

HOTEL FEASIBILITY STUDY

TOWN OF LYONS, COLORADO

JANUARY 2020

ACKNOWLEDGEMENTS

Town of Lyons Economic Vitality Commission
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INTRODUCTION

Place Dynamics was retained by the Town of Lyons to prepare a market feasibility study for a potential hotel or other lodging facility located within the town. The Town believes that a hotel in the community will help position it as an overnight destination for visitors. Most visitors currently stay outside Lyons due to the limited availability of local hotels. The Town also anticipates that a new hotel facility will help support additional economic activity during the off season, from November to April, as well as attract new events to the community.

Lyons is positioned conveniently to visitor generators including:

- **Longmont (12 miles).** Sporting events, parks, and the historic downtown attract visitors. Employers attract business travelers.
- **Boulder (16 miles).** Pearl Street, the University of Colorado, Open Space and Mountain Parks, and the city attract visitors. Employers attract business travelers, and Lyons is particularly convenient to businesses in north Boulder.
- **Estes Park / Rocky Mountain National Park (20 miles).** The national park and downtown attract visitors. Lyons will be convenient for travelers who will be splitting time between the park and destinations in Front Range communities.
- **Denver (48 miles).** Popular districts such as 16th Street, other destinations, sports, and events attract visitors. Employers generate business travel. Denver International Airport is 56 miles from Lyons.

Just 15 minutes north of Boulder in the Rocky Mountain foothills, the town's natural assets and its physical location have attracted and will continue to attract new residents and visitors. Boulder County and the entire Front Range region continue to experience significant population and economic growth despite severe flooding in 2013, which caused significant economic, environmental, and social harm. In the wake of the recovery, the demographics of the Town have skewed toward higher levels of educational attainment and an increase in household incomes.

Private home and room offerings through online services such as Air BNB, VRBO, and others, along with Wee Casa Tiny House Resort, have helped fill a market demand for overnight stays in Lyons, in the absence of a conventional hotel.

Market demand for overnight stays has grown significantly over the past several years, and there has been an increased interest in hotel development within Lyons. The growth of the local wedding industry (estimated at 300 to 400 weddings per year), proximity to Rocky Mountain National Park, significant



employment centers in Longmont and Boulder and other demand generators suggest there is a market opportunity for a new hotel in Lyons.

STUDY OBJECTIVES

The overall goal of the study is to determine the market and economic feasibility of a new hotel or other lodging facility in the Town of Lyons. Specific objectives include:

- Estimate current and future lodging demand
- Estimate financial requirements and economic impacts of a new hotel or other lodging facility
- Provide a facility recommendation
- Prepare a financial analysis for hotel development and operations
- Recommend optimal site location(s) for the proposed hotel

METHODOLOGY

In the course of this analysis, Place Dynamics conducted a site visit in November 2019, observing the community and its existing hotels, and also touring competing establishments in communities within the region. Several businesses in the community, potential investors, tourism officials, and visitor destination representatives were interviewed to develop an understanding of the amount of travel being generated, future plans, and perceptions of lodging establishments in the area.

Market data was obtained from STR Global and AIR DNA to document local industry trends, and to establish a baseline for projecting future demand. Decisions concerning recommendations for a facility and site were based on demand projections along with an assessment of current and expected inventory (competition). The analysis examined the financial viability of the proposed property, and identified and evaluated alternative site locations.

Throughout the project, the consultant provided updates and received input from the Town's Economic Vitality Commission. Recommendations were provided in a draft report which was reviewed by the Commission, which offered feedback incorporated into the final document.

FINDINGS

Many visitors are drawn to the Lyons area, which has few hotels or other lodging establishments. Many overnight guests end up staying in surrounding communities and in short term rentals (such as those listed through sites like VRBO and AirBNB). Recent hotel development in the market has greatly expanded the number of rooms available to guests, so that even with growing demand, occupancy and revenue per available room have declined. This presents some challenges for new hotel development in Lyons, but the Town's location, marketing, and management practices can present a successful framework for the right lodging establishment.

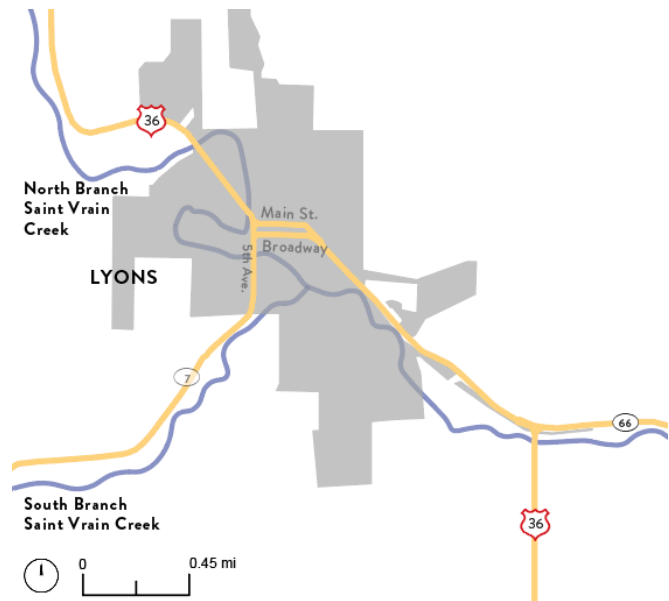
BACKGROUND

Lyons is perceived as a picturesque and safe community with easy access to recreational and business travel destinations north of Denver. With a growing wedding industry and an attractive downtown, the town is both a destination and gateway to sites in the region such as Rocky Mountain National Park.

Recent streetscape enhancements and infrastructure improvements, including reconstruction of LaVern M. Johnson Park and rehabilitation of Saint Vrain Creek, have set the stage for future growth including the potential for a new hotel.

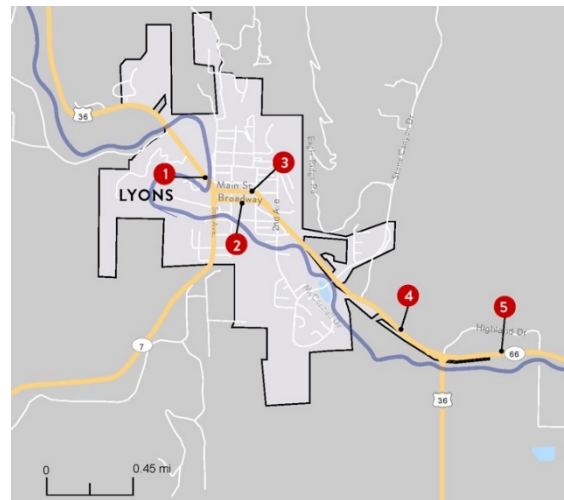
The historic downtown possesses a mix of eating and drinking establishments including The Fork, Pizza Bar, Bella La Crema, Smokin' Dave's, Mojos, Oskar's Blues, Lyons Dairy Bar, La Mariposa, Julie's Thai, Barking Dog Café, and Stone Cup. Retail destinations include Western Stars Gallery, Red Canyon Art, and Saint Vrain Market. While not drawing overnight guests, this concentration of businesses can be seen as an amenity that will encourage some visitors to choose a Lyons location over other hotels in the region. During the summer, heavy traffic to and from Rocky Mountain National Park passes through Lyons, enhancing the market opportunity for local businesses.

As the greater Lyons area continues to grow as a community and as a destination, traffic counts are expected to increase. Colorado Department of Transportation estimates suggest current traffic volumes, measured as Annual Average Daily Traffic Counts (AADTs), will increase between six and 43 percent, as shown in the map and chart below. The largest numeric increase in traffic will be on US Highway 36 just west of its intersection with Colorado Highway 66.



AVERAGE ANNUAL DAILY TRAFFIC

Location	2018 AADT	2040 AADT	Increase	Percent Increase
1	9,500	13,576	4,076	43%
2	7,000	8,232	1,232	18%
3	6,600	6,963	363	6%
4	17,000	21,675	4,675	28%
5	11,000	13,783	2,783	25%



INDUSTRY OVERVIEW

The lodging industry has been on a rebound since the end of the Great Recession, with increased demand in the leisure, group, and business travel segments. After reaching a high of 63.2 percent occupancy in 2006, the US market dropped to 54.6 percent in 2009 before again starting to climb. By October 2019 average occupancy had increased to an all-time high of 68.5 percent, according to STR Global.

In STR/Tourism Economics' final 2019 forecast, several hotel performance metrics suggest slower growth ahead. Occupancy rates for 2019 are expected to decline by 0.2 percent compared with 2018, while average daily rates (ADR) are expected to increase by just one percent, following nine straight years of growth exceeding three percent annually. Meanwhile, revenue per available room (RevPAR) is expected to hit \$86.68, an increase of only 0.8 percent over 2018. Looking ahead to 2020, occupancy rates are expected to decrease by 0.4 percent to 65.7 percent, ADR is expected to increase by 0.9 percent to \$132.50, and RevPAR is expected to increase by just 0.5 percent.

Hotel development is generally viewed as having a somewhat cyclical pattern as demand begins to outstrip the competitive supply, new properties are developed to add rooms and tip the scale to one in which there is an oversupply, and demand again catches up to repeat the cycle. At the local level, a variety of factors such as brand and positioning, physical limitations of existing hotels, and decisions to renovate or allow properties to age can also influence what is seen to be viable supply, or that which would compete for travelers based on their expectations for level of service. Many industry analysts believe that, following years of fast-paced hotel development, the market has reached a saturation point. There is some suggestion that the same is true of the market north of Denver.

About 40 percent of travel is made for business purposes. These travelers tend to be male (77 percent of business trips), between 35 and 54 years old (55 percent), and earn an average household income of \$82,000. Most (78 percent) travel alone, and in 2018 spent an average of \$180 per night. More than a quarter of all trips (26 percent) take only a single day, while 39 percent last one to two days, and 22 percent are between three and four days. Of particular note for Lyons, more than 40 percent of business trips include a leisure portion added on.

Leisure travel was most typically comprised of two adults (57 percent) between the ages of 35 and 54 (39 percent), or over 55 (also 39 percent). Their annual household earnings averaged \$99,000, they spent an average of \$131 per room, and most travel by car (80 percent). According to MMGY Global, domestic vacations now make up 85 percent of American vacations, up seven points from 2018. There were 13.9 million more vacations taken within the U.S. compared to outside the country.

About 70 percent of the US market is captured by branded hotels, led by IHC, Accor, Hilton, Marriott, and Starwood. Private home and room rentals are emerging as a significant threat to conventional hotels, as more people offer properties for nightly and longer stays, and more visitors are willing to schedule stays in these properties.

LYONS AND THE SURROUNDING REGION

Lyons is emerging as a major wedding, events, and recreational destination within Boulder County. Several significant investments in the downtown area have been setting the stage for future growth of the local economy.

Setting

Lyons is in a semi-rural setting north of Boulder, with the foothills to the west and Longmont to the east. It is a small and picturesque community with a historic district containing several red granite buildings, and a quaint downtown. A growing number of specialty shops and restaurants are located in the district,

which appears able to support more. The Town has promoted tourism in the downtown area with a visitor center, reconstruction of Saint Vrain creek, new parks, and a museum. It has also become a destination wedding location centered on North Saint Vrain Creek, an outdoor setting in the foothills with mountain views.

Demographics

According to the American Community Survey, Lyons is estimated to have a 2017 population of 2,061 people living in 898 housing units. After strong growth between 2005 and 2012, the population grew by just 23 people between 2010 and 2017, primarily the result of flooding which forced approximately 175 to 200 people from their homes. The median age is still very high at 48.4 years. The population is well-educated, with 56.7 percent of those aged 25 or older possessing at least a bachelor's degree, on par with Boulder County (60.4 percent). Most of the Town's population is non-Hispanic white (90.4 percent).

Over the past decade, the median household income has risen, and is now one of the highest in Boulder County. The loss of affordable housing to flooding, and the attractiveness of Lyons to in-migrants moving to the area (including Boulder) are both contributing to the trend. At \$97,917, the median household income is higher than Boulder (\$64,183) but less than Superior (\$119,810). HH income is roughly 50 percent higher than that of Boulder County, and 30 percent higher than Colorado.

The median home value (\$462,100) has risen in recent years, in part driven by flooding which reduced the supply of affordable housing. Small schools, the abundance of outdoor space, low crime, and proximity to outdoor recreational assets including mountain biking, fly fishing, and biking has attracted new residents. Most residents (89.7 percent) work outside the town, with the largest number of commuters working in Longmont (38 percent), followed by Boulder (seven percent). The largest percentage of non-residents working in Lyons come from Boulder (30 percent) followed by Longmont (20 percent).

While Lyons is itself a small community, there are 107,133 people living in 41,504 households within twenty minutes of its downtown. This is a very large number of households, and their residents generate significant demand for travel to visit family and friends. Lyons can be a convenient and attractive place for these visitors to stay.

GENERAL DEMOGRAPHIC ATTRIBUTES BY COMMUNITY

Characteristic	Lyons	Boulder County	Colorado
Population change between 2010 and 2017	23	27,862	566,235
Total employment (2017)	1,361	233,631	3,301,506
Median household income	\$97,917	\$75,669	\$65,458
Median home value	\$462,100	\$423,500	\$286,100
Total population	3,303	107,133	279,027
Total housing units	1,391	43,194	114,772
Households with one or more persons under 18	29.9%	31.7%	27.1%
Households with persons 65 or older	22.6%	26.1%	22.8%

Source: 2013-2017 American Community Survey/ESRI

Population growth is anticipated to continue over the next five years. Household incomes are projected to grow at a faster pace, increasing by 14 percent from \$116,848 to \$133,430, within a ten-

minute drive time from downtown Lyons. For the 20-minute and 30-minute drive time areas, average household incomes are projected to increase 18 percent and 16 percent, respectively. That income growth is significant in that it can contribute to the growing number of businesses that make the town a destination for shopping, dining, and entertainment, which in turn makes it a more desirable location in which to stay while visiting the area.

GENERAL DEMOGRAPHIC ATTRIBUTES BY DRIVE TIME (% Change)

Characteristic	Percent Change (2019-2024)		
	10 Minute	20 Minute	30 Minute
Total Population	4.4%	6.6%	8.9%
Households	4.4%	6.4%	8.8%
Owner Occupied Housing Units	7.0%	8.4%	11.4%
Median Age	-0.2%	-0.3%	1.7%
Average Household Income	14%	18%	16%

Source: ESRI Business Analyst

Business Travel

Boulder County's labor force has grown steadily over the past decade, increasing by 10.9 percent within the past five years to 193,822. There are approximately 15,658 business establishments in the County, and annual average wages (\$67,668) are 118.2 percent higher than the U.S. average (US Bureau of Labor Statistics).

An estimated 4,103 businesses are found within a 20-minute drive time and employ 37,101 persons. Significant employment concentrations, by industry, include health care and social services (20.1 percent), accommodation and food services (12.4 percent), retail trade (10.7 percent), education (7.2 percent), and professional, scientific, and technical services (6.0 percent). Major private, non-retail employers in Boulder County include:

- Medtronic PLC (2,470 employees)
- Boulder Community Health (2,440 employees)
- Ball Aerospace and Technologies Corporation (1,680 employees)
- IBM Corporation (1,670 employees)
- Seagate Technology (1,440 employees)
- Good Samaritan Medical Center (1,430 employees)
- Google (1,300 employees)
- Centura Health: Longmont United Hospital and Avista Adventist Hospital (1,280 employees)
- Sierra Nevada Corporation (750 employees)
- Kaiser Permanente (750 employees)

These businesses, as well as large public employers such as the Saint Vrain School District, Boulder County, City of Boulder, and City of Longmont generate a demand for meeting rooms outside of their corporate facilities for corporate retreats and strategic planning, and while the majority of meetings will have 20 or fewer attendees, there is likely to be demand for space to accommodate groups of 50 or more with meal service.

Of particular relevance to Lyons, given its geographic location and outdoor amenities, is the outdoor recreation market. Boulder is home to a high concentration of businesses involved in the outdoor recreation industry including manufacturers, distributors, retailers, and service providers, according to the Boulder Economic Council. A few of these companies include La Sportiva, Scarpa, and Polar Bottle. Based in Boulder, the Outdoor Industry Association is the leading trade association for the \$64.6 billion outdoor recreation industry in the United States, serving more than 4,000 manufacturers, distributors, suppliers, sales representatives and retailers

Recreation and Events

Several popular venues and events bring visitors to the region throughout the year, including music events, cultural programming, and outdoor recreational opportunities. The Lyons Outdoor Games is a significant outdoor lifestyle, adventure, and music festival, occurring in early summer. Farm to table dinners, workshops, and other special events also attract visitors to Lyons. Many larger events in the region will also generate overnight visits that can be captured in Lyons.

SIGNIFICANT EVENTS IN LYONS AND THE BROADER REGION

Season	Town of Lyons	Region
Summer	Lyons Outdoor Games Rocky Grass and Rocky Mountain Folk Festival Planet Bluegrass – Other Events Venus de Miles Bike Ride Cross country events	Estes Park Jazz Fest Longmont Jazz Festival Boulder County Fair Pearl Street Arts Festival Boulder International Fringe Festival Ironman Boulder
Fall	Wildflower Concerts Planet Bluegrass Lyon's Farmette/Riverbend classes and workshops	Boulder Fall Festival CU Sports
Winter	Holiday Parade of Lights and Fireworks Winter Wonderland Concert Series	Front Range Film Festival CU Graduation
Spring	Wildflower Concerts Planet Bluegrass Lyon's Farmette/Riverbend classes and workshops	Boulder International Film Festival Boulder Arts Week CU Graduation Boulder Creekfest Bigfoot Days – Estes Park

Lyons is located within a 45-minute drive of several dozen outdoor attractions bringing visitors to the region for general sightseeing, wildlife viewing, fly fishing, hiking, rock climbing, road biking, world famous mountain biking, downhill and cross-country skiing, rafting, kayaking, and other activities. These locations include:

- Rocky Mountain National Park
- Boulder County Open Space Parks (Heil Valley Ranch, Hall Ranch Open Space, Dowe Flats, etc.)

- Arapahoe and Roosevelt National Forests
- Area lakes or reservoirs
- Saint Vrain Creek
- Pictured Rock Trail and Heil Valley Ranch

Wedding Venues

Lyons has seven indoor/outdoor wedding venues in and adjacent to the town. Many of these venues also host special events such as birthday parties, anniversaries, and reunions. The estimated 300 to 400 annual wedding parties bring between 30,000 and 60,000 visitors to the area annually. Many of these are out-of-town guests, and approximately half take shuttle buses to and from hotels in adjacent communities. Visitors stay in Estes Park, Boulder, or Longmont due in part to the lack of available overnight lodging options in Lyons. The prime wedding season runs March to October. Significant wedding venues include:

- **Planet Bluegrass** is a 20-acre riverfront site that includes a historic ranch property on the North Saint Vrain just east of downtown Lyons on State Highway 36. The venue features mature trees, spectacular scenery, and attractive landscaping. The Wildflower Pavilion is a 4,800 square foot, state of the art facility which includes indoor and outdoor space.
- **Riverbend** is a 10-acre site adjacent to downtown Lyons, on Saint Vrain Creek. The location is within walking distance to shops and restaurants, and can accommodate 200 guests. The dramatic cliffs and natural beauty create a park-like atmosphere with open grassy space, shade trees, and a sandstone patio on the river. The venue hosts over 100 weddings annually.
- **The Lyons Farmette** is a five-acre property near Saint Vrain Creek, just outside the Town of Lyons. The venue is adjacent a small organic farm providing flowers and vegetables for weddings and farm dinners. Large cottonwood trees and a small stream create an intimate environment, and unique, natural wedding venue. It hosts approximately 40 weddings annually.
- **Lionscrest Manor** is located approximately one mile outside Lyons. The property is a 50-acre mountain estate set in the Colorado foothills, with extensive views of the Rocky Mountains. The venue can accommodate 20 to 250 guests and hosts approximately 40 weddings per year.
- **Stone Mountain Lodge.** Weddings run May through October and the venue includes separate areas where guests can eat, play games, dance, and stroll around. It can accommodate up to 150 attendees with indoor/outdoor seating or up to 120 guests for a seated dinner, completely enclosed by tent, with indoor buffet and dance floor. Fifteen motel rooms and six cabins can accommodate up to 76 guests. The lodge hosts approximately 20 to 30 weddings per year.
- **Shupe Farmstead** offers a picturesque setting framed by views of Long's Peak and Mount Meeker. The manicured grounds are dotted with towering Black Walnut and Silver Spruce trees that grace the banks of a reflective pond. Shupe Homestead is adjacent to open space that provides backdrops for spectacular photos. Approximately three miles southeast of Lyons, the venue hosts approximately 20 to 30 weddings per year.

LODGING MARKET CONDITIONS

The Town has the potential to draw visitors from area destinations including the City of Boulder and Rocky Mountain National Park, and due to its location on US Highway 36 and Colorado Highway 66.

A July 2019 traffic study showed annual average daily traffic (AADT) counts between 11,000 and 12,000.

Key drivers of overnight stays include:

- Business travel to Boulder and Longmont
- Recreational visitors to Rocky Mountain National Park and to the many other outdoor recreational sites in the foothills
- Visitors to events held in Boulder or Longmont, such as music or sporting events
- Family-related travel, including a considerable number of weddings held in the area

The Town can reasonably expect both the leisure and business segments to be significant, provided that any properties developed in the Town court business travelers, and especially those to businesses in north Boulder and Longmont.

EXISTING HOTEL INVENTORY

The Town of Lyons possesses several unique lodging facilities and hospitality-related businesses or public assets. Lyons has two hotels, although only one is currently in operation.

- **Aspen Leaf Inn.** This hotel recently closed when the previous owner passed away. On-line reviews were generally positive and visitors commented favorably on the clean, vintage rooms and friendly owner. It is near the downtown and historic district. The property was recently acquired by the owner of a Boulder-based, adventure-branded hotel. Current plans call for the renovation of six rooms and to re-launch as A-Lodge Lyons, extending the existing brand. Room rates may be in the neighborhood of \$200 per night, attracting wedding guests in the summer and outdoor enthusiasts year-round. The property may be expanded with the potential for 20 to 40 rooms, a conference room, rooftop deck, and beer garden.
- **Festivaire Inn.** The Festivaire Inn is a bed and breakfast inn with eight rooms. The front door opens to a cozy sitting area for guests to enjoy reading, work on their laptops, or drinking coffee while soaking up the morning sunshine. There are seven full-sized rooms, three offer king-sized beds and the remaining four come with queen-sized beds. Two honeymoon suites have en-suite bathrooms and feature a view of Main Street Lyons and Sandstone Park. Other rooms have access to two full-sized communal bathrooms. The small room offered in conjunction with the family suite holds a single twin-sized bed.

The inn has a small banquet room that can accommodate up to 40 persons standing, or 25 for a seated event. It receives mixed reviews from guests who appreciate the affordable, quaint, and clean rooms, but complain about shared bathrooms and lack of amenities.

- **Wee Casa Tiny Home Resort.** This unique property cashes in on the tiny home movement by offering 22 of these homes, which can accommodate up to 92 guests, with kitchen and bath facilities, and outdoor gathering areas. It is very favorably reviewed on major booking sites.

- **LaVern M. Johnson Park.** The Town park has a 33-unit campground for tents and recreational vehicles. This facility will not compete with hotel stays.

There are several hotels in surrounding communities, with three constructed in recent years, and a fourth under construction. Their overall quality is very good. They include locations on Interstate 25, as well as urban locations in downtown Longmont and Boulder. Those considered most similar in character to a potential hotel in Lyons, and its most direct competition, are listed below.

PRIMARY COMPETING HOTELS IN REGION

Hotel Name	Distance from Lyons (miles)	Rooms	Tier	Open Date
Fairfield Inn & Suites Boulder Longmont	9.1	95	Upper Midscale	Apr 2018
Holiday Inn Express & Suites Longmont	9.2	75	Upper Midscale	Dec 2006
Residence Inn Marriott Boulder Longmont	9.2	84	Upscale	Jun 2002
Candlewood Suites Longmont	9.3	105	Midscale	Jan 2017
Courtyard Boulder Longmont	9.3	78	Upscale	Jun 2002
Springhill Suites Boulder Longmont	9.4	90	Upscale	Oct 2005
Best Western Plus Plaza Hotel Longmont	9.5	210	Upper Midscale	Jun 1984
Home2 Suites by Hilton Longmont	9.7	109	Upper Midscale	Sep 2018
Hampton Inn Longmont	10.4	62	Upper Midscale	Dec 1999
Hampton Inn Boulder North	11.1	100	Upper Midscale	Jun 2013
Holiday Inn Express Boulder	11.3	106	Upper Midscale	Apr 1995

These eleven hotels have a total of 1,114 rooms. All are branded hotels in the midscale, upper midscale, and upscale tiers. Other hotels in the area, which may provide competition for a Lyons establishment, are listed below. These were not included in the analysis as they do not report data to STR Global, or are currently under construction. Most of these properties are in the economy or independent tiers. Together, they offer 192 additional rooms.

ADDITIONAL COMPETING HOTELS IN REGION

Hotel Name	Distance from Lyons (miles)	Rooms	Tier	Open Date
Victoria Inn	7.7	23	Independent	1985
Super 8 Longmont Twin Peaks Area	9.1	64	Economy	1989
Hilton Garden Inn Longmont (under construction)	10.7	105	Upscale	2020

PLANNED LODGING ESTABLISHMENTS

- **Aspen Leaf (A-Lodge Lyons)** – Phase 1 plans include renovation of the existing rooms. While not finalized, phase 2 may include a 30-35-unit boutique hotel on the same site, possibly as early as 2022-2023.

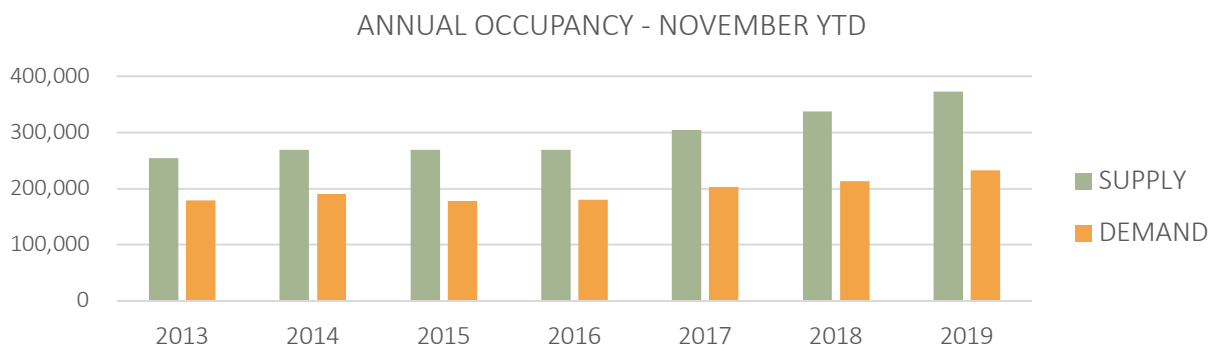
- State Highway 66 – An adaptive reuse of the former wastewater treatment plan could include a lodging component, waterfront boardwalk, outdoor gathering space, and meeting space. This project is currently still in the planning stage. It is being developed by Generator Development, a real estate and development firm based in Denver.
- Downtown – Local investors have examined the potential for a mixed-use facility at 4th Avenue and Main Street, which may include lodging. This project is currently on hold.

Despite the interest, successfully executing hotel development faces several challenges common to development, whether generally or specific to Lyons, such as:

- Growing supply of new hotel rooms within the region
- Limited availability of land for commercial development
- Topography, along with the potential for flooding along the creek
- Land use controls and development regulations (such as zoning, a 40-foot commercial height limit, or commercial design guidelines)
- Cost of infrastructure for development
- Increasing construction costs
- Risks associated with economic conditions, such as a downturn that could impact travel demand
- Seasonality of the recreational visitor market

HOTEL MARKET TREND

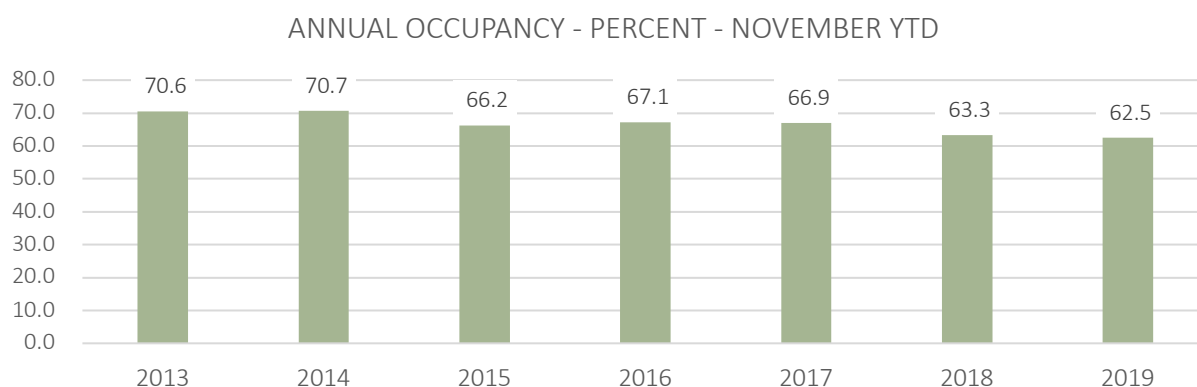
The local lodging market has seen both a steady increase in demand, and a corresponding increase in the number of rooms available. The result is a decrease in occupancy, daily rates, and revenue per available room. Further impacts can be expected as new hotels open. While this does not preclude the opportunity for a new hotel in Lyons, careful consideration will need to be given to the type of property and its marketing.



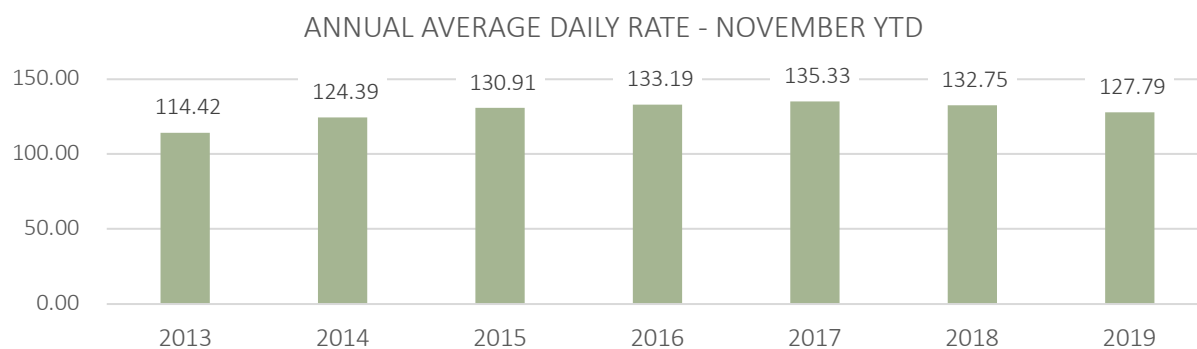
From 2013 to 2019, annual demand for the hotels included in the analysis set grew from 179,096 to 232,642 rooms, a 29.9 percent increase. Over the same period, the number of rooms available increased

from 253,770 to 372,076, or growth of 46.6 percent. As the pace of hotel development exceeded growth in demand, occupancy has decreased.

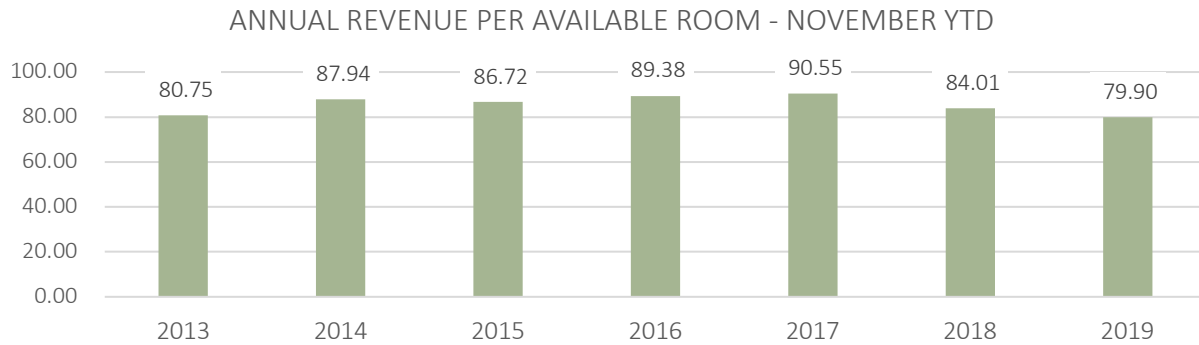
Nationally, hotel occupancy in 2018 averaged 66.2 percent. Trailing at 62.5 percent, the local market should still not be considered to be performing poorly.



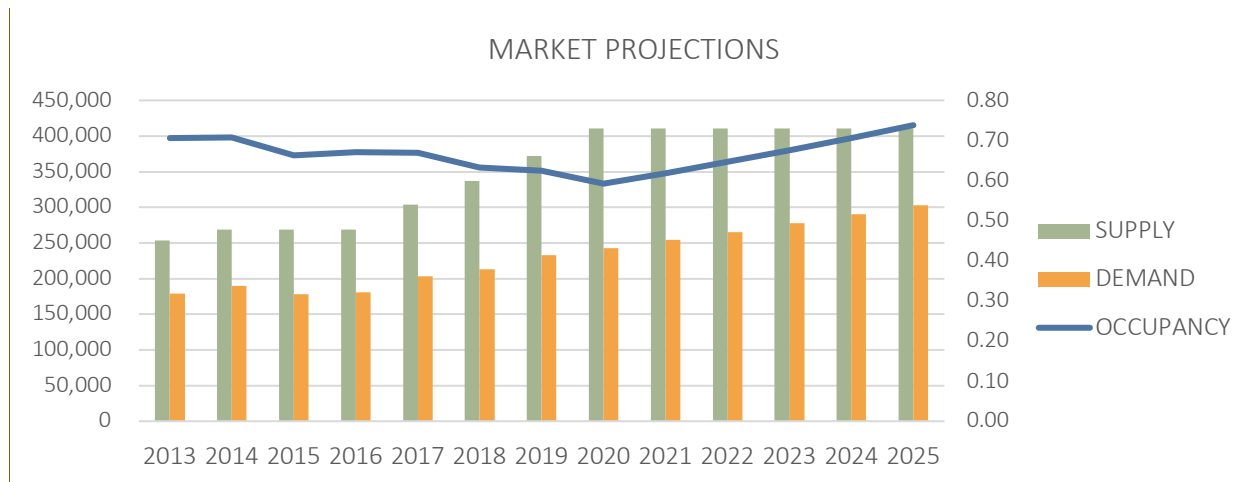
For most of these years, the average daily rate has exceeded the national average. Even in the most recent year, it is nearly equal to the 2018 national average of \$129.83. The declining rate is an outcome of increased competition, with properties lowering their rates in an effort to fill rooms.



Revenue per available room is impacted by both the increase in supply and declining average daily rates. In 2019, the average daily rate fell below the 2013 level. This does raise a question of whether these hotels are all profitable, or may be deferring maintenance and upgrades. Costs have generally increased, and with the overall number of filled rooms increasing, labor costs can also be expected to have grown since 2013. An additional hotel will open in 2020, adding pressure to the market. Nationally, revenue per available room was \$85.96 in 2018.



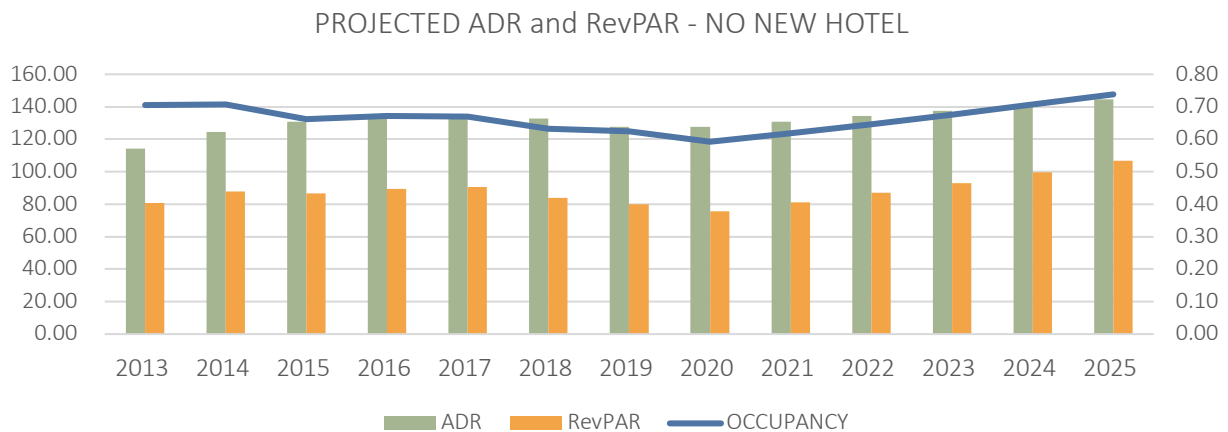
Projections for the market include the addition of a new 105-room hotel in 2020 (Hilton Garden Inn at Martin Street and Ken Pratt Boulevard in Longmont). No other additions are planned or included in the estimate. With this new hotel, occupancy is projected to drop to 59.2 percent. Meanwhile, the market has been growing at about 4.5 percent annually. With that growth, occupancy can be expected to begin increasing in 2021, growing to 73.8 percent in 2025. It will exceed 65 percent by 2023, which would be a threshold at which demand may support a new hotel.



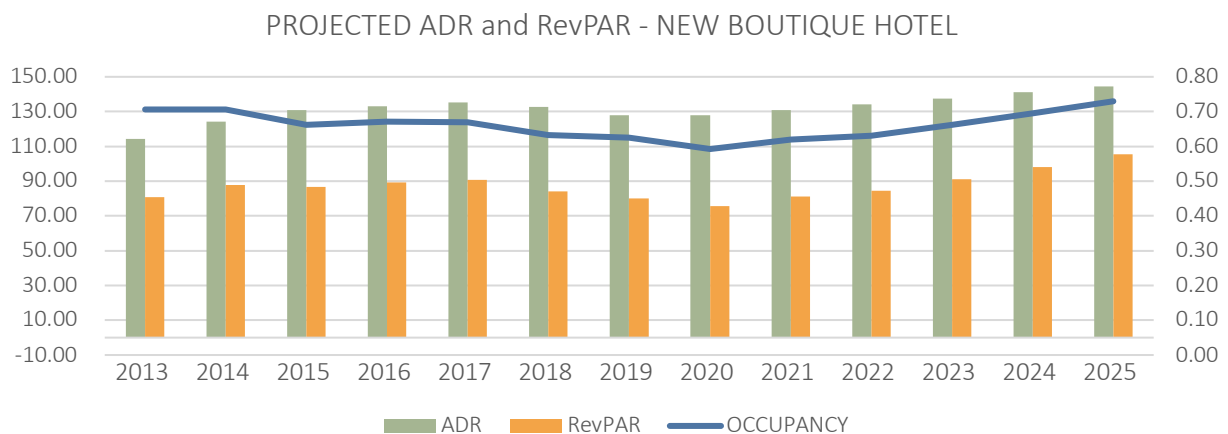
While the introduction of a new hotel will shift overnight stays from existing local properties, there will also be an increase in demand, referred to as induced demand, made up of new overnight stays caused by the presence of the establishment. This induced demand may be a function of any of a number of factors, such as events held at the facility, brand preference, amenities offered, marketing, etc. In Lyons, the location, setting (such as downtown or with mountain views), ability to serve business travel in north Boulder, and amenities are features that may be leveraged to generate induced demand.

Average daily rates are not expected to grow as quickly as room demand, particularly as the 105-room Hilton Garden Inn will open in Longmont in 2020. No increase was projected for 2020, while in following years the increase is expected to average about 2.5 percent. That could increase as occupancy rises above 68 percent beginning in 2023, however, a conservative approach was taken in the analysis.

The impact of two scenarios was tested. The first of these is the introduction of a 35-room boutique hotel, such as has been proposed with the former Aspen Leaf, opening in 2022. The second is a more conventional upper-midscale hotel development (such as a Cobblestone Inn & Suites or La Quinta Inn & Suites), with 80 rooms, and opening in 2022. In either case, 2022 is considered the earliest a new lodging establishment might reasonably expect to open, given the lengthy permitting process and time needed to construct and furnish the property. To address induced demand, the rate of demand growth was increased from 4.5 percent to 5.0 percent. This is consistent with past trends in the area, although the type of property and its marketing could enable it to produce a higher rate of induced demand.



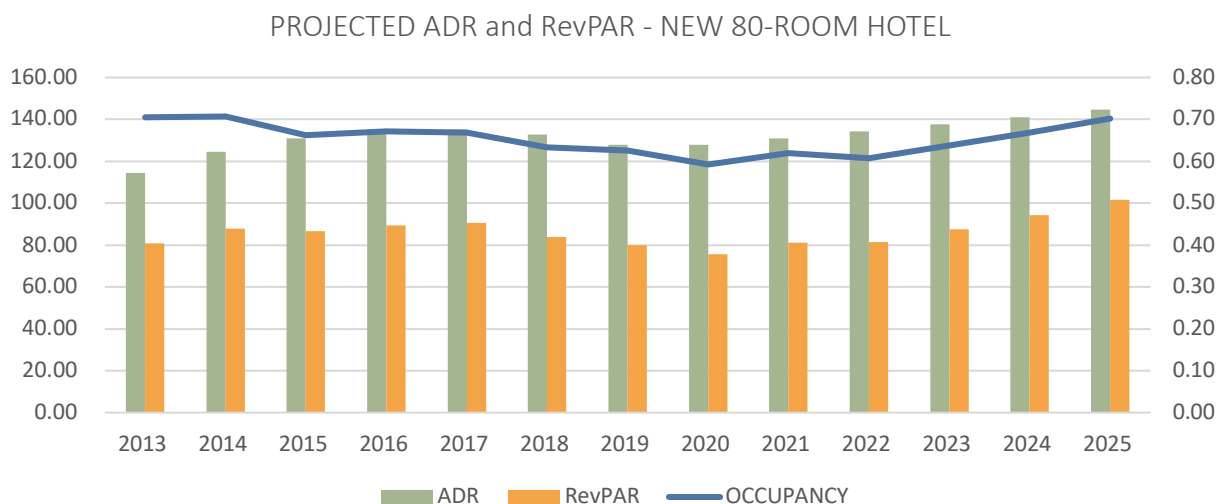
Without the addition of a new hotel, the local market is expected to see improved conditions beginning in 2021, after new rooms in the construction pipeline have been absorbed. Occupancy, the average daily rate, and revenue per available room increase steadily, with revenue per available room reaching a ten-year high in 2023.



A boutique hotel would be a fitting choice for Lyons' downtown. These hotels offer a unique experience that differentiates them from conventional properties, and are typically considered more upscale. They are usually small properties, defined as ten to 100 rooms, although commonly not more than half of the upper limit. Because they offer a higher-quality experience, they may be offered at a higher room rate, bringing up the market average daily rate, though no adjustment was made in this analysis.

With the introduction of a 35-room boutique hotel, there is some impact on occupancy, average daily rates, and revenue per available room. As in the case of no new hotel, revenue per available room still reaches a new high in 2023.

The final scenario introduces an upper midscale, 80-room hotel. To be more competitive, the hotel will ideally have a location and amenities that set it apart from comparable hotels in the market. Examples may include a site on Saint Vrain Creek, mountain views, a larger meeting room, or family-oriented features such as an enhanced pool and recreation facilities.



This scenario results in an appreciably slower pace of growth in occupancy and revenue per available room. It is 2024 before revenue per available room exceeds the earlier peak, and occupancy in 2025 is four percentage points below the “no new hotel” scenario.

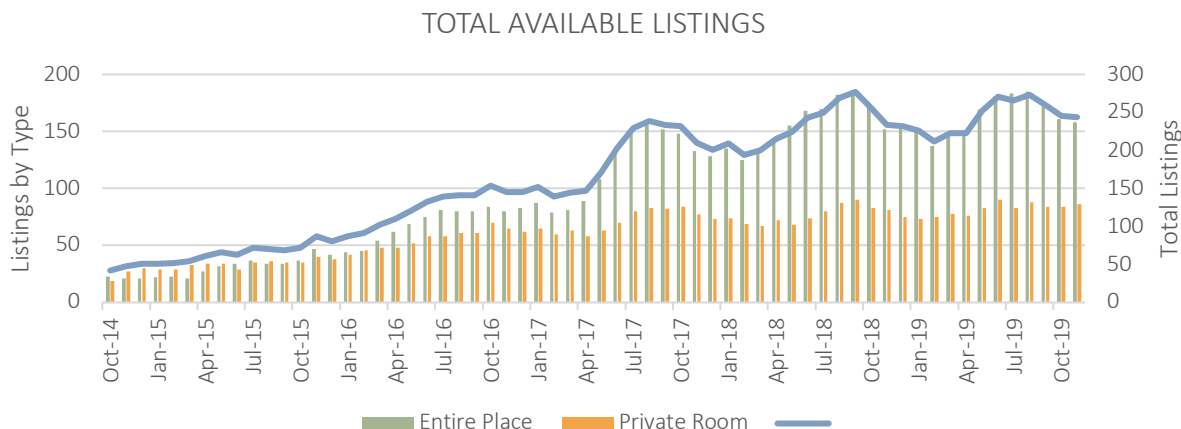
SHORT TERM RENTALS

Short term rentals are currently meeting a portion of the local lodging demand in the Lyons market and across the world. According to a recent report Airbnb alone now owns about 20% of the entire consumer lodging market. The HomeAway network is a group of over twenty AirBNB competitors including VRBO that make up the second largest short-term rental market share. AirBNBs in Colorado generated \$148.1 million in revenue between Memorial Day and Labor Day weekends in 2019 for a total of 885,300 guest arrivals. Denver was the most popular destination for travelers, followed by Colorado Springs, Breckenridge, Boulder and Estes Park.

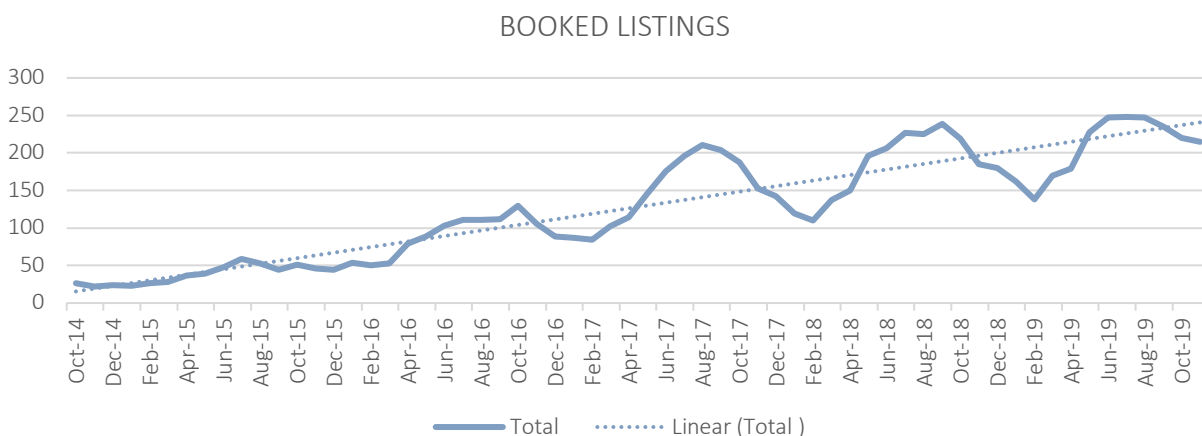
Nationally, since 2015, AirBNB's customer base has nearly tripled. The customer base in Colorado and other mountain states has grown much faster, by a factor of four or more.

In order to understand the impact of the short term rental market on the local lodging industry, data was obtained for listed properties within an approximate 12-mile radius. Total listings refers to the count of

listings that were advertised for rent during the month or had a booked day in the month. The short term rental market comprises a variety of listing types including private rooms and entire apartments or houses. Since 2014 the total number of listings has increased over six-fold from 42 to around 250, but after four years of steady growth it appears the supply of total listings has started to flatten out, after peaking at 277 in August of 2018. Up until 2017 there were roughly the same number of private room listings as entire place listings. Over the past three years the number of entire place listings has grown to roughly double the number of private room listings.

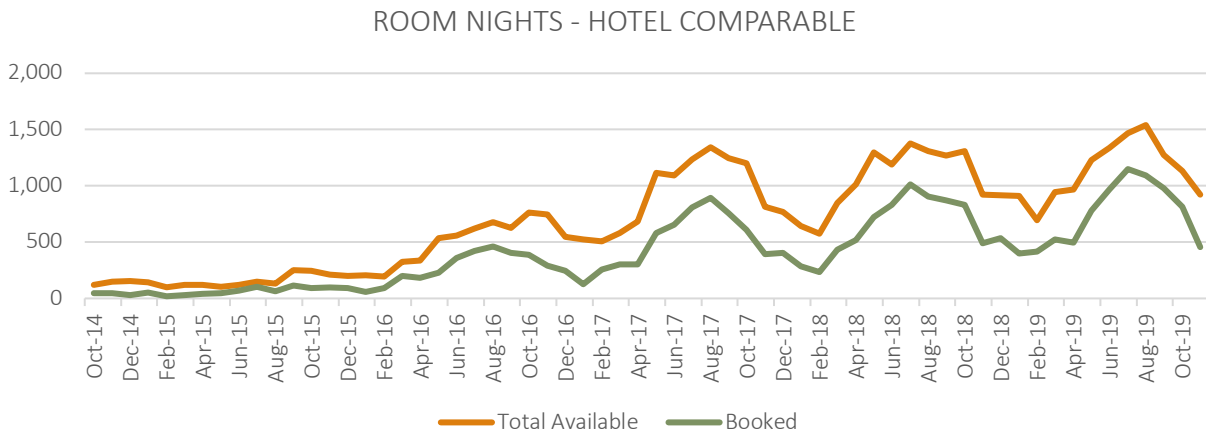


While the supply of short-term rentals appears to have plateaued over the past two years, the number of booked listings continues to grow, albeit modestly. It appears that the growth of booked listings during the winter months is outpacing that of the summer months, suggesting an increase in year-round leisure market travel.

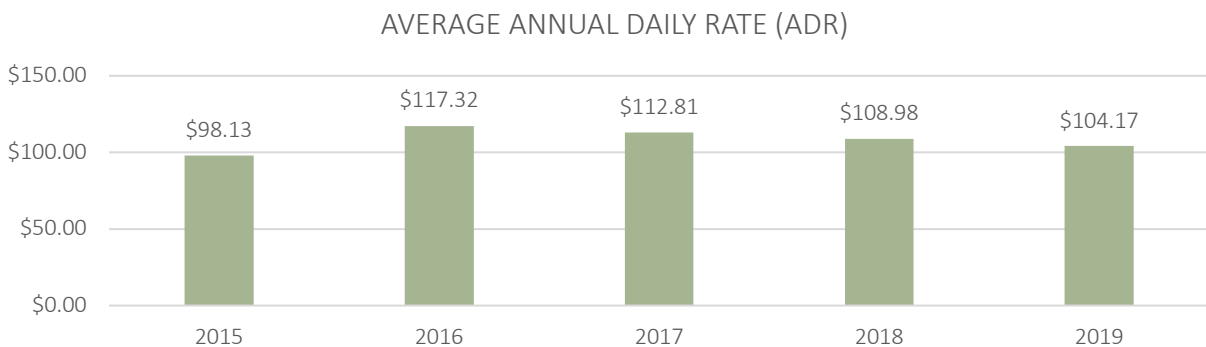
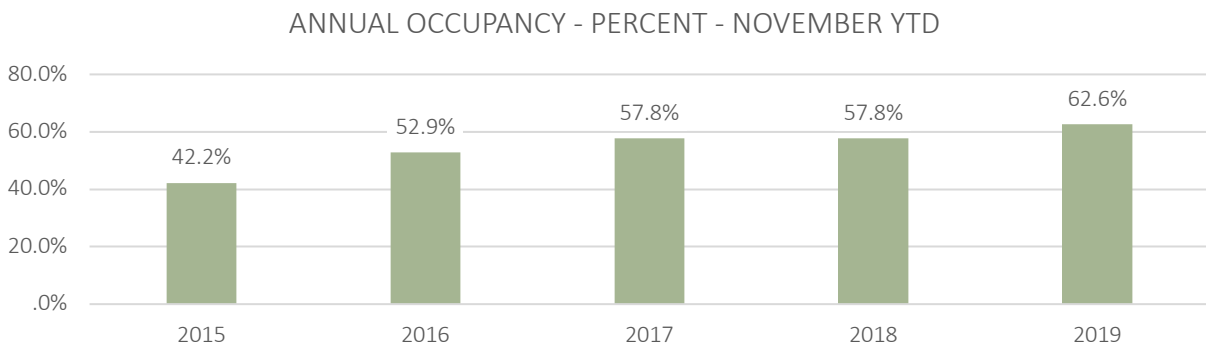


The short term rental industry considers studio and one-bedroom apartments to be the most likely competition or substitute for hotel stays. The growth in hotel-comparable room nights appears to have slowed since summer of 2017, but August 2019 total room nights were up from 1,311 to 1,540 over the

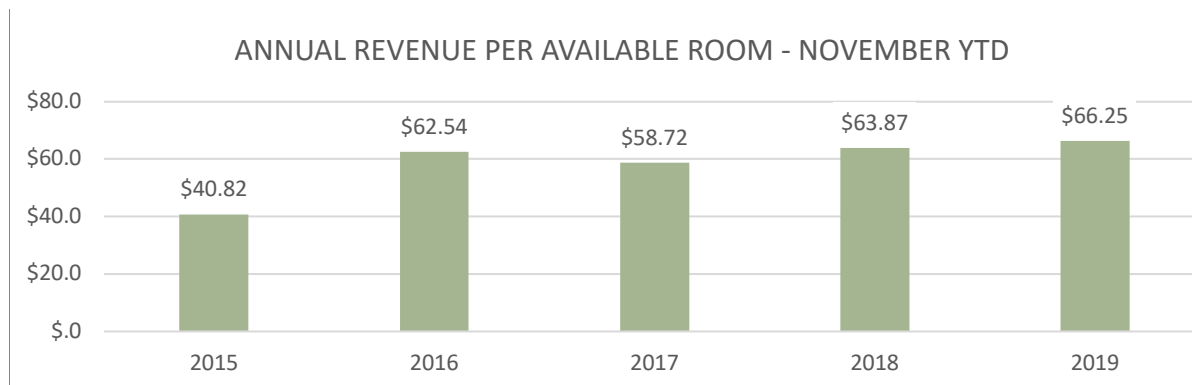
period, an increase of 14.4 percent. Booked night figures for the winter months appear to be on the increase, up from 232 in February of 2018 to 419 February of 2019.



Hotel-comparable occupancy rates increased in 2019, after staying flat at 57.8 percent for the past two years, and 2019 was the first year that short term rental annual occupancy rates were higher than hotel occupancy rates (62.6 percent versus 62.5 percent).



While occupancy rates for comparable listings have increased over the past five years, average daily rates have not. From a high of \$117.32 in 2016, rates fell to \$104.17 in 2019, suggesting the increase in short term rental and hotel supply is suppressing daily rates.



Average revenue per available room has risen modestly over the past four years, paralleling the hotel industry and suggesting that supply has caught up with demand.

HOTEL PRODUCT RECOMMENDATIONS AND FEASIBILITY

The analysis has demonstrated that there will sufficient local demand to support either a new upper-midscale scale, or boutique hotel in Lyons. The hotel can help to extend stays and generate new customer traffic to support existing small businesses.

- Demand is generated by a strong leisure market that is anticipated to grow as the community develops its resources.
- A growing regional economy will provide opportunities to capture a portion of the regional business travel market, especially those wishing to extend their stay to take advantage of outdoor recreational opportunities.
- Overnight lodging and banquet space will extend the wedding season and provide an attractive venue for corporate meetings, educational or training programs, and arts/music related travel.

Significant sources of overnight visitors will include wedding venues and Planet Bluegrass events, with a season from mid-May through Mid-October, as well as Rocky Mountain National Park visitors. Family and business travel will be needed to offset this seasonality.

However, business and middle to upper income travelers may not be satisfied with existing hotels and STR options in Lyons, and much of this business, similar to the wedding market, is being captured by hotels in Longmont, Loveland, and Boulder. It is this segment that should be targeted by a new hotel in Lyons in order to extend the seasonality of visitation from late fall through late spring.

RECOMMENDED PRODUCT

Lyons has a sufficient market to support an upper midscale chain hotel with 60 to 80 rooms or a smaller upper scale boutique hotel, similar to what has been discussed for A-Lodge Lyons as a “phase two” project. Examples of a 60 to 80 room chain hotel might include Cobblestone Inn, Country Inn & Suites, Fairfield Inn & Suites, Hampton Inn & Suites, Holiday Inn Express, or La Quinta Inn & Suites.

INDUSTRY TRENDS

Growing in-destination activities market. From local wine tours to surf lessons, the market is undergoing a digital revolution similar to that which transformed hotel and airline distribution decades ago, and is poised to hit \$183 billion by 2020. In-destination activities represent an opportunity for hotels to connect guests to unique experiences – such as those found in the greater Lyons area.

Growth in private rentals and long-term stays. Hospitality might stand to benefit from rethinking a resistance to private rentals. While regulatory hurdles remain, rental demand is proven. However, for all their guest-attracting attributes, rentals can often lack the amenities, consistency, and service quality of the traditional hotel experience.

Relevant experiences transcend the cycle

Hotels will likely continue to introduce innovative concepts, products, and loyalty strategies to cut through the noise of the more than 270 trademarked brands (and virtually innumerable independents) that currently exist worldwide. The rollout of new lifestyle, boutique, and contemporary brands in recent years demonstrates the sector’s unrelenting willingness to adapt to an evolving traveler. However, given that traveler preferences are ever-changing, opportunities will always remain.

**Adapted from Deloitte 2019 US Travel and Hospitality Outlook*

The hotel should be positioned to offer high-quality rooms, amenities, and service, capturing the significant volume of business and leisure travel that currently leaves the community to stay in Loveland, Longmont, Boulder, and Estes Park. The larger hotel concept should include 1,500-3,000 square feet of banquet space to help extend the wedding season and support year-round events, educational, music, and arts related programming. Meeting space should also be appealing for corporate retreats, yoga/wellness, running, and other outdoor adventure groups.

Hotel and Amenities

Exterior appearance of the recommended hotel may vary depending on the location. A typical prototype design may be suitable in other locations, but if located downtown, the Town may require a site configuration, building design, and exterior finishes that are consistent with a walkable specialty retail and dining district. This may mean placing the building at the street edge with minimal setbacks, increased landscaping, and greater use of masonry or similar materials on exterior facades.

The optimal room configuration will include 35 to 40 percent double-queen rooms. The balance will be comprised of king rooms and king suites. This configuration is dictated by a high concentration of business travelers and by the character of many leisure visits. Nationally, an average of one in seven leisure visits includes a pet, so it is highly recommended that the hotel accepts pets in guest rooms.

Other amenities that should be provided include an indoor pool and hot tub, fitness center, breakfast area, guest laundry, and business center. A single meeting room that can seat 20 to 25 people will be sufficient to meet most potential demand for the space. There is more limited demand to support a larger banquet facility for 75 to 150 guests.

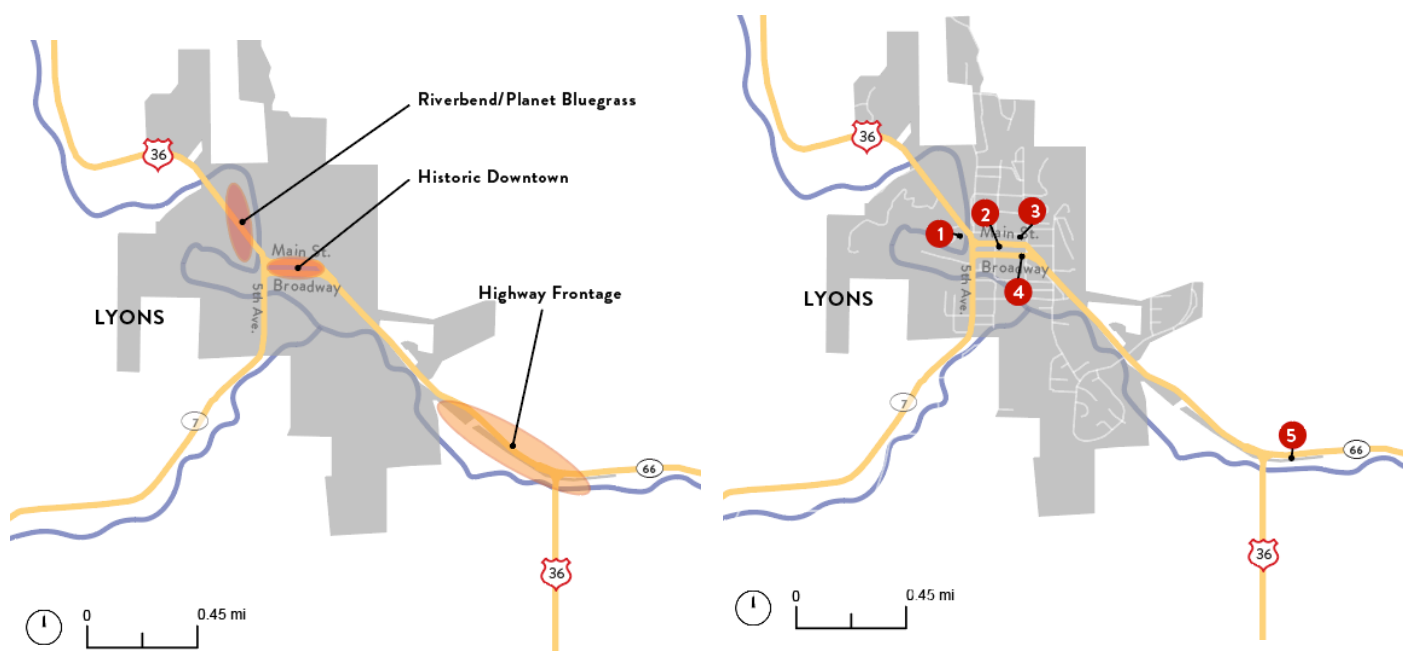
SITE SELECTION

Multiple sites were evaluated and provide a general comparison across three unique districts or zones - **the Riverbend/Planet Bluegrass District, Historic Downtown District, and Eastern Gateway**. Each of these sub-areas is attractive from a hotel development standpoint for different reasons. Regardless of location, most chain hotel prototypes require an approximately 1.5 to two-acre site with good access and visibility. These requirements tend to work against the prospects of a chain hotel in the Historic Downtown District, although in contrast, the district's specialty shops and restaurants contribute to its attractiveness as a site for a boutique hotel.

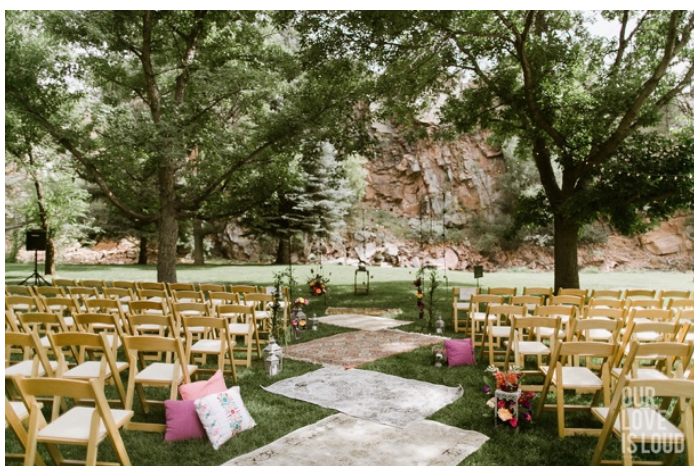
Larger sites in the Highway Frontage Zone will be desirable to a chain hotel, as they provide sufficient space for a larger building footprint, plentiful parking, stormwater management facilities, land for potential expansion, or collocated activities such as a restaurant.

Several commercial sites have been identified as suitable for new hotel development. These were prioritized, with five of them considered to be the most likely to be available in the near term (one to three years). Of these, the best prospects for chain hotel development would be the site of the former water treatment plant on US Highway 36, followed by the Riverbend site. A boutique hotel would be suited to the downtown area, with the Riverbend, Aspen Leaf, or former clinic offering equally good opportunities for redevelopment.

A discussion of the characteristics and merits of each of the possible sites follows.



1. Site 1 is located at Riverbend off US Highway 36 bordering Saint Vrain Creek, and comprises multiple parcels under different ownership. It is adjacent to downtown and it is convenient for wedding guests at Riverbend and visitors to the Planet Bluegrass festival grounds just north of the site. At 10 acres, the site is adequately sized for a larger hotel, however, configuration of the site and floodway constraints will limit the potential building footprint. Because it is located at the west end of town and outside of the downtown historic district, the hotel would have less visibility than the preferred site. Traffic at this site was measured at 9,500 cars per day in 2018.



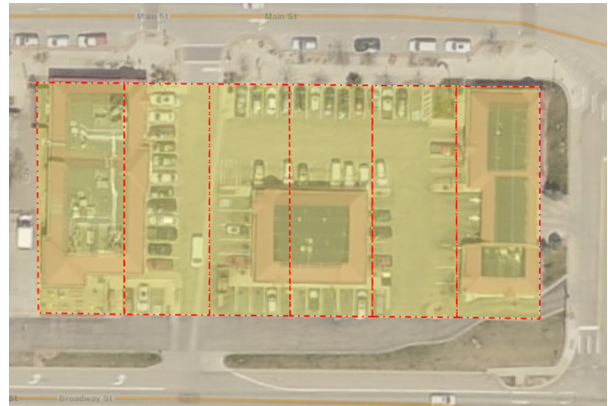
2. Site 2 is in the heart of the Historic Downtown District at the corner of 4th Avenue and Main Street. The site consists of between one third to one half acre, depending upon configuration. The larger site would include the Festivarie Inn, directly east of the primary site parcel. The site will not allow development of a chain hotel, although a boutique hotel or short-term rental development would be possible. Parking may be a factor that limits the number of rooms, and underground parking will increase the cost of development. The site has walkable access to retail and dining opportunities downtown. There are 6,600 cars per day at this site. This low volume again supports a boutique hotel instead of a larger chain property.



3. Site 3 (338 Main Street) is approximately one-half acre in size, and is located on the north side of Main Street in downtown Lyons. The site has good visibility and an excellent location near restaurants and shopping. Compared with the other two downtown sites, it is a more tranquil setting due to the fact it only fronts one busy street and is not located on a corner. The site also lends itself to a small boutique hotel or short-term rental development. The site slopes upward to the north toward High Street. The average daily traffic at this site was 6,600 cars per day.



4. Site 4 is site of a former clinic, and the building is currently vacant. Redevelopment is assumed to involve demolition of the existing building. Visibility is good and access is direct to the street. A boutique hotel or short-term rental development would be appropriate at this site. The site is adjacent a popular restaurant, Oskar Blues Bar and Grill, as well as Sandstone Park. Vehicle counts for this site. on US Highway 36 (Main Street), were 6,600 cars per day. There were also 6,600 per day on Broadway Street in 2018. Parking will be challenging, and may require underground stalls.



5. Site 5 is on the southern approach to Lyons, on the south side of State Highway 66 near US Highway 36. This site was recently acquired and annexed by the Town. It is a 3.7 acre site zoned A-1 Agriculture District, and is the site of a former water treatment plant. It is on the highway connecting Interstate 25 to Rocky Mountain National Park. There were 11,000 cars on State Highway 66, and 8,600 cars per day on US Highway 36 in 2018. Saint Vrain Creek is adjacent to the site. The site could accommodate an 80-unit hotel along with other commercial uses.

Environmental restoration will be required, possibly impacting the structural requirements and limiting future building footprints. In addition, a Town-owned railroad right-of-way exists parallel to Highway 66, and includes utility easements. Site design will need to accommodate those easements, but parking could be developed over them. The Town intends to provide new trail



connections to the site along the Saint Vrain Creek corridor, which will make it more attractive as a development site.

SITE CHARACTERISTICS

Potential Site	Address	Size	Zoning	Flood Zones
1. Riverbend	501 W Main St	6.01 Acres	PUD-C	AE, X
2. Historic Downtown - 4th and Main	347 Main St	0.28 Acres	CD	X
3. Historic Downtown - Aspen Leaf	338 Main St	0.48 Acres	Commercial	X
4. Historic Downtown - Former Clinic	303 Main St	0.95 Acres	CD	X
5. Former Water Treatment Plant	4652 UTE HWY	3.38 Acres	A-1	AE, A, X

SITE FINANCIAL CHARACTERISTICS

	Actual Value	Assessed Value	Mill Levy	Estimated Taxes*
1. Riverbend	\$1,375,000	\$344,545	\$117.11	\$40,349
2. Historic Downtown - 4th and Main	\$384,000	\$111,360	\$117.11	\$13,041
3. Historic Downtown - Aspen Leaf	\$675,400	\$162,217	\$117.11	\$18,997
4. Historic Downtown - Former Clinic	\$82,487	\$23,919	\$117.11	\$0
5. Former Water Treatment Plant	\$343,000	\$99,470	\$117.11	\$11,649

* 2019, before exemptions

Additional Sites

In addition to the sites described above several additional sites were brought to the attention of the consultant team. While able to accommodate a hotel development, these sites were considered a lower priority as they may take a longer period of time to become available, or may be less desirable for other reasons. These are briefly described below.

- Farmette Property – The 2.75 acre Farmette property is the location of a popular wedding venue and farm. Most of the property would be required for a hotel, eliminating the event venue. Alternatively, the property may be combined with adjacent sites to expand the venue and allow hotel development.
- Noland Rd sites - There are three parcels southeast of the Farmette Property totaling approximately 2.7 acres. They are located on the north side of US Highway 36 east of Stone Canyon Drive. The largest site, measuring approximately one acre, is located outside Town limits at the northeast corner of Stone Canyon and US Highway 36. The other two properties are approximately 0.85 acres each. Complex land ownership, floodplain issues and mixed Town/County jurisdiction make this a longer-term development opportunity. This site, and adjacent lands were identified as a lodging opportunity in the Lyons Primary Planning Area Master Plan (LPAMP).

- Hawkins Property – This site is located east of the Farmette, and includes about 19 acres which would need to be annexed into the Town to facilitate future development. This would be a longer-term development opportunity.
- Loukonen Property – This 90-acre site has uncertain development potential. County subdivision regulations and potential annexation and floodplain issues make this a longer-term development opportunity.
- Town Hall Area – Several parcels including the Town Hall (0.8 acres) and adjacent McCain property (0.4 acres) directly to the east, might be assembled to create a redevelopment opportunity. This site is similar to the other downtown sites profiled. The need to relocate Town functions, as well as assemble multiple properties could take several years, making this a longer-term redevelopment opportunity.
- Planet Bluegrass – This could include the Planet Bluegrass site along with properties to the northwest, along US Highway 36 and North Saint Vrain Creek. This site similar pros and cons as the Riverbend Property, but is less proximate to downtown. Planet Bluegrass provides a 20-acre site, but much of it is already heavily used and large portions are in the floodplain. Development may only be possible with the assembly of a larger site.

SITES COMPARISON

A matrix was constructed to compare the multiple sites which may be suitable for hotel development, based on community impact criteria identified by the Town. The matrix is not intended to be prescriptive and is based on limited information about each of the sites. While this analysis considers Town impacts, it does not necessarily reflect the desirability of the site as a location for a lodging establishment.

HOTEL DEVELOPMENT IMPACT CRITERIA

Impact Criteria 1 – Better 2 – Average 3 - Poorer	Riverbend	4 th and Main	Aspen Leaf	Former Clinic	Water Treatment	Stone Canyon Drive	Town Hall	Loukonen Property	Planet Bluegrass	Hawkins Property
Acquisition cost										
Relationship to downtown, water, amenities										
Vehicular and pedestrian access										
Neighborhood impacts										
Relationship to demand generators										
Parking										
Current land uses in vicinity										
Ability to provide outdoor event space										
TOTAL										

FINANCIAL ANALYSIS

The financial analysis offers an estimate of the cost to construct and furnish the proposed facility, as well as a projection of annual cash flow, testing the profitability of the proposed venture. **Two proposed facilities were modeled for this analysis.** The first is an 80-room upper midscale property such as a La Quinta Inn & Suites or Cobblestone Inn & Suites. Common areas and amenities will include a lobby, breakfast room, meeting room for up to 50 persons, business center, fitness center, and indoor pool. The opening date is assumed to be January of 2022. The second is a 30-room upper scale boutique hotel.

Feasibility of an 80-room upper-midscale hotel

In 2018, Cushman & Wakefield prepared an estimate of the cost to develop hotels within each of the industry tiers. Costs were expressed as an average per room. At the upper midscale tier, they averaged \$148,000 per room, while the upscale tier averaged \$209,000 per room. Denver area land and construction costs are higher than the national average. It should also be expected that the hotel will have a higher than usual level of exterior finish, which will add to its cost. For the purposes of the analysis, a sum of \$190,000 per room was used, resulting in a total of \$15,200,000. This is inclusive of land, buildings and site improvements, soft costs, furniture, fixtures, equipment, and working capital.

Of the total development cost, land, buildings, and site improvements come to \$12 million. With a loan-to-value ratio of 80 percent, the amount financed would come to \$9.6 million. Using a five percent interest rate and 30-year term, the hotel would need to make a monthly payment of \$51,535, or \$618,420 per year.

HOTEL PERFORMANCE

PROPERTY DESCRIPTION	2022	2023	2024	2025	2026
Rooms	80	80	80	80	80
Annual Room Nights	29,200	29,200	29,280	29,200	29,200
Market Demand	266,753	280,091	294,096	308,800	322,696
Market Share Captured	6.57%	6.88%	6.87%	6.71%	6.52%
Room Nights Captured	17,520	19,272	20,203	20,732	21,024
ADR - Estimated	\$134.26	\$137.62	\$141.06	\$144.58	\$148.20
Occupancy - Estimated	60.00%	66.00%	69.00%	71.00%	72.00%
Occupancy - Market	62.11%	63.36%	64.63%	65.92%	67.24%
RevPAR - Estimated	\$80.56	\$90.83	\$97.33	\$102.65	\$106.70
RevPAR - Market	\$81.47	\$87.69	\$94.37	\$101.57	\$109.31
Annual Room Revenue	\$2,352,235	\$2,652,145	\$2,849,801	\$2,997,502	\$3,115,713

Following the initial year, in which the hotel will take some time to reach a stable occupancy, the property can be expected to perform somewhat better than the market average. This assumption is due to the lack of competition in Lyons and characteristics of the community. It also assumes active marketing to business travelers in Longmont and north Boulder.

The analysis takes a conservative approach with revenue, which is assumed to be the projected market average daily rate. Expenses are estimated using industry averages.

ANTICIPATED REVENUE

Revenue	2022	2023	2024	2025	2026
Rooms	\$2,352,235	\$2,652,145	\$2,849,801	\$2,997,502	\$3,115,713
Food and Beverage	\$36,754	\$41,440	\$44,528	\$46,836	\$48,683
Other Operated Departments	\$24,502	\$27,627	\$29,685	\$31,224	\$32,455
Rentals and Other Income	\$36,754	\$41,440	\$44,528	\$46,836	\$48,683
Total	\$2,450,245	\$2,762,651	\$2,968,543	\$3,122,398	\$3,245,534

ANTICIPATED EXPENSES

Departmental Expenses	2022	2023	2024	2025	2026
Rooms	\$577,033	\$650,604	\$699,092	\$735,325	\$764,323
Food and Beverage	\$88,209	\$99,455	\$106,868	\$112,406	\$116,839
Telecommunications	\$18,377	\$20,720	\$22,264	\$23,418	\$24,342
Other Operated Departments and Rentals	\$51,455	\$58,016	\$62,339	\$65,570	\$68,156
Total Departmental Expenses	\$735,074	\$828,795	\$890,563	\$936,719	\$973,660
Total Departmental Profit	\$1,715,172	\$1,933,856	\$2,077,980	\$2,185,678	\$2,271,874

Undistributed Operating Expenses	2022	2023	2024	2025	2026
Administrative and General	\$208,271	\$234,825	\$252,326	\$265,404	\$275,870
Marketing	\$164,166	\$185,098	\$198,892	\$209,201	\$217,451
Utility Costs	\$98,010	\$110,506	\$118,742	\$124,896	\$129,821
Property Operations and Maintenance	\$115,162	\$129,845	\$139,522	\$146,753	\$152,540
Total Undistributed Operating Expenses	\$585,609	\$660,274	\$709,482	\$746,253	\$775,683

The modeled hotel can be expected to be profitable and to produce sufficient income to meet debt coverage ratios.

PROFITABILITY

Profitability	2022	2023	2024	2025	2026
Gross Operating Profit	\$1,129,563	\$1,273,582	\$1,368,498	\$1,439,425	\$1,496,191
Franchise Fees	\$33,887	\$38,207	\$41,055	\$43,183	\$44,886
Management Fees	\$33,887	\$38,207	\$41,055	\$43,183	\$44,886
Income Before Fixed Charges	\$1,061,789	\$1,197,167	\$1,286,388	\$1,353,060	\$1,406,420
Property Taxes	\$337,941	\$337,941	\$337,941	\$337,941	\$337,941
Insurance	\$26,545	\$29,929	\$32,160	\$33,826	\$35,160
Reserve for Capital Replacement	\$31,854	\$35,915	\$38,592	\$40,592	\$42,193
Amount Available for Debt Service and Other Fixed Charges	\$665,450	\$793,382	\$877,696	\$940,700	\$991,126
Debt Service	\$618,420	\$618,420	\$618,420	\$618,420	\$618,420
Profit	\$47,030	\$174,962	\$259,276	\$322,280	\$372,706
Debt Coverage Ratio	1.08	1.28	1.42	1.52	1.60

Feasibility of a 30-room boutique hotel

A boutique hotel will have a higher per-room development cost, compared to others, both as a function of higher design standards and the need to distribute shared costs (ex., lobby and other common areas, back-of-house functions, etc.) among a smaller number of rooms. The recent average development cost per room at the upscale tier averaged \$209,000. In Lyons, the potential boutique hotel was modeled with a cost of \$240,000 per room, resulting in a total cost of \$7,200,000. This is inclusive of land, buildings and site improvements, soft costs, furniture, fixtures, equipment, and working capital.

Land, buildings, and site improvements total \$6 million. With a loan-to-value ratio of 80 percent, the amount financed would come to \$4.8 million. Using a five percent interest rate, the hotel would need to make a monthly payment of \$25,767, or \$309,204 per year.

HOTEL PERFORMANCE

PROPERTY DESCRIPTION	2022	2023	2024	2025	2026
Rooms	30	30	30	30	30
Annual Room Nights	10,950	10,950	10,980	10,950	10,950
Market Demand	266,753	280,091	294,096	308,800	322,696
Market Share Captured	2.75%	2.93%	2.80%	2.66%	2.54%
Room Nights Captured	7,337	8,213	8,235	8,213	8,213
ADR - Estimated	\$175.00	\$183.75	\$188.34	\$193.05	\$197.88
Occupancy - Estimated	67.00%	75.00%	75.00%	75.00%	75.00%
Occupancy - Market	62.11%	63.36%	64.63%	65.92%	67.24%
RevPAR - Estimated	\$117.25	\$137.81	\$141.26	\$144.79	\$148.41
RevPAR - Market	\$81.47	\$87.69	\$94.37	\$101.57	\$109.31
Annual Room Revenue	\$1,283,888	\$1,509,047	\$1,551,011	\$1,585,442	\$1,625,078

Following the initial year, in which the hotel will take some time to reach a stable occupancy, the property can be expected to perform better than the market average. This assumption is due to the lack of competition in Lyons and characteristics of the wedding market. It also assumes active marketing to business travelers in Longmont and north Boulder, shifting room nights from properties such as the Boulderado. Non-room revenues and expenses are estimated using rates that fall within industry averages.

ANTICIPATED REVENUE

Revenue	2022	2023	2024	2025	2026
Rooms	\$1,283,888	\$1,509,047	\$1,551,011	\$1,585,442	\$1,625,078
Food and Beverage	\$20,061	\$23,579	\$24,235	\$24,773	\$25,392
Other Operated Departments	\$13,374	\$15,719	\$16,156	\$16,515	\$16,928
Rentals and Other Income	\$20,061	\$23,579	\$24,235	\$24,773	\$25,392
Total	\$1,337,383	\$1,571,924	\$1,615,636	\$1,651,502	\$1,692,790

ANTICIPATED EXPENSES

Departmental Expenses	2022	2023	2024	2025	2026
Rooms	\$314,954	\$370,188	\$380,482	\$388,929	\$398,652
Food and Beverage	\$48,146	\$56,589	\$58,163	\$59,454	\$60,940
Telecommunications	\$10,030	\$11,789	\$12,117	\$12,386	\$12,696
Other Operated Departments and Rentals	\$28,085	\$33,010	\$33,928	\$34,682	\$35,549
Total Departmental Expenses	\$401,215	\$471,577	\$484,691	\$495,451	\$507,837
Total Departmental Profit	\$936,168	\$1,100,347	\$1,130,945	\$1,156,052	\$1,184,953

Undistributed Operating Expenses	2022	2023	2024	2025	2026
Administrative and General	\$113,678	\$133,614	\$137,329	\$140,378	\$143,887
Marketing	\$89,605	\$105,319	\$108,248	\$110,651	\$113,417
Utility Costs	\$53,495	\$62,877	\$64,625	\$66,060	\$67,712
Property Operations and Maintenance	\$62,857	\$73,880	\$75,935	\$77,621	\$79,561
Total Undistributed Operating Expenses	\$319,634	\$375,690	\$386,137	\$394,709	\$404,577

The modeled boutique hotel can be expected to be profitable and to produce sufficient income to meet debt coverage ratios, once occupancy has stabilized following the first year of operation.

PROFITABILITY

	2022	2023	2024	2025	2026
Gross Operating Profit	\$616,533	\$724,657	\$744,808	\$761,343	\$780,376
Management Fees	\$18,496	\$21,740	\$22,344	\$22,840	\$23,411
Income Before Fixed Charges	\$598,037	\$702,917	\$722,464	\$738,502	\$756,965
Property Taxes	\$162,211	\$162,211	\$162,211	\$162,211	\$162,211
Insurance	\$14,951	\$17,573	\$18,062	\$18,463	\$18,924
Reserve for Capital Replacement	\$17,941	\$21,088	\$21,674	\$22,155	\$22,709
Amount Available for Debt Service and Other Fixed Charges	\$402,934	\$502,046	\$520,518	\$535,674	\$553,121
Debt Service	\$309,204	\$309,204	\$309,204	\$309,204	\$309,204
Profit	\$93,730	\$192,842	\$211,314	\$226,470	\$243,917
Debt Coverage Ratio	1.30	1.62	1.68	1.73	1.79

COMMUNITY IMPACT

There are several impacts that a new hotel could have on the community. The most tangible community impacts are in the tax revenue generated by the project.

Four taxes were considered:

- **Property taxes** levied by the Town (mill rate 16.88g), Fire/Library/Water (mill rate 19.0310), Boulder County Taxing Jurisdictions (mill rate 23.4370), and the Saint Vrain School District (mill rate 57.1750);
- **Sales tax** including state sales taxes (2.9 percent); county sales tax (0.985 percent), Lyons (3.5 percent), Regional Transit District (1.0 percent);
- **Accommodation taxes** levied by the Town (\$2.00 per night).
- **Use tax** (2.9 percent) is paid on tangible personal property purchased from out-of-state vendors if the item is used, stored, or consumed in Colorado. Consumer use tax must be paid by individuals and businesses for tangible personal property used in Colorado for personal or business purposes (not to be resold) when tax was not paid at the time of purchase.

Tax revenues are estimated in the following tables using assumptions from the financial analysis. The assessed value is assumed to be 29 percent of actual value (\$10 million based on 80 percent of the land and construction cost estimate for the 80-room upper midscale property, or \$5.6 million for the boutique hotel). Sales tax estimates are based on three percent annual growth. Use tax is applied to 30 percent of total hard development costs and is collected in Year 1 only.

ESTIMATED PROPERTY TAX REVENUE – 80-ROOM UPPER MIDSACLE HOTEL

Property Taxes (Mill Rates)	Year 1	Year 2	Year 3	Year 4	Year 5
Boulder County Taxing Jurisdictions	\$67,967	\$67,967	\$67,967	\$67,967	\$67,967
Saint Vrain School District	\$165,807	\$165,807	\$165,807	\$165,807	\$165,807
Town of Lyons General Operating	\$48,978	\$48,978	\$48,978	\$48,978	\$48,978
Fire + Library Services + Water	\$55,189	\$55,189	\$55,189	\$55,189	\$55,189
TOTAL	\$337,941	\$337,941	\$337,941	\$337,941	\$337,941

* Less the estimated local option sales tax credit

ESTIMATED PROPERTY TAX REVENUE – 30-ROOM BOUTIQUE HOTEL

Property Taxes (Mill Rates)	Year 1	Year 2	Year 3	Year 4	Year 5
Boulder County Taxing Jurisdictions	\$32,624	\$38,061	\$38,061	\$38,061	\$38,061
Saint Vrain School District	\$79,587	\$92,852	\$92,852	\$92,852	\$92,852
Town of Lyons General Operating	\$23,509	\$27,427	\$27,427	\$27,427	\$27,427
Fire + Library Services + Water	\$26,491	\$30,906	\$30,906	\$30,906	\$30,906
TOTAL	\$162,211	\$189,246	\$189,246	\$189,246	\$189,246

* Less the estimated local option sales tax credit

ESTIMATED SALES, USE AND ACCOMODATION TAX REVENUE – 80 ROOM HOTEL

Sales Tax	Year 1	Year 2	Year 3	Year 4	Year 5
Colorado (2.9%)	\$37,233	\$43,762	\$44,979	\$45,978	\$47,127
Boulder County (.985%)	\$14,864	\$14,864	\$15,277	\$15,617	\$16,007
Lyons (3.5%)	\$54,285	\$52,817	\$54,285	\$55,490	\$56,878
RTD (1.0%)	\$15,854	\$15,090	\$15,510	\$15,854	\$16,251
Sub-Total	\$122,237	\$126,534	\$130,052	\$132,939	\$136,263
Use Tax					
State Use Tax (2.9%)	\$104,400	\$0	\$0	\$0	\$0
Accommodation Tax					
Room Nights	16,060	18,980	19,910	20,732	21,316
Lyons	\$32,120	\$37,960	\$39,820	\$41,464	\$42,632
TOTAL	\$258,757	\$164,494	\$169,872	\$174,403	\$178,895

ESTIMATED SALES, USE AND ACCOMODATION TAX REVENUE – 30 ROOM HOTEL

Sales Tax	Year 1	Year 2	Year 3	Year 4	Year 5
Colorado (2.9%)	\$37,233	\$45,586	\$46,853	\$49,091	\$47,127
Boulder County (.985%)	\$12,646	\$15,483	\$15,914	\$16,674	\$16,007
Lyons (3.5%)	\$56,547	\$55,017	\$56,547	\$59,248	\$56,878
RTD (1.0%)	\$16,928	\$15,719	\$16,156	\$16,928	\$16,251
Sub-Total	\$123,354	\$131,806	\$135,471	\$141,940	\$136,263
Use Tax					
State Use Tax (2.9%)	\$48,720	\$0	\$0	\$0	\$0
Accommodation Tax					
Room Nights	10,950	10,950	10,950	10,950	10,950
Lyons	\$21,900	\$21,900	\$21,900	\$21,900	\$21,900
TOTAL	\$193,974	\$153,706	\$157,371	\$163,840	\$158,163

Employment can vary depending upon management practices, the use of full-time or part-time staff, volume of business, and other factors. The following is offered as a probable level of employment for the 80-unit hotel. The 30-unit hotel would likely require half the number of employees.

ESTIMATED EMPLOYMENT AND WAGES

	Employees	Mean Hourly Wage	Mean Annual Wage
Lodging Manager	1	\$40	\$82,500
Desk Clerk (4 to 6 typical)	6	\$13	\$28,000
Maintenance Manager	1	\$15	\$31,220
Housekeeping Manager*	1	\$19	\$39,960
Housekeeper (8 to 12 typical)	12	\$13	\$26,640

Bureau of Labor statistics, Colorado Wage Data, 2018 and Place Dynamics Estimates.

Additional Impacts

According to local industry professionals, the average wedding costs \$30,000. Assuming an average of 350 weddings per year, the wedding industry brings in \$10.5 million in outside spending annually. Therefore, the Town will realize other benefits as a result of attracting a new, high quality hotel to the community. These include:

- Demonstrated support for the local business community by helping to meet an identified need for better-quality lodging establishments at which to place overnight guests.
- The ability to capture more overnight stays from potential visitors who prefer to stay in other communities, due to the lack of local hotel options.
- The potential to redevelop blighted commercial property and stimulate additional private investment on neighboring sites.
- Increased spending at existing retail, eating and dining establishments.