included in the private resort development pro forma analyses which appear in Appendix B. With this level of annual revenues it is obvious that the State would operate at a substantial deficit to support the public revenue uses and common area expenses associated with the resort project.

Long-Term Lease of Key Parcels to Private Developer(s): This management structure is used by the National Park Service in national parks throughout the country. Currently, the National Park Service has 340 concessioners who pay a "franchise fee" to construct varied recreation related facilities on government lands. These fees in effect serve as annual lease revenue to the Park Service. The length of these leases typically range from 10 to 30 years with lease payments related to gross revenues of the operations. The percentage franchise fee payments vary with multi-concession operations (e.g. hotels) paying between 2-3 percent, gift shops charged 10-15 percent, and food service facilities paying 1/2 to 3/4 of 1 percent.

In terms of the viability of this alternative, it is necessary to assess whether private developers might consider this situation as an attractive investment option. The leasehold condition would reduce a developer's "up front" capital costs for land acquisition. Additionally, the development entity would have public area infrastructure paid for by the public sector.

Even with the above stated supportive factors, private real estate economic conditions will determine whether a developer or developers would construct the income generating components of a resort park on public property. The pro forma financial analyses presented in Appendix Tables B-1 through B-9 reveal the economic constraints which are likely to exist in privately developing and financing these income generating resort components. As shown by the data in these tables, the financial viability is questionable once the annual debt service costs are deducted from the net income figures for coastal and inland resort complexes. Therefore, it is reasonable to suggest that the likelihood of initiating privately financed development within a State resort facility should be considered as unlikely.

Lease Structures to Private Developer/Operators: The State of Maine is currently utilizing this management arrangement at Squaw Mountain where the State has a 10 year lease with Squaw Mountain at Moosehead Incorporated. The terms of this lease which began in November, 1976 call for the lessee to pay the State an annual fee of $12,500 plus 5 percent of gross receipts in excess of $500,000 to $1.3 million and 7 1/2 percent of gross receipts in excess of $1.3 million. This past year the State received approximately $26,000 from lease income on this property.

The data in Table VI-6 shows the estimated lease income to the State on the hypothetical coastal and inland resort projects. Private revenues for each program component have been estimated by Economics Research Associates with a detailed breakdown of project revenues and expenses presented in Appendix B. Assuming a basic lease rate of $30,000 plus performance lease terms which are comparable to those used by the State at Squaw Mountain, it is seen that total lease revenues are considerably less than adequate to support a newly constructed resort at either a coastal or inland location. A comparison of these annual cash flow estimates with the State as owner/operator of a hypothetical resort complex suggests that the State would theoretically minimize its potential cash flow deficiencies by owning and operating such a facility. It should be understood however, that this condition is not necessarily applicable to existing facilities which the State might own as a result of State commitments through the Maine Guarantee Authority. The option for the State to lease or operate such existing facilities must be based on such factors as the condition of the facility, policy towards increasing State employment and departmental budget constraints or availability.

<u>Joint Venture--Public/Private Initiatives:</u> The joint venture relationship between a public corporation which might provide the land planning expertise, and infrastructure while the private developer(s) would construct the revenue producing components of a destination resort. To date, this concept has been limited to only a few projects. An example of this type of public private participation is seen at Lake Lanier Islands in Georgia.

Lake Lanier Islands situated some 35 miles northeast of Atlanta are owned by the Corps of Engineers and leased to the State Government for a 50-year term. In order to develop the Islands for recreational use, the State formed the Lake Lanier Island Development Authority as an independent public agency to coordinate, plan, and implement the Islands development. Since it was recognized that the $50 million could not be totally developed through State funds, the Authority devised a management concept designed to encourage private participation.

Generally the management plan states that the Authority provide the land and the infrastructure (roads, utilities, security, and basic services) while private enterprise supplies the accommodations, commercial establishments and special services. To date, the Authority has prepared a master plan for the Islands and developed the roads and public area infrastructure. To encourage private investors they extensively researched the economic opportunities at Lake Lanier and

TABLE VI-6

ESTIMATED LEASE REVENUES
TO STATE OF MAINE
FROM INCOME PRODUCING STRUCTURES AT
HYPOTHETICAL RESORT COMPLEX

	DESTINATION AREA RESORT				NON-DESTINATION AREA RESORT			
	Coastal Resort		Inland Resort		Coastal Resort		Inland Resort	
	Year-Round	Seasonal	Year-Round	Seasonal	Year-Round	Seasonal	Year-Round	Seasonal
TOTAL ESTIMATED PRIVATE REVENUES All Program Components (in thousands)/1	$2,391.3	$1,799.4	$3,068.0	$2,490.2	$1,694.8	$1,625.7	$2,202.8	$2,144.3
ASSUMED BASIC LEASE RATE PER YEAR	$ 30.0	$ 30.0	$ 30.0	$ 30.0	$ 30.0	$ 30.0	$ 30.0	$ 30.0
PERFORMANCE LEASE TERMS:								
5.0% ($500,000 to $1.5 million)/2	$ 50.0	$ 50.0	$ 50.0	$ 50.0	$ 50.0	$ 50.0	$ 50.0	$ 50.0
7.5% (in excess of $1.5 million)/2	66.8	22.5	117.6	74.2	14.6	9.4	52.7	48.3
Total Performance Lease Payments	$ 116.8	$ 72.5	$ 167.6	$ 124.2	$ 64.6	$ 59.4	$ 102.7	$ 98.3
TOTAL ESTIMATED LEASE REVENUES	$ 146.8	$ 102.5	$ 197.6	$ 154.2	$ 94.6	$ 89.4	$ 132.7	$ 128.3
CAPITAL EXPENSE/3	$ 635.5	$ 635.5	$ 856.9	$ 856.9	$ 566.5	$ 566.5	$ 787.9	$ 787.9
ANNUAL CASH FLOW (LOSS)	($ 488.7)	($ 533.0)	($ 659.3)	($ 702.7)	($ 471.9)	($ 477.1)	($ 655.2)	($ 659.6)
COMPARISON WITH ANNUAL CASH FLOW (LOSS), STATE AS OWNER/OPERATOR	($ 426.8)	($ 462.3)	($ 307.7)	($ 343.2)	($ 309.2)	($ 351.9)	($ 249.5)	($ 292.3)

/1 See Appendix Tables B-1 and B-9.

/2 Based on lease rate at Squaw Mountain project.

/3 Public financing costs assuming 6%, 30 year revenue bonds with no federal subsidies (See Appendix Tables A-8 and A-9).

Source: Economics Research Associates

published a general prospectus describing the overall market situation and specific investment opportunities.

Since the project was initiated in 1971, the private sector has completed an estimated $25 million of improvements including a 250 room golf inn, 55 family cabins, 250 camp sites, a lakeside restaurant, equestrian facility, commercial trout fishing pond and a miniature golf course. The public sector has completed $7 million of public infrastructure improvements in addition to an 18 hole golf course, picnic grounds and a beach. Land lease rates to private developers are computed as a percentage of gross revenues. These rates range from 5 1/2 percent for the golf in to 10-15 percent for small concession operations.

This type of development structure might be considered in Maine through such entities as the Maine Development Foundation or the Maine Capital Corporation. While both organizations are proposed as private/public entities, the relationship of public and private monies to initiate development and new business ventures should be evaluated in the context of new or existing destination resort developments. A definitive statement on this issue would require extensive analysis and therefore should be evaluated as part of subsequent research efforts.

SUMMARY

The issue of whether the State of Maine should become actively involved in destination resort development relates to the construction of new complexes as well as to the State acquisition of existing resort or ski area facilities. With regards to new destination resort facilities, it has been shown that several ownership/operating alternatives exist for potential State action. In each case, the objectives of the State government must be factored into the decision making process. If economic development initiatives and more extensive recreation facilities for both residents of Maine and out-of-state visitors are the desired objectives, then the development of such projects in coastal and inland destination and non-destination areas should be given more extensive consideration. However, the financial viability of these complexes is directly related to financing assumptions and available funding sources. If these projects either rely on conventional, private financing for privately developed revenue producing project elements or if such complexes were built solely with public revenue bonding, then the economic feasibility of these resort projects would be questionable.

In regards to existing facilities, ERA has surveyed selected states throughout the country to determine whether it has been State policy to acquire existing resort facilities including ski areas. The following comments summarize the findings from this research effort.

- State governments typically do not acquire private resort and recreation facilities unless financial default on government secured loans has occurred or where the loss of a major facility would represent a significant negative impact to the local area.

- Few states have become directly involved in the ownership and operation of ski area facilities with New Hampshire and New York as leaders in this recreational endeavor. While both states have established successful ski area complexes, discussions with State management officials indicate that generally the private sector ski industry has viewed such State ventures as competitive with and detrimental to private enterprise.

- The most substantial commitment of State monies for destination resort facilities are seen in major State park complexes. These destination resort complexes which are owned and in certain cases operated by a state or local agency have been most notably constructed within the state park systems of Kentucky, Tennessee, West Virginia, Alabama, and Ohio. These park complexes can range in size from 450 acres over 20,000 acres and present capital investments of $3-20 million.

A significant question arises with regards to existing resort and recreation properties which have loan guarantees with the Maine Guarantee Authority. In this situation as with other resort and recreation related facilities in Maine, the State should take an affirmative approach to create more viable investments through the State travel development programs discussed in the preceding section. By initiating a well coordinated and aggressive travel development program to aid Maine's aiding travel infrastructure, the State will minimize its potential risk as the ultimate owner of resort and travel related properties throughout the State. If in fact the State becomes the owner in default at financially troubled properties, then the alternatives previously stated in this section of the report should be carefully evaluated for each situation. Prior to formulating a specific course of action, the condition of each property must be carefully assessed to determine, as appropriate, the monies needed to improve the development; staffing requirements; and operating subsidies necessary for State management participation.

SECTION VII

EVALUATION OF POTENTIAL STATE ACTIONS AND RECOMMENDED PROGRAMS

The final section of this report is intended to provide an overall assessment of the potential State actions regarding travel development. This section also includes recommendations based on the research and findings of the work reported upon in this study.

IMPACT ASSESSMENT

The following paragraphs describe the likely economic, social, and environment impacts of the potential State travel development program components. In terms of economic impact evaluation, the only potential State program for travel development which can be quantified in detail is the concept of State involvement in destination resort development.

Economic Impacts Related to Destination Resort Development

To accurately determine whether the State should become involved in a proprietary arrangement with resort projects from a public investment point of view, it is necessary to measure the economic impact of the development programs. It is assumed for this analysis that the State would own and operate a destination resort within either a coastal or inland destination area and that such a facility would operate on a year-round basis.

Construction Related Benefits: The on-site construction related employment generated by the hypothetical resort complexes is a direct function of the total development costs of the project. Based on experience at other comparable facilities, ERA estimates that construction related payrolls should approximate 45 percent of total project costs which have been estimated at $11.2 million for a coastal resort development and $15 million for an inland destination resort complex including a ski area. As shown by the data in Table VII-1, the estimated construction related payroll will equal $5,040,000 and $6,750,000 for the coastal and inland resort projects respectively. The average annual income for construction related employment ($16,600) has been based on information provided by the Bureau of Labor Statistics. Thus, an estimated 304 and 407 man-years of construction related jobs would be generated for the coastal and inland resorts during the development period (assumed as 2.5 years) or 122 and 163 employment opportunities annually.

In addition to labor, the proposed facilities would generate a significant level of construction related expenditures within the State. ERA estimates that at least 60 percent of the non-labor construction costs for such items as materials, supplies, etc., would be spent within Maine. Thus, these non-labor construction costs should equal approximately $3.7 to $5 million during the construction period.

TABLE VII-1

ESTIMATED CONSTRUCTION EMPLOYMENT
GENERATED BY THE HYPOTHETICAL
COASTAL AND INLAND RESORT PROJECTS/1

	COASTAL RESORT	INLAND RESORT
Estimated Total Development Costs/2	$11,200,000	$15,000,000
Labor Factor	0.45	0.45
Estimated Labor Expenditures	$ 5,040,000	$ 6,750,000
Average Annual Wage Per Worker/3	$ 16,600	$ 16,600
Estimated Total Man Years of Labor	304	407
Estimated Average Annual Employment/4 (2.5 year development period)	122	163

/1 State as owner/operator of a year-round resort in a destination area.
/2 Refer to Table VI-2.
/3 ERA estimate based on Bureau of Labor Statistics wage rates in Maine.
/4 Because of the methodology used, the number of employees represents full-time employee equivalents.

Source: Economics Research Associates.

Multiplier Effect. The economic consequence of a new resort complex will result in the creation of new jobs for local area residents, new related spending, and local purchases of supplies and materials. This spending represents new income to a local economy which will be subsequently respent for purchases of housing, food, clothing, entertainment, and a wide variety of additional goods and services. In turn, companies, governmental agencies, and individuals furnishing these goods and services will again respend their income for more investment, salaries, and purchases which causes continual business expansion, spending, savings and job creation.

The "multiplier effect" describes how many times each initial dollar is spent and respent within the local economy. The magnitude of this phenomenon is contingent upon the economic self-sufficiency of the area--that is, of the goods and services consumed in the local economy, how many are produced there. The impact of these "turns of the dollar" can be applied to the direct impact to provide an estimate of the aggregate economic effect of the operation of the hypothetical resort projects. The actual expenditure multiplier is very difficult to measure empirically, and estimates may vary.

The data in Table VII-2 indicates the effect of the multiplier on patron expenditures and on-site employment. As shown by data in Table VII-2, total direct and indirect expenditures for the hypothetical resort complexes range from approximately $4.2 - $5.4 million respectively for coastal and inland resorts. It can be further anticipated that as a result of the employment created due to the construction and operation of the proposed resort facilities, additional employment would in turn be stimulated in the area via the multiplier. The data in Table VII-2 further presents annual employment generated by this process. As shown, construction jobs should create additional off-site employment so that total construction related employment opportunities would be 329 to 440 jobs for the coastal and inland resorts. Likewise, direct operational employment should generate total employment (both on and off site) of 205 to 238 jobs respectively for the coastal and inland resorts. In terms of on-site employment opportunities, experience has shown that the majority of jobs at resort complexes can be classified as semi-skilled with management positions accounting for less than 15 percent of the total employment in a destination resort.

Fiscal Impact to the State. Annual tax revenues to the State's General Fund are directly related to on-site patron expenditures. Applying the 5 percent State sales tax to taxable revenues it is estimated that the State would realize approximately $111,000 to $113,000 in sales tax revenues from the coastal and inland resort projects respectively.

Induced Development Effects. In addition to the employment, expenditures, and tax revenues estimated above, the construction of a resort complex would generate certain induced new development. The amount and type of new development which results would depend upon

TABLE VII-2

IMPACT OF THE MULTIPLIER PROCESS
ON THE RESORT RELATED EXPENDITURES
AND EMPLOYMENT

	COASTAL RESORT/1	INLAND RESORT/1
PATRON EXPENDITURES (IN THOUSANDS)		
Direct Expenditures/2	$2,230.1	$2,906.8
Multiplier/3	1.86	1.86
Total Direct and Indirect Expenditures	$4,148.0	$5,406.6
CONSTRUCTION EMPLOYMENT (FIRST YEAR)		
Total On-Site Employment	122	163
Multiplier/4	2.70	2.70
Total Construction Related Employment	329	440
OPERATIONAL EMPLOYMENT (ANNUAL)		
Total On-Site Employment/5	110	128
Multiplier	1.86	1.86
Total Operational Employment	205	238

/1 State as owner/operator of a year-round resort in destination area.
/2 See Table VI-4.
/3 Derived in the report Tourism In Maine, Analysis and Recommendations, 1974, Table IV-10, p. 76. Based on Accommodation Type.
/4 Derived from adjusted U.S. multi-regional input-output model currently under development for the State of Maine.
/5 Based on experience at Kentucky resort parks where approximately 60 percent of total expenses are attributed to labor costs. Total expenses (excluding unallocated expenses) are shown in Table VI-4. Total labor costs are divided by $10,000 per employe (average annual wage). Annualized employment shown in table.

Source: Economics Research Associates

the amount of new development already planned in the immediate area of the resort complex. Because of the number of unknown factors, this study does not quantify the amount of new investment which could result from construction of the hypothetical resort development. Depending on the exact location of the resort complex, the induced development could be substantial.

Impact Assessment Matrix

The data in Table VII-3 indicates the likely effects of potential State actions regarding travel development on economic, social, and environmental conditions within the State of Maine. Although the majority of these potential State actions are difficult to accurately quantify, it is seen that each action should provide at least a moderate to significant positive economic and fiscal impact to the State, regional, and local entities. It is further shown that most potential State actions provide a moderate reduction of social and environmental damage which is created by travel development and travel activities. The data in Table VII-3 reveals that the most significant State action in terms of providing potential economic stimulus to the State economy while significantly reducing social and environmental harm is the implementation of a comprehensive travel information system.

ESTIMATED COSTS OF POTENTIAL STATE ACTIONS

Economics Research Associates has prepared estimated costs for each potential State action related to travel development. It should be understood that the estimates presented herein should be considered as preliminary figures. More extensive program formulation beyond the scope of this contract would be required to more accurately identify specific cost figures.

Establish Travel Development Division

The estimated initial year operating budget for the Travel Development Division, which should be administratively situated within the State Development Office, is shown by the data in Table VII-4. The total estimated budget for this Division, excluding the State financial incentive programs which are discussed separately, would range from $325,000 - $375,000. As indicated in Section V, salary costs could be reduced by utilizing existing employees from the State Development Office, the State Planning Office or other State departments. If State financial/matching grant incentives were not initiated in the basic travel development program, salary costs for the Division would be reduced to approximately $75,000.

Interagency Travel Advisory Board

This advisory board represents a State department organizational function and therefore minimal costs would be incurred as a result of its operation.

TABLE VII-3

IMPACT ASSESSMENT MATRIX
FOR POTENTIAL STATE ACTIONS REGARDING
TRAVEL DEVELOPMENT/1

IMPACT CATEGORIES / POTENTIAL STATE ACTIONS	POSITIVE ECONOMIC AND FISCAL IMPACTS			POSITIVE EFFECT OF REDUCING SOCIAL IMPACTS			POSITIVE EFFECT OF REDUCING ENVIRONMENTAL IMPACTS		
	Significant	Moderate	Minimal	Significant	Moderate	Minimal	Significant	Moderate	Minimal
ESTABLISH TRAVEL DEVELOPMENT DIVISION	X				X			X	
INTERAGENCY TRAVEL ADVISORY BOARD		X			X			X	
STATE TRAVEL COMMISSION		X				X			X
TRAVEL AWARENESS PROGRAM	X				X			X	
ESTABLISH TRAVEL DEVELOPMENT REGIONS	X				X			X	
TRAVEL INFORMATION DISSEMINATION	X			X			X		
STATE FINANCIAL INCENTIVE PROGRAMS	X				X			X	
DISCRETIONARY LODGING OCCUPANCY TAX FOR MUNICIPALITIES	X				X			X	
STATE PARTICIPATION IN DESTINATION RESORT DEVELOPMENT		X/2				X			X

/1 Impacts are highly contingent upon planning/development guidelines initiated by the public sector.

/2 The majority of economic impacts would be realized within the local area and region. State impacts would be minimal compared to other potential state actions.

Source: Economics Research Associates

TABLE VII-4

ESTIMATED INITIAL YEAR OPERATING BUDGET RANGE
TRAVEL DEVELOPMENT DIVISION
OF THE
STATE DEVELOPMENT OFFICE /1

		BUDGET RANGE
Salaries/2		$80,000-$90,000
Supplies		6,000- 8,000
Preparation of Planning/Technical Assistance Manuals		10,000- 12,000
Promotional Programs		
Travel Literature	$35,000-$40,000	
Travel Awareness Program/3	25,000- 30,000	
Familiarization Tours for Travel Brokers, General Promotion	25,000- 30,000	
Total Promotional Programs		85,000-100,000
State Oriented Media Advertising Campaign/4		140,000-160,000
Telephone/Miscellaneous		4,000- 5,000
Total Estimated Budget/5		$325,000-$375,000

/1 Assumes the initiation of a comprehensive State travel development program.
/2 Includes travel director, travel planning and development coordinator, financial assistance administrator, market research director, support staff (2 individuals). Salary expenses could be reduced by utilizing existing State employees.
/3 Described in the text as a separate potential State action.
/4 State advertising to highlight travel development regions.
/5 Does not include financial/matching grant incentive programs.

Source: Economics Research Associates

State Travel Commission

As currently envisioned, the State Travel Commission would be a voluntary organization with members selected by the Governor. Therefore, the only direct costs involved in the operation of this Commission would be reimbursable travel expenses of members. Accordingly, an initial annual budget of approximately $7,500 - $10,000 should cover travel and publication costs. These costs could vary depending on the number of meetings, duration, and size of the Commission.

Travel Awareness Program

The estimated budget to effectuate a comprehensive travel awareness program as specified in Section V is approximately $25,000 - $30,000. This budget figure would cover travel costs, publication charges and promotion related expenditures.

Establish Travel Development Regions

Only minimal costs would be involved in establishing travel development regions since regional coordinators would not be required to initiate this potential State action. Initially, the principal State functions involved with these designated regions would be planning and promotional. The planning function could be handled jointly by the State Development and State Planning Offices while promotional efforts would be included within the budget of the Travel Development Division.

Travel Information Dissemination System

The estimated costs to implement a statewide travel information system must be presented on a per unit basis since the number of facilities involved throughout the State is currently unknown. The range of costs related to the travel information dissemination program are presented in Table VII-5.

As shown in this table, the total per unit cost for a low frequency radio transmitter system could range from $8,000 - $12,000. Reorganization of information displays should have top priority with initial consideration given to the Kittery Information Center. ERA estimates that approximately $50,000 - $75,000 would be required to make the Kittery facility function as a "Gateway Center" by offering a comprehensive arrangement of interpretative displays to provide the travel with a more complete sense of the travel and recreation opportunities available in Maine. Finally, unmanned displays which would be placed in travel information plazas are estimated to cost between $4,000 and $5,000. This cost range would be for a 3 panel display system with each panel assumed to be made of a weather and vandal resistant material such as a fiberglass composition.

TABLE VII-5

ESTIMATED BASIC COST RANGE INVOLVED
IN THE TRAVEL INFORMATION
DISSEMINATION STRATEGY /1

	ESTIMATED COST
Low Frequency Radio Transmitters (per unit)	\$ 4,000-\$ 7,000/2
Advance Highway Signs for Radio Announcement/3	4,000- 5,000
Total Low Frequency Radio Transmitter Program	\$ 8,000-\$12,000
Reorganization of Information Display Areas In Travel Information Centers/4	\$50,000-\$75,000
Unmanned Display Panels (Per Display System)/5	\$ 4,000-\$ 5,000

/1 All costs presented in this table must be considered as preliminary estimates. Detailed plans and specifications are required for more precise cost figures.

/2 Includes installation, staff training and contingencies, per unit.

/3 Two sign set includes 12' x 6' panel which introduces the radio information concept and a record smaller 6' x 6' sign which follows approximately 150 yards further along the line of travel which repeats the radio frequency. Cost per unit includes installation.

/4 Estimated cost at Kittery facility. Price range would be sensitive to display techniques and materials utilizied. Cost for other travel information centers would vary based on size of facility and detailed improvement specifications.

/5 Assumes 3 panel display unit, one panel for state travel information and the other panels for regional information including day trip opportunities. Panel size is assumed to be 4' x 6'. Price per unit includes installation.

Source: Economics Research Associates

State Financial Incentive Programs

As stated in Section V, the matching grant incentive budget is broken down as follows:

• Convention Bureau Incentive Program	-	$ 60,000
• Attraction and Events Incentive Program	-	50,000
• Travel Promotion Matching Grant Program	-	280,000
Total Budget		$390,000

Discretionary Lodging Occupancy Tax for Municipalities

This travel developmnt program would only require administrative costs for each municipality utilizing the occupancy tax and the State Bureau of Taxation.

State Development of Destination Resorts

As previously discussed, the total estimated costs for the State to construct a destination resort would be $11.2 million and $15 million respectively at a coastal and inland location. The financial analyses presented in Section VI further reveal that on an annual operating basis such a facility would be financially viable assuming the State as owner and operator of the hypothetical complex. This operating performance is likely to exist before the payment of public debt service assuming that the facility would be constructed with State revenue bonds. Without the use of State General Obligation Bonds and/or federal subsidies (e.g. Economic Development Administration, Bureau of Outdoor Recreation funds) the financial performance of State initiated resort ventures would be questionable.

RECOMMENDED TRAVEL DEVELOPMENT PROGRAM

Based on information provided in prior sections of this report and the impact and cost evaluation described above, this final section identifies an appropriate State travel development program including a basic implementation process to effectuate the travel program. It is recommended that the State seriously consider the approval and implementation of the potential State actions which have been discussed in Section V and evaluated in this section of the report. With regards to the State's role in new destination resort development, it is Economics Research Associates' opinion that while economic benefits would occur primarily on a localized and regional basis, the initial development costs and potential operating funds required to implement and sustain a "high quality" resort complex must be given serious consideration by the State. Therefore, it is recommended that the State carefully evaluate its funding priorities prior to considering this development program.

An important ingredient of a State travel program is the establishment of the Travel Development Division which could implement many of the previously described program components. The budget for the Division equals approximately 1 percent of State tax revenues collected from travel related facilities and activities./1 These expenditures should be evaluated in light of a better managed State travel initiative. Additionally, a State travel development program would provide a stimulus for improving the travel infrastructure within Maine while creating increased economic activity through extending the length of stay and increasing per capita expenditures from travelers.

Implementation Process

As shown by the data in Table VII-6, the most appropriate means of initiating a comprehensive State travel program is to establish a Basic and Active travel development program. By proceeding in this manner, the State would provide in the Basic Program an organizational structure to implement the more detailed program requirements included in the Active Program.

Implementation of a comprehensive travel development program would require State Legislative support, a State department which would be responsible for each program component, and potential funding sources. The data in Table VII-7 illustrates the implementation process required for the State travel development program. As shown in this table, State Legislative action is likely to be required for all program components except the formation of a State Travel Commission and the travel awareness program. Funds for the overall travel development program would be required from the State's General Fund.

SUMMARY

This report has been prepared by Economics Research Associates to add an important dimension to the coastal zone planning process as well as to provide a basis for a much needed State plan to increase the economics benefits of the travel industry. While this report does not answer all of the questions related to travel related activities, it does provide a basis to proceed in an affirmative manner to tackle the major issues which confront the travel industry. Through a comprehensive State travel program which reflects both the initiatives for economic development and a serious concern for minimizing adverse social and environmental impacts, the residents of Maine will realize long-term benefits from travel and recreation activities. In accomplishing these objectives, the State's commitment to initiate this research hopefully represents a first step in the implementation process.

/1 State tax revenues attributable to travel as of 1975 were $38.7 million according to the report, The Impact of Travel on State Economies which was prepared by the U.S. Travel Data Center.

TABLE VII-6

RECOMMENDED STATE TRAVEL DEVELOPMENT
BASIC AND ACTIVE PROGRAMS

PROGRAM COMPONENTS	BASIC PROGRAM	ACTIVE PROGRAM
Establish Travel Development Division	X	
Interagency Travel Advisory Board	X	
State Travel Commission	X	
Travel Awareness Program	X	
Establish Travel Development Regions	X	X
Travel Information Dissemination		X
State Financial Incentive Programs		X
Discretionary Lodging Occupancy Tax For Municipalities		X

Source: Economics Research Associates

RECOMMENDED STATE TRAVEL DEVELOPMENT PROGRAM IMPLEMENTATION PROCESS

STATE TRAVEL DEVELOPMENT ACTIONS	STATE AGENCY RESPONSIBLE	POTENTIAL SOURCES OF FUNDS	LEGISLATIVE ACTION REQUIRED	IMPLEMENTATION TIME TABLE /1
BASIC PROGRAM				
Establish Travel Development Division	State Development Office	State General Fund	Yes	4-6mos.
Interagency Travel Advisory Board	State Development Office w/ other agencies/2	N.A.	Yes	N.A.
State Travel Commission	State Development Office/2	State General Fund/3	No	N.A.
Travel Awareness Program	State Development Office/2	State General Fund	No	4-6mos.
Establish Travel Development Regions	State Development Office/St. Planning Office	N.A.	Yes	8-12mos.
ACTIVE PROGRAM				
Travel Information Dissemination	Dept. of Trans./4	State General Fund, Potential Fed. Funds	Yes	8-12mos.
State Financial Incentive Programs	State Development Office/1	State General & local Funds	Yes	6-8mos.
Discretionary Lodging Occupancy Tax For Municipalities	Bureau of Taxation	N.A.	Yes	N.A./5

N.A. Means Not Applicable.
/1 Implementation as of time program is approved.
/2 Travel Development Division.
/3 Funds For Reimbursable Travel Expenses and Preparation/Printing of Commission's Annual Report
/4 Planning assistance from Travel Development Division (SDO), State Planning Office, Department of Conservation
/5 Depends on timing of local referendum.

Source: Economics Research Associates

APPENDIX A

STATE OWNER/OPERATOR DESTINATION RESORT TABLES

TABLE A-1

ANNUAL REVENUES AND EXPENSES
STATE OWNED AND OPERATED
HOTEL/CONFERENCE CENTER

CATEGORY	MEASUREMENT BASIS	EXISTING DESTINATION AREA YEAR-ROUND	EXISTING DESTINATION AREA SEASONAL	EXISTING NON-DESTINATION AREA YEAR-ROUND	EXISTING NON-DESTINATION AREA SEASONAL
DEVELOPMENT COSTS (in thousands)					
Hotel:	175 rooms (Destination Area) at $30,000/rm. 150 rooms (Non-Destination Area) at $30,000/rm./1				
Conference Center:	15,000 sq. ft. at $40/sq. ft.				
Restaurant/2:	15,000 ft. (Destination Area) and 10,000 ft. (Non-Destination Area)				
TOTAL COST (in thousands)		$6,450.0	$6,450.0	$5,500	$5,500
OPERATING REVENUES/EXPENSES					
Average Rm. Rate	Seasonal Rate for 5 Months/3	$25	$35	$25	$35
Average Occupancy	Seasonal Rate for 5 Months	60%	75%	50%	75%
Revenues (in thousands)					
Rooms	52%	$ 958	$ 702	$ 685	$ 602
Food	31	571	419	408	359
Beverage	11	203	149	145	127
Telephone/Misc.	6	110	80	79	70
Total	100%	$1,842	$1,350	$1,317	$1,158
Expenses (in thousands)/4	80%	$1,474	$1,080	$1,054	$ 926
Net Operating Income Before Capital Expenses	20% of total revenues	$ 368	$ 270	$ 263	$ 232
CAPITAL EXPENSES (in thousands)/5	6%, 30 yrs.	$ 468	$ 468	$ 399	$ 399
ANNUAL CASH FLOW (in thousands)		($ 100)	($ 198)	($ 136)	($ 167)

/1 Assumes that hotel would be smaller in non-destination area given a lower year-round occupancy factor due to locational factors.

/2 600 seat restaurant/bar in destination area and 400 seat restaurant/bar in non-destination area. Construction cost $40/sq.ft.

/3 Seasonal operation for this resort component includes operation from May 15 - Oct. 15.

/4 Includes cost of goods sold, departmental wages and expenses, administrative and general expenses and related costs.

/5 Amortization constant for a public bond financed at 6% for 30 years equals 0.0726.

Source: Harris, Kerr, Foster and Company and Economics Research Associates

TABLE A-2

ANNUAL REVENUES AND EXPENSES
STATE OWNED AND OPERATED
GOLF COURSE

CATEGORY	MEASUREMENT BASIS	DESTINATION AREA YEAR-ROUND	DESTINATION AREA SEASONAL	NON-DESTINATION AREA YEAR-ROUND	NON-DESTINATION AREA SEASONAL
DEVELOPMENT COSTS (in thousands)	18 holes at $80,000/hole	$1,440	$1,440	$1,440	$1,440
OPERATING REVENUES/EXPENSES					
Number of Rounds/1		33,000	28,000	22,000	18,000
Revenues (in thousands)					
Green fees ($5/round)		$ 165	$ 140	$ 110	$ 90
Cart rentals ($7.50/round; 25% of rounds to use cart rental)		62	53	41	34
Merchandise ($0.50 per round)		17	14	11	9
Driving range (1 bucket per 5 rounds at $1.00)		7	6	4	4
Total		$ 251	$ 213	$ 166	$ 137
Expenses (in thousands)					
Professional's salary (lump sum)		$ 12	$ 12	$ 12	$ 12
Pro's share of concession income					
Cart Rental	20% of gross revenues	12	11	8	7
Merchandise/2	100% of sales	17	14	11	9
Driving Range/2	100% of total	7	6	4	4
Golf course maintenance	$7,000/hole	126	126	126	126
Total		$ 174	$ 169	$ 161	$ 158
NET OPERATING INCOME (in thousands)		$ 77	$ 44	$ 5	($ 21)
CAPITAL EXPENSES (in thousands)	6%, 30 years	$ 105	$ 105	$ 105	$ 105
ANNUAL CASH FLOW (in thousands)		($ 28)	($ 61)	($ 100)	($ 126)

/1 Assumes 150 players daily for destination area and 100 daily in non-destination area for 6 month season (April-Oct.) with season accounting for 85% of course usage if open year-round.

/2 Assumes pro receives all revenues and absorbs all costs of operation.

Source: Economics Research Associates

TABLE A-3

ANNUAL REVENUES AND EXPENSES
STATE OWNED AND OPERATED
OUTDOOR TENNIS COURTS

CATEGORY	MEASUREMENT BASIS	DESTINATION AREA		NON-DESTINATION AREA	
		YEAR-ROUND	SEASONAL	YEAR-ROUND	SEASONAL
DEVELOPMENT COSTS (in thousands)	4 courts at $15,000/court	$ 60	$ 60	$ 60	$ 60
OPERATING REVENUES/EXPENSES					
Number of times court rented/1		6,100	4,900	3,800	3,000
Revenues (in thousands)					
Court costs ($1.00 per hour)		$ 6.1	$ 4.9	$ 3.8	$ 3.0
Lighting fees ($1.00 per hour; 10% of time)		0.6	0.5	0.4	0.3
Professional lessons/2 ($5.00 per lesson)		6.0	6.0	4.0	4.0
Total		$ 12.7	$ 11.4	$ 8.2	$ 7.3
Expenses (in thousands)					
Maintenance costs ($700 per court)		$ 2.8	$ 2.8	$ 2.8	$ 2.8
Utilities (75% of lighting fees)		0.5	0.4	0.3	0.2
Pro salary (70% of lesson income)		4.2	4.2	2.8	2.8
Total		$ 7.5	$ 7.4	$ 5.9	$ 5.8
NET OPERATING INCOME (in thousands)		$ 5.2	$ 4.0	$ 2.3	$ 1.5
CAPITAL EXPENSE (in thousands)	6%, 30 years	$ 4.4	$ 4.4	$ 4.4	$ 4.4
ANNUAL CASH FLOW (in thousands)		$ 0.8	($ 0.4)	($ 2.1)	($ 2.9)

/1 Assumes courts used 8 times each per day in destination area and 5 times per day in non-destination area for 5 month season (May-Sept.) with season accounting for 80% of court usage if open year-round.

/2 Tennis lessons for seasonal operation. 60 lessons per week in destination area and 40 lessons per week in non-destination area.

Source: Economics Research Associates

TABLE A-4

ANNUAL REVENUES AND EXPENSES
STATE OWNED AND OPERATED
OUTDOOR SWIMMING POOL

CATEGORY	MEASUREMENT BASIS	DESTINATION AREA YEAR-ROUND	DESTINATION AREA SEASONAL	NON-DESTINATION AREA YEAR-ROUND	NON-DESTINATION AREA SEASONAL
DEVELOPMENT COSTS (in thousands)	Lump sum estimate	$ 150	$ 150	$ 150	$ 150
OPERATING REVENUES/EXPENSES					
Number of Admissions/1		50,000	50,000	37,500	37,500
Revenues (in thousands)					
Admission fees	$.50 adult; $.25 child	$ 18.8	$ 18.8	$ 13.4	$ 13.4
Expenses (in thousands)					
Labor					
Life guards	2 life guards for 3 mos./2	$ 6.3	$ 6.3	$ 6.3	$ 6.3
Support	1 administrative/maintenance/3	1.7	1.7	1.7	1.7
Subtotal		$ 8.0	$ 8.0	$ 8.0	$ 8.0
Supplies and services	$2000/mo. for 3 mos.	$ 6.0	$ 6.0	$ 6.0	$ 6.0
Other operating expenses	20% of total	3.5	3.5	3.5	3.5
Total		$ 17.5	$ 17.5	$ 17.5	$ 17.5
NET OPERATING INCOME (in thousands)		$ 1.3	$ 1.3	($ 4.1)	($ 4.1)
CAPITAL EXPENSE (in thousands)	6%, 30 years	$ 10.9	$ 10.9	$ 10.9	$ 10.9
ANNUAL CASH FLOW (in thousands)		($ 9.6)	($ 9.6)	($ 15.0)	($ 15.0)

/1 Assumes outdoor pool open for 3 month season only, regardless of another pool located in year-round resort or not; non-destination use is 75 percent of that obtained in destination area.

/2 10 hours per day, 30 days per month, for 3 months, at $3.50 per hour.

/3 8 hours per day for 20 days per month, for 3 months at $3.50 per hour.

Source: Economics Research Associates

TABLE A-5

ANNUAL REVENUES AND EXPENSES
STATE OWNED AND OPERATED
INDOOR SWIMMING POOL

CATEGORY	MEASUREMENT BASIS	DESTINATION AREA YEAR-ROUND	DESTINATION AREA SEASONAL	NON-DESTINATION AREA YEAR-ROUND	NON-DESTINATION AREA SEASONAL
DEVELOPMENT COST (in thousands)	Lump sum estimate	$ 500	$ 500	$ 500	$ 500
OPERATING REVENUES/EXPENSES					
Number of Admissions/1		76,900	50,000	57,700	37,500
Revenues (in thousands)					
Admissions	$1.00 adults; $.50 children	$ 57.7	$ 37.5	$ 43.1	$ 28.1
Expenses (in thousands)					
Operating costs	$5,000/operating month	$ 60.0	$ 30.0	$ 60.0	$ 30.0
Total		$ 60.0	$ 30.0	$ 60.0	$ 30.0
NET OPERATING INCOME (in thousands)		($ 2.3)	$ 7.5	($ 16.9)	($ 1.9)
CAPITAL EXPENSE (in thousands)	6%, 30 years	$ 36.3	$ 36.3	$ 36.3	$ 36.3
ANNUAL CASH FLOW (In thousands)		($ 38.6)	($ 28.8)	($ 53.2)	($ 38.2)

/1 Based on 50,000 admissions during 6 month season (Nov.-Apr.) in a destination area; season estimated to account for 65 percent of total year; non-destination area attendance 75% of destination area.

Source: Economics Research Associates

TABLE A-6

ANNUAL REVENUES AND EXPENSES
STATE OWNED AND OPERATED
MARINA FACILITIES

CATEGORY	MEASUREMENT BASIS	DESTINATION AREA YEAR-ROUND	DESTINATION AREA SEASONAL	NON-DESTINATION AREA YEAR-ROUND	NON-DESTINATION AREA SEASONAL
DEVELOPMENT COSTS (in thousands)	50 slips at $3000/slip	$ 150.0	$ 150.0	$ 150.0	$ 150.0
OPERATING REVENUES/EXPENSES					
Revenues (in thousands)					
Slip rental/1	$12/ft. in season; $5/ft. non-season	$ 21.3	$ 15.0	$ 16.0	$ 11.3
Repair, maintenance, fuel, oil, supplies	125% of slip rental	26.6	18.8	20.0	14.1
Total		$ 47.9	$ 33.8	$ 36.0	$ 25.4
Expenses (in thousands)					
Direct labor	50% of slip rentals	10.7	7.5	8.0	5.7
Cost of sales, maintenance	40% of repair, etc. revenues	10.6	7.5	8.0	5.6
Administrative and other	$1,000 per month	12.0	6.0	12.0	6.0
Total		$ 33.3	$ 21.0	$ 28.0	$ 17.3
NET OPERATING INCOME (in thousands)		$ 14.6	$ 12.8	$ 8.0	$ 8.1
CAPITAL EXPENSE (in thousands)	6%, 30 years	$ 10.9	$ 10.9	$ 10.9	$ 10.9
ANNUAL CASH FLOW (in thousands)		$ 3.7	$ 1.9	($ 2.9)	($ 2.8)

/1 Assumes average boat size of 25 feet; non-destination area usage assumed to be 75% of destination area usage.

Source: Economics Research Associates

TABLE A-7

ANNUAL REVENUES AND EXPENSES
STATE OWNED AND OPERATED
SKI FACILITY

CATEGORY	MEASUREMENT BASIS	DESTINATION AREA YEAR-ROUND	DESTINATION AREA SEASONAL	NON-DESTINATION AREA YEAR-ROUND	NON-DESTINATION AREA SEASONAL
DEVELOPMENT COSTS (in thousands)					
Estimated peak day capacity 1600 skiers x $2,000 per skier for ski area development costs/1		$3,200.0	$3,200.0	$3,200.0	$3,200.0
OPERATING REVENUES/EXPENSES					
Number of skiers/2	700 skiers/day for 3 months	63,000	63,000	47,300	47,300
Revenues (in thousands)					
Lift tickets	$8 average ticket price (effective)	$ 504.0	$ 504.0	$ 378.4	$ 378.4
Equipment rentals	$7 average, with 25% of skiers renting equipment	110.3	110.3	82.8	82.8
Food and beverage	$1.25 per capita	78.8	78.8	59.1	59.1
Ski school	$5 per lesson, with 10% of skiers taking lessons	31.5	31.5	23.7	23.7
Total		$ 724.6	$ 724.6	$ 544.0	$ 544.0
Expenses (in thousands)					
Lift operations	40% of ticket revenue	$ 201.6	$ 201.6	$ 151.4	$ 151.4
Equipment rentals	50% of rentals	55.2	55.2	41.4	41.4
Food and beverage	75% of food and beverage revenue	59.1	59.1	44.3	44.3
Ski school	75% of school revenue	23.6	23.6	17.8	17.8
Total		$ 339.5	$ 339.5	$ 254.9	$ 254.9
NET OPERATING INCOME (in thousands)		$ 385.1	$ 385.1	$ 289.1	$ 289.1
CAPITAL EXPENSES (in thousands)	6%, 30 years	$ 232.3	$ 232.3	$ 232.3	$ 232.3
ANNUAL CASH FLOW (in thousands)		$ 152.8	$ 152.8	$ 56.8	$ 56.8

/1 Estimate provided by John Cristie.

/2 Assumes typical weekend day will operate at 100% of capacity (1,600 skiers), with typical weekday estimated at 20% of capacity; ski facility open same number of days regardless of whether overall resort project is year-round or seasonal. Skiers in non-destination area assumed to be 75% of destination area ski facility due to access to non-destination area.

Source: Economics Research Associates

APPENDIX B

PRIVATELY OWNED/OPERATED DESTINATION RESORT TABLES

TABLE B-1

ANNUAL REVENUES AND EXPENSES
PRIVATELY OWNED AND OPERATED
HOTEL/CONFERENCE CENTER

CATEGORY	MEASUREMENT BASIS	EXISTING DESTINATION AREA YEAR-ROUND	EXISTING DESTINATION AREA SEASONAL	EXISTING NON-DESTINATION AREA YEAR-ROUND	EXISTING NON-DESTINATION AREA SEASONAL
DEVELOPMENT COSTS					
Hotel:	175 rooms (Destination Area) at $30,000/rm. 150 rooms (Non-Destination Area) at $30,000/rm. /1				
Conference Center:	15,000 sq. ft. at $40/sq. ft.				
Restaurant /2:	15,000 ft. (Destination Area) and 10,000 ft. (Non-Destination Area)				
TOTAL COST (in thousands)		$6,450.0	$6,450.0	$5,500.0	$5,500.0
OPERATING REVENUES/EXPENSES					
Average Rm. Rate	Seasonal Rate for 5 Months /3	$25	$40	$25	$40
Average Occupancy	Seasonal Rate for 5 Months	60%	75%	50%	75%
Revenues (in thousands)					
Rooms	52%	$ 958	$ 803	$ 685	$ 689
Food	31	571	479	408	410
Beverage	11	203	170	145	146
Telephone/Misc.	6	110	93	79	80
Total	100%	$1,842	$1,545	$1,317	$1,325
Expenses (in thousands) /4	83%	$1,529	$1,282	$1,093	$1,100
Net Operating Income Before Capital Expenses	17%	$ 313	$ 263	$ 224	$ 225
CAPITAL EXPENSES (in thousands) /5	9½%, 20 yrs. 12% R.O.I.	$ 742	$ 742	$ 633	$ 633
ANNUAL CASH FLOW (in thousands)		($ 429)	($ 479)	($ 409)	($ 408)

/1 Assumes that hotel would be smaller in non-destination area given a lower year-round occupancy factor due to locational factors.

/2 600 seat restaurant/bar in destination area and 400 seat restaurant/bar in non-destination area. Construction cost $40/sq.ft.

/3 Seasonal operation for all resort components includes operation from May 15 - Oct. 15.

/4 Includes cost of goods sold, department wages and expenses, administrative and general expenses and related costs, and real estate taxes estimated at 3 percent.

/5 Weighted amortization constant for a private conventionally financed project equals:

$$.75 \times 0.1135 = 0.0851$$
$$.25 \times 0.1200 = 0.0300$$
$$0.1151$$

Source: Harris, Kerr, Foster and Company and Economics Research Associates

TABLE B-2

ANNUAL REVENUES AND EXPENSES
PRIVATELY OWNED AND OPERATED
GOLF COURSE

CATEGORY	MEASUREMENT BASIS	DESTINATION AREA YEAR-ROUND	DESTINATION AREA SEASONAL	NON-DESTINATION AREA YEAR-ROUND	NON-DESTINATION AREA SEASONAL
DEVELOPMENT COSTS (in thousands)	18 holes at $80,000/hole	$1,440	$1,440	$1,440	$1,440
OPERATING REVENUES/EXPENSES					
Number of Rounds/1		33,000	28,000	22,000	18,000
Revenues (in thousands)					
Green fees ($5/round)		$ 264	$ 224	$ 176	$ 144
Cart rentals ($7.50/round; 35% of rounds to use cart rental)		87	74	58	47
Merchandise ($0.50 per round)		17	14	11	9
Driving range (1 bucket per 5 rounds at $1.00)		7	6	4	4
Total		$ 375	$ 318	$ 249	$ 204
Expenses (in thousands)					
Professional's salary (lump sum)		$ 14	$ 14	$ 14	$ 14
Pro's share of concession income					
Cart rental	20% of gross revenues	17	15	12	9
Merchandise/2	100% of sales	17	14	11	9
Driving Range/2	100% of total	7	6	4	4
Golf course maintenance	$7,000	126	126	126	126
Real estate taxes	3% of revenues	11	10	7	6
Total		$ 192	$ 185	$ 174	$ 168
NET OPERATING INCOME (in thousands)		$ 183	$ 133	$ 75	$ 36
CAPITAL EXPENSES (in thousands)	9½%, 20 yrs.; 12% return	$ 166	$ 166	$ 166	$ 166
ANNUAL CASH FLOW (in thousands)		$ 17	($ 33)	($ 91)	($ 130)

/1 Assumes 150 players daily for destination area and 100 daily in non-destination area for 6 month season (April-Oct.) with season accounting for 85% of course usage if open year-round.

/2 Assumes pro receives all revenues and absorbs all costs of operation.

Source: Economics Research Associates

TABLE B-3

ANNUAL REVENUES AND EXPENSES
PRIVATELY OWNED AND OPERATED
OUTDOOR TENNIS COURTS

CATEGORY	MEASUREMENT BASIS	DESTINATION AREA YEAR-ROUND	DESTINATION AREA SEASONAL	NON-DESTINATION YEAR-ROUND	NON-DESTINATION SEASONAL
DEVELOPMENT COSTS (in thousands)	4 courts at $15,000/court	$ 60	$ 60	$ 60	$ 60
OPERATING REVENUES/EXPENSES					
Number of times court rented/1		6,100	4,900	3,800	3,000
Revenues (in thousands)					
Court costs ($1.50 per hour)		$ 9.2	$ 7.4	$ 5.7	$ 4.5
Lighting fees ($1.00 per hour; 10% of time)		0.6	0.5	0.4	0.3
Professional lessons/2 ($7.00 per lesson)		8.4	8.4	5.6	5.6
Total		$ 18.2	$ 16.3	$ 11.7	$ 10.4
Expenses (in thousands)					
Maintenance costs ($700 per court)		$ 2.8	$ 2.8	$ 2.8	$ 2.8
Utilities (75% of lighting fees)		.5	.4	.3	.2
Pro salary (70% of lesson income)		5.9	5.9	3.9	3.9
Real estate taxes (3% of revenues)		0.5	0.5	0.4	0.3
Total		$ 9.7	$ 9.6	$ 7.4	$ 7.2
NET OPERATING INCOME (in thousands)		$ 8.5	$ 6.7	$ 4.3	$ 3.2
CAPITAL EXPENSE (in thousands)	9½%, 20 yrs.; 12% return	$ 6.9	$ 6.9	$ 6.9	$ 6.9
ANNUAL CASH FLOW (in thousands)		$ 1.6	($ 0.2)	($ 2.6)	($ 3.7)

/1 Assumes courts used 8 times each per day in destination area and 5 times per day in non-destination area for 5 month season (May-Sept.) with season accounting for 80% of court usage if open year-round.

/2 Tennis lessons for seasonal operation. 60 lessons per week in destination area and 40 lessons per week in non-destination area.

Source: Economics Research Associates

TABLE B-4

ANNUAL REVENUES AND EXPENSES
PRIVATELY OWNED AND OPERATED
OUTDOOR SWIMMING POOL

CATEGORY	MEASUREMENT BASIS	DESTINATION AREA YEAR-ROUND	DESTINATION AREA SEASONAL	NON-DESTINATION AREA YEAR-ROUND	NON-DESTINATION AREA SEASONAL
DEVELOPMENT COSTS (in thousands)	Lump sum estimate	$ 150	$ 150	$ 150	$ 150
OPERATING REVENUES/EXPENSES					
Number of Admissions/1		50,000	50,000	37,500	37,500
Revenues (in thousands)					
Admission fees	$.75 adult; $.50 child	$ 31.3	$ 31.3	$ 23.4	$ 23.4
Expenses (in thousands)					
Labor					
Life guards	2 life guards for 3 mos/2	$ 6.3	$ 6.3	$ 6.3	$ 6.3
Support	1 administrative/maintenance/3	1.7	1.7	1.7	1.7
Subtotal		$ 8.0	$ 8.0	$ 8.0	$ 8.0
Supplies and services	$2000/mo. for 3 mos.	$ 6.0	$ 6.0	$ 6.0	$ 6.0
Other operating expenses	20% of total	3.6	3.6	3.6	3.6
Real estate taxes	3% of gross	0.9	0.9	0.7	0.7
Total		$ 18.5	$ 18.5	$ 18.3	$ 18.3
NET OPERATING INCOME (in thousands)		$ 12.8	$ 12.8	$ 5.1	$ 5.1
CAPITAL EXPENSE (in thousands)	9½%, 20 years; 12% return	$ 17.3	$ 17.3	$ 17.3	$ 17.3
ANNUAL CASH FLOW (in thousands)		($ 4.5)	($ 4.5)	($ 12.2)	($ 12.2)

/1 Assumes outdoor pool open for 3 month season only, regardless of another pool located in year-round resort or not; non-destruction use is 75 percent of that obtained in destination area.

/2 10 hours per day, 30 days per month, for 3 months, at $3.50 per hour.

/3 8 hours per day for 20 days per month, for 3 months at $3.50 per hour.

Source: Economics Research Associates

TABLE B-5

ANNUAL REVENUES AND EXPENSES
PRIVATELY OWNED AND OPERATED
INDOOR SWIMMING POOL

CATEGORY	MEASUREMENT BASIS	DESTINATION AREA YEAR-ROUND	DESTINATION AREA SEASONAL	NON-DESTINATION AREA YEAR-ROUND	NON-DESTINATION AREA SEASONAL
DEVELOPMENT COST (in thousands)	Lump sum estimate	\$ 500	\$ 500	\$ 500	\$ 500
OPERATING REVENUES/EXPENSES					
Number of admissions/1		76,900	50,000	57,700	37,500
Revenues (in thousands)					
Admissions	\$1.25 adults; \$.75 children	\$ 76.9	\$ 50.0	\$ 57.7	\$ 37.5
Expenses (in thousands)					
Operating costs	\$5,000/operating month	\$ 60.0	\$ 30.0	\$ 60.0	\$ 30.0
Real estate taxes	3% of gross	2.3	1.5	1.7	1.1
Total		\$ 62.3	\$ 31.5	\$ 61.7	\$ 31.1
NET OPERATING INCOME (in thousands)		\$ 14.6	\$ 18.5	(\$ 4.0)	(\$ 6.4)
CAPITAL EXPENSES (in thousands)	9½%, 20 years; 12% return	\$ 57.6	\$ 57.6	\$ 57.6	\$ 57.6
ANNUAL CASH FLOW (in thousands)		(\$ 43.0)	(\$ 39.1)	(\$ 61.1)	(\$ 64.0)

/1 Based on 50,000 admissions during 6 month season (Nov.-Apr.) in a destination area; season estimated to account for 65 percent of total year; non-destination area attendance 75% of destination area.

Source: Economics Research Associates

TABLE B-6

ANNUAL REVENUES AND EXPENSES
PRIVATELY OWNED AND OPERATED
MARINA FACILITIES

CATEGORY	MEASUREMENT BASIS	DESTINATION AREA YEAR-ROUND	DESTINATION AREA SEASONAL	NON-DESTINATION AREA YEAR-ROUND	NON-DESTINATION AREA SEASONAL
DEVELOPMENT COSTS (in thousands)	50 slips at $3,000/slip	$ 150.0	$ 150.0	$ 150.0	$ 150.0
OPERATING REVENUES/EXPENSES					
Revenues (in thousands)					
Slip rental/1	$12/ft. in season; $5/ft. non-season	$ 21.3	$ 15.0	$ 16.0	$ 11.3
Repair, maintenance, fuel, oil, supplies	125% of slip rental	26.6	18.8	20.0	14.1
Total		$ 47.9	$ 33.8	$ 36.0	$ 25.4
Expenses (in thousands)					
Direct labor	50% of slip rentals	$ 10.7	$ 7.5	$ 8.0	$ 5.7
Cost of sales, maintenance	40% of repair, etc. revenues	10.6	7.5	8.0	5.6
Administrative and other	$1,000 per month	12.0	6.0	12.0	6.0
Real estate taxes	3% of revenues	1.4	1.0	1.0	0.8
Total		$ 34.7	$ 22.0	$ 29.0	$ 18.1
NET OPERATING INCOME (in thousands)		$ 13.2	$ 11.8	$ 7.0	$ 7.3
CAPITAL EXPENSE (in thousands)	9½%, 20 years; 12% return	$ 17.3	$ 17.3	$ 17.3	$ 17.3
ANNUAL CASH FLOW (in thousands)		($ 4.1)	($ 5.5)	($ 10.3)	($ 10.0)

/1 Assumes average boat size of 25 feet; non-destination area usage assumed to be 75% of destination area usage.

Source: Economics Research Associates

TABLE B-7

ANNUAL REVENUES AND EXPENSES
PRIVATELY OWNED AND OPERATED
SKI FACILITY

CATEGORY	MEASUREMENT BASIS	DESTINATION AREA YEAR-ROUND	DESTINATION AREA SEASONAL	NON-DESTINATION AREA YEAR-ROUND	NON-DESTINATION AREA SEASONAL
DEVELOPMENT COSTS (in thousands)					
Estimated peak day capacity 1600 skiers x $2,000 per skier for ski area development costs/1		$3,200	$3,200	$3,200	$3,200
OPERATING REVENUES/EXPENSES					
Number of skiers/2	700 skiers/day for 3 months	63,000	63,000	47,300	47,300
Revenues (in thousands)					
Lift tickets	$8 average ticket price (effective)	$ 504.0	$ 504.0	$ 378.4	$ 378.4
Equipment rentals	$7 average, with 25% of skiers renting equipment	110.3	110.3	82.8	82.8
Food and beverage	$1.25 per capita	78.8	78.8	59.1	59.1
Ski school	$5 per lesson, with 10% of skiers taking lessons	31.5	31.5	23.7	23.7
Total		$ 724.6	$ 724.6	$ 544.0	$ 544.0
Expenses (in thousands)					
Lift operations	40% of ticket revenue	$ 201.6	$ 201.6	$ 151.4	$ 151.4
Equipment rentals	50% of rentals	55.2	55.2	41.4	41.4
Food and beverage	75% of food and beverage revenue	59.1	59.1	44.3	44.3
Ski school	75% of school revenue	23.6	23.6	17.8	17.8
Real estate taxes	3% of revenue	21.7	21.7	16.3	16.3
Total		$ 361.2	$ 361.2	$ 271.2	$ 271.2
NET OPERATING INCOME (in thousands)		$ 363.4	$ 363.4	$ 272.8	$ 272.8
CAPITAL EXPENSES (in thousands)	9½%, 20 years; 12% return	$ 368.3	$ 368.3	$ 368.3	$ 368.3
ANNUAL CASH FLOW (in thousands)		($ 4.9)	($ 4.9)	($ 95.5)	($ 95.5)

/1 Estimate provided by John Christie.

/2 Assumes typical weekend day will operate at 100% of capacity (1,600 skiers), with typical weekday estimated at 20% of capacity; ski facility open same number of days regardless of whether overall resort project is year round or seasonal. Skiers in non-destination area assumed to be 75% of destination area ski facility due to access to non-destination area.

Source: Economics Research Associates

TABLE B-8

SUMMARY OF ANNUAL REVENUES AND EXPENSES[/1]
VARIOUS DESTINATION RESORT ALTERNATIVES
PRIVATELY DEVELOPED/OPERATED

	COASTAL RESORT--DESTINATION AREA		INLAND RESORT--DESTINATION AREA	
OPERATING REVENUES/EXPENSES	Year-Round	Seasonal	Year-Round	Seasonal
REVENUES				
Hotel/Conference Center	$1,842.0	$1,350.0	$1,842.0	$1,350.0
Golf Course	375.0	318.0	375.0	318.0
Outdoor Tennis Courts	18.2	16.3	18.2	16.3
Outdoor Swimming Pool	31.3	31.3	31.3	31.3
Indoor Swimming Pool	76.9	50.0	76.9	50.0
Marina	47.9	33.8	--	--
Ski Facility	--	--	724.6	724.6
Total	$2,391.3	$1,799.4	$3,068.0	$2,490.2

	COASTAL DESTINATION		INLAND DESTINATION AREA	
	Year-Round	Seasonal	Year-Round	Seasonal
EXPENSES				
Hotel/Conference Center	$1,529.0	$1,282.0	$1,529.0	$1,282.0
Golf Course	192.0	185.0	192.0	185.0
Outdoor Tennis Courts	9.7	9.6	9.7	9.6
Outdoor Swimming Pool	18.5	18.5	18.5	18.5
Indoor Swimming Pool	62.3	31.5	62.3	31.5
Retail/Restaurant Space	76.0	34.2	76.0	34.2
Marina	34.7	22.0	--	--
Ski Facility	--	--	361.2	361.2
Sub-total	$1,922.2	$1,582.8	$2,248.7	$1,922.0
Unallocated Expenses[/2]	$ 192.2	$ 158.3	$ 224.9	$ 192.2
Total	$2,114.4	$1,741.1	$2,473.6	$2,114.2
NET OPERATING INCOME	$ 276.9	$ 58.3	$ 594.4	$ 376.0
CAPITAL EXPENSE	$1,007.1	$1,007.1	$1,358.1	$1,358.1
ANNUAL CASH FLOW	($ 730.2)	($ 948.8)	($ 763.7)	($ 982.1)

/1 In thousands

/2 Estimated at 10% of other expenses; includes maintenance, utility, repair, and related costs at non-income generating facilities, as well as non-allocated promotion, advertising and other costs.

TABLE B-9

SUMMARY OF ANNUAL REVENUES AND EXPENSES /1
VARIOUS NON-DESTINATION RESORT ALTERNATIVES
PRIVATELY DEVELOPED/OPERATED

OPERATING REVENUES/EXPENSES	COASTAL RESORT--NON-DESTINATION AREA Year-Round	Seasonal	INLAND RESORT--NON-DESTINATION AREA Year-Round	Seasonal
REVENUES				
Hotel/Conference Center	$1,317.0	$1,325.0	$1,317.0	$1,325.0
Golf Course	249.0	204.0	249.0	204.0
Outdoor Tennis Courts	11.7	10.4	11.7	10.4
Outdoor Swimming Pool	23.4	23.4	23.4	23.4
Indoor Swimming Pool	57.7	37.5	57.7	37.5
Marina	36.0	25.4	--	--
Ski Facility	--	--	544.0	544.0
Total Revenues	$1,694.8	$1,625.7	$2,202.8	$2,144.3
EXPENSES				
Hotel/Conference Center	$1,093.0	$1,100.0	$1,093.0	$1,100.0
Golf Course	174.0	168.0	174.0	168.0
Outdoor Tennis Courts	7.4	7.2	7.4	7.2
Outdoor Swimming Pool	18.3	18.3	18.3	18.3
Indoor Swimming Pool	61.7	31.1	61.7	31.1
Marina	29.0	18.1	--	--
Ski Facility	--	--	271.2	271.2
Sub-total	$1,383.4	$1,342.7	$1,625.6	$1,595.8
Unallocated Expenses /2	138.3	134.3	162.6	159.6
Total Expenses	$1,521.7	$1,477.0	$1,788.2	$1,755.4
NET OPERATING INCOME	$ 173.1	$ 148.7	$ 414.6	$ 388.9
CAPITAL EXPENSE	$ 898.1	$ 898.1	$1,249.1	$1,249.1
ANNUAL CASH FLOW	($ 725.0)	($ 749.4)	($ 834.5)	($ 860.2)

/1 In thousands

/2 Estimated at 10% of other expenses; includes maintenance, utility, repair, and related costs at non-income generating facilities, as well as non-allocated promotion, advertising and other costs.

Source: Economics Research Associates