

Construction Report: Spring 2009

Bank crisis slows down travel, lodging and new construction

By Jeff Coy and Amanda McDaniel

March 2009 -- In 2008, fifty (50) hotel waterpark resort projects were under construction, down from 67 under construction in 2007. Another thirty-one (31) projects expect to be under construction in 2009. This compares with the construction slowdown of all hotels in the USA. According to Smith Travel Research, in December 2008, 185,119 hotel rooms were under construction, down 12.6% from 211,694 rooms under construction in December 2007. The lack of bank lending on new hotel construction pushed many of these projects, including hotel waterpark resorts, back into final planning, planning and pre-planning stages.

		Construction Project Growth Hotel Waterpark Resorts USA								
	<i>2009 F</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
Open at beginning of year	199	175	141	108	82	65	50	42	33	19
Openings during year	18	24	34	33	26	17	15	8	9	14
Total Open at end of year	217	199	175	141	108	82	65	50	42	33
Percent Change	9.5%	13.7%	24.1%	30.6%	31.7%	26.2%	30.0%	19.0%	27.3%	
Under Construction	31	50	67	60	58	35	18	9	10	14
In Development	201	199	166	108	121	69	46	19		

Source: JLC Hospitality Consulting.

Twenty-four (24) hotel waterpark resort projects opened in 2008 which included 20 new properties and four expansion projects. Thirty-four (34) hotel waterpark resort projects opened the year prior. Construction growth of hotel waterpark resorts in the USA reached highs of over 30% in 2005 and 2006 before the bank crisis put a damper on this popular family recreation concept. Hotels with indoor waterparks grew 13.7% in 2008 compared to growth of 2.7% for hotels without indoor waterparks. By yearend 2009, another 18 hotel waterpark resort projects are expected to open, a 9.5% gain from 2008, despite a scarcity of construction lending --- bringing the total to 217 nationwide.

Hotel Waterpark Resort Projects That Opened in 2008

Since the October 2008 Construction Report release, seven of the 2008 projected projects opened in 2008. CoCo Key Water Resorts in particular finished the year strong by meeting their opening dates and adding three new indoor waterparks in concert with attached branded hotels. Additionally, a previously unknown project was also completed in 2008. A list of hotel waterpark resort projects that were completed in 2008 is shown in the following table.

Hotel Waterpark Projects Opened in 2008					
Hotel Waterpark Resorts USA					
<i>Opened in 2008</i>	Location		Number of Rooms	Indoor Waterpark Ft ²	Date Open
Double JJ, Phase 2 room additions	Rothbury	MI	137	0	200801
The Villages Resort at Lake Palestine IWP addition	Flint-Tyler	TX	0	19,000	200801
Bluegreen Odyssey Dells at Mt Olympus Resort	Wisconsin Dells	WI	24	0	200801
Red Jacket Mountain Resort & Kahuna Laguna IWP	North Conway	NH	162	40,000	200802
Great Wolf Lodge	Grand Mound	WA	390	67,000	200803
Key Lime Cove Resort & IWP, Phase 1	Gurnee	IL	414	64,500	200803
Maui Sands Family Suites & IWP	Sandusky	OH	304	55,000	200803
Sheraton Kansas City Sports Complex & CoCo Key IWP	Kansas City	MO	374	55,000	200803
Safari Joe's Indoor Wilderness Waterpark at Ramada Inn	Watervliet	MI	94	18,000	200804
Wilderness at the Smokies Event Center Hotel, Phase 1	Sevierville	TN	234		200804
Silver Mountain Resort & Silver Rapids IWP	Kellogg	ID	268	45,000	200805
Timberlake Lodge & Grand Splash Waterpark	Grand Rapids	MN	84	8,000	200805
Northpointe Inn & Hotel Suites & IWP addition	Mackinaw City	MI	98	23,000	200805
Borgata Casino Resort & Water Club	Atlantic City	NJ	800	172,000	200806
Big Horn Resort's Wingate by Wyndham Billings & The Reef IWP	Billings	MT	109	35,000	200808
Honey Creek Resort State Park & Buccaneer Bay IWP	Rathbun Lake	IA	105		200809
Split Rock Resort & IWP Addition	Lake Harmony	PA	500	53,000	200810
Holiday Inn & CoCo Key IWP	Waterbury	CT	284	55,000	200810
Marriott Resort & CoCo Key IWP	Mt Laurel	NJ	285	55,000	200811
Grand Traverse Resort & Spa IWP conversion	Acme/Traverse City	MI	0	15,000	200812
Kalahari indoor amusement facility addition	Wisconsin Dells	WI	0		200812
Wilderness at the Smokies Hotel & Wild Waterdome IWP	Sevierville	TN	472	60,000	200812
Bluegreen Odyssey Dells at Mt Olympus Resort	Wisconsin Dells	WI	75		200812
BW Royal Plaza & CoCo Key IWP	Fitchburg	MA	245	55,000	200812
	Opened in 2008		24	5,458	894,500

Source: JLC Hospitality Consulting.

Projects that opened the last quarter of 2008 include the following:

- Holiday Inn & CoCo Key Indoor Waterpark
- Marriott Resort & CoCo Key Indoor Waterpark
- BW Royal Plaza & CoCo Key Indoor Waterpark
- Split Rock Resort's H2Ooooh! Indoor Waterpark Addition
- Wilderness at the Smokies Hotel & Wild Waterdome Indoor Waterpark
- Bluegreen Odyssey Dells at Mt Olympus Resort
- Kalahari Resort Wisconsin Dells Indoor Amusement Facility Addition
- Grand Traverse Resort & Spa Indoor Waterpark Conversion



Holiday Inn & CoCo Key Water Resort in Waterbury, CT (203) 706 1000, **Marriott & CoCo Key Water Resort** in Mt Laurel, NJ (877) 494-2626, and **Best Western Royal Plaza & CoCo Key Water Resort** in Fitchburg, MA (978) 342-7100 all opened in late 2008. The CT and NJ hotel waterparks opened in October and the MA location opened in December. **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 CoCo Key brand of indoor waterparks to balance the business-leisure customer mix and achieve higher occupancies and revenues. The strategy appears to be working. Each waterpark is similar in size and water features. Information is available at <http://www.cocokeywaterresort.com>.

Jack Kalins' \$19 million 53,000 square feet (ft²) **H2Oooohh! Indoor Waterpark** opened at the end of October 2008 in the Galleria at **Split Rock Resort in Lake Harmony, PA**. The indoor waterpark features Pennsylvania's first FlowRider surfing simulator, called the Komono Dragon. In addition, there are the Viper, Piranha, and Amazon Blast waterslides dropping guests 40 feet to pools below. The less adventurous can enjoy the 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, with all park amenities open to the general public. For more information call (570) 722-9111 or go to www.splitrockresort.com.



As mentioned in the October 2008 Construction report, Bridgemont is a 1,000-acre mixed-use resort destination in Sevierville, TN that offers everything; a village with 500,000 ft² of shopping, dining, entertainment, attractions, hotels, condos, residential and 36-holes of championship golf. Pete and Pat Helland, brothers and owners of the **Wilderness Event Center Hotel** (opened April 2008) in Sevierville were able to open Phase 2 of their project, **The Wilderness at the Smokies Hotel**, inclusive of the **Wild WaterDome** indoor waterpark, in December 2008.



The Wilderness at the Smokies Hotel provides 472 units of multi-room suites in the condo-hotel. **Wild WaterDome** provides 60,000 ft² of climate controlled fun and includes, among other features, a SurfRide,

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StormChaser tube slide, and a wave pool. The clear overhead structure uses Foiltec-Exlon, letting the light in while maintaining a comfortable indoor environment. Up next for the Helland brothers is Phase 3, an outdoor waterpark expected to open in the summer of 2009. For more information on all these new and planned facilities visit www.wildernessatthesmokies.com or call (877) 324-9453.

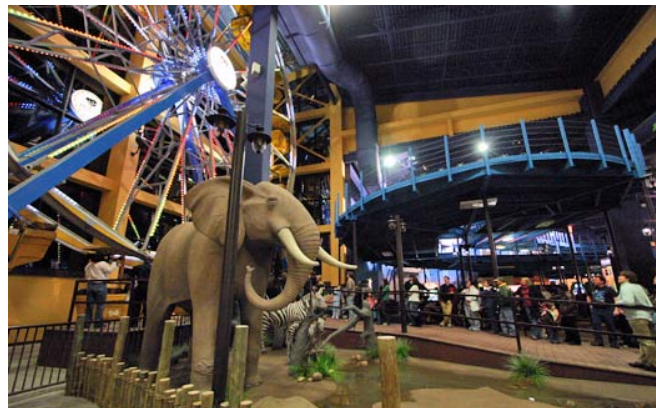
Bluegreen Odyssey Dells at Mt. Olympus Resort – This project is a condo timeshare opportunity in conjunction with **Mt. Olympus Resort**. The success that Wisconsin Dells is seeing as a year round destination center since adding indoor waterparks to already popular outdoor waterparks has spawned interest within the real estate business. In this case,



Bluegreen Corporation, saw an opportunity with Mt. Olympus. According to Bluegreen's website, they are "... a leading provider of Colorful Places to Live and Play® through two principal operating divisions. With over 185,000 owners, Bluegreen Resorts markets a flexible, real-estate based vacation ownership plan that provides access to more than 40 resorts and an exchange network of over 3,700 resorts and other vacation experiences such as cruises and hotel stays." Timeshare condos are 750 ft², two bedroom units. Bluegreen owners and guests check in at the Mt. Olympus front desk. Reservations

include four wristbands at no charge to use at both indoor and outdoor (seasonal) facilities at Mt. Olympus. Additional wristbands may also be purchased. Bluegreen is marketing Wisconsin Dells not just for waterparks, but all the attractions the area has to offer, such as skiing, boating, rock climbing, parasailing, and golf. Bluegreen was founded in 1966, and is headquartered in Boca Raton, FL. For more information go to www.bluegreenonline.com or call (800) 456-0009.

The **Kalahari Resort** in Wisconsin Dells completed a major addition in December 2008. Now guest at the resort can enjoy a new 110,000 ft² indoor theme park. The park features a six-story Ferris wheel, a 28-foot-wide African-themed carousel, an elevated go-cart track, and miniature golf. Also included are 24 lanes of bowling, golf simulators, climbing walls, laser tag, and a 24-foot-high ropes course. Kalahari owner Todd Nelson continues to think big and raise the bar within the industry.



Check it out at www.kalahariresort.com/wi or call (877) 525-2427.



A small project not on the radar was completed in 2008 at the **Grand Traverse Resort and Spa** near Traverse City, MI. The resort converted its lap pool into a 15,000 ft² “water playground.” This small indoor waterpark

includes a waterslide, removable water walkway, spray area, and zero depth pool. The hotel is owned and operated by the Grand Traverse Band of Ottawa and Chippewa Indians and includes 238 rooms and 190 condos. More information is available at www.grandtraverseresort.com or by calling (231) 668-4459 or (888) 335-7045.

Troubled Properties in 2008

We reported in the October 2008 Construction Report that the 306-suite **Maui Sands Resort** opened in Sandusky OH during March 2008. We went on to say that 17 construction companies and subcontractors had filed nearly \$4 million in liens against **Maui Sands Resort** for unpaid labor and material expenses since the project began in 2007. Maui Sands closed its doors on November 27, 2008 while owner Scott Emerson planned to file Chapter 11 bankruptcy. The resort laid-off about 100 employees, and guests with reservations had to find other accommodation. The resort claims it will re-open in May 2009. Meanwhile, construction remains unfinished on the Hawaiian Cabana Village portion of the property. Emerson hopes to talk with the contractors about returning to the project. A minimal staff has been retained for reservation and marketing activities. The resort’s website is www.mauisandsresort.com.

The **Double JJ Ranch** in Rothbury, MI has been on the market since prior to filing for Chapter 11 reorganization in the summer of 2008. Initially, the ranch continued to operate, however operations ceased and the ranch closed on September 3, 2008. On October 30, 2008 the property went to auction. At the court-ordered auction, one of the owner’s creditors, BankFirst of Minnesota, agreed to pay \$8.65 million for the property, excluding the golf course. The lender was then going to resell the ranch to a company called Tia2K LLC. A federal bankruptcy judge in Grand Rapids rejected the sale to BankFirst. Judge Jeffrey Hughes said the owners have some say about who will buy their property, and that not enough was known about the Tia2K LLC. The property continues to sit in limbo, but some websites are reporting that the Rothbury Music Festival is scheduled for July 2009 at the **Double JJ Ranch**. Check the website for status updates <http://www.doublejj.com>.

Michael Polsky was appointed as receiver for the **Jellystone Park Campground**, after a judge in Chicago dismissed a Chapter 11 bankruptcy case that had been filed by the campground’s owner. A federal bankruptcy judge dismissed the case, a move that had been sought by the Bank of Mauston. In September, the bank filed a mortgage foreclosure lawsuit against the various owners of parts of the **Three Bears Resort** in Warrens, which includes the campground, an indoor water park, and a 93-room hotel. Michael Polsky had already been appointed as receiver to oversee the water park and hotel property. The hotel

and waterpark closed Sept. 15 and the campground closed for the season once the Warrens Cranberry Festival ended Sept. 28. The hotel and water park have not reopened, however, reservations for the 2009 camping season are being accepted. The website is www.jellystonewarrens.com.

During the final three months of 2008, the sub-prime mortgage mess turned into an ever-deepening bank industry crisis and recession around the world. Bank lending came to a halt, travel slowed, consumers reduced their spending, jobs were lost, negative news outweighed positive and no one could predict when the economic upswing would occur.

What's Ahead for 2009?

Hotels with indoor waterparks continue to have an advantage over hotels without indoor waterparks in terms of generating incremental occupancy, room rate, revenue and profits. However, the economy continues to slump while financial systems struggle for repair. Until a turn of the tide, all hotels and all industries suffer and the advantage of hotel indoor waterparks is lost or slight. As of February 1, 2009 we project 18 construction projects to open in 2009, as shown in this table.

Hotel Waterpark Resort Projects Scheduled to Open in 2009						
Hotel Waterpark Resorts USA						
<i>Opening in 2009</i>	Location		Number Of Rooms	OWP Ft ²	Indoor WP Ft ²	Open Date
Great Wolf Lodge Room & Mtg Rm Additions	Grapevine	TX	203		0	200901
Valley of Springs Resort & Big Splash Island	French Lick	IN	154		40,000	200902
Sahara Sam's Oasis	West Berlin	NJ	0		58,000	200903
Greek Peak's Hope Lake Lodge IWP	Syracuse-Virgil	NY	106		40,000	200903
Sheraton Paradise Bay Waterpark at Fishers Marketplace	Fishers	IN	236		70,000	200903
Chula Vista Phase 2 - Add 2nd Dome Sports Center	Wisconsin Dells	WI	0		0	200903
BW Timber Creek & CC + Waves of Fun IWP	Sandwich	IL	100		69,000	200903
Great Wolf Lodge	Concord-Charlotte	NC	400		80,000	200903
Metropolis Hotel & Chaos Water Park Resort	Eau Claire	WI	107		30,000	200904
Holiday Inn Express/Staybridge Suites + IWP	West Valley City	UT	191		8,000	200904
Chula Vista Phase 2 - Additions to IWP	Wisconsin Dells	WI	0			200906
KeyLime Cove Resort IWP P2	Gurnee	IL	611		80,000	200906
Lodge at Schlitterbahn Vacation Village+ OWP (Phase I)	Kansas City	KS	1500	?	0	200907
Hollister Waterpark Resort	Branson-Hollister	MO	400	130,000	75,000	200907
The Lodge at Deadwood (Mtn Resort & IWP)	Deadwood	SD	140		10,000	200910
Wingate + Holiday Inn (Maya IWP)	Syracuse-VanBuren	NY	287		90,000	200912
Boone Crossing Hotel Waterpark Resort I-65 & 334	Indianapolis	IN	250		50,000	200912
Hotel I-OWP at Gilroy Gardens	San Francisco	CA				200912
Total Projected Opening in 2009			18	4,685	130,000	700,000

Source: JLC Hospitality Consulting



Great Wolf in Grapevine, TX completed its expansion in January 2009. The resort added 203 rooms and 20,000 ft² of meeting room conference space. This follows a successful trend of providing meeting space to attract a broader clientele. Not only can resorts attract families to their hotel waterpark, but also conferences and conventions. Go to <http://www.greatwolf.com/grapevine/lodge> or call (817) 488-6510.

Jerry and Carolyn Fuhs had a soft opening of their **Valley of Springs Resort** hotel on February 20, 2009. They have been opening other amenities in the weeks that followed, such as the Boatyard Restaurant, the Galley Grille, and the Treasure Chest Arcade. The indoor waterpark, **Big Splash Island**, is scheduled to open on March 15. The 40,000 ft²



waterpark includes a three story play structure, four 40-ft water slides, a lazy river, a splash pool for toddlers, an activity pool, a large whirlpool, and a redemption arcade. The Fuhs are making a splash in the industry as they offer all these amenities while being “the greenest large waterpark project to date.”

Big Splash Island is housed in a clear panel aluminum structure designed by OpenAire, Inc. The building is a primary component of the energy efficient design. The glass structure allows for natural light, offering a significant reduction in energy consumption. The unique retractable roof and perimeter of windows promotes natural ventilation and air flow. **Big Splash Island** does not use traditional sand filtration systems, instead it includes the latest technology, “The Defender” by Neptune-Benson. This system allows for a substantial reduction in water usage and promotes superior water quality. This in turn reduces the need for chemicals. The efficient motor design uses less energy. There are also Ultraviolet Disinfectant Systems and high efficiency boilers to round out the sustainable and energy efficient design of this green resort. For more information go to www.valleyofthesprings.com or call (812) 936-3866. You’ll want to check this one out - even the laundry and IT department have been greened. Up next, Jerry and Carolyn shoot for LEED certification!



KeyLime Cove Resort plans to complete Phase 2, the addition of 186 rooms to the hotel waterpark resort. When complete this summer, the resort will boast a total of 600 rooms complementing the 65,000 ft² indoor waterpark. Visit www.keylimecove.com or call (224) 656-8685.

The **Great Wolf Lodge** in Concord, NC is a 475,000 ft² square-foot complex, scheduled to open in March off Interstate 85's Exit 49. The massive four-story complex includes the 80,000 ft² Bear Track Landing™ indoor waterpark with 11 waterslides and four pools; more than 400 guest suites with nine different configurations; 20,000 ft² of meeting and banquet space; an outdoor pool area; Iron Horse™ Fitness Center; and Buckhorn Exchange™, a gift emporium and convenience store. The resort general manager Phil



Cunningham said the resort is already taking reservations for stays as early as April 15, and said he expects it to have a “soft opening” on March 26. That may mean opening part of the complex while other sections won't quite be ready yet. Charlotte-area leaders, professionals and media were invited to a hard hat tour of the \$100 million+, 36-acre **Great Wolf Lodge** construction site in early December 2008. Visit <http://www.greatwolf.com/concord/lodge> or call (866) 925-9653.

After more than a year of delays, construction is under way on a \$15 million hotel complex across the street from the E Center in West Valley City, UT. The project's developer, **Utah Hospitality LLC**, expects construction on the venture that includes a 94-room **Holiday Inn Express** and a 97-unit **Staybridge Suites** hotel to be completed in early 2009. **Staybridge Suites** will have larger rooms than the **Holiday Inn Express** and is designed for guests expecting to stay five to 14 days. The two hotel properties being built just north of the E Center on Decker Lake Drive will be linked by an 8,000- square-foot waterpark featuring a 165-foot-tall water slide. “We're excited,” said Jeff Stockert, president of Utah Hospitality. “The Salt Lake City area is a very family-oriented market, and we think this project will be really well received. Waterparks have become increasingly popular in the hospitality business over the past five years, and to our knowledge, this will be the first indoor park on a hotel property in Utah.” Only guests of the two hotels will have access to the water park, but Stockert believes families in the area will chose the hotel complex as a destination for something a little different.

What's Ahead for 2010 & Beyond?

For 2010 and beyond, we expect 17 construction projects to open, with 12 of those expected in 2010. The following table provides a list of the project openings predicted for 2010 & beyond. Commercial mortgage lending has not picked up yet and credit markets continue to be tight. Some of these projects may be delayed indefinitely.

Hotel Waterpark Resort Projects Scheduled to Open in 2010 & Beyond						
Hotel Waterpark Resorts USA						
<i>Opening in 2010 & Beyond</i>	Location		Number Of Rooms	Outdoor Waterpark Ft ²	Indoor Waterpark Ft ²	Open Date
Ramada NW Add Rms, IWP, CC	Urbandale	IA	165		14,673	201004
Volcano Island Resort CC & I-OWP P1	Fairmont	WV	300	217,800	50,000	201006
Frontier Lodge & Conference Ctr IWP	LaSalle	IL	464		61,000	201007
Chula Vista P2 Add Condominiums	Wisconsin Dells	WI	534	0	-	201001
Abbey Resort & Spa IWP Addition	Lake Geneva	WI	334		20,000	201003
Splash2O @ Hoffman Estates	Chicago	IL	240	20,000	65,000	201003
Hilton Garden Inn & Aqualand Waterpark	Fargo	ND	110		14,000	201004
Grand Cambrian Resort	Wisconsin Dells	WI	350	20,000	45,000	201005
Cape Codder Resort Spa IWP addition	Hyannis	MA			21,800	201006
Kalahari Waterpark Resort	Fredericksburg	VA	700		125,000	201012
Executive Inn & IWP Add	Owensboro/Paducah	KY	490		40,000	201012
Redmond Waterpark Condo Resort	Redmond	OR	370		45,000	2010
Lodge at Schlitterbahn Vacation Village + IWP (Phase 2)	Kansas City	KS	1500		130,000	201112
Indian Ridge Resort & Indoor Waterpark	Branson	MO	300		100,000	201112
Thor Hotel at former Astroland	Coney Island	NY	300		75,000	2011
Waveyard Adventure Resort	Mesa	AZ	320	149,000	55,000	
Hotel Waterpark Resort at Colorado Crossing	Colorado Springs	CO	300	215,000	100,000	201412
Total Projected Opening in 2010 & Beyond			17	6,777	621,800	961,473

Source: Jeff Coy, JLC Hospitality Consulting.

US President Obama took office January 20, 2009 and immediately took action toward solving the banking industry crisis, stimulating the economy and restoring consumer confidence. All the experts have an opinion, but no one knows when the recession will bottom out or when the economic upswing will occur. Despite looking for a positive sign of recovery, negative news far outweighs any positive news.

The American Institute of Architects (AIA) has warned the construction industry to brace for an 11% drop in business over the next six months, according to their latest Consensus Construction Forecast released in January 2009. Historically, architect billing numbers are a predictor of what will happen to the construction industry about 9-12 months later. And the current numbers don't look good, according to a March 2 article by C. J. Hughes in Business Week. The wild card is whether the \$130 to \$160 billion assigned to construction in the \$838 billion economic stimulus plan can offset the downturn for builders.

On the positive side, the recession has led to price reductions for materials used in construction projects, like steel, gypsum, lumber and cement, according to economists. Copper, which is used for pipes and wiring, for example, has also grown cheaper from \$3.50 per pound in July 2008 to \$1.48 in January 2009.

Bob Nagel of Architectural Design Consultants Inc (ADCI) of Lake Delton WI expects a small upswing in construction of indoor-outdoor waterparks, amusements and family

entertainment centers in 2010 compared to current levels. “The phone still rings with developers who are positively moving ahead with their plans. By the time we help them finish with design-development and they are ready for funding, we expect the money will be more available,” according to Nagel, whose company has designed more hotel waterpark resorts than any other firm.

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

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