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I. INTRODUCTION

.1 Introduction

Ecosign Mountain Resort Planners was retained by the Telluride Mountain Village Owners Association (TMVOA) in the fall of 2007 to conduct an inventory and balance analysis of the Town of Mountain Village with the goal of identifying deficiencies in lodging, parking and transportation, recreation facilities and commercial space that should be addressed in future planning as the community moves towards build-out. The TMVOA instigated this planning exercise in an effort to ensure that future development in Mountain Village would add maximum value to all properties within its membership and that Mountain Village would realize its ultimate potential as a premier mountain resort community. The Inventory and Balance Analysis⁴ constitutes Phase 1 of a potential three phase process to create a master plan for the Town of Mountain Village.

2. The History of the Town of Mountain Village⁵

The history of the Town of Mountain Village is rooted in the Telluride Region Planning Advisory Committee (TREPAC)⁶ agreement that dates back to 1979. In 1978, the Idarado Mining Co. closed for the last time, marking a fundamental shift away from a mining based economy that had sustained the Telluride Region for the previous 100 years. At this time, Telluride Ski Co., a small ski company that had been operating out of the Town of Telluride since 1969, took the initiative to bring together the four major land owners in the region and the municipal and county governing bodies to form TREPAC, a committee that had the objective of envisioning a plan for growth and development in the region over the next 45 years. The TREPAC committee met twice a month for 1.5 years and was made up of 18 individuals; 6 representatives from San Miguel County, 6 representatives from the Town of Telluride and 6 residents at large that represented the four major land owners in the region. During the early 1970's, Colorado passed legislation requiring all counties in the state to adopt zoning and as a result, San Miguel County was zoned to house over 400,000 people.

⁴ Mountain Village Inventory & Balance Analysis Report 2008, Ecosign Mountain Resort Planners Ltd.

⁵ This history has been written by Ecosign and is based upon over 4 hours of telephone interviews with Ron Allred, John Horne and Scott Brown. Ron Allred was the owner of Telluride Co. during TREPAC and head of the design team responsible for developing the master plan for the Telluride Region which included the now Town of Mountain Village, John Horne was the County Attorney towards the end of TREPAC and then worked for Telluride Co. as General Council until 1995, Scott Brown was the Chairman of County Planning during TREPAC and over the following two decades.

⁶ Telluride Region Planning Advisory Committee

It was apparent to all members in TREPAC that more detailed master planning needed to be undertaken to limit growth and preserve the special character of the Telluride Region, and there needed to be a shift away from the boom and bust cycles of a commodities based economy to a more stable and sustainable tourist and resort based economy. At this turning point in the history of the Telluride Region, TREPAC decided that the ski resort would be the new economic engine of the region and the primary objective of a master plan for the region would be to promote a sustainable resort economy while preserving the historical character, the natural environment and Telluride's special sense of place. The members of TREPAC agreed that the key issue for planning in the Telluride Region was to both create a sustainable economy and to limit growth in the region so as to preserve the natural beauty of the landscape that was Telluride's greatest asset. The members of TREPAC envisioned that the Telluride Region could become the greatest small, destination resort community in North America and perhaps the world.

The group believed three fundamental elements would be required to create a viable resort economy in Telluride.

- Firstly, a ski resort master plan needed to be created and approved to allow for expansion of the limited lifts and trails at that time.
- Secondly, an airport needed to be planned and built, as it was recognized that with no significant drive-to market, Telluride would need to become a true destination resort.
- Thirdly, a bed base for local residents and visitors needed to be planned in a manner that would support the ski resort without over-development.

From the basis of these three elements, other secondary supporting facilities such as additional recreational activities and services would be planned. TREPAC's task was to integrate these three foundations of the economy into a growth-restricted development plan that would be accepted by all members of TREPAC, including the major land owners in the Region. These owners included: San Miguel County, the Town of Telluride, The Telluride Company, the Idarado Mining Co., the Zoline family and the owners of Aldasoro Ranch.

Telluride Co. owned six development parcels; two parcels were located at the base of the lifts in Telluride (formerly known as the Backman Village) while the other four parcels were located on the upper plateau above the valley floor east of Highway 145. The largest of these 4 parcels is what today has become the Town of Mountain Village. The Idarado Mining Co. owned land in the Valley Floor, the Zoline family owned a large parcel west of Highway 145 and the Aldasoro Ranch that surrounded and included the existing airport site. The group decided that TREPAC would determine the amount of development that could occur and distribute the entitlements to all land owners. Before TREPAC, the San Miguel County permitted a population up to 200,000 people on West Meadows and another 200,000 on the Valley Floor based upon Colorado State Law. The planners involved in TREPAC essentially created the first “real master plan” for the area. Very importantly, **the 400,000 population was reduced to 18,900, a significant fact that many people may not be aware of but that plan has resulted in a high quality of life and facilities at Telluride and Mountain Village.** Interestingly, TREPAC never filed a printed report and that was purposely done so that the group would not be criticized over every tiny detail and somehow jeopardizing the overall vision.

TREPAC’s most challenging task was to balance a healthy and stable resort economy with limited development that would preserve the natural beauty of the region to the greatest extent possible. It was agreed by all members of the committee that overcrowding should be avoided at all costs and that by doing so, the Telluride Ski Resort could better position itself in the American ski market as a unique, small destination ski resort. After much discussion and debate, TREPAC decided to limit the total maximum population that could result from development in the Telluride Region to the ski resort’s comfortable Skiers At One Time (SAOT) capacity. SAOT is calculated based on lift and trail capacities and represents the number of skiers that can be comfortably accommodated on the mountain at one time.

The Telluride Ski Resort Master Plan⁷ estimated potential build-out SAOT of the mountain at 14,000 skiers. However, TREPAC wanted to ensure that Telluride would be known as a resort that didn’t have crowds or long lift lines so it was decided that 10,000 skiers should be the upper limit to the carrying capacity of the mountain and that development entitlements should balance with this number. Telluride Ski Co. confirmed that even with this reduced capacity, the company could still operate profitably and agreed to never sell more than 10,000 lift tickets in a day. Therefore the maximum development potential in the Telluride Region was planned so that on peak days, there would be 10,000 skiers in the resort. Using this rationale, they attempted to determine the maximum allowable population (residents and visitors) that would result in 10,000

⁷ Telluride Ski Area Master Development Plan 2000 – Telluride Ski & Golf Co.

skiers during periods of peak occupancy and then set development entitlements to coincide with the maximum population.

The following assumptions formed part of this calculation.

- 10% of the allowable development would never be realized.
- 10% of hotel beds would remain unoccupied during peak periods.
- 60% of the population (residents and visitors) would choose to go skiing.
- Impact of day skiers from outside the region would be negligible due to Telluride's isolation.

Therefore, a maximum allowable population of 18,920 people was derived to provide the ideal 10,000 SAOT on the mountain. Zoning was allocated according to "population density" and various unit types were assigned an estimated average population, which reflects the existing PUD density units in Mountain Village. A single family unit was given a "population density" of 4, while condo units have 3 "population densities". A distribution of development entitlements and an agreement to pace development slowly over time without saturating the market was the focus of the TREPAC agreement.

By the early 1980's, the Ski Area Master Plan was approved, the airport site had been chosen and detailed conceptual master planning was underway in Mountain Village. While transportation into the region would be provided for with the new airport, internal transportation between the proposed development parcels and the resort core was identified as a critical issue. Several approaches were considered, such as an extensive bus system, gondolas, a funicular, light rail and a cog train. With the overriding objective of minimizing vehicles, traffic and parking, the gondola emerged as the most effective means for moving people within the region, despite high capital costs. Density bonuses were granted to new developments that integrated gondola transportation as a means for moving people. In the original plan, high density nodes near the airport and Aldasoro Ranch, the West Meadows west of Highway 145, on the Valley Floor, the Town of Telluride and the Town of Mountain Village were planned to be connected by gondolas terminating in a "Central Station" in Mountain Village. However, over time, the West Meadows and Aldasoro Ranch were down-zoned from high density nodes to low density single family and the need for a gondola disappeared along with the original development entitlements.

In 2008, much of the original development designated for the Valley Floor parcel (including a large reservoir of day skier parking) was annulled when the Town of Telluride was granted the right to condemn the land and prohibit any future development by the Colorado Supreme Court. The potential gondola-connect from this node has also been lost, although there is an existing lot in Mountain Village on the ridge east of the future Rosewood Hotel that remains zoned for a gondola terminal. However, all other easements for potential gondola lines passing through Mountain Village have disappeared as the master plan for the region evolved over time.

Initially, two potential sites for the Village Core in Mountain Village were considered. The existing site was selected because of its proximity to the ski runs and sweeping views of the mountains and mesas to the west. However, this site had limited flat terrain and would not allow for a large parking reservoir for day skiers, a key element in all mountain resorts. As a result, an extra leg on the gondola and a vertical parking structure half a mile southwest of the Village Core was planned to provide this service. The primary objective of the village design was to create a unique, pedestrian oriented village with human scale buildings. According to Ron Allred, the leader of the design team for Mountain Village, the Village Core was intended to be a unique Colorado resort village and was not intended to replicate or be patterned from any other resort. During the time when the plan for Mountain Village was being developed, Mr. Allred traveled to Europe and to other resorts in America, but claims that he learned more of what not to do than what should be translated to Mountain Village.

The first buildings were constructed without underground parking to save costs and allow for phasing. The intent was to provide the underground parking in future buildings. Owners of these existing units would be given the opportunities to buy stalls in the underground in future phases. In response to the real estate market in the 1980's and 1990's, extensive low density ski-in/ski-out real estate was designed and developed outside of the Village Core. Long, dead end streets, skier bridges and ski trails were integrated into the development on the southern slopes of Mountain Village to create desirable luxury ski-in/ski-out real estate. Due to the slow pace of growth for the Telluride Ski Resort and the large capital costs of the gondola and parking structure, it was decided that these real estate sales were needed to keep the company afloat.

Ron Allred sold the Telluride Ski and Golf Co. to Joe Morita in 2001, who had become a shareholder in 1999. Ron remained chairman of the company until 2006. In 2003 the resort changed hands again to the current owner, Chuck Horning. In 1995, the Town of Mountain Village was incorporated and has since established a local governing body and municipal staff.

The community of Mountain Village is made up of a vibrant mix of long term residents, second home owners from across America and around the world and seasonal workers that have come to enjoy the high quality and diverse summer and winter recreation in the area. Today, Mountain Village has built almost 60% of its planned real estate, with another 10% of development under construction. The completion of the Capella Hotel at the heart of the Village Core will bring the Village Core a few significant steps closer to build-out. While planning issues are continuously being addressed as the Town moves towards build-out, in general Mountain Village as it exists today reflects the TREPAC concept from 1979 of a supporting bed base and commercial facilities for the ski resort, with a unique, car free gondola transportation system connecting it to the Town of Telluride.

Today, peak skier visit numbers at the Telluride Ski Resort are up to 8,150 SAOT. With much of the development in Mountain Village still remaining to be built, the existing plans may well reach the maximum 10,000 SAOT within a 10 year horizon.

Ecosign has identified a number of major influences to planning in Mountain Village that were not foreseen by TREPAC.

- There was no formal plan for commercial space in Mountain Village in terms of phasing or amount of space required to balance with population density or visitation levels.
- TREPAC planned that 15% of the total bed base should be reserved for affordable employee housing. At the time, this was higher than in any other resort in Colorado, however, the number has not been changed to accommodate a growing need for employee housing while density has increased in the area. Today, isolated destination resorts such as Aspen have set the standards for employee housing closer to 30% of the total bed base. Price caps have not been applied to deed restricted housing, which has now gone out of the affordable range.
- Employee rental suites and affordable housing has been significantly eroded by sharply increasing real estate valued in Telluride and Mountain Village.
- TREPAC did not foresee that there would be such a prevalence of second homes in the region with very low annual occupancy. While these units may be occupied on peak days, they remain empty for much of the remainder of the year.

- Within the Town of Mountain Village, when a lot is down-zoned and developed, the unused density is transferred into a “density bank”. While the density originally planned in the PUD is preserved in this theoretical “bank”, the original owner of the lot retains ownership of the density in the density bank. In this way, the Town of Mountain Village preserves the total potential population planned for; however, the density must be bought and sold like a commodity for it to be used. In recent history, 1 condo unit (3 population density units) from the density bank has been sold for between \$75,000 and \$80,000. There is no plan to re-distribute the density that is within the density bank to ensure that it is developed in the best location possible.

.3 Background & Methodology

Partway through the inventory and balance analysis, Ecosign was directed to expand its Phase 1 scope to include an in-depth economic analysis of the commercial space in the Village Core. The impetus for this additional work was a Town of Mountain Village survey of residents that indicated a high level of dissatisfaction with the shopping and dining offered in Mountain Village. Additionally, Ecosign identified a significant number of design flaws in the original layout of the village.

- In particular, the Village Core poses significant problems for circulation, site lines and way-finding. The town hall gondola flies over the entire village and sends people directly to the Town of Telluride as opposed to depositing them on the west side of Mountain Village and letting them walk through the Mountain Village Core.
- There are too many plazas. The plazas do not have site lines connecting them.
- The façades on the commercial units in the village are of a residential scale and do not allow for the ideal transparency normally found in commercial districts.
- There are few if any covered gallerias to encourage a pedestrian experience adjacent to restaurants and retail.
- In short, Ecosign concludes there are a significant number of improvements that can be made to the Village Core and that a redesign can lead to revitalisation, given policy and practises which encourage development of transient occupancy beds.

At this time, Ecosign sub-contracted to Economic Research Associates (ERA) to prepare an analysis of the visitor spending required to support the retail space planned for the Village Core at build-out, to provide an in-depth analysis of the merchandising mix in Mountain Village and Telluride, and to develop a retail strategy plan for the Village Core retail space. ERA's scope included an analysis of the Conference Center, preparation of a servicing and deliveries plan, an analysis of signage and way-finding, as well as a review of architectural standards for store fronts in the Village Core.

Ecosign's scope of work was expanded to include preparation of a revitalization plan for the Village Core that addressed existing challenges in the physical layout of the Village and included proposals for development of the remaining undeveloped parcels, as well as to explore potential opportunities for re-development. The result of Ecosign and ERA's work, conducted across a broad spectrum of disciplines including land planning, resort design, consumer economics, architectural design, retail strategy and civil engineering, is an in-depth understanding of what is and is not working in the Village Core and a conceptual plan that addresses these issues as Mountain Village moves towards build-out.

As a result of expanding the Phase 1 scope, the Inventory and Balance Analysis is now referred to as Phase 1a and the Village Revitalization Strategy Phase 1b. As a prelude to the Phase 1b report, the conclusions from the Phase 1a Inventory and Balance Analysis are provided below.

.4 Phase 1a Inventory & Balance Analysis - Summary of Conclusions & Recommendations

Ecosign and ERA completed and presented the Inventory and Balance Analysis in July 2008. This work is summarized below.

Real Estate & Tourist Accommodation

- The pillow mix in Mountain Village is currently 13 percent employee, 34 percent single-family, 32 percent condo and 21 percent tourist accommodation, as shown in Table I.1. Under the current PUD, this mix will shift at build-out to 9 percent employee, 34 percent single-family, 38 percent condo and 19 percent tourist accommodation.

**TABLE I.1
TELLURIDE MOUNTAIN VILLAGE
PILLOW INVENTORY & ACCOMMODATION MIX**

	Existing No. Pillows	% Total Existing	Under Constru- ction	No. Pillows Remaining to be Built	Total PUD Pillows	% Total Built Out
Employee	1,037	13%	54	329	1,420	9%
SFU	2,832	34%	392	2,000	5,224	34%
Condo	2,634	32%	834	2,172 *	5,640 *	36%
Tourist Accom.	1,714	21%	439	1,028 *	3,181 *	21%
TOTAL	8,217	100%	1,719	5,529 *	15,465 *	100%
Max. potential pillows in the Density Bank					3,472	
Total Maximum Pillows in Town of Mountain Village PUD					18,937	

Source: TMV Lot list & Development Report August 31, 2008

*The total estimated number of Condo and Tourist Accommodation pillows has changed since the Balance Analysis Report was originally published in July 2008 with the recent approval of the Juno Hotel development on lots 109, 110, 73 & 76. The original PUD zoning for these lots was for a total of 26 Condo Units (130 Condo Pillows) and 1 Employee Unit (3 Employee Pillows). The new approved zoning allows for 112 EFF Lodge Units (336 Pillows), 9 Condo Units (45 Pillows) and 1 Employee Unit (3 Pillows). Accordingly, the number of Condo Pillows remaining to be built has decreased by 45 and the number of Tourist Accommodation Pillows has increased by 336. This translates to a net increase of 251 pillows to the total estimated pillows at build-out and only an increase of 5 PUD density units.

- There are currently 2,901 tourist rental pillows in Mountain Village, as shown in Table I.2. This represents 40 percent of the total single-family, condo and tourist accommodation pillows. If these ratios are maintained, there will be a total of about 5,623 hot pillows at build-out, which will maintain the ratio of 40 percent public pillows. While the ratio of rental pillows varies in mountain resorts, in general, 50 percent of pillows should be available for nightly rental to help to contribute to the vibrancy and economic vitality of the resort. To meet the 50% hot bed target, 7,023 pillows would need to be available for nightly rental such that **there is a shortfall of about 1,400 pillows if the existing hot bed ratio is maintained. If a higher projection of 60% hot pillow ratio is to be achieved, at build-out there would be a shortfall of 2,814 rental pillows if the existing pattern is maintained as listed in Table I.2.**
- A fifty percent hot pillow ratio is an absolute requirement for resort developments in British Columbia under the BC All Season Resort Development Guidelines and a sixty percent ratio is “recommended” for resorts that are more remote and have few day and regional visitors. It is also interesting that both Ecosign and ERA use the fifty percent benchmark to correct the imbalance of

existing resorts and to design new resorts and the standard is not only used in mountain resorts but also in sun, sand and sea resorts.

- The maximum potential of the density bank is for 3,472 hot beds in a certain configuration only and is unlikely to be achieved even if we find ways to utilize the density bank to upzone core area parcels to hot beds. To achieve the fifty percent hot bed target would require that forty percent of the potential pillows in the density bank be utilized for hot beds alone and to achieve a sixty percent ratio would require that eighty percent of the density bank be utilized for hot beds. As projects come forward for consideration by the Mountain Village Municipal Council, there will need to be flexibility in the design of each project and so this provides a range of desirable uses of the density bank for upzoning to warm beds but still providing flexibility to developers to build mixed use projects.

**TABLE I.2
TELLURIDE MOUNTAIN VILLAGE
RENTAL BED INVENTORY**

	Existing			BUILD OUT		
	Total No. Pillows	No. Rental Pillows	% Rental (Hot)	Total Pillows at Build Out	Theoretical % Rental (same as existing)	Theoretical No. Hot Pillows
Market Accom.						
SFU	2,832	520	18%	5,224	18%	959
Condo	2,634	858	33%	5,640	33%	1,837
Tourist Accom.	1,714	1,523	89%	3,181	89%	2,827
TOTAL	7,180	2,901	40%	14,045	40%	5,623
Number of Rental Pillows Required to Achieve 50% of Total at Build Out				7,023	Estimated Shortfall of Rental Pillows =	1,399
Number of Rental Pillows Required to Achieve 60% of Total at Build Out				4,214	Estimated Shortfall of Rental Pillows =	2,814

Source: TMV Lot list & Development Report August 31, 2008 and Transient Bed Inventory, 2007

8

- The majority of the existing and future planned high-density tourist accommodation is within walking distance of the Village Core or the people mover lifts. The Bear Creek Lodge and future Rosewood hotel are the only tourist accommodation developments that lie outside of a comfortable walking distance to the main commercial areas, people-mover gondolas or primary ski lifts.

⁸ Transient Bed Inventory, 2007 – Visit Telluride

- The accommodation in Mountain Village is currently 53% built. Employee housing is more built out than other types of accommodation (73%), pointing to an increasing shortage in affordable housing in TMV. When the projects currently under construction are completed, Mountain Village will be 65% built. Table I.3 lists the Telluride Mountain Village Unit Build-Out Summary.

**TABLE I.3
TELLURIDE MOUNTAIN VILLAGE
PILLOW BUILD-OUT SUMMARY**

	Existing No. Pillows	No. Pillows Under Const- ruction	Total No. Pillows at Build Out	Existing % Built	% Built When Current Construction Completed
Employee	1,037	54	1,420	73%	77%
SFU	2,832	392	5,224	54%	62%
Condo	2,634	834	5,640	47%	61%
Tourist Accom.	1,714	439	3,181	54%	68%
TOTAL	8,217	1,719	15,465	53%	64%

Source: TMV Lot list & Development Report August 31, 2008

Employee Housing

- Continue to concentrate and densify employee housing in the Meadows Neighborhood.
- Consider density bonuses for future developments that provide additional employee housing.
- Employee housing is more built-out than the market housing in Mountain Village. Ecosign has projected that the percentage of employee pillows compared to total pillows will decrease to 9 percent from the existing 12 percent at build-out. Therefore, the existing shortage of employee housing will increase over time.
- Furthermore, a recent report for the Telluride region estimates that the existing land zoned for employee housing in the region can only accommodate 1/3 of the projected demand for employee units over the next 12 years. According to this report (Telluride Region Housing Demand Analysis, 2008)⁹ approximately 30-35 units of employee housing needs to be built per year in addition to projects on existing designated employee housing parcels. This translates to approximately 30 acres of land in the region that would need to be re-zoned for employee housing by 2020 (10 - 14 units per acre over 12 years). Efforts should be made to land bank parcels outside of but nearby Mountain Village for employee housing.

⁹ Telluride Region Housing Demand Analysis 2008, Economic Planning Systems

- Telluride Mountain Village’s remote location and mountainous terrain makes both moving people from outlying towns and developing local employee housing a challenge. There is very little existing vacant land in the region that is a suitable price and proximity for developing employee housing.
- Land designated as active open space within the town boundary of Mountain Village should be considered for potential up-zoning to employee housing designation in an effort to meet the future demands for employee housing described in the Telluride Regional Housing Demand Analysis report.
- Providing affordable employee housing is a key challenge for all mountain resort communities. The consequences for failing to supply adequate employee housing include increased transportation costs, increased parking demand, lower levels of service in resort business and difficulties attracting and retaining employees.
- New hotel developments will create further demands for employee housing.

Parking

- Discourage overnight parking in the free gondola structure by charging a fee to park overnight.
- Determine the number of units in the village that do not have parking stalls associated with them by surveying the property management companies. Provide these stalls as part of the additional underground parking below the Capella and Lot 109/110 buildings.
- Prohibit owners from selling their parking stalls separately from their units. In new developments, allow underground parking stalls to be pooled and have the use of these stalls associated with occupancy of the unit.
- Reserve remaining additional underground stalls in Capella and Lot 109/110 for short-term parking for the village.
- As Mountain Village becomes more built out, an intercept parking lot for employees may be required at the Lawson Hill gas station.
- More parking for employees, skiers and buses should be provided in the Meadows neighborhood. Increased use of this portal should be emphasized.
- Underground parking in the Village Core should be pooled and available so that overnight guests do not need to park in the parking structure. There should be a fee for parking overnight in the structure to limit users to residents, employees and day visitors. Some of the additional stalls under the Capella building should be used to help mitigate the problem of private ownership of parking stalls under the existing village buildings.

- The gondola parking structure may have to be built to its full capacity in the event parking management programs and additional parking spaces coming online are not sufficient. Circulation should be redirected so that the structure loads from the bottom and unloads from the top.

Commercial Space

- In comparison with other successful mountain resort communities, Mountain Village has too much commercial space on a square foot per bed or per unit basis.
- The Village Core currently contains approximately 166,000 square feet of commercial space, 14,000 of which is vacant. The commercial space in the See Forever, proposed Juno Hotel, Capella Hotel and Silverline Condo projects will add approximately 43,000 square feet of commercial space to the Village Core. If no other significant commercial space is added to what is planned, commercial space in Mountain Village is approximately 79 percent built-out. With accommodation only 53 percent built-out, the existing imbalance of commercial space will likely improve over time, particularly if the majority of the new units are constructed and operated as ‘hot beds.’ Vibrancy of the commercial space is also dependent on improving occupancy rates on an annual basis. Table I.4 summarizes the existing and future inventory of commercial space in Telluride Mountain Village.

**TABLE I.4
TELLURIDE MOUNTAIN VILLAGE
COMMERCIAL SPACE BUILD-OUT SUMMARY**

	Existing						Build Out*		
	Village Core	% Built	Outside Village	% Built	Total Mountain Village	% Built	Village	Outside Village	Total Mountain Village
Retail / Restaurant	49,361	51%	17,531	97%	66,892	58%	96,411	18,029	114,440
Skier Service / Telski Offices	38,263	66%	5,521		43,784	76%	57,614	-	57,614
Office	33,843	83%	11,258	75%	45,101	81%	41,004	14,950	55,954
Consumer Service	12,716	108%	26,215	67%	38,931	76%	11,806	39,275	51,081
<i>SUBTOTAL RETAIL, OFFICE & SERVICE</i>	134,183	65%	60,525	84%	194,708	70%	206,835	72,254	279,089
Vacant	16,436		491		16,927				
Subtotal Commercial	150,619	73%	61,016	84%	211,635	76%	206,835	72,254	279,089
Other (Conference / Spa)	22,179	98%	74,429	63%	96,608	69%	22,609	117,452	140,061
Private	6,778	77%	30,097	506%	36,875	251%	8,756	5,953	14,709
Total Space	179,576	75%	165,542	85%	345,118	80%	238,200	195,659	433,859

*Claculated from measurments off existing development proposals and occupying all existing vacant space with retail.

Source: Existing inventory from Mountain Village Economic Model, 2008

- The mix and amount of commercial space needs detailed study as to ‘casting’ and the development of a retail recruitment program.

- Based on the above analysis, it is difficult to argue that any increment in retail space is currently supportable or required on a pure economic basis. The existing retail under-performs within the context of other established mountain resort developments and there is sufficient capacity to absorb any reasonable anticipated increase in either visitor or resident traffic within the context of near term growth of the resort operation.
- If there is a desire to drive higher sales per square foot levels, then there is no need to build-out the allowable retail square footage per the existing PUD. If there is strong desire to build-out the retail, then there will need to be a concerted effort to maximize the ‘hot bed’ yield in any future development.
- Public policy should strongly guide future developments to provide more rental ‘hot’ beds. We also recommend that the density bank be utilized exclusively for infill development of hot beds. If this policy is enacted by the Town of Mountain Village, then up to 3,400 additional rental pillows could become available to support a vibrant and economically sustainable village core at Mountain Village.

Existing Recreation Facilities

- An increase in the quality and variety of seasonal recreation activities offered in Mountain Village will provide more reasons for visitors to come to Mountain Village and may increase their length of stay.
- While winter facilities are of a high quality, there is a need for increased summer recreation space such as sports fields and an improved trail network. There are limited paved and unpaved trails that connect to the Village Core and surrounding neighborhoods and open space. Ecosign recommends a Trails Master Plan be included in future planning efforts for Mountain Village.
- Mountain Village and Telski should consider other mountain uses such as a mountain bike park, Alpine Slide (Coaster), Zip-Trek, Zorby Fields and Frisbee Golf so as to offer a variety of activities and better utilize existing mountain infrastructure.

Future Development

- Densification should happen on parcels within comfortable winter walking distance of staging lifts or ski-in/ski-out parcels.

- Densification within comfortable winter walking distance from the Chondola and the Town Hall Plaza should be encouraged.
- Any up-zoning or new zoning should be conditional upon a high percentage of ‘warm beds’ being developed with underground parking on each site to carry the full occupancy of each building.
- There are 520 units of unused density in the density bank. The total allowable density in Mountain Village is 8,171 density units. Ecosign recommends that the majority of unused density be directed towards infill of appropriate core areas as transient occupancy units.
- If the units in the density bank do not get used for the development of hot beds, then the Town may need to develop alternative land use and density policy that addresses the need for hot beds to support the economic sustainability of the commercial businesses in the Village Core.
- Given the dearth of remaining available land to build on, there is a need to attract high caliber guests to support the commercial core, as guest spending is a central issue.

Resort Sustainability

- Mountain Village has been designed, built and operated to a very high standard when compared to other North American resorts.
- Mountain Village only has one ‘flag’ hotel – the Fairmont Franz Klammer Lodge, which is rather small. A national brand operator is needed for The Peaks property.
- The Telluride Conference Center should be professionally evaluated to determine whether it can be upgraded to expand conference/convention uses.
- Mountain Village is in the ‘teenage’ stage of resort maturation. With only 53 percent of the planned accommodation pillows built and without facilities and programs to attract visitors on a year-round basis, annual occupancy is relatively low. This is a normal phase that most mountain resorts go through before becoming viable four-season resorts. Increasing summer recreation opportunities, festivals and events, attracting groups for shoulder season conferences and building supporting facilities in combination with an increased public bed base may well move Mountain Village towards the final stages of resort maturation.

- Mountain Village experiences a fairly high degree of seasonality with peak periods during the winter's four and one-half months of skiing, a second but lower level in four months of summer and then pretty low utilization in spring and fall. This is normal for mountain resorts and many beach resorts suffer from the same if not reverse effect. However, higher levels of transient occupancy and hence visitors provide a better chance that the commercial retail shops, restaurants and other enterprises can afford to operate all year round. Year round operation means better employees, less turnover which reduces operating costs and finally, supports a year round community and a high quality mountain lifestyle.
- Increased summer and winter visitation in Mountain Village will contribute to increase spending in the Village Core. Densification and infilling of tourist accommodation should happen only on parcels that are within walking distance from the Village Core or connected to the village by a people-mover gondola. Unused density in the density bank should be transferred onto suitable parcels around the Village Core and used for tourist accommodation to contribute to the economy of Mountain Village to the greatest extent possible.

II. PROJECTION OF BEDS TO SUPPORT RETAIL AT BUILD-OUT

.1 Introduction

In attempting to answer the question regarding how many pillows are required to support commercial space that can be accommodated in Mountain Village, ERA tested for multiple variables. We first attempted to replicate existing conditions to the degree possible in order to establish a ‘base’ from which to test the impact on pillow count from changes in any single variable, or any combination thereof. We then tested the 100,000 square foot threshold at three different levels of ‘performance’; i.e. some combination of the variables that could impact pillow count.

.2 Recommended Build-Out Amount of Retail and F&B Space

The International Council of Shopping Centers (ICSC), a clearinghouse for retail industry standards and data, defines critical mass as the “number of retailers and square footage needed in one center or in one market to create enough excitement to attract a high volume of shoppers.” Based on the size of the built environment and TMV’s customer base, 100,000 square feet would be a minimum critical mass for the Town of Mountain Village core area retail and food and beverage. This figure represents the point at which, according to the Urban Land Institute (ULI), an international industry association providing development standards for real estate development, a cluster of retail shifts from being a Neighborhood Retail Center to a Super Community/Community Center. The table below notes the various sizes for retail center typology.

**TABLE II.1
RETAIL CENTER CLASSIFICATIONS & DESCRIPTIONS**

Category	Typical Size	Range of Sizes
Super Regional Center	1,000,000	500,000-1,000,000
Regional Retail Center	500,000	250,000-900,000
Super Community/Community Center	180,000	100,001-500,000
Neighborhood Center	60,000	30,001-100,000
Convenience Center	30,000	<30,000

Source: "Dollars and Cents of Shopping Centers," Urban Land Institute, 2008

Based on the outlined goals for both retail expenditures and place-making, the retail in TMV should be more substantial than a mere Neighborhood Center, however, not too large and therefore unsustainable. Building too much retail, before the market is proven with a critical mass of successful retailers, could be detrimental to the area. If TMV's planning objectives outline a small scale exclusive resort village then retail should be sized to suit that market. If TMV's planning objectives outline a large scale inclusive resort village then retail should follow this growth after it is achieved. Retail follows rooftops (or in this case visitors) and should be sized accordingly. It is much better for occupied stores to have significant demand and high sales per square foot than for vacant storefronts to create a dead or unappealing environment. Vacant space or subsidized retail is a financial loss for property owners. Additionally, if total potential expenditures are distributed over more retail space, then each store's productivity may decrease.

Based on existing conditions, available visitor expenditures (current trends), the nature of retail following not driving other uses, ERA and Ecosign recommend a target of 100,000 square feet of retail and food and beverage uses in the village core. Currently, there is approximately 52,600 square feet of retail and food and beverage uses; some of which appear to be performing at sales productivity level below ERA's target figures. ERA does not have access to individual store sales in either TMV or Town of Telluride, but, anecdotally, we were told by local retailers that our projections were higher than current achieved sales levels. A 100,000 square foot target represents a 47 percent increase over current retail space. Extending beyond this increase for initial phases of reconfiguration and development is risky. If retail demand grows significantly, existing built space in the core should be maximized with retail uses.

The overall Mountain Village Planned Unit Development (PUD) basically says that the entire ground floor of each and every building is usable for commercial space. Ecosign's detailed inventory has calculated that if this were to take place, a total of 581,879 square feet of commercial space would be possible in Mountain Village. If we subtract 196,400 square feet, which is allowable in the Peaks Hotel and an additional 33,657 square feet that lies in the Town Hall Plaza, we have a net amount of about 352,000 square feet in the Mountain Village commercial core area. Utilizing assumed ratios, this would provide a total of 137,000 square feet of retail and food and beverage in the commercial core. However, while this may ultimately be possible at very high levels of performance, we think supporting such a high level of commercial space will be a challenge and hence, we are recommending a minimum target of 100,000 square feet.

.3 Retail Productivity (Sales per Square Foot)

Retail productivity is gauged by annual sales per square foot (total size of retailer's space) and is an industry standard that indicates the success of a retailer. This annual summary incorporates seasonality patterns, as well as variations by month. Seasonality patterns are different in conventional retail settings, in which retailers often generate 35 to 40% of their annual sales in the last quarter, as opposed to seasonal activity-based settings like Telluride Mountain Village.

In Table II.2 we provide Performance Benchmarks for five Mountain Resort Villages and six Mountain Resort Towns. The table lists average triple net lease rates and estimated average annual sales performance in dollars per square foot along with a calculation of the average percent of gross sales as payable for rent. While one can see a fairly wide range in retail sales, this is due to the different types of shops. Food and beverage spaces often perform at the lower end with small, high end jewelry shops representing the higher ranges. The five Resort Villages provide good goals for Mountain Village, while the six Resort Towns are probably a good analog for the Town of Telluride. The Resort Villages generally have higher revenues than the towns with the exceptions of Aspen, Colorado and Banff, Canada.

In the case of TMV, ERA considered annual sales productivities that are higher than typical retail industry standards and current sales, but moderate in the resort retail industry. Ski areas can generate higher average sales than the averages in more conventional retail models (shopping malls, strip centers and traditional commercial districts). The Urban Land Institute cites that resort retail can be between \$500 and \$800 per square foot. However, it is widely recognized that the current sales per square foot that is currently being achieved (\$270 psf) is well below what is needed to be viable. The merchandizing plan targets \$350 to \$500 per square foot, and some other mountain resorts achieve in excess of that. We are cognizant of the desire to have Telluride Mountain Village merchants performing at levels achieved by the best resorts. For purposes of this analysis, we tested for sales increasing from their current levels up to \$500 per square foot (constant dollars) as the high performance level. Individual merchants may outperform this average, but in ERA's experience it will be difficult within any reasonable time frame to greatly exceed this target across all merchant types. Achieving higher sales per square foot, holding all other variables constant, would require more transient accommodations.

**TABLE II.2
PERFORMANCE BENCHMARKS**

Resort	Range of Annual NNN Lease Rate (\$US)	Range of Annual Sales Performance \$US	Sales % of Gross Sales for Rent
Resort Villages			
Whistler	\$30 - \$85 psf	\$300 - \$600 psf	12% - 15%
Mt. Tremblant	\$40 - \$60 psf	\$400 - \$800 psf	8% - 12%
Vail Village, CO	\$40 - \$70 psf	\$385 - \$650 psf	6% - 12%
Lionshead, CO	\$20 - \$50 psf	\$250 - \$550 psf	6% - 9%
Beaver Creek, CO	\$50 - \$80 psf	\$500 - \$1,200 psf	8% - 12%
Resort Towns			
Aspen, CO	\$80 - \$120 psf	\$600 - \$800 psf	15%+
Park City, Utah	\$30 - \$50 psf	\$250 - \$500 psf	8% - 10%
Jackson, WY	\$15 - \$50 psf	\$200 - \$600 psf	8% - 10%
Banff, Canada	\$60 - \$80 psf	\$500 - \$800 psf	12%+
Bend, Oregon	\$18 - \$30 psf	\$200 - \$350 psf	6% - 10%
Whitefish, MT	\$15 - \$20 psf	\$250 - \$450 psf	6% - 8%

Source: Whistler Retail Strategy, 2007

These ranges could be attributed to varied sales across different resorts and also different store types (as discussed above).

Productivity is annualized, despite seasonality. The value of annualizing sales productivities is that comparisons can be made between comparable store categories on same-store-sales basis (a comparison of how well a store performed when measured against its sales in preceding years) and how well that store’s performance measures against comparable same-store examples. Because retail profits are not consistent over individual months but operating costs are more consistent, retailers budget their annual revenues and costs over a twelve month period.

Table II.3 notes the highest retail sales per square foot for various retail categories across shopping centers in the US.

**TABLE II.3
 DETAILED TENANT INFORMATION TABLES FOR U.S. SUPER COMMUNITY/COMMUNITY
 SHOPPING CENTERS 2008**

Tenant Classification	Sales per Square Foot		
	Top Ten Percent	Median	Top Two Percent
Supermarket	\$688	\$486	\$820
Gourmet Grocery/Convenience/Specialty	\$482	\$203	\$745
Liquor/Wine	\$687	\$396	\$962
Café/Sandwich Shop/Coffee/Ice Cream	\$610	\$326	\$712
Fast Food	\$545	\$308	\$586
Cafeteria	n/a	n/a	n/a
Restaurant	\$576	\$304	\$913
Apparel	\$559	\$240	\$708
Shoes	\$278	\$190	\$327
Jewelry	\$1,627	\$303	\$2,276
Eyewear	\$916	\$360	\$2,064
Home Furnishings/Luggage	\$348	\$246	\$487
Home Repair/Hardware/Pet	n/a	\$389	n/a
Pet Store	\$334	\$205	\$411
Art Gallery	n/a	n/a	n/a
Automotive Products	\$248	\$173	\$308
Sporting Goods/Toys	\$477	\$221	\$607
Arts and Craft/Hobby/Special Interest	\$256	\$155	\$320
Flowers/Plant Store	\$314	\$265	\$424
Cards/Gifts/Books	\$287	\$199	\$378
Drugstore/Pharmacy	\$812	\$429	\$1,063
Cosmetics/Beauty Supply	\$539	\$298	\$856
Office Supply	n/a	\$202	n/a
Telcom/Telephone Store	\$498	\$220	\$1,044
Audio Video/Computer	n/a	\$290	n/a
Camera	n/a	\$630	n/a
Automotive Service Station	n/a	\$1,321	n/a
Consumer Service	\$378	\$173	\$471
Entertainment (Cinema)	\$0	\$87	\$0

Note: These are figures based on US shopping centers, some information is not available (n/a).

Source: "Dollars and Cents of Shopping Centers" Urban Land Institute, 2008

Factors Impacting Retail Productivity

In addition to customer market characteristics and expenditure potentials, productivity can range based on **store type** and a **retailer's ability** to appropriately merchandise, market, and sell goods. Store type factors that impact productivity include:

- **Store size:** In a large store, gross sales are divided by a large number of square feet resulting in lower sales per square foot. Additionally, the retailer is paying rent for more square feet than are economically productive. Furniture stores illustrate this relationship. While the price point of individual pieces of furniture may be high, the merchandise requires a large format store. This relationship occurs in the reverse direction also. In a small store, gross sales are divided by a small number of square feet. A small cosmetics shop illustrates this relationship. The products require very little space. Interestingly, while shoe stores require a small amount of selling space, they do require a large storage area for multiple shoe sizes.
- **Wholesale cost goods:** If the wholesale cost of merchandise is inexpensive, then there is potential to have a higher profit margin. Successful coffee and pizza shops illustrate this relationship. The low cost of coffee wholesale and the simplicity of pizza ingredients contribute to high profit margins. Granted, many cups of coffee and pieces of pizza must be sold to support a market rent.
- **Retail cost of goods:** Expensive retail prices can also produce high profit margins. Fine jewelry stores illustrate this relationship. The combination of expensive merchandise and small spaces typically results in high productivity rates for jewelry stores. Stores that sell inexpensive merchandise must sell a large quantity to cover operating costs, such as a greeting card store.
- **Necessity of product/frequency of purchases:** There are ranges of demand for certain products based on their necessity in day to day activities of the consumer, especially during down markets. For example, people will cut back on apparel and accessories before cutting back on food and personal care items.

A store's merchandise selection and physical appeal to a potential customer greatly impact productivity. It was once thought that resort retail did not need to change because visitors change throughout the year. This philosophy, however, has changed and retailers need to offer reasons for visitors to come back again, extend shopping time, and stay longer. Several productivity factors are directly related to a retailer's ability to operate and merchandise a store efficiently and successfully.

This is a challenging variable to account for when estimating productivity levels. A conservative approach assumes that not all stores in a merchandise mix will perform at the highest levels possible. The current \$500 maximum productivity is a reflection of these unknowns and market realities. A refined retail recruitment and qualification process is the best way to ensure stores are owned or operated by great retail professionals. These include:

- **Inventory levels:** A store should have ample merchandise without feeling cluttered or overwhelming. Inventory should be continually cycled through each season. A retailer should be able to sell their merchandise to make room for new merchandise seasonally.
- **Merchandise Type:** Merchandise should be cohesive, creative, and reflective of the target customers' characteristics and preferences. It should fulfill consumers' desires while on vacation, whether to experience local culture through purchasing goods or dining out, splurge on expensive items, or pamper themselves with services.
- **Merchandise Displays/Store Layout:** A retailer should appropriately display and store merchandise (i.e. all the stock should not be displayed in the selling space). Window displays should, ideally, be changed daily or at minimum every two weeks. Additionally, elements of the store should be well-located. These include check-out counter, dressing rooms, lighting, shelves, clothes racks, seating, etc.
- **Maintenance:** A store should be immaculate, windows spotless, front area swept, paint and decorations in good condition, etc.
- **Customer Service:** Store personnel should be attentive and polite to customers at all times.

Based on the existing sales at TMV and in Telluride, the variables and unknowns regarding store type and quality, the potential market expenditures, and the comparisons to retail at other resorts, ERA and Ecosign estimate that \$500 per square foot is a realistic and maximum productivity target. The minimum productivity target for retailers should be an average of \$350 per square; medium target sales productivity should be \$425 per square foot.

.4 Discussion of Variables Tested

The reader of the analysis provided below should once again remember that the estimated pillow counts are approximates, and should not be viewed as firm projections. The estimates are meant to guide future planning and discussion, and to inform the reader of the relative magnitude of change that may result in supportable pillows through changing market conditions over time.

The variables tested included:

- Targeted sales per square foot in order to achieve viability for merchants
- Capture of the available spending by Mountain Village
- The percentage of spending contributed by overnight guests versus other groups
- Spending per day
- The average size of the group per occupied units
- The achieved annual occupancy

Changing any single variable while holding others constant, allows one to view the relative demand for lodging in light of trends in the single variable being tested. The objective of this analysis has been to test what may be reasonable changes in current conditions over time across a variety of assumptions. The change in any single variable may take many years to establish, or reverse, existing conditions, either in isolation or in conjunction with other variables, so it is impossible to predict when or if the impacts may be realized with any certainty. A description of the variables and how they impact demand for lodging is described below.

Additionally, the reader of the analysis provided below should note throughout this analysis that retail follows growth in residential, visitor, and other customer segments, as opposed to retail driving demand for such uses. It is a secondary land use in TMV. In a mountain resort, such as TMV, a great retail experience will serve as an important amenity to the primary use, second homes, recreation, and tourism. While retail can impact visitor return, visitor expenditures, housing sales absorption, occupancy rates, and the overall success of the area, it does not solely create demand for new residential or visitor units. If retail is to be sustainable and profitable it will grow as the market grows. If retail is sized larger than the market can support, then it will need to be significantly subsidized until the market catches up to the size. It is important that the retail productivity, sizing, and tenant mix reflect this role in the overall development program of TMV.

Capture of the Available Spending

Other analyses (EPS and RRC) have indicated a great deal of the existing spending of overnight guests ‘leaks’ out of Mountain Village due to a variety of reasons. If the suggested merchandizing plan, along with the physical changes to the existing Village plan are achieved, it is reasonable to achieve a gradual reversal of that leakage. While not practical to assume a 100 percent capture, targeting reducing the leakage to around 40% would be an admirable goal. If this can be accomplished, and all other variables remained the same, the required transient accommodation base would actually decline.

Contribution to Total Spending Derived from Transient Guests

Currently, (2006 EPS estimate) approximately 62.5 percent of the total retail sales in Mountain Village are derived from overnight guests and second home owners, with overnight guests contributing closer to 45 percent of total. Since the focus of the planning to date is on creating more transient beds, this variable assumes that the overall contribution derived from guests becomes a larger percentage of the pie. Since increasing the overall sales from guests implicitly assumes more guests, it is unlikely however that this could be achieved without some impact on other variables, specifically occupancy and/or number of ‘hot beds’. For purposes of the current exercise, the decision was made to hold this variable constant.

Spending Per Day

One sure way to improve performance would be to increase spending per day by all sources, but in particular the overnight guests. This may be achievable by a combination of the merchandizing plan, increasing the number of higher priced hotels (attracting wealthier guests), etc. Higher spending levels per guest would actually decrease the need for additional ‘hot beds’ at build-out when tested as a single variable. Even though such a change may be possible, for purposes of this analysis, the spending level has been held constant. The amount used in the analysis has been interpolated based on the 2007/2008 RRC intercept interviews at the Montrose and Telluride Airports¹⁰. Once the results from the summer interviews are made available, it may be necessary to revisit this assumption.

¹⁰ Telluride/Montrose Airport Survey 2007/08 RRC Associates

Average Party Size

The average party size in Mountain Village, according to occupancy statistics, is approximately 3.6, reflecting the number of large second homes that constitute the rental stock. As the effort continues to focus on ‘hot beds’ and smaller units, intuitively the party size will decline, and if it does so, holding all other variables constant, the number of required hot beds would increase. Based on the degree of build-out of the Village however, even if a disproportionate amount of future development was dedicated to ‘hot beds’, it is unlikely that this metric will change dramatically. For purposes of the illustrations in this analysis, this variable was left unchanged.

Improved Annual Occupancy

Much has been said of the desire to increase occupancy levels in the Village, as well as the Town of Telluride, to increase the vitality of the broader community. If this can be achieved without substantive change in the nature of the visitor base, spending patterns, or other variables reviewed as part of this analysis, then the requirement for transient beds would similarly decrease due to the improved utilization. This shift in occupancy could potentially be achieved through more aggressive marketing, improved programming, actively soliciting the group market to fill the conference center, etc. As discussed in prior documents, it is unlikely that the aggregate occupancy will ever grow beyond 50 percent. To illustrate the impact for the three scenarios shown, the occupancy has been tested at various levels between 40 and 48 percent.

.5 Estimate of Hot Pillows to Support Commercial Space

An inventory of the existing transient bed base (hot pillows) in Mountain Village was carried out by Ecosign as a component of the Inventory and Balance Analysis Report (July 2008). As part of this exercise, existing proportions of hot vs. cold pillows was determined for the three main lodging types in Mountain Village; single family, condo and tourist accommodation units. There are currently 2,901 hot pillows in Mountain Village which represents 40% of the total existing inventory of market pillows (not including employee housing). **In estimating the number of hot pillows that will likely be added to the existing inventory at build-out, the existing proportions of hot pillows has been applied to the pillows remaining to be built under the PUD for each of the three unit types, as shown in Table II.4.** Therefore, according to past development trends, an estimated 2,722 hot pillows may be added to the resort at build-out.

‘Pillows’ have been used as the unit of measurement for this exercise because they represent absolute sleeping capacity: one pillow is equal to a place for one person to sleep; while an inventory of units could vary greatly in sleeping capacity from one unit type to another. Since we have calculated the existing transient bed base in pillows, we need to keep our projections of what is required at build-out in the same units. The resulting calculation of pillows required at build-out represents an absolute sleeping capacity, but these pillows could be configured into a variety of combinations of unit types.

**TABLE II.4
ESTIMATE OF HOT PILLOWS IN MOUNTAIN VILLAGE AT BUILD-OUT**

Accommodation Type	Total Existing No. Pillows	Existing No. HOT Pillows	Existing % HOT	Pillows Remaining to be Built	Theoretical % HOT for Remaining Pillows	Theoretical HOT Pillows Remaining to be built	Total Pillows Build-Out
SFU	2,832	520	18%	2392	18%	439	5,224
Condo	2,634	858	33%	3,006	33%	979	5,640
Tourist Accommodation	1,714	1,523	89%	1,467	89%	1,304	3,181
	7,180	2,901	40%	6,865		2,722	14,045

Note: Does not include density in Density Bank

Tables II.5, II.6 and II.7 present an analysis of the number of pillows required to support retail in the Mountain Village Core under three different scenarios. By means of this calculation, ERA/Ecosign have projected an estimate of the number of hot pillows that would be required to support a desired amount of retail based on a series of assumptions. Total indicated sales has been calculated for the observed performance, as well as projected for Low, Medium and High performing retail based on industry standards for an average target sales per square foot of retail space. Ecosign has calculated the contribution of overnight guests to retail spending in the Mountain Village Core based on average annual occupancy, average spending per visitor per day, and an average “capture rate” in the Village Core of total retail spending. Based on data in the EPS Economic model, we have assumed that the spending from overnight guests makes up 62.5% of total retail spending, and that the remainder will come from local residents, second home owners, day visitors and visitors from outside of Mountain Village. By calculating aggregate spending needed to achieve target sales from the total indicated sales for low to high performance, an estimate of the number of hot pillows required to generate these sales can be deduced. Subtracting the existing inventory of hot pillows from this number presents a projection of the net additional hot (rental) pillows required in Mountain Village.

ERA/Ecosign has carried out this analysis for three difference scenarios, as shown in Tables II.5, II.6 and II.7. In Scenario 1 (Table II.5), the model and assumptions are checked or “calibrated” to existing observed retail performance. Our inventory of retail space in the Village Core coupled with sales tax information, observed average sales productivity, observed annual occupancy rates of rental units and our inventory of rental pillows in Mountain Village form the basis of the model. Assumptions for the remaining variables including Capture Rate, Overnight Guest Contribution to Sales, Average Annual Spending per Visitor Per Day and Average People per Unit are applied to the base information. The resulting estimate of 1 Additional Pillow Required tells us that the model is calibrated and the assumptions are within range of the existing observed performance levels utilizing the calibrated model, we have therefore tested various changes to the assumptions.

Scenario 1 – Beds to Support Existing Retail Space

Scenario 1 (Table II.5) shows a projection of the number of additional hot pillows required to support the existing retail in the Village Core at low, medium and high performance levels of target sales. In this scenario, all other variables have remained constant; spending per visitor per day, average annual occupancy and capture rate have not increased. Potential future hot pillows in addition to the existing inventory have not been factored into this projection. According to the assumptions in Scenario 1, 2,474 additional hot pillows are required to support the existing retail in Mountain Village at the High Performance level of \$500 psf.

Scenario 2 – Beds to Support Existing Retail + Capella Retail Space

Scenario 2 (Table II.6) has the same set of underlying assumptions as in Scenario 1, except the retail and hot pillows that will be built in the Capella Hotel have been included in the calculation. When the Capella Hotel is finished and all retail space is leased and all units are sold and in operation, there will be a total of 67,355ft² of retail in the Village and a potential 270 more hot pillows to add to the existing inventory. In Scenario 2, we have tested again for the number of additional pillows that would be required to support low, medium and high performing retail assuming that all other variables stay the same. Under these assumptions, an additional 3,981 hot pillows would be needed in Mountain Village to support the high performing retail sales for all retail in the Village Core, illustrating that the retail added to the Village Core from the Capella is will not be sustained by the pillows added by the same development, even for low performing retail.

**TABLE II.5
SCENARIO 1
REQUIRED PILLOWS TO SUPPORT EXISTING RETAIL
WITH INCREASING TARGET SALES PRODUCTIVITY AND
NO CHANGE TO OTHER VARIABLES**

		EXISTING CONDITIONS			
#	All Variables	Observed Performance	Low Performance	Medium Performance	High Performance
	Square feet of Retail Space	52,600	52,600	52,600	52,600
1	Target Sales Per Square Foot	\$ 270	\$ 350	\$ 425	\$ 500
	Indicated Sales (\$000)	\$ 14,202	\$ 18,410	\$ 22,355	\$ 26,300
2	Mountain Village Capture Rate	49%	49%	49%	49%
3	Overnight Guest Contribution To Total Sales	62.5%	62.5%	62.5%	62.5%
	Aggregate spending to achieve target sales performance	\$ 18,115	\$ 23,482	\$ 28,514	\$ 33,546
4	Spending per visitor per day	\$ 60	\$ 60	\$ 60	\$ 60
	Visitor Days	301,913	391,369	475,234	559,099
5	Average people per unit	3.60	3.60	3.60	3.60
	Annual Occupied Room Nights	83,865	108,714	132,009	155,305
	Average Occupied Room/Day	230	298	362	425
6	Average Annual Occupancy	38%	38%	38%	38%
	Number of Actively Rented Units Required	605	784	952	1,120
	Number of Rental Pillows Required	2,902	3,762	4,568	5,375
	Less Existing Number of Rental Pillows	2,901	2,901	2,901	2,901
	Net Additional Rental Pillows Required	1	861	1,667	2,474

**TABLE II.6
SCENARIO 2
REQUIRED PILLOWS TO SUPPORT EXISTING RETAIL + CAPELLA RETAIL & PILLOWS
WITH INCREASING TARGET SALES PRODUCTIVITY AND
NO CHANGE TO OTHER VARIABLES**

#	All Variables	EXISTING CONDITIONS			
		Observed Performance	Low Performance	Medium Performance	High Performance
	Square feet of Retail Space	52,600	67,355	67,355	67,355
1	Target Sales Per Square Foot	\$ 270	\$ 350	\$ 425	\$ 500
	Indicated Sales (\$000)	\$ 14,202	\$ 23,574	\$ 28,626	\$ 33,678
2	Mountain Village Capture Rate	49%	49%	49%	49%
3	Overnight Guest Contribution To Total Sales	62.5%	62.5%	62.5%	62.5%
	Aggregate spending to achieve target sales performance	\$ 18,115	\$ 30,069	\$ 36,513	\$ 42,956
4	Spending per visitor per day	\$ 60	\$ 60	\$ 60	\$ 60
	Visitor Days	301,913	501,153	608,543	715,933
5	Average people per unit	3.60	3.60	3.60	3.60
	Annual Occupied Room Nights	83,865	139,209	169,040	198,870
	Average Occupied Room/Day	230	381	463	545
6	Average Annual Occupancy	38%	38%	38%	38%
	Number of Actively Rented Units Required	605	1,004	1,219	1,434
	Number of Rental Pillows Required	2,902	4,818	5,850	6,882
	Less Existing Number of Rental Pillows	2,901	2,901	2,901	2,901
	Less Pillows in Capella		270	270	270
	Net Additional Rental Pillows Required	1	1,917	2,949	3,981

Scenario 3 – Beds to Support 100,000ft² of Retail at Build-out

Scenario 3 presents a projection of the number of hot pillows that will be needed to support 100,000ft² of retail in the Village Core at build out. In this scenario, ERA and Ecosign have assumed that an increased capture rate and higher annual occupancy of rental units in Mountain Village will coincide with higher performing retail space. Also, the estimate of the number of rental pillows that will be added to the existing inventory at build out of all accommodation units in Mountain Village has been included in the calculation (Table II.4). In Scenario 3, the net additional pillows required in Mountain Village above what exists today and what is expected to be built in the future according to the existing P.U.D., is approximately 1,400 pillows to support 100,000ft² of high performing retail. Increased annual occupancy of hot units from 38% to 47% and an increased capture rate from 49% to 58% have impacted the projection, as more people in existing beds that spend more of their money in the Village Core will diminish the number of additional beds required. If retail performs at higher levels, this will be a result of a better merchandise mix and a higher quality retail experience which will contribute to the overall attractiveness of the resort and appeal of the Village Core to visitors to the region and thus sustain improved visitation.

**TABLE II.7
SCENARIO 3
REQUIRED PILLOWS TO SUPPORT RETAIL AT BUILD OUT
WITH INCREASING TARGET SALES PRODUCTIVITY AND
CHANGES TO OTHER VARIABLES**

#	All Variables	Observed Performance	BUILD - OUT		
			Low Performance	Medium Performance	High Performance
	Square feet of Retail Space	52,600	100,000	100,000	100,000
1	Target Sales Per Square Foot	\$ 270	\$ 350	\$ 425	\$ 500
	Indicated Sales (\$000)	\$ 14,202	\$ 35,000	\$ 42,500	\$ 50,000
2	Mountain Village Capture Rate	49%	52%	55%	58%
3	Overnight Guest Contribution To Total Sales	62.5%	62.5%	62.5%	62.5%
	Aggregate spending to achieve target sales performance	\$ 18,115	\$ 42,067	\$ 48,295	\$ 53,879
4	Spending per visitor per day	\$ 60	\$ 60	\$ 60	\$ 60
	Visitor Days	301,913	701,122	804,924	897,989
5	Average people per unit	3.60	3.60	3.60	3.60
	Annual Occupied Room Nights	83,865	194,756	223,590	249,441
	Average Occupied Room/Day	230	534	613	683
6	Average Annual Occupancy	38%	40%	44%	47%
	Number of Actively Rented Units Required	605	1,334	1,392	1,454
	Number of Rental Pillows Required	2,902	6,403	6,683	6,979
	Rental as a Percentage of Total Pillows (14,045)		46%	48%	50%
	Less Existing Number of Rental Pillows	2,901	2,901	2,901	2,901
	TOTAL NEW RENTAL PILLOWS REQUIRED	1	3,502	3,782	4,078
	Less Estimate of Rental Pillows Remaining to be built under existing PUD		2,722	2,722	2,722
	Net Additional Rental Pillows Required	1	780	1,060	1,356

As with any analysis, the results are only as good as the assumptions being used. We believe the starting assumptions represent as closely as possible the current market conditions in Mountain Village. The assumptions used in this analysis represent a set of variables that could potentially impact demand for lodging to support the retail merchandising plan outlined in Section III, but it is impossible to say with absolute certainty what set of conditions will prevail. As stated at the beginning, the discussion in this memo is designed to inform the reader as to the magnitude of change required in any single variable to achieve the desired goal within a reasonable time frame.

.6 Conclusions & Recommendations – Projection of Beds to Support Retail

- Ecosign and ERA have completed substantial research of industry standards and other resorts and are confident in concluding that an ultimate amount of 100,000 square feet of retail and food and beverage is an appropriate goal for the village core at Mountain Village. One must be cognizant that the Town of Telluride already has 166,000 square feet of specialty retail and food and beverage, so that the total resort actually reaches to about 266,000 square feet.
- Existing retail productivity as measured in annual sales per square foot is currently running about \$270 per square foot at Mountain Village and hence, the commercial is underperforming. We have tested and recommended incremental improvements in productivity to \$350, \$425 and \$500 per square foot. Neither ERA nor Ecosign believe that sales in excess of \$500 psf can realistically be achieved given the current spending patterns, mix and configuration of Mountain Village.
- Overall annual occupancy of 38% is low and we believe can rise over time to a maximum of 47% for all public pillows.
- Mountain Village only captures 49% of guest spending and with improvements in village design, functionality and tenant adjustments, the capture rate can rise to a maximum of 58%.
- The Mountain Village commercial core would need gross sales receipts of \$35m to support 100,000 square feet of retail and food and beverage at the low performance level of \$350 per square foot. This requires greater than doubling annual occupied room nights to reach an annual occupancy of 40% and a total of over 6,400 rental pillows are required. For the high performance level, sales receipts must reach \$50m, a 350% increase over current levels and this equates to 250,000 annual occupied rooms and a total of 6,979 rental pillows which would be 50% of the total 14,000 pillows in Mountain Village.
- Ecosign and ERA have worked on the Telluride Mountain Village project for over one year now and have come to believe that with proper planning and policy implementation the dream of Telluride and Mountain Village of a sustainable, high quality resort may well be achieved.

III. RETAIL, MERCHANDISE MIX & DESIGN STANDARDS

.1 Retail

Town of Mountain Village: Merchandise Mix Breakdown

The Town of Mountain Village has an estimated 74,135 square feet of retail, food and beverage, and consumer services (excluding skier services) in total. Seventy one percent of the total retail in Mountain Village (52,600 ft²) is located in the Village Core, with the remaining retail located at Town Hall Plaza and buildings outside of the Village Core. The following is a summary of the total square feet and number of stores for the three categories of commercial space.

Retail

47 percent of the total square feet (34,606 square feet)

65 percent of the total number of stores (17)

Consumer Services (Real estate offices, banks, etc.)

29 percent of the total square feet (21,527 square feet)

8 percent of the total number of stores (2)

Food & Beverage uses

24 percent of the total square feet (18,002 square feet)

27 percent of the total number of stores (7)

Total Mountain Village Commercial Space – 74,135 square feet

Town of Telluride: Merchandise Mix and Mix Breakdown

ERA was commissioned to conduct a detailed retail inventory of the Town of Telluride, as part of developing an overall retail strategy for the Town of Mountain Village. The retail space in downtown Telluride is roughly three times the size of Mountain Village and is easily accessible from the Gondola. The retail in Telluride includes many different categories and subcategories (i.e. men, women, outdoor, etc. apparel). Additionally, there is a broad selection of restaurants, which, together, function as an anchor or point of destination in the Town.

ERA suspects that Telluride’s selection of restaurants draws significant expenditures from residents and guests from the Town of Mountain Village. Unlike Mountain Village, the merchandise in Telluride’s downtown includes more than just ski apparel and equipment, which creates a broader more desirable shopping experience. In addition to type of merchandise, price points for retail goods in Telluride range from affordable impulse prices to high-end apparel and accessory prices. Mountain Village does not have this range. ERA also observed that some operators are located in both Mountain Village and Telluride; this includes Sweet Life (same store) and Rustico in Telluride and La Piazza Del Villaggio Ristorante in Mountain Village (same owner). While there are distinct differences between the retail environments in the Town of Telluride and the Village Core in Mountain Village, retailers are reportedly experiencing reduced sales levels in both locations. The following is a breakdown of the total square feet of retail, food and beverage and consumer service space in the Town of Telluride.

Retail

49 percent of total square feet (109,345 square feet)

Food & Beverage uses

26 percent of total square feet (56,802 square feet)

Consumer Services

25 percent of total square feet (54,574 square feet)

Total Telluride Commercial Space – 220,721 square feet

Beyond the breakdown of the merchandise mix, the retail and restaurants are clustered in contiguous blocks along Colorado Avenue/Main Street, which is the main street in a traditional street grid. Retail lines both sides of the street (double-loaded), creating a clear commercial identity. Some additional uses are located on feeder streets that are part of the street grid.

Table III.1 provides a summary and comparison of the commercial space inventory in downtown Telluride and the Mountain Village Core. While there is almost three times as much retail in Telluride compared to Mountain Village, the proportional mix of retail, F&B and Consumer Services is very similar.

**TABLE III.1
DOWNTOWN TELLURIDE VS. MOUNTAIN VILLAGE
COMMERCIAL SPACE COMPARISON**

	Retail		Food & Beverage		Consumer Services		Total
	%	ft ²	%	ft ²	%	ft ²	
Downtown Telluride	49%	109,345	26%	56,802	25%	54,574	220,721
Town of Mountain Village	47%	34,606	29%	21,527	24%	18,002	74,135

Mountain Village Retail Design Challenges

ERA identified several retail design challenges in the current layout, configuration, and design off the Village Core. They include:

- **Visual Perception and Space:** Large empty spaces are a void for energy. Several plazas create large empty spaces during some parts of the year. Retail needs to be clustered and not interrupted by desolate spaces.
- **Individuals’ Perceived Public Realm:** In general, people interact, relate, and respond to an immediate environment within approximately 12 feet. People need interesting, appealing, contiguous activity within this realm and beyond to keep their interest.
- **Passive Uses:** Passive uses, in the context of retail, are uses that do not continually activate the street with customers constantly moving in and out. Passive uses include banks, private clubs, consumer services, offices, etc. These uses can interrupt activity and synergy generated from a contiguous cluster of stores.
- **Storefront facades:** Numerous storefronts are inappropriately designed for retail. Residential scale and design of upper floors (form and transparency levels) is implemented at ground floor retail level. Different uses require different design objectives.
- **Storefronts:** Some storefronts are darkened or tinted
- **Signage:** Some signage is repetitive or out of scale
- **Multiple undifferentiated storefronts for one store** (i.e. Boot Doctor and Christy Sports)

The “Village Core Challenges” Plan (Figure 4) displays specific retail design challenges and their location.

Merchandise Mix Assessment

The merchandise mix/tenant mix is the collection of retailers in a defined area. The mix will drastically influence the overall success and sales of the retail area, as a whole, and also individual retailers. The ULI notes that “a successful mix lies in not including or excluding a specific type of tenant, but in selecting and combining a group of mutually reinforcing tenants.” The right balance of store types and price points, as well as the quality of merchandise offered will determine success. In addition, how accurately the merchandise caters to the potential customer will influence achievable sales. The most effective way to ensure the best possible merchandise mix and sales performance is through proactive and selective retail recruitment of unique retailers. A good quality merchandise mix has the following characteristics:

- The appropriate critical mass for the existing and potential customer markets.
- Stores that reflect the characteristics of the consumer – In Mountain Village, this includes local residents, day visitors, condo/hotel visitors, and second home owners.
- Broad selection of merchandise and price points reflective of consumer characteristics.
- Balance of food & beverage and retail.

The merchandise mix in the Village Core has several weaknesses, as listed below.

- Balance of food & beverage and retail uses is skewed, not enough restaurants.
- Apparel/accessory stores are all sports-related: For comparison, in Telluride, 15 percent of apparel/accessory stores are outdoor ski/sport apparel and 23 percent of apparel/accessory stores are general apparel (other types of apparel)
- Inadequate critical mass in retail sub-categories that could have potential in resort environment.
- Art gallery/antique destinations are often whole districts as opposed to one or two stores.
- Apparel/accessories (non ski/sport) need company
- Restaurants function best when clustered, can operate as an anchor.
- Absence of key “neighborhood” uses, such as late-night convenience store, wine/spirits store.

Retail Demand and Expenditures

ERA identified two areas where retail sales could be strengthened. One is based on the most recent sales tax data (2007); retail sales were 130 percent higher than food and beverage sales. Additionally, the merchandise mix breakdown reveals that there is a lack of restaurants. ERA believes that restaurant recruitment and development is a potential growth category to increase total retail sales. Secondly, existing expenditure and visitation data by month indicate that winter visitors spend more than summer visitors per day. There is a growth potential to try and increase the expenditure amount of summer visitors.

Retail success and productivity is assessed on an annual sales per square foot basis. There are certain levels of retail productivity (annual sales per square foot) that indicate a successful or investment grade store or restaurant. An operator should attract enough sales in order for the:

- Retailer to maintain a competitive business.
 - Inventory supply and rotation.
 - Unique and desirable products/services.
 - Updated merchandise and store layout/displays.
- Landlord to earn enough in rent revenue to properly maintain and upgrade the property or achieve a reasonable rate of return on the space investment.
 - Rent is a function of sales.
 - Typically ranges from eight to twelve percent of sales per square foot.
 - Ranges based on store type, merchandise sold, size of store, current conditions, specifics of lease negotiations.

ERA examined two scenarios to understand what the total Village Core sales would need to be for all stores to have desirable sales per square foot productivity. Scenario 1 assumes that existing retailers maintain their existing sales per square foot (\$267 p.s.f.) and new retailers in existing or new space perform at improved sales per square foot, as shown in Table II.2. New retail and new space is estimated based on the Merchandising Plan (Figure 10). Scenario Two assumes that all retailers (old and new) perform at industry average sales per square foot or above (Table II.2). Table III.3 demonstrates the required range of sales, all of which would be an improvement based on 2007 restaurant and retail sales (\$25.8 million excluding the grocery store). In order to achieve the highest estimate of sales productivity where all retail and F&B outlets in the Merchandising Plan achieve an average \$500 s.p.f., retail sales would need to grow to \$50 million annually, almost double 2007 recorded sales of \$25.8 million.

**TABLE III.2
VILLAGE CORE RETAIL AT BUILD-OUT
SALES PER SQUARE FEET ASSUMPTIONS**

	Scenario 1 - Sales Per Square Feet				Scenario 2 - Sales Per Square Feet			
	Retail		F&B		Retail		F&B	
	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>
Existing Retailers	\$ 267	\$ 267	\$ 267	\$ 267	\$ 350	\$ 500	\$ 450	\$ 500
New Retailers	\$ 350	\$ 450	\$ 400	\$ 500	\$ 350	\$ 500	\$ 450	\$ 500

**TABLE III.3
VILLAGE CORE RETAIL AT BUILD-OUT
REQUIRED SALES BY SCENARIO**

Retail Category	Scenario 1 - Required Sales		Scenario 2 - Required Sales	
	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>
Retail	\$ 16,425,652	\$ 18,478,752	\$ 19,297,950	\$ 27,568,500
F&B	\$ 15,174,934	\$ 17,767,034	\$ 17,569,200	\$ 21,961,500
Total Required Sales	\$ 31,600,586	\$ 36,245,786	\$ 36,867,150	\$ 49,530,000

Source: ERA; Ecosign; EPS, 2008

Build-Out Recommendations – Retail (Figure 10)

- Create four distinct nodes for retail within the Village Core: Village Center and Primary Retail Zone (primarily Heritage Plaza and Capella retail spaces), Village Park and Service Zone (retail spaces surrounding the pond), Village Gateway and Children’s Zone (retail spaces around the proposed new gondola terminal) and the Snow-front Zone/The Beach (slope-side retail and skier services) (Figure 7).
- Focus retail recruitment, initially, around Heritage Plaza to create a strong and active retail cluster (build success stories here) (Figure 10).
- Replace integrally located passive uses with activated retail or restaurant uses (i.e. private club on Heritage Plaza) (Figure 10).
- Recruit more restaurant and non-ski/sport apparel, accessories and gift retailers.
- Successful implementation requires constant retail recruitment, proper retail designs, commitment from property owners and the town, creative deal-making, as well as other factors.
- Ensure that potential retail spaces exhibit good retail design. General retail design principles include: Contiguous & ‘double-loaded’ retail (side by side and across from each other), unique, distinctive storefronts, façade elements, great signage, engaging window displays.

- Recruitment should target excellent operators that know how to appropriately merchandise, inventory, price and display goods.

Merchandise Mix Plan

Merchandise Mix Plans in an area with multiple property ownership are typically conceptual. The actual tenant and location depends on available prospective tenants and also property specific details, such as ownership, least term, space suitability, etc. ERA considered both the near term and long term (build-out) options. ERA also assumed that existing business locations would remain until the end of the lease. The Merchandise Mix Plan identifies four distinct nodes within the Village Core.

- ***Village Center and Primary Retail Zone***: Primarily Heritage Plaza and Capella retail spaces.
- ***Village Park and Service Zone***: Retail spaces surrounding the pond.
- ***Village Gateway and Children's Zone***: Retail spaces around the proposed new Gondola location.
- ***Snow-front Zone/The Beach***: Slope-side retail and skier services.

The Merchandise Mix Plan calls for:

- Focusing retail recruitment, initially, around Heritage Plaza to create a strong and active retail cluster (build success stories here).
- Replacing integrally located passive uses with activated retail or restaurant uses (i.e. private club on Heritage Plaza).
- Recruiting more restaurant and non-ski/sport apparel, accessories and gifts.
- Shifting some retail types to various locations.
- The “Build-Out Mountain Merchandising Plan” (Figure 10) is the best visual representation of the four areas and the actual merchandising recommendations.

Merchandising Mix Plan - Implementation

Successful implementation requires constant retail recruitment, proper retail designs, commitment from property owners and the town, creative deal-making, as well as other factors.

The best mix typically includes local, regional, and some national brand stores. Often it is the local and regional stores that create the most dynamic and successful retail environment because they offer products and shopping environments different than what customers find at home or in other major cities. Local and regional retailers can include retailers that are local or regional to *other* areas. For example, if a successful independently-owned jewelry store that has two locations, one in Cherry Creek in Denver and also in Vail, wanted to open a third store, it would be an ideal tenant for TMV. It is challenging to develop a full list of ideal recruitment targets because finding the appropriate regional and local retail talent involves on-the-ground research and significant time. ERA would recommend, for instance, that TMV's retail recruitment efforts call on excellent steak restaurants in Snowmass, CO, Park City, UT and other locations. For this reason, retail recruitment is the most important aspect of implementation; it is a time intensive and long-term process that is most successful when spearheaded by a Retail Recruiter or Coordinator. Recruitment should focus on recruiting retail types that are missing, as well as those that would complement existing successful uses. ERA identified the following categories that are missing from the Village Core, and would be great additions to the Merchandise Mix.

Figure 10 provides a detailed range of recommendations on retail location, mix, redevelopment/reprogramming opportunities and consumer experience modifications. The recommended plan identifies four distinct retail concept areas based on residential and lodging conditions that relate to adjacent retail tenant mixes. Additionally, Figure 10 recommends retail types for most existing and potential future retail parcels in the Village Core with explanatory notes. This illustration details the most accurate and visually efficient way to convey our recommendations through a merchandising diagram. The primary retail activity zone is the Heritage Plaza area; a central focus for expanded specialty shopping, consolidation of full service and casual dining restaurant locations and relocation of marketing and realty offices for conversion to activating retail uses. As described in the report, the existing retail mix should be balanced with complementary non-sport apparel retail shops and more food and beverage uses. ERA's recommendations list appropriate uses by category and location. Due to differing timetables for conversion of some key spaces and differing investment priorities among some retail space owners, a final leasing plan cannot be determined at this point. This will require decisions regarding new facility construction, relocation of existing marketing and realty offices and improvement in public spaces (sight lines, seating, canopies, and storefront transparencies not yet in a schedule or budget) to be confirmed as part of a more detailed merchandising program. This plan also requires exploration of potential lease relationships with prospective retailers and negotiating in response to current tenant lease terms and agreements.

Apparel/Accessories

- Fashionable (non-western wear)
- Children's
- Jewelry
- Shoes (fashionable or western)
- Handbags, belts, etc.
- Home Products/Interiors
- Specialized art (pottery, glass, paintings)
- Home gifts and accessories
- Convenience/Grocery/Liquor
- Wine and spirits

Other

- Bookstore/newsstand
- General store

Full-Service Restaurants

- Eclectic American
- French
- Asian
- Southern/comfort
- Mediterranean
- Wine bar/ light fare
- Range of prices
- Casual
- BBQ
- Gourmet Pizza – wood fired
- Mexican
- Salad/healthy snacks

Bar

- Additional Après ski
- Live Music/entertainment

Specific Dining Recommendations

Restaurants and other food services are very important elements for both the visitor and residential market. The visitors are more dependent on the restaurant selection than residents; however food away from home is typically a large retail expenditure category for households. The current selection in Mountain Village is limited; there is room in the market for more restaurants, especially if visitation and accommodations grow. ERA recommends that most of the restaurants be full service; a few upscale café uses are appropriate.

Creating a great retail dining experience involves striking a balance of cuisine, price-point, and formality among the restaurant scene. A successful dining experience in a resort means offering a unique product at all levels.

- **Cuisine:** Offering a range of cuisine will give potential customers more options to eat within TMV, as opposed to leaving for a selection. Local cuisine or chefs are often a top pick for visitors while travelling. In TMV, this may include restaurants that specialize in local/Colorado specialties, such as 1) Double R Ranch steaks or 2) locally sourced organic ingredients or 3) Après ski bar/restaurants the boast a full range of Colorado microbrews.
- **Price-point:** The dining and drinking selection should include a range of options from deli sandwiches to five star restaurants.
- **Formality:** Various levels of formality will help retain food expenditures in TMV. Examples of different types of formality for food uses include 1) deli and prepared foods 2) casual cafes 3) kid-friendly environments 4) full service restaurants 5) fine formal dining 6) bar/restaurant combination.

Merchandise Mix - Sample Retail Types and Quality

A sampling of retailers and their websites is provided below. These websites will enable those interested to explore the types of products, menus, and design that would work well as part of a merchandise mix. In some cases, national examples are provided. On a whole, large-scale national chain stores (customers can find in malls or at home) that are recognizable to us all will not likely attract the expenditures the TMV is striving for. In some cases, ERA utilized examples from Telluride only to provide an example of the quality of tenant and type of merchandise. ERA is not recommending that Town of Mountain Village lure these Telluride retailers away from Main Street, but rather that TMV recruitment efforts search for similar caliber tenants.

Sample Stores for Recommended Merchandise Mix, Town of Mountain Village

Category	Name	Website	Selected Location
Retail			
Fashionable Apparel (non-western wear)	Wilkes Bashford	www.wilkesbashford.com	San Francisco, Carmel, Palo Alto, CA
	Blush	www.blushthestore.com	Two locations in Denver, CO
	Two Skirts	www.two-skirts.stores.yahoo.net	Telluride, CO; San Francisco, CA
Children's			
Jewelry	Squash Blossom	www.squashblossom.com	Vail and Colorado Springs, CO
Shoes (fashionable or western)			
Handbags, belts, accessories etc.	Proper Topper	www.properopper.com	Washington DC
Home Products/Interiors	Sue Fisher King	www.suefisherking.com	San Francisco, Carmel, Palo Alto
Specialized art (pottery, glass, paintings)	Jonathan Adler	www.jonathanadler.com	Los Angeles, CA; San Francisco, CA; New York, NY; Chicago, IL
Home gifts and accessories	Stacy Hyde	www.stacyhyde.com	Dallas, TX
Cosmetics	Blue Mercury	www.blumercury.com	
Bookstore/newsstand	Between the Covers	www.between-the-covers.com	Telluride, CO
Bakery	Sprinkles	www.sprinklescupcakes.com	Beverly Hills, CA; Dallas, TX; many more coming on line
General store			
Convenience/Grocery/Liquor			
Wine and spirits			
Full-Service Restaurants			
Eclectic American	BLT Steak	www.blsteak.com	San Juan, New York, Los Angeles, Scottsdale
French	Serpentine	www.serpentine.com	
Southern/comfort	Magnolias	www.magnolias-blossom-cypress.com	Charleston, SC
Mediterranean	Laiola	www.laiola.com	San Francisco, CA
Wine bar/ light fare	Cru	www.cruawinebar.com	Dallas, Fort Worth, Austin, Denver, TX
Asian			
BBQ			
Gourmet Pizza – wood fired	La Madia	www.dinelamadia.com	Chicago, IL
Mexican	Rosa Mexicano	www.rosamexicano.com	New York, NY; Washington DC; Atlanta, GA; Miami, FL
Healthy/Organic	The Kitchen Café	www.thekitchencafe.com	Boulder, CO
Casual	Red Tractor	www.redtractorcafe.com	Dublin, CA
Take-away (not too many)	Larkburger	www.larkburger.com	Edwards, CO (outside Vail)
Entertainment/Bars			
Additional Après ski	Apples Bar and Grill	Not available	Sun Valley, ID
Live Music/entertainment	Red Lion	www.theredlion.com	Vail, CO

Note: ERA was asked to provide a list of examples of types of stores that may be a good fit for Town of Mountain Village. In accordance to the merchandise mix plan, ERA focused on unique to national chains. These are examples and do not represent an actual fully-developed retail recruitment program.
Source: ERA, 2009

Ensuring that potential retail spaces exhibit good retail design is an important part of implementing the Merchandise Mix Plan and great asset for retail recruitment. General retail design principles include:

- Contiguous & “double-loaded” retail (side by side and across from each other)
- Unique, distinctive storefronts
- Façade elements
- Great signage
- Engaging window displays

Additionally, implementation and recruitment should look beyond the mere retail type or storefront design and also target excellent operators. Recruitment targets should know how to appropriately merchandise, inventory, price and display goods. Retailers must stay consistent with the time and trends, as well as changing consumer preferences. While recruitment and deal-making can be a tedious process, retail is a dynamic and fast-paced industry with constantly changing trends and fashion. Retailers must constantly tweak their merchandise and restaurants their menus

.2 Mountain Village Design Guidelines

ERA reviewed the Town of Mountain Village’s existing Design Guidelines ¹¹. ERA identified several design principles that relate to retail design challenges in the Village Core. As *guidelines*, they are, however, not followed or fully enforced. These guidelines are listed in the tables following.

¹¹ Town of Mountain Village LUO and Design Regulations, 2005 – Town of Mountain Village
Village Revitalization Strategy

Storefronts: Windows, Signage, and Displays (Section 18-203 & 18-6)

Existing Conditions	Guidelines
<p>Windows are too small for retail and under-illuminated</p> <p>Generally, transparency percentages are too low</p> <p>Displays are oriented to interior not exterior</p> <p>Displays are lackluster</p> <p>Sign regulations not changed since 1998</p>	<p>Should be consistent in proportion and scale with associated building...”</p> <p>“operable windows [will not] protrude into or obstruct pedestrian ways”</p> <p>“Creative, colorful, and varied window displays ... are <i>encouraged</i>”</p> <p>“Frequent window displays are <i>suggested</i>...”</p>

Paths and Walkways (Section 18-301)

Existing Conditions	Guidelines
<p>Some plazas seem desolate due to size</p> <p>Retail functions best when contiguous</p> <p>Plazas, generally, do not support retail, granted ski resorts are unique retail environment</p>	<p>“...scale of pedestrian areas should be kept intimate...”</p> <p>“...distance between buildings and widths of public areas should vary with narrow passages leading to courtyards and secondary plazas”</p>

- ERA recommends more specificity with regards to window size and minimum transparency percentages. Appropriate retail storefront standards require significant transparency, with a range of 60 to 75 percent transparent area within the full storefront “armature”, which includes the store entrance door(s), display windows, a bulkhead below the windows, a sign band/cornice above the store windows and side piers that separate one retail identity from the neighboring ones.

- ERA recommends minimizing the impact of empty plazas, which is addressed in the Schematic Plan and also considering arcades to establish a human scale and provide shelter. Sketches of potential arcade designs are included in the detailed PowerPoint report presentation and in Figures 9a-9d. ERA assumes Heritage and other plazas will remain as an event and staging area in Mountain Village; therefore, arcades are a way to minimize the open plaza space. Additionally, Ecosign's recommendations to include benches, foliage, and kiosks will create sub-zones within the larger plazas and help make the spaces seem more intimate and connected from one side to the other.
- ERA found the Town's general design review process sufficient and sound. ERA, however, recommends that the Sketch Plan include plans and designs for retail or restaurant facades if applicable. Storefronts should be differentiated from residential design characteristics and reviewed under separate objectives.

Design Guideline Roles and Responsibility

ERA recommends that roles and responsibility with regards to ensuring proper storefront and signage design for retail, be clearly defined.

Town's Roles & Responsibilities

- Revised Storefront and Signage Design Guidelines
- City Master Plan process could address major revisions to design guidelines – 12 to 18 months out
- Provide storefront design requirements with visual diagrams
- Require that sketch plan include storefront designs
- Expand specifications to guide developers/architects who are not professional retail designers (i.e. transparency) - *OR* - require developers hire experienced retail designer
- Allow arcades/canopies in key locations (requires Town Council Review)

Owners/Tenants' Roles & Responsibilities

- Establish Tenant Design Criteria which:
 - is a common component in designing, managing, and leasing retail in large-scale mixed-use projects
 - requires specific design elements and practices
 - include public seating areas and outdoor displays

- Create Design Control Zone, which:
 - is a prescribed area where owners can outline design and quality standards that tenants must meet.
 - covers an area from front of interior lease line to a point five feet inside of lease line (ten feet for food uses)
 - includes displays, graphics, merchandising, fixtures, signs, lighting and illumination levels
- Tenants' responsibility: Storefront elements that are byproduct of tenants' operating practices (i.e. displays, cleanliness, merchandising, etc.)
- Adhere to guidelines outlined in the lease (i.e. displays rotated and are oriented to sidewalk)
- Meet Tenant Design Criteria and maintain "opening day" standards

Recommendations

- ERA recommends more specificity with regards to window size and minimum transparency percentages.
- Minimize the impact of empty plazas and also considering arcades to establish a human scale and provide shelter. Sketches of potential arcade designs are included in Figure 9d; 3D views are shown in Figures 9a and 9b.
- ERA found the Town's general design review process sufficient and sound. ERA would, however, recommend that the Sketch Plan include plans and designs for retail or restaurant facades if applicable. Storefronts should be differentiated from residential design characteristics and reviewed under separate objectives.
- Roles and responsibility with regards to ensuring proper storefront and signage design for retail should be clearly defined.

IV. SERVICING, DELIVERIES & WASTE MANAGEMENT

.1 Waste Management, Servicing, and Deliveries

ERA interviewed key Town of Mountain Village and Waste Management Inc. (contractor to Town) employees, in order to fully understand the existing servicing, delivery, and waste management systems.

Servicing and Deliveries - Existing Conditions

The Village Core in Mountain Village is largely pedestrian-only; therefore, the Town developed a system for transporting goods from commercial delivery trucks to stores or restaurants using small motorized carts (“Mag” trucks). The steps are outlined below.

- Delivery personnel reach drop-off points along either the southern or western perimeter of the Village Core.
- Delivery personnel call Town’s maintenance staff that work in Village Core and also operate Mag delivery trucks.
- Town staff picks up commercial delivery personnel and goods and transport both to the destination.
- According to Town management, commercial delivery men like this system as opposed to transporting the goods on a dolly themselves. Under the current system, delivery men can transport more goods between the truck and Village Core and therefore, make fewer trips.

Waste Management - Existing Conditions

Like deliveries coming into Village Core, waste leaving the Village Core must be transported using Town operated Mag trucks. The Home Owner Association for the buildings contracts with the Town to transport waste out of the Village Core. A few exceptions exist; the Peaks and the Conference Center handle their own trash removal.

The following steps outline the waste management process.

- Individual residential buildings, stores, and restaurants all deposit trash (co-mingled) in “poly-carts” in designated locations. The largest of these is in the basement of the Franz Klammer building. ‘Poly-carts are wheel-able trash bins that are adequately sized to be easily moved onto and off of the Mag trucks.

- When poly-carts are full, town staff loads them onto Mag trucks and transport the trash to the Town's centralized trash compactor center, currently located on the southwestern end of the Village Core. Currently, the town operates two Mag trucks with a third back-up.
- Waste Management Inc.'s large trucks transport the Town's compactor (and trash) to one of two San Miguel County landfills. The Town of Mountain Village contracts with Waste Management for this service.

Servicing and Deliveries - Challenges

The Village Core was not originally planned for efficient deliveries (designated loading areas, service corridors to back-of-house), which created the necessity of Mag trucks. ERA identified several challenges with the current servicing and deliveries program:

- Potential pedestrian/ Mag truck conflicts
- Front door servicing, less efficient
- Visual impact (messy)
- Scheduling deliveries between recipient and delivery vehicles
- Goods require handling twice

Some store owners and operators deliver merchandise and supplies, often between multiple stores, with personal vehicles. The trucks and cars damage the pavers in the Village Core, which were designed primarily for pedestrian use. In some cases, loading and unloading obstructs pedestrian paths during peak times. Reportedly, the Town will soon prohibit all cars and trucks on the plaza areas of the Village Core.

Waste Management - Challenges

There are several challenges with the current waste management system, as listed below:

- When Waste Management transports the Town's compactor and trash to the County landfill, the Town is left without a compactor unit for four hours. During peak seasons, trash continues to accumulate while the compactor is absent.
- During December holiday season and other peak weeks, Mag trucks are required to pick up trash three or four times a day; sometimes there is overflow at the compactor site.
- Designated trash rooms with "poly-carts" are too small; especially during peak season.
- Current compactor is illegal size for Waste Management Inc. to have on road (extends four feet over truck)

Servicing and Deliveries - Recommendations

ERA recommends that Village Core retail and restaurant uses continue to operate with the same basic servicing and delivery system. It is the most functional and efficient method under the current configuration of the Village. The new servicing and delivery truck bays in the Capella will help the current process. However, as new buildings are planned, delivery points and Village access should be included in the early design stages. Several future servicing and delivery points are recommended, including in future Buildings E, B1 and B2. It is critical that as new buildings are planned, space, preferably underground, is designated for servicing and delivery trucks. This space should be close to freight or service elevators. Key opportunities for underground access and potential servicing are displayed on the “Build-out Recommendations: Servicing, Delivery & Waste Management Systems Plan” (Figure 11).

Waste Management - Recommendations

Mag trucks are a less than ideal solution to waste management challenges in the Village Core, but are the most practical and efficient option given the Village’s layout and accessibility characteristics. ERA does; however, recommend some modifications so that processes could function more smoothly; they are outlined below.

- Replace “poly-carts” so all are 90 gallon-size. This is the best size for staff to transport
- Reconfigure the existing Town compactor center to better suit the large unwieldy Waste Management trucks. Currently, they must make eight-point turns. Additionally, there is under utilized spaced in the existing trash compactor building and on site.
- Maintain awareness of how the Juno Hotel designs are impacting the accessibility and utilization of the Town Compactor site. Consider Waste Management, Inc. truck’s turning radius and increased demand for trash storage.
- Replace the Town’s existing compactor, which is 15 – 20 years old. A new compactor may handle and compress more waste and can be leased or purchased from Waste Management Inc.
- Require that all new buildings with basement servicing and deliveries have a service elevator.
- Build, in new buildings, designated trash rooms large enough for future trash volumes. Trash rooms should be out-of-sight from pedestrian/visitor path and ideally located in the basement and accessed by service/freight elevator.

V. TELLURIDE CONFERENCE CENTER ANALYSIS

.1 Introduction

As part of the Village Revitalization Strategy, Economics Research Associates (ERA) conducted a review of the future needs for additional conference center requirements to satisfy the build-out of the Town of Mountain Village (TMV). The assessment is based on a personal site visit of the facilities; conversations with staff of the Telluride Conference Center (TCC), Telluride Mountain Village Owners Association (TMVOA) and the Telluride Tourism Board; data provided in the EPS Economic Sustainability Model, Ecosign data, and other publicly available information. Minimal data was provided for the current business statistics for the conference and lodging businesses at Telluride Mountain Village (TMV), which was said to be due to the fact of a change in staff, the closing of The Peaks, and other operational issues. The findings in the review are provided below.

.2 Review of Existing Function Facilities

Currently, there is roughly 12,000 square feet of year-round meeting space at TMV and 3,000 square feet of mezzanine and lobby space; which is comprised primarily of space at the Telluride Conference Center (TCC) and at The Peaks Resort. There is also a small board room at the Fairmont Franz Klammer, two executive conference rooms (926 sq. ft) at the Mountain Lodge at Telluride, and group dining capability at Alred's. In the spring of 2009, the ultra-luxury Capella Hotel will open with a small ballroom (approx. 2,500 ft. sq), but it will be geared for group dining and social events rather than for meetings and conferences. During the summer, additional terraces and an event tent can be used for outdoor receptions and functions.

The 11,000 square foot facility at the TCC, which opened in 1999, includes a 6,000 square foot ballroom and three boardrooms. The ballroom can be partitioned into separate rooms to accommodate smaller groups, however only the front of the ballroom has any windows or views. The lack of windows works well for film and theatre productions, but doesn't capitalize on the natural surrounding for a business meeting, which has been cited as a key reason for meeting planners to select a mountain resort setting. The 5,000 square foot facilities at The Peaks include a 2,000 square foot ballroom and two break-out rooms.

The details of the meeting rooms and their respective capacity by type of seating arrangement are shown in Tables V.1 and V.2.

**TABLE V.1
TELLURIDE CONFERENCE CENTER
FUNCTION FACILITIES
EXISTING INVENTORY BY ROOM CAPACITY**

Meeting Room	Dimensions	Sq. Ft.	Theatre	Classroom	Banquet	Reception
Mv Ballroom	85 x 57	6,069	552	331	367	765
<i>East Ballroom</i>	29 x 57	2,120	331	115	127	265
<i>Center Ballroom</i>	28 x 57	1,725	157	94	104	218
<i>West Ballroom</i>	28 x 57	2,222	202	121	135	280
<i>West & Center</i>	56 x 58	3,947	359	215	239	498
Klammer Boardroom	24 x 31	732	67	40	44	92
Fallon Boardroom	22 x 18	367	33	20	–	–
Chipeta Boardroom	16 x 16	312	–	–	–	–
Sub-Total-Meeting		7,480	652	391	411	857
Lobby		1,980	–	–	72	150
Mezzanine		1,189	–	–	120	249
Office	24 x 14	312	–	–	–	–
Grand Total		10,961	652	391	603	1,256
Plaza Tent	40 x 60	2,400	218	130	145	303

For boardroom seating, the Klammer, Fallon and Chipeta rooms fit 16, 12, and 10, respectively, board style. The configuration in the Fallon and Chipeta boardrooms are limited due to the presence of the board room table, which cannot be moved easily.

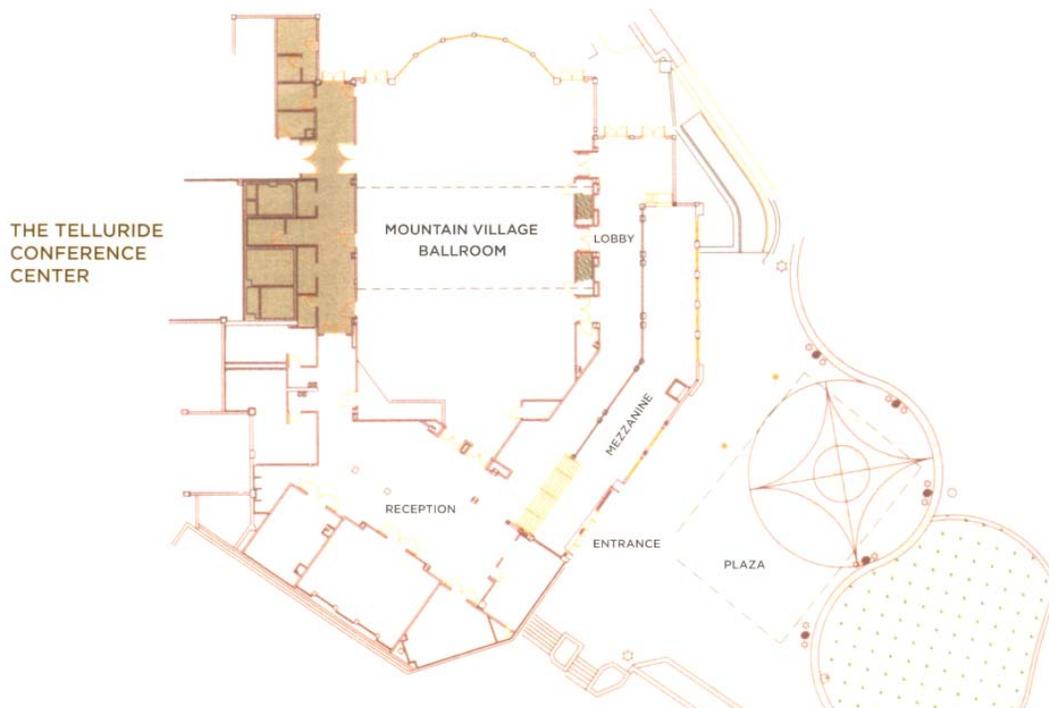


PLATE V.I TELLURIDE CONFERENCE CENTER FLOOR PLAN

**TABLE V.2
THE PEAKS RESORT
FUNCTION FACILITIES**

Meeting Room	Dimensions	Sq. Ft.	Theatre	Classroom	Banquet	Reception
Big Billie Ballroom	33 x 62	2,046	222	138	102	211
Section 1	31 x 33	1,023	108	60	48	105
Section 2	31 x 33	1,023	108	60	48	105
Golden Slipper	19 x 29	551	50	30	24	50
Liberty Bell	19 x 29	551	50	30	24	50
Sub-Total		3,148	322	198	150	311
Alpenglow (seasonal)	40 x 64	1,980	100	64	72	225
Legends	45 x 62	2,790	–	–	90	115
Legends Terrace		7,900	–	–	102	350
Appaloosa Steak House	29 x 58	1,682	–	–	50	100

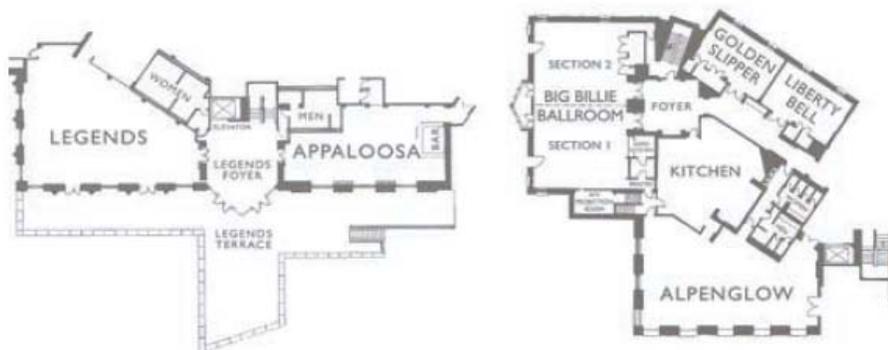


PLATE V.2 THE PEAKS CONFERENCE FACILITY FLOOR PLANS

To support the usage of the TCC, the current lodging inventory and available rental units in the TMV is shown below.

**TABLE V.3
TOWN OF MOUNTAIN VILLAGE
CURRENT LODGING INVENTORY**

Current Lodging Inventory	# Total Units	% Rental (Theoretical)	# Rental Units
Condo Units ¹	439	33%	145
Hotel/Lodge Units ¹	449	89%	400
Total Units Available for Rent Per Night			544
Total Rooms Available Per Year			198,560

1. Source: Ecosign

As a benchmark for assessing the existing facilities at TMV, a reference of industry-wide conference centers by classification category is shown below.

**TABLE V.4
CONFERENCE CENTER PROFILES BY CLASSIFICATION**

Conference Center Feature	Executive	Corporate	Resort
Number of guest Rooms (All)	169	274	280
% Single Rooms	39.9%	72.4%	38.4%
% Double rooms	39.6%	25.7%	54.5%
% Suites	20.6%	1.9%	7.1%
Number of Dining Room Seats	294	336	314
Number of Lounge Seats	58	135	78
Number of Meeting rooms	27	46	28
Avg. Meeting Room Size (sq. ft)	896	899	1,283
Total Meeting room Space (sq. ft.)	24,301	41,553	35,922

Source: 2008 Trends in the Conference Center Industry . International Association of Conference Centers and PKF Consulting.

As one can see in the above table, the “Resort” category typically has a higher percent of Double Rooms, a 1:10 ratio of meeting rooms to lodging rooms, and fewer dining room seats than guest rooms.

As a further review, a summary comparison of meeting space at TMV relative to the “Resort” classification is shown below.

**TABLE V.5
COMPARISON OF TMV TO RESORT CONFERENCE CENTERS**

Conference Center Feature	Resort	T.M.V.	Variance
Number of Guest Rooms (All)	280	544	264
Number of Meeting Rooms	28	13	(15)
Avg. Meeting Room Size (sq. ft)	1,283	1,056	(227)
Total Meeting room Space (sq. ft.)	35,922	13,734	(22,188)

Note: the # of meetings rooms for the TMV counts the ballroom as the individual rooms (e.g. MV Ballroom would be 3 rooms, East, West and Center). The non-traditional space (lobby, tents, office, etc) is not included in the meeting room count. Accordingly, the square footage for these non-traditional rooms is not included either

As one can see, in comparison to industry averages for “Resort Conference Centers”, TMV is over-represented in the number of guest rooms, but significantly under-represented in the number of meeting rooms and total meeting room space. The lower number of total meeting rooms is reflective of the deficiency of break-out rooms at TMV relative to industry standards for meeting-centric resorts. As another means of comparison, a sample of mountain resort conference hotel properties were selected and reviewed relative to TMV, as shown below.

**TABLE V.6
COMPETITIVE REVIEW OF RESORT CONFERENCE HOTELS**

Resort Conference Centers	Square Feet of Meeting Space	Max Capacity Banquet Seating	# Lodging Units	Sq.Ft. Meeting Space Per Unit	Max Banquet Seating to # Units
Steamboat Grand Hotel & CC, Steamboat	10,000	360	327	31	1.1
Lion Square Lodge & CC, Vail	4,500	150	120	38	1.3
Yarrow Resort Hotel & CC, Park City	10,000	500	181	55	2.8
Resort at Squaw Creek, Squaw Valley	33,000	660	405	81	1.6
Silver Tree Hotel, Snowmass	7,800	225	256	30	0.9
The Peaks, Telluride	5,100	102	175	29	0.6
Avg. of Competitive Sample	11,733	333	244	38	1.4
TMV - Existing	13,734	367	544	25	0.7
TMV - at Full Build Out	13,734	367	1164	12	0.3

Note: only true year-round meeting space was included. Outdoor tents, lobby areas, and other non-traditional space was not included. Stand-alone conference center hotels were used for comparison because they provide the least distorted view of benchmark data. Data for entire resorts, such as Keystone, has too many nuances for accurate comparison. TMV lodging units only includes the condo and hotel/lodge units based on the Ecosign data and the estimate for total available rental units per nights.

Again, this comparison shows that TMV has a relative shortage of meeting space per available rental room in comparison to competitive mountain resort conference centers. However, the sample of mountain resort conference centers are all focused on their conference business as a primary means of driving occupancy, especially during the non-ski season. Comparatively, Telluride relies much more heavily on its festivals/events to drive lodging occupancy. To date, the meeting and conference business is only a nominal driver of lodging occupancy at TMV.

As a general evaluation of the TMV meeting space, the size of the TCC meeting facilities are too small for the larger Association meeting market, which would be better served at locations such as the Keystone Conference Center with 100,000 square feet of meeting space and the ability to accommodate groups up to 2,000 people. The TCC facilities fit better with the small-to-mid-size corporate and incentive markets and with the smaller regional association and/or the Social, Military, Educational, Religious, and Fraternal (SMERF) markets. However, for the mid-size corporate groups that would fill the ballroom, there is a misalignment between the size of the ballroom and the number of break-out rooms available at the TCC resulting in a shortage of break-out rooms to accommodate these larger groups. The conference staff can utilize the break-out rooms at The Peaks, but there have been scheduling challenges and diminished confidence in the operations at The Peaks. Alternatively, break-out sessions can be held in the open space at the TCC or other creative locations. Overall, the space is adequate for the low volume of current business, although additional break-out rooms would help to accommodate larger groups.

The TCC facilities are also appropriate for the SMERF market, however, it may not have as much appeal for these markets relative to alternative venues in Telluride. For example, the higher-end weddings might opt for a more unique venue such as Gorrone's Ranch, while the lower-end ski groups might seek the more budget-oriented lodging in the Town of Telluride (e.g. the Mountainside Inn). The SMERF market would likely be better suited to the non-ski season period when rates are lower and TMV would have broader appeal with warmer weather and more recreation options (e.g. golfing, biking, walking, etc) that appeal to a wider audience than just the winter skiers.

Physical Conditions

ERA's observations of the physical conditions of the facility indicated no apparent deferred maintenance or other negative issues. The interior spaces are generally well maintained and show well. The 'back of house' operations are well insulated from meetings and circulation area, and there would appear to be little inherent reason for conflict or interference between operations staff and facility users. The bi-level circulation layout is somewhat limiting for coffee breaks, etc., between sessions, but at the same time we recognize the need for some separation between seating areas and circulation space.

Technical Capabilities

The TCC, when originally constructed, was well-poised for the festival and film events with it's 1,300 square feet of modular staging, 700 square foot projection booth, Dolby surround sound, 35mm and 16 mm film projection, and 60 pieces of theatrical lighting and a full theatrical grid from the 21-foot ceiling. Additionally, private green rooms, video, audio and recording equipment has been in place. The TCC has now improved its Internet bandwidth and also offers 100 in-the-floor voice and data networks in the ballroom and wireless Internet capabilities throughout the building. The boardrooms provide more voice/data ports than board-style seating capacity and should be adequate for most executive meetings. In general, the audio visual equipment is mobile and can be transported from room to room. The Business Office features the basic services of photocopying, faxing, and Internet access.

However, in today's world, with the tech savvy workforce now accustomed to concert-quality audio; high-definition projection; state-of-the-art lighting; real-time video, and ever-present communication capabilities – these features have now become critical to the corporate meeting market. Additionally, video conferencing is becoming more popular as technologies improve and as travel costs continue to rise and make it cost prohibitive for all stakeholders to be present in-person to hear a key message delivered at a conference or meeting.

Thus, the role of a modern conference center is to be able to provide these services – either from their own audio-visual inventory or through a local out-sourced rental company. The TCC, with its remote location and lack of high-end AV rental companies in close proximity, needs to rely more on having the AV equipment in-house in order to service these clients. This creates the need for the TCC to constantly be upgrading its equipment and capabilities in order to satisfy customer demands and to remain competitive.

Until recently, the TCC has seen very little in terms of new AV equipment and capabilities and has fallen behind the high expectations of the tech-savvy workforce. However, there appears to be a current willingness to invest in new equipment and capabilities; such as improved Internet bandwidth, a video conferencing system, new wireless microphones, and other equipment. Additional investments in a large venue projection system, improved sound quality, and other equipment that is not available from local rental sources should also be considered for purchase to update the current AV offerings. Based on the current business volume and usage patterns at the TCC, these expenditures may not be warranted from a pure rental income standpoint. But, if the meeting and conference market at the TCC is to grow and become a key driver of lodging room nights, these capabilities will be required and will need to be purchased to the extent that they are not readily available for rent in the regional Telluride area.

Food & Beverage Facilities

The current kitchen facilities are large, relatively modern, and well maintained. The staff has successfully been able to provide plated dinners for 330 people, a buffet dinner for almost 500 people in the existing facilities, and large functions on consecutive days. The facilities allow multiple chefs to work within the same kitchen while preparing different courses and/or meals for different groups in the divided ballroom sections. There is ample dry storage and refrigeration provided by the two large walk-in coolers and the freezer.

Overall, the food and beverage facilities appear to be well-suited to the size of the existing function space in the TCC and would only need to be increased as the availability of any new function space increases.

.3 Review of Existing Business Patterns

The objective of this section is to obtain a clear understanding of where surplus capacity exists, and any unrecognized opportunities for penetrating new markets, including groups from whom inquiries have been obtained, but who could not be accommodated.

Business Segmentation

Information in the updated 2008 and planned 2009 Business Plan and budgets for the TCC has not been made available to ERA for review as it will not become public knowledge until it is presented and approved later in October, 2008. There does not appear to be any credible current data available on business segmentation for the TCC.

The most current data available to ERA is the 2006 TCC Summary of Activity data presented in the EPS study, which identifies the tracked segments as being (1) Events, (2) Groups, (3) Local, (4) Catering, and (5) Off-Premise Catering. For this review, the catering segments have been eliminated as they have minimal impact on future meeting room requirements. The segment of *Events* includes the numerous festivals and events; such as the Chocolate Lovers Fling, Nightgrass, Oktoberfest, Film Festivals, and the Winter Concerts. The *Group* segment includes the ski club and ski council business that is booked by the Telluride Ski Company, and corporate or social groups that are booked by the Tourism Board. The *Local* segment includes bookings such as employee training sessions for local businesses, local area business and association meetings, and social events for Telluride residents. In total there were only 90 bookings in 2006, or, on average, only 1 booking every 4 days and less than 2 group bookings per month. The “mud season” was particularly slow with no bookings in April and only two bookings in the month of May, 2006. Overall, significant opportunities exist to better utilize the existing function room space at the TCC and thus drive the occupancy in the current and future lodging units.

Shown below in Table V.7 is a summary of the direct revenues to the TCC from each of the three segments. As one will see, the Event segment represents a much greater number of participants, but with lower average tracked spending per participant and thus a lower overall percent of total revenue.

**TABLE V.7
TELLURIDE CONFERENCE CENTER
2006 SUMMARY OF ACTIVITY**

Market Segment	# of Bookings	# of Days	# of Ppl	Function Room Rental Revenue	F&B Revenue	Other Revenue	Total Revenue	% of Total Revenue
Events	45	83	12,159	\$72,600	\$143,916	\$53,662	\$270,178	43%
Groups	23	37	5,339	\$33,156	\$253,176	\$10,150	\$296,482	47%
Local	22	37	1,543	\$5,551	\$59,055	(\$545)	\$64,061	10%
Total	90	157	19,041	\$111,307	\$456,147	\$63,267	\$630,721	100%

Source: EPS Economic Sustainability Model for TMVOA, pages 100 -102

In the past years with the instability of The Peaks operations and the loss of its 175 hotel rooms, a significant void has been created in being able to meet the needs of corporate groups for consistent high-end rooms in a central or single location. Even as The Peaks has re-opened, there exists a lack of confidence in the operations and hesitancy to book future groups at the hotel, especially now that many of the rooms require renovations and upgrades to provide a high-end experience. The other lodging options are the Fairmont Franz Klammer, but it features larger 2 and 3-bedroom units as part of a private residence club, or the Mountain Inn that offers an inconsistent assortment of room types. With the 160 keys at Capella's and the 30 suites at Lumiere coming on-line, the supply of consistent lodging inventory will improve and should allow for some growth in the group business.

Seasonal Demand

2007 and to-date 2008 occupancy data that separates the TMV from the Town of Telluride was not available for this review. Thus, the review focuses on 2006 data that was available from the EPS Economic Sustainability Report and from historic MTRIP reports, as shown in Table V.8 below.

**TABLE V.8
OCCUPANCY BY MONTH
TOWN OF TELLURIDE AND TOWN OF MOUNTAIN VILLAGE**

2006	Telluride Occupancy¹	Mtn. Village Occupancy²	Variance
Jan	54%	56%	3%
Feb	59%	72%	13%
Mar	60%	95%	35%
April	68%	2%	-66%
May	12%	3%	-9%
June	38%	38%	-1%
July	46%	34%	-12%
Aug	45%	18%	-27%
Sept	47%	18%	-30%
Oct	23%	11%	-12%
Nov	15%	6%	-9%
Dec	36%	86%	50%
Total	41.9%	36.5%	-5%

Source:

1. MTRIP Reservations Activity Report
2. EPS Economic Sustainability Report, 2006 Table 11.

As one can see, TMV experienced lower occupancy during the summer months than Telluride overall, but relatively higher ski season occupancy. This pattern is consistent with the proximity of the lodging to the seasonal activities. Based on attendance estimates provided in the EPS report of 40,000 people at the June Bluegrass Festival and 24,000 people at the September Blues & Brews event, the existing summer occupancy at Telluride has benefited from an event-driven marketing strategy. Overall, for TMV there exists upside opportunity for improving occupancy throughout the year except during the month of March, which already experiences a very high occupancy rate.

To better understand the seasonal nature of the lodging business at TMV, an estimate of the proportion of room nights during the winter, relative to the summer months has been provided below.

**TABLE V.9
TOWN OF MOUNTAIN VILLAGE
EXTIMATED ROOM NIGHTS BY SEASON – 2006**

Season	Avg. Occupancy	Existing #		% of Total Room Nights
		Units Available for Rent	Room Nights	
Dec-Mar	77%	544	50,894	70%
Apr-Nov	16%	544	21,356	30%
Total			72,250	

As one can see, the non-ski season months have a very low, 16% average occupancy and only represent 30% of the total annual room nights, despite representing 8 months or 75% of the nights available.

As another review of seasonal business volumes, the 2007 and 2008 comparisons of Telluride as a destination (not just TMV) relative to competitive mountain resorts are shown below in Tables V.10 and V.11.

TABLE V.10
TELLURIDE OCCUPANCY RELATIVE TO OTHER MOUNTAIN RESORTS – 2007

2007	Telluride	MTRIP Aggregate	MTRIP Highest	Variance to MTRIP Avg.	Variance to MTRIP Highest
Jan	56%	66%	80%	-10%	-24%
Feb	57%	70%	79%	-13%	-22%
Mar	60%	70%	77%	-10%	-17%
April	17%	38%	71%	-21%	-54%
May	21%	23%	70%	-2%	-49%
June	45%	36%	84%	9%	-39%
July	59%	50%	90%	9%	-31%
Aug	49%	46%	66%	3%	-17%
Sept	41%	34%	47%	7%	-6%
Oct	21%	20%	34%	1%	-13%
Nov	16%	20%	46%	-4%	-30%
Dec	42%	48%	64%	-6%	-22%
Average	40%	43%	67%	-3%	-27%

Source: MTRIP reports for 2007. The “Aggregate” includes Aspen, Beaver Creek, Breckenridge, Copper Mountain, Keystone, North Lake Tahoe, Park City, Snowmass, Steamboat, Telluride, Vail, Whistler, and Winter Park.

TABLE V.11
TELLURIDE OCCUPANCY RELATIVE TO OTHER MOUNTAIN RESORTS – 2008

2008	Telluride	MTRIP Aggregate	MTRIP Highest	Variance to MTRIP Avg.	Variance to MTRIP Highest
Jan	58%	62%	80%	-5%	-22%
Feb	62%	67%	78%	-5%	-16%
Mar	62%	65%	75%	-3%	-13%
April	14%	28%	51%	-14%	-37%
May	18%	18%	36%	0%	-18%
June	46%	33%	49%	13%	-3%
July	48%	46%	48%	2%	0%
Average	44%	46%	60%	-2%	-16%

As one can see from the comparison to competitive mountain resorts, Telluride under-performs on an overall basis, as well as during the winter season. For 2007 occupancy, Telluride was 3% below the competitive average and 27% below the highest performing resort in the competitive mix.

Booking Patterns (size, LOS, RNs, ADR, etc)

Surprisingly, data on the booking patterns for unit size, group size, length of stay, and other standard lodging statistics was not readily available for Telluride Mountain Village. This is basic data for managing lodging businesses and while it is probably available on a hotel-by-hotel basis, there should be some means to aggregate the performance for the entire TMV. MTRIP does provide some information on ADR, but it is not broken-out for TMV.

Review of Current and Potential Meeting Planner Customers

The objective of this task was to identify potential groups not able to be served by the existing TCC facility and to assess what improvements need to be made to attract them to the Village. Part of this investigation was to understand their meeting pattern, frequency, where they have gone previously, where else they considered as alternatives to Telluride, etc. The plan that was outlined in the proposal was to interview 10 to 15 past or potential group planners' customers on their experience at Telluride on their experience as to why they did or did not book at TMV and to better understand their perspective on the competitive landscape. However, there seemed to be quite a bit of difficulty in accessing historic meeting planner data and the names and contact information for these meeting planners was never provided to ERA. Thus, this section of the analysis was not able to be completed.

.4 Assessment of Future Needs

Although we've identified above that, based on the current usage of the TCC, the existing space is adequate; given the comparatively low occupancy rates at TMV relative to other resort communities and the extremely low number of group bookings, the status quo usage is inadequate and does not provide sufficient customers to TMV. Thus, one needs to think of meeting space requirements not in terms of current business volume, but in terms of (1) what it will take to drive occupancy to higher levels with the existing number of units, and (2) what it will take to sustain the higher occupancy level without dilution as 934 new condo and hotel units, or a 105% increase, comes on-line as Telluride Mountain Village completes its permitted build-out development.

For reference, Table III.12 shows the increase from existing units to the total units at build-out, by type of unit and Table III.13 shows the increase in pillows. Because single family homes and employee housing units do not typically provide the rental bed base for meeting attendees, those units were not included in this review. Thus, only the units for condominiums and hotel/lodge units are included in the tables below.

**TABLE V.12
SUMMARY OF UNIT GROWTH FROM EXISTING TO BUILD-OUT OF PUD**

Mountain Village	Existing # Units	Total # Units at Build-out	# Units Yet to be Built	% Increase in Units at Build-Out
Hotel/Lodge	449	882	433	96%
Condo	439	940	501	114%
Sub-Total Mtn Vllg.	888	1822	934	105%

**TABLE V.13
SUMMARY OF PILLOW GROWTH FROM EXISTING TO BUILD-OUT OF PUD**

Mountain Village	Total # Existing Pillows	Total # Pillows at Build-out	# Pillows Yet to be Built	% Increase in Pillows at Build-Out
Hotel/Lodge	1,714	3,181	1,467	86%
Condo	2,634	5,640	3,006	114%
Sub-Total Mtn Vllg.	4,348	8,821	4,473	103%

Source: Ecosign Build-Out Scenario

Driving Current Occupancy

As stated above, the TCC facilities need to be assessed for its ability to drive higher occupancy levels with the existing number of units. Assuming the TMV occupancy rate has been static at the 2006 level of 37% as shown in Table III.8 above, the room nights would be 73,467.

**TABLE V.14
CALCULATION OF TMV ROOM NIGHTS**

	Existing
Total Units Available for Rent Per Night	544
Total Rooms Available Per Year	198,560
Mtn. Village Annual Occupancy Rate	37%
Estimated Current Room Nights	73,467

If TMV was to increase current occupancy to higher levels, (e.g. 40% to 55%), the requirement for additional room night growth has been calculated in Table V.15.

**TABLE V.15
ROOM NIGHTS AT VARYING OCCUPANCY LEVELS – EXISTING UNITS**

	37%	40%	45%	50%	55%
Room Nights	73,467	79,424	89,352	99,280	109,208
Variance to Current	-	5,957	15,885	25,813	35,741
<i>% Increase</i>	<i>0%</i>	<i>8%</i>	<i>22%</i>	<i>35%</i>	<i>49%</i>

As one can see, to achieve a 45% occupancy rate with the existing number of units, TMV would need to achieve almost 16,000 additional room nights, which represents a 22% increase over current performance. Given that the current December through March ski season already has a relatively high occupancy rate at 77%, a target of 45% annual occupancy can only be achieved by growing the April through November business. A likely driver for this growth would be from the group market.

Driving Future Occupancy

To calculate future commercial occupancy, one must first define the assumptions for build-out units and the theoretical percent of units that will be included in the rental pool. Based on the Ecosign data, these assumptions are shown below.

**TABLE V.16
ROOM NIGHTS AT VARYING OCCUPANCY**

Current Room Nights & Occupancy	Existing	Build Out	% Change
Condo Units ¹	439	940	114%
Hotel/Lodge Units ¹	449	882	96%
% Rental (Theoretical) - Condo Units	33%	50%	
% Rental (Theoretical) - Hotel/Lodge Units	89%	89%	
Total Units Available for Rent Per Night	544	1,255	131%
Total Rooms Available Per Year	198,560	458,075	
Mtn. Village Annual Occupancy ²	37%	37%	
Estimated Room Nights	73,467	169,488	131%

1. Ecosign Build-Out Scenario

2. Assume constant occupancy to project future room nights

The build-out occupancy rate shown above was held constant at 37% to reflect a non-dilutive status. As one can see, with the increased lodging inventory, to maintain the status quo 37% occupancy rate, TMV would need to attract 96,000 additional room nights or a 131% increase.

Using the same methodology above, but replacing the 544 existing units available for rent with 1,255 condo and hotel/lodge units at build-out, the growth curve for future room nights at current and higher occupancy levels needs to be quite steep. For example, to hit a goal of 45% annual occupancy with 1,255 units at build-out, TMV would need to increase room nights by 132,000 or 1.8 times the current volume.

**TABLE V.17
ROOM NIGHTS AT VARYING OCCUPANCY AT BUILD-OUT**

	37%	40%	45%	50%	55%
Room Nights	169,488	183,230	206,134	229,038	251,941
Variance to Current	96,021	109,763	132,667	155,570	178,474
<i>% Increase</i>	<i>131%</i>	<i>149%</i>	<i>181%</i>	<i>212%</i>	<i>243%</i>

Higher occupancy levels and increased rental revenues will be a key consideration for future second home buyers and increasingly required to retain satisfaction levels among existing homeowners. Thus, if the new units come on-line and have a dilutive impact on overall occupancy and/or drive-down ADR, TMV will have a challenging situation with existing owners and the pace of future real estate sales could be jeopardized.

There are numerous potential marketing strategies for driving the lodging occupancy, but it is also clear that the increase cannot be achieved solely during the ski season and that there needs to be a strong plan to drive the summer business volume. It is also an underlying imperative that the air lift into Telluride and Montrose and corresponding ground transportation needs to increase at a similar pace in order to facilitate the growth.

For mountain resorts, the typical marketing strategy is to attract the transient market segment with niche-market events and festivals and on-going recreational/experiential offerings (e.g. golf, mountain biking, educational sessions, etc); while also attracting the group meeting and incentive market, and size/price-appropriate SMERF groups. Telluride appears to be pursuing a marketing plan for the transient market, but has thus far fallen short on its efforts to attract the group meeting and incentive market.

Recognizing the critical void that the instability of The Peaks has created for attracting corporate groups, this market represents a largely untapped market for Telluride that could be a solid driver of future room nights.

The meeting market has numerous other advantages as a segment; such as: (1) it is almost entirely pre-sold business that is not weather dependent and allows for orderly labor staffing, (2) average spending by corporate meeting attendees, and especially incentive attendees, is typically higher than other customer segments, (3) the TCC has a greater capture rate of the F&B revenue streams than with transient customers, which will help to improve TCC profitability, (4) group business can become a recurring annuity with annual meetings and conference, and (5) a single booking of a 200-person, 3-night corporate group could represent up to 600 room nights and booking just a few large groups could create a significant up-swing in lodging occupancy.

To truly assess the adequacy of meeting space to meet demands at build-out, one would need to better define the long-range marketing strategies for growth. For example, if the bulk of the growth is to come from festivals and events, then additional meeting space may not be necessary and temporary tents and other outdoor structures would be more appropriate.

In the absence of a defined TMV growth strategy, ERA has presented a couple of quantitative assessments to better understand the relationship between lodging growth and the need for complementary growth in conference facilities.

Function Room Capacity Relative to Lodging Capacity at Build-out

At build-out, Ecosign estimates that the rental units will increase from the 544 existing units to 1,255. Assuming that the function space remains constant at 13,734 square feet in TMV, the ratio of meeting space to units will go from 25 square feet/unit to less than 11 square feet/unit, or a 57% reduction. The implication of this eroded ratio is that as the lodging inventory grows, a lower percent of the units will be able to be rented to meeting group attendees because there will be insufficient meeting space.

Function Room Capacity Relative to Occupancy and Group Mix

Using the build-out figure of 1,255 rental condo and hotel/lodge units at TMV, an estimate of an average of 1.75 people per unit for the conference group segment, a maximum capacity of 367 people accommodated banquet style in the existing facilities, and a varying range for occupancy and the percent of the occupancy that is comprised of the group segment; the chart below shows the threshold of mix and occupancy that could be accommodated in the existing facilities. The 1.75 people per room is lower than used for estimating skier visits because the group meeting segment tends to book more single-user hotel and studio/1-bedroom units.

TABLE V.18
NUMBER OF GROUP ATTENDEES WITH VARYING OCCUPANCY AND % SEGMENT MIX

% of Units Occupied by the Group Market	100%	659	769	879	988	1,098	1,318	1,537	1,757	1,977	2,196
	50%	329	384	439	494	549	659	769	879	988	1,098
	45%	296	346	395	445	494	593	692	791	889	988
	40%	264	307	351	395	439	527	615	703	791	879
	35%	231	269	307	346	384	461	538	615	692	769
	30%	198	231	264	296	329	395	461	527	593	659
	25%	165	192	220	247	275	329	384	439	494	549
	22%	145	169	193	217	242	290	338	387	435	483
	20%	132	154	176	198	220	264	307	351	395	439
	18%	119	138	158	178	198	237	277	316	356	395
	16%	105	123	141	158	176	211	246	281	316	351
			30%	35%	40%	45%	50%	60%	70%	80%	90%

Note: # Group Attendees = [1,255 units) x (1.75 ppl/room) x (Occupancy %) x (% Group Segment)

As one can see, at an annual occupancy of 40%, the existing facilities can accommodate less than 45% of the business being from the group market and thus at least 55% of the volume would need to be from other markets. However, to attain a 70% peak night occupancy rate in the non-ski period, less than 25% of the business could be from groups and still accommodate the group banquet-style in the existing facilities. Recognizing that the group mix could be from multiple smaller groups that don't need to dine together or that outside dining facilities could be used in the summer so that the 367-maximum person constraint would be lifted; this chart still shows that peak summer nightly occupancy will be constrained due to the size of the ballroom at the TCC. Typically, the higher non-ski occupancy rates are achieved by attracting a large group that books out numerous hotel properties and the peak occupancy spikes, thus elevating the overall occupancy level.

As noted above it is evident that the existing TCC is adequate to meet the needs of the existing rental inventory, and that the group business could be expanded greatly from current levels with a commensurate positive impact on annual occupancy. It is also evident that the existing facilities cannot be expanded on the current site without radically altering the bulk and scale of the building, which may result in less than optimal configuration and at a cost that would be prohibitive relative to any gain in functionality.

As part of a more coherent marketing plan to build occupancy we recommend cementing better relationships with the Peaks to ensure ongoing access to the existing adjacent break out and function space. We realize that may not be an option depending on the ultimate goals of the new owners and their desire to convert the room stock, and therefore the building, to more private wholly owned condominiums. As an alternative, we understand vacant second floor space exists in the Centrum Building across the courtyard from the existing facility. While still not ideal from a functionality standpoint in terms of servicing from the kitchen, etc., it could prove to be a viable alternative to relying on the Peaks, and therefore should be investigated.

The gap in the facilities mix is breakout space. Large functions and banquets are a relatively small part of the meeting event mix. While small meeting spaces may be in the plans for future hotels/buildings in the Village, management will most certainly prioritize the use of those spaces for their own guests, and since they will be further from the TCC than the Centrum building or the Peaks, they are of relatively little use to increasing the utilization of TCC, and ergo total annual occupancy in TMV.

Without knowing the exact configuration of the Centrum building, or how rooms may lay out, it is difficult to say the exact mix or size of rooms that are required or may be achievable. Generally, the vast majority of groups that might be attracted to TMV will be fewer than 80 participants in size, and the goal should be to have multiple rooms to service from 20 up to 100 in different configurations. Assuming some groups will be incentive based, and include spouses, the existing banquet facilities should be adequate for most evening events.

As noted earlier, the average size of a break out room in a resort is approximately 1,283 square feet, versus about 900 square feet for a dedicated corporate meeting center. Generally speaking a room of approximately 1,300 square feet can accommodate the following:

- Banquet configuration: 100-110 people
- Theater seating: 130-140
- Conference table: 30-35
- Classroom setting: 80-85
- U Shape: 35-40

Therefore, rooms ranging from 1,000 to 1,500 square feet would be adequate to meet almost any demand, particularly if configured to be joined by movable partitions.

Some other highlights of resort conference centers that are of interest and which may be useful in furthering the marketing efforts of the TCC include the following:

- Resort conference facilities host far more social events than any other type, averaging 190 events a year, further illustrating how underutilized the TCC is currently.
- Resort conference centers as a classification generate higher average room rates per occupied room than other categories of centers (corporate, executive, collegiate), generally about 25% higher than the average of the other three categories.
- The same relationship exists in terms of total revenues per occupied room night, with total revenues being approximately 2.4 times the achieved ADR. This does not imply that group business is more profitable than FIT business, but only that resort based conference business is more profitable than other conference centers. At the same time, over 62 percent of the Complete Meeting Package (CMP) rate is captured by the accommodation sector.
- The resort conference center generally experiences the lowest utilization during the winter months, a perfect compliment to historic occupancy experience of TMV. Some of that is by design, for resorts do not want to dilute earnings by selling discounted group room rates during their peak seasons.
- Resort conference centers generate almost twice the number of 'recreation' oriented room nights as a percentage of total occupied nights than the average of the other three categories of centers. This represents a longer length of stay for leisure purposes, not an inherently longer meeting agenda.
- Generally speaking, over half of the use days of the resort conference center are generated by private sector businesses, the most profitable sector of the industry.

As noted, there is no fixed ratio of square footage of conference space to available bed base. Rather, the numbers vary greatly based on the positioning of the resort, its physical assets, maturity, etc. To illustrate the diversity that exists, Table V.19 summarizes the information for six other major destination mountain resorts in comparison to Telluride Mountain Village's assets. Despite the wide range in total size, particularly in banquet space, the main differences appear to be greater number of smaller breakout rooms that most facilities have, underscoring the greater demand from the small group market.

**TABLE V.19
REPRESENTATIVE RESORT CONFERENCE CHARACTERISTICS**

Loc Facility Name	Total Sq. Ft.	Ballroom					Break Out Rooms							
		Number	Sq Ft. (Total)	Capacity (Min-Max) /3			Number /1	Size Range		Capacity (Min-Max) /3				
				Theater	Classroom	Banquet		Min	Max /2	Theater	Classroom	Banquet	Conf	
Telluride														
Telluride Conference Center	11000	1	6,069		552	331	367	2	312	732	33	20	44	
The Peaks		1	2,046		222	138	102	2	1,980	2,790	67	40		
Jackson, WY														
Snow King Center	21,940	1	18,900		2,100	1,450	2,100	2	680		50	32		28
Adjacent	16,502							6		2,360	212	128	112	30
Squaw Valley,CA														
Resort at Squaw Creek	23,030	2	14,645	min ft ² max ft ²	480 1,260	180 920	300 940	8	624	1,650	32 100	24 88	40 80	24 48
Keystone, CO														
Keystone Conference Center	100,000	2	35,800	min ft ² max ft ²	1,800 4,050	1,100 2,375	1,620 3,468	10	480	6,600	60 750	24 425	48 576	16 36
Whistler,BC														
Telus Whistler Conference Center	39,171	1	16,500	min ft ² max ft ²	1,600		1,320	11	350	3,300	22 200	24 100	10 180	12 60
Vail,CO														
Lions Square	5,700			min ft ² max ft ²				4	800	1,235	30 250	20 130	30 200	18 18
Beaver Creek	6,258			min ft ² max ft ²				7	310	1,344	30 100	18 80	14 100	42
Breckenridge,CO														
Beaver Run Resort	58,902	3	15,378	min ft ² max ft ²	200 1,500	115 965	150 1,050	13	333	2,820	24 300	24 160	30 200	

/1 Most are subdivisible
/2 For combined rooms with same name
/3 Per room with same name designation

.5 Conclusions and Recommendations for the Future

Conclusions:

- The current facilities in the TCC are adequate for the current business volume at the TMV.
- TMV has a significant need to drive increased room nights as new units come on-line during the build-out in order to retain and attract real estate purchasers who consider rental income as a key factor in their vacation home buying decision.
- TMV faces a high risk of diluting lodging occupancy as new units come on-line, unless it enhances its marketing and sales efforts and aligns the air/ground transportation capacity to the increased bed base.
- The room night growth cannot occur solely during the ski season. Demand must be created on a year-round basis.
- Group and Conference business will need to play a greater role as TMV develops because it can be a strong driver of room nights and non-ski season demand.
- Telluride needs to determine its overall growth strategy to assess facility requirements (e.g. role of corporate and SMERF groups relative to the role of festivals/events and skier visit volume as each has different requirements).
- For meetings and group functions to play a significant role in driving future TMV lodging occupancy, additional space will be required as the new units come on-line. The amount of space required will depend on the strategies for room night growth developed by all of the Telluride marketing entities.

Recommendations:

Based on the ERA review, recommendations for the TCC are outlined below.

- ***Improve Business Tracking*** – the lack of data on the TCC group functions, as well as not being able to clearly define the relationship between group attendees and lodging room nights in the TMV is an area that needs to be addressed if the TCC is going to be run as a for-profit entity that becomes a driver of lodging room nights. The improved data is required not just from the TCC, but from the lodging community as well.
- ***Develop a Holistic Growth Strategy*** – involving all of the various Telluride entities, define a growth strategy that outlines the role that festivals, corporate groups, social events, skiers, and transient tourists play in driving future room nights.
- ***Clearly Define the Business Goals of the TCC*** – there should be clear business goals for the TCC in terms of its specific role in supporting the financial viability and future growth of the TMV.
- ***Create a Coordinated and Comprehensive Marketing & Sales Plan*** – there needs to be a coordinated effort among the various entities (e.g. TCC, SkiCo, and the Telluride Tourism Board) on the overall marketing and sales plan for Telluride as a travel destination and then specifically for the TMV and the Town of Telluride. The coordination should include goal-alignment, information sharing, and coordination of the overall growth strategy for Telluride.
- ***Improve Usage of the TCC*** – the current usage of the TCC is extremely low and unless the marketing and sales efforts become more aggressive, the group market will not become a driver of future room nights as required to maintain occupancy levels at the TMV. Please note that a new staff for the TCC has been hired in the spring of 2008 and are creating plans to drive future sales, but are still dependent on having a consistent high-end lodging product to promote.
- ***Enhance the One-Stop Booking Process for Meeting Planners*** – this step again relates to coordination among disparate entities in Telluride, but a seamless booking process is a “must do” for Telluride to complete in the corporate meeting market (and for transient business as well). Additionally, as the coordination improves, the level of service provided needs to be consistent across customer touch points and will also require the creation of service standards and employee training.
- ***Aggressively Support More Stable Operations at The Peaks Resort*** – The Peaks, with its location in close proximity to the TCC and its favorable room configuration, is a critical element in growing the group/meeting market and as such, efforts for new ownership and/or more stable operations should be supported aggressively and as a high priority for the TMV.

VI. VILLAGE REVITALIZATION PLAN

.1 Introduction

The Village Core Revitalization Master Plan is illustrated in Figure 8a. Ecosign, working with ERA, developed the plan with the goal of creating optimal circulation, views, mass and scale of buildings and access to recreation and retail in the Village Core at build-out. Challenges and constraints to the existing layout in the village are illustrated in Figure 4. These design flaws are attributed to the existing poor retail environment, ambiguous way-finding, overall weak ‘sense of place’ and lack of vitality in the Village Core.

.2 Analysis & Design

Concept Development

Ecosign explored several design alternatives before arriving at the recommended concept shown in Figure 8a. Two concept plans are shown in Appendix A and B. Appendix A shows the Town Hall Gondola landing just north of the existing 9545 patio and a proposed re-development of the Plaza and Columbia Place Buildings to accommodate the circulation flow that would result from this configuration. The proposed Silverline Condos are illustrated as the existing approved concept and the Chondola terminal is shown relocated adjacent to the Granita Building. The concept shown in Appendix A was rejected by the design team because of the proposed Gondola terminal location shown in this plan. Complications with the existing 9545 patio and the grade change between the patio level and the plaza level make locating a terminal in this location very difficult and would not lend to an improved pedestrian experience.

A second option for the gondola terminal location was explored in the concept illustrated in Appendix B. This design alternative locates the gondola landing between the Blue Mesa Condos and the Granita Building, adjacent to Sunset Plaza. After further detailed design work, this location proved to be the best and the only feasible alternative for moving the gondola terminal. Also explored in the design shown in Appendix B are developments on the remaining undeveloped lots around the Village Core, the re-development of the plaza space and guest service functions around the Telluride Gondola. This design was taken to Washington D.C. for a work session with ERA’s retail specialists to get feedback on the proposed changes to the

village layout and how these would impact the retail environment. ERA's feedback and feedback from the TMVOA board of directors was integrated into the final recommended concept (Figure 8a).

Circulation & Sightlines

The existing layout of the Village Core poses significant problems for circulation, sightlines and way-finding. The Telluride and Town Hall Gondola terminals are one and one-half storey above the plaza in the Village Core, discouraging circulation through the pedestrian space in the Village Core. Visitors and residents that park in the free public parking structure at the Town Hall in Mountain Village and ride the gondola into the Village Core arrive at the gondola to Telluride, essentially 'flying -over' the pedestrian streets in the Mountain Village Core. There is currently little flow of pedestrians through the Village and most activity is centered around the snow-front, while the rest of the pedestrian zones remain relatively empty.

Sight-lines in the Village Core have not been carefully planned, which results in difficult way-finding for the visitor and limited foot traffic to many parts of the Village Core. Perhaps the most significant circulation issue is the movement of pedestrians and skiers moving off the Chondola and between Sunset Plaza and Heritage Plaza. Retaining walls that make skier bridges over the pedestrian walk have created a visual barrier between the south side of the village with the snow-front zone and Heritage Plaza.

Ecosign's concept for improving circulation and sightlines in the Village Core is to move the gondola terminal from the Town Hall Plaza from its current location adjacent to the Telluride Gondola to on grade with the pedestrian plaza in Sunset Plaza, as shown in Figure 8b. In addition, we propose lowering the Chondola terminal and removing the skier bridges that connect from the top of the Chondola to Lift 4 to open views from the new gondola location to the snow-front, allowing for clear circulation through the Village. Figure 8b shows a close up view of the south end of the village with the new gondola terminal location and Chondola elevation and re-configured circulation around Sunset Plaza. With increased foot-traffic coming off the gondola, the existing patios in Sunset Plaza will become more active and retail in the Granita and Inn at Lost Creek will receive more foot traffic. With the Chondola's unload elevation lowered by about 12 feet, beginner skiers and snowboarders will have less difficulty making the sharp turn to ski under Mountain Village Blvd. and will be able to easily slow down enough to step in or out of bindings to walk across to

Lift 4. Since most beginners will return ski on the Chondola, we estimate that skiers will only have to make the transition across the village street once a day to transition to Lift 4 from the Meadows area.

To return to the bottom of Lift 10 and the Chondola from the Lift 4 area, skiers will only need to use the south junction at Goronno's instead of skiing down to the Village as is done under current conditions.

Pedestrians dismounting off the Chondola will be able to walk on a paved surface to meet the plaza level instead of walking with skiers on snow all the way down to skier's plaza and the base of Lift 4. This will encourage more pedestrians to use the Chondola to get to the Village, Town Hall or Telluride instead of driving a car.

Figures 8a and 8b show the Columbia Place building re-developed to accommodate the new circulation and sightlines from the Gondola and Chondola lift terminals. Also, a proposed one-storey retail building is shown north of the existing 9545 patio. By removing the skier bridges and cutting back the slope between the Chondola and the base of Lift 4, a steep slope is created north of the 9545 patio. Building D1 helps to retain this slope and provide retail frontage on the pedestrian plaza space. The ground floor of Building C is highly visible retail space. Buildings C and D1 help to clearly guide the pedestrian flow from Sunset Plaza on the south side of the Village to the snow-front.

Retail Core & Snow-Front

Figure 8c shows a close-up of the central core of the Village which has been identified as the Retail Core & Snow-Front Zone. This zone is the center for snow-front events and activity and the transition from guest services to the retail core of the village. The main circulation paths bring visitors to the snow-front edge and then into Heritage Plaza, the main retail plaza. A secondary circulation route between Building C and the Plaza Building draws people to the Capella ice rink and allows for a continuous loop of retail and restaurant opportunities. Covered arcades are recommended for retail fronting on Heritage Plaza to create a perimeter walk that draws people closer to the storefronts and helps to reduce the wide-open feel of the plaza space that currently exists. Signage, lighting and architectural features can be used to emphasize entrances and create a high-intensity retail environment. Ecosign recommends moving the fire pit from the center of Heritage Plaza to the northwest side and creating an 'edge' or 'sub-space' within the plaza that has a variety of seating and moveable planting. This new seating area will also help to reduce the

size of the plaza and will provide a comfortable place for people to linger and enjoy the plaza activity.

Buildings B1- B4 proposed for Parcels 161CR and 53B are shown on Figures 8a and 8c. The development presented in Figure 8c is a combination of the existing approved plan for the Silverline Condos and newly proposed plan created by Ecosign. Buildings B1 and B2 as well as the drop-off loop and underground access are identical to the Silverline Plan, and the existing skier services below the Arrival Plaza remain intact. The most significant additions to the plan are Building B4 south of the gondola terminal and Building B3 which is extended and oriented north-south compared to the smaller, east-west oriented building in the Silverline plan. The public plaza proposed in the Silverline plan has also been re-designed so that the pedestrian space does not extend north into the development and alternatively is focused around the entrance to the Telluride Gondola terminal, Building D2 and the edge of the lot line. Alternatively, a private plaza one level above the gondola terminal is created as part of the Building B development and can be used as a recreation, outdoor seating or spa space. The merits of this new design is that new retail outside of the Heritage Plaza retail zone is discouraged and instead pedestrians arriving and leaving on the Telluride Gondola are encouraged to flow south into the Mountain Village instead of north towards the Silverline development.

Skier services are proposed for the Arrival Plaza level in Building B3 and the frontage below the plaza between B3 and B2 can be used as spa or recreation space. A new location for the existing private club on the ground floor of the Plaza Building is proposed in the west end of Building B4, fronting onto the Arrival Plaza.

An excellent opportunity for an après bar and sunny patio overlooking the village and snow-front is created in the upper Arrival Plaza with the removal of the Gondola Terminal. In fact, the old terminal building could be retro-fitted and used as the structure for the bar. Building D2 in a newly proposed restaurant housed within the existing Town Hall Gondola structure. An F&B outlet is also proposed for the existing club location in the Plaza Building. The critical mass of the potential three patios; Building D2, the Plaza Building and the existing Tracks in Heritage Crossing would make a very lively and active entrance to the Mountain Village.

Village Park & Service Zone

Figure 8d shows a close-up of Village Park & Service Zone in the Village Core. In this part of the Village there is a transition from the high-intensity, urban activity

of Heritage Plaza, to lower-intensity retail and service-oriented commercial space as well as a less urban, more natural Village atmosphere. The north end of the Village Core is characterized by the Pond, which in its current state does not do much to attract visitors. Figure 8d illustrates the Village Park and Service Zone at build-out with Building A completing the building mass around the Pond and the footprint of the Juno Hotel on the existing North Village Parking Lot.

.3 Planning for a Transient Bed Base

A key principle in planning mountain resort communities is to cluster the majority of the overnight accommodation for tourists within walking distance from the commercial core and the recreation staging points. In this way, visitors arriving by air to the resort can easily access shops and restaurants and can be encouraged to take a shuttle to the resort instead of bringing a car, as a car is not required during their stay. Also, with tourists centered in one part of town, residents can remain relatively removed from the high level of tourist activity and can maintain a quiet mountain lifestyle within the vibrant resort community. The existing lodging in the Village Core and within walking distance from the Core is predominantly cold bed condos that do not provide sufficient guests to support retail and restaurants. While much of the real estate in Mountain Village is ski-in/ski-out, the Peaks Hotel is the only significant transient bed base within walking distance from the Village Core. A significant component of planning vibrancy in the Village Core is increasing the transient bed base within walking distance from the village pedestrian zones and staging lifts. The Capella Hotel, currently under construction in the Village Core and the recently approved Juno Hotel indicate a change in Town policy to move towards creating a larger transient bed base in Mountain Village.

Development Opportunities

Two significant existing undeveloped parcels remain in the Village Core:

- Lot 161CR, owned by Monument Realty approved for the 'Silverline Condo' development.
- Lots 69R, 67 and 71 owned by Telski and located west of the pond. There is no existing development proposal for these three lots.

Ecosign has considered the development of all four lots, as well as undeveloped Lot 53B, in the Village Revitalization Plan shown in Figure 8a. Building A includes Lots 69R, 67 and 71; Building B1-4 shows development on Lots 161CR and 53B.

Ecosign has identified two additional parcels that are suitable for increased density and transient lodging units within the Village Core. Lot 37, the existing Columbia Place adjacent to the Plaza building, has been considered for redevelopment as a result of reconfiguring circulation and ground-floor uses of the exiting building and adding prime snow-front real estate. Two private lots zoned for single family units north of Lot 161CR have also been considered for increased density. The gentle topography and close proximity to the Village Core makes these parcels suitable for higher density public accommodation.

Several additional lots suitable for increased density or redevelopment in proximity to the Village Core were identified in Figure 8e. These include redevelopment of the Village Creek Condos, development of the lands around the existing tennis courts, Lots 122/123 north of the Peaks Hotel, Lot 30 near the Aspen Ridge Condos and Lots 89-2B, 89-3D, 89-29, 89-1C and 89-1D. While these lots have potential for increased density that could add to the transient bed base in Mountain Village, site plans and development programs have not been developed as part of the scope of this report. Ecosign recommends that a development master plan for the 8 potential development zones identified in Phase 1a, Inventory and Balance Analysis be explored in detail in future planning exercises in Mountain Village.

Planning for employee housing is a key issue in all resort communities, a recent report created for the Telluride region suggests that there will be an increasing shortage of employee housing in the Telluride Region over the next 30 years. In planning future development in the Village Core, an important objective is to ensure that at least 10% of the new units are dedicated employee units. This standard is in-line with best practices for Mountain Resort Communities in British Columbia and is consistent with efforts in other Colorado mountain resort communities.

Building Program

Tables VI.1-6 provides a building program for the proposed Buildings A, B, C, D and E, as shown in Figure 8a. These proposed buildings will add over 1,150 pillows to the Village Core in tourist accommodation and employee units, almost 600 more pillows than what is currently planned. The buildings have been designed to create the optimal mass and scale from the Village Street, to maximize retail opportunities and re-configuration of retail space and to improve pedestrian circulation and sightlines. The mass and scale of the proposed buildings has been determined based on potential impact to the pedestrian zones. Human scale buildings

of 4 to 5 storeys are shown adjacent to pedestrian walkways and retail space, such as around Building C and in the plaza next to the Telluride Gondola. Building A is shown at 5.5 stories at its highest point, however, the proposed roof-line steps down to meet the existing scale of the Westermere and Chamonix Buildings to the south and north. Buildings B1 and B2 are shown with up to 8 storeys at their highest point; B3 and B4 have 6.5 stories at their highest point. These parcels are suitable for more height because of their close proximity to the slopes and because there will be little impact from their mass in terms of shadows on the pedestrian zones or the snow-front. In the same way, while Building A creates an edge to the pedestrian path around the Pond, its location on the northeast side of the Village means that the shadows from it will cast away from the pedestrian areas.

The proposed developments in Buildings A – E have a gross floor area of over 633,000 GFA. Assuming an overall residential efficiency of 75%, these buildings will contain approximately 276,000 net sellable accommodation space and approximately 570 parking stalls. There is a total of approximately 20,000ft² of commercial space, 11,470ft² of skier service space and 6,430 ft² of potential private club space in Buildings A - D. A summary of the combined development programs for Buildings A-E is provided in Table IV.7.

**TABLE VI.1
BUILDING PROGRAM
BUILDING A**

Elevation	Level	Gross Floor Area ft ²	Commercial Space ft ²	Lobby/BOH/Rec. Space ft ²	Skier Service Space ft ²	UG Parking ft ²	Gross Accom. Space ft ²	Net to Gross Ratio	Net Accom. Space ft ²	# of Pillows
9513.0	1 - Retail & UG & Emp. Housing	21,000	7,800	3,000		13,840	3,950	0.75	2,963	15
9525.0	2 - UG Parking & BOH & Accom.	26,225		3,000		13,840	9,385	0.75	7,039	35
9536.0	3 - Lobby, BOH & Accom.	20,000		10,000			10,000	0.75	7,500	38
9547.0	4 - Accommodation	20,000					20,000	0.75	15,000	75
9558.0	5 - Accommodation	14,000					14,000	0.75	10,500	53
9569.0	6 - Accommodation	7,000					7,000	0.75	5,250	26
TOTAL		108,225	7,800	16,000	0	27,680	64,335		48,251	241

**TABLE VI.2
BUILDING PROGRAM
BUILDING B**

Elevation	Level	Gross Floor Area ft ²	Private Club Space ft ²	Lobby/BOH/Rec. Space ft ²	Skier Service Space ft ²	UG Parking ft ²	Gross Accomm. Space ft ²	Net to Gross Ratio	Net Accomm. Space ft ²	# of Pillows
9518.0	0 - Emp Housing	7,350					7,350.0	0.75	5,513	28
9529.0	1 - UG Parking	77,300				77,300				
9540.0	2 - UG, Club, Skier Service	64,705	6,430	10,790	11,470	36,015				
9552.0	3 - Lobby, Parking & Accomm.	61,840		25,250		14,880	21,710	0.75	16,283	81
9566.0	4 - Accommodation	49,345		4,345			45,000	0.75	33,750	169
9577.0	5 - Accommodation	46,120					46,120	0.75	34,590	173
9588.0	6 - Accommodation	41,270					41,270	0.75	30,953	155
9599.0	7 - Accommodation	33,350					33,350	0.75	25,013	125
9610.0	8 - Accommodation	26,730					26,730	0.75	20,048	100
9621.0	9 - Accommodation	10,530					10,530	0.75	7,898	39
TOTAL		418,540	6,430	40,385	11,470	128,195	232,060		174,045	870

**TABLE VI.3
BUILDING PROGRAM
BUILDING C**

Elevation	Level	Gross Floor Area ft ²	Comm-ercial Space ft ²	Lobby/BOH/Rec. Space ft ²	Skier Service Space ft ²	UG Parking ft ²	Gross Accomm. Space ft ²	Net to Gross Ratio	Net Accomm. Space ft ²	# of Pillows
9515.0	0 - UG Parking	6,585.0				6,585.0				
9526.0	1 - Retail	6,585.0	5,597	988						
9538.0	2 - Accommodation	6,585					6,585	0.75	4,939	25
9549.0	3 - Accommodation	6,585					6,585	0.75	4,939	25
9560.0	4 - Accommodation	5,268					5,268	0.75	3,951	20
TOTAL		31,608	5,597	988	0	6,585	18,438		13,829	69

**TABLE VI.4
BUILDING PROGRAM
BUILDING D1**

Elevation	Level	Gross Floor Area ft ²	Comm-ercial Space ft ²	Lobby/BOH/Rec. Space ft ²	Skier Service Space ft ²	UG Parking ft ²	Gross Accomm. Space ft ²	Net to Gross Ratio	Net Accomm. Space ft ²	# of Pillows
9524.0	1 - Retail	2,000.0	2,000							
TOTAL		2,000	2,000	0	0	0	0		0	0

**TABLE VI.5
BUILDING PROGRAM
BUILDING D2**

Elevation	Level	Gross Floor Area ft²	Commercial Space ft²	Lobby/BOH/Rec. Space ft²	Skier Service Space ft²	UG Parking ft²	Gross Accomm. Space ft²	Net to Gross Ratio	Net Accomm. Space ft²	# of Pillows
9540.0	1 - F&B	3,920.0	3920							
TOTAL		3,920	3,920	0	0	0	0		0	0

**TABLE VI.6
BUILDING PROGRAM
BUILDING E**

Elevation	Level	Gross Floor Area ft²	Commercial Space ft²	Lobby/BOH/Rec. Space ft²	Skier Service Space ft²	UG Parking ft²	Gross Accomm. Space ft²	Net to Gross Ratio	Net Accomm. Space ft²	# of Pillows
9551.0	0 - UG Parking	15,300				15,300				
9562.0	1 - Emp Housing	15,300					15,300	0.75	11,475	57
9573.0	2 - Emp Housing	15,300					15,300	0.75	11,475	57
9584.0	3 - Emp Housing	15,300					15,300	0.75	11,475	57
9595.0	4 - Accommodation	7,650					7,650	0.75	5,738	29
TOTAL		68,850	0	0	0	15,300	53,550		40,163	201

**TABLE VI.7
VILLAGE REVITALIZATION PLAN
BUILDING PROGRAM SUMMARY**

Village Revitalization Proposed Development	Gross Building Floor Space (GFA) (ft²)	Max. Number of Floors above Plaza Level	Gross Commercial Floor Space (ft²)	Gross Skier Service Floor Space (ft²)	Gross Private Club Floor Space (ft²)	Gross Parking Floor Space (ft²)	No. Parking Stalls @ 300ft² / Stall	Gross BOH/Recreation Space (ft²)	Gross Accom. Floor Space (ft²)	Net Accom. Floor Space @ 75% (ft²)	Number of Pillows @ 200ft²/Pillow	No. Eff Units @ 3 Pillows per Unit	Number of Emp. Pillows @ 200ft²/Pillow	No. Emp Units @ 3 Pillows per Unit
Building A - Condotel	108,225	6	7,800	-	-	27,680	89	16,000	64,335	48,251	226	75	15	5
Buildings B1 - B4 - Condotel	418,540	8	-	11,470	6,430	128,195	414	40,385	232,060	174,045	843	281	28	9
Building C - Condotel	31,608	4	5,597	-	-	6,585	21	988	18,438	13,829	69	23		
Building D1 - Retail	2,000	1	2,000				0							
Building D2 - F&B	3,920	1	3,920				0							
Building E - Emp. & Condo	68,850	4	-	-	-	15,300	49	-	53,550	40,163	29	10	172	57
TOTAL	633,143		19,317	11,470	6,430	177,760	573	57,373	368,383	276,287	1,167	389	215	72

Table VI.11 shows a comparison between the existing zoning in the PUD and Ecosign’s proposed development plan for Buildings A, B, C and D shown on Lots 69R, 67, 72R, 161CR, 53B, 37, 104 and 89-2C. Density units and number of corresponding pillows have been calculated based on assumptions of number of pillows per unit type shown in Table VI.8 below.

**TABLE VI.8
PUD DENSITY AND AVERAGE PILLOWS PER UNIT**

	PUD Density (Population)	Average Pillows per Unit
Employee Condo	3	3
Employee Apartment	3	3
Employee Dorm	1	1
SFU	4	8
Condo	3	6
Tourist Accommodation		
Lodge	0.75	5
EFF Lodge	0.5	3
Hotel	1.5	3
Hotel EFF	2	4

Under the existing PUD zoning, the 8 lots under examination would yield 154 lodging units, 317.5 units of PUD density and 791 pillows with a mix of single family, condo, lodge, efficiency lodge and employee units. Ecosign’s development program reflects the configuration of Buildings A, B, C and D and shows the result of converting condo units into lodge efficiency units. The result is more pillows while actually using less PUD density than what is allocated for the proposed development sites, since condo units use six times the density as lodge efficiency but only have two times as many pillows. Ecosign’s program provides a total of 460 lodging units which translates to 361 units of density and 1,381 pillows. This configuration creates 598 more pillows in the Village Core and actually uses only 43.4 units of PUD density from the Density Bank.

Table VI.11 shows the unit and pillow mix resulting from the existing PUD compared to Ecosign’s concept. Included in this table is an estimate of the number of hot pillows from units that would be in a rental program based on observed proportions of hot pillows for existing units in Mountain Village. The existing observed hot pillow proportions are shown in Table VI.9.

Today, 18% of single family pillows, 33% of condo unit pillows and 89% of tourist accommodation units (which includes hotel, hotel efficiency, lodge and lodge efficiency units) are actively rented. Therefore, converting condo units to lodge efficiency units creates more pillows; more significantly, lodge efficiency units are more likely to become ‘hot’ pillows in an active rental program instead of ‘cold’ pillows that are used exclusively by the unit owner.

**TABLE IV.9
EXISTING HOT BED PROPORTIONS
MOUNTAIN VILLAGE**

	Existing Observed Hot Pillow Proportion
SFU	18%
Condo	33%
Toursit Accom.	89%

According to the existing PUD, over half of the units in the 8 lots in the village core that are undeveloped or have potential for re-development will be condo units that have a very low observed participation in rental programs. In Ecosign’s concept, 84% of units proposed for the 8 development lots are tourist accommodation units with the remaining 16% dedicated to employee units. The difference in unit mix in addition to the 598 additional pillows shown in the Ecosign plan is a total of 1,039 rental pillows compared to only 404 pillows expected under the existing PUD (Table VI.4).

**TABLE VI.10
EXISTING PUD VS. ECOSIGN PLAN
UNIT MIX & HOT PILLOWS**

	Existing PUD				Proposed Ecosign			
	No. Units	% Total	No. Pillows	No. Hot Pillows*	No. Units	% Total	No. Pillows	No. Hot Pillows*
SFU	2	1%	16	3	0	0%		
Condo	79	51%	474	156	0	0%		
Toursit Accom.	67	44%	275	245	389	84%	1,167	1,039
Emp	6	4%	18	na	72	16%	172	na
Total	154	100%	783	404	460	100%	1339	1,039

**TABLE VI.11
EXISTING PUD VS. ECOSIGN PLAN
PUD DENSITY & PILLOW COMPARISON**

Lot Number	Existing PUD			Ecosign Village Concept				Net Increase (Decrease)	
	PUD Zoning No. Units	PUD Density	No. Pillows	Building	No. Units	PUD Density	No. Pillows	Density	Pillows
69R, 67, 71R	35 Condo 1 Emp	105 3	210 3	Building A - Condotel	75 Eff Lodge 5 Emp	38 15	226 15		
Subtotal A	36	108	213		80	53	241	(55.4)	28
161CR, 53B	44 Condo 22 Eff Lodge 37 Lodge 5 Emp	132 11.0 27.75 15	264 66 185 15	Building B1 - Condotel (Silverline) Building B2 - Condotel (Silverline) Building B3 - Condotel (Ecosign) Building B4 - Condotel (Ecosign)	281 Eff Lodge 9 Emp	140 28	843 28		
Subtotal B	108	185.75	530		290	168	870	(17.7)	340
37	8 Hotel Eff	16	24	Building C - Condotel	23 Eff Lodge	11.5	69	(4.5)	45
89-2C, 104	2 SFU	8	16	Building E - Employee Housing & Condotel	10 Eff Lodge 57 Emp	5 124	29 172		
Subtotal E		8	16		67	129	201	121	185
Total Market	148	299.75	765		389	194	1,167	(105.3)	402
Total Employee	6	18	18		72	167	215	149	197
TOTAL	154	317.75	783		460	361	1,381	43.4	598

.4 Conclusions & Recommendations – Village Core Revitalization & Future Development:

- ***Remove Skier Bridges and Lower the Chondola*** - The skier bridges between the top of the Chondola and the snow-front create an unnecessary visual barrier between the south end of the Village and the Heritage Plaza. These bridges should be removed and the Chondola terminal lowered to open sightlines and improve circulation in the Village Core (Figure 8b).
- ***Re-locate the Town Hall Gondola Terminal to Sunset Plaza*** - The Gondola terminal from Town Hall should land on grade with the Village plazas to encourage circulation through the pedestrian areas. In the current configuration, people arriving to the Village Core by gondola from Town Hall essentially fly over the pedestrian areas and commercial space and are pointed directly towards the Gondola to Telluride as they arrive in the Village. There is an opportunity to move the terminal from its location above the skier service building to Sunset Plaza, which would re-orient people arriving in Mountain Village and would also open up development opportunities for the plaza where the previous terminal landed (Figure 8a and 8b).
- ***Maximize Transient Beds in All Future Developments in the Village Core*** - Development of the remaining two undeveloped parcels in the Village Core should contribute to the transient bed base in Mountain Village to the greatest extent possible. These parcels can be developed to complement the existing scale and character of the Village while creating 800 hot pillows that will support the resort services, retail and restaurants.
- ***Redevelop the Columbia Place Building*** - Redevelopment of Lot 37 should be considered along with re-organization of the circulation around the Chondola to help to open views to the proposed Capella's ice rink from the snow-front and to help re-direct pedestrian circulation from the south side of the Village to the snow-front and Heritage Plaza (Figures 8a and 8b).
- ***Remove Stairwell Access to Plaza Building Underground*** - The existing stairwell access to the underground level of the Plaza building should be covered to allow circulation along the west side of the building. In conjunction with the other recommendations in this plan, Skier's Union Pub should be converted to guest services and stairwell access to the underground can be re-configured from the inside of the building. These changes will result in more seating and snow-front circulation available along the Plaza Building edge (Figures 8a and 8c).

- ***Create Double-Sided Retail Street Whenever Possible*** - A small, one storey retail building could be integrated into the slope north of the 9545 restaurant patio to retain the slope and create a double-loaded retail condition with Building C for people walking between Sunset Plaza and the snow-front (Figure 8b).
- ***Consider the Single Family Lots Northeast of the Village for Up-Zoning*** - Undeveloped land within walking distance from the Village Core that is accessible by the roads and has suitable topography for high density development should be considered for more transient beds and employee housing. Lots 104 and 89-D meet these standards and should be considered for up-zoning. Since Mountain Village Boulevard fronts three sides of these two lots they may be less attractive for market development and therefore they are particularly suited for employee housing (Figure 8a).
- ***Moving the Gondola Creates an Opportunity to Master Plan Lots 69R, 67, 71R, 161CR and 53B Together*** - If the gondola terminal from Town Hall is moved to Sunset Plaza, an opportunity to redevelop the gondola plaza, stairs and surrounding development parcels is created. This site could be re-configured to include an après bar overlooking the snow-front, a ski-in/ski-out club, skier service space and tourist accommodation. If master planned together, optimal underground access and building mass for lots 69R, 67, 71R, 161CR and 53B can be achieved (Figures 8a and 8c).
- ***Revitalize the Pond and North Village*** - Opportunities exist for increasing the value of the pond and the north end of the Village by emphasizing the sightlines from Heritage Plaza to the north and by creating more opportunities for interactions with the pond. A restaurant with a waterside patio should be created as part of the building on lots 69R-67-71R. The addition of flowering wetland plants, a fountain, water-play zone, stepping stones, expanding the edges of the pond and creating a perimeter walk around the pond would help to add value to this feature in the Village Core and provide more reasons for pedestrians to venture to this end of the Village (Figure 8d).
- ***Improve Circulation and Edges around Conference Center Plaza*** - The stairs between the Conference Center and the keyhole passage in the Franz Klammer building should be removed and replaced with a ramp to allow for easier flow of pedestrians through this space. The climbing boulder should be moved to integrate with the edge of the pond green space to re-direct circulation at the end of the ramp and through the Conference Center Plaza. A patio structure with lighting and planting would provide a focal point for people walking through the keyhole walkway.

.5 Mountain Resort Benchmarking

Ecosign was asked to provide benchmarking data on 6 or 7 international destination ski resort communities to use as a basis of comparison with Telluride Mountain Village. These resorts include Vail Colorado, Aspen Colorado, Sun Peaks Canada, Zermatt Switzerland, Les Arcs France, Banff Canada and Whistler Canada. Table IV.12 provides a snapshot outline of the key characteristics of each of these resorts, including the resort's proximity to market, local community demographics, recreational amenities, visitor statistics and other publicly available performance measures. This table is useful in understanding the relative position of Telluride Mountain Village compared with other successful resort communities around the world.

**TABLE VI.12
MOUNTAIN RESORT BENCHMARKING**

	Telluride Mountain Village, Colorado USA	Vail, Colorado USA	Sun Peaks Resort, BC, Canada	Aspen, Colorado, USA	Zermatt, Switzerland	Les Arcs 1950, Le Village Les Arcs, France	Banff, Alberta, Canada	Whistler, BC, Canada
Resort Characteristics								
Nearest Major City	Denver, Co - 331 miles	Denver, CO - 97 miles	Kamloops - 31 miles	Denver, CO - 200 miles	Zurich, Switzerland - 150 miles	Geneva, Switzerland - 105 miles	Calgary - 80 miles	Vancouver - 75 miles
Nearest International Airport	Denver International - 340 miles	Denver International - 196 km	Vancouver International - 260 miles	Denver International - 200 miles	Zurich-Kloten International - 150 miles, Geneva	Geneva International - 105 miles	Calgary International - 90 miles	Vancouver International - 85 miles
Nearest Regional Airport	Telluride Regional Airport - 5 miles	Eagle County Regional Airport - 41 miles	Kamloops Airport - 28 miles	Aspen/Pitkin County Airport - 6km, Eagle County Regional Airport - 67 miles	Sion Airport - 31 miles	Annecy, France - 68 miles	n.a.	Local airport in Pemberton (31 miles) not suitable for commercial flights
Permanent Residents	1,453 - Mountain Village 2200 Telluride	Vail - 4,809 (2006) Avon - 6,774 (2006)	Sun Peaks 495	Aspen - 6,365 (2006) Snowmass Village 2,259 (2006)	Zermatt - 5,648 (2007)	Approx. 8,000 in Bourg St. Maurice - Les Arcs area	6,959 Permanent, 1,493 Non Permanent - 2005 Banff Census	Whistler - approx 10,000 permanent residents, 2,500 winter seasonal residents (2005) and 11,500 second home owners
Population within 100 miles	50,000	1.5 million	200,000	75,000	approximately 1.5 million	Unavailable	1,033,000	2.5 Million
Population within 200 miles	175,000	2 million	930,000	1.5 million	more than 7 million	Unavailable	1.4 Million	6 Million
Peak Season	Winter	Winter	Winter	Winter/Summer	Winter/Summer	Winter	Summer	Winter/Summer
Existing Dwelling Units	Mountain Village - 1,736 Telluride 1,776 (includes public accommodation)	5,386 (includes public accomm.)	1,435 (2005) - includes public accommodation	4,346 (includes public accomm.)	Unavailable	Unavailable	3,660 (2005) excludes public accommodation units	7,891 (2003) excludes public accommodation units
Existing Public Accommodation	Mountain Village 1,900 beds Telluride 3,424 beds	15,000 beds in Vail, Beaver Creek and Avon combined	3,600 Public Beds in 642 hotel and condotel units, and 293 tourist apartments	Approximately 15,000 beds	13,500 beds in hotels, rental apartments and rental chalets	35,000 beds in Bourg St. Maurice - Les Arcs	Just over 4,250 hotel rooms and condo units contain approximately 12,030 beds (2005) - 4,100 in Lake Louise	Resort capacity of 150 hotels, condos, bed & breakfasts; more than 8,000 rooms, 230 hostel beds and 118 campsites - approx 35,000 beds total. 20,000 beds are within walking distance to lifts
Visitor Characteristics								
Annual Tourist Visitors	550,000	Unavailable	450,000	2.5 million annual visitors	Unavailable	Unavailable	2.9 million	2.1 million discreet visitors
Visitor Days	1,856,000	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	7.0 million (2003)	5.37 million
Annual Skier Visits	420,000	Vail - 1,569,788 (2007/08) Beaver Creek - 917,863	342,450 (2007/08)	1,475,790 (4 areas com'd) - 2007/08 season	over 1.81 million (2007/08 includes summer skiing)	2 million	Approx 1.1 million (3 areas combined)	2.2 million
Peak Day Skier Visits	8,150	21,500	6,866 (2007/08)	Unavailable	22,000	Unavailable	8,000	27,500
Recreational Amenities								
Primary Attraction	Downhill Skiing	Downhill Skiing	Downhill skiing	Downhill Skiing - 4 Mountains Aspen Mountain, Aspen Highlands, Buttermilk and Snowmass	Downhill Skiing - Zermatt Bergbahnen - connects to Cervinia, Italy	Paradiski Les Arcs - La Plagne - purpose built ski resort	Banff National Park - World Heritage Site	Whistler-Blackcomb Ski Resort
Secondary Attractions	Historical Town of Telluride, Summer Festivals, Resort Village, golf course, hiking, mountain biking, sight seeing, wide range of winter and summer activities.	Resort village, conference centre, golf, mountain biking, hiking, wide range of winter and summer recreational activities.	4 Season Destination Resort with resort village, conference centre, golf courses, lakes, mountain biking, wide range of winter and summer recreation activities	Historic mining town, Aspen Institute, wide range of winter & summer recreational activities, arts & culture, conference, golf, cross-country skiing, fishing, mountain biking, etc.	Authentic European pedestrian alpine village, skiing and snowboarding, cross-country skiing, winter and summer hiking, snowshoeing, ice climbing, ice skating, curling, mountaineering, rock climbing, mountain biking, paragliding, sightseeing, conference, golf, summer skiing, cog train, cable car	Purpose built ski resort developed from 1968.	3 ski areas, cross-country skiing, golf, lakes, hot springs pools, outdoor skating, winter and summer back-country access, camping, horseback riding, Banff Institute, wide range of summer and winter recreation activities	4 Season Destination Resort with resort village, conference centre, golf courses, lakes, back-country access, olympic venues, lift serviced and cross-country mountain biking, downhill mountain bike park, water sports and swimming, hiking, access to provincial parks, zip treck, heli skiing and a wide range of winter and summer activities
Ski Areas in Area	Telluride Ski and Golf Course	Vail Beaver Creek Batchelor's Gulch	Sun Peaks at resort village	Aspen Mountain Aspen Highlands Buttermilk Snowmass Village	Zermatt Bergbahnen AG	Paradiski - Les Arcs - La Plagne	Sunshine Village (16 km), Mount Norquay (7 km), Lake Louise Mountain Resort (56 km)	Whistler-Blackcomb at resort village
Ski Area Uphill Capacity	22,386 pph	Vail - 57, 800 pph Beaver Creek - 31, 500 pph	10,675 pph	59,250 pph (4 areas combined)	65,250 pph	21,300 pph	Sunshine Village 17,000 pph Lake Louise 15,449 pph Mt. Norquay 7,000 pph 3 Areas	65,500 pph
Ski Area - Skiable Terrain	2,000+ Acres	Vail - 5,298 Acres Beaver Creek - 1,625 Acres	3,700 Acres	5,200 Acres (4 areas com'd)	961 acres (includes designated trails only)	425 kms of trails	Sunshine Village 1,350 ha. Lake Louise 1,700 ha. Mt. Norquay 76 ha. 3 Areas combined - 3,120 hectares	8,171 acres (Whistler and Blackcomb Mountains combined)
Nearest Golf Course	Telluride Ski and Golf Course	Vail Golf Course - 18 holes at resort, Beaver Creek Golf Club - 18 holes, Red Sky Ranch G.C.	18 holes at the resort, 3 championship courses in Kamloops area	Aspen Municipal Golf Course - 18 holes in town. Snowmass Golf & Tennis - 18 holes - 11 km, 4 other courses 40 km away	Golf Club Matterhorn - Between Randa and Tasch	Les Arcs Golf	Banff Springs G.C. (27 holes) in Banff, 3 golf courses in Canmore	3 in Whistler - Whistler Golf Course, Chateau Whistler, Nicklaus North - 2 in Pemberton (45 km) and 2 in Squamish (65 km)

Source: Ecosign Mountain Resort Planners