

Market and Economics Analysis for the Mt. Spokane Ski and Snowboard Park Master Facilities Plan

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1.0 Introduction

Mt. Spokane Ski and Snowboard Park operates under a concession agreement with the Washington State Parks and Recreation Commission. The alpine ski concessionaire, Mt. Spokane 2000, is proposing to improve the quality of the ski area experience and the quantity of terrain available for skiing by remodeling existing lodges, re-aligning chairlifts and trails, and providing additional terrain on the northwest-facing slopes of Mt. Spokane. (Within this document the words “ski” and “skiing” will include snowboarding and other winter downhill recreation experiences.) Mt. Spokane 2000 believes that the redevelopment and expansion of ski facilities will enhance the ski experience at the park while addressing key operational and financial shortcomings associated with the current facility.

This report documents Mt. Spokane 2000’s goals for improvements at the ski area. The existing conditions are documented and the market position of Mt. Spokane Ski and Snowboard Park is described relative to its nearest competitors, including past performance and projected future trends in the market. Finally, this report documents the ski area planning parameters and financial aspects of three conceptual improvement scenarios, which have been developed in conjunction with the Washington State Parks and Recreation Commission. While these ski area improvement scenarios have been incorporated into master plan concepts for the entire Mt. Spokane State Park, this report primarily addresses the Mt. Spokane 2000 concession, including its proposal to expand into the Potential Alpine Ski Expansion Area (PASEA).

2.0 Background and Purpose

The following section describes the background and purpose of improvements to the ski area, as identified by Mt. Spokane 2000. Sub-sections 2.3 and 2.4 of this section represent solely the perspective of the Concessionaire and do not represent the views of Washington State Parks.

2.1 Mt. Spokane Ski Area Operating History

Alpine skiing on Mt. Spokane began in the early 1930s, just after the formation of Mt. Spokane State Park. With the installation of the world's first double chairlift in 1946, coupled with the growing popularity of the sport, skier visitation at Mt. Spokane continued to increase. During the early years, numerous organizations in the Spokane area contributed a considerable amount of human and financial resources to improve and expand the ski complex. These organizations formed a non-profit entity entitled the Mt. Spokane Association, which operated the ski facility until the mid 1950s, when the Washington State Parks and Recreation Commission (State Parks) awarded a concession agreement to a private operator, The Mt. Spokane Skiing Corporation (MSSC). The concession agreement between MSSC and State Parks expired on June 9, 1995.

In the early 1990s, a local organization called the “Mt. Spokane 2000 Study Group” was established to explore ways in which the ski area operation could more adequately serve the recreational needs of the alpine skier. Concurrently, with a mandate to manage Mt. Spokane State Park for the greatest benefit of all public users, State Parks commissioned a study to analyze the existing ski area operation and provide recommendations and guidelines for the future. This study – Mt. Spokane State Park Alpine Ski Area Study – was completed by SE GROUP (Sno.engineering) in 1992. Five years after the completion of the study, Mt. Spokane

2000 Study Group took over the concessionaire operation (October 1997) and has operated the area ever since. The current comfortable Carrying Capacity (CCC) of the ski area is 2,540.¹

New development onto the northwest facing slopes of Mt. Spokane has been discussed for many years. More recently, development on the northwest face of the mountain was noted as a potential expansion area in the 1992 study, as well as in the 1997 Concession Agreement. Also during 1992, the Department of Natural Resources identified the PASEA as being eligible for Natural Forest Area classification. At the Washington State Parks and Recreation Commission meeting of October 29, 1999, the Commission deferred any decision on the PASEA or other major capital developments in the Concession area until Mt. Spokane 2000 and State Parks approved a long-term master plan for the area.

The PASEA is included within the ski concession boundary and a portion of the PASEA was used for developed skiing. Prior to a 1952 fire, which destroyed a newly constructed lodge, the PASEA included the lodge, a parking area, three rope tows and ski trails. At the present time, the PASEA is unclassified in the agency's land classification system, pending further Commission consideration. The area has been inventoried as being eligible for "Natural Forest Areas" (NFA) status (1992), due to the pristine nature of the area. NFA classification prohibits the development of any facilities, including groomed ski runs and chairlifts, which are not consistent with the preservation and interpretation of natural forest processes. Conversely, in order for ski area development to occur, the area would be classified as "Recreation" or "Resource Recreation", both of which would allow for development of ski area facilities.

2.2 Mt. Spokane 2000 Operating History

The Mt. Spokane State Park Alpine ski Area Study (Sno.engineering, 1992) presented a comprehensive analysis of the ski area, including analysis of the facilities and infrastructure, a review of the ski area operation and comparison to other similar ski areas, analysis of the market, evaluation of skier survey results, a financial analysis and a discussion about the concession agreement. The report also included numerous recommendations and implementation guidelines that were intended to assist Washington State Park and the concessionaire in their efforts to improve the ski facility. These recommendations aligned with the goals and objectives of Mt. Spokane 2000.

In 1995, the concession agreement expired and Washington State Parks implemented a new contract based on recommendations from SE Group and Mt. Spokane 2000. The existing concessionaire was hesitant to adhere to operational guidelines in the new contract so the contract was put out to bid for a new concession contract. For two years the contract was open to bids, yet no interested ski area operator came forward. During this period, the concessionaire operated the ski area on a limited basis, with a low level of service. As a result, visitation at Mt. Spokane Ski and Snowboard Park suffered, with skier visits dropping from 70,000 in 1994/95 to 22,250 in 1995/96 (see Table 4.1-2).

¹ Comfortable Carrying Capacity (CCC) is defined as the maximum level of utilization of a ski area (the number of skiers that can be accommodated at any given time), which guarantees a pleasant recreational experience. The CCC figure is based on a combination of the uphill hourly capacity of the lift, the downhill capacity of the trail system, the total vertical rise of the lift system, and the total amount of time spent in the lift waiting line, on the lift itself, and in the downhill descent.

Citing the low level of service at the facility, Mt. Spokane 2000 secured a \$1,600,000 loan from Washington Trust Bank after private citizens put up a total of \$500,000 in cash and promissory notes. In October 1997 Mt. Spokane 2000 was awarded the concession contract and they purchased the proprietary interest in the ski area facilities. Public interest in Mt. Spokane Ski and Snowboard Park was slow to recover, with virtually no season pass sales during the 1997/98 Season. After its first year operating the ski area, Mt. Spokane 2000 realized 50,797 skier visits. Demonstrating further commitment to the success of the ski area, private citizens again donated another \$400,000 after the first season of operation.

Within the first four years of operation under Mt. Spokane 2000, ski area revenues increased from an average of \$1.4 Million to \$2.0 Million, allowing for the acquisition of three new groomers at a cost of \$540,000. Other improvements during this period included improvements to food and beverage service and additional services at Lodge 1. The operating schedule for Chair #4 was increased from weekends and holidays only to a five day per week schedule. Lodge #2 was remodeled at a cost of \$300,000 and a new deck was added to Lodge #1 at a cost of \$15,000. Mt. Spokane 2000 focused on customer service by sponsoring uniformed, friendly lift attendants, improved signage and new brochures. To further improve the ski area offering for beginners and lower level enthusiasts, Mt. Spokane 2000 purchased over 400 pairs of rental skis at a cost of \$120,000 and 300 rental snowboards at a cost of \$90,000. Over 100 ski and snowboard instructors were trained and the concessionaire increased the number of ski/snowboard lessons from 1,100 people the first year, to 4,400 people the second year, 12,500 people the third year, and 18,000 by year four.

Mt. Spokane 2000 continues to operate the ski area as a non-profit organization, with a commitment to the people of Spokane and surrounding areas. Building upon the improvements in the first four years, Sno.engineering's 1992 recommendations have virtually all been implemented to improve the quality of the ski experience at Mt. Spokane. Mt. Spokane continues to receive donations and sponsorships from the community in excess of \$100,000 per year.

From the 1997 to 2001 ski seasons, Mt. Spokane's skier visitation steadily increased (see Table 3.2-1). During the subsequent 5 ski seasons, skier visitation numbers have oscillated between a record high season in 2001/02 to a record low in 2004/05, due principally to snow conditions.

2.3 Improvement Goals

The non-profit status of the concession operation at Mt. Spokane Ski and Snowboard Park, coupled with the condition of the existing facility, creates an economically unique situation for a ski area operator. The concessionaire has operated the area with a significant amount of debt since taking over the area. Up to now, the concession has not generated a great deal of capital for debt service and/or improvements to the ski area. With its out-dated facilities and low snow retention relative to the market competition, Mt. Spokane Ski and Snowboard Park is challenged to draw the additional skier visits that are necessary to raise capital for improvements and debt service.

Current challenges to a ski operation such as Mt. Spokane 2000 include competition from other recreational pursuits, and the potential for climate change to reduce snowpack in mountainous regions. As described in Section 4.0 – Market Area and Competition, the ski industry has

responded to these challenges through improvements to the quality of the ski experience as well as the diversity of recreational experiences offered, including year-round uses.

Without improvements to the existing facilities or development of new facilities that provide for an increase in visitation, realization per skier visit, and pricing structures more consistent with competing ski areas, Mt. Spokane Ski and Snowboard Area will likely not be poised to generate sufficient revenues and operating cash to improve the skier experience or diversify the recreational offering at the ski area. As a result, Mt. Spokane Ski and Snowboard Park will become less and less positioned to meet the demand for a quality recreation experience. Sections 4.0 and 5.0 provide greater detail regarding the market and economic aspects of the operation.

Mt. Spokane 2000 has established goals for addressing this difficult situation. The following provides a brief description of these goals followed by a more detailed discussion of the needs for improvement at the ski area.

2.3.1 Stabilize Income Stream

As a local, day use ski area, Mt. Spokane Ski and Snowboard Park has limited opportunities to realize a stable income stream, which is largely driven by skier visitation (i.e., the number of skiers that visit the area each year), realization (i.e., the revenue generated per skier visit) and pricing (i.e., the cost of lift tickets and other goods/services). Skier visitation relies on factors such as snow conditions, the market and economic climate, and the actions of competing ski areas in the market. Realization is a function of skier spending, including lift tickets or season passes, food and beverage, rentals, ski lessons and retail operations.

As a non-profit operation, Mt. Spokane Ski and Snowboard Park relies heavily on volunteer and in-kind services – both of which are typically paid in lift tickets or season passes. By paying in lift tickets and season passes, the ski area loses the opportunity for revenue that would be generated by the sale of these passes/tickets. Conversely, the ability to compensate for these services offsets cost that would otherwise be borne by Mt. Spokane 2000 to pay for these services.

While it is not expected that the non-profit operating model can be dramatically altered, Mt. Spokane 2000 has established a goal to stabilize the income stream through increased and stabilized visitation. Skier visitation can be increased by providing additional capacity (i.e., more skiers at one time), a longer ski season (i.e. – more opportunity for Mt. Spokane skiers to visit the area in any given season), and by improvements to the facilities at the ski area (i.e., a better recreation experience for ski area visitors). Also supporting this goal, Mt. Spokane 2000 believes that its revenue per skier visit can be improved through moderate revisions to the operating model and enhanced opportunities for ski area guests to benefit from guest services such as food and beverage, rentals, ski lessons and retail.

2.3.2 Increase the Length of the Ski Season

Since 1995/96, the Mt. Spokane Ski and Snowboard Park has operated an average of 83.5 days per ski season, including an all-time low of 29 operating days during the 2004-05 winter (the worst snow year on record), and an all-time high of 103 days during 2001/02 (refer to Table 4.1-3). The primary limitation on early- and late-season operations is related to snow retention on the lower portions of the south-facing slopes, in the vicinity of Chairs 2, 3 and 5. A local, day-use ski

area in the Pacific Northwest typically strives for an operating season that lasts at least 120 days. Mt. Spokane 2000 has evaluated opportunities to increase snow cover in the early and late season. Options include the installation of snowmaking infrastructure to provide better coverage on the existing terrain as well as the establishment of new terrain on the north-facing slopes in the Chair 4 pod and the PASEA.

2.3.3 Increase the Capacity of the Ski Area to Allow More Skier Visits

On peak visitation periods such as weekends and holidays, Mt. Spokane Ski and Snowboard Park often becomes overburdened. For example, during these busy periods it is common for the parking areas to become full. When the parking lots are full the ski area occasionally has to turn people away.² Similarly, when the food and beverage areas are full, many ski area guests are not able to patronize the restaurant and they resort to brown bagging or leaving the area. On the mountain, lift line wait times are typically excessive, and are compounded by beginner and low intermediate level skiers being required to negotiate the many intermediate and advanced intermediate trails. The continual erosion of the ski experience in this manner results in a loss of skier visits to other competing ski areas where these problems do not exist, or at least have been addressed. Mt. Spokane 2000 believes that by providing additional capacity for guests, more skier visitation will result at the ski area. Such a capacity increase would include additional parking near the base area, additional food and beverage areas, improvements to the rental and ski school areas, and the lift/trail capacity.

2.3.4 Increase the Realization on Each Skier Visit

As described in Section 5.0, Mt. Spokane 2000 realized \$22.86 of revenue for each skier visit (measured as a lift ticket or a season pass visit) during the 2005-06 ski season. With a lead ticket price of \$35.00, this represents a realization of 65%. Typically, local, day-use ski areas in the Pacific Northwest seek to realize 75% or more from each skier visit to provide economic stability. Through its non-profit operating model, Mt. Spokane 2000 subsidizes many programs such as Blind/Adaptive skier programs, youth ski racing, bus transportation, discounted “learn-to-ski programs and believes that volunteer and in-kind services are a cornerstone of its role as Spokane’s “community hill”. Nonetheless, improvements to the operating model may be realized by incorporating the loss of revenue from such programs into the economic model. By increasing the opportunity for guests to experience food and beverage, ski lessons, rentals and other retail operations, and by improving the quality of these experiences, Mt. Spokane 2000 believes that the revenue per skier visit could be increased to 75% of the lead ticket price, resulting in both improved financial performance and cash flow.

2.3.5 Respond to the Potential Effects of Global Warming

The scientific community has developed many models and predictions of snow conditions in the future. The majority of these models predict that snow levels will rise, average temperatures will increase and the length of the ski season will shorten as a result of climate change or “global warming”. The vast majority of ski terrain at Mt. Spokane Ski and Snowboard Park is located on south-facing slopes, which in the northern hemisphere, receive the most solar radiation and retain snow less than any other slope aspect. Under the current operation, the length of the ski season is limited by snow retention in the lower elevations on these slopes where “solar decay” causes

² During the 2005-06 season, the ski area turned people away on four occasions due to full parking lots (McQuarry, 2006).

early season snows to melt away more quickly and the late-season spring snow to melt out earlier in the season. If the climate change modeling is accurate, this situation will degrade over time.

Mt. Spokane 2000 proposes snowmaking as a short-term solution to this issue on key trails that access the base area. However the quality of the ski experience would suffer at a time when all skiers on the mountain must traverse the man-made snow trails to access the bottom terminal of the lifts. Therefore, Mt. Spokane 2000 proposes additional terrain on more north-facing slopes as the best long-term solution to address climate change. The northern slopes at Mt. Spokane Ski and Snowboard Park provide better snow retention in the early- and late-season under the current climate. For example, if the concession operation included skiing in the PASEA, Mt. Spokane 2000 asserts that the 2004-05 season could have operated from November 26, 2004 to March 24, 2005 as opposed to the 29 days that they were able to operate on the south-facing slopes (McQuarry, 2006). Furthermore, even with the early start in the 2006-07 season, the Concessionaire asserts that the PASEA would have provided skiable terrain beginning on November 18, while the ski area opened on November 24, when sufficient snowpack was available on the lower, south-facing slopes at the base area (McQuarry, 2006).

2.3.6 Promote Recreation Consistent with the Mount Spokane State Park Management Plan

In March 1996, Washington State Parks initiated a state-wide program called the Classification and Management Planning (CAMP) Project, whose role in park planning is to classify park lands and prepare park management plans. Management planning at Mt. Spokane State Park was the first state park CAMP process to work with an appointed park advisory committee. The resulting land classification and long-term boundary were approved by the Washington State Parks and Recreation Commission on October 29, 1999. The Mount Spokane State Park Management Plan (WSP, 2003), completed in September 2003 describes the balance of recreational use with protection of cultural and natural resources in the park. This plan includes management objectives for recreation, including

“downhill skiing and ski boarding; tubing and other alpine events”. (WSP, 2003 at p. 12)

Similarly, the objectives for Park Enterprise include:

“Enhancing public services via revenue generating programs...Such enterprise efforts may include commercial facilities and programs...continue to work with the ski area concessionaire to identify opportunities for enhanced public services through concession operation.” (WSP, 2003 at p. 12).

The Washington State Parks Commission does not directly operate a ski area at the park. Rather, the Mt. Spokane Ski and Snowboard Park concession agreement “leases” the operation of the ski area to Mt. Spokane 2000. Through its concession agreement, Mt. Spokane 2000 operates the ski area in order to help meet the objectives for recreation and park enterprise. The concession agreement enables Washington State Parks to offer public recreation experiences at the ski area that otherwise would not be possible. In order to continue to provide this experience, the future and economic viability of the ski area is of concern to Washington State Parks.

2.4 Statement of Needs

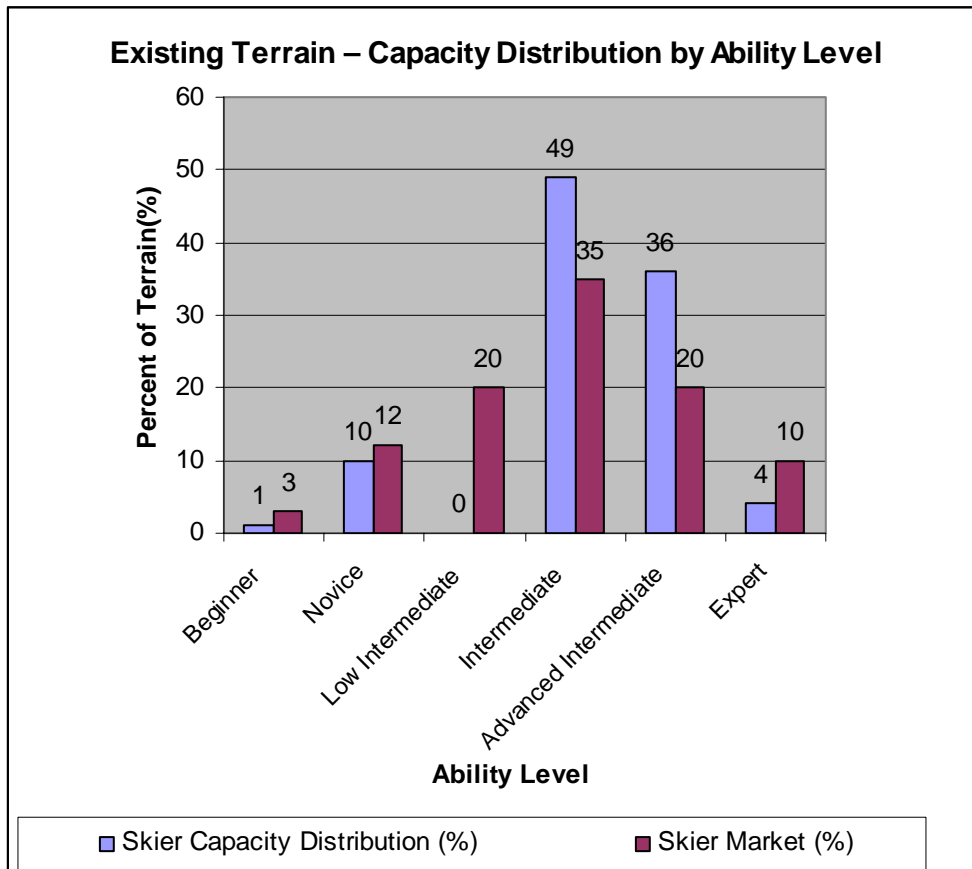
The purpose of improvements to the winter recreational opportunities at Mt. Spokane Ski and Snowboard Park, as identified by Mt. Spokane 2000, include 1) Increasing available beginner, low intermediate and expert skill-level terrain within the concession area, and providing a terrain distribution that better matches industry standards; 2) Increasing the length of the ski season to better match competition in the market and to address the potential effects of climate change; 3) Increasing skier opportunities by extending and utilizing the ski area's existing ski trail system in a more efficient manner, and increasing opportunities for skiers to circulate between pods (the ski trail system associated with each chairlift); and 4) improving the quality and capacity of guest services and infrastructure to meet current and projected demand.

The need for improvements, as identified by the Concessionaire, is elaborated on in the following sections.

Purpose: Increase available beginner, low intermediate and expert skill-level terrain within the concession area, and provide a terrain distribution that better matches industry standards.

Need: **Terrain distribution** - As shown in Illustration 2.4-1, Mt. Spokane exhibits a considerable deficit of terrain for beginner, low intermediate and expert skiers when compared to the normal "bell curve" exhibited by the skier market. There is no low intermediate terrain (0%) provided at Mt. Spokane Ski and Snowboard Park, while the skier market reflects 20% as the desired acreage for low intermediate skiers (see Illustration 2.4-1). In addition, Mt. Spokane Ski and Snowboard Park currently exhibits beginner terrain on 1% of its slopes, yet the skier market indicates that the market demands that 3% of the area contain terrain of this ability level (see Illustration 2.4-1). Expert level terrain is also below market demand, with only 3% of the terrain providing for expert skiers, while the market demand reaches 10%. The shortage of beginner and low intermediate terrain compels skiers of these ability levels to ski on terrain that is too advanced for their skill level. Therefore, there is a need to increase the proportion of both beginner and low intermediate terrain at Mt. Spokane to better meet the needs of beginner and low intermediate skiers. Conversely, with a lack of adequate expert terrain, expert skiers must use the abundance of intermediate and advanced intermediate terrain, which detracts from the quality skiing experience that expert skiers demand. Thus, there is a need to increase the availability of expert terrain.

**Illustration 2.4-1:
Existing Skier Distribution by Skier Ability Level at Mt. Spokane Ski and Snowboard Park**



Source: Reprinted from Sno.engineering 1992 Report

Note – Skier/Rider Market preference is adapted from USFS Winter Sports Handbook and SE GROUP (USDA 1992; SE GROUP 2007)

Purpose: Increase the length of the ski season to better match the competition in the market and to address the potential effects of climate change.

Need: Terrain and infrastructure to support a longer ski season - Mt. Spokane has historically benefited from consistently cold winter temperatures and an average annual snowfall of about 150 inches. The existing ski lift and trail network is primarily situated on the southeastern exposure between a base elevation of approximately 4,300 feet and the summit of the mountain at approximately 5,900 feet elevation. As annual snow deposition has varied significantly over the last 10 years, the 4,100-foot level has emerged as the critical snowline. As a result, C-4 and the location of the ski resort on the southeast aspects of Mt. Spokane has restricted the operation of Mt. Spokane Ski and Snowboard Park, especially early and late in the season, due to the lack of snow in the lower terminal and base areas. Predicted climate change could augment this effect due to the relative lack of north-facing terrain. There is a need for additional north-facing terrain and

snowmaking on key existing trails to provide better snow retention, increased operating days, and to address climate change.

Purpose: Increase skier opportunities by extending and utilizing the ski area’s existing ski trail system in a more efficient manner and to increase opportunities for skiers to circulate between pods (the ski trail system associated with each chairlift).

Need: Better circulation and use of terrain - The ski area’s existing ski trail system inhibits efficient skier circulation between pods. The lack of decision points at or near the bottom chairlift loading terminals limits skier circulation and the ability of the area to disperse skiers to and regulate lift line waits at any given time of the day. There is a need to improve the existing lift and trail alignments, and to create additional trails to provide for greater circulation on the mountain.

Purpose: Increase the quality and dispersal of guest services facilities and other infrastructure to better meet existing and projected demand.

Need: Higher quality/modernized guest services facilities and infrastructure, and greater dispersal of guest services facilities on the mountain – The existing guest services facilities and infrastructure are outdated. Although the current CCC can be accommodated, the quality of food service seating, ski school facilities and other guest services is below industry standards. The current location of guest services facilities results in periods of crowding in the base area. The existing water and wastewater infrastructure have reached their useful lives and are operating at capacity. There is a need for modernization and greater dispersal of guest services in the base area and on the mountain. There is also a need for upgrades or replacement of the water and wastewater treatment facilities.

3.0 Existing Situation

The following section describes the existing situation for facilities, skier visitation, parking and utilities, capital budget for maintenance and upgrades, and financial performance for Mt. Spokane Ski and Snowboard Park.

3.1 Facilities

Mt. Spokane is conical in shape with a large natural open area on the southeast exposure near the summit. The remainder of the mountain is heavily forested with a wide range of forest-types by elevation and aspect, including sub-alpine fir parkland, and white fir, western hemlock, western red cedar, larch, Douglas fir, ponderosa pine, and lodgepole pine.

Mt. Spokane is characterized by steep slopes, with several prominent ridges and numerous small drainages located around the mountain. Within the existing ski area, several of the drainages carry perennial streams and/or seeps, which create some problems with skier routing on certain trails. Overall, the terrain at Mt. Spokane is predominately suited for intermediate to advanced skiers.

The expansion terrain is identified as a “Potential Expansion Area” in an attachment to the 1997 Concessionaire Agreement and is referred to as the PASEA in this document. The northwest side of the area is defined by the extents of the Chair 4 terrain (Skid Road trail) to the east, a ridgeline above Blanchard Creek to the west, and a forest access road, which is maintained for snowmobile use in the winter, to the northwest. The terrain slopes predominantly toward the northwest.

3.1.1 Existing Guest Service Facilities

There are a total of 1,458 food service seats (including inside and outside seating) located in the existing 2 lodges, the Vista House, Ski Patrol Building and Ski Racing Room.

Seating is provided at the 2 base area lodges for a total of 1,086 skiers, including the cafeteria, bar and sundeck areas. Lodge 1 is a two-story structure that is primarily use on weekends the upper floor is dedicated to food service seating, providing approximately 378 inside seats and 78 outside/deck seats. Lodge 2 is the primary guest service area and is open at all times when the ski area is in operation. This two story building provides the main cafeteria and food service seating on the second floor, with approximately 544 inside seats and 86 outside/deck seats. Guest seating is also provided in the Vista House (with approximately 42 seats inside and 24 seats outside), the Ski Patrol Building (with approximately 242 seats inside), and the Ski Racing Room (with approximately 64 seats inside).

Based upon a total average of seat turnover of approximately three skiers per day, the lodges adequately provide comfortable seating for approximately 3,258 skiers. While this is greater than the total CCC of the lift and trail system (see Section 3.1.4), the distribution of skiers on the mountain causes over-utilization of Lodge #2 at times, resulting in crowded conditions at that location. Additionally, the physical layouts of the food service areas in both lodges are inefficient and the facilities are outdated.

Skier service functions such as ski rentals/repair, retail, daycare, and ski school are conveniently located to Lodge #2. However, these services are not provided at Lodge #1.

3.1.2 Existing Lifts

Mt. Spokane currently has 5 double chairlifts (see Table 3.1-1). Chair 1 has a relatively low capacity and serves primarily advanced intermediate and expert terrain from Lodge #1 area of the mountain. Chair 5 emanates from the Lodge #2 base area and serves as the main beginner lift, as well as access to Chairs 2 and 3. Chair 2 serves intermediate to expert terrain and is typically the most popular lift on the mountain. All lifts can be accessed from Chair 2. Chair 3 can be accessed via a gentle traverse from Lodge #2 through the beginner area, and serves primarily novice and intermediate trails. Chair 3 is also the main access lift to Chair 4, which serves intermediate to expert terrain on the north and northeast slopes.

**Table 3.1-1:
Existing Lift Specifications**

Name	Length	Vertical	Hourly Capacity
Chair 1	4,100	1,514	700
Chair 2	3,528	1,299	920
Chair 3	3,577	824	1,200
Chair 4	4,188	1,473	1,100
Chair 5	961	149	1,000

Source: Sno.engineering (1992)

3.1.3 Existing Terrain

The formal trail system, which includes trails identified on the trail map and used on a frequent basis, is made up of a network of approximately 35 trail segments and accounts for approximately 150 acres of terrain. In addition to the formalized trail network, Mt. Spokane also has approximately 130 acres of off-piste terrain, which includes tree and open skiing opportunities in the vicinity of formal ski trails within the existing ski area boundary.³

Illustration 2.4-1 shows how Mt. Spokane Ski and Snowboard Park’s existing terrain capacity distribution compares with the ideal breakdown for the local skier market. Mt. Spokane Ski and Snowboard Park currently has a large supply of intermediate and advanced intermediate ski terrain, and a deficit of beginner, novice and low intermediate terrain. In order to provide the highest quality recreation experience possible, a ski resort should have a terrain capacity distribution that closely reflects its specific market distribution.

3.1.4 Existing Comfortable Carrying Capacity

The CCC figure is based on a combination of the uphill hourly capacity of the lift, the downhill capacity of the trail system, the total vertical rise of the lift system, and the total amount of time spent in the lift waiting line, on the lift itself, and in the downhill descent. The existing CCC for Mt. Spokane is approximately 2,540 skiers, as shown in Table 3.1-2.

**Table 3.1-2:
Existing Comfortable Carrying Capacity**

Lift	Length (ft.)	Vertical (ft.)	Hourly Capacity	VTF/hr. (000)	CCC
Chair 1	4,100	1,514	700	1,160	425
Chair 2	3,528	1,299	920	1,195	600
Chair 3	3,577	824	1,200	989	540
Chair 4	4,188	1,473	1,100	1,620	750
Chair 5	961	149	1,000	149	225
Total				5,013	2,540

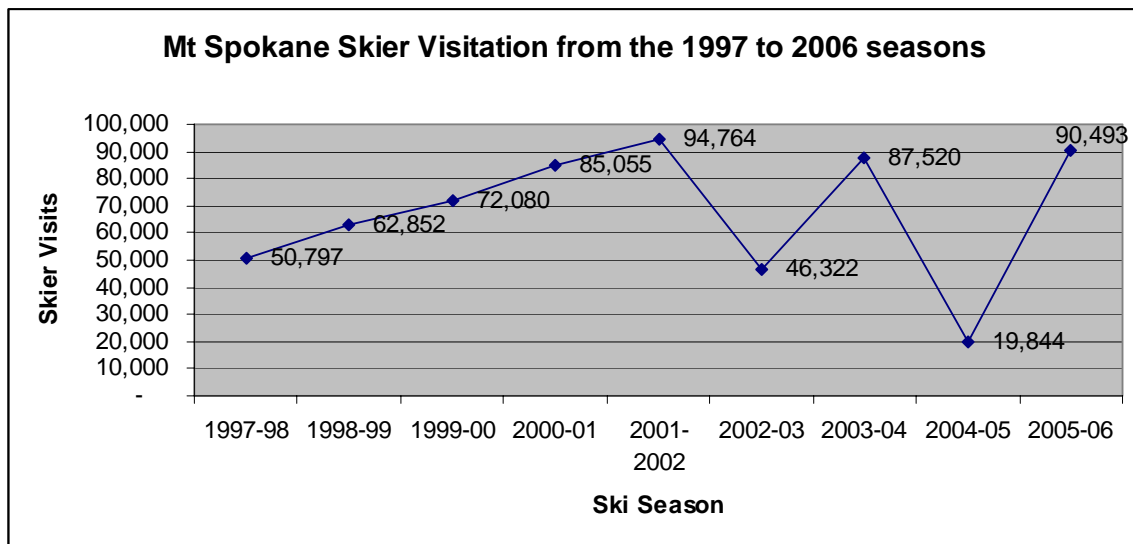
Source: Sno.engineering (1992)

³ The term “off-piste” in this document refers specifically to terrain that is not recognized as formal trails within the current ski area (e.g., tree skiing in the Chair 4 pod). The PASEA realizes use by skiers who ride a lift to the summit and then descend through the PASEA to the catch road and then hike up to the base of Chair 4. Because this activity is not contained within the formal terrain, these users are considered “backcountry” users.

3.2 Skier Visits

From the 1997 to 2001 ski seasons, Mt. Spokane’s skier visitation steadily increased as demonstrated in Table 3.2-1. During the subsequent 5 ski seasons, skier visitation numbers have oscillated, including a record high (2001/02) and a record low (2004/05). Excluding the lows, which include the low-snow 2004/05 season (29 operating days due to extremely low snowpack) and the 2002/03 season (62 operating days due to opening after Christmas and closing early due to El Nino snow/rain patterns) the high skier visits exhibit the top 3 skier years since Mt. Spokane 2000 took over the concession operation.

**Table 3.2-1:
Mt.
Spokane Skier Visitation**



Source: PNSAA, 2006a

3.3 Parking and Utilities

The parking lots are located near Lodge #1 and 2, which combine to provide approximately 1,000 vehicle spaces. Based upon an average occupancy of 2.7 people per car (McQuarry, 2006), the current parking area will accommodate approximately 2,700 visitors. On peak days where visitor numbers exceed the average use pattern, skiers park along the access road. Occasionally, on peak days the parking at the ski area and over-flow lots is filled and guests arriving later in the morning may be turned away.

The maintenance building is situated in an area which provides good road and ski trail access. The structure is adequate for the current size of the operation and the potential exists to add space as needed in the future.

Utilities, including power, water, sewer and telephone presently serve the needs of the ski area operation. No comprehensive analysis has been conducted to determine the extent of improvements needed for utilities in the future. The existing water supply may be operating at its maximum capacity, as evidenced by the supply well, which tests at approximately 14 gallons per minute (gpm) in the early ski season and then decreases to approximately 4-5gpm during the

peak holiday period. Similarly, the existing wastewater treatment system (septic and drainfield) has not been specifically analyzed but appears to be operating at maximum capacity. Mt. Spokane 2000 has not evaluated the operational condition or capacity of the water and wastewater systems and no analysis of the extent of improvements for future development has been made. It is expected that these analyses will be conducted as a component of the master facilities planning process for Mt. Spokane ski and Snowboard Park.

3.4 Capital Budget for Maintenance and Upgrades

There is currently no identified budget for maintenance or upgrades of the existing ski resort. The concessionaire typically benefits from volunteer and in-kind services, which allow for upgrades and improvements to the area with minimal capital costs to the operation. For example, funding for the proposed Guest Service Building at the base of Chair #3 is well under way. The Mt. Spokane Ski and Snowboard Park Ski School has taken ownership of the fundraising for the last few years. In 2005/06 they raised over \$45,000 from a vehicle raffle. For 2006/07 they have a sponsored vehicle through SCION NW and all proceeds will go directly to the building fund. They are anticipating having over \$100,000 in the project fund before the end of the season.

Another example of the benefit of volunteers and in-kind services is the Ski Patrol building near the base of Chair #3, cost the ski area zero dollars. The concessionaire gave out multiple years of season passes and corporate passes in payment for volunteer efforts during the planning and construction of the building, but no money was spent.

Mt. Spokane Ski and Snowboard Park also realizes significant in-kind contributions from local sponsors, including:

- Coffman Engineering-Engineering/Architecture
- Northwest Management-Foresters/Consulting
- Dix Corporation-Commercial Construction Contractors
- Garco Construction- Commercial Construction Contractors
- Flag Steel- steel fabricators and suppliers
- C'dA Metals- steel fabricators and suppliers
- Central Pre-Mix Concrete-concrete supplier
- Cobra Roofing-roofing supplier/contractor
- Coast Crane-Crane and Equipment supplier
- Rowand Machinery-Construction Equipment
- Columbia Paint-Painting supplies

Concession management anticipates that this level of volunteerism and sponsorship would remain constant throughout any future improvements at the ski area.

3.5 Concession Rent

Under the concession agreement, the concessionaire provides Washington State Parks with a concession rent that is calculated on a sliding scale, based on annual gross revenues. Table 3.5-1 details this payment schedule.

**Table 3.5-1:
Concession Fees to State Parks**

Gross Revenue	Concession Rent Percentage (%)
\$0 - \$500,000	0.0%
\$500,001 - \$1,000,000	7.0%
\$1,000,001 - \$1,500,000	6.0%
\$1,500,001 - \$2,000,000	5.0%
\$2,000,001+	4.0%

Source: pers comm., McQuarrie, 2006

For the 2005-06 operating season, the concession paid approximately \$93,000 in concession rent on revenues of approximately \$2.2 Million.

4.0 Market Area and Competition

4.1 Existing Conditions

The following section describes the existing market area competition situation for the Mt. Spokane Ski Resort.

4.1.1 Northwest Market and National Trends

National Trends

Alpine skiing was viewed as an adventure sport in the 1950s as it became prevalent with the installation of new lifts. As ski areas and ski lifts became more widespread in the 1960s, alpine skiing became more recognized as a sport. During this decade, both the 1960 Olympics at Squaw Valley and the 1968 Olympics acted as catalysts for growth. In fact, a total of 113 new ski areas opened in the U.S. in 1967, more than any other time in the history of the sport. This growing interest in sports and competition shaped the view of alpine skiing well into the 1970s when condominiums and mountain resorts became part of the lifestyle. The continued improvements of new lifts and equipment made the sport much more accessible to the general public and soon the sport of skiing became a form of recreation. The recreational aspects of the sport were embraced all through the 1980s and into the 1990s. Alpine skiing has continued to be both a sport and recreation in the last decade; however the activity has more recently been viewed as entertainment and a community amenity. Today the sport is considered to be multi-faceted, multi-generational and closely associated with an active outdoor lifestyle. Ski areas are also now viewed as an important community amenity throughout the U.S., as many people have moved to smaller communities as a lifestyle choice.

While skier visitation was generally “flat”, hovering around 54 million annual visits during the early 1990s and declining relative to population growth, the National Ski Areas Association (NSAA, 2003) current trends suggest that skiing is now in a rebound mode, breaking all time visitation records in 2000/2001 (57.3 million) and again in 2002/2003 (57.6 million). Despite a very difficult season in the Pacific Northwest, skier visits reached 56.9 million in 2004/05, following 57.1 million in 2003/04. Another record-setting 58.8 million skier visits occurred during the 2005/06 season. During the ski seasons 1994/95 through 2005/06, the U.S. has seen an overall increase in skier visits of approximately 12% (Illustration 4.1-1). During this same period the United States population increased from approximately 260.3 million (1994) (<http://www.census.gov/prod/1/pop/p25-1127.pdf>) to approximately 299 million (2006) (<http://www.prb.org/pdf06/06WorldDataSheet.pdf>). This represents a growth of approximately 15% during this period.

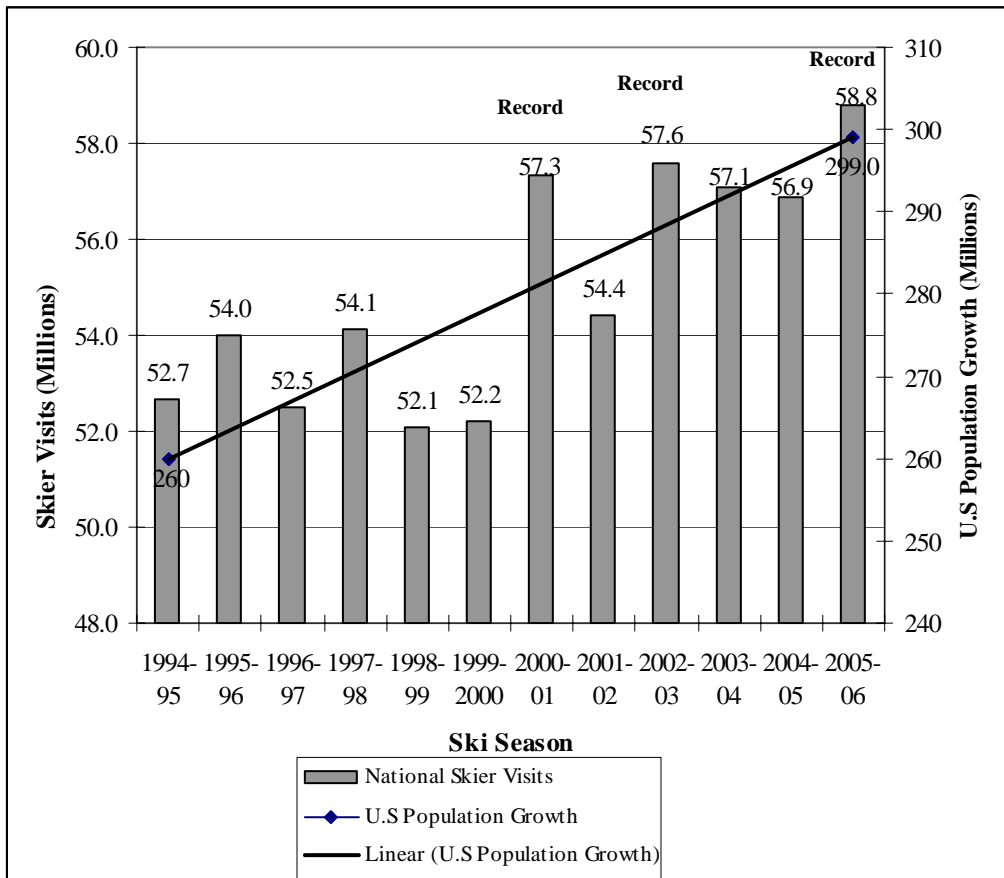
National Visitation

Illustration 4.1-1 charts national skier visitation for the ten year period from 1994/95 to 2005/06. The U.S. ski industry has, as a whole, performed comparatively stronger between 2000 and 2006 than in the early 1990s, with three record-setting seasons in six years, including:

- A record-setting 57.3 million skier visits during the 2000/01 season (NSAA, 2005).
- The 54.4 million 2001/02 season - despite September 11, the economic recession, and comparatively poor snow everywhere except the Pacific West⁴ (NSAA, 2005).
- A record-setting 57.6 million skier visits during the 2002/03 season (NSAA, 2005)
- Another record-setting 58.8 million skier visits during the 2005/06 season (NSAA, 2006).

These stronger results suggest that the ski industry may have moved toward increasing visitation patterns that are better matched to population growth than in the early 1990s (refer to Illustration 4.1-1).

**Illustration 4.1-1:
National Skier Visitation 1994 – 2006 and U.S. Population Growth**



Source: NSAA, 2006; <http://www.census.gov/prod/1/pop/p25-1127.pdf>;
<http://www.prb.org/pdf06/06WorldDataSheet.pdf>

Oregon and Washington Visitation

During the 2001/02 season, Oregon and Washington both reported all-time record visitation for the first time (see Table 4.1-2) (Kottke, 2003). In the subsequent year (2002/03 season), the Pacific West⁴ was the only region to record a drop in skier visits (-12.6%) relative to the previous season (due to substantially worse snow and weather conditions – snowfall was down approximately 19%). The region nonetheless recorded its 10th largest season in terms of visits out of 25 seasons on record. Within the Pacific West, the Northern Pacific West resorts (Washington, Oregon, Northern California) were down sharply (-25.4 percent), while smaller losses were recorded in the Tahoe area (-4.4 percent) and Southern California/Southern Nevada/Arizona (-2.3 percent) during the 2002/03 season. The 2005/06 season showed another record year for Oregon resorts and a near-record season⁵ for Washington resorts (PNSAA, 2006).

⁴ The Kottke survey does not distinguish between the Pacific Northwest and the Southwest. The Pacific West includes Washington, Oregon, California, Nevada and Arizona.

⁵ Record visitation in Washington State occurred during the 2001/02 ski season with 2,151,544 visits. The 2005/06 season visitation was only 13,614 visitations short of meeting the record, with 2,137,930 ski visits.

Skier visitation in Washington has fluctuated widely over the past decade. While unpredictable weather patterns are largely blamed for Washington's inconsistent or lack of skier visit growth, the absence of substantial lift upgrades, terrain expansion, and snowmaking capability, combined with competition from other regional destination resorts, such as Whistler/Blackcomb, Sun Valley, Big Sky, and a host of Colorado, Utah, and Tahoe area resorts have also contributed to the lackluster performance in Washington (Kottke, 2003).

**Table 4.1-2:
Washington State Skier Visits from 1994 to 2006**

SKI AREA/RESORT	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Cascade (snowcat)	dno	dno	dno	250	679	329	nr	nr	dno	632	nr	nr
Crystal	320,983	264,633	302,673	318,536	311,335	332,276	230,506	391,595	255,370	348,933	123,242	371,811
49 Degrees North	50,914	43,000	49,925	52,210	66,164	65,922	59,905	76,866	52,503	71,508	28,016	75,639
Hurricane Ridge	3,425	nr	2,784	4,198	2,136	5,142	2,958	5,415	3,914	5,235	dno	2,541
Leavenworth (n-m)	5,040	8,563	14,200	14,250	12,300	12,249	12,300	6,238	7,128	8,966	3,288	16,194
Loup Loup (n-m)	22,168	26,420	15,559	9,215	27,000	15,935	5,700	16,000	13,907	13,434	1,180	19,721
Mission Ridge	105,738	84,764	92,570	79,091	96,529	108,194	91,372	111,162	89,815	109,085	23,021	116,387
Mt. Baker	134,728	111,504	111,246	114,534	124,477	138,602	123,493	134,822	107,472	115,000	81,322	204,000
Mt. Spokane	70,000	22,250	nr	50,797	62,852	72,080	85,055	94,764	46,322	87,520	19,844	90,493
North Cascade (helicopter)	368	488	522	331	409	663	594	428	360	389	212	nr
Sitzmark (n-m)	2,144	2,139	2,989	2,080	nr	2,027	1,346	nr	nr	nr	nr	nr
Ski Bluewood	54,225	10,067	45,851	48,007	54,501	49,332	49,836	61,679	27,048	43,024	3,393	37,452
Stevens Pass	403,343	307,484	392,437	379,591	404,204	485,522	426,100	498,367	378,868	450,222	133,785	452,456
Summit at Snoqualmie	490,310	436,239	476,218	410,334	502,200	506,021	507,783	611,638	328,746	475,006	55,173	618,531
White Pass	98,666	82,318	83,555	103,332	105,833	130,152	114,415	142,570	123,349	131,226	19,061	132,705
Total, WASHINGTON	1,762,052	1,399,869	1,590,529	1,586,756	1,770,619	1,924,446	1,711,363	2,151,544	1,434,802	1,860,180	491,537	2,137,930

nr = No Record

dno = Did Not Operate

Source: PNSAA, 2004, 2006.

4.1.2 Competition in the Local Market

The Mt. Spokane Ski and Snowboard Park operates in the local, day-use skier market, indicating that the ski operation does not provide lodging or other vacation-oriented amenities such as those offered by regional destination (e.g., Mt. Bachelor, Schweitzer) or destination resorts (e.g., Big White, Whistler, Sun Valley). The primary competitors in this market include five other ski areas: 49 Degrees North, Silver Mountain, Schweitzer, Lookout Pass, and Red Mountain. Table 4.1-3 presents the skier visitation at these ski areas from the 1996/97 season to 2005/06 along with the 5- and 10- year averages. Table 4.1-4 uses the 5- and 10-year averages to analyze the market share for each of the ski areas.

**Table 4.1-3:
Mt. Spokane Local Market Competition and Skier Visits from 1996/97 to 2005/06**

SKI AREA/RESORT	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	5 YR Avg.	10 YR Avg.
Mt. Spokane	nr	50,797	62,852	72,080	85,055	94,764	46,322	87,520	19,844	90,493	67,789	67,747
49 North	49,925	52,210	66,164	65,922	59,905	76,866	52,503	71,508	28,016	75,639	60,906	59,866
Silver Mountain	83,000	95,000	90,000	101,000	110,000	113,000	58,000	86,754	73,002	72,700	80,691	88,246
Schweitzer	153,424	120,975	159,140	247,421	202,554	219,848	196,489	211,208	95,767	196,023	183,867	180,285
Lookout Pass	22,368	22,409	22,721	20,602	22,469	30,016	22,759	46,858	55,974	50,594	41,240	31,677
Red Mountain	104,000	95,000	138,000	136,000	65,000	103,000	92,000	110,000	84,000	115,000	100,800	104,200
Total	412,717	436,391	538,877	643,025	544,983	637,494	468,073	613,848	356,603	600,449	535,293	532,021

nr = No Record

Source: PNSAA, 2004, 2006.

**Table 4.1-4:
Mt. Spokane Local Market Share Analysis**

Ski Area	% Market Share - 5 Year Average	% Market Share -10 Year Average
Mt. Spokane	13%	13%
49 North	11%	11%
Silver Mountain	15%	17%
Schweitzer	34%	34%
Lookout Pass	8%	6%
Red Mountain	19%	20%
Total	100%	100%

Source: PNSAA, 2006

Mt. Spokane's Niche

Located in eastern Washington near the border of Idaho, Spokane County is the fourth most populated county in the State. The Spokane area serves as the regional center for the "Inland Northwest", and encompasses eastern Washington, northern Idaho, the northeastern portion of Oregon, and Western Montana, with the market area extending into Southern British Columbia and Alberta, as well.

The City of Spokane is intersected by Interstate 90 and four major state highways, and is a primary transportation center in the Northwest. Located on the main transcontinental rail line, it is also serviced by international and local air carriers, a modern mass transit system, as well as several regional bus lines. The City of Spokane has developed a flourishing downtown commercial area, which provides comprehensive support services for both the residents and businesses throughout the area, including high quality educational opportunities and medical facilities.

Recently, Spokane's economy has experienced a significant diversification, expanding from natural resource products to include high technology and various service industries. This growth mode encompasses all areas of economic measure, including employment, home sales, construction, population, household income, payrolls, and tax revenues.

Mt. Spokane is located approximately 30 miles from downtown Spokane via Division Street, US Highway 2, and Highway 206. The travel distance to the area is about 23 miles from the Interstate 90/Argonne Road exit and via Bruce Road to Highway 26. Aside from the need to negotiate numerous traffic lights in departing the Spokane metropolitan area, two-thirds of the distance to the mountain is over relatively flat terrain and is easy traveled.

Specifically, Mt. Spokane Ski and Snowboard Park's niche includes the following key features, within a framework of the needs identified in Section 2.4:

- Proximity to Market – located approximately 30 minutes from metropolitan Spokane;
- Value – lower cost compared to 49 Degrees North or regional destination resorts;
- Ski School Program – one of the largest in Washington;

- Good Ski Terrain Characteristics – consistent fall line skiing on existing terrain;
- Suitable parking – current parking accommodates CCC; and
- Base Lodge Buildings generally balanced with CCC – seating capacities are appropriate with CCC.

As described in Table 4.1-4, Mt. Spokane Ski and Snowboard Park occupies 13% of the skier visit market.

Other Local Ski Resorts

49 Degrees North Mountain Resort

The following information was derived and adapted from the 49 Degrees North Mountain Resort Revised Master Development Plan Final Environmental Impact Statement (USDA, 2004).

49 Degrees North Mountain Resort is located in the southern Selkirk Mountains of northeast Washington, approximately 10 miles east of Chewelah and 50 miles north of Spokane. The existing 1,220-acre ski area operates on 900 acres of National Forest System lands under a Special Use Permit (SUP) from the Colville National Forest, and 320 acres of adjacent private land owned by Chewelah Basin Ski Corp., the owner of the resort. The base area is located at 3,923 feet elevation, and the summit is at 5,774 feet elevation. Current facilities at 49 Degrees North include 5 lifts, 540 acres of ski runs on 68 marked trails (30% beginner, 40% intermediate, 25% advanced, 5% expert), and a CCC of 2,000. Other facilities include 12 miles of Nordic trails and a 21,000 square foot main lodge.

Approximately 50% of the skier visits at 49 Degrees North are local residents in Stevens and Pend Oreille counties. These “local skiers” favor ski area features such as low cost, short drive and homey atmosphere over higher price, longer commutes and elaborate services. Skiers from Spokane (about 50 miles) and Coeur d’Alene (about 80 miles) comprise the other 50% of the 49 Degrees North skier visits. The resort exceeds 1,000 visitors per day about ¼ of the days it is open for operations, and often exceeds 1,500 visitors per day on weekends. The largest skier attendance days exceed 3,000. Ski area management estimated that about 75,000 skier visits per year are needed for the operation to remain viable in its current configuration (Eminger, 2002a)(see Table 4.1-2). However, the current lodge and lift configuration does not accommodate this number of skiers. The ski area (including expenditures for approved improvements) is economically feasible with a 20% increase in skiers, or 15,000 skiers per year (Eminger, 2002a). This increase seems reasonable to attain based on 30% increases in Stevens and Pend Oreille County populations in recent years and the indication this trend will continue (USDA, 2004).

Under the revised Master Development Plan, 49 Degrees North will expand the existing resort to approximately 2,300 acres, of which 2,000 acres are National Forest Service lands. Improvements include one 5,000-foot long ski lift, 230 acres of cleared ski runs, 310 acres of gladed ski runs, a Nordic Ski Center, ice rink, and Nordic trails, main lodge expansion and new mid-mountain lodge construction, 4 additional acres of parking, and a new water system, wastewater system, and extended electrical utilities. Upon completion of the expansion proposed

in the MDP, the CCC of the resort would increase to about 4,000 visitors per day – approximately twice the current capacity. Additionally, total skier days per year are estimated to increase from approximately 75,000 to 90,000 in 5 years (USDA, 2004).

This year as part of the improvements to the existing SUP area and revision to the Master Development Plan, 49° North installed the new Sunrise Quad Chairlift, which opens up 12 new trails in Sunrise Basin. 49° North also constructed 10 kilometers of Nordic trail, installed a warming yurt in the new Nordic parking lot, and lengthened three alpine trails in Lower Silver Ridge (PNSAA, 2006b).

As described in Table 4.1-4, 49 Degrees North occupies 12% of the Mt. Spokane skier visit market.

49 Degrees North Mountain Resort ski area management estimated that about 75,000 skier visits per year are needed for the operation to remain viable in its current configuration (Eminger, 2002a); however, the current lodge and lift configuration does not accommodate this number of skiers. The ski area (including expenditures for approved improvements) is economically feasible with a 20% increase in skiers, or 15,000 skiers per year (Eminger, 2002a). This increase seems reasonable to attain based on 30% increases in Stevens and Pend Oreille County populations in recent years and the indication this trend will continue (USDA, 2004).

Lookout Pass

The following information was derived and adapted from the Lookout Pass Ski and Recreation Area. Final Environmental Impact Statement. (USDA, 2002).

Lookout Pass Ski and Recreation Area is located in the northern Rocky Mountains, approximately 75 miles east of Spokane, 6 miles east of Mullan, Idaho, and 33 miles west of St. Regis, Montana, on the Montana/Idaho border. Lookout Pass operates on 335 acres under a Special Use Permit from the Idaho Panhandle National Forest. The base area is at 4,500 feet elevation, and the summit is at 5,650 feet elevation. Current facilities include two chairlifts, one rope tow, 540 skiable acres including 23 named runs (20% easiest, 50% intermediate, 20% advanced, 10% expert), two terrain parks, a 240-seat base lodge, rental shop, maintenance and service buildings, and a 1.7-acre parking lot.

Winter activities include alpine and Nordic skiing, snowmobile trail parking, ski rental service, ski school, and operation of the lodge restaurant and bar. Summer activities include operation of the base facilities, information center, bicycle rentals and shuttle service. Dispersed recreation in the area includes snowmobiling, all-terrain vehicle use, cross-country skiing, backcountry skiing, wildlife watching, and hunting. The Idaho Panhandle National Forest and Lolo National Forest have authorized the expansion of the Lookout Pass permit area from 335 to 444 acres. In addition, Lookout Pass is authorized to implement the following improvements: two new chairlifts, 87 additional acres of ski terrain, one-acre parking lot expansion, 19,600 square foot expansion of existing buildings, upgrading of 2,100 feet of existing road, and regrading of 4.7 acres of runs (USDA, 2003).

Approximately 50 percent of skiers come from Coeur d'Alene, 35 percent from north Idaho (other than Coeur d'Alene), 7.5 percent from Spokane, 4 percent from Missoula, and 3.5 percent

from small towns in western Montana located between Lookout Pass and Frenchtown, Montana (Granger, 1999). Population growth in the Lookout Pass service area is projected to continue beyond national averages. Average skier visitation per season over the last five years was 24,090, indicating that weekend use is often over 300 skiers per day. During the 2001-2002 season (30,016 total visits), the number of skiers exceeded 450 on 27 days of the 81 day season, or 33 percent of the time. Lookout Pass management estimates that about 25,000 skier visits per year are needed for the operation to remain viable in its current configuration. However, the current lodge and lift configuration does not allow for this number of skiers. The ski area (including expenditures for the expansion) is economically feasible with a 20% increase in skiers, or 27,000 skiers per year. The ski area owners estimate that upon completion of the improvements, total skier visitation would increase from 22,500 skier days to 40,000 skier days per year in 8 years (USDA, 2002).

An August 2006 press release from Lookout Mountain (Lookout Mountain, 2006) indicated that 5 new north aspect runs that were logged during the Fall of 2005 have been brush cut and all slash has been hand piled. A new lift to service the "Northstar" lift pod has been identified with acquisition negotiations underway. Superior Tramway of Spokane is providing the engineering with construction scheduled for the summer of 2007. As described in Table 4.1-4, Lookout Pass occupies 8% of the Mt. Spokane skier visit market.

Average skier visitation per season indicates that weekend use is often over 300 skiers per day at Lookout Pass. During the 2001-2002 season (30,016 total visits), the number of skiers exceeded 450 on 27 days of the 81 day season, or 33 percent of the time. Lookout Pass management estimates that about 25,000 skier visits per year are needed for the operation to remain viable in its current configuration. However, the current lodge and lift configuration does not allow for this number of skiers. The ski area (including expenditures for the expansion) is economically feasible with a 20% increase in skiers, or 27,000 skiers per year. The ski area owners estimate that upon completion of the improvements, total skier visitation would increase from 22,500 skier days to 40,000 skier days per year in 8 years (USDA, 2002).

Schweitzer

Schweitzer Mountain Resort is located in the Selkirk Mountains, overlooking Lake Pend Oreille in the Idaho Panhandle, approximately 86 miles northeast of Spokane and 45 miles south of the Canadian border. Schweitzer operates 2,900 skiable acres between 4,700 and 6,400 feet elevation. The terrain includes 20 percent Beginner, 40 percent Intermediate, 35 percent Advanced and 5 percent Expert ski trails. Current facilities include 82 named trails, 8 chairlifts, 32 kilometers of groomed Nordic trails, snowmaking capacity for 47 acres, and night skiing. Schweitzer also offers cat skiing, snowmobiling, ski school (alpine and Nordic), a terrain park with halfpipe, snowshoeing, tubing, condominiums, and the Selkirk Lodge. Uphill capacity of the resort is approximately 9, 267 pph. Average skier visitation per season for the past five years was 183,867.

As described in Table 4.1-4, Schweitzer occupies 36% of the Spokane area skier visit market. Schweitzer represents a regional destination resort, with lodging and other overnight amenities. Schweitzer Mountain Resort has benefited from skier visit growth as a result of two factors: the development of onsite lodging in conjunction with new skier facilities; and the overall growth of

the Sandpoint/Idaho Panhandle region, which has attracted more full time residents due to its location (SE Group 2006).

Silver Mountain

Silver Mountain is located in Kellogg, Idaho, approximately 45 miles from Coeur d'Alene and 75 miles from Spokane. Silver Mountain operates on two mountains, offering 2,200 vertical feet on 1,600 acres (67 named runs) accessed by five chairlifts. In addition to ski terrain, Silver Mountain facilities include a terrain park, snow tubing, night skiing on eight trails, gondola rides, and snowshoe trails. New facilities opening this year include a new tubing park and moving carpet, additional beginner terrain, and terrain park improvements. In the fall of 2007, Silver Mountain plans to open Silver Rapids, an indoor water park. Silver Mountain averaged 80,759 seasonal skier visits over the last five years.

As described in Table 4.1-4, Silver Mountain occupies 16% of the Mt. Spokane skier visit market. Silver Mountain benefits from easy access off of Interstate 90. Similar to Schweitzer Mountain Resort, Silver Mountain serves both the local Kellogg, Idaho Market as well as a regional destination market. Silver Mountain boasts an out-of-village gondola and lodging/condominiums within the village.

Red Mountain

Red Mountain is located near the Canada/US border in south Central British Columbia, 28 miles (45 km) south of Castlegar, and just 3 miles (5 km) west of the historic gold mining town of Rossland, which combines rugged outdoor adventure with small town warmth and hospitality. Red Mountain is located 125 miles north of Spokane, via Highway 395 through Colville, to Highway 25 through Northport.

With a vertical elevation change of 2,209 feet and a summit elevation of 6,800 feet, Red Mountain provides 1,585 acres of skiable terrain on 83 trails. The terrain distribution at Red Mountain includes 10% Novice, 45% Intermediate and 45% Advanced. Red Mountain operates six chairlifts and includes the only terrain park in the West Kootenays.

As described in Table 4.1-4, Red Mountain occupies 16% of the Mt. Spokane skier visit market. Of all resorts in the Mt. Spokane market, Red Mountain most closely represents a true destination resort, with only 34.4% of its visitation derived from the local (1.5 hour drive time) market (SE Group, 2006). Washington supplies approximately 12.8% of the Red Mountain visitation, while Red Mountain realizes almost 10% of its visitation from international destinations (outside the US and Canada). Survey data provided in SE Group, 2006 indicates that the Spokane metropolitan area represents only 3.8% of the Red Mountain market in terms of skier visits. The fact that Red Mountain provides 16.8% of the visitation in the Mt. Spokane market juxtaposed with the fact that Red Mountain draws only 3.8% of its visits from Spokane further demonstrates the destination resort market served by Red Mountain when compared to the other day-use resorts in the local market.

4.2 Future Trends

The following section details the broad future trends of the ski industry and resorts in the Mt. Spokane market.

4.2.1 Market Area Population

OFM, 2002 calculated population growth trends for Spokane County and nearby counties, as shown in Table 4.2-1. Spokane County was predicted to increase by an average annual growth rate of 1.3% by 2025, while Whitman County was predicted to grow at a much more conservative 0.4% and Stevens County is projected to grow at 2.1% per year. Overall, the metropolitan Spokane area is projected to increase at 1.3% per year.

**Table 4.2-1:
Local Population by County & Projected Annual Growth**

County	Calendar Year								Annual Growth Rate
	1990	1995	2000	2005	2010	2015	2020	2025	
Adams	13,603	15,366	16,428	17,458	18,502	19,724	20,919	22,063	1.4%
Lincoln	8,864	9,241	10,184	10,095	10,386	11,004	11,918	12,802	1.1%
Pend Oreille	8,915	11,527	11,732	12,679	13,674	14,711	15,706	16,662	1.8%
Spokane	361,333	400,538	417,939	441,068	466,417	496,981	529,958	561,627	1.3%
Stevens	30,948	35,406	40,066	42,105	46,585	52,102	58,154	64,057	2.1%
Whitman	38,775	40,138	40,740	40,445	41,149	42,342	43,651	44,856	0.4%
Total	464,428	514,211	53,9089	565,855	598,723	638879	682,326	724,092	1.3%

Source: OFM, Forecasting, February 2002

4.2.2 Calculation of Future Market Skier Visitation

The calculation of future skier visitation (i.e. demand for skiing) for any given resort must consider the behavior of its neighboring, competing resorts, the market share over time, the projected population growth rate, and the incidence of skier visits by the members of the population. In order to provide a defensible projection of future skier visitation at Mt. Spokane, this analysis provides four methods to determine the net potential skier visitation in the local market area within the ten year projection period and beyond, to the 25th year. These methods provide a range of potential skier visits that could be generated by the local market in ten years. Using this range of potential visitation in the market, skier projections under various capital improvement scenarios can be compared to ensure that assumptions in the growth of visitation at Mt. Spokane Ski and Snowboard Park are valid. All four methods present an approach for determining a baseline market demand (i.e., the potential number of skier visits generated by the local market) and projects future skier visitation by applying the projected annual population growth rate, provide in Table 4.2-1 (1.3%). No consideration is given to ski area upgrades that could affect the length of the ski season or capacity of the ski area, both of which could increase visitation above the projections provided in this analysis. The following presents a summary of the four methods along with the projection of potential skier visitation generated by the local market in ten years.

Method 1 – Ten-Year Average Visitation

In order to calculate the potential skier visitation in the local market using the ten year average visitation, the ten-year average skier visitation for each resort (see Table 4.1-3) is projected out using the projected 13% population growth rate for the market area, presented in Table 4.2-1. Using this approach, the Mt. Spokane visitation is projected to increase from 67,747 in Year 1 to

76,946 in Year 10. Similarly, the Mt. Spokane local market is projected to grow from 532,021 visits in Year 1 to 604,256 in Year 10. Using this approach, the 13% market share for Mt. Spokane Ski and Snowboard Park is retained throughout the projection period, consistent with the past ten years (see Table 4.1-4).

**Table 4.2-2:
Potential Market Annual Visitation Based on 10-Year Average**

Year	Mt. Spokane	49 North	Silver Mountain	Schweitzer	Lookout Pass	Red Mountain	Total
1 ^a	67,747	59,866	88,246	180,285	31,677	104,200	532,021
5	72,200	63,801	94,046	192,135	33,759	111,049	566,989
10	76,946	67,994	100,227	204,763	35,978	118,348	604,256
15	82,003	72,463	106,815	218,222	38,343	126,127	643,973
20	87,393	77,226	113,836	232,565	40,863	134,417	686,300
25	93,137	82,302	121,318	247,851	43,549	143,251	731,408

^a Year 1 represents the 10-year average skier visitation, provided in Table 4.1-3. This baseline is increased by 1.3% annually, representing the projected population growth in the local market area.

Based on Method 1, the current market potential for skier visitation totals 532,021. Through the ten-year projection period, the demand for skiing is projected to increase to 604,256, and in Year 25, the projected market demand totals 731,408 skier visits. Based on its 13% Market Share (refer to Table 4.1-4) Mt. Spokane Ski and Snowboard Park would realize 76,946 skier visits in Year 10 and 93,137 skier visits in Year 25.

Of all methods used for the estimation of potential skier visitation in the future, this method is likely the most conservative in that it incorporates actual visitation patterns into the projection. For example, Table 4.1-3 indicates that during the 2002-03 ski season, visitation was substantially below average for several of the ski areas within the local market, with only Schweitzer (a destination resort) exhibiting visitation above the 5- and 10-year averages. This is a result of an El Nino winter, in which snow coverage was below normal. Also, Table 4.1-3 shows that 2004-05 was an abnormally low year for visitation, with all but Lookout Pass reporting visitation substantially below the averages. In the Pacific Northwest, 2004-05 was a record low snow year. Nonetheless, by incorporating these low-visitation years into the 10-year average and using this average as that basis for projections, this method results in a measure of potential visitation that is more reflective of the supply of skiing (i.e., based on weather patterns that are not attributable to market conditions) than the market demand for skiing. Therefore, for purposes of this analysis, the projection of skier visitation based on this method represents a low estimate.

Method 2 – Skier Survey – Population

An alternative method to estimating the demand for skiing is to survey the populace in order to develop an estimate of the population that participates in downhill skiing or snowboarding. Many studies have been undertaken at the National, Regional and National Forest level to estimate this percentage.

NSRE

At the National Level, the National Survey on Recreation and The Environment (NSRE), which is sponsored by the US Forest Service (USFS), US Bureau of Land Management (BLM), the US Army Corps of Engineers (Corps) and US Environmental Protection Agency (EPA), represents such a study. The primary purpose of the NSRE is to learn about the outdoor recreation activities of people 16 years of age or older in the United States. The results of this survey are summarized in Table 4.2-3, compared to the results of a similar survey that was done in 1982-83 and published in the NSRE (USDA, 1995).⁶

**Table 4.2-3:
National Recreation Participation Trends, 1982/83 and 1994/95**

Activity	Millions of Participants ^a		Percent Change
	1982-83	1994-95	
Bird Watching	21.1	54.1	+155.2
Hiking	24.7	47.8	+93.5
Backpacking	8.8	15.2	+72.7
Downhill Skiing	10.6	16.8	+58.5
Camping – Primitive Area	17.7	28.0	+58.2
Attending Outdoor Concert/Play	44.2	68.4	+54.7
Off-Road Driving	19.4	27.9	+43.8
Walking	93.6	133.7	+42.8
Motor boating	33.6	47.0	+39.9
Sightseeing	81.3	113.4	+39.5
Camping – Developed Area	30.0	41.5	+38.3
Swimming/river, lake, ocean	56.5	78.1	+38.2
Snowmobiling	5.3	7.1	+34.0
Outdoor Team Sports	42.4	53.0	+25.0
Golf	23.0	29.7	+29.1
Cross-country Skiing	5.3	6.5	+22.6
Swimming/Pool	76.0	88.6	+16.4
Picnicking	84.8	98.3	+15.9
Sledding	17.7	20.5	+15.8
Running/Jogging	45.9	52.5	+14.4
Water Skiing	15.9	17.9	+12.6
Bicycling	56.5	57.4	+1.6
Ice Skating	10.6	10.5	-0.9
Fishing	60.1	57.8	-3.8
Sailing	10.6	9.6	-9.4
Horseback Riding	15.9	14.3	-10.1
Hunting	21.2	18.6	-12.3
Tennis	30.0	21.2	-29.3

Source: USFS, 1995.

^a Millions of participants 16 years of age or older.

⁶ The NSRE survey method was comprised of two random telephone surveys. Data was collected from January 1994 to May 1995, with a total of 17,216 interviews completed—12,214 for survey one and 5,002 for survey two (USDA, 1995). For survey one Americans above the age of 15, were asked questions in four areas: (1) participation in activities and the numbers of days and trips spent in recreation activities, (2) the characteristics of recreation trips, (3) barriers and constraints to outdoor recreation, and (4) alternative strategies for charging user fees for recreation. In the second survey Americans above the age of 15 were asked about their participation in specific outdoor recreation activities and the benefits of that participation.

While this study does not attempt to measure the percentage of the United States population that participates in the various activities, the NSRE does indicate that participation in downhill skiing and other winter sports continues to rise nationally. For example, between the 1982-83 and 1994-95 surveys, downhill skiing, snowmobiling, cross-country skiing and sledding increased by 58.5%, 34.0%, 22.6% and 15.8%, respectively. Again, between the 1994-95 and the 1999-2000 NSRE, downhill skiing, snowmobiling, cross-country skiing and sledding increased by another 17.3% 77.5%, 63.1% and 52.2%, respectively. Based on these analyses, winter sports recreation, including downhill skiing, has witnessed double-digit increases in demand in the United States between 1994 and 2000.

NSGA

The National Sporting Goods Association (NSGA) also conducts an annual survey of sports participation. Table 4.2-4 depicts the increase/decrease for certain activities that are popular in mountain settings from 1991 through 2001.

**Table 4.2-4:
Comparison of NSGA 1991, 1996 and 2001 Sports Participation**

Sport	Millions of Participants ^a		
	1991	1996	2001
Exercise Walking	69.6	73.3	71.2
Bicycle Riding	54.0	53.3	39.0
Fishing	47.0	45.6	44.4
Camping	47.1	44.7	45.5
Hiking	22.7	26.5	26.1
Hunting with Firearms	17.1	19.3	19.2
Mountain Biking - on road	10.5	11.3	14.0
Backpacking/Wilderness Camp	10.4	11.5	14.5
Alpine Skiing	10.4	10.5	7.7
Mountain Biking - off road	4.6	7.3	6.3
Snowboarding	1.6	3.7	5.3
Nordic Skiing	4.4	3.4	2.3

^a Participated more than once, seven years of age or older.

Source: National Sporting Goods Association, 1996 and 2002.

Though the NSGA data shows nominal growth and decline for alpine skiing, snowboarding has witnessed significant increases in participation. In total, the two downhill winter sports accounted for 12 million participants (1991), 14.2 million participants (1996) and 12 million participants (2001). Based on the NSGA survey, downhill skiing and snowboarding have at least maintained a relatively constant level of participation since 1991.

PNSAA Telephone Survey

The Pacific Northwest Ski areas Association (PNSAA) conducted a survey of the Washington, Oregon and northwestern Idaho population in order to investigate the behavior of skiers in the northwest (PNSAA, 1993). This report calculated that of residents age 18 to 24, 12.6% participate in skiing or snowboarding. Of these downhill enthusiasts in the Pacific Northwest, Spokane and Idaho area skiers averaged 8.6 days of skiing per year (PNSAA, 1993).

Method 2 Summary

The NSRE (Table 4.2-3) and the NSGA (Table 4.2-4) indicate that participation in downhill skiing/snowboarding has at least remained constant in the United States, if not increasing over time. As described in Section 4.1.1, National and Regional visitation patterns indicate that an increasing trend is actually the case, with visitation trends much closer to the rate of population growth than in the early 1990s. On this basis, in order to project the potential future demand for skiing under Method 2, this analysis will retain the Spokane-specific measures provided in PNSAA (1993). A skier population of 12.6% and a skier incidence of 8.6 visits per year will be applied to the Mt. Spokane Ski and Snowboard park local market population projections, discussed in Section 4.2.1. Table 4.2-5 presents the current market potential based on the 2005 population and using this approach. Table 4.2-6 presents the projected demand for skiing in the ten-year projection period, as well as beyond into Year 25.

**Table 4.2-5:
Potential 2005 Market Demand
Based on PNSAA Data**

2005 Local Population	Skiers (12.6% of population)	Potential Demand (8.6 visits/yr/skier)
563,850	71,045	610,988

**Table 4.2-6:
Potential 2005 Market Demand
Based on PNSAA Data**

Year	Projected Skier Visitation Market Potential	Mt. Spokane Ski and Snowboard Park (13%)
1	610,988	79,428
5	651,147	84,649
10	693,945	90,213
15	739,557	96,142
20	788,166	102,462
25	839,970	109,196

Based on Method 2, the current market potential for skier visitation totals 610,988. Through the ten-year projection period, the demand for skiing is projected to increase to 693,945, and in Year 25, the projected market demand totals 839,970 skier visits. Based on its 13% Market Share (refer to Table 4.1-4) Mt. Spokane Ski and Snowboard Park would realize 90,213 skier visits in Year 10 and 109,196 skier visits in Year 25.

Method 3 – Breakeven Year

A third approach to determining market demand for skiing is to evaluate the skier market behavior during a normal winter year, with sufficient snowfall and snowpack to provide a complete operating season. Within the inland Pacific Northwest, the winter of 2005-06 represented just such a year (McQuarry, 2006).

As shown in Table 4.1-3, 2005-06 exhibited visitation that is substantially over the 5- and 10-year averages for all resorts in the local market. During this season, Mt. Spokane realized 90,492 skier visits, and the local market saw a total of 600,449 skier visits (refer to Table 4.1-3). Method 3 for determining the potential market demand for skier visitation uses the 2005-06 visits as a basis for the application of the projected population growth, discussed in Section 4.2.1. Table 4.2-7 presents the projected skier demand for visitation based on the Method 3 approach.

**Table 4.2-7:
Potential Market Annual Visitation Based on 2005-06 Results**

Year	Mt. Spokane	49 North	Silver Mountain	Schweitzer	Lookout Pass	Red Mountain	Total
1 ^a	90,493	75,639	72,700	196,023	50,594	115,000	600,449
5	96,441	80,611	77,478	208,907	53,919	122,559	639,915
10	102,780	85,909	82,571	222,638	57,463	130,614	681,975
15	109,535	91,556	87,998	237,272	61,240	139,199	726,800
20	116,735	97,573	93,782	252,867	65,266	148,348	774,571
25	124,407	103,987	99,946	269,487	69,555	158,099	825,482

^a Year 1 represents the 2005-06 skier visitation, provided in Table 4.1-3. This baseline is increased by 1.3% annually, representing the projected population growth in the local market area.

Based on Method 3, the current market potential for skier visitation totals 600,449. Through the ten-year projection period, the demand for skiing is projected to increase to 681,795, and in Year 25, the projected market demand totals 825,482 skier visits. Maintaining its 13% Market Share (refer to Table 4.1-4) Mt. Spokane Ski and Snowboard Park would realize 102,780 skier visits in Year 10 and 124,407 skier visits in Year 25.

Method 4 – Modified Eight-Year Average

Method 4 for the projection of market demand for skier visitation is based on the approach used in Method 1 (i.e., the 10-year average). For this analysis, the El Nino year (2002-03) and the record low year (2004-05) are eliminated from the visitation record to provide a modified 8-year average. Table 4.2-8 presents the Modified 8-year average based on Table 4.1-3 with the 2002-03 and 2004-05 years removed. Table 4.2-9 shows the projected market demand for visitation based on the modified 8-year average.

**Table 4.2-8:
Modified 8-Year Average Visitation**

Resort	8 YR Ave
Mt. Spokane	77,652
49 North	64,767
Silver Mountain	93,932
Schweitzer	188,824
Lookout Pass	29,755
Red Mountain	108,250
	563,179

**Table 4.2-9:
Potential Market Annual Visitation Based on Modified 8-Year Average**

Year	Mt. Spokane	49 North	Silver Mountain	Schweitzer	Lookout Pass	Red Mountain	Total
1 ^a	77,652	64,767	93,932	188,824	29,755	108,250	563,179
5	82,755	69,024	100,106	201,235	31,710	115,365	600,196
10	88,195	73,561	106,685	214,462	33,795	122,948	639,646
15	93,992	78,396	113,698	228,558	36,016	131,029	681,688
20	100,169	83,549	121,171	243,581	38,383	139,641	726,494
25	106,753	89,041	129,135	259,591	40,906	148,819	774,245

^a Year 1 represents the modified 8-year average skier visitation, provided in Table 4.2-8. This baseline is increased by 1.3% annually, representing the projected population growth in the local market area.

Based on Method 4, the current market potential for skier visitation totals 563,179. Through the ten-year projection period, the demand for skiing is projected to increase to 639,046, and in Year 25, the projected market demand totals 774,245 skier visits. Maintaining its 13% Market Share (refer to Table 4.1-4) Mt. Spokane Ski and Snowboard Park would realize 88,195 skier visits in Year 10 and 106,753 skier visits in Year 25.

Market Demand for Skier Visitation Summary – Methods 1 - 4

The four methods described above attempt to compile existing information to determine the future market demand for skiing through the ten-year projection period and beyond to Year 25. For clarity, these approaches are intended to project the number of skier visits that the local market could generate without consideration of any outside forces, such as changes at the ski areas, which could affect visitation through increased/decreased ski season length or changes in capacity. This exercise is provided as a means for comparison to determine the feasibility of projected skier visitation at Mt. Spokane Ski and Snowboard Park based on population growth and improvements to the ski area, as described in Section 5 of this report. Table 4.2-10 presents a summary of the projections using Methods 1 – 4.

**Table 4.2-10:
Summary of Results for Methods 1 -4**

Year	Method 1 - 4 Range			
	Mt. Spokane		Local Market	
	Low (Method 1)	High (Method 3)	Low (Method 1)	High (Method 2)
1	67,747	90,493	532,021	610,988
10	76,946	102,779	604,256	693,945
25	93,137	124,407	731,408	839,970

Based on this analysis, it can be projected that without consideration of any improvements or any other factors, except population growth, Mt. Spokane would be positioned to meet the demand for up to 102,779 skiers in Year 10. The ability of Mt. Spokane to do so is addressed above in Section 3.0 and below in Section 5.0. Similarly, the local market is positioned to meet the demand for 693,945 skiers in Year 10. These potential demand numbers are discussed further in Section 5.0, where capital improvements at Mt. Spokane Ski and Snowboard Park are included in skier visitation projections.

4.2.3 Ski Area and Technology Upgrades

New technology has had a positive impact on the ski industry. New shaped skis have made it easier to become proficient in the sport as well as enjoying many different types of snow and terrain conditions. Lift technology, including high capacity lifts, easier queuing and loading stations, and inclined conveyors have also made it easier for skiers and boarders to load, ride and unload lifts safely. Snowmaking improvements now provide a better and more consistent ski surface that also endures high usage. This is aided by grooming machines that provide smooth ski trails, half-pipes and terrain parks. Throughout North America, ski areas have also developed unique terrain park equipment that satisfies the younger, more adventurous thrill seekers.

Review and analysis of the relevant national and local market data indicate that there is an ever-increasing level of customer awareness of quality, service, and value in the ski experience (University of Washington EMBA, 1996; RRC Associates, 1994a, 1996, 1997, and 1998; and Leisure Trends, 1996). Progressive ski areas ranging from high-profile destination resorts such as, Sun Valley, Whistler, and Park City, to regional/local, day-use ski areas including Crystal Mountain, Timberline, Red Lodge, 49 Degrees North, and Bogus Basin have catered to the changing demands of the skier population. These ski areas have done this by providing convenient, quality accommodations, a heightened service orientation, a more refined and technologically improved ski experience, and numerous year-round recreational amenities. Similar to these examples, ski areas that have invested in faster and more comfortable ski lifts, snowmaking, terrain expansion, increased trail grooming, and other quality improvements have created higher quality skiing, and have typically captured additional market share. These developments have also led to an overall improvement of service and a higher level of expectation among the skiing public (USDA, 2004b). Conversely, lack of improved facilities has led to the erosion of market share and eventually a decline in skier visit performance.

4.2.3 Multi-season recreation facilities

Numerous ski areas, large and small, are seeking new revenue sources as a hedge to seasonality. Additionally, ski resort operators are investing to expand spring and summer sources of revenues, acting as a destination or “base camp” for adventure. Other experiential pursuits such as snow cat and heli-skiing, all connected with the resort, are being offered in greater numbers. Well capitalized operators and owners are increasingly offering the following activities to “smooth” earnings:

- Water Parks
- Golf Courses
- Mountain Biking
- Conference Centers
- Whitewater Rafting
- Fly Fishing
- Other...zip rides, mountain coasters, alpine slides, horseback riding, snowmobiling.

5.0 Financial Analysis

To facilitate the Washington State Parks and Recreation Commission decision-making process regarding improvements to Mt. Spokane ski and Snowboard Park, including the potential use of the PASEA for alpine skiing, several concepts were developed by ski area management, State Parks representatives, advisory committee members and consultants.

This section identifies a two financing scenarios for use in the financial analysis:

- Mt. Spokane 2000 Capital Only
- With Outside Support

The Mt. Spokane 2000 Capital Only was prepared to show a financial and economic analysis in the event that Mt. Spokane 2000 provides all the capital at market rates without consideration of volunteers or in-kind donations (see Section 3.4). In essence, the Mt. Spokane 2000 Capital Only scenario represents the “true market cost” in the financial analysis. The With Outside Support was prepared to show a more realistic analysis of the financial operation at the ski area. This scenario includes volunteers, in-kind donations and/or outside funding support at market or non-market rates.

In addition to the financing scenarios, this section identifies four alternative capital improvement programs (i.e., concepts) for the Mt. Spokane Ski and Snowboard Park. These include a No Action concept and three Action Concepts. These concepts were developed using a collaborative approach, including staff from Washington State Parks, The Mt. Spokane State Park Advisory Committee, Mt. Spokane 2000 and a team of consultants. To assist the reader, Appendix 2 details the financial and economic analyses for the Four concepts and two financial scenarios. The information in Appendix 2 has been posted on the Washington State Parks project website since January 2007 and was presented to the public in a meeting dated January 4, 2007. As a result, this report does not detail the financial analyses of each alternative. Rather, the summary information is provided in the following sections and detailed information is included in Appendix 2.

5.1 Concept Descriptions

As described above, four Concepts are included in the financial and economic analysis. These include:

- No Action Concept (Concept 1);
- Improved Facilities (Concept 2);
- Shared Facilities (Concept 3);
- Optimized Experiences (Concept 4).

A description of each concept is provided below.

5.1.1 No Action Concept - (Concept 1)

In this concept, there are no improvements to the existing operation (refer to Section 3.0). Table 5.1-1 depicts the operating history of the Mt. Spokane 2000 concession for the previous four seasons. This financial history includes two poor seasons and two successful seasons. As shown in this financial history, poor operating seasons result in the loss of over \$500,000, while “successful” seasons end with net operating income that is substantially less than \$500,000. Under this operational model, the Mt. Spokane 2000 concession must continually strive to seek donations and other non-traditional sources of cash (non-market loans, lines of credit, etc.) to remain economically viable. Additionally, with the economic model demonstrated over the past four years, it is evident that the concession operation simply has no capital with which to fund improvements to the existing facilities.

**Table 5.1-1:
Four Year Operating History at Mt. Spokane Ski and Snowboard Park**

Financial Details	Financial Year			
	2006-05	2005-04	2004-03	2003-2002
Visits	90,493	19,844	87,520	46,322
Revenue per Visit	22.86	43.85	25.32	30.33
Revenue	2,068,452	870,173	2,216,220	1,405,019
Total Operating Costs	1,962,781	1,313,811	1,885,498	1,862,821
Operating Income	105,671	(443,638)	330,722	(457,802)
Other Income & Expenses				
Other income	54,435	40,988	37,162	32,993
Interest	(92,696)	(100,231)	(107,618)	(116,763)
Net Income	67,410	(502,881)	260,266	(541,572)

Source: Mt. Spokane 2000

As shown in the financial analysis (Appendix 2), the lead ticket price is assumed to be \$35 (based on 2005/06 operating season) at the base, increasing to \$40 in ten years. Because no significant improvement would be realized under a No Action scenario, it is projected that the concession’s realization (i.e., revenue per skier visit measured as a percentage of the lead ticket price) would not improve significantly, with the realization improving from the current 65% to 67% over ten years.⁷ Likewise, with no significant improvements, skier visitation is projected to remain stagnant for the short term, followed by a continued erosion of market share, culminating in a reduction in annual skier visits by Year 10. Under the No Action Alternative, the 10-year average visitation is projected increase from 67,747 to 76,951.⁸

5.1.2 Improved Facilities- (Concept 2)

In this concept, the emphasis is on providing opportunities for the existing range of recreational uses in the park, within the existing physical location of current recreational areas. Improvements to quality of experience will be emphasized over quantity.

⁷ In the Pacific Northwest, successful day-use ski area operations seek to achieve a realization of 75% or more.

⁸ In Appendix 2, the various proformas begin with the 2005-06 season as a base. Within the ten-year projection period, Years 3, 7 and 9 are considered to be “bad” years, where annual visitation is dropped to 65,000 to reflect poor weather years. It should be noted that comparison to the 10-year average in Table 4.1-3 may not be appropriate due to the record poor season in 2004-05, where Mt. Spokane Ski and Snowboard Park realized only 19,844 skier visits. This event skews the 10-year average visitation down.

This concept would include redevelopment in the existing developed ski area, but no development within the PASEA. The PASEA would no longer be considered for future ski area development and would be designated a *Natural Forest Area* (NFA).

In order to address the shortcomings associated with snow retention in the base area, snowmaking would be expanded to include a water storage facility and 20 additional snowmaking guns/fans. Circulation and dispersal of skiers on the mountain would be addressed through relocation of existing lifts and ski trails and enhanced use of Chair 4 terrain. The overall CCC of the ski area would remain at 2,540, but these improvements would address issues with the existing ski area. The terrain distribution would nominally improve with more expert terrain in the Chair 4 pod and better isolation of a beginner area. No additional low-intermediate terrain would be provided. The 2003 Master Development Plan improvements not described above would also be included in this concept.

One acre of new ski area parking would be provided adjacent to the existing parking area along the access road. Excavated material from this parking lot construction would be used to stabilize a bare soil area located immediately upslope from the base lodge.

The Nordic facilities would continue to operate independently of the alpine ski area concession. Plowing of the park entrance would continue to be conducted by park employees.

5.1.3 Shared Facilities – (Concept 3)

In this concept, the emphasis is on providing for opportunities for the widest feasible range of recreational uses (i.e., snowmobiling, Nordic skiing, snowshoeing) in the park. If conflict has a potential to occur between uses, that conflict will be managed through regulation, education and enforcement.

This concept would include development in less than one half of the PASEA. The portion of the PASEA upslope of the Chair 4 Road would be designated *Recreation* (R) or Resource Recreation (RR) and the portion downslope of the Chair 4 road would be designated NFA.

One chairlift and 4 to 5 trails would be developed in the R or RR portion of the PASEA to improve the terrain distribution, particularly for low intermediate terrain and possibly some expert level terrain. Lift and trail development would be designed to minimize effects to riparian corridors and unstable slopes. The terrain distribution would also improve with more expert terrain in the Chair 4 pod and better isolate the beginner area. The CCC would increase to approximately 3,540 as a result of the additional lift and terrain. Snowmaking would be expanded to address key trails accessing the existing base area, including a water storage facility and 7 additional snowmaking guns/fans. A key element of this concept is the establishment of a temporary structure in the PASEA to provide rudimentary ticketing and guest services during periods when the base area does not have sufficient snow to open. This temporary structure would allow Mt. Spokane Ski and Snowboard Park to open earlier in the ski season, when skiers would be able to access the PASEA lift and trails prior to the opening of the rest of the ski area facilities. The 2003 Master Development Plan improvements not described above would also be included in this concept.

Three acres of new parking would be developed for use by the alpine concession and the Nordic operation. These parking areas would include a new 1-acre lot associated with the temporary structure, as well as a new parking area associated with the existing Nordic parking area. Excavated material from one of these parking lots would be used to stabilize a bare soil area located immediately upslope from the base lodge.

Under the shared facilities concept, operation of the Nordic and snowmobile operations would be put out to bid for concession operation. Mt. Spokane 2000 would be considered as a potential bidder to join the Nordic and alpine operations under one concession agreement.

Plowing of the park entrance would continue to be conducted by park employees.

5.1.4 Recreation Experience Optimization – (Concept 4)

In this concept, the emphasis is on providing a superlative experience for each recreational user group. If use conflicts occur or could occur between groups, then those uses are separated to the extent feasible. If a feasible way to separate incompatible uses is not found, then one of the uses may not be appropriate in the park.

Under this concept, approximately one half of the PASEA would be developed for alpine skiing to provide additional beginner and low intermediate to expert terrain. The portion of the PASEA upslope of the Chair 4 Road would be designated Recreation (R) and the portion downslope of the Chair 4 road would be designated NFA.

Two chairlifts would be developed along with 8 to 10 trails, creating one pod of low intermediate to intermediate skiing and one pod of intermediate to expert skiing (the latter pod would include trails that connect with the Chair 4 pod). The CCC would increase to 4,540 due to the installation of the two lifts and associated trails. The installation of these lifts and trails would likely be phased over a 10+ year period. As with the Shared Facilities concept, snowmaking would be expanded to address key trails accessing the base area, including a water storage facility and 7 additional snowmaking guns/fans. A key element of this concept is the establishment of a new lodge facility, of comparable quality to the historic lodge, in the PASEA. This element aims to provide a full complement of guest services during periods when the base area does not have sufficient snow to open, as well as during the remainder of the ski season. The lodge would feature overnight accommodations, a restaurant, rental and ski school facilities. This lodge would allow Mt. Spokane Ski and Snowboard Park to open earlier in the ski season, when skiers would be able to access the PASEA lift and trails prior to opening the rest of the ski area facilities.

Two acres of new parking would be developed for use by the alpine concession and the Nordic operation. These parking areas would include a new 1-acre lot associated with the new lodge, as well as a new parking area associated with the existing Nordic parking area. Excavated material from this parking lot construction would be used to stabilize a bare soil area located immediately upslope from the existing base lodge. In addition to operating the lodge, the alpine concessionaire would operate the Nordic concession/grooming as well as the plowing operations.

The 2003 Master Development Plan improvements not described above would also be included in all of the concepts other than the No Action approach, and the 2003 MDP would be modified to incorporate the revisions described above.

5.2 Capital Programming

Based on the concepts described above, the Capital Improvement program for the three concepts is presented in Table 5.2-1. Appendix 1 includes maps depicting Concepts 2, 3 and 4. Appendix 2 contains the detailed financial analysis of each concept under the two financing scenarios. Once again, because this information has already been presented to the public, this report does not attempt to restate the results in detail. A summary of the financial analysis, similar to a PowerPoint presentation that was presented on January 4, 2007, is provided in the following sections.

**Table 5.2-1:
Conceptual Capital Improvement Plan**

Programs	Specific Upgrades	Improved Facilities(Concept 2)	Shared Facilities (Concept 3)	Optimized Experiences (Concept 4)
CCC		2,740	3,820	4,900
Lifts	Lift revisions	\$400,000	\$400,000	\$400,000
	Chair 6		\$600,000	\$600,000
	Chair 7			\$600,000
	Subtotal	\$400,000	\$1,000,000	\$1,600,000
Parking <i>New Parking lot/acre - \$120,000.00</i> <i>Pave Parking lot/acre - \$60,000.00</i>	Pave Existing Areas	\$351,720	\$351,720	\$351,720
	PASEA lot	-	-	\$120,000
	New Base Area Lot	\$120,000	\$120,000	\$120,000
	Other lot	-	\$120,000	-
	Subtotal	\$471,720	\$591,720	\$591,720
Snowmaking	(40k/gun)	\$800,000	\$280,000	\$280,000
New Trail Clearing (20k/acre)				
	Infill trails	\$1,484,000	\$1,484,000	\$1,484,000
	Chair -6	-	\$910,000	\$910,000
	Chair -7	-	-	\$848,000
Subtotal	\$1,484,000	\$2,394,000	\$3,242,000	
Buildings/ Structures	Lodge 2	\$750,000	\$750,000	\$750,000
	Lodge 1	\$100,000	\$100,000	\$100,000
	C-3 guest Services bldg.	\$100,000	\$100,000	\$100,000
	Guest Services	\$1,275,000	\$1,275,000	\$1,275,000
	PASEA lodge	-	\$0	\$4,000,000
	PASEA hut	-	\$25,000	\$25,000
	Subtotal	\$2,225,000	\$2,250,000	\$6,250,000

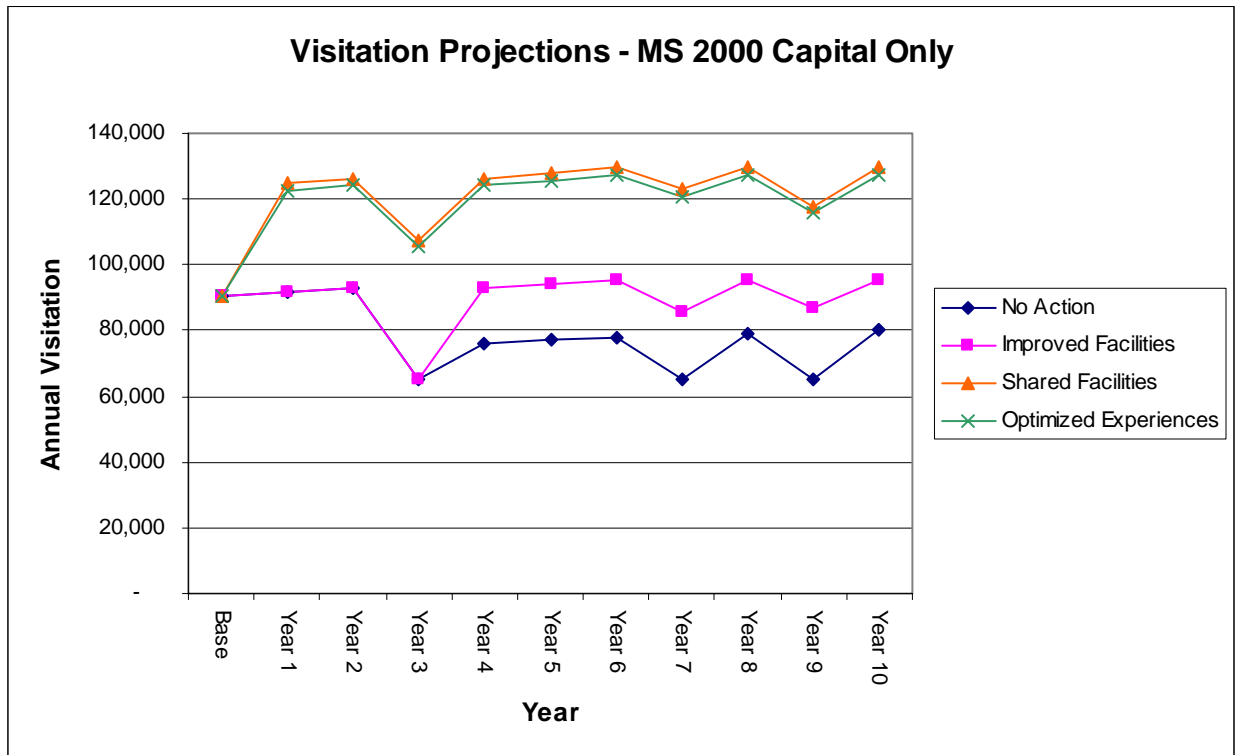
**Table 5.2–1:
Conceptual Capital Improvement Plan**

Programs	Specific Upgrades	Improved Facilities(Concept 2)	Shared Facilities (Concept 3)	Optimized Experiences (Concept 4)
Roads & Access	Snowmobile Summit Reroute	-	-	-
	Summit Access Road Improvements	-	-	\$8,000,000
	Subtotal	\$0	\$0	\$8,000,000
Utilities Water Sewer	lodge well	\$0	\$0	\$40,000
	Improve Existing System	\$60,000	\$60,000	\$60,000
	Drainfield at Lodge	\$0	\$0	\$60,000
Stormwater/bmps (exc.new ski trails)	Parking lots	\$40,000	\$120,000	\$80,000
	Bare soil areas	\$73,000	\$73,000	\$73,000
	Snowmelt gully	\$25,000	\$25,000	\$25,000
	Other Restoration	\$30,000	\$30,000	\$30,000
Electricity		\$26,000	\$8,000	\$12,000
	Subtotal	\$254,000	\$316,000	\$380,000
Planning/Approval Process		\$50,000	\$200,000	\$200,000
Total		\$5,684,720	\$7,031,720	\$20,543,720

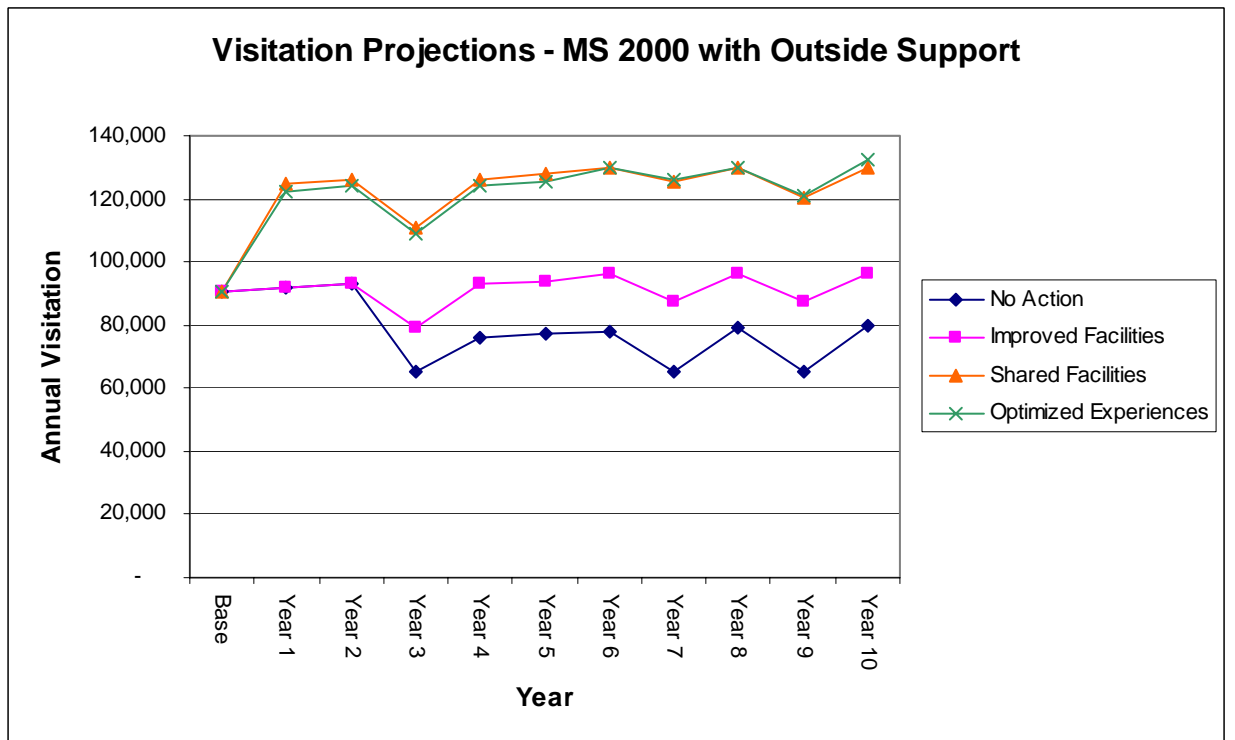
5.3 Visitation

Illustration 5.3-1 and 5.3-2 details the visitation projections for the Mt. Spokane 2000 Capital Only and With Outside Support scenarios an all four concepts.

**Illustration 5.3-1:
Visitation Projections – Capital Only**



**Illustration 5.3-2:
Visitation Projections – with Outside Support**



As discussed earlier, visitation under the No Action alternative is projected to stagnate compared to the other alternatives that include improvements. Through improvements to the snowmaking system, and additional trail construction in the Chair 4 pod, the Improved Facilities concept provides for less of a decrease in visitation due to low snow years. The primary difference between the two financial scenarios is that under the With Outside Support scenario, the concessionaire is able to address problems with the existing lifts and buildings. As a result, these improvements show an improvement of 1,000 skier visits at the end of Year 10, compared to the Mt. Spokane 2000 Capital Only scenario, where only additional Chair 4 trails and snowmaking improvements are included. Under the Improved Facilities concept and the Mt. Spokane 2000 Capital Only scenario, the 10-year average annual visitation is projected to increase from 67,747 to 89,481, while under the With Outside Support scenario, the average is projected to increase to 91,452. Comparison of these projected visitation numbers to the projected market demand (refer to Table 4.2-10) shows that with no consideration of improvements to the ski area, the Year 10 demand for skiing would total 102,779 skier days per year. Based on this analysis, Mt. Spokane Ski and Snowboard Park would consistently provide for visitation below 100,000 annual visits based on the facilities, while the public demand in the local market would support over 100,000 visits. The net result would be a loss of market share as skiers would choose other ski areas to meet the demand that could not be met by Mt. Spokane Ski and Snowboard Park.

The Shared Facilities and Optimization concepts show a direct increase in skier visitation as a result of the installation of at least one chairlift in the PASEA. The first lift would provide capacity for approximately 1,000 additional skiers at any given time. This lift, which is located on more north-facing terrain than the existing lifts, along with snowmaking to allow skiers to reach the bottom of appropriate access chairs, would allow Mt. Spokane Ski and Snowboard Park to operate earlier in the opening season and later in the spring. Including the additional capacity and increased length of season, these alternatives would allow for annual visitation to increase to over 124,000 in the first year, with the majority of these additional visits coming from the increased length of the ski season (i.e., current ski area guests skiing earlier in the winter and later in the spring). As shown in Illustrations 5.3-1 and -2, the financial scenarios do not differ dramatically in terms of visitation. This reflects the effect of additional lifts and trails on visitation as compared to improvements to existing lodges.⁹ Under the Shared Facilities concept and the Mt. Spokane 2000 Capital Only scenario, the 10-year average annual visitation is projected to increase from 67,747 to 124,220, while under the With Outside Support scenario, the average is projected to increase to 125,117. Considering the projected visitation numbers to the projected market demand (refer to Table 4.2-10), with no consideration of improvements to the ski area, the Year 10 demand for skiing would total 102,779 skier days per year. Based on this analysis, Mt. Spokane Ski and Snowboard Park would consistently provide for visitation approaching 120,000 – 130,000 annual visits based on the increased capacity, and primarily due to the increased season length. Considering that the additional capacity and season length provide for over 30,000 visits, the projected 10-year average annual visitation of 124,000 – 125,000 is consistent with the projected market capacity, because the population induced rate

⁹The detailed analysis in Appendix 2 better demonstrates this concept. For example, construction of a new lift in the PASEA will provide an opportunity for more people to ski at one time (CCC), as well as for the current local market to ski at Mt. Spokane ski and Snowboard Park for a longer season. In this regard, lifts and trails provide a direct correlation to visitation. On the other hand, installation of a new rental facility is not projected to dramatically increase visitation, because a rental facility neither increases capacity or the length of the ski season.

of increase would be approximately 94,000 – 95,000 (subtracting the additional visits due to capacity and season length from the projected annual visitation), which is below the projected demand for 102,779 visits with no improvements.

In Year 10 under the Optimized Experiences concept and With Outside Support scenario, the second “backside” lift would be installed in the PASEA. While this lift would have a similar capacity to the first PASEA lift, it is expected that generation of new skier visits would be approximately 30% of the first lift. This is primarily due to the fact that the second lift would have no effect on the length of the ski season. Rather, it would provide additional capacity on terrain that is largely suited for experts (refer to Concept 4 in Appendix 1). Under the Optimized Experiences concept and the Mt. Spokane 2000 Capital Only scenario, the 10-year average annual visitation is projected to increase from 67,747 to 122,067, while under the With Outside Support scenario, the average is projected to increase to 124,468.

Comparison of the projected visitation numbers to the projected market demand (refer to Table 4.2-10) indicates that without any consideration of improvements to the ski area, the Year 10 demand for skiing would total 102,779 skier days per year. Based on this analysis, Mt. Spokane Ski and Snowboard Park would consistently provide for visitation approaching 120,000 – 130,000 annual visits based on the increased capacity, and primarily due to the increased season length. Similar to the Shared Facilities analysis, the visitation projections are consistent with the projected market demand.

5.4 Lead Ticket Price

Illustration 5.4-1 and 5.4-2 depict the lead ticket price projections for the Mt. Spokane 2000 Capital Only and With Outside Support scenarios under all concepts.

As shown in the Illustration 5.4-1 and 5.4-2, for Mt. Spokane 2000 Capital Only scenario, the lead ticket price is assumed to be \$35 (based on 2005/06 operating season) at the base, increasing to the range of approximately \$40 to \$44 in ten years, while for the With Outside Support scenario, the base is assumed to begin at \$35 and increase to a range of approximately \$40 to \$47. This is generally a result of additional facilities being installed under the latter scenario.

Regarding the concern over increased lift ticket prices, McQuarry (2007) responds to a question in the following manner:

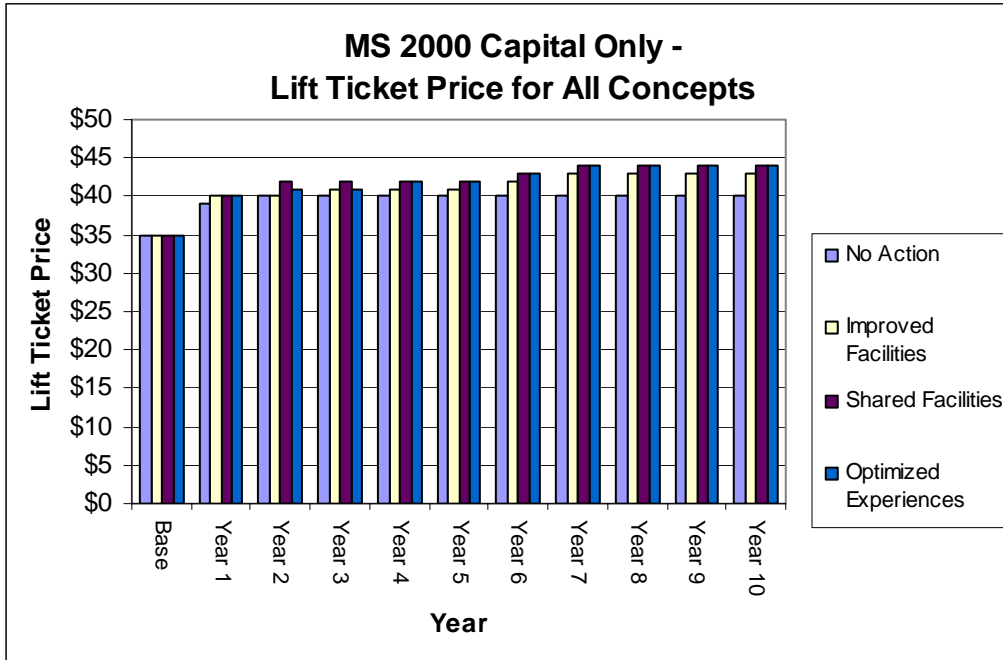
“The question, Would you be in favor of expanding skiing if it meant that your lift ticket would need to go up by \$3 - 5 a day?” was presented to the public this year.

John Eminger from 49 Degrees North and I were discussing this exact point last week at the Inland Northwest Ski Area Association conference. 49 and Mt. Spokane's lead ticket price was the same for many years. This season, after the new lift was installed, 49's lead ticket went to \$40. John said he hasn't heard a single complaint about the pricing and is seeing record skier visits this year. He plans on increasing to at least \$42 for the 2007-2008 season. 49's improvements were limited to trails and a lift only. They did no improvements to the small lodge or parking.

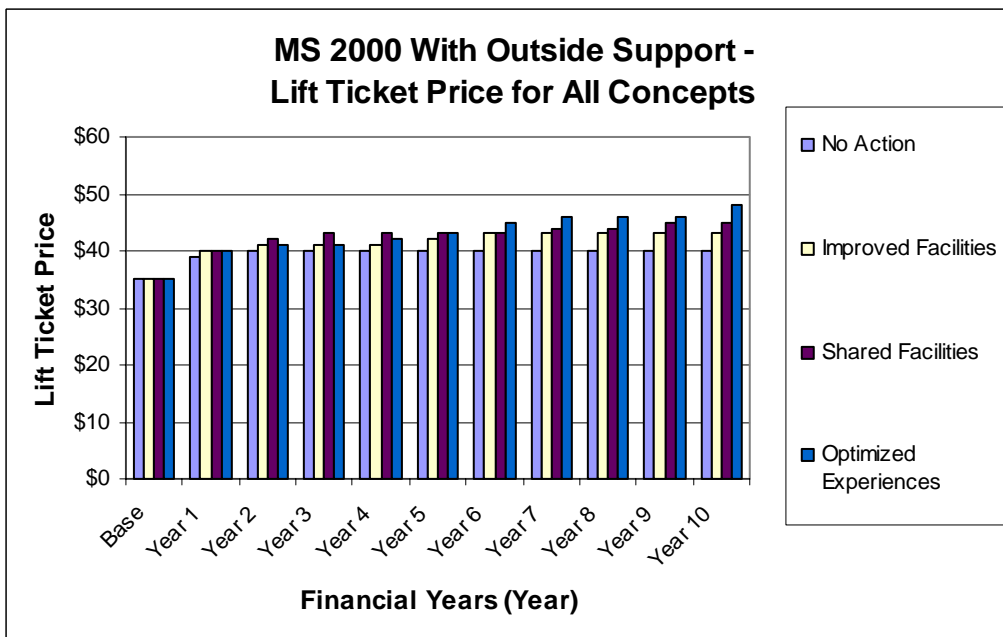
In theory: if we had expanded into the PASEA this season, we could have matched 49's lead ticket price of \$40, and we would remain the value leader because of our close

proximity and affordable lesson and ski/snowboard rental packages. Within the local market of expanding ski areas, if allowed to make the proposed improvements, we will always remain the best value.”

**Illustration 5.4-1:
Lead Ticket Price Projections– Capital Only**



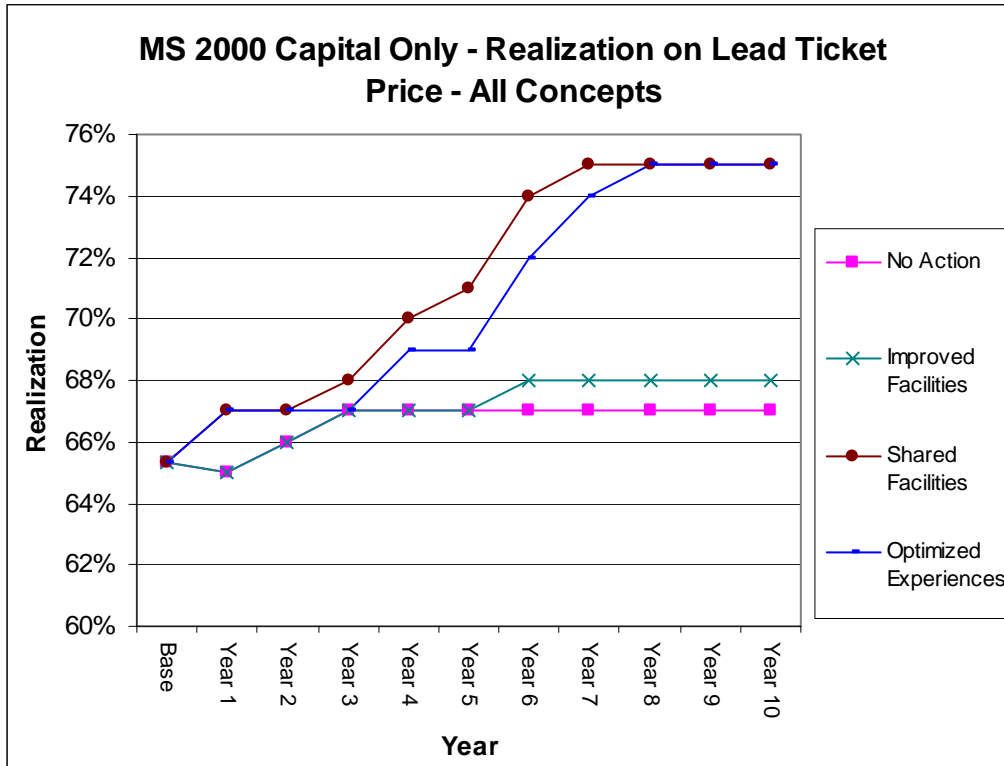
**Illustration 5.4-2:
Lead Ticket Price Projections– With Outside Support**



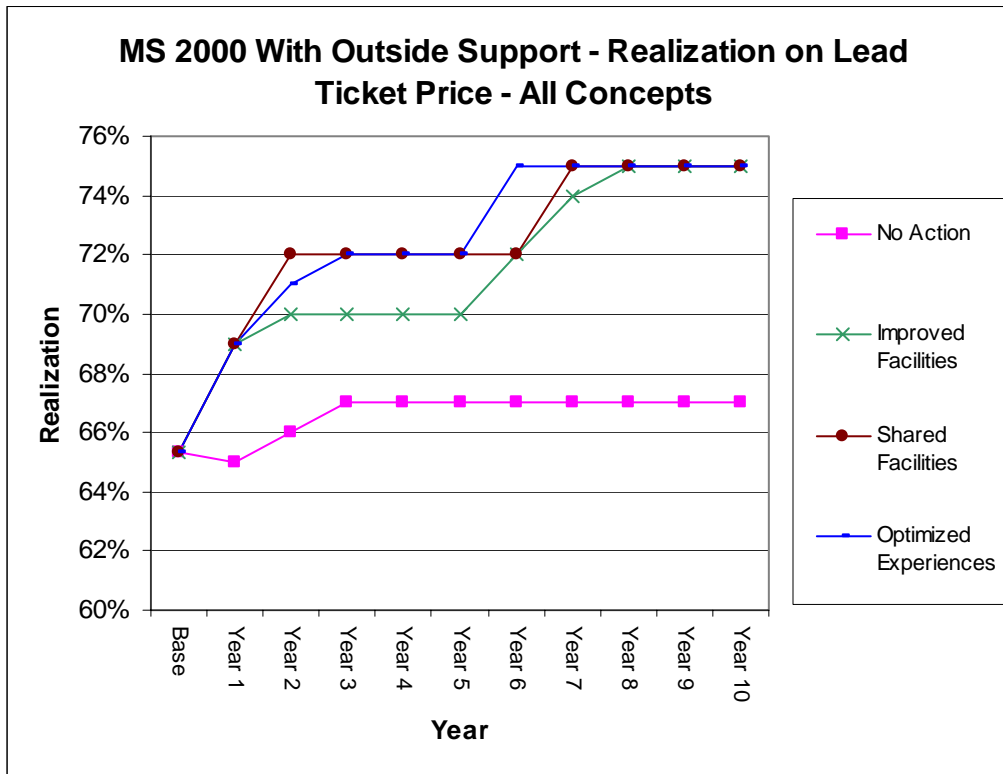
5.5 Realization on Lead Ticket Price

Illustration 5.5-1 and 5.5-2 details the realization on lead ticket price projections for the Mt. Spokane 2000 Capital Only and With Outside Support scenarios under all concepts. Under the With Outside Support scenario, it is projected that the concession’s realization would increase more appreciatively in a shorter time period compared to the Capital Only financial option over ten years.

**Illustration 5.5-1:
Realization on Lead Ticket Price Projections– Capital Only**



**Illustration 5.5–2:
Realization on Lead Ticket Price Projections– With Outside Support**



In general, the amount of revenue generated per skier visit is directly related to the opportunity for the skier to spend money at the ski area, aside from the purchase of a lift ticket. These opportunities include pleasant and uncrowded food service areas that are dispersed across the mountain, rental and ski school facilities that are easily accessible and easy to navigate, and retail opportunities. As opposed to the behavior of visitation, which responds to capacity of lifts and trails and the length of the season, realization responds directly to an improved guest services experience. The details in Appendix 2 show that with improved lodges, restaurants, rental facilities and other retail space, the realization increases. As demonstrated in Illustrations 5.5-1 and -2, realization increases to 75% under all three concepts and all three financial scenarios. The largest single contributor to this is a new Guest Services building that houses rental, ticketing and other retail. In addition, other lodge improvements and the addition of a guest services facility on Chair 3 provide additional opportunities to increase revenue per skier visit.

5.6 Ten-Year Capital Expenditure

Table 5.6-1 presents the 10-year Capital Expenditure projections detailed in the Proformas in Appendix 2.

With no outside support, Mt. Spokane 2000 would not be able to build out the capital plans in ten years (as detailed in Section 5.2). Instead, the focus for Mt. Spokane 2000 would be on improvements that address the key financial drivers. These include additional lift and trail improvements, as well as snowmaking. Opportunities to develop additional components of the Capital Improvement Plan would come after Year 10 as revenues and cashflow allow for

improvements. Conversely, in the With Outside Support scenario, the analysis shows that Mt. Spokane 2000 would be positioned to construct the entire Capital Improvement Plan within the ten-year projection period by including analysis of volunteers and outside capital funding. This expedited construction schedule would result in capital shortfalls, as described in Section 5.7.

**Table 5.6-1:
10 – Year Capital Expenditure Projections**

	Concept		
	Improved Facilities	Shared Facilities	Optimized Experiences
Mt. Spokane 2000 Capital Only (CO)			
Cum. Cap. Exp. (yr 10)	\$2,359,000	\$6,122,000	\$13,529,000
Mt. Spokane 2000 with Outside Support (WOS)			
Cum. Cap. Exp. (yr 10)	\$5,684,720	\$7,031,720	\$20,543,720

5.7 Maximum Annual Surplus/Shortfall

Table 5.7-1 presents the Maximum Annual Surplus/Shortfall projections as detailed in the Appendix 2. As shown under the Mt. Spokane 2000 Capital Only scenario, with no outside support, Mt. Spokane 2000’s maximum annual shortfall would be more significant compared to the With Outside Support scenario. The largest capital shortfall results in the Optimize Experiences concept, which includes substantial improvements to the access road into the PASEA. In the worst case, Mt. Spokane 2000 would have a shortfall of over \$9 Million with operating cashflow of \$317,145. In comparison, under the With Outside Support scenario, both the Improved Facilities and Shared Facilities concepts result in a capital shortfall that is not significantly more than the cashflow generated by the operation. In years such as this, Mt. Spokane 2000 would be able to access the “outside support”, including loans, lines of credit or donations to offset the shortfall.

**Table 5.7-1:
Maximum Annual Surplus/Shortfall Projections**

	Concept		
	Improved Facilities	Shared Facilities	Optimized Experiences
Mt. Spokane 2000 Capital Only (CO)			
Maximum Annual Capital Shortfall	-\$504,304	-\$2,025,173	-\$9,760,386
Maximum Annual Remaining Operating Cash	\$80,804	\$352,745	\$317,145
Mt. Spokane 2000 with Outside Support (WOS)			
Maximum Annual Capital Shortfall	-\$469,680	-\$599,511	-\$2,584,954
Maximum Annual Remaining Operating Cash	\$234,107	\$344,902	\$273,190

5.8 Concession Rent Paid to Washington State Parks

Table 5.8-1 presents the projections of Concession Rent Paid to Washington State Parks as detailed in Appendix 2.

Concession Rent is based on a percent graduated scale of revenue to Washington State Parks (refer to Table 3.5-1). In addition, Mt. Spokane 2000 pays State Leasehold Tax of 12.84% of any concession rent. For the 2005-06 operating season, the concession paid approximately \$93,000 in concession rent of revenues of \$2.2 Million.

**Table 5.8-1:
Projections of Concession Rent Paid to Washington State Parks**

	Concept		
	Improved Facilities	Shared Facilities	Optimized Experiences
Mt. Spokane 2000 Capital Only (CO)			
Cum. Concession Rent (yr 10)	\$1,109,326	\$1,619,758	\$1,572,748
Mt. Spokane 2000 with Outside Support (WOS)			
Cum. Concession Rent (yr 10)	\$1,204,371	\$1,672,799	\$1,702,845

5.9 Ten-Year Cash Position

Table 5.9-1 presents the 10 – Year Cash Position projections as detailed in Appendix 2. Two of the six concept/financing scenarios (Improved and Shared Facilities, With Outside Support) will result in a positive 10-year Net Revenue. Of these two concepts, the Shared Facilities Concept will subsequently meet the improvement needs detailed in Section 2.4.

**Table 5.9-1:
Ten – Year Cash Position Projections**

	Concept		
	Improved Facilities	Shared Facilities	Optimized Experiences
Mt. Spokane 2000 Capital Only (CO)			
10-yr. cum. Operating Cash	\$109,096	\$977,535	\$793,277
10-yr. cum. Capital Shortfall	-\$1,926,968	-\$3,873,013	-\$11,680,214
10-yr. net Revenue	-\$1,817,872	-\$2,895,478	-\$10,886,937
Mt. Spokane 2000 with Outside Support (WOS)			
10-yr. cum. Operating Cash	\$852,229	\$2,149,576	\$795,855
10-yr. cum. Capital Shortfall	-\$497,898	-\$631,293	-\$3,964,651
10-yr. net Revenue	\$354,331	\$1,518,284	-\$3,168,795

6.0 Summary

As stated in Section 2.5, Mt. Spokane 2000’s proposal to improve and/or expand at Mt. Spokane Ski and Snowboard Park resulted in the development of this market and economic analysis.

Section 4.0 describes the local market, which provides the majority of skier visits at Mt. Spokane Ski and Snowboard Park. Mt. Spokane competes with ski areas that range from local, day-use Mountains such as Lookout Pass and 49 Degrees North, as well as destination and regional destination resorts like Schweitzer, Silver Mountain and Red Mountain. The unique position of

Mt. Spokane Ski and Snowboard Park (i.e., operated as a local, day-use operation by a non-profit entity) results in significant financial uncertainties regardless of market competition. (e.g., Four Year Operating History described in Table 5.1-1).

Considering that the ski industry is generally moving toward a more comfortable, quality recreation experience, it is important to note that improvements are ongoing at ski areas throughout the northwest, including the competitors of Mt. Spokane Ski and Snowboard Park. The size of the skier market responds most strongly to improvements that provide new terrain or lifts as opposed to new infrastructure or improved lodge facilities. The latter improvements lead to greater realization. On this basis, the primary day-use competitors have implemented projects to provide new terrain and/or lifts (i.e., 49 Degrees North and Lookout Pass). Mt. Spokane Ski and Snowboard Park will have to follow suit in order to maintain its current market share. The concepts discussed in Section 5.0 represent options for addressing the public demand for improvements.

The economic and financial analysis presented in Section 5.0 clearly displays the financial instability of the current concession operation. In fact, the current operation operates on a negative cashflow almost 50% of its season (see Table 5.1-1). This financial model provides very little operating capital with which to service the current debt, whether under a commercial loan or other non-commercial arrangement. At any given time, the current debt service requirements could overwhelm the concession because no “cash buffer” exists.

As shown in the proforma analysis of the different concepts (see Appendix 2), any improvements to the ski facility would require significant capital – additional loans, donations or operating revenue. From a financial standpoint, any concept promoting capital expenditures that do not significantly provide additional visitation (whether through additional capacity, increased length of the season, or both) will be very difficult to implement. Nonetheless, improvements to the existing facilities are needed. In order to generate the needed “boost” in operating revenues, this analysis indicates that a new lift and new trails will generate the best market response (i.e., increased capacity resulting in increased visitation). From a planning perspective, the need to address low snow years and the possible effects of climate change would be best addressed by providing the new lift and trails on terrain that is capable of retaining snow better than the current terrain. The PASEA includes such terrain. But under any of the concept alternatives, a significant amount of outside support, historically provided by volunteers, donations, and low-interest or no-interest loans, will be needed to fully capitalize each development program.

Under both financial options, the primary difference between the Shared Facilities concept (Concept 3: one pod of skiing and a temporary structure in the PASEA) and the Optimization concept (Concept 4: two pods of skiing and a lodge in the PASEA) would not be realized until later in the phasing program – perhaps after more than ten years. This results from the focus on increasing capacity through installation of one lift in the PASEA to maximize the financial and recreational benefit of the improvements under both concepts. The primary differentiator between this concept and the Optimization concept is that once the PASEA is developed under the Shared Concept, Mt. Spokane 2000 would be poised to improve the existing facilities in Phase 3 (i.e. more than 10 years). Upon completion of these improvements, no future expansion (and the corresponding “boost” in market share) would be possible. Under the Optimization concept, the flexibility associated with the second lift and trails allows for continued

improvement to the ski area beyond the ten-year timeframe. Coupled with the potential operation of the Nordic concession, plowing operations and the lodge, the Optimization concept provides the best flexibility in terms of a menu of capital improvements and operational programs. However, Mt. Spokane 2000 is not poised to implement such a development plan without significant financial assistance.

There are only two scenarios/concepts (With Outside Support - Improved and Shared Facilities), as shown in Table 5.9-1 (and Appendix 2), that will result in a positive 10-year Net Revenue and therefore provide the best economic improvement to the concession operation in a ten-year period. Of these two concepts, only the Shared Facilities concept will meet the desires of the Concessionaire detailed in Section 2.4. The Improved Concept will not meet the need of increasing the length of the ski season by expanding the 2000 Mt. Spokane operation into the north-facing terrain, though its increased use of snowmaking will be an improvement from the existing conditions. This improvement need is considered particularly important for successful and continued operation of Mt. Spokane 2000.

7.0 References

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APPENDIX 1 – Concept Maps

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APPENDIX 2 – Financial Analysis

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