

**STEAMBOAT SPRINGS ACCOMMODATIONS TAX RESERVE COMMITTEE
MINUTES
September 5, 2017**

The meeting of the Steamboat Springs Accommodations Tax Reserve Committee was called to order at approximately 8:04 a.m. on Tuesday, September 5, 2017, in Citizens Hall, Centennial Hall, 124 10th Street, Steamboat Springs, Colorado.

Committee members in attendance were: Chair Larry Mashaw, Frank Alfone, Scott Marr, Kady Watson, Nancy Kramer and Helen Beall (via phone). Absent: Joella West.

City staff member present was Assistant to The City Manager Winnie DelliQuadri. Kathi Meyer represented City Council.

PUBLIC COMMENT ON ITEMS NOT ON THE AGE NDA

None.

Approval of Minutes

Scott Marr moved to approve the August 10, 2017 meeting minutes; Kady Watson seconded the motion. The motion carried unanimously.

August 15: Mashaw: Switch Carrie to Kerry. Clarify Betsy. 0.005% should be 0.5%.
Frank Alfone moved to approve the August 15, 2017 meeting minutes; Scott Marr seconded the motion. The motion carried unanimously.

Nancy Kramer moved to approve the August 17, 2017 meeting minutes; Kady Watson seconded the motion. The motion carried unanimously.

The August 18 minutes were tabled until the next meeting.

Project Presentations and Q&A

Arnold Barn Iconic Entry Feature

Arianthe Stettner, Save Arnold Barn Chair: Since last August, we've gathered hundreds of supporters throughout the country; we have a Facebook page with lots of likes. We are pleased to say that the impasse we were at between the developers and the city has been resolved. The Arnold barn was built by Walter Arnold and his family in 1928. Two of Walter's sons are very much engaged in the project and are delighted with the interest the community has taken in their barn. The family ran a dairy farm; they actually named their cows and put name plates on the stalls. They said they will give us those name plates as part of the display.

Stettner showed many photos of the barn from the 30's onward through the years.

The ski area used the barn in their promotional photography in the 70's.

The barn at one time was called the Butterfly Barn because an artist asked Ski Corp if he could put his butterflies on the barn as a promotional tool. One or several of these butterflies will be part of the museum exhibit.

Stettner: The barn hasn't changed but the world around it has, and that brings us to where we are today. The Steamboat Ski and Resort Corporation is now the owner of the barn and the one-acre piece of land underneath it. The two developers, Ski Corp and Save Arnold Barn all ponied up to generate funds to stabilize the barn in its current location. This will get it through the winter and through the move.

The development plans are underway. SAB members have been working very closely with the URAAC, engineers and so forth to come up with a strategy to move the barn to its next location.

We're looking for funding to relocate and preserve the barn, prepare the new site, move the barn to the new location, begin preservation work early next year, and celebrate when it's done!

This proposal is put together by the Historic Routt County and Save Arnold Barn partnership. Our request is for \$295,000. This is to relocate and then preserve the barn in the new location. The request that will happen in December has to do more with the public infrastructure – road configuration, sidewalks, trail access, etc. Those costs are \$340,000.

We have been developing these costs with our preservation architect, our contractor Fox Construction, our engineer and the URAAC. These are the costs that you will see in the development proposal that's going to be submitted to the city on September 15 for review.

There will be some professional fees that we'll have to pay before the end of the year and the contingency, but we're keeping the cost pretty tight.

One of the things we looked at in preparing the proposal for this committee is the 1986 ballot criteria because that is the criteria against which you are measuring all these proposals.

The Arnold Barn is a capital improvement. It does promote tourism by virtue of it being a way-finding landmark and by Steamboat Springs promoting barns as part of its authentic agricultural heritage; having this barn in a prominent place as a way-finding iconic landmark promotes Steamboat Springs as a destination resort; certainly the community identity.

Regarding the environmental desirability of Steamboat Springs, to recycle a barn – an authentic agricultural building – into an interpretive site accessible to the public is what environmental desirability and sustainability is all about. And in doing so, we're creating something that people want to see and will talk about -- enhances the economic health of Steamboat Springs.

Stettner showed the 1971 poster of the Steamboat Barn and said it was an icon known throughout the world at some of the other ski areas.

Stettner: The Arnold Barn was recently a landmark at WinterWonderGrass in February. So even without a lot of promotion, the barn is being used.

Some of the questions that you had were to do with the imagery. We have secured documentation from the ski area that the barn's image can be used unrestricted by the public for any purpose.

Public Access: This is going through the development process. This is guaranteed by various agreements.

Steamboat Ski and Resort Corporation has committed to the maintenance of the barn into the future.

Stettner showed a film depicting what the barn will look like in its new location and how the public will access it.

She showed slides explaining how the barn can be moved.

Watson asked why the ingress-egress roads were part of this proposal rather than the infrastructure proposal to the city.

Stettner: The ingress-egress roads are to access the current barn site in a temporary way to be able to lift it and get the moving equipment there; the second road is to access the new site to deliver the barn.

Marr: Do you have a fixed contract with Fox to do this work?

Stettner: We do not. The URA has been doing all the contractual work. We are serving as an advocate for the project, but we are not a contracting agent; that is all to be done by the URA.

Marr: These are estimates; what is the probability of the actual costs being a lot higher than the estimates were?

Bill Latoza, Preservation Architect: We've been working on this for over a year. There are a number of architects, Mountain Architecture, and some structural engineers, and

we've been fine-tuning these drawings and plans with Fox Construction – so we are very confident in our numbers.

Mashaw: In your response to our question about the easement, you said: The HOA will lease the leased premises to Steamboat Ski and Resort Corporation for five, ten-year terms for nominal fee. What would that fee be? Is there a range of that fee? What is the vision for paying that fee – from what source of funds?

Stettner: The Steamboat Ski and Resort Corporation will pay the Grand HOA the nominal fee. There is a letter of intent that is being circulated at this time that will be finalized by September 15. I believe that the nominal fee is something like \$1 a year. No public funds beyond that.

Kramer: When you talk about the letter of intent, which you do a number of times, all that is left with that are the signature pages. Is that correct?

Stettner: I believe at the end of this week all the parties will convene to discuss and sign the document. I was not at liberty to share the entire document with this group at this time because it's a work in progress.

Kramer: Are there any things in there that may come up that give you pause that it could become an obstacle to have that signed off?

Stettner: At this point I did not see any. Save Arnold Barn/Historic Routt County is also a signer on that, and we've been tracking it pretty closely. It feels good at this point. You will get to see it in due course.

Alfone: Is the \$340,000 in the proposed 2018 budget that URAAC through the URA has submitted to the City Council? Is that included in their budget request?

Stettner: The \$340,000 I believe cannot be submitted to the Council until December 17 or something like that. It's the first convening of the URAAC and the SSRA. That is when that proposal will be put forward. That budget is under development now.

Alfone: The plan is to have that money in there as a proposed line item.

Stettner: Correct.

Alfone: The 295+340 gets you to 635. Have you explored other options for funding any of that money at this point?

Stettner: We are exploring options to fund part of the preservation work. Of course, a lot of that depends on the support we get from this committee for our proposal. How aggressive we are depends on what we hear from you: some funding, all funding, no funding. But we have a fundraising strategy; we just can't let it loose until we know what is happening in all quarters.

Alfone: Have all these agreements been vetted with the new ownership at Ski Corp? Are there any last-minute issues that you foresee?

Stettner: In the midst of developing the term agreement, which was the one that transferred ownership of the barn to Ski Corp, the ownership of Ski Corp was changing. That added probably 20 more pages to the term agreement, but it got signed. We've also added some new language to this letter of intent that is being circulated, which is why I don't have that final document for you. The agreement defines things very minutely, but it's still along the same course that we have envisioned from the get-go.

Alfone: So the stabilization conveyance in the settlement agreement from July 12 is still in place, in effect, enforced.

Stettner: That is in place, enforced, recorded, and you have a copy.

Meyer: I'd like to draw your attention to Page 7 of the Arnold Barn Stabilization Agreement. I just want to make sure everyone understands that within the mid-part of that it talks about that the city will agree to approve such relocation subject only to standard city code requirements with the understanding that the city makes no commitment with respect to the recent URAAC barn relocation request or with respect to funding from any other source for relocation of the barn; and the city shall have no obligation to provide funding for relocation of barn.

The URAAC is advisory as far as tax dollars; it is the City Council that sits as the URA.

Stettner: Correct. That is why we thought it prudent to go to this particular committee for our request for the preservation/relocation of the barn as opposed to going to URAAC.

Meyer: So what would happen if you don't get the URAAC money? Do you have any Plan B such as State Historic Fund or any other pots of money?

Stettner: We are not able to pursue designation of this building as per the request of the current owner. They don't feel that that is appropriate at this time. So that eliminates a lot of funding possibilities. So if URAAC says we will not fund the \$340,000 because it has to do with the barn in some way or another, then it would probably be detrimental to the project. We will do our best to fund the preservation aspect of this project, but we need a partner in URAAC, and this has been in URAAC's plan since 2007. It meets all of URAAC's criteria for projects that were in the original Base Redevelopment Plan. So we're doing our best.

Beall: Per the agreement on Assumption and Declaration of Rights under Maintenance, it looks like SSRC is only going to pay for \$2,500 per year for maintenance of the barn in its terms. I don't see that being indexed, so in 30 or 40 years if the barn should still be standing, is the \$2,500 going to cover that maintenance in the future?

Stettner: That \$2,500 a year for maintenance is for maintenance of the barn in its current location. When the barn is moved, then the maintenance clock starts ticking with a new set of funds and requirements. We don't even know how much the stabilization costs and how much will be left over for the maintenance. We understand that accommodations tax and URA money cannot be used for maintenance. Those moneys will come from the property owner.

Alfone: My understanding is that amount is being negotiated through the letter of intent; that's what's not being shown to us at this point.

Latoza: In our Preservation and Moving Plan of the barn, we are planning for a 50-year life.

Multipurpose Facility Addition to Howelsen Ice Arena

Kerry Shea, Director of Development, Steamboat Springs Youth Hockey Association: Shea showed the growth of the facility from the 1970's.

Shea: In 2009, the Steamboat Springs Parks and Rec Master Plan identified the multipurpose addition to the ice arena; also in 2015 with the Park Draft Master Plan. In 2015 we really see this next graduation of a grassroots organization including ourselves that had seen the use and expansion of the facility really precipitating a conversation with City council. In 2015, after presenting to City Council, it was recommended that this grassroots organization present to Parks and Rec for their endorsement; we did receive that in the fall of 2015. At that time we were able to identify a local private donor who has acted as a catalyst to make this original vision happen. With all the events and activities going on in our town, this project was pushed back. In 2016, this project was identified as part of the 6-year CIP with a \$750,000 allocation. In that time we also saw a couple other pieces: The Wranglers junior hockey team landed and provided another great addition both from an economic and utilization standpoint. They displaced some of our youth hockey ice time and forced us to get creative to be able to bridge the gap, but at the end of the day that drove home the point that our facility was reaching capacity.

In 2017, our grassroots organization really took another quantum step – not only in winter programming but reaching out to other interest groups (soccer, lacrosse, baseball, nonprofits) to see how this facility could really best cater to the community overall.

We really wanted to get to the point of making this project shovel ready, so we submitted formal plans in June to enter the process such that when we're receive funding we're ready to go. In addition to that, surplus dollars came to the table; the accommodations tax RFP came out, and we really took a hard look at the core merits of this RFP. Why should we be here?

Of the core merits, there's a couple in particular that we want to make sure that you're aware of:

Driving Tourism: The Howelsen facility right now drives over 120,000 guests per year. Of that, there are specific events that occur that drive activity to Steamboat that otherwise would not be here. Hockey tournaments, figure skating events, clinics – thousands of people coming to Steamboat specifically for the use of this facility. We have the ability with expanding it to the multi-use capacity to build on this great foundation. The Wranglers junior hockey team has added another substantial economic driver that is bringing people to Steamboat that otherwise would not be here. We're the only facility in the state that offers bumper cars. We're the only facility in the US that has the technology of our bumper car wheel system to reduce maintenance and upkeep. These are activities that are reinforcing activities for families to come in to enjoy our town that they're not otherwise experiencing in other areas.

Other drivers include box lacrosse, hockey tournaments, speaking with soccer teams, baseball, lacrosse, all of our youth organizations. In our packet we provided letters of support and specific use requirements or desires these groups have to drive additional revenue streams.

We've been speaking to the winter Sports Club about their ability to cross-train to use the facility.

Concerts, conferences, nonprofit events, expos are all potential uses that we haven't modeled financially but could very well be a benefit of this project.

Conforming to Adopted Plans: 2009, 2015 and 2017 plans all outline this multi-use facility.

We're able to complete the project in 2018 based on approvals potentially received this fall.

Public-Private Investing: To be able to have private moneys improve a city asset that is able to generate additional sales tax revenue as well as an additional funding mechanism for our internal process for the city is a tremendous, exemplary step for our community.

Bing able to pair with our school district offering pre programs for youth and families in our community through intro to hockey and learn to skate programs. We've taken programs from five kids and blown that up to 100+ with waiting lists.

Leveraging: Our ability to leverage an existing city asset that if you look at this in a standalone capacity, would be far different. But we have the ability to leverage employee costs, utilities, infrastructure in a way that makes total sense.

This facility will be able to be utilized in a multi-season capacity, especially in the non-peak months of spring and summer that can generate additional revenue streams for our city.

Ed Becker, Mountain Architecture: We go way back as far as planning, location, site analysis on the second sheet – as far back as 2007, 2010. We were involved with a couple projects with Parks and Rec – one being the maintenance facility expansion and the second was the teen center which was conceptualized in 2010. As far as a second phase for that teen center where a second ice sheet at that time -- realized just as a second ice sheet but where the location would be most appropriate. We did several studies and concluded that this is the ideal location. It does many things from an internal flow as far as controlling the visitor and expanding the parking lot. So it was determined several years ago that this is the logical place for it.

Kerry spoke about the grassroots organization that came together and reignited the intentions and the need and the desire for this second rink. We met with this group and conceptualized the potential uses of such a facility. We had a few charettes – nothing more than brainstorming and visiting with potential user groups. Who would be using this? What are the special requirements for that? From those meetings, we concluded that there was a need for especially an expanded concession area. If any of you have been to a Steamboat High School hockey game, it's pretty intense between periods.

If we do expand to a second rink, there will obviously be a need for additional locker rooms, which is what you see placed between the two buildings. That mostly becoming a function of tournaments. The other need is public restrooms. Through the charettes, we've been able to gather information not only for the winter activity but to be able to use the facility as a covered year-round facility. If you study the user groups, we've covered a lot of potential uses and desire to have that space become very flexible. This is I think a very thoroughly thought through plan for the second sheet; keeping it open air offers many amenities.

Brent Pearson, Ice Rink Advisory Committee: We've got a capital budget for \$4.3 million. That is as designed and as we went through the whole charrette, we decided there's a number of things we have to do. There was a number of things we cut out to get to the 4.3, but that was what we designed and that's how we feel the building should be built.

We went back from your committee questions and we cut from that to identify what we could do if we just had to get a second sheet and we had to facilitate most of the revenues that we have identified in our operating plan. Some of those revenues may be a little bit more in question if we went to Plan B. But if you look at the two plans, basically we have a concrete foundation, the overall slab that creates the space to put the rink, metal structure roof, refrigeration so we can operate confidently all winter long and some of the shoulder seasons if we can; we have an enclosed, connected and finished locker room with showers; parking expansion is also included in that concept; we have unprogrammed space for use in the multi-use facility outside underneath the roof; we have an expanded and renovated lobby which includes unprogrammed areas there as well to do meetings or functions; bleachers; public bathrooms; some external enhancements for street appeal.

In Plan B: concrete foundation, slab, metal structured roof, refrigeration, rink, modular locker rooms, unprogrammed space underneath the roof. No lobby, no enclosed locker rooms.

It likely puts in jeopardy the expansion of some of the revenues because if you're inviting teams for a 20-team tournament, it makes it a little bit more difficult. But this would be the basic structure of what we could do.

We have \$1 million already pledged and assured from a contributor. This would get us very close to our requirement at 2.5. We feel very strongly that with the accommodation tax revenue and the million dollars, we can go out and raise money to get to our 4.3.

Operation wise, there's one thing that people don't understand about this project: leveraging of the ice rink. When one goes out to build one ice rink, it's very difficult because from an operating standpoint, you have to have a manager, staff, all the different things to run an ice rink. When you're adding a second asset, you're basically creating another room on a hotel, and you're able to sell that room now. So you've got very little additional operating costs. You've got some, but not the same type of conceptual operating cost that occurs when you are creating a whole ice rink.

We have created a positive cash flow based on largely committed revenues. We've got letters committing to the revenues they would come in on. We have not included some late committed revenues, i.e. \$32,000 in what we are now projecting from bumper cars and \$12,000 from baseball.

What we also did from an operating standpoint, we went back to our revenues and did probability analysis to further discount those. That probability analysis showed us a \$32,000 reduction in overall revenues, which still creates a positive cash flow moving forward.

So from an operating standpoint, we feel very comfortable that this can be an incremental surplus to what is already budgeted out there.

Shea: We also wanted to reiterate the fact that we're certainly not the only location that is contemplating this. There's Breckenridge, Crested Butte, Fraser, Gunnison, and Glenwood Springs that all have facilities of similar capacities and caliber driving activities.

We have the ability to enhance the facility, drive additional sales tax and lodging tax revenue.

We meet all the core and preferred RFP requirements. That was key to this discussion this morning. The beneficiaries we feel are spread throughout the community – local as well as bringing in additional visitors. This project has been discussed for decades. We happen to be at the forefront and have the ability to move it forward. Right now we're at a time when we do need this; that is substantiated within the different user groups that

we've discussed this with. We have a unique opportunity right now to respond to private contribution to improve a city asset right now and leverage our tax dollars.

This facility is financially self-sufficient. I know that's a huge concern and rightfully so for this committee, for our constituents and our taxpayers to be able to bring a facility that can take care of itself as well as be positive in the cash flow environment. This facility has the ability to drive visitation during off-peak seasons – fall and spring. It reinforces who we are as a community; we're one of the top-rated family destinations in North America. This facility speaks directly to that.

Kramer: Looking at Plan A and Plan B, can you help us a little more with the burden to the city for o&m? If you're going to lose some revenue with Plan B, how does that affect the o&m and the relationship with the city and the fact that we're looking to try not to burden the city with additional future maintenance?

Pearson: What we've done with the Plan B is we completed a probability analysis on that revenue. That took \$32,000; that still netted positive cash flow. The most likely adjusted number would be the ability to have additional tournaments. The tournament is not the most substantial revenue that we had. It would very likely still be a positive cash flow even with the incremental reduction. So it would still be a positive cash flow; it just wouldn't be large – 10-\$15,000 instead of 50-\$80,000. The actual operating cost would remain the same. It's only the staffing to run the Zamboni and take care of the ice and so forth that would be required.

Kramer: Have you done any kind of prospectus as far as how many years it would actually take to do some of the shoulder season or summer capacity building? When would you really meet that capacity?

Shea: Those are already in the works. When that facility is constructed, we qualify for additional state youth hockey tournaments that right now we can't even apply for. The lacrosse community is ready to go to be able to extend box lacrosse tournaments upon the facility being completed. As soon as this facility is added, we have the ability to double capacity for our youth hockey tournaments. So right now it's poised to be able to take advantage of this, but we need the facility constructed.

Kramer: I'm thinking more of the summer and the mixed-use programming. Can you speak to that?

Shea: We have had conversations with both the soccer and baseball communities with respect to Triple Crown and bringing in some additional camps and the ability for that organization to be able to use another facility that's outside of the elements. That group is now renting a facility west of town; they would look to relocate to this facility for those purposes.

Kramer: So are you confident that within a 2-3-year period you'd have this thing booked?

Shea: Absolutely.

Pearson: From the revenue side, this isn't booked out. The revenue side that we've identified is not booked out. There is a substantial upside to this, but we didn't feel that it would behoove us to identify it.

Mashaw: There were a lot of very good support letters that you had. There was a constant refrain about the limited ice time available. How do you balance all this insatiable demand by local groups to use the facility and at the same time try and grow it to people who are outside the community? Is that a built-in inherent conflict?

Shea: I'd say it's a good problem to have right now that we've got the demand. We're responding at a grassroots level to seek out a solution. It will be part of the process to be able to manage that schedule and try to best accommodate the needs of each one of those groups the best we can.

Mashaw: Has there been much thought on how to avoid that? Because once the local use is in place, trying to chase people off in order to provide space for a tournament, for example, might be difficult.

Pearson: We did have that discussion in the Youth Hockey program. What they had said is they would be willing to commit, for instance, a period in time. The real crunch goes from about 4:00 till about 11:00 and sometimes after midnight when people are finishing off hockey. What will happen is that period of time will be opened up for the public. The big piece right now is we don't have any time that's registered for public skating. We don't have that time from 5:30-7:00 so people can get off the mountain, have a bite to it, and go public skating. Youth Hockey has already said they will dedicate that time based on the fact that they have all that other time free now that they can take. On the tournament side, the tournament side is intrinsic with this. They've already had that identified that it would allow them to expand the tournaments to an additional day – Thursday – and then also extend to 10 new teams. So that would be 20 new teams coming on a Thursday and then 10 new teams all through the weekend to 5 different tournaments. That's 15,000 heads in beds additional that were not coming here to Steamboat. We've already identified that within the overall pro forma and scheduling.

Alfone: Right now, is there any city subsidy to run the ice arena?

Pearson: The subsidy last year was equal to the overhead allocated. So when we did our amount of cash flows, we identified that amount of cash flow as the overhead. So that overhead doesn't increase at this point. That's one thing that I'm not so familiar with because that's a city function. I believe that subsidy is \$130,000. It's not attributable to overhead, and it just works out that it's about the same.

Alfone: Your private donor: Is there a drop-dead date that if this doesn't happen, that money is off the table?

Pearson: We had a discussion before our presentation to this whole process. In his words: It has a shelf life. That's all I can say. He's been very good for about 3-4 years now, but he said there is a shelf life. I don't know what that is.

Alfone: On the request for funds from the city budget for 2018: It looked like last year was 2.15 million in there. Is that same request being proposed to City Council for next year?

Pearson: It depends on what cash we have in place. If for instance this were to come through, then we would go back and put an appropriate request to city; if it doesn't come through, we would put an appropriate request as well. What's most important to us is that the city supports it so we can properly go out and fundraise as well as ask for additional money from the city if appropriate.

Alfone: So realistically, if you've got \$1 million from your private donor, \$1 million from this committee, that still leaves you with 2.3 to go out and raise funds. Without getting a submittal to City Council for some sort of money, it would be difficult based on the timeline.

Pearson: 750 was the request originally, and that's what we had identified.

Shea: As part of that revision as we identified different user groups and then the more comprehensive plan that actually increased our budget up to the 4.3 number, part of the revised submittal included a \$1.1 million contribution from the city. Then we had a residual amount for a fundraising effort of 1.1 that we'd need to complete should we go with Option A. We went through the process per your question of what's the bare bones here. This is where as Brent walked through, the core facility to not diminish some of the multi-use functioning of that, but also that changes the landscape on reducing the inputs. So if there's \$1 million that was approved from this committee with \$1 million in private donation, we're now dealing with a \$500,000 fundraising campaign. So it really depends on the outcome of the rest of the financials on the capital side.

Alfone: Where does the existing igloo go if this happens? Have you talked to Parks and Rec about that?

DelliQuadri: It has gone through Planning to have it move in between the current ice arena parking lot and the rodeo parking lot where the trees are recycled.

Marr: If you guys had to go with Plan B, is there still the ability to go back and do those additional improvements?

Shea: Yes, we wanted to do something that was scalable and that we could build from. It's our thought that it could potentially be done in three phases, and we wouldn't have to go back and retro the building.

Kramer: Have you had discussions with grant sources?

Shea: Some of the research we have done was related to GOCO grants. From a timing perspective as well as some limitations with respect to an outdoor facility as we were contemplating really scared us not to pursue avenues like that. I would say that's the most direct example we have of going after other grants as related to this facility.

Kramer: Other sources you've looked at?

Shea: Nope. At this point, it's really between that and some local conversations with private donors.

Watson confirmed that the 120,000 guests number was current guests annually – not extrapolated into the future.

Mashaw confirmed that there's no indication as to how many of those guests were tourists.

Alfone: On your submittal, there was a construction start date of April, 2018 to be complete by November of '18. Was that based on any conversations with general contractors? Or is that a best guess at this point?

Shea: I'd say best guess at this point. The conversation with the construction world is very dynamic, so until we have a concrete plan and approval – but from prior conversations and especially with the Plan B scenario with respect to the simplicity of the actual structure itself, that estimate we feel is still within range.

Alfone confirmed that this estimate is for the full-blown plan, not Plan B.

Pearson: I had discussions with a contractor about the timeframe, and he said between eight and ten months. So it's right in that area depending on the complexity of the structure and whether it's pre-built.

Old Town Hot Springs Expansion/Renovation

Rich Lowe: We think we've hit all the checkmarks on the original criteria. We thought we'd spend our time following up on the specific questions you asked us. We assume we wouldn't have gotten to this point if you didn't think that we hit many of these key points. They are important and things we feel like we've hit. We feel we fit the criteria very well.

The first question you asked was how we fit into various adopted city plans. We went back and looked at a couple of things; one is the 2004 Community Area Plan; the second is the Vision 2030. There were some key themes in there that seemed to be pretty consistent, and that was a combination of more recreation opportunities for the youth in the community and seniors.

Low pointed out the climbing wall as an attractive feature for youth as well as the flexible space downstairs to accommodate various youth activities.

Lowe mentioned that the school district can use the facility for free. They also support STARS, Horizons, the Boys and Girls Club and many organizations. They have scholarships for folks that need access to the facility but can't afford it, including swimming lessons and kids' activities.

Lowe: The next question was around fundraising and the funding process. We've really just started our campaign. We had an event last Thursday evening and had 60-70 people from the community come. We think we're going to be successful in this endeavor, but putting that aside for a minute, there seemed to be some concern about can we really fund this.

In your packet, there's a loan commitment from Mountain Valley Bank we've secured for up to \$2.5 million. We will have over \$2.5 million of our own reserves set aside on April 1 when we put the first shovel in the ground. With the \$1 million accommodations tax award we're asking for, that will put us there. We can build this building with \$6 million without raising a penny. We will raise \$3 million, but we can do this without raising a penny. Hopefully that takes that off the table for you in terms of our ability to fund this project.

You asked what the accommodations tax will pay for in this project. This has been a three-phase project for a long time. In 2007, Old Town Hot Springs spent \$6 million to revamp all the hot pools. We took out a loan with Wells Fargo for that; we're paying on that; that's not an issue for us.

Phase II was the 15,000 square foot addition we're talking about now. We started planning this in 2011, so we've been hard at work for several years. We've already spent almost \$1.3 million to get to this point. The fire marshal said you cannot do any more expansion until you put a sprinkler system in that building; we did that. We discovered that our electrical system is not up to code, so we took it out, revamped it, installed a brand-new electrical system that can accommodate this new building. So we've been doing a lot of those boring things. One of them though that was exciting was that we partnered with the city and invested \$100,000 to put that tunnel under Fish Creek Falls Road in anticipation of building the parking lot, which we just completed. At that time, we also gave the city one of our tennis courts, which allowed them to do the floodplain work that saved the city over a quarter million dollars.

Phase III will be the lap pool and kiddy pool replacement, which is planned for 2020. That's projected to cost 3.5-\$4 million. We've had this plan to do these three phases. The building needs to be second because it's needed more, and that's where our profit comes from. We think raising money for the pool is going to be easier. There's something about the water and natural hot springs that really draws people to the organization.

You asked about our construction timeline. There's a timeline from the contractor we have selected, HLCC, a local company. You can see that it starts April 1 with completion in mid-January, 2019. This is a shovel-ready project.

Tourism driver versus tourism satisfier: This is a difficult one for a lot of reasons. To me it's very grey between driver and satisfier. We went back and looked at intercept survey data from 2004-2014. One of the questions in here does ask whether or not they came for a specific event. About 35-40% of the time, people did come for a specific event. Aside from that question, they asked what were the things that were important to you once you got to Steamboat Springs. The number one response was amenities and things to do. 60-some percent of the time that was important or very important to people. So I'd ask you the question: How do we compete with Summit County, Jackson Hole, Sun Valley, Park City, Telluride, wherever it may be as families are beginning to make plans for vacations and go places and spend their money. Often times they go online and research things to do in town. They might be coming for a specific event, but then what? Without something like Old Town Hot Springs, I would argue that you would have a hard time getting things like Triple Crown to come here. We have hard data.

This last year we've had 80,000 visitors come through our doors. I'd ask you what other entity in Steamboat Springs or Routt County could make that claim aside from Ski Corps.

We did a lobby remodel a couple years ago that was several hundred thousand dollars, locker rooms – every time we put money into this place – those hot pools at \$6 million – that's why we got 80,000 visitors. We've tracked this over the years and are very confident that 120,000 visitors that we projected several years from now will happen because it has happened in the past.

The next question was would a loan work. It would not for us because we're still paying off the \$5 million we borrowed from Wells Fargo to do the hot pools. We're profitable, but that might push us over the edge. We do have a pre-qualification letter from Mountain Valley Bank, so the money is there with the million dollars from the accommodations tax if we were fortunate enough to be awarded that money.

At one of the meetings I attended, the concern came up about giving money to a private nonprofit. I guess I'd like to try to turn this around a little bit. We have over 7,000 members. The way we're organized is the members own Old Town Hot Springs. It's a 501(C)(3). We don't pay equity out to people. We don't have stock. Roughly 60% of the population of the city owns Old Town Hot Springs.

As a 501(C)(3), we must invest all the profit back into the organization. Also, if you look at our 9090 filings, which we've been filing since 1935, (we're the oldest nonprofit in Steamboat,) we have been demonstrating community benefit.

Would partial funding be acceptable? Of course we'd accept any amount of money that would be awarded to us. But I feel like we've already met all the accommodations tax

criteria. We're already serving 80,000+ visitors to Steamboat Springs a year, and we do expect that to continue to grow with 60% growth by 2022.

The other thing I wanted to impress upon you is that in the 120 years that the Old Town Hot Springs has been in continuous operation, we have never asked the public for a nickel. We've never fundraised before; this is the first time that we've done this for this capital campaign. We've always funded through internal operations or the private market. We've never had to ask our members or anybody for help to maintain our facilities. We know how to operate a profitable facility; we've been doing that successfully for over a hundred years. So if you're wondering if we're going to keep this new building up, maintain it and grow it, the answer is yes; we've got a hundred-year history of being able to do that.

Marketing: We have a full-time marketing director; we've had a full-time marketing person for several years now. We were awarded a \$120,000 grant from Google to link into their search engine. So when you search for terms like Steamboat Springs, Colorado ski vacations, hot springs, Colorado mountain towns, Old Town Hot Springs in Steamboat Springs comes up. Thousands and thousands of people are clicking on that and looking at our site. So over time, we're going to get more and more data that will be helpful and that we can even share with others to help them better market to the outside world. We're also using social media. We're still doing print advertising locally and in the Denver metro area, but we're shifting more toward digital marketing and spending quite a bit of money there.

We've attached our bylaws and articles of incorporation. This is the actual quote in the event of the dissolution of Old Town Hot Springs. In the middle there it says that the Old Town Hot Springs are the real property of the association. Taking into account the priority of attempting to convey such assets to the city of Steamboat Springs. So basically the city has first right of refusal in the event that should happen. The next step had the city says no, find another nonprofit, and that's what our articles say.

Mashaw: Do you know the total visits by members?

Lowe: The total is 300,000 guests; 80,000 of those are visitors.

Alfone: What percentage has that increased every year?

Lowe: I don't have that in front of me; you've got it in your packet where it shows the percentages each year out to 2022.

Kramer: Over the last five years or so, can you give us an idea of what kind of annual growth you've experienced.

Pat: Total revenue has been 5-8% growth every year.

Lowe: When we did the lobby and the locker room and some of those projects, we did forecast for those, too and projected in that 12-15% growth year after year. Every time we've done it that's what happens, and it continues to grow in that 5% range after that.

Kramer: Can you speak to your relevance related to overall parks and recreation plans that exist in this community?

Lowe: I can't. We're not part of that.

Kramer: I understand that, but it is a community plan, and it addresses recreation facilities. I ask the question based on the fact that the standalone rec center was defeated a number of years ago – just some perspective on that.

Pat: There's still a lot of talk from people who want an indoor pool or basketball. That is something that I can't see that we would address at that location, but I feel like there are other locations – improvements at Howelsen Hill and things like that – that could take care of the gymnasium aspect of it. An indoor pool in northwest Colorado is a huge expense, so maybe in 30 years this town will think they can afford that, which would be great. But if there were an indoor pool at Old Town Hot Springs, we wouldn't be showing the net revenue that we're showing at all. So we're not going to meet that need, but I think we can meet many of the other recreation needs for youth in this community. I believe the reason there isn't a bigger push for a rec center in Steamboat is because we exist, and we will continue to exist and meet that need for the city until such time as the population grows a whole lot bigger and the city can afford to spend millions on that.

Mashaw: I think you had mentioned that it would be easier to fundraise related to the water aspect of things, which I can understand. How specifically would Phase II benefit the visitor side of the business as opposed to the community/membership?

Lowe: Can you help me some more, Larry?

Mashaw: It looks like the 15,000 square foot expansion is a lot of the multipurpose stuff, which would appear to me as lesser used by visitors; the visitor appears to use the swimming pools and all of that side of the facility more. Is there any contradiction of the fact that you're looking for funding for the expansion of the portion of Old Town Hot Springs which isn't the majority use of what you experience with visitors?

Lowe: I'm not sure if your assumption is correct. Yes, the visitors might tilt toward water; but you'd be surprised how many visitors use the fitness center. When I used to travel, particularly on vacation, I'd do research to know the fitness opportunities where I'm staying because I work out. That's how I select a hotel or a town if I'm on vacation. So I think you'd be surprised. The reason we laid out this plan to do the hot pools, the building and then the swimming pool was based on need. The hot pools were really a mess; they're beautiful now. The building needs to be redone; the building is our profit driver; the pool is not. Based on what we do and how we manage and measure it, we

lose money operating that swimming pool. We need to get this building done so we can afford to do the pool; it's just too big for us to do all at once.

Pat: The building is part of the whole package. The tourist drives by, sees a dated old building there, it's not as attractive. Even if they wanted to use the pool, everyone who uses the pool comes through that building. The health and the beauty of what that looks like – as all of you know, curb appeal of a building will bring people in there no matter what. That's why taking that step first – making that building the best it can be and to accommodate these new uses for sure will attract tourists. But every single tourist who just wants to get in the hot water will go through that lobby and that building and will see the beautiful glass you see in this picture. So it's all part of one thing; it's not black and white separated. That's the beauty of Old Town Hot Springs; it's just one big, great facility. And the better one part looks, the better the other parts look.

Meyer: Rich, what's the status of the planning process for the renovation and expansion? I know you recently got approval for converting the tennis courts to parking lots.

Pat: We went through the PUD process to set up our entrance into planning. We have an FDP in right now. The schedule from HLCC talks about the planning approval process.

Meyer: You don't have a final development plan approved yet.

Pat: Not approved yet.

Meyer: Is it in process?

Pat: It's in process.

Meyer: And when do you think you'll be at public hearing?

Pat: That's a good question. Steamboat Architectural is working on that. They submitted a preliminary FDP I believe. It seemed like by October we'd be having a hearing.

Meyer confirmed that the PUD was to clean up the zoning and for the parking.

DelliQuadri translated Helen's question as it was hard to make out.

DelliQuadri: If something should happen in the next three years and the Old Town Hot Springs was to dissolve, would the city need to buy Old Town Hot Springs? Or would there be some pro-ration of the funds?

Beall: It's really in regard to the million dollars. We have first right of refusal to buy, but would we be less that million dollars that we invested into that?

Pat: The city could buy it for a dollar.

DelliQuadri: It would be gifted, Helen, so there would be no buying.

Beall: Is there an agreement in place to show that? The bylaws aren't quite clear with that.

Lowe: They were meant not to be. We have some debt with the hot pools, but that's it. The land, the building, everything else we own free and clear, so there is no debt. That property is not going to be upside down.

Kramer: That's all part of the State of Colorado Nonprofit Dissolution. The IRS also has rules that govern this.

Next Meeting

Thursday: 11:00 a.m.

Agenda: Deliberation and decision.
Joella, Kady and Helen will be calling in.

Adjournment

The meeting adjourned at approximately 9:54 a.m.

**MINUTES PREPARED, REVIEWED AND RESPECTFULLY SUBMITTED BY:
Timothy Keenan and Winnie DelliQuadri. Approved this 7th Day of September,
2017.**