A FINANCIAL FEASIBILITY ANALYSIS FOR THE WASHINGTON MILLS SITE REDEVELOPMENT PROJECT

TOWN OF FRIES, VIRGINIA

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INTRODUCTION

This financial feasibility analysis will provide some preliminary cost estimates and development pro formas for developing a complex like that envisioned for the old Washington Mills site in Fries, Virginia. At this point in the development process, only a "ballpark" estimate of the construction and equipment costs and financing involved in this project can be laid out. Nevertheless, they should give a potential developer and his investors enough information to weigh the risks and rewards of pursuing the development of the complex or any portion of it. The goal in this report is to also provide a potential developer and community leaders the information they need to enter into negotiations aimed at establishing a development agreement between the developer and the Blue Ridge Crossroads Economic Development Authority (BRCEDA), a joint venture of the City of Galax and Carroll and Grayson Counties, and the Town of Fries.

In order to offer flexibility to a potential developer, each of the possible components of the overall plan to redevelop the old Washington Mills site as currently envisioned is dealt with separately in this study. However, it is important to note that the overall concept behind the development of each component is that of creating a "destination," where synergy is created as the various components build on the success of each other. Much like a shopping mall, a vibrant downtown market, or a tourist hot spot, the larger draw created by the presence of multiple service and retail outlets provides an expanded market for each outlet.

Ultimately, the flexibility of the project is in the hands of a potential developer who may have a different vision for how to develop the old Washington Mills site. BRCEDA and the Town of Fries are open to alternative ideas, as long as the site's potential is fully realized, its use is compatible with the riverside/small town setting, and the final development provides an economic benefit to the Town and neighboring communities. Even if a developer wants to pursue a different direction than that utilized for creating this report, it is hoped that the information contained herein might still provide some guidance that is helpful.

FINANCING

Because potential developers might come to the table with different philosophies, financial resources, and attitudes about length of involvement in the project, multiple financing scenarios are possible. As much as possible, the financing scenarios outlined in this report, take a pretty straightforward approach and assume the developer will remain engaged in the project after completion of construction, either as an owner/operator or owner of leased property. Even with utilizing this limited approach, this report should provide cost estimates and financing costs that can be helpful to a developer who might choose a difference scenario.

Two important financing mechanisms are important to highlight at this point. First, the old Washington Mills site is located in a New Market Tax Credit (NMTC) qualified census tract and a certified Community Development Entity with an available NMTC allocation has expressed interest in assisting with the project. The NMTC incentive is a credit against federal tax liability equal to 39% of the investment spread over a period of seven years. The financing scenarios outlined in this report do not include the involvement of NMTC assistance. If a developer and his investors were to utilize the NMTC program for their investment in the project, the feasibility of the project and the calculated rates of return for the various components would be significantly higher.

Second, the project would be eligible for the United States Department of Agriculture Rural Development Business & Industry Loan Guarantee Program which provides an 80% loan guarantee on loans of up to $5 million, a 70% loan guarantee on loans between $5 million and $10 million, and a 60% loan guarantee on loans between $10 million and $25 million, though this latter category requires special administrative review. Though this program does not provide actual cash dollars, having the backing of the Federal government will go far toward a developer's effort to secure the needed credit for the project in today's tough economy.

SITE COSTS

The old Washington Mills site is approximately 13.3 acres of land adjacent to the New River on the western edge of the Town of Fries, Virginia. The former mill was situated in a terraced fashion leading down to the river before being cleared through grants provided by the Virginia Department of Housing and Community Development (VDHCD). The land remains roughly terraced and includes several remaining ancillary buildings and the remnants of several former parking lots. BRCEDA and the Town of Fries control the land at this point.

The original concept plan for the site was included in the *Fries Revitalization Master Plan* completed in March, 2008. That concept has been refined to some degree through additional research and study and as a result of *A Market Study for the Washington Mills Site Redevelopment Project* completed in November, 2008. This report will be based on the more recent concept plan as it exists on January 15, 2009.

VDHCD has made available additional grant funds for preliminary planning, marketing the property, and preparing a preliminary grading plan. These additional funds will also be used for the cost of additional clearance, initial grading, and the extension/upgrading of utilities to the site in preparation for its reuse. Grant funds for additional site and utility work will only be expended once a developer has been selected for the project, a development plan has been laid out, and a development agreement has been reached.

As indicated in the introduction, a developer may seek to pursue a different direction. Grant funds will be equally available for additional site and utility work for a different plan as long as a development plan and development agreement can be agreed to by the developer, BRCEDA, and the Town of Fries with the concurrence of the funding agency, VDHCD. Until a final plan is in place, it would be difficult to project what additional site and utility work might be required that exceeds the resources available through the additional grant funds. A safe assumption is that grant funds should be able to cover no less than 50% of site and utility work and may possibly cover 100% of the costs.

BRCEDA and the Town of Fries have indicated that initially the land would be leased to a developer for a reasonable cost. Though open to various scenarios, a negotiated development agreement would most likely allow for the acquisition of the property once certain performance measures have been met, particularly the substantial completion of all construction phases and the successful operation of the facilities constructed under the development agreement.

DESTINATION HOTEL DEVELOPMENT

The *Fries Master Revitalization Master Plan* calls for the development of a destination hotel as a key component of the redevelopment of the old Washington Mills site. The original concept plan and a subsequent concept plan for the hotel and site set forth a hotel that takes advantage of the riverside location and mountain landscape. Because of the uniqueness of the site and its topography, no particular hotel model will be an exact match for the location. Short of drawing up detailed construction plans and cost estimate, a model must be utilized as a "jumping off" place for this analysis.

Research was undertaken to establish a baseline model that might be of the size and amenities to work successfully on the site. That research led to a mid-scale 80-room hotel prototype utilized by one of the larger U.S./international hotel chains and marketed to its franchisees. The chain's prototype was selected as a model because its hotels are known for their individuality and because its franchisees are encouraged to create facilities that reflect the charm and culture of the area in which it is located.

Mid-Scale Prototype Overview

The following describes the configuration and amenities included in the standard design for the mid-scale prototype:

- Guest Rooms
    - Total of 80 rooms on three floors
    - 14 King Rooms with 12 ft. of hallway footage & an area of 323 sq. ft.
    - 20 King 14 Rooms with 14 ft. hallway footage & an area of 350 sq. ft.
    - 30 Queen/Queen Rooms with 12 ft. hallway footage & an area of 366 sq. ft.
    - 12 King Mini-Suites with 12 ft. hallway footage & an area of 386 sq. ft.
    - 4 Queen/Queen Mini-Suites with 12 ft. hallway footage & an area of 438 sq. ft.
- Amenities
    - Meeting Rooms - 2
    - Breakfast Area
    - Indoor Pool
    - Fitness Room
- Site Layout
    - Building Footprint – 14,373 sq. ft., 0.33 acres, 18% of total
    - Hardscape – 48,787 sq. ft., 1.12 acres, 61% of total
    - Softscape – 17,424 sq. ft., 0.40 acres, 21% of total
    - Total – 80,586 sq. ft., 1.85 acres, 100% of total
- Parking
    - Spaces for Rooms - 80
    - Spaces for Employees - 12
    - Total Spaces - 92

According to the regional sales/franchisee representative for the hotel chain that was consulted, the construction cost for the standard mid-scale prototype as described above is currently running $60,000 to $65,000 per room inclusive of all costs except for land.

Enhanced Design

Construction costs for the standard mid-scale prototype outlined above should be increased approximately by one-third in order to take advantage of the Fries site by building the hotel on the upper portion of the site with all rooms facing the New River and the outdoor recreation/adventure tourism complex. This increase would also allow for a premium exterior finish, the addition of balconies to each room, an increase

in room size or amenities, and additional parking associated with providing a conference center/performance space. A conference center/performance space with 1,800 sq. ft. of floor space and 200 sq. ft. of backroom space would seat 200 people performance style with a small stage and 100 people around tables for a conference or sit-down dinner.

Construction Costs

Utilizing $65,000 and adding 33.3% for enhancements would yield a per room cost of approximately $86,700 and a total of $6,936,000 for the hotel without a conference center/performance space. Construction of commercial space in Southwest Virginia is currently running an average of $158/sq. ft. inclusive of construction, contractor's overhead and profit, and architectural/engineering fees according to the estimator utilized by Spectrum Design Architects which would yield a cost of $316,000 for the conference/performance space. The total construction cost of the hotel plus conference center/performance space would therefore be $7,252,000.

Furnishings/Equipment

The following list describes the furnishings and equipment costs required for setting up a hotel of 80 rooms according to the standard mid-scale prototype with the addition of a conference center/performance space.

• Room Furnishings ($3,000/room per the hotel chain consulted)	$240,000
• Lobby Furnishings	$7,500
• Breakfast Area	$15,000
• Meeting Rooms	$15,000
• Conference Center	$30,000
• Pool Furnishings	$7,500
• Fitness Center	$5,000
• Office/Employee Space	$10,000
• Laundry & Other Housekeeping Equipment	$20,000
Total	**$320,000**

Financing & Return on Equity

Total construction and equipment costs would equal $7,572,000. During the week of December 15, 2008 commercial loan/mortgage rates began to drop significantly with interest rates projected to be between 5% and 6% over the short term for a loan with a term of 5 to 15 years and amortized over 25 years. Because the development of a hotel in Fries is still some months away, it is safer to use the interest rate at the higher end of this spectrum, 6%. Commercial mortgages typically require a 75% loan to value ratio (LTV), leaving 25% of the cost of construction and equipment to be provided by the developer and his investors. Setting a rate of return for the developer and his investors of 12% would yield the following calculations.

• Annual Principle & Interest Payment on $5,679,000 for 25 years @ 6%	$444,250
• Annual Return on Equity of 12% on $1,893,000	$227,160
Total Annual Cost of Financing	**$671,410**

Cash Flow after Financing

A Market Study for the Washington Mills Redevelopment Project previously assembled indicates that the income for an 80 room hotel located at the former site of the Washington Mills would provide an **Annual Cash Flow** of **$1.53 million** at an annual occupancy rate of 64% if constructed as part of an outdoor recreation/adventure tourism complex. Utilizing this figure, the **Annual Cash Flow after Financing** for the development of a hotel at Fries would be in the neighborhood of **$860,000**, funds available for the staffing and operational expenses of the hotel.

RETAIL DEVELOPMENT

A Market Study for the Washington Mills Redevelopment Project examined the demand for "a store of sufficient size to carry retail goods for most outdoor recreation/adventure tourism sports including kayaking, canoeing, and mountain/trail cycling as well as souvenirs, convenience items, and snacks." Per guidance provide by Urban Land Institute's (ULI) *Dollars and Cents of Shopping* Centers, a store of this nature would typically have 4,500 to 5,000 sq. ft. of floor space. Because of the need to store larger retail items, the back room space needed for this square footage would likely be in the neighborhood of 2,000 sq. ft. Therefore, the following scenario is based on a 7,000 sq. ft. facility (5,000 sq. ft. in showroom space/2,000 sq. ft. in backroom space) constructed as a part of the outdoor recreation/adventure tourism complex envisioned for the old Washington Mills site.

An additional component of this scenario is that the developer would construct the retail facility, maintain ownership of it, and lease it to a store operator. The store could be a "homegrown" endeavor or be the site of a chain or franchise operation. One example of a small Virginia chain of stores in this niche is Blue Ridge Mountain Sports headquartered in Charlottesville, VA. Blue Ridge Mountain Sports has twelve stores in Virginia and Tennessee and one store in New Jersey. Their newest store is in Blacksburg. Interestingly, the chain does operate a store outside of a metropolitan market at Wintergreen, a ski and golf resort community adjacent to the Blue Ridge Parkway in Nelson County, VA.

Construction Costs

As indicated for the cost of constructing a conference/performance space enhancement to the hotel, construction costs are running an average of $158/sq. ft. in the general area of Fries. At that price, a 7,000 sq. ft. retail facility would cost $1,106,000 to construct. Though the parking at the Fries outdoor recreation/adventure tourism complex might be a common feature, it is reasonable to assign the cost of some of those sites to the construction costs for the retail facility. Utilizing the ratio of four parking spaces per 1,000 sq. ft. (a fairly standard ratio) would yield the need for 20 parking spaces. Per guidance from several resources, parking currently costs $2,000 to $2,500 per parking space to construct. In light of the fact that the concept plan calls for the reconstruction of existing parking lots near the retail facility, the lower figure can be used yielding a cost of $40,000 for parking. The combined construction cost would therefore be $1,146,000.

Projected Sales

A Market Study for the Washington Mills Redevelopment Project outlined a market potential of $1.50 million annually in sales. Because an outfitters store as described above could actually fit in several of the retail types utilized by ULI in its calculations, the average of the median sales/sq. ft. and median rent/sq. ft. for several regional retail categories and one super regional retail category was calculated. Utilizing the regional categories is necessary because of the underlying nature of the outdoor recreation/adventure tourism complex planned for Fries. The categories that were utilized included regional special apparel, regional athletic footwear, regional sporting goods, regional other retail, and super regional sporting goods, the only type of sporting goods that would carry larger retail items. At $279/sq. ft., the calculated average for annual sales per square foot, a 5,000 sq. ft. store would have $1,395,000 in annual sales. This figure would support the market potential established in the Fries Market Study.

Projected Lease Rate

The average of the median annual rent/sq. ft. provided by the calculations above is $21.22/sq. ft. While the opportunity in Fries for an outfitters store is a very good one, particularly as part of an outdoor recreation/adventure tourism complex, this rate is probably too high. A safer rate would be in the

neighborhood of $15.00/sq. ft. For the 7,000 sq. ft. this would equal an annual rent of $105,000, 7.0% of annual sales based on $1.5 million.

Financing & Return on Equity

The 6% interest rate, terms, and 75% LTV utilized in the hotel calculations would call for a loan of $859,500 with annual principle and interest payments of $67,236. The developer and his investors' 25% stake in the project would equal $286,500. The financing for the outfitters store would therefore look like the following:

• Annual Lease	$105,000
• Annual Principle & Interest Payment on $895,000 for 25 years @ 6%	-$67,236
Cash to Developer / Investors	**$37,764**
Developer's / Investors' Equity	**$286,500**
Annual Return on Equity	**13.2%**

RESTAURANT DEVELOPMENT

A Market Study for the Washington Mills Redevelopment Project also examined the demand for a restaurant. Per guidance provide by Urban Land Institute's *Dollars and Cents of Shopping* Centers, a restaurant in a regional shopping center that serves alcohol has a median square footage of just over 5,200 sq. ft., annual sales of just over $1.8 million, and median rent per square foot of $21.16/ sq. ft.. Therefore, the following scenario is based on a 5,000 sq. ft. facility as a part of the outdoor recreation/adventure tourism complex envisioned for the old Washington Mills site.

Like with the retail space, an additional component of this scenario is that the developer would construct the retail facility, maintain ownership of it, and lease it to a store operator. The restaurant could be a "homegrown" endeavor or be the site of a chain or franchise operation. Nearby Galax has examples of both. The Galax Smokehouse is a very successful local restaurant located downtown. The Smokehouse is joined in downtown by Macado's, an outlet of a smaller regional restaurant chain. Numerous chain restaurants operate on U.S. 58 in Galax including an Applebee's. Any restaurant opened on the old Washington Mills Site should not try to compete with the Galax market, but would probably require a unique draw as a complement to the restaurant offerings in Galax and in order to maintain sufficient business during the colder months.

Construction Costs

As indicated for the cost of constructing a conference/performance space enhancement to the hotel, construction costs are running an average of $158/sq. ft. in the general area of Fries. At that price, a 5,000 sq. ft. restaurant facility would cost $790,000 to construct. Though the parking at the Fries outdoor recreation/adventure tourism complex might be a common feature, it is reasonable to assign the cost of some of those sites to the construction costs for the restaurant facility as was done for the retail facility. Utilizing the ratio of six parking spaces per 1,000 sq. ft. (a fairly standard ratio) would yield the need for 30 parking spaces. Because the concept plan also calls for the reconstruction of existing parking lots near the restaurant location, the $2,000 per parking space estimate can be used yielding a cost of $60,000 for parking. The combined construction cost would therefore be $850,000.

Projected Sales

A Market Study for the Washington Mills Redevelopment Project outlined a market potential of $1.17 million in annual sales. ULI reports median annual sales of $404/sq. ft. for restaurants in a regional shopping center that serves alcohol. At $404/sq. ft., the calculated average for annual sales per square foot, a 5,000 sq. ft. restaurant would have $2.02 million in annual sales. This figure supports and obviously exceeds the market potential established in the market study.

Projected Lease Rate

While the opportunity in Fries for a restaurant is a very good one, particularly as part of an outdoor recreation/adventure tourism complex, an annual lease rate in keeping with ULI guidance is probably too high at $21.16/sq. ft. Much like the retail development, a safer rate would be in the neighborhood of $15.00/sq. ft. For the 5,000 sq. ft. this would equal an annual rent of $75,000, 6.4% of annual sales based on $1.17 million.

Financing & Return on Equity

At a 6% interest rate, term, and 75% LTV, the carry-out loan would be $637,500 with annual principle and interest payments of $49,870. The developer and his investors' 25% stake in the project would equal $212,500.

The financing for the restaurant would therefore look like the following:

• Annual Lease	$75,000
• Annual Principle & Interest Payment on $637,500 for 25 years @ 6%	-$49,870
Cash to Developer / Investors	**$25,130**
Developer's / Investors' Equity	**$212,500**
Annual Return on Equity	**11.8%**

DEVELOPMENT OF AN OUTDOOR RECREATION/ADVENTURE FACILITY

A Market Study for the Washington Mills Redevelopment Project also examined the demand for a facility that would offer a menu of outdoor recreation/adventure tourism activities because of the site's proximity to the New River, New River Trail, and other regional recreation outlets. According to the vision for the site, these activities could also be complemented by musical events, both indoors and outdoors at an amphitheater, that tie into The Crooked Road and the region's many offerings of Bluegrass music. As highlighted earlier, the synergy created by such a destination would be of great value to all of the endeavors that might take place on the site.

The developer of the outdoor recreation/adventure tourism complex at the Washington Mills site will ultimately decide what outdoor recreational/adventure tourism activities to pursue and how many to operate under his ownership or to release for development and operation through partner or vendor relationships. Just as importantly, the *Fries Revitalization Master Plan* highlights the desire to provide local jobs and did put forward the idea of developing a "Great Outdoors Micro-Enterprise Center" business incubator in Fries. With these factors in mind, the cost for construction (if any) and equipment for each component activity is priced separately. The cost of shuttle service equipment and the cost of constructing an Adventure School building and parking will also be priced separately, but their costs might be shared by the multiple operators. The financing scenario and projected annual cash flow/cash flow after financing will be provided for the total costs of all components if developed and financed by the developer, but this is for illustrative purposes only.

Climbing Wall & Equipment - $73,000

A price quote was secured from Eldorado Climbing Walls of Boulder, CO for a standard exterior climbing wall. Eldorado's standard Chameleon 35 ft. high exterior climbing wall could be configured to accommodate eight climbers at one time. Cost including shipping and set-up would run $64,000 for this configuration including a basic equipment package. Providing an appropriate exterior floor beneath the climbing wall of pea gravel or mulch would likely run an additional $1,000. Additional set-ups per climber including a helmet, harness, belay, and rope would run approximately $400 per set-up. Allowing for an additional 20 set-ups so that climbers could be preparing for their experience while others are on the wall would therefore cost approximately $8,000.

Mountain & Trail Bikes – $45,000

An additional recreational venue would be the renting of mountain and trail bikes for use on the New River Trail, at an on-site or adjacent mountain (or BMX) bike course, or for trail riding on the numerous trails in the area. Bicycles can vary in price significantly according to type and quality. Through consulting a number of websites, a price can be established of approximately $350 per bicycle including a helmet. Providing a fleet of 100 bicycles of various sizes for rent would therefore cost $35,000. According to the International Mountain Bicycling Association, setting up a quality competition mountain bike course can be accomplished for approximately $10,000. A BMX course would cost substantially more.

Canoes, Kayaks, & Rafts – $88,000

Canoes, standard and inflatable kayaks, and rafts made available to hotel guests and day trip visitors could be used on the New River, with inflatable kayaks and rafts used on an on-site artificial watercourse if constructed. With the popularity of human powered water sports, there is a variety of equipment on the market at many price points. Through consulting a number of websites, some basic prices can be established for various equipment. A standard 2-man canoe retails for approximately $800 including equipment (paddle, helmet, & life preserver at $75 per person). Standard 1-man kayaks run approximately $375 including equipment (paddle, helmet, & life preserver at $125 per person); 2-man kayaks run

approximately $650 including equipment. 1-man inflatable kayaks run approximately $325 each including equipment; 2-man inflatable kayaks run approximately $500 each including equipment. 4-man whitewater rafts run approximately $3,100 including equipment (paddle, helmet, & life preserver at $75 per person): 6-man whitewater rafts run approximately $3,400. Allowing for 15 set-ups of each smaller vessel and 15 set-ups of whitewater rafts (eight 4-man and seven 6-man) would create a flexible fleet of 90 vessels with a total cost of approximately $88,000.

Shuttle Service Vans & Trailers - $138,000

Shuttle service for trail and river users would likely involve purchasing 15-passenger vans. Currently GM Fleet and Commercial Services prices Chevy Express 15-passenger vans from $29,500 to $35,000. Through consulting a number of websites canoe and kayak trailers that can accommodate 8-10 units run $2,400 to $2,600 each. Similarly, a trailer that can accommodate 16 bicycles can be purchased for approximately $2,600. Allowing for four vans at $32,000 each and four trailers at $2,600 each would require approximately $138,000 in equipment purchases to provide a shuttle service for trail and river users.

Adventure School Building & Parking - $1.44 million

An Adventure School building of 7,600 sq. ft. as shown on the current concept plan would cost $1.2 million to construct at the previously used $158/sq. ft. regional construction cost. Parking for 100 cars can be constructed on the existing lower parking lot on the site at the $2,000 per space cost previously used yielding a construction cost of $240,000 after allowing $40,000 for construction and grading related to providing an additional entrance onto Rt. 94. The combined construction costs would therefore be approximately $1.44 million.

Amphitheater - $300,000

Dreaming Creek, a Central and Southwest Virginia timber construction company, built the attractive wooden stages at the facility used for Floydfest in nearby Floyd County including the smaller, yet very substantial, secondary stage that is located in a natural amphitheater. According to Dreaming Creak, that particular stage would cost between $80,000 and $100,000 to build today on an existing concrete slab. With initial grading done as part of the preliminary site work, constructing an amphitheater on the site would only require final grading and building of terraced lawn seating for 400-600 people. Additionally, there would be costs associated with the permanent sound and lighting equipment that would need to be in place. The combined total of these costs (slab, stage, final grading, terraced seating, sound & light equipment) would be approximately $300,000.

Artificial Watercourse - $6.0 million

The McLaughlin Whitewater Design Group was the engineering firm that designed the very first artificial whitewater run, the Dickerson Whitewater Course, in the concrete channel that returns heated water from a power plant back into the Potomac River in Maryland. They also engineered the Adventure Sports Center International artificial whitewater run that has been constructed in Western Maryland. Per McLaughlin's guidance, an artificial whitewater run of approximately 1,000 ft. in length would require about a 20 foot drop and cost a minimum of $5 million and could go as high as $10 million based on available water rights, the need to recycle and pump water to the top of the course, and other site factors.

A number of factors would allow utilizing a figure on the lower end of this rough estimate: 1) An initial review of the topography of the site would indicate that little pumping if any would be required because of the drop in the water level over the adjacent dam and the elevation of the site relative to the New River. 2) The preliminary grading of the site will be accomplished by BRCEDA and the Town of Fries through the grant funds made available by VDHCD prior to any construction or transfer of property guided by the approved development plan and development agreement. 3) The Town of Fries is not regularly using all of

the existing water rights available to it and these could be potentially utilized for the facility. 4) McLaughlin's rough estimate was for a complete project which would include a front-end operations building, parking, etc. which is priced separately in this section as the Adventure School building and parking. Because of the first three factors listed above, a mid-point in McLaughlin's rough estimate can be used, $7.5 million. Allowing for the Adventure School and parking priced separately at $1.44 milion, a construction cost of approximately $6 million can be assigned to developing an artificial whitewater run. A wave pool for use by kayakers and rafters would cost considerably less.

Financing & Return on Equity

Total construction and equipment costs would equal $8,084,000 if fully developed. The 6% interest rate, terms, and 75% LTV utilized in previous calculations would call for a loan of $6,063,000 with annual principle and interest payments of $474,290. The developer's and his investors' 25% stake in the project would equal $2,021,000. Setting a rate of return for the developer and his investors of 12% would yield the following calculations.

• Annual Principle & Interest Payment on $6,063,000 for 25 years @ 6%	$474,290
• Annual Return on Equity of 12% on $2,021,000	$242,520
Total Annual Cost of Financing	$716,810

Cash Flow after Financing

A Market Study for the Washington Mills Redevelopment Project previously assembled indicates that user fees, lessons, and equipment rental charges for a fully developed outdoor recreation/adventure facilities would provide an **Annual Cash Flow** of **$2.53 million**. Those projections assumed 90,000 annual visitors with roughly 50% being local and day-trip visitors and 50% being overnight guests at the destination hotel. 75% of local and day-trip visitors were projected to spend $35 each for user fees, lessons, and equipment rental charges. 50% of overnight guests were projected to spend $35 each for such fees and rentals per day while on-site. Utilizing the figure of $2.53 million, the **Cash Flow after Financing** for the development of complete outdoor recreation/adventure facilities would be in the neighborhood of **$1.8 million**. This cash flow would be available for staffing and operational expenses of the various recreational components, whether under single ownership and operation or under multiple partners or vendors.