

Hotel Waterpark Resorts

Construction Report: Fall 2008

Bank crisis results in fewer loans, openings and ground breakings

By Jeff Coy and Amanda McDaniel

October 20, 2008 --- During 2008, twenty-five (25) hotel waterpark construction projects resulted in 20 new hotels and 5 resort expansion facilities that opened or will open by year end, --- that's down from fifty-five (55) construction projects we expected to open in 2008 as of report published last February. Just eight months ago, we estimated that 83 hotel waterparks would be under construction during 2008. Today, that estimate is reduced to 66.

Hotel waterpark projects that received their construction financing in early 2007 opened and/or broke ground during 2008. However, thirty (30) projects never broke ground and their construction start dates shifted to 2009 or 2010 or were put on hold --- due to the recent mortgage meltdown and the federal rescue of the US financial system.

	Construction Project Growth Hotel Waterpark Resorts USA									
	2009F	2008 F	2007	2006	2005	2004	2003	2002	2001	2000
Open at beginning of year	200	175	141	108	82	65	50	42	33	19
Openings during year	15	25	34	33	26	17	15	8	9	14
Total Open at end of year	215	200	175	141	108	82	65	50	42	33
Percent Change	7.5%	14.3%	24.1%	30.6%	31.7%	26.2%	30.0%	19.0%	27.3%	
Under Construction	41	66	67	60	58	35	18	9	10	14
In Development		199	166	108	121	69	46	19		

Source: Jeff Coy & Bill Haralson, Hotel Waterpark Resort Research & Consulting.

Hotel Waterpark Resorts That Opened in 2008

Of the 25 properties that opened or will open by year end 2008, some have special features worth mentioning:

In January, **Silverleaf Resorts Inc** of Dallas TX opened its first indoor waterpark at The Villages Resort in Flint TX --- a timeshare resort located on the shores of Lake Palestine, one of the larger water sports playgrounds in the southwest. The \$10 million indoor waterpark is about 19,000 sf and features a dipping bucket, wave pool, lazy river and four indoor-outdoor tube rides. The building contains a food service area featuring Yum! Brands, Pizza Hut and A&W Express, an arcade, a souvenir gift shop, lockers and changing rooms. For more, contact president Sharon Brayfield at 214-631-1166 or go to www.silverleafresorts.com.

Double JJ Ranch is a 1200 acre resort with an Old West Town, 18-hole golf course and a variety of lodging from rustic cabins to upscale condominiums. Owners Bob & Joan Lipsitz opened a 60,000 sf indoor waterpark in 2007 and added 137 condos in 2008 when they ran into financial trouble. They were unable to secure financing to pay off a \$17 million construction loan to BankFirst of Minneapolis. The Lipsitzs filed for Chapter 11 bankruptcy in July. In August, a federal judge appointed trustee Thomas Bruinsma, who ordered the resort to be auctioned in whole or in parts to the highest bidder on October 30, 2008. The Lipsitzs suffered under the struggling Michigan economy and owed many creditors; however, the recent stoppage of bank lending forced the resort's closure and sale. For info regarding the auction, dial 507-285-1444 or go to www.maascompanies.com.

Red Jacket Mountain View Resort in North Conway NH opened its 40,000 sf Kahuna Laguna indoor waterpark in February. The waterpark features two tube slides and two body slides totaling 900 feet in length, a wave pool and the Adventure Tower with water cannons, a rope bridge and a 175-gallon tipping bucket. The resort has 150 hotel rooms and 12 spacious 2-bedroom townhouses. For more, call 800-752-2538 or go to www.redjacketresorts.com.

The Confederated Tribes of the Chehalis Reservation in southwest Washington opened their 390-room **Great Wolf Lodge Grand Mound** in March. Located on Interstate 5 between Olympia and Centralia, the lodge features a 32,000 sf conference center and 67,000 sf indoor waterpark. The waterpark has a 12-level treehouse with tipping bucket, a wave pool and the first indoor *Howlin Tornado* bowl and tube ride. The project is a joint venture of the tribe and Great Wolf Resorts Inc of Madison WI. For more, contact Kim Schaefer at 608-251-6400.

KeyLime Cove Resort, north of Chicago in Gurnee, opened in March 2008. The \$137 million indoor waterpark resort is the vision of Famous Dave Anderson, founder of the barbeque restaurant chain, and his partners. Dave has reinvented himself as Captain Dave where he as host and his team provide a cruise and island experience. The resort is the first completely cashless waterpark --- using a smart (radio frequency id) wrist band that can be loaded with credit for kids to spend in the arcade and snack bar. The smart wrist band also acts as a room key and identifies the location of wearer, providing greater security. KeyLime Cove offers 414 rooms, a 12,000 sf conference center and a 65,000 sf indoor waterpark that includes a 40-ft slide tower/play structure, a super bowl slide, a family wave pool, a water-dumping pineapple, a 560-foot lazy river, adult hot tub grotto, a 1600 sf teen activity pool and a kiddie pool. Everything is individually branded.



where he as host and his team provide a cruise and island experience. The resort is the first completely cashless waterpark --- using a smart (radio frequency id) wrist band that can be loaded with credit for kids to spend in the arcade and snack bar. The smart wrist band also acts as a room key and identifies the location of wearer, providing greater security. KeyLime Cove offers 414 rooms, a 12,000 sf conference center and a 65,000 sf indoor waterpark that includes a 40-ft slide tower/play structure, a super bowl

slide, a family wave pool, a water-dumping pineapple, a 560-foot lazy river, adult hot tub grotto, a 1600 sf teen activity pool and a kiddie pool. Everything is individually branded.

For food and beverage, there's DW Anderson's Eatery, the Crazy Toucan Margarita Grille and Island Temptations for coffee and confections. In addition, there's Paradise Mist Spa, Rip Tide Reed arcade and a 24-hour trading post called Mangrove Jacks. Planning Design Build, now Iconica, of Madison WI is the resort aquatic designer. Whitewater West of Vancouver BC provided the waterplay equipment and rides. Morrissey Hospitality Companies of St Paul MN is the managing partner of the resort. For more, call resort at 224-656-8685 or go to www.keylimecove.com.

The 306-suite **Maui Sands Resort** opened in Sandusky OH during March 2008. Lodging includes 96 Maui Sands Family Suites, 170 rooms in the Maui Sands Village Hotel and a Maui-makeover of the 40-room Holiday Inn Express --- totally 306 rentable units. The 55,000 sf indoor waterpark features the SurfRider, North America's first deep water standing wave generator, a giant bowl-shaped tube slide, two body slides, a lazy river, treehouse, kiddie pool and an indoor-outdoor hot tub that seats 40 people. Maui Sands also has a 6,000 sf family entertainment center with 75 redemption and video games. On September 24, 2008, a story appeared in the Sandusky Register saying at least 17 construction companies and subcontractors have filed nearly \$4 million in liens against Maui Sands Resort for unpaid labor and material expenses since the project began in 2007. According to an attorney representing several creditors, "the owner (Scott Emerson) seems to be out of money --- spreading himself too thin trying to serve as the owner and general contractor, which led to a lack of coordination at the construction site." The situation is so dire that bank foreclosure may be a possibility. You can contact Scott Emerson through his website www.mauisandsresort.com.

Several years ago, **Wave Development LLC** of Milwaukee WI, in partnership with Sage Hospitality Resources of Denver CO, Horizon Construction of Verona WI and Hexagon Investments LLC of Milwaukee, embarked on a strategy of acquiring under-performing hotels in good markets, renovating them and constructing its own CoCoKey brand of indoor waterparks to balance the business-leisure customer mix and achieve higher occupancies and revenues. The four partners have successfully implemented the strategy with hotel waterpark additions in Chicago-Arlington Heights IL, Rockford IL, Danvers MA, Omaha NE, Newark OH and Cincinnati-Sharonville OH. The acquisition strategy has allowed Wave Development LLC to expand more rapidly with less capital. The company is expected to surpass industry leader Great Wolf Resorts Inc in terms of the number of properties owned/managed. By year end 2008, Wave Development will have opened four new properties, as follows:

In March 2008, the 374-room **Sheraton at the Kansas City Sports Complex** opened its CoCoKey Resort, a 55,000 sf indoor waterpark addition.

In October 2008, the 284-room **Holiday Inn in Waterbury CT** opened its CoCoKey Resort, a 55,000 sf indoor waterpark addition.

In October 2008, the 285-room **Marriott in Mt Laurel NJ** opened its CoCoKey Resort, a 55,000 sf indoor waterpark addition.

In December 2008, the 245-room **BW Royal Plaza** is expected to open its CoCoKey Resort, a 55,000 sf indoor waterpark addition.

Surfari Joe's Indoor Wilderness Waterpark opened in April 2008 at the Ramada Hotel at Exit 41 off I-94 in Watervliet in southwest Michigan. Surfari Joe is actually hotel owner and



big game hunter Joe Arnt. Just inside the hotel door is the head of a massive bull elephant Arnt shot in Zimbabwe nine years ago. The African-themed, 18,000 sf waterpark includes a 42 ft high tube slide, a 300 ft long body slide, a lazy river, an activity pool, a hot tub for adults and a toddler's play area that features two slides and a tipping bucket. Water park access is limited to hotel guests while The Water Hole Bar & Restaurant is open to the public. Joe and his family dine on wild game and plan to offer it in the hotel restaurant.

For more info, call 269-463-7946 or go to www.surfarijoes.com.

Silver Mountain Ski Resort in Kellogg ID opened its 268-room hotel and 45,000 sf Silver Rapids indoor waterpark in May 2008. Who says you have to go to southern California to surf? At Silver Mountain, guests can surf the snow and surf the waves all in the same day. Using the FlowRider wave simulator, a surfer is actually standing still, but the 20,000 gallons of water moving under you at 35 mph gives the illusion that you are surfing at a pretty fast clip. Other features include body and tube slides, a lazy river, family raft ride and kid's activity lagoon. Silver Mountain is owned by Jeld-Wen Resorts, a division of the well-known maker of windows and doors. For more, contact Jerry Andres at 541-923-0807.

The 98-room **Northpointe Inn in Mackinaw City MI** opened its 23,000 sf indoor waterpark in May 2008. The waterpark includes two pools, a lazy river, a 500-gallon water tower and a 3-story waterslide. Overlooking the Straits of Mackinac, located on the shores of Lake Huron, Northpointe Inn sits in the perfect spot for a view of Mackinac Island, the Grand Hotel and the Mighty Mac Bridge. Call 800-576-2842 or go to www.northpointeinn.com.

A joint venture between Boyd Gaming and MGM Mirage opened a \$400 million signature hotel called **The Water Club adjacent to the Borgata Hotel Casino & Spa** in Atlantic City NJ. The Water Club hotel features 800 rooms, a 2-story spa, 6 retail shops, 18,000 sf of meeting space and 5 heated indoor and outdoor pools that total 172,000 sf of water club space. For more information, go to www.theborgata.com.

In August 2008, Brian Legg of Brandon Legg Development opened his 109-room **Wingate Hotel in Billings MT** with a 23,000 sf Reef Indoor Waterpark, the largest indoor waterpark

in the state. Legg worked with Architectural Design Consultants Inc of Lake Delton WI and SCS Interactive of Denver CO, who provided much of the interactive waterplay equipment, including Ripp's Play House as the central attraction. Contact Brian Legg at 406-593-8083 or go to www.wingatebillings.com.

Honey Creek Resort State Park opened its \$58 million resort in September 2008 on 850 acres at Rathbun Lake in south central Iowa. It is Iowa's first resort park venture and has been in the works for decades. It has a 105-room hotel-style lodge, restaurant, bar, 6,000 sf conference center, 28 cabins, RV park, 18-hole golf course and 9,000 sf indoor waterpark. Resort manager is Jeremie Slagle. Bob Pace is president and Lee Fundanet is director of operations of Central Group Companies of St Cloud MN, which oversees operations at Honey Creek. The Iowa DNR is the owner of the property.



Jerry and Carolyn Fuhs opened their 154-room **Valley of the Springs Resort** and 40,000 sf Big Splash Adventure indoor waterpark during October 2008 in French Lick IN --- near area attractions such as the Patoka Lake, Paoli Peaks, French Lick Resort Casino and The West Baden Springs Hotel, which sports a spectacular domed atrium built in 1902 and billed as the Eighth Wonder of the World. Interestingly, Big Splash Adventure has a new retractable roof --- letting in the light and keeping out the weather --- making it the largest indoor waterpark in the USA with a retractable roof. Big Splash features the Defender Filter by Neptune Benson, the latest technology in water filtration. It also features the RFID cashless system that allows parents to load electronic wristbands with credit to be used for the arcade and dining. This wristband also replaces the hotel room key. Big Splash Adventure includes 4 tube slides, a 318-ft long lazy river, a wet deck area, activity pool, toddler pool and 25-person tropical hot tub. In addition, there's a 2000 sf zero entry outdoor pool and a 6,000 sf arcade. For more, dial 812-936-3866 or go to www.valleyofthesprings.com.

The \$19 million 53,000 sf H2Oooohh! Indoor Waterpark will open October 31, 2008 in the Galleria at **Split Rock Resort in Lake Harmony PA**. The indoor waterpark will feature the Komono Dragon, a name given to Pennsylvania's first FlowRider surfing simulator. In addition, there are four 4-story waterslides, hot tubs, a 3-story treehouse, tipping bucket, water cannons and a kiddie water play area with spouting geysers. H2Oooohh! also features a food court and Tiki Bar, according to owner Jack Kalins. For more, call 570-722-9111 or go to www.splitrockresort.com.

Bridgemont is a 1000-acre mixed-use resort destination in Sevierville TN, gateway to the **Smokie Mountains**, that offers the whole package: a power village with 500,000 sf of shopping, dining, entertainment, attractions, hotels, condos, residential and 36-holes of championship golf. Pete and Pat Helland, brothers and owners of the Wilderness Resort in Wisconsin Dells, built their second resort in Sevierville TN in two phases:

In Phase 1, the Helland brothers opened in April 2008 the 234-room **Wilderness Event Center Hotel**, which is attached to the City of Sevierville Event Center. The hotel sports a 40,000 sf outdoor waterpark called Salamander Springs. For more, call 877-324-9453.

While Phase 1 was still on the drawing boards, Pete and Pat Helland decided to buy a second parcel of land across the street from the Event Center. This became Phase 2, which includes a 4-story unit condo-hotel and indoor waterpark. **The Wilderness at the Smokies Hotel with 233 units and 60,000 sf Wild WaterDome** is expected to open in December 2008. Wild WaterDome features a wave pool, activity pool, lazy river, Tornado ride and a clear overhead structure, using Foiltec-Exlon, that lets in the light and keeps out the weather. Coming in Summer of 2009: Sun-Soaked Outdoor Waterpark with a large lazy river, wave pool and sandy beach. For more, go to www.wildernessatthesmokies.com.

Here is a complete list of all hotel indoor waterparks opening in 2008:

Hotel Waterpark Resorts Opened in 2008

USA <i>Opening in 2008</i>	Location		Of Rooms Number	Sq. Ft. Indoor WP	Date Open
Silverleaf's The Villages Resort at Lake Palestine	Flint-Tyler	TX		19,000	200801
Double JJ Phase 2 Room Additions	Rothbury	MI	137		200801
Bluegreen Odyssey Dells at Mt Olympus Resort	Wisconsin Dells	WI	24		200801
Red Jacket Mtn View Add Indoor Waterpark	North Conway	NH	162	40,000	200802
Great Wolf Lodge	Grand Mound	WA	390	67,000	200803
KeyLime Cove Resort	Gurnee	IL	414	64,500	200803
Maui Sands Family Suites & Indoor Waterpark	Sandusky	OH	304	55,000	200803
Sheraton CoCoKey Indoor Waterpark at KC Sports Complex	Kansas City	MO	374	55,000	200803
Surfari Joe's Indoor Waterpark at the Ramada	Watervliet	MI	94	12,000	200804
Wilderness Event Center Hotel & OWP	Sevierville	TN	234		200804
Silver Mountain Resort's Silver Rapids Indoor Waterpark	Kellogg	ID	268	45,000	200805
Timberlake Lodge & Grand Splash Waterpark	Grand Rapids	MN	84	8,000	200805
Northpointe Inn & Hotel Suites Indoor Waterpark Addition	Mackinaw City	MI	98	23,000	200805
Borgata Casino Resort & Water Club	Atlantic City	NJ	800	172,000	200806
Big Horn Resort (Wingate) & Waterpark	Billings	MT	109	35,000	200808
Honey Creek Resort's Buccaneer Bay Waterpark	Rathbun Lake	IA	105		200809
Holiday Inn's CoCoKey Indoor Waterpark Addition	Waterbury	CT	284	55,000	200810
Valley of Springs Resort & Big Splash Island	French Lick	IN	156	40,000	200810
Split Rock Resort Indoor Waterpark Addition	Lake Harmony	PA	500	53,000	200810
Marriott's CoCoKey Indoor Waterpark Addition	Mt Laurel	NJ	285	55,000	200811
BW Royal Plaza CoCoKey Indoor Waterpark Addition	Fitchburg	MA	245	55,000	200812
Bluegreen Odyssey Dells at Mt Olympus Resort	Wisconsin Dells	WI	75		200812
Briggs Ranch Grand Vacation Club & OWP	San Antonio	TX	350		200812
Wilderness at the Smokies Hotel & Wild WaterDome	Sevierville	TN	233	60,000	200812
Great Wolf Lodge Room & Meeting Room Additions	Grapevine	TX	203		200812
	Opening in 2008		25	5,928	988,500

Source: Jeff Coy & Bill Haralson, Hotel Waterpark Resort Research & Consulting, October 2008.

USA Lodging Industry Performance in 2008

Just eight months ago, in February 2008, we reported that Year 2007 was good for the hotel industry. Occupancy was 63.2%, down only 0.2 percent versus 2006. Average room rates were strong at 5.9 percent growth to \$103.64 for year end 2007, and RevPAR gained 5.7 percent to \$65.50, according to Smith Travel Research.

As of today, YTD August 2008 occupancy for the US hotel industry is down -2.6 percent to 63.2% from 64.9% for the same period in 2007. Demand for hotel rooms is down -0.3 percent. Average room rates are growing 3.8 percent and RevPAR is growing 1.0 percent, but these growth rates are slowing.

We estimate Year 2008 occupancy for US hotels to drop to 61.5%. Demand will continue to decline due to less consumer spending, and hotel room rate growth will slow and flatten out --- due to hotel discounting.

What's Ahead for 2009?

In 2009, one hotel company president anticipates that the hotel industry "will be bruised and feel pain, but we'll be in a recovery."

Declining Hotel Industry Performance

PKF Hospitality Research forecasts two years of declining lodging demand. With supply and demand levels moving in opposite directions, occupancy rates are projected to decline in both 2008 and 2009. Because of the extended slowdown of the US economy, compounded by the airline capacity cutbacks, PKF is forecasting a -0.2 percent decline in lodging demand for the year 2008 followed by a loss of another 1.1 percent in 2009.

Hotel Room Rate Discounting

In a period of declining occupancy, what hotel managers and owners choose to do with their rates will determine the performance of the hotel industry in 2009, according to Charles Snyder of Smith Travel Research. In a tight economy, the consumer is prone to look for a bargain. It's clear they are not finding them in the airline sector. In the first half of 2008, US hotels increased average room rates by 4.2 percent nationally. While the majority of hotels are raising rates, a deeper analysis shows that more hotels are decreasing their rates this year.

In the coming months, for example, the Greater Philadelphia Tourism Marketing Corp will promote discounted hotel packages that feature additional perks like free parking, a savings of \$80 over a three-day weekend, according to the Business Journal.

“Competition for groups remains fierce. Price wars among cities are heating up,” says Mike Butts, executive director of Visit Charlotte, the marketing arm of the visitor authority.

Unlike in past down cycles, hotel operators this time around might hold off on deeply discounting room prices. Stephen Joyce, president of Choice Hotels International, said his franchisees are, to date, holding the line on rates. Choice encourages its franchisees “to do things to induce demand,” rather than cutting prices. Although Joyce conceded that sometimes a hotel must discount to remain competitive in its marketplace, “travelers are going to come whether or not you drop rates.”

Historically, Las Vegas is a market where developers can build new hotels and thousands of visitors just keep on coming --- but no longer. Recently, the airlines drastically cut the capacity of arriving passengers. In August 2008, Las Vegas visitor volume was down 4.3% compared to August 2007. Las Vegas hotel occupancy down 2.4%, casino win down 9.1%, average room rates down 15.3%, convention attendance down 22.3% for the month compared to the same period a year ago. As of October 2008, Las Vegas hotel room rates are taking a dive. Most notable is a just-announced fire sale in Vegas, where you can get into the Bellagio for \$149, according to Kitty Bean Yancy of the Hotel Hotsheet. This is an amazing rate for a hotel that often runs \$300-\$500 a night. Also part of the MGM-Mirage price chop: \$110 rooms at Mandalay Bay, \$90 rates at MGM Grand, \$60 rates at Luxor and a rock-bottom \$37 at budget staple Circus Circus.

Delaying Capital Improvements

Ted Darnell, coo at HEI Hotels & Resorts, said that hoteliers used to have easy access to debt to fund renovations. “That period is gone for a while,” he stated, adding that his firm now focuses only on those upgrades that will bring in customers.

“Capital is dear,” according Archie Bennett of Ashford Hospitality Trust Inc. He noted that his firm still spends above its capital reserve requirements to keep its hotels up to date, but it has cut back on discretionary expenditures, such as adding a spa to the property.

Construction Costs Will Continue to Rise

Commercial building costs rose 6.5% over the third quarter of last year, according to Turner Construction Company’s Building Cost Index. Construction costs are rising faster than the consumer price index. The increase is due in large part to price hikes for steel, non-ferrous metals, petroleum-based products and energy. However, contractor competition in some markets is offsetting some of the material and labor increases, according to the Washington Business Journal.

Fewer Construction Projects Will Break Ground

As of October 15, 2008, hotel construction in the Top 25 Markets is slowing in comparison with last year, according to Duane Vinson of Smith Travel Research, in a special US hotel pipeline report. “While there are still a considerable number of projects pending, it is difficult

to accurately gauge how many of them will ever break ground. A prolonged recession could mean a higher number of hotel projects moving into deferral or full abandonment.”

Hotel Lending Will Slow to Halt Until the Rescue Package Kicks In

Commercial lending experienced no growth in the second half of 2008, according to Matt Anderson, a partner with Foresight Analytics in Oakland CA. His firm predicts a decline going into 2009, which means there are a couple of lean years ahead for developers. Anderson expects that the economy will get back on track by the end of 2009 or early 2010.

What About Hotel Waterpark Resorts in 2009?

While hotels with indoor waterparks have an advantage over hotels without indoor waterparks in terms of generating incremental occupancy, rate, revenue and profits, that advantage is lost because all hotels and all industries and, in fact, all of us as consumers are in the same boat --- a sinking economy and financial system failure that must be repaired immediately.

In our last Hotel Waterpark Resort Construction Report, published in February 2008, we listed 24 construction projects that we expected to open in 2009 and 4 projects we thought would open in 2010. As of October 2008, we have revised our projections to 15 projects scheduled to open in 2009 and 8 projects expected to open in 2010. Here is a list of hotel waterpark resort projects that were expected to open during 2009 along with their revised plans due to recent events in the banking industry.

Hotel Waterpark Resorts Scheduled to Open in 2009

USA <i>Opening in 2009</i>	Location		Number Of Rooms	OWP SqFt	Indoor WP Sq. Ft.	Open Date
Sahara Sam's Oasis	West Berlin	NJ	0		58,000	200902
BW Timber Creek& CC + Waves of Fun IWP	Sandwich	IL	100		69,000	200903
Chula Vista Phase 2 Add 2nd Dome Sports Center	Wisconsin Dells	WI	0			200903
Greek Peak's Hope Lake Lodge & Indoor Waterpark	Syracuse-Virgil	NY	106		40,000	200903
Metropolis Hotel + add Waterworks Indoor Waterpark	Eau Claire	WI	107		30,000	200903
Sheraton Paradise Bay Waterpark at Marketplace	Fishers	IN	236		70,000	200903
Chula Vista Phase 2 Additions to Indoor Waterpark	Wisconsin Dells	WI	0			200906
Great Adventure Resort + add IWP	Bellevue-Omaha	NE	129		30,000	200906
Great Wolf Lodge	Charlotte	NC	409		80,000	200906
KeyLime Cove Resort Phase 2 Add Rooms & IWP	Gurnee	IL	611		80,000	200906
Hollister Waterpark Resort	Branson-Hollister	MO	400	130,000	80,000	200907
Lodge at Schlitterbahn Vacation Village+ OWP (P1)	Kansas City	KS	1500		130,000	200907
The Lodge at Deadwood Mountain Resort & IWP	Deadwood	SD	140		10,000	200910
Boone Crossing Hotel Waterpark Resort I-65 & 334	Indianapolis	IN	250		50,000	200912
Wingate + Holiday Inn (Maya IWP)	Syracuse-Van Buren	NY	287		90,000	200912
Total Projected Opening in 2009>			15	4,375	130,000	817,000

Source: Jeff Coy & Bill Haralson, Hotel Waterpark Resort Research & Consulting, October 2008.

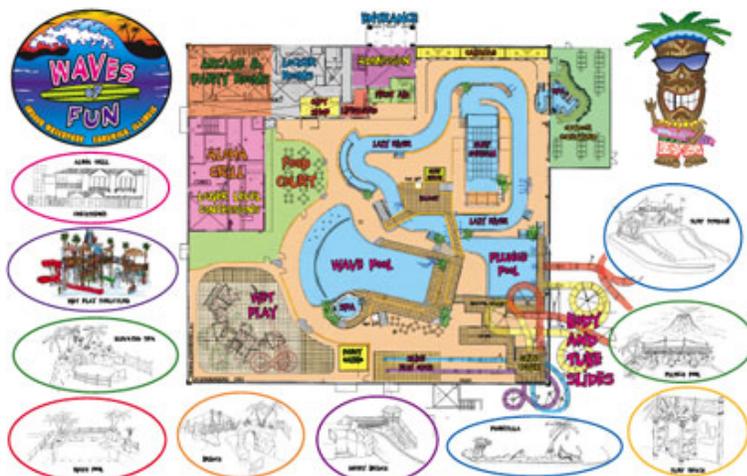
Sahara Sam's Oasis is set to open in February 2009. Unlike almost all indoor waterparks that are part of a hotel resort, Sahara Sam's Oasis is a free-standing facility open to the general public. Typically, a free-standing indoor waterpark cannot push enough people through the gate at a high enough day rate to generate the revenues and cash required to pay the debt service on the money borrowed to build such a facility --- as evidenced by the many free-standing aquatic centers owned by municipalities and operated at a deficit that requires subsidy. Since 2000, the rapid growth of indoor waterparks attached to hotels is based on the extra profits that indoor waterparks can produce on the hotel side --- not as a standalone. Only one other pioneer built a commercial free-standing indoor waterpark without a hotel attached, and that was Dennis Prendeville, owner of the H2Oasis in Anchorage AK. You can call Dennis at 907-522-4420 and hear his story in his own words.

Sahara Sam's owners are determined to make their concept work. Sahara Sam's Oasis is a 72,000 sf facility located in West Berlin NJ --- off the NJ Turnpike at Exit 4 and seven miles on Route 73 South. The indoor waterpark features a retractable roof that lets in the light and keeps out the weather. It has a FlowRider surfing attraction and Mount Kilimanjaro, a 45-foot tall family raft ride along with tube slides, body slides, a wave pool, lazy river, tipping water bucket and many interactive water play toys. In addition Sahara Sam's will offer a restaurant, family bar and arcade.



Full day and half-day passes are available as well as 6-month and 12-month season passes. A 12-month Pass with Unlimited Access is \$596. For more information, go to www.sahasams.com or call Ilya Girlya at 856- 663-7751.

Best Western Timber Creek & Convention Center in Sandwich IL opened with 100 rooms in January 2008 and then opened its 27,000 sf convention facility two months later, according to Charlie Bohnstedt, who owns the property with his wife Karen and extended family. The hotel and convention center sits on 15 acres but the overall 65-acre Sandwich Commons site along Route 34 will include restaurants, retail and a Hawaiian-themed indoor waterpark.



The 69,000 sf Waves of Fun indoor waterpark is expected to open in March 2009. Unfortunately, it is not attached to the hotel but rather located two blocks away, so it is really a free-standing indoor waterpark. Waves of Fun will be a 5-story building with 2 tube slides, 2 speed slides, a dumping bucket, a lazy river and SurfStream, the first ever standing wave surf machine in the USA that allows riders to surf, bodyboard or kayak. Waves of Fun will also have an elevated spa, a play area, arcade, surf shop, concession stand, Aloha Grill restaurant and Tiki Bar. The park is being developed by David and Meredith Avery and Brad and Julie Inman, all from Sandwich, about an hour southwest of Chicago. Kendall County, where Sandwich is located, is the fastest growing county in Illinois. The goal of the project is to make Sandwich a destination for weekend getaways. For more, call the hotel at 630-273-6000 or go to www.timbercreekinnandsuites.com.

Greek Peak Mountain Resort in Syracuse-Virgil NY received a \$33 million construction loan for its Hope Lake Lodge and Indoor Waterpark Resort, scheduled to open in March 2009. Facilities include a 106-unit quarter-share condo-hotel, 8,500 sf conference center, a remodeled ski lodge, a 5,500 sf spa, fitness center, childcare center, Acorn Grill and a 40,000 sf Cascades Indoor Waterpark. The waterpark features 6 slides, 4 pools, a 1000-gallon tipping bucket, a large wave pool, hot tub and arcade. According to Greek Peak president Al Kryger, "this project could not have been realized without the support of the town, county, state and a consortium of lenders."

The \$23 million hotel construction loan package was provided by Tennessee Commerce Bank of Nashville, M&T Bank of Binghamton, Mid Atlantic Financial Partners of Germantown MD, Green Lakes of Tully NY, First Community Financial of Franklin TN and HSK Funding of Binghamton. The \$10 million indoor waterpark construction loan was provided by Tennessee Commerce Bank with a \$10 million permanent take-out loan and a USDA 80% loan guarantee. Equity of \$9.5 million was raised from local and regional investors.

Greek Peak is central NY's largest ski resort, operating for more than 50 years. Currently, it attracts over 250,000 skier visits from a target market of over 40 million people within a five hour drive. The resort's expansion is part of a 3-phased effort. Phase 1 includes the core elements of condo-hotel, indoor waterpark, restaurant and spa. Phase 2 includes expansion and updates to the existing ski facilities. Phase 3 includes additional condo-hotel units, expanded conference center and an 18-hole golf course. For more, call Al Kryger at 201-340-2020 ext 103 or go to www.hopelakelodge.com.

Metropolis Hotel in Eau Claire WI opened June 2008 with 107 rooms and is under construction with its 30,000 sf indoor waterpark scheduled to open in March 2009, according co-owner Mark Steil. The property is located next to Action City, a 55,000 sf family entertainment center with go-karts, sprint cars, bandit cars, bumper cars, batting cages, climbing wall, mini-golf, mini-bowling, arcade and adventure maze --- near I-94 Exit Highway 93. For more, call the hotel at 715-852-6000 or go to www.metropolishotel.com or www.actioncityfun.com.

Sheraton Paradise Bay in Fishers IN was scheduled to open in March 2009, but it appears that a late construction start will delay that opening. The 236-room hotel and 70,000 sf indoor waterpark being proposed by Ken Puller of the Puller Group of Indianapolis is still under consideration by the Fishers town council. Town officials are embracing a plan to build 166 loft-style apartments on top of storefronts at Fishers Marketplace --- which reflects the new urbanism that will freshen up the staleness of strip malls. The \$28 million lofts would add retail and residential components to the \$100 million hotel and indoor waterpark planned at Highway 37 and 131st Street in Fishers --- off I-69 in northeast Indianapolis. For more, contact Ken Puller at 317-819-3000 or go to www.pullergroup.com.

Great Adventure Water Resort in Omaha-Bellevue NE was scheduled to open as a hotel waterpark resort in 2009, but the owner of the former Days Inns, Tom Schmidt, got a letter from the City of Bellevue that the waterpark is an open (inactive) construction site that poses safety concerns. According a news article by Bellevue Leader managing editor Carrie Kreisler, Schmidt took out a \$4.2 million loan with Centris Federal Credit Union in 2005 and has since defaulted on that loan. A trustee scheduled the sale of the hotel and property for October 10, 2008 but a public auction will now take place October 24 --- five days from now.

Jason Gage, a principal of Hollister Interchange Entertainment District, along with Pete and Pat Helland, owners of the Wilderness Resorts, broke ground in February 2008 --- a major step forward in developing the **Wilderness in the Ozarks Waterpark Resort** in Hollister MO on the south edge of Branson. The resort, scheduled to open July 2009, will more likely be completed in December 2009. The project consists of two parts --- waterpark and residential. The waterpark component will have 80,000 sf of indoor space and 4 acres of outdoor waterpark space featuring the latest thrill rides, such as SurfRider and Tornado, a wave pool, 4 large family tube rides and many spray features. The indoor waterpark will be covered with a foiltec-texlon roof which lets in the light but keeps out the weather, giving guests the feeling of being outdoors even on rainy days. The residential component will surround the waterpark and feature 600-unit condo-hotel --- half wholly-owned and half timeshared. Plans call for a 60,000 sf family entertainment complex that includes a 10-screen cinema, an upscale bowling center, food court and restaurant. Branson's mayor Raeanne Presley said, "Hollister's success is Branson's success" reminding folks that working together will pay off big time down the road. For more, go to www.wildernessintheozarks.com.

Schlitterbahn Waterparks named Michael Catcott project executive for the development of the **Schlitterbahn Vacation Village in Kansas City KS** including executive oversight of the entire project after opening. Catcott previously worked for Anheuser-Busch Theme Parks.



Schlitterbahn Vacation Village is a \$750 million waterpark resort featuring year-round retail and entertainment venues connected by a river system. Man-made rivers will carry guests between lodging units and a water resort along with a covered Riverwalk including shops and restaurants. Skeptics ask, "Is it going to happen or not?" since it's been three years since the announcement. The first

elements of the waterpark are scheduled to open in the summer of 2009 and will include the first phase of the waterpark, several shops and restaurants and several lodging components. Other portions will be completed through the summer of 2010. Overall, plans call for 1600 lodging units.

On October 8, 2008, the Schlitterbahn owners gave media tours of the construction site, where 60 workers and a dozen yellow Cats were preparing the 24-acre waterpark encircled by a nearly mile long river walk.

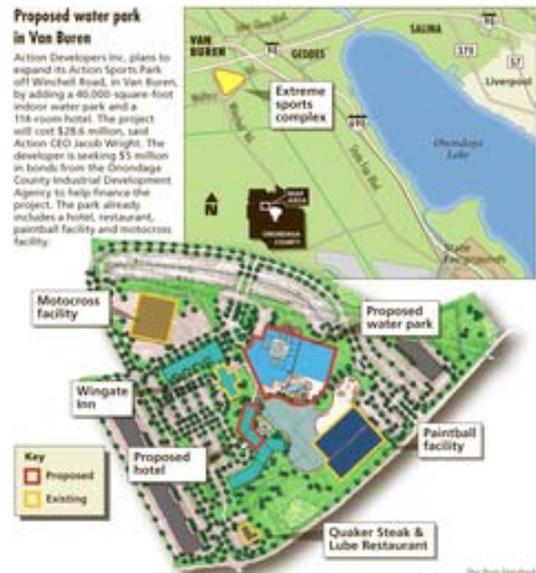


By December 2009, the river will be finished and crews will begin to install the retractable roof that will cover 130,000 sf of the park for year round use.

Yes, the Schlitterbahn park will open, but the company has balked at naming an exact date. For more, call Jeff Siebert at 830-608-8519 or go to www.schlitterbahn.com.

The Lodge at Deadwood Mountain Resort in Deadwood SD is scheduled to open October 2009 with 140 rooms, a 30,000 sf casino, a 3000-seat convention facility and 10,000 sf indoor waterpark. Mike Wordeman of Sodak Gaming is running the casino, while Dave Sweet of Ramkota Companies of Sioux Falls is the overall developer and operator of the resort. For more, call 605-334-2731. To see construction photos, go to www.deadwoodlodge.com.

Jacob Wright of Action Developers Inc plans to expand his **Action Sports Park in Van Buren NY near Syracuse** by adding a 114-room hotel with a 45,000 sf indoor waterpark. The project will cost \$28.6 million, according to Wright, who is seeking \$5 million in bonds from Onondaga County Industrial Development Agency to help finance the project. Action Sports Park already includes a completed 87-room Wingate Hotel, a Quaker Steak & Lube restaurant under construction, an indoor paintball park and facilities for BMX, go-karts and skateboarding. His plan calls for a 45,000 sf indoor waterpark that could be doubled in size to 90,000 sf later on. He hopes to start construction in December 2008 with completion in December 2009. Jacob Wright is on the leading edge of a trend that merges hotel indoor waterparks with adventure sports facilities in mixed-use resort destination projects. Talk to Jacob at 315-



546-1000 or go to www.actioncompanies.com. Or call HeadRush at 315-453-7874 or visit www.headrush.com.

What's Ahead for 2010 & Beyond?

Here is a list of hotel waterpark projects that are under construction or expected to break ground during 2009 and scheduled to open during 2010 and beyond. With commercial mortgage lending grinding to a halt in October 2008, credit markets tightening and the US Financial Rescue Plan having little impact for months to come, some of these projects may be delayed indefinitely.

Hotel Waterpark Resorts Scheduled to Open in 2010 & Beyond

USA <i>Opening in 2010 & Beyond</i>	Location		Number Of Rooms	OWP SqFt	Indoor WP SqFt	Open Date
Chula Vista P2 Add Condominiums	Wisconsin Dells	WI	534			201001
Frontier Lodge & Conference Ctr IWP	LaSalle	IL	464		61,000	201007
Abbey Resort & Spa IWP Addition	Lake Geneva	WI	334		20,000	201003
Hilton Garden Inn & Aqualand Waterpark	Fargo	ND	110		14,000	201004
Ramada NW Add Rooms, IWP, Conference Ctr	Urbandale	IA	165		14,673	201004
Grand Cambrian Resort	Wisconsin Dells	WI	350	20,000	45,000	201005
Volcano Island Resort CC & I-OWP P1	Fairmont	WV	300	217,800	50,000	201006
Lodge at Schlitterbahn Vacation Village+ IWP (P2)	Kansas City	KS	1500			201107
Total Projected Opening in 2010>		8	3,757	237,800	204,673	

Source: Jeff Coy & Bill Haralson, Hotel Waterpark Resort Research & Consulting, October 2008.

In our last Hotel Waterpark Resort Construction Report, dated February 2008, we also mentioned signs of a slowing economy --- due to higher fuel costs, higher construction costs and a residential mortgage crisis that is affecting hotel lending. During the last eight months, we tallied the positive and negative headlines, hoping that the subprime mortgage mess was just a short overrun of greedy bad behavior --- packaging bad loans as securities and selling them around the world. As negative news surpassed any positive news, we wondered how deep this down-cycle would go. Now we know. It has cracked our US financial system and brought bank lending and credit to a halt.

Who's to blame? See the 10 Most Wanted Culprits of the Collapse by visiting www.cnn.com. In 1999, the US Congress passed a law that allowed banks to merge with insurance companies and investments banks, a lesson learned from the past that Congress forgot about. In 2000, the US Congress reduced government regulation of our financial industry. These two laws set the stage for our current crisis.

Generally, small government and de-regulation lead to prosperity, letting the free markets work. I always remember Oliver Stone's movie, *Wall Street*, in which Michael Douglas proclaims, "Greed is good, greed works!" Yes, it works, and we ALL prosper when people do the right thing. But there is a *loss of ethics* in this country, and too many people do not

do the right thing. When you mix greed with lying and cheating, that's when the system fails. But that's our opinion, and we will be glad to discuss it with you next week at the World Waterpark Association Expo in Las Vegas over a cup of coffee or something stronger.

Meanwhile, our US Financial Rescue Plan is going to take months to positively impact our economy and get banks lending at reasonable terms again.

Our advice: stay positive, work hard and do the right thing.

Jeff Coy is president and Amanda McDaniel is research director of JLC Hospitality Consulting based in Phoenix-Cave Creek AZ. You can reach them at 480-488-3382 or email jeffcoy@jeffcoy.com or go to www.jeffcoy.com.