financial feasibility ("threshold demand"). The probability of achieving this threshold demand, and thus the overall feasibility of Phase I of Alternative B, was then evaluated in the context of:

- Historical Berryessa visitation and Berryessa concession operations;[10]
- Financial performance (and implicit demand) at similar concession enterprises at comparable lakes;
- Interviews with resort managers at similar lakes regarding concession operations; and
- Trends in regional boating, demographics, and tourism.

V. Assumptions

The financial feasibility of the proposed Phase I of Alternative B was analyzed using the following assumptions:

- **Single Concession Contract**: In our analysis, we assumed that Reclamation would grant one concession contract to develop and operate all seven resort sites at LBRA. This assumption is acceptable to Reclamation as a component to help assure feasibility and allowed us to combine concession components and analyze the overall business opportunity.

- **20-Year Contract**: This relatively long term was selected to provide prospective concessionaires with ample opportunity to realize a reasonable opportunity for profit on their investment, especially in light of the anticipated scale of that investment (even assuming a phased development approach), the substantial uncertainty regarding future visitor demand, and the potential initial adverse revenue effects of removing long-term exclusive use trailers.

[10] As noted in the beginning of this section, historical local spending data cannot be used to predict future spending, because of the substantial change to the nature and quality of the concessions services proposed in the Preferred Alternative. Instead, historical visitation and operations data were used to help assess the reasonableness of the threshold demand.

- **Discount Rate of 15%**: The projected cash flows for each of the Alternative B components included in the initial development phase were analyzed assuming that prospective concessionaires would use a 15% target nominal internal rate-of-return (IRR) on their expected capital investment in the concession.

We are confident that the 15% IRR is within the range of IRRs that a prospective concessionaire would likely seek in a fair and open competition for the next LBRA concession contract(s). The rate is based on our professional experience in performing evaluations of:

- Historical operations of full service hospitality and retail enterprises operated by concessionaires in National Park Service ("NPS") and Reclamation administered sites nationwide; and
- Recent sales of private sector full-service hotels and National Park concessions.

It is also based on:

- Informal conversations with representatives of several NPS concessionaires; and

- An assumption that the new concession contracts will guarantee the concessionaire(s) will be able to recover the residual fair value of their investment in the concession; and
- Our understanding of the future risks and uncertainties associated with operating the LBRA concession(s) under draft Alternative B.

Because of the demand uncertainty for the proposed visitor facilities under Alternative B, we initially leaned towards a target rate-of-return greater than 15%. However, because the phased implementation approach would require a relatively smaller investment from the concessionaire, offer a larger likelihood of financial success, and a single concession operator would face little competitive pressure, we concluded that 15% would be the appropriate discount rate for the analysis.

- **Reserve Account for Facility Improvement (RAFI) of 4% of Revenues**: It is standard business practice within the hospitality sector to set funds aside for future cost to replace certain short-lived capital assets (including personal property, roof covers, floor covers, etc.) that are necessary to continue operations and to sustain the enterprise's income stream. Rather than estimate the costs individually, we accounted for a reserve for capital replacement as a percentage of gross revenues. In the hospitality business, this reserve usually falls in the range of 2% to 4% of total revenues. For this analysis, we chose to be conservative and assumed an annual capital replacement reserve of 4% of sales.

VI. Feasibility Conclusions of Proposed Draft Alternative B Concession Operations

Alternative B stipulates the development of seven marina resorts at the LBRA, each comprised of a mix of recreation enterprises, including a hotel, cabins, RV and tent camping, food and beverage services, retail support, marina slip rentals, houseboat and small boat rentals, and a water-ski center. Our assumptions regarding the size of each enterprise (in terms of number of hotel rooms or slips, for example) are based on both the Alternative B descriptions developed by Reclamation and interviews with marina and resort operators regarding the optimal sizes for these types of visitor serving enterprises.

A. Alternative B Capital Costs

Table 2 presents the total estimated construction/implementation costs ("capital costs") for each component of the proposed concession operations under Alternative B. The table indicates that these costs, including estimated infrastructure upgrades, total approximately $23 million in year 2003 dollars. The costs presented in the table include both hard and soft construction costs and account for anticipated premiums associated with the locations' remoteness and generally high regional cost of living (and thus relatively high labor rates). They were estimated based on a combination of infrastructure and marina upgrade cost estimates provided by consulting

engineers retained by Reclamation[11], Marshall & Swift Estimation Service construction cost data (assuming fair-average construction quality), and relevant input from marina resort and RV and tent campground development experts. The estimated capital expenditures also account for the anticipated cost to acquire necessary furniture, fixtures, and equipment ("FF&E").

Table 2: Capital Costs of All Resorts, Phase I of Alternative B
(In 2003 dollars. Rounded to the nearest thousand dollars.)

Enterprise	Quantity	Unit	Capital Cost
Hotel/Motel	30	Rooms	$1,199,000
Cabins/Cottages	28	Units	$798,000
RV Sites	300	Sites	$2,744,000
Tent Sites	250 Individual and 3 Group	Sites	$757,000
Marina (Slips, launch, and fuel)	600 7	Slips Launch Ramps	$5,385,000[1]
Houseboats	20	Houseboats	$4,000,000
Other Rentals	36	Boats	$896,000
Restaurant	2	Restaurants	$603,000
Snack Bar / Café	2	Snack Bars	$241,000
Retail Store	3	Stores	$489,000
Water Ski Center	1	Center	$248,000
Dry Storage	100	Boats	$12,000
Infrastructure (Roads, parking, electrical systems, potable water and wastewater systems)	4	Sites	$5,721,000
TOTAL			**$23,093,000**

[1] The marina costs include some rehabilitation costs and other new improvements.

In 2001, the engineers retained by Reclamation developed general estimates of the remaining useful life of the structures currently used by the LBRA concessionaires, and concluded that most of those structures had a useful life of "less than ten years" (and, thereby, are likely to have

[11] Infrastructure upgrade costs are taken from the Environmental Compliance and Facility Condition Assessment Report, Seven Concession Areas, Lake Berryessa, California, prepared for the Bureau of Reclamation by Kleinfelder, Inc.

little or no useful life remaining upon inception of the new concession contract(s) at the end of this decade). However, the engineers did identify certain concession buildings that had a useful life of "greater than fifteen years." They did not, however, conduct cost appraisals of or assess the cost to upgrade those structures and, as of the time of this report, such assessments have yet to be performed. Therefore, lacking a formal replacement cost appraisal of the existing concessionaire buildings (and leaving only to speculation the specific structures that the next concessionaire may choose to retain and incorporate into its operation), we assumed for this analysis that; [a] the cost to compensate the current concessionaires for their salvageable structures, plus [b] the cost to upgrade those structures to meet the anticipated quality requirements of the new contract(s) would approximately equal [c] the cost to completely replace the structures. Accordingly, in developing estimates of the capital investment that would be required of the next concessionaire to implement Phase I of Alternative B, we assumed that all necessary structures would be constructed new from the ground up. The only exceptions are particular marina slips and launch ramps, for which the engineers provided upgrade costs, after concluding that these improvements could be used for operations under the next concession contract.

The infrastructure upgrade costs provided to us by Reclamation only account for upgrading the *existing* roads, parking lots, electrical systems, and potable and wastewater systems at each site to be developed under Phase I. Therefore, the infrastructure upgrade assumptions and associated cost estimates adopted for the financial feasibility analysis are not aligned precisely with the actual scale of the concession facilities proposed in Phase I of Alternative B (e.g., hotels, restaurants, etc.). Therefore, they may or may not satisfy the parking and utility support needs of those facilities.

The disparity between the infrastructure upgrade assumptions provided by Reclamation and the scale of the Phase I facility developments can be highlighted by the proposed concession development at Markley Cove. Alternative B stipulates development of a new houseboat operation at the Markley Cove site. This operation will require substantially more parking than currently exists at the site, and thus the true cost of parking infrastructure at Markley Cove will most likely be higher than the cost to simply upgrade the site's current parking lot. Moreover,

our analysis necessary assumed that there would be *no* infrastructure rehabilitation at three of the four sites identified for limited development under Phase I. However, that may not be an accurate reflection of the infrastructure rehabilitation that will be necessary at those locations.

Accordingly, we believe that the infrastructure cost estimates provided by Reclamation, and that we were directed to adopt for this analysis, should be viewed as minimum estimates of the cost to upgrade and install the necessary infrastructure at each site.

As mentioned above, we assumed that the next concessionaire would be able to incorporate some of the existing launch ramps, marina docks, and other current LBRA marina facilities into its operation. The costs to upgrade (and not replace) these existing marina facilities were provided by Reclamation and included in the model within the capital costs. For the model, we also assumed the next concessionaire(s) would ***not*** be responsible for compensating the outgoing concessionaires for any improvements they have implemented and that will continue to be used under the next concession contract. This assumption means that existing marinas in good condition will cost the new concessionaire less than marinas in poor condition (since the former will require substantially less rehabilitation investment than the latter).

B. Feasibility Analysis

A generalized analysis of the concession development/redevelopment proposal indicates that the aggregated concession operations proposed under Phase I would need to generate about $8.5 million in annual gross sales to provide a reasonable rate of return on the associated approximately $23 million of necessary capital investment. This finding is based on the somewhat optimistic expectation that the combined earnings before income, taxes, depreciation, and amortization (EBITDA, net of capital reserve) would be 35% of gross receipts.[12]

This level of annual sales is significantly less than is currently being collectively realized by the existing seven Lake Berryessa resorts – which is about $12.5 million (in 2003 dollars), as noted

[12] In this initial, general case, average free cash flow refers to gross sales less all operating expenses, including the cost of labor, goods, insurance, marketing, and an annual reserve for capital replacement.

previously. However, as about $5 million of the total current concession sales derive from long-term exclusive use trailer rental fees (which would be eliminated under the new contract(s)), the $8.5 million necessary level of annual sales is better evaluated in comparison to the recent concession revenues net of long-term trailer rental fees, or about $7.5 million.

Despite the closeness of these sales revenues, it is difficult to assess the feasibility of achieving the $8.5 million revenue threshold in the context of existing concession operations at the lake. While the new concession development will provide a similar range of services as is currently offered (less the long-term trailers), the quality of the concession facilities and services and coordination of concession activities will be greatly improved and the general appeal of the lake enhanced by the elimination of the long-term trailers. Concurrently, however, the scale of facilities will be reduced from seven to three fully developed sites. Given these considerations, as well as the substantial uncertainty in visitor demand for the proposed Phase I developments, we decided to separately evaluate the feasibility of each concession functional component that comprised Phase I to: [a] evaluate the minimum occupancy/utilization levels that must be realized to achieve feasibility; and [b] determine which concession components might be financially most and least attractive to prospective concession developers/operators as part of the overall proposed Phase I development program.

Descriptions of the Alternative B developed by Reclamation provided some thematic specificity in describing the proposed eating places and lodging facilities to be implemented throughout the seven proposed LBRA resort sites. However, at this stage of the planning process the ultimate format of these facilities is highly uncertain. Accordingly, for our analysis we evaluated the proposed business opportunity on a conceptual level, and therefore were not able to specifically consider particular details that might actually have some impact on operating revenues and costs. It is our opinion that this approach, nevertheless, provides an adequate level of accuracy for the planning purpose of the analysis.

To effectively analyze the stand-alone feasibility of each proposed concession component, it was necessary to allocate among those components the anticipated infrastructure development and

redevelopment costs provided by Reclamation (such as roads and parking lots, electrical, potable water, and waste water systems). However, a lack of specific detail regarding the infrastructure redevelopment cost estimates provided by Reclamation precluded application of the most logical approach for allocating these costs to each concession component; namely, one based on their respective anticipated infrastructure requirements. Thus, a more general distribution method was applied.[13] *Specifically, we allocated the estimated infrastructure costs at each site to each of the sites' proposed concession components based on the percentage of the sites' total projected revenues that we expected each component to generate.* The obvious weakness of this distribution method is that infrastructure needs are not necessarily a function of revenue generation, in that, for example, a hotel will most likely require more electricity and water per dollar of revenue than will a marina. However, because the anticipated infrastructure investment costs are relatively modest at most of the proposed concession locations, we felt that this cost distribution method was generally adequate for evaluating the conceptual feasibility of the different proposed concession components.

1. Hotel/Motel

For the hotel/motel analysis, we assumed that a 30-room hotel would realize an average room rate of $95 per night before occupancy taxes. This rate is consistent with rates recently charged within the local region for hotel/motel lodging similar to that proposed under Phase I (including at other lakes).

We analyzed operating cost statistics for hotels/motels from a number of national sources, including PKF Consulting and Smith Travel Research, and concluded it reasonable to assume that operating costs for the proposed lakeside hotel would average about 62% of gross receipts. In this analysis, we defined operating costs to be total annual operating expenditures including a reserve for capital replacement, before interest, taxes, and depreciation. And because the hotel in this case was assumed to be part of a larger concession (as opposed to a stand-alone operation),

[13] The infrastructure rehabilitation cost estimates for each resort site that were provided by Reclamation are broken down into costs for roads/parking lots, electrical systems, potable water, and waste water. The costs are not aligned with the particular proposed developments, such as how much electricity infrastructure would be needed to sustain a 30-room hotel versus that needed for a marina.

we accounted for some overlap (sharing) of indirect costs such as general and administrative costs, marketing, and overhead. It should be noted that the cost of utilities is embedded in the figure for total operating expenses above. And, in general, a portion of the cost of utilities includes the capital cost of associated infrastructure; this is particularly the case for water. Therefore, there is most likely some redundancy built into our model, as we separately accounted for the costs of infrastructure upgrades in the figures provided by the engineers. This double counting of utility expenses may help mitigate the likely under-estimation of infrastructure costs.

Based on the above, we determined that to achieve financial feasibility the proposed 30 hotel/motel units would need to rent almost 5,000 room-nights per year, thereby generating approximately $465,000 per year in receipts (excluding inflationary growth). This translates to an approximately 45% average annual rate of occupancy.

To place this 45% threshold occupancy in context, we researched hotels and motels at resorts at other lakes[14] comparable to Lake Berryessa, obtaining financial statements when made available, and also interviewing resort managers. According to the resort managers with whom we spoke, the average annual occupancy achieved at comparable lakeside resort hotels/motels is about 40%, with occupancy levels nearing 100% in the summer, but remaining low much of the remainder of the year. From the financial information we were able to obtain, we determined that lakeside hotels/motels are generating anywhere from $9,000 to $16,000 in receipts per room per year. To achieve financial feasibility, the proposed hotel (at the Steele Park location) would need to achieve occupancy and receipts near the upper end of the likely range.

We thus concluded that a hotel and motel operation at Lake Berryessa represents a reasonable business opportunity, but would require an occupancy rate in the upper range of occupancies currently being realized by similar facilities to be financially feasible. Also, the proposed hotel would most likely *not* be able to defray more of the anticipated infrastructure upgrade costs (than assumed in our model), despite the fact that it would most likely use a greater share of electricity, water, etc. at the concession.

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[14] The lakes researched include Clear Lake, Folsom Lake, Lake Mead, Lake Mojave, Lake Isabella, Lake Roosevelt, Lake Shasta, Lake Meredith, New Malones Lake, and Lake Don Pedro.

It should also be noted that the 52 motel rooms currently available at the LBRA, which are divided between two lakeside locations, realize only about $285,000 per year in gross revenues, substantially less than the amount we determined would be required to achieve a reasonable investment rate of return at the proposed hotel at Steele Park. However, as mentioned earlier, comparisons to current operations have limited value due to the very poor quality conditions of one of the two motels, and an expected shift in concession clientele and spending habits following the removal of the long-term exclusive use trailers and implementation of proposed improvements to the concession facilities and short-term visitor access to lake resources and opportunities. Improved lodging quality and supporting food & beverage and other ancillary facilities may significantly enhance the year-round appeal of the lake and increase off-season visitor demand for concession services.

It is also difficult to forecast future demand for lodging at the lake based on recent regional tourism and economic trends, as the current economic downturn and events of September 11, 2001 have had a persistent depressive effect on tourism nationwide. Furthermore, as recent trends have shown, any conclusions regarding the economic and tourism trends of the past few years can only provide very limited insights to visitor demand conditions in 2008 to 2009; the anticipated start of the next LBRA concession contract(s). Nonetheless, it should be noted that three new hotels will be opening in the Napa Valley region in the remaining months of 2003 alone (for a combined nearly 250 rooms),[15] suggesting some optimism in regional tourism growth.

In conclusion, we believe that the proposed hotel/motel operation at the Steele Park location is just within the feasible range.[16]

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[15] According to Maggie Schafer of the Napa Valley Conference and Visitor's Bureau, the River Terrace Inn in Napa (106 units), the Carneros Inn in Carneros (86 units), and the Calistoga Ranch in Calistoga (54 units) are all slated to open in the last few months of 2003.

[16] A potential concessionaire might be able to increase off- and shoulder-season revenue by 1) collaborating with a non-profit organization such as an elder hostel or youth hostel, 2) accommodating conferences and business getaways, and/or 3) tapping into the year round Napa Valley visitor base. Because Reclamation voiced a specific interest incorporating an elder hostel at LBRA, we discussed such an opportunity with the operator of the Bay Area Center for Learning Elderhostel (BACL). BACL organizes and implements educational trips for seniors and rents lodging for these trips at discounted prices. Pat Kleinberg of BACL reported that currently BACL uses a hotel in Napa for their lodging needs. However, she said that while she is unable to predict the future lodging needs of her

2. Cabins/Cottages

To analyze the proposed cabins and cottages, we assumed that a total of 28 cabins and cottages would be constructed under Phase I of Alternative B, all at the Steele Park location. Currently, there are 57 cabins divided between four of the existing resort locations at the lake. We assumed that the proposed cabins would realize an average room rate of $80 per night before occupancy taxes. This rate is consistent with rates recently observed within the local region and at comparable lakeside cabins and cottages of a similar level of quality to those anticipated under Phase I. Currently, cabin rates at Lake Berryessa are higher than are assumed for this analysis, ranging between $75 and $150 per night and varying by resort, unit size, and season. To be conservative, we assumed lower rates consistent with rates within the region; however, given the alleged high occupancy rates of the Lake Berryessa concession cabins, the incoming concessionaire may wish to charge rates more consistent with those currently charged.

We collected operating cost statistics for cabins/cottages from a number of national sources and determined that it is reasonable to assume that operating costs for the proposed lakeside cabins would average about 54% of gross receipts. Again, in this analysis, we assumed total operating costs to be annual operating expenditures before interest payments, taxes, and depreciation.

Based on the above, we determined that to achieve financial feasibility the proposed 28 cabin units would need to be rented about 3,200 room-nights per year, thereby generating

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organization, a partnership between BACL and Reclamation is a possibility. Accommodating business conferences is another way to perhaps add off- and shoulder-season revenue to a concession. However, this extra revenue would be greatly offset by the cost to construct conference space. Another option would be for the potential concessionaire to use its restaurant as meeting space if the restaurant is open in the off- and shoulder-season. However, it is very difficult to estimate the benefit of incorporating conference capabilities into a concession. Estimating demand is nearly impossible because very few comparable lakeside concessions have conference space, so there is little precedent and examples from which to collect historical data. Additionally, using a restaurant for conferences will only add the marginal revenue above what the restaurant would realize if open to the public. Lastly, professional experience suggests that demand for conference space is unpredictable and take a long time to cultivate. A final opportunity for increasing off-season occupancy at the Lake Berryessa concessions would be to tap into the large, year-round Napa Valley visitor base. According to the Napa County Chamber of Commerce's 2001 statistics, 44% of the 4.7 million visitors to Napa County visited the region in the winter months between October and March. Presumably, the increase in quality at the LBRA concessions (together with the proximity to Napa) will attract the wealthier Napa visitor base. The incoming concessionaire may wish to target this year round visitor base through an increase in marketing expenditures.

approximately $255,000 in receipts annually. This translates to an approximately 31% average annual rate of occupancy.

According to the current LBRA concessionaires, the cabins are very popular and are sold out during the summer at all locations. Thus assuming that the cabins achieve 90% occupancy during the three summer months, the 31% average annual occupancy necessary to achieve financial feasibility translates to an average occupancy of only 11% the other nine months of the year. The necessary revenues translate to about $9,100 per cabin unit per year. Currently, the sixteen cabins at the Steele Park resort earn around $11,500 per cabin unit annually, and *all* Lake Berryessa concession operators said that cabins are profitable. Interviews with operators of lakeside resorts within the LBRA region indicated that cabins achieve an average annual occupancy of about 40% and are extremely profitable because of their lower capital investment cost as compared to other types of accommodations. These interviews further revealed that anglers comprise an important component of the cabin rental market, and thus demand for cabins is not as seasonal as some other resort operations.

We thus concluded that cabins would be a profitable enterprise at the proposed Lake Berryessa concession. If the 28 proposed cabins were to achieve 40% occupancy (instead of the 31% necessary for feasibility), the cabins would also help support other, less profitable but necessary concession components. Indeed, it appears that demand will likely support more than the 28 cabins envisioned for Phase I, and Reclamation should allow bidders to propose more.

3. RV Sites

For the RV site development analysis, we assumed that the 300 RV sites would be constructed under Phase I, divided evenly among Pleasure Cove, Steele Park, and Rancho Monticello. We assumed that the RV sites would realize an average rate of $30 per night before occupancy taxes. This rate is consistent with rates recently observed at the LBRA, other locales within the region, and at comparable lakeside RV sites offering a similar level of quality to that proposed.

We collected operating cost statistics for RV parks from a number of sources, including the National Foundation for RVing and Camping and the National Recreational Vehicle Industry Association, and determined that it is reasonable to assume that operating costs for the proposed RV sites would run about 35% of gross receipts. Again, in this analysis, we assumed total operating costs to be annual operating expenditures including a capital replacement reserve but before interest payments, taxes, and depreciation. Additionally, we estimated that the operating costs as a percentage of revenues would be slightly lower than if the RV campground were entirely a stand-alone operation. We did this based on the assumption that the various components of the concessions would be able to share certain facilities (such as bathrooms) as well as operational overhead, such as office space and labor for reservations and fee collections

Based on the above, we determined that to achieve financial feasibility, the proposed 300 RV sites would need to rent about 30,000 site-nights per year, generating approximately $894,000 per year in gross receipts. This translates to an approximately 27% average annual occupancy. Stated differently, the proposed RV campgrounds would need to be fully occupied the equivalent of about 3.3 months of the year to be financially feasible We believe it reasonable to expect such an occupancy rate will be achieved given recent occupancy rates at similar lakeside RV campgrounds. Interviews with personnel at Folsom Lake, Clear Lake, and current Berryessa concessions suggest that comparable RV campgrounds achieve average annual occupancy rates of around 25% and can sustain near 100% occupancy during the summer.

It should be noted that the approximately 200 RV sites currently made available by the Lake Berryessa resorts together generate about $300,000 in annual revenues.[17] However, we believe that the proposed RV sites will be too different from the current sites to merit a direct comparison regarding financial performance. For example, in our analysis we assumed that all new RV sites would have full hook-ups (water, sewage, and electricity), room for newer, larger vehicles, and a standardized and greater amount of space between the sites to provide optimal recreation enjoyment. Deficiencies at the current Berryessa RV sites help explain why those sites have performed relatively poorly. Most of the sites are extremely close together and many

[17] Due to (1) an incomplete set of current resort financial information and (2) grouping of revenue sources within the concessions' annual financial reports, the RV revenue figure is an estimation only.

are unsightly, having nearby sewage ponds and/or visible electrical wires. Moreover, many of the RV locations provide parking spaces only, have no picnic tables, grass, or comfortable separations between sites. Accordingly, the under-utilization of sites at Berryessa is not representative of what we believe to be reasonably expected for the new RV sites.

4. Tent Sites

For the tent camping analysis, we assumed that 250 individual tent sites and 3 large group sites would be constructed under Phase I, distributed between the Pleasure Cove, Rancho Monticello, and Putah Creek locations. As described in Alternative B, we assumed that the proposed group campsites would be situated at the Putah Creek location (as they are currently), and would use the existing bathroom facilities at that site (without upgrade). We conservatively assumed that the concessionaire would charge an average rate of $14 before occupancy taxes for individual tent sites. This rate is at the higher end of the range of rates recently observed at many comparable lakeside tent sites, and is consistent with the rates charged at Lake Don Pedro, New Melones, and Lakes McClure and McSwain. We believe $14 is a conservative rate for Lake Berryessa, because the tent sites that will be constructed will be new, have good spacing and desirable facilities, such as new restrooms, picnic tables, grills, water spigots, and landscaping.

We assumed that the group tent sites, which could accommodate up to 50 people per site, would rent for an average of $150 per night before occupancy taxes. This rate is based on group sites at comparable lakes, and is an average based on a sliding scale rate structure corresponding to the number of cars brought to the site.

We collected operating cost statistics for tent camping from a number of sources, including the National Foundation for RVing and Camping, and determined that it is reasonable to assume that operating costs for the proposed tent sites would run about 25% of gross receipts (and less in the case of group sites). Again, in this analysis, we assumed total operating costs to be annual operating expenditures including a reserve for capital replacement but represent EBITDA (excluding interest payments, taxes, and depreciation). Additionally, the estimation of operating costs as a percentage of revenues is lower than if the tent campground were a stand-alone