

5-24-18

Downhill Ski Resort (DSR) Decision Paper Exec. Summary

The following report documents the completion of the work of Stage 2 of the Capital Projects Process (CPP) for the Downhill Ski Resort and requests GPC and Board approval to move to Stage 3.

CPP Stage 2 is defined as “Project Analysis”. Components of this stage include:

- **Formation of a task force**
- **Analyzing the project, including writing of a communications plan**
- **Incorporating the project in to the Capital Funds Projection**
- **Developing a recommendation**

Task Force Formation

The DSR Task Force (TF) was Launched in February of 2017 by Michael Sullivan, TD General Plan Committee Chair. Committee members include:

Members:

Nan Meek	Courtney Murrell	George Rohrback
Michael Sullivan	John McGregor	Kevin O’Neil
Rob McCray (joined Nov. ’17)		Jim Beckmeyer (lead)

Staff:

Forrest Huisman	Michael Salmon	Robb Etnyre
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The Task Force has met monthly, and at times included mid-month meetings during times of heavy analysis load. Meeting minutes have been published in draft and final forms, after meeting attendee review. Additionally, Task Force updates have been provided to the General Plan Committee (GPC) at its monthly meeting.

Project Analysis History

All Task Force members have been included in the analysis phase of the project. The following foundational pieces of this phase are attached or an Internet address is referenced.

- 2013 DSR Report documented by active GPC members at that time
<http://www.tahoedonner.com/members/capital-projects/active-projects/consider-phased-downhill-ski-lodge-and-lift-replacement/>
- A report provided by ECOsign, a Ski Resort Master Plan consultant, engaged in summer of 2017. <http://www.tahoedonner.com/members/capital-projects/active-projects/consider-phased-downhill-ski-lodge-and-lift-replacement/>
- The CASp report (summary attached)
- Engineering Report (summary attached)
- Engineering Report (summary attached)
- Legal Opinion (summary attached)

The Task Force agreed it was necessary to obtain a third-party view of the Ski Resort, and a corresponding recommendation as to how to update the amenity. ECOsign provided a preliminary report (85+% complete in September of 2017, followed by a final version in April of

2018. ECOsign’s industry knowledge and market-based information has proven invaluable as we have moved through Stage 2.

Timeline of Events

To gain alignment and establish vision, the TF initially brainstormed future state improvements across many categories:

Lodge	Lifts	Snowmaking	Rentals	Code Compliance
Lessons	Food & Beverage	Ticketing	Parking	Schedule
Finances	Member & Guest use only (no public use) – originated/discussed / debated 2018.			

During our early analysis phase, lodge options were documented and discussed. It was clear the big-ticket item would be the lodge. In March of 2017, based on the potential spend associated with updating the ski resort, the TF decided use of a consultant would be money well spent. A competitive sourcing event for ski resort master planning was conducted. ECOsign was engaged in July of 2017.

To supplement our decision-making process regarding the lodge, the TF engaged engineering and architectural firms to review the lodges current state. The engineering study stated remodel was feasible, with significant implications. The architectural firm stated structural modifications beyond normal would be required. Both reports concluded it would not be economical to fix the current lodge nor would a remodel provide the space required to serve our Members.

During the summer of 2017, parking options were reviewed, along with a recommendation to replace the Snowbird chair lift. Additionally, the capital funds projection was reviewed. Further discussion on lodge replacement was shelved pending ECOsign’s preliminary report, due in September. In August ECOsign provided the TF an update on their progress. Their process is based on a data driven bottoms up approach. All data had been provided by the TD Staff. Slides included data tables portraying our current lodge square footage, and recommended future sizing; maps showing ski area slopes and solar radiation patterns; terrain capacity analysis; and charts that portray our capacity imbalances from parking to lodge to ski lifts and trails. ECOsign presented their preliminary report to the GPC in September.

In Fall of 2017, the TF began its communication campaign. Articles were published through TD News, a communication plan was drafted (attached), and our first stage 2 milestone plan was developed. From Fall through Winter we provided ECOsign GPC, Task Force, and member feedback on their preliminary report. Please note we encouraged owner feedback within our articles, E-blasts, as well as hosting member Discussion Groups. Consistent with our master plan scope, a sub task force was named to review snowmaking capability for Eagle Rock. This team remains active today and is a key part of the Task Forces recommendation for completing Stage 2.

Spring of 2018, the TF focused on the lodge replacement strategy, and options regarding recommended sizing. Given the recent legal opinion on TD’s amenity ADA requirements, combined with the existing lodge engineering and architectural reviews, and an ADA analysis performed on our amenities, the Task Force confirmed its recommendation to replace the lodge. The big question was, “how big” should the lodge be. Consideration in modeling lodge

size depends on a host of variables including the resort base area, ski lift, and terrain capacities, pricing, member / public mix, and levers to manage this mix including serving the best interest of our members. The Task Force (and the GPC) recognize the sensitivity associated with building a new lodge and the capital impact lodge size has on TD. Our intent is to work towards optimizing size and economic return for TD members. A range of sizing options was thoroughly reviewed in our May meeting, leveraging theoretical methodology and a sizing model for driving decision making. During the May meeting, the TF agreed we did not need to finalize a lodge size at this stage. This can be determined over the next year or two during Stage 3. We did settle on a range of sizes that would accommodate 550 people on the low end, and 1300 on the high end. Using a lodge option data chart developed by Michael Sullivan, this range would approximate lodge square footage from 18K to 23.5K. Leveraging our planning spend per square foot of \$600, this equates to lodge spend of ~\$11M to \$14M.

Capital Funds Projection

As mentioned above, the TF began consideration of the Capital Funds Projection (CFP) as early as summer of 2017. Because the Tahoe Donner Association cannot borrow money and because the Members abhor special assessments, the spending for a new ski lodge was scheduled on the CFP to match the collection of Development Funds from the Annual Member Assessment. (Note, the current CFP extends to 2022). In addition to the Development Fund, the Replacement Reserve Fund has been reserving funds to replace components of the Ski Resort. The current amount reserved is \$1.4M, thus when this is applied to the construction of a new lodge, the currently projected and reserved funds through 2022 is approximately \$11M. If construction of a larger structure were recommended, this could be completed in 2023.

As of March 2018, the accounting below represents the DSR's line item on the formal CFP document:

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Cum Total</u>
\$200K	\$1.8M	\$2.5M	\$2.5M	\$2.5M	\$9.5M

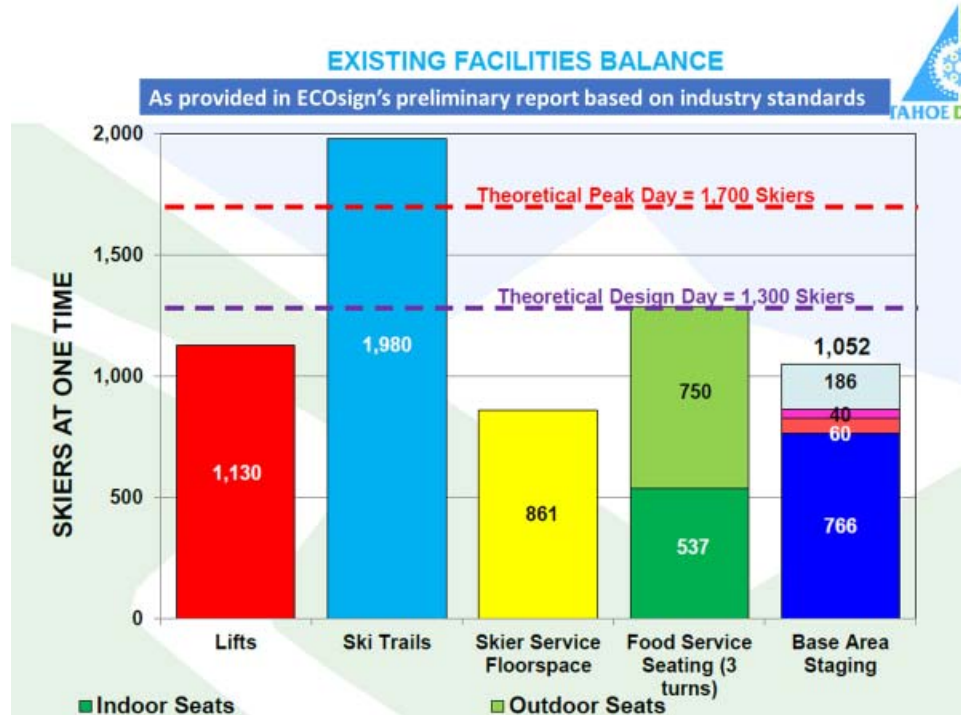
Note: From day 1, the Task Forces objective was to ensure we did not unfavorably impact member assessment.

Task Force Recommendation

Consistent with the 2013 document and ECOsign's final report, the Task Force is recommending a solution set for the Downhill Ski Resort that includes replacing the Snowbird lift (already approved and in process), adjusting some Carpet lifts, regrading a portion of Mile Run to provide a minimum 8% slope, adding Snowmaking capability to Eagle Rock for Christie Bowl, and replacing the Lodge. We propose moving to CPP Stage 3 this summer, enabling the Task Force to begin conceptual design work, further drilling down to specifics that can lead to refinement of our proposal.

As the Lodge is such a large investment, included below are some of the specifics associated with the TF recommendation. For more detail, please refer to our minutes and ECOsign's final report.

At a high level, this ECOsign report slide portrays a critical point the Task Force considered while analyzing the resort and lodge decision. The resort base staging, ski lifts, and trails have capacity greater than the lodge, and show that all parts but the lodge can accommodate public use without impeding the enjoyment of Members.



Four base area (lodge) concepts were provided by ECOsign.

Base Concept A: Demolish existing lodge, build a new lodge over two summers, keep the Yurt. No phasing of occupancy from old to new.

Base Concept B: Keep existing lodge, Build / Operate new Phase 1 Lodge, keep the Yurt, install trailers for staff and staging facilities, demolish existing lodge, build / operate Phase 2 lodge - incorporate with Phase 1.

Base Concept C: Build new Mountain Top Tea House, keep Yurt, then demolish existing lodge, install trailers for staff and staging activities, build new lodge,

Base Concept D: Build full facilities at the top of the mountain over multiple seasons, then demolish existing lodge,

From these four concepts, the Task Force concluded:

- Top of The Mountain: weather is too harsh, parking is expensive to build, utility install expenses will be large.
- Two Building Concept: solution is costlier, will have higher operating costs, Diamond Peak input recommended having the lodge under a single roof.
- Phased Approach: results in higher construction costs, no need to move Eagle Rock up hill, phase II shut down period > 1 season due to project complexity / size – so why do it!

This led to the Task Force Recommending:

- Build a new replacement lodge in a single phase, possibly using modular construction techniques.
- Design a simple 3 story stacked design.
- Provide covered, not necessarily underground parking (~10 vehicles).
- Optimize skier access & circulation.
- Do not move Eagle Rock.
- Review potential for building in one off-season – intend to launch Contractor RFI in Fall 2018.

Formal Request

The DSR Task Force requests approval to move from CPP Stage 2 Project Analysis to CPP Stage 3 Conceptual Design. As shown on the Stage 3 framework, our focus will be to:

- Engage potential lodge contractors in a formal Request for Information event.
- Proceed with appropriate benchmarking.
- Enhance the lodge sizing analysis to narrow our lodge attendance sizing range. Review trade-offs of lodge spend, operational costs, competing needs for capital, further understanding the relationship of lodge size to enable NOR vs spending TD's capital, and ultimately gaining GPC & Board input on direction.
- Refine cost estimates for the replacement lodge, snowmaking, and grading portions of Mile Run.
- Pilot member / public pricing tools to control peak DSR usage (ie during holiday time).
- Develop a member / public user framework that ensures member satisfaction while optimizing NOR capability, leveraging peak use periods (ie holidays weeks).
- Finalize the optimum size for the Downhill Ski Lodge using external building cost estimates of the alternatives plus a financial analysis (with Staff support) of the resultant operating costs and member assessment implications of each alternative.
- Continue hosting Discussion Groups as members show interest. Gather feedback.
- Host a member Open House to push communication and gather feedback.
- Write a Business / Master Plan for the Downhill Ski Resort including ideas for longer-term renovation and/or expansion. (Note, the ideas for expansion are outside the current definition of the Ski Resort as "The Best Place to Begin" as they propose to add more advanced terrain.)

Attachments:

- TD CASp Report, Engineering report, Architectural Report, Legal Opinion



2018-05-15
Information Paper, C

- DSR Task Force Communications Plan



2-9-18 DSA
Communication Plan