

## **ECONOMIC DEVELOPMENT COMMISSION**

### **MEETING MINUTES**

August 31, 2020

7:00 a.m. – 9:00 a.m.

#### **MEETING DATE**

August 31, 2020

Virtual Meeting

#### **MEETING PARTICIPANTS**

##### **A. Commission Members**

Carrie Schiff, Jay Seaton, Becky Takeda-Tinker, Chris Franz, Wendell Pryor, Blake Jones, David Dragoo, Benita Duran, Jandel Allen-Davis, Rob Brown, and Gretchen Wahl.

##### **B. Guests**

Alan Krcmarik, Cindy Mackin, David Jones, Ed Sealover, John Fogle, Kelly Jones, and Mike Anderson.

##### **C. Staff**

Betsy Markey, Jeff Kraft, LeeAnn Morrill, Che Sheehan, Ken Jensen, David Madsen, and Virginia Davis.

#### **DECISION/ACTION ITEMS**

1. The Economic Development Commission approved a modification of the NCRTA Project.

##### **A. Meeting Called to Order**

Schiff called the meeting to order.

##### **B. Regional Tourism Act (RTA): Jeff Kraft, LeeAnn Morrill, Che Sheehan, Ken Jensen**

###### **NCRTA/Go NoCO**

Kraft outlined the discussion for this meeting which is the Indoor Waterpark Hotel and the Outdoor Whitewater Adventure Park. In May we brought you a presentation from the new developer who are proposing to take these two project elements and combine them into a single element. There are some proposed changes and reductions to the project and we brought that to you in May. The EDC said there are two different directions you could go, door A you can build all the minimum requirements that were actually proposed in the original application for the two elements but build them combined and get the exact same award that was offered five years ago or go through door B which is if you make some modifications that are relatively small and don't change the unique and extraordinary nature of the element we'll look at the economic analysis that was adopted by the EDC and change some assumptions and potentially change the award. The developer said they wanted door B. Since then OEDIT staff has been working intensively with the developer who re-hired Mike Anderson who was one of the original economists who presented the NCRTA materials at the beginning. We tweaked the financial model that allowed the EDC to calculate the percentage of state sales tax increment and the award cap. We've been working with this group to validate the model, make sure it works, and bring it back to you for review.

Kraft noted a letter from Martin Lind to Jeff Fogle provided to the EDC, saying that the Peigrande is not moving forward.

Neilsen provided the following project information.

### **Proposed Project Scope**

#### **Themed Hotel and Indoor Water Park –**

- 330 key themed hotel
- 34,000 sq. ft. indoor water park
- 29,883 sq. ft. outdoor pool, lazy river and patio
- 6,263 sq. ft. restaurant and lobby
- 20,000 sq. ft. meeting space
- 10,000 sq. ft. family entertainment space

#### **Whitewater Adventure Park -**

- 722,192 sq. ft. (16.6 Acres) whitewater course
- 4,640 sq. ft. restaurant/retail center
- 2,100 sq. ft. boat storage and check-in

**Parking** – 1,037 permanent & temporary parking spaces

### **Recommended Changes from Original Scope**

	Original NCRTA Application	Current Developer Proposal
Waterpark Hotel Rooms	330	330
Indoor Waterpark Size	75,000	34,000
Whitewater Adventure Park Size	55,000	42,000
Linear of feet of Channel	2,200	2,304
Class 4 rapids/Olympic caliber	Yes/Yes	Yes/Yes
Indoor Waterpark and WWAP are adjacent	No	Yes
Indoor Waterpark and WWAP are both integrated into the hotel	No	Yes
Hotel rooms always bundled with indoor waterpark	No	No

### **Rationale for Changes**

#### **Combining both the indoor and outdoor water park projects -**

- Increases overall water-based amenities
- Addresses seasonality of the whitewater component by adding indoor water features to offset operating costs
- Allows for the reduction in size of the indoor water features, by providing both an indoor and outdoor water-based amenities.
- Smaller size in-door waterpark, reduces operating costs during seasonal impacts on hotel occupancy and use. Indoor amenities can be expanded as the market and use indicates.
- Realignment of the family entertainment component to reflect market shift to high energy, skills-based activities and virtual reality attractions.
- Reduction in size of meeting space to align more with team building and education uses
- Elimination of the Spa – incompatible and results in a loss to the operating budget

**Table 9****Combined Project - Indoor Waterpark Hotel with Whitewater Adventure Park****Summary of Scenarios Analyzed**

Key Performance Indicator	Approved RTA Project	Scenario A: Worst Case plus Waterpark Hotel - Family Ent Center Revenue @ 100%	Scenario B: Scenario A plus Additional 15.5% of Whitewater Park Customers Staying at Waterpark Hotel	OEDIT Recommended: Scenario B with 15% Reduction in Waterpark ADR	Current Scenario 3/
Annual Occupancy (in stabilized year)	71%	64%	64%	69%	69%
Net New Room Nights Generated (in stabilized year) 1/	118,445	113,855	113,855	113,855	113,855
NNOSV (overnight visitors in stabilized year)	182,430	170,718	170,718	170,718	170,718
SSTIF (25-year total)	\$26,728,790	\$24,473,157	\$25,045,510	\$25,928,344	\$25,088,909
SSTIF as % of Total State Tax Increment (25-year total)	9.13%	8.51%	8.68%	8.88%	8.64%
Annual Net Income from Hotel Operations (in stabilized year)	\$11,389,057	\$10,071,468	\$10,235,093	\$11,145,001	\$10,493,554
Total Revenues Available for Debt Service (25-year total)	\$614,798,913	\$548,963,288	\$557,704,531	\$601,812,574	\$570,958,739

1/ Assumed to be year 4 of operations (2021 in approved application).

2/ Assumes: Meeting/Group Demand reduced by 50%; Family Ent Center revenue reduced by 50%; Spa removed; total share of Whitewater Park visitors lodging at Waterpark Hotel is unchanged from approved RTA project (15%). Assumes Peligrande Resort project does not move forward.

3/ Assumes portion of additional Whitewater Park overnight visitors staying at Waterpark Hotel = 15.5%

Kraft turned it over to NCRTA to provide comment.

Fogle introduced his team.

Krcmarik tried to speak but audio did not come through.

Fogle introduced Kelly Jones, the Director of Loveland Economic Development.

Jones said the City has poured over \$300K into this project just to see it to this point. I can only emphasize to you all that this project meets your criteria of extraordinary and unique. I want to encourage you to take this very seriously because we need this in Northern Colorado. At the mouth of Estes Park we need attractions to pull people over and help our tourism economy. Thank you.

Fogle turned things over to Cindy Mackin, Director of Tourism for the City of Loveland.

Mackin said she is excited about this project. We've only been an entity for about 8 years as the arm of tourism for economic development. In our area we have 4.3 million people that are going to Rocky Mountain National Park every year and we have built the Loveland brand as a tourism destination. Over the last eight years we have managed to double our occupancy and lodging tax collections without adding an additional hotel. We have a good thing going here and the only thing we are really missing is an attraction and that is what this project is. It is important for us to be able to market this attraction to those people and extend their stay when they are coming to Rocky Mountain National Park. What I will say is when I was listening to Steve speak I wanted to explain where our occupancy is.

We've had the number two occupancy rate in the state for the last couple of years between Greeley and Loveland. We've seen a huge boom in people coming to our area through different conferences and different things happening at the Ranch events complex and the Embassy Suites. We need those hotel rooms and more importantly we need this attraction. It's going to be what keeps them here. We are wonderfully situated, the same distance from Denver to Cheyenne and we have some many people

coming into the Visitor Center. This is the ideal location and time. Everything happens for a reason and we had to get to these new partners to understand what this project really looks like. Tourism is our economic driver. It's one of the more important ones we have up here and this is the piece we've been missing.

Jones asked Kelly to speak to the occupancy levels.

Mackin said for example, Estes Park goes from 100% occupancy in the summer to about 15-20% in the winter. Our occupancy has never been lower than 56% and that is in our absolute worst month. We don't see the huge roller coaster. We have maintained an occupancy of 56% or above. In fact, since we've come on board, our highest months of occupancy have been in the fall months in collections. Our season just keeps getting longer and longer. When I first got here we needed those things that were happening in the shoulder months and our shoulder months keep getting shorter and shorter because we have people coming for longer time periods. Not that I am disagreeing with the experts but I'm telling you that our season is longer than six months.

Fogle said Cindy is right. Our hotels stay full year around before the days of COVID. We have a downtown hotel that is already back on its feet and reporting 86% occupancy. Downtown Loveland is a lively energized district and we are able to work around the COVID restrictions and have bans in the center courtyards and our restaurants are hitting their maximum occupancies on a weekend basis every weekend. The hotel I'm talking about, through another board I serve on, they have been having parking problems, coming to us to figure out where they are going to put all the people.

I've been in Loveland for 51 years and we have never had an attraction to attract young people. Young families. We don't have anything that keeps them here. There is so much to our community and we have a fully rounded tourism package in our community. We need a destination stopping place to get them here and have them stay. This Waterpark will be an incredible addition to the community. The other thing I wanted to mention was Martin Lind is very supportive of this project. He is thankful this is coming forward it will benefit his project.

In the long run, Loveland and Northern Colorado needs this. I want to congratulate the members of P3 partners. We support this and we are ready to do what it takes to get an extension and award. Thank you for your time.

#### **OEDIT Recommendation**

Kraft, Jensen, and Sheehan presented the staff review of the Waterpark Hotel and Whitewater Adventure Park Project Elements.

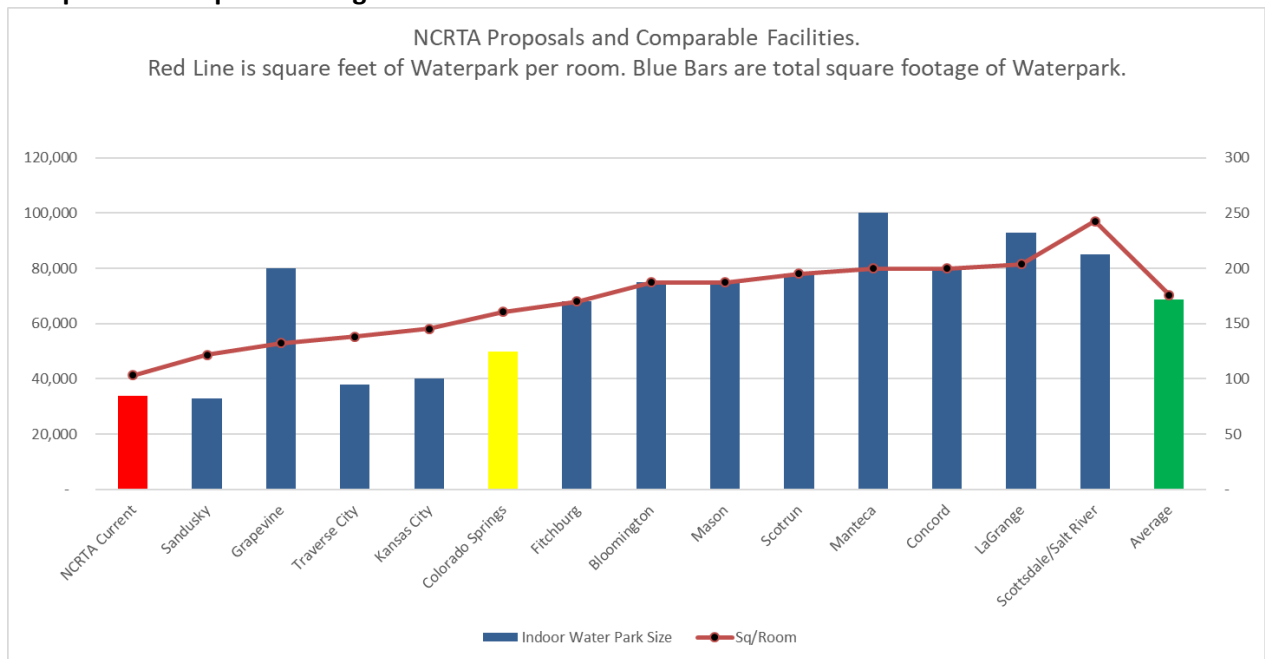
#### **Project Background**

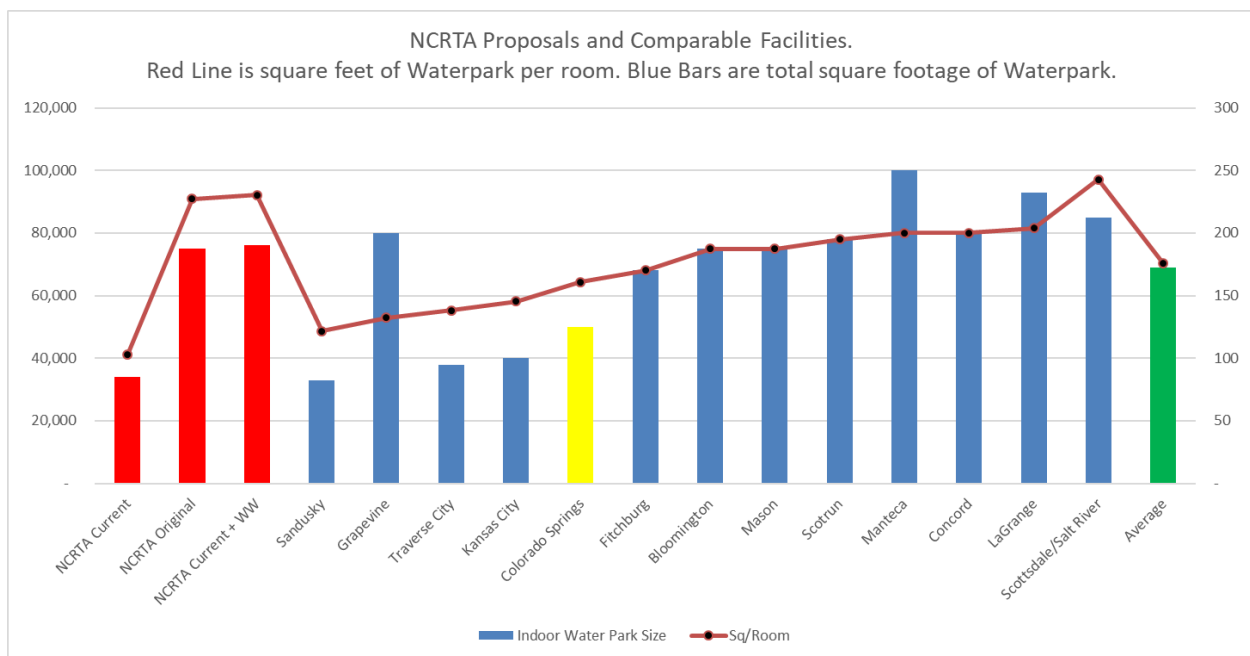
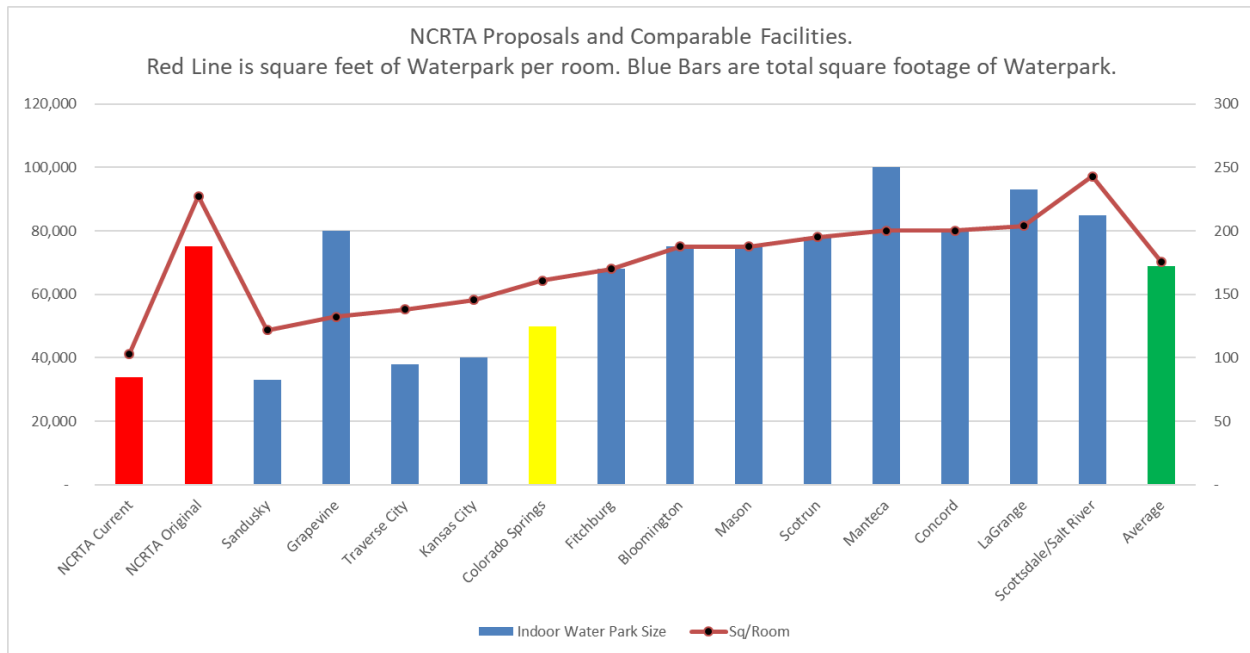
In the last year, the Waterpark Hotel and Whitewater Adventure Park project elements of the Go NoCO project have been assigned to a new developer, P3 Partners. In the course of this transition, P3 Partners has redesigned these two Project Elements, combining them into one integrated Project Element. This redesign has resulted in the reduction in size of certain features. These project elements are currently required to commence substantial work by November 21 of this year. At the May 21, 2020 EDC meeting the EDC tasked OEDIT to conduct a sensitivity analysis on the impact of proposed reductions from exhibit B requirements for the Waterpark Hotel and White Water Adventure Park Project Elements. OEDIT has worked closely with P3 Partners and the NCRTA financing entity on this redesign and the resulting impact on the RTA award.

## Comparison of Application and Current Developer Proposal

	Original NCRTA Application	Current Developer Proposal
Waterpark Hotel Rooms	330	330
Indoor Waterpark Size	75,000	34,000
Whitewater Adventure Park Size	55,000	42,000
Linear of feet of Channel	2,200	2,304
Class 4 rapids/Olympic caliber	Yes/Yes	Yes/Yes
Indoor Waterpark and WWAP are adjacent	No	Yes
Indoor Waterpark and WWAP are both integrated into the hotel	No	Yes
Hotel rooms always bundled with indoor waterpark	Yes	No
Family Entertainment Center	20,000 sf	10,000 sf
Family Entertainment Center Programming	Traditional i.e. Miniature Golf, Bowling	High Tech i.e. Virtual Reality
Spa	3,000 sf	0 sf
Meeting Space	40,000 sf	20,000 sf

## Comparison of Square Footage





#### November 6, 2015 Response to OEDIT Questions on Project

“The current plan for the Waterpark Resort of the Rockies offers a higher ratio of waterpark and attractions per guestroom than is seen in these WI Dells resorts, which gives the resort a much better feel for the guests; less crowded and more engaging. The resort will also feature nearby attractions that are not found in these other waterpark resorts, for example the Budweiser Center and the Whitewater Adventure Park, both of which will generate complimentary resort rooms demand. This resort will certainly be expanded over time, adding components such as additional guestrooms, including possibly free-standing units, as well as waterpark amenities, other dry play and attractions, food and beverage, etc.”

“The Waterpark Resort of the Rockies is a destination resort, a one-of-a-kind Disneyworld of waterparks designed with a broad scope of activities, placed throughout the resort, for a nonstop engaging experience for ALL ages. While there may be other smaller waterparks being considered in the State of Colorado, they will not be in the same category as the Waterpark Resort of the Rockies whose sole purpose is to create a year-round destination attraction for families across the country. This is truly the gold standard of water parks.”

#### **Premium vs. Mid-high Pricing**

- The price difference for an upper tier product compared to a medium-high tier product is approximately 30%.
- Disneyland \$109 vs. Elitch’s \$65 ~ 40% discount
- Base trim Acura TLX \$24,000 vs Honda Accord \$33,000 ~ 27% discount
- Day Ticket Vail \$209 vs Winterpark \$169 ~ 20% discount

#### **Indoor Waterpark Comparison Conclusion**

- The Indoor Waterpark Hotel declined from a “gold standard” above peer product in the original application.
- The integration of the Outdoor Whitewater Adventure Park into the Waterpark Hotel elevates the waterpark experience for six months of the year.
- However during the colder months it is less attractive compared to the original proposed indoor waterpark.
- We estimate a 30% reduction in waterpark revenue for six months of the year which equates to a 15% reduction that we incorporated into OEDIT’s analysis of the model.

#### **Notes on the Models and P3 Partners Collaboration**

OEDIT met with P3 Partners and Mike Anderson (original applicant economist) on multiple occasions to discuss, fine tune, and develop a model that reflects the changes proposed by the developer.

Mike Anderson ultimately restructured the model to incorporate seasonality, which reduced the extra demand from the Whitewater Adventure Park from 40% to 15.5%, which is based on their seasonality analysis.

Kraft introduced Mike Anderson and asked him to talk about the work he did on the model.

Anderson said I’ll keep this brief. As Jeff mentioned my firm assisted the NCRTA in the original application process. Jeff and Ken approached me a few weeks ago to assist them in analyzing the new development program that P3 is proposing. We developed a model to look at some of the fiscal as well as financial implications of the modifications to the plan.

Basically what we did is we had a lot of the exiting “parts in the bin” that we developed back in 2015 in terms of projections of visitors, taxable sales, tax increment to the state as well as to local governments. We were able to merge those together along with a replication of HVS’s operating pro forma. Being able to incorporate that helped us immensely because that operating pro forma gives us projections of taxable sales which drives the projections of state sales tax increment and ultimately the portion that can be provided back to the project. A lot of work went into the analysis. A lot of number crunching and different scenarios. We developed the model and provided it to OEDIT.

One last comment I wanted to make. OEDIT had some concerns about seasonal peaking for the project because we are now combining the two projects. That Whitewater Adventure Park is going to be a big generating of room nights but there is some seasonal peaking as OEDIT staff pointed out particularly during the summer months in which there just won't be enough rooms in the inn to accommodate all the demand. Which is okay because obviously it is going to generate additional rooms for other hotels within the RTZ as well. But that was a good observation. We built a monthly seasonal pro forma for the project to try and understand what the implications of that were. It worked out well. Thank you.

Kraft thanked Mike for the work on the analysis. Jeff turned things over to Che.

Sheehan thanked Mike for the collaboration. It is an accurate model and we are comfortable using it for our analysis. Che presented the model which shows the scenarios analyzed.

Jensen presented the staff recommendations.

#### **P3 Partners Recommendation vs. OEDIT Recommendation**

Model Assumptions	P3 Partners Recommendation	OEDIT Recommendation
Assumes Peligrande is not moving forward	Yes	Yes
Removed Spa	Yes	Yes
Reduced overall demand by 10.5% for meeting space reduction.	Yes	Yes
Reduction in revenue for 50% size reduction in family entertainment center	No	No
Assumes a 15% annual reduction in waterpark sales to reflect the proposed reduction in waterpark size.	No	Yes

#### **Summary of Scenarios Analyzed by P3 Partners and OEDIT, Compared to Original Application**

	Original Application	P3 Partners Recommendation	OEDIT Recommendation
Total TIF Revenue, Waterpark Hotel and Whitewater Adventure Park	\$26,728,790	\$25,928	\$25,088,909
Change from Original Application, Dollars	\$0	-\$800,477	-\$1,639,881
Change from Original Application, Percent	0%	-2.99%	-6.1%

Kraft said what OEDIT staff would like you to consider, if you're ready for this is a motion adjusting amount of revenue that would be dedicated to this downward by that \$1.6M. LeeAnn is with us today and we can seek legal counsel before any decisions are made.

Schiff asked if we've received a formal request for an extension.

Kraft said no. NCRTA, John Fogle, and the Developers all have said they are going to need the extension. We have provided written documentation to NCRTA giving those instructions on how to develop a written formal request for an extension. Everything you should consider today should assume there is a request for an extension coming.



Schiff asked if there were any questions for the Developer on this amended proposal. Hearing none, Schiff said she would like to enter and executive session to engage our legal counsel on this project.

Schiff called for a motion.

Dragoo said, pursuant to Colorado Revised Statutes Section 24-6-402(3)(a)(II), I move that we go into executive session with our attorney for the purpose of receiving legal advice about the RTA Program. Pryor seconded the motion. Motion passed unanimously.

The EDC is now in Executive Session.

Having discussed the RTA program, Schiff called for a motion to exit executive session.

Pryor moved the EDC exit Executive Session. Allen-Davis seconded the motion. Motion passed unanimously.

The EDC is now in Open Session.

Schiff began by thanking the team for all of the work that has gone into the amended proposal it really demonstrates to us that there is a real strong recommitment to this project and we are pleased to see all the collaboration that has been happening and we're frankly very excited for Northern Colorado and hopeful that this project will be able to move forward.

What I want to be clear about that what we are actually considering this morning is just the resolution which is a modification to the size of this project. We are basically being asked to confirm the minimum that must be built because this minimum is now smaller than what we were considering in the original proposal. We understand the importance of this so that you can have confidence yourselves going forward in the next steps for planning and executing on this project. We want to give you that comfort in the form of that resolution and I will do that shortly.

Before I do that, I want to ask you for something in return which is, I want you to be very clear about what the request for extension means. I think we were clear in our last meeting and before that I know we've sent you letters in writing, Betsy and Jeff have. A request for extension must be made formally and in writing to us in order to provide that one year extension and that is the most we are able to give. We need you to demonstrate to us and build the confidence for us that you will actually be able to commence work on the project within one year from November when the extension would begin. I want NCRTA, and the Developer to work with the team at OEDIT to make clear that you understand what it would take to make that formal request for extension and what information we need to see in that formal request so that have confidence that you'll be able to get there. Do you have any questions about that before we proceed?

Fogle said, I assume staff will be giving us a check sheet of the things they want to see inside that extension proposal.

Schiff said if you refer to some of the written materials provided to you in the past, that will be your beginning point and then you can consult with staff if you need clarification or additional information.

Schiff called for a motion to approval the motion included in the written materials in the board book.

Allen-Davis moved approval of the written motion provided by staff.

**Written Motion**

Based on all supporting materials included in the board book for this meeting, as well as presentations from OEDIT, the NCRTA, and the developer in this and previous meetings, I move that the Commission modify its approval of the NCRTA (Go NoCO) Regional Tourism Act Project ("Project") as follows and direct OEDIT staff and legal counsel to incorporate the following new conditions of approval and other related provisions (that apply only to the Indoor Waterpark Resort of the Rockies and the U.S. Whitewater Adventure Park Project Elements) into an amended Resolution No. #4 for adoption by the Commission nunc pro tunc at a later meeting:

The two Project Elements (the Indoor Waterpark Resort of the Rockies and the U.S. Whitewater Adventure Park) are combined into a single integrated Project Element. This integrated Project Element must still fulfill all of the conditions of approval set forth in the existing Resolution #4, except to the extent that modifications to such conditions, which include proposed changes in the size of facilities and programming as more fully described in the board book for this meeting, are hereby approved by this motion.

The Project Element Cap for the integrated Project Element is \$25,088,909, which is \$1,639,881 decrease from the combination of the two previously separate Project Element Caps. The Aggregate Cap for the Go NoCO Project is correspondingly reduced to \$84,479,494, from \$86,119,375.

OEDIT staff must calculate the resulting change in the percentage of State Sales Tax Increment Revenue due to the modifications approved by this motion that will be dedicated to this integrated Project Element and the overall Go NoCO Project.

The Commission understands the developer of the integrated Project Element will be seeking a one-year extension of time to Commence Substantial Work, and refers the developer to the March 11, 2020 email from OEDIT Executive Director Betsy Markey to NCRTA Chair John Fogle, and the May 15, 2020 email from Jeff Kraft to Chair Fogle, which contains guidance for the submission of a written request for extension.

Franz seconded the motion.

Schiff said before I call for a vote, are there any questions or comments. Hearing none. We proceeded with the vote.

M/S/P – Written motion approved as presented and recommended by staff.

**With all items discussed, the meeting was adjourned.**