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Final Report

July 26, 2005

Town of Mammoth Lakes  
— Retail Demand Projections  
— North Village Recommendations



Prepared for

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# SECTION I.

## Mammoth Lakes Retail Current Conditions

This report documents the relationship between the Town of Mammoth Lakes' (Town) residential and visitor growth and the demand for retail space under current and likely future socioeconomic conditions. These projections offer a basis for estimating retail land use needs and developing associated regulatory and incentive policies as part of the Town's planning process.

This section explains the data gathering and modeling process and the assumptions underlying the retail demand projections. Section II provides forecasts of retail demand under three different scenarios. Section III provides comment on specific retail development issues in North Village.

### Methodology

BBC Research & Consulting (BBC) developed a demand projection model that quantifies the economic relationship between visitor and resident bed base development, local employment growth, retail spending and the demand for retail space. The model quantifies two interrelated but key components of retail demand:

- Growth in resident population—and the proportion of resident household income spent locally on retail goods and services;
- Growth in tourist and second home visitation—and the amount of daily visitor spending for retail goods and services.

Retail demand projections are superimposed on a profile of current retail market conditions in order to quantify expectations of future sustainable commercial development. Present and future conditions in North Village provide an area of specific focus.

### Mammoth Lakes Resident Population

Exhibit I-1 shows data points and assumptions regarding town population, persons per household, household income and the retail capture rate of resident household income in Mammoth Lakes. This information, derived from State and Town sources, is used to calculate the resident-driven portion of local retail sales demand.

Exhibit I-1.  
Resident Population  
and Household  
Spending

Note: \*For more detail see Exhibit I-2.  
Source:  
State of California, Department of  
Finance and BBC Research &  
Consulting.

<i>Indicator</i>	<i>2004</i>
<i>Resident Population</i>	7,472
Persons per household	2.36
<i>Employment</i>	6,990
<i>Household income</i>	
Median household income	\$ 59,800
<i>Percent spent locally on retail taxable sales</i>	17%*
<i>Total annual local taxable spending per Household</i>	<b>\$10,128</b>

BBC derived the local resident spending profile by applying local capture rates to sales taxable expenditures. Resident expenditures were obtained from the 2003 Bureau of Labor Statistics' consumer expenditure survey. Based on our general experience in resort areas, we then adjusted regional data to reflect the unique spending characteristics of mountain resort town residents. Two critical assumptions were key to this adjustment: (1) resort households spend more on housing and (2) less on personal insurance, pensions and motor vehicles. Exhibit I-2 shows the derivation of the local resident spending profile.

Exhibit I-2.  
Resident Spending Profile Derivation

<i>Item</i>	<i>Household expenditures</i>	<i>Mammoth Adjusted Expenditures</i>	<i>Percent spent locally</i>	<i>Percent spent on taxable goods</i>	<i>Local taxable sales</i>
Median Household Income	\$ 59,800	\$ 59,800			
Food	\$ 6,740	\$ 6,700			
Food at home*	\$ 3,862	\$ 3,800	95%	0%	\$ -
Food away from home	\$ 2,879	\$ 2,900	75%	100%	\$ 2,175
Alcoholic beverages*	\$ 500	\$ 800	85%	0%	\$ -
Housing	\$ 17,561	\$ 20,000			
Shelter	\$ 10,852	\$ 14,000	100%	0%	\$ -
Utilities, fuels, and public services*	\$ 2,978	\$ 3,000	100%	0%	\$ -
Household operations	\$ 806	\$ 500	100%	0%	\$ -
Housekeeping supplies	\$ 702	\$ 500	85%	100%	\$ 425
Household furnishings and equipment	\$ 2,225	\$ 2,000	70%	100%	\$ 1,400
Apparel and services	\$ 2,261	\$ 2,200	85%	100%	\$ 1,870
Transportation	\$ 11,669	\$ 8,700			
Vehicle purchases (net outlay)	\$ 5,875	\$ 4,000	10%	0%	\$ -
Gasoline and motor oil*	\$ 1,763	\$ 1,400	75%	0%	\$ -
Other vehicle expenses	\$ 3,448	\$ 3,000	30%	100%	\$ 900
Public transportation	\$ 584	\$ 300	10%	0%	\$ -
Health care	\$ 2,696	\$ 2,300			
Health insurance	\$ 1,334	\$ 1,300	0%	0%	\$ -
Medical services	\$ 780	\$ 500	20%	0%	\$ -
Drugs	\$ 448	\$ 400	85%	100%	\$ 340
Medical supplies	\$ 135	\$ 100	85%	100%	\$ 85
Entertainment	\$ 2,726	\$ 3,000	65%	100%	\$ 1,950
Personal care products and services	\$ 665	\$ 700	85%	100%	\$ 595
Reading	\$ 174	\$ 175	50%	100%	\$ 88
Education	\$ 546	\$ 500	100%	0%	\$ -
Tobacco products and smoking supplies*	\$ 314	\$ 100	95%	0%	\$ -
Miscellaneous	\$ 1,117	\$ 1,200	50%	50%	\$ 300
Cash contributions	\$ 1,413	\$ 1,000	50%	0%	\$ -
Personal insurance and pensions	\$ 5,691	\$ 3,000	0%	0%	\$ -
Local spending					\$ 10,128
					17%

Note: \* Non-taxable sales in California.

Source: Consumer Expenditure Survey, West Region, Bureau of Labor Statistics and BBC Research & Consulting.

It should be noted that taxable sales do not include food sold for preparation at home, liquor, gasoline, or utility sales.

## Housing and Bed Base

Exhibit I-3 identifies the total housing stock (approximately 10,000 units and hotel rooms) and the distribution by type of unit for Mammoth Lakes in 2004. This unit count is derived by adding occupied resident housing units to the number of units used as private second homes, commercial second homes (units made available for rent), hotel units, and fractional lodging.

Exhibit I-3 also shows calculations for determining annual “visitor nights” for all non-resident accommodations. Visitor night calculations involve estimates of seasonal occupancy rates and number of persons by type of unit (see Exhibit I-8 for assumptions). Residential housing data and vacancy rates were gathered from the State of California, Department of Finance and the Town of Mammoth Lakes.

### Exhibit I-3. Mammoth Lakes Bed Base

Source:  
State of California, Department of Finance  
and BBC Research & Consulting.

<i>Indicator</i>	<i>2004</i>
<b><i>Residential Units (permanent residents)</i></b>	
Residential occupied units	3,039
<b><i>Second Homes (seasonal residents)</i></b>	
Second Home Private	1,737
Second Home Commercial	3,907
Fractional	-
<b><i>Total Residential Units</i></b>	<b><i>8,683</i></b>
<b><i>Visitor Lodging</i></b>	
Hotel	1,322
<b><i>Total Rooms</i></b>	<b><i>1,322</i></b>
<b><i>Annual Visitor Nights</i></b>	
<b><i>Second Homes</i></b>	
■ Second Home Private	380,315
■ Second Home Commercial	1,069,637
■ Fractional	-
<b><i>Visitor Lodging</i></b>	
Hotel	579,036
<b><i>Total Visitor Nights</i></b>	<b><i>2,028,988</i></b>

In total, Mammoth Lakes is estimated to support 3,039 resident households (approximately 7,200 persons) and over 2.0 million visitor nights.

## Resident and Visitor Retail Spending

Exhibit I-4 combines resident and visitor retail spending in order to estimate total retail sales revenue generated in Mammoth Lakes in 2004. Applying a 17 percent capture rate for local taxable sales to the median household spending figures obtained from the California Department of Finance drives the resident portion of retail revenue. Per diem visitor spending estimates are applied to the visitor night figures from Exhibit I-3 to calculate retail sales revenue generated from non-resident visitors. The total spending figure in Exhibit I-4 represents the sales revenue generated by the existing bed base.

Exhibit I-4.  
Resident and  
Visitor Spending.

Source:  
BBC Research & Consulting.

<i>Category</i>	<i>2004 Taxable Retail Sales</i>
<b><i>Total Spending</i></b>	
Permanent Residents	\$ 30,777,979
Second Home Private	24,720,501
Second Home Commercial	74,874,594
Fractional	-
Hotel	46,322,880
<b><i>Total</i></b>	<b><i>\$ 176,695,954</i></b>

To audit the accuracy of these estimates, BBC examined sales tax revenue data obtained from the Town of Mammoth Lakes (Exhibit I-5). A tax rate of 1 percent was applied to the sales tax revenues to extrapolate total taxable retail sales revenues.

The revenue figures in Exhibit I-4 (\$176 million) roughly match (within 5 percent) the 2004 revenue figures from Exhibit I-5, indicating that this process passes an initial reasonableness test.

Exhibit I-5.  
Taxable Retail Sales Revenue by Geographic Area

<i>Geographic Area</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
5 Old Mammoth B	39,586,900	35,095,900	36,493,200	45,223,900	47,446,269
3 Main Street	27,543,600	30,437,300	30,249,400	32,026,100	34,730,874
FAC Factory Stores	9,115,700	8,991,000	10,386,400	8,715,600	9,853,701
2 Upper Main Street	8,217,700	7,882,600	8,090,800	7,735,400	8,244,031
4 Old Mammoth A	7,120,700	9,386,600	8,002,100	8,099,500	9,096,559
6 Industrial Park	4,122,600	4,724,000	6,534,500	4,943,500	4,984,739
1 North Village	2,971,400	3,467,800	3,103,800	5,110,500	8,683,555
<b><i>Totals for listed Geo areas</i></b>	<b>98,678,700</b>	<b>99,985,300</b>	<b>102,860,100</b>	<b>111,854,100</b>	<b>123,039,516</b>
<b><i>Totals for all outlets</i></b>	<b>139,488,300</b>	<b>145,645,500</b>	<b>148,193,900</b>	<b>157,531,300</b>	<b>171,062,081</b>

Note: 2004 Revenues are partially estimated from 2-year average growth rates and three quarters of data.

Source: Town of Mammoth Lakes; BBC Research & Consulting.

## Commercial Space Supply

The amount (square footage) of existing retail space, and thus the balance between space availability and demand is a third critical measure of Mammoth Lakes’ retail environment. BBC worked with the Town of Mammoth Lakes to quantify the amount of existing commercial retail space.

Mammoth Lakes has a dispersed retail development pattern with three core retail concentrations and several smaller retail strip centers that present a wide array of tenants, and typically combined retail, office and non-retail commercial uses. As a rule, Mammoth Lakes presents a scattered and decentralized retail setting, the result of overbuilding in the late 1970’s and thus the integration of many non-retail tenants into buildings originally designed for retail occupancy. The Town provided BBC a large database of commercial property that was categorized by type of use, but not specifically by retail and non-retail, which is the critical determinant for this study. Exhibit I-6 shows total commercial square footage by use as received by BBC from the Town of Mammoth Lakes.

Exhibit I-6.  
Total Commercial Square  
Footage by Use

Source:  
Town of Mammoth Lakes.

<i>Use Classification</i>	<i>Square Feet</i>
Mixed Commercial	760,673
Standalone Retail/Office	359,462
Standalone Restaurant	153,728
Total Commercial Square Footage	1,273,863

BBC needed to separate retail square footage from non-retail commercial square footage in order to correlate the amount of retail space with prior estimates of retail sales and to calibrate our predictive retail sales model. Town of Mammoth Lakes staff sent a second database that provided a detailed description of the composition of the commercial general and standalone retail/office land classifications. The second database contained some dated information regarding commercial and standalone retail/office distributions, which was updated by informal field surveys. Exhibit I-7 shows the composition of the “commercial general” and “standalone retail/office” land classifications.

Exhibit I-7.  
Commercial General and  
Standalone Retail/Office  
Composition

Source:  
Town of Mammoth Lakes  
And BBC Research & Consulting.

<i>Use Classification</i>	<i>Percentage</i>
Taxable Retail	
Retail Trade	49.7%
Theater/Recreational	3.7%
Restaurant	20.2%
Non-Taxable Commercial	
Office	11.5%
Public	13.4%
Subtotal	100.0%
Standalone Retail/Office	
Taxable Retail	46.2%
Office	53.8%
Subtotal	100.0%

The percentages in Exhibit I-7 were applied to the totals in Exhibit I-6 to yield the retail space estimates in Exhibit I-8. Exhibit I-8 shows BBC’s best estimates of taxable retail square footage for the Town of Mammoth Lakes. Commercial space is approximately 70 percent productive (tax generating) in Mammoth Lakes.

Exhibit I-8.  
Tax Generating  
Commercial Space

Source:  
BBC Research & Consulting.

<i>Use Classification</i>	<i>Square Feet</i>
Commercial General Retail	378,298
Theater/Recreational Restaurant	27,961
	153,688
Standalone Retail Taxable Retail	165,928
Standalone Restaurant	153,728
<b>Total Taxable Retail Square Feet</b>	<b>879,603</b>

These commercial square footage counts include liquor and food stores, which are estimated to account for about 60,000 square feet of retail space and produce \$22.5 million of non-taxable retail sales (at an estimated \$375/square foot).

Summary

Exhibit I-9 summarizes the analytical process described in this section. Three separate sources of data (housing counts, retail sales and retail square footage) are used to verify retail modeling estimates.

At current visitation levels, the Town of Mammoth Lakes produces \$200 million annually in retail sales. There is currently nearly 880,000 square feet of retail space, which generates an average of roughly \$227 per square foot. Exhibit I-8 shows current retail performance in Mammoth Lakes.

Exhibit I-9.  
Mammoth Lakes Current Retail Performance

<i>Category</i>	<i>Housing (No. of Units)</i>	<i>Annual Occupancies</i>	<i>Persons Per Unit<sup>1</sup></i>	<i>Annual Person Nights</i>	<i>Taxable Sales Per Person Night</i>	<i>Total Sales</i>
Local Residents	3,039	100%	2.4	N/A	\$10,128/yr	\$ 30,777,979
Second Home Private	1,737	20%	3.0	361,300	\$65	24,720,501
Second Home Commercial	3,907	30%	2.5	1,069,637	\$70	74,874,594
Fractional Units	-	50%	2.0	32,850	\$70	-
Hotel Rooms	1,322	60%	2.0	579,036	\$80	46,322,880
<b>Totals</b>	<b>10,005</b>					<b>\$ 176,695,954<sup>2</sup></b>
Grocery/Liquor Sales						\$ 22,500,000
<b>All Sales</b>						<b>\$ 199,195,954</b>
<b>Total Retail Sq. Ft.<sup>3</sup></b>						<b>879,603</b>

Note: 1. Persons per unit represents the average number of persons staying in the unit when occupied. This figure may vary from "persons per unit at peak period," which is used in the Mammoth Lakes General Plan.

2. This estimate compares with \$171 million of taxable retail sales provided by the Town of Mammoth Lakes (3.2 percent difference).

3. At current retail space levels, the Town of Mammoth Lakes has approximately \$227 per square foot of retail sales.

Source: BBC Research & Consulting.

These data are used in the following section to develop projections of retail demand and varying conditions.

## SECTION II.

# Mammoth Retail Projections

This section provides projections of housing unit development and visitor and residential spending expectations as a basis for forecasts of town retail sales and retail space requirements. Three future scenarios are defined and modeled.

### Process

In the prior section of this report, BBC correlated 2004 town residential development, unit occupancy measures, visitor and resident expenditure assumptions and known taxable retail sales activity in order to develop a verifiable profile of baseline conditions. Local residents, second homeowners and transient guests support Mammoth Lakes' retail business and generated approximately \$200 million dollars of retail sales (taxable sales plus grocery and liquor sales) in 2004.

### Growth and Development Assumptions

Most of Mammoth's planning projections involve measures of persons at one time (PAOTs), which is a calculation of how many persons are in town on a busy winter day (i.e. design day). This metric is appropriate for most community planning needs because it ensures that planning decisions respect the unusual peak period requirements of a resort community. Retail demand and projections of supportable retail square footage, on the other hand, are less sensitive to peak period demand and instead respond to annual averages—a measure that incorporates the contribution of year round population, and reflects business seasonality and variations between summer and winter guest spending.

Mammoth Lakes is unusual in that its growth is sharply confined by its physical position as an enclave in the National Forest. It is also unusual to have a community so isolated from other towns. This situation means that Mammoth will likely retain most of its locally generated retail business—in essence very modest retail leakage. It also implies that Mammoth will quickly reach a point where physical capacity and development flexibility is very constrained.

Mammoth is also unusual in that it has allocated a certain amount of future development rights in specific projects, or as incentives for certain forms of development. In rough terms, it appears that Mammoth is about 70-75 percent built-out, implying a 10-15 year build-out at current growth rates. Whether the town can physically accommodate an additional 25 percent of units is uncertain. The experience of other resorts would indicate that the town should expect an increasing amount of redevelopment activity as land becomes scarce and more expensive.

The following exhibits demonstrate retail demand under three separate projections of Mammoth's future development patterns and characteristics.

Baseline growth. Growth scenario 1 (*Baseline Scenario*) mirrors a “more of the same” concept and demonstrates future retail demand assuming that the number of Mammoth units grows at about 2.3 percent per year, but all other factors—including unit mix, unit occupancy levels, visitor and resident spending, and the relationship between the number of visitors and residents—remain the same. We have assumed that new retail will require sales of \$250 per square foot to be successful and that over time the existing community will have to raise its sales per square foot to the same \$250 level (from the current \$232 level) to remain in business<sup>1</sup>.

Attached Exhibits II-1 and II-2 (at the end of this section) demonstrate the results of this modeling effort. Results are summarized in Exhibit II-3 below.

Exhibit II-3.  
Baseline Scenario

Category	2010	2015	2023
New Retail Space <sup>(1)</sup>	58,211	186,016	430,608
Demand (Sq. Ft.)			

Source:  
BBC Research & Consulting.

As noted in Exhibit II-2, retail development demand *assumes that existing businesses will require about \$15.5 million in new sales to raise their sales levels to an acceptable position for sustainable operations.*<sup>2</sup> This absorption assumption suggests demand for an additional 62,000 square feet of retail space, which is above the projections shown in Exhibit II-3.

Resort trends scenario. Exhibits II-4 and II-5 show a similar set of calculations for a *Likely Trends Scenario*, which models a combination of events already evidenced in other resorts that are likely to influence Mammoth in the near future. These include:

- More growth in personal use of units and slower growth in transient rental use of condominiums—a trend that is somewhat offset by growth in the fractional ownership market.
- A slow transition from a weekend skier based economy toward a second home, multi seasonal economy with more full time residents with higher disposable income.

The assumptions underlying this scenario are shown in Exhibit II-4 and II-5. The result of this combination of factors is a diminishment in retail demand in comparison with the baseline scenario because transient tourist use slows and second homeowners have less retail impacts. This phenomenon is in large part what has been challenging other resorts for the last few years.

The impacts of this scenario are summarized in Exhibit II-6 below.

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<sup>1</sup> If the existing retail community continues to perform below a minimum sales standard, it will make it difficult for the North Village, or other developments to move forward, because low yielding retail space in the remainder of the community suggests equally low lease returns; thus, expensive new development, which requires commensurate lease returns will be difficult to achieve.

<sup>2</sup> When current retail sales figures are compared to current retail square footage, sales per square foot is \$232. In attached exhibit II-2, year 2005, there are total sales of \$204 million. At \$250 per square foot, only about 817,000 square feet of retail space is necessary. At present there is about 879,000 square feet of retail space. The remaining retail space (62,000), would have to produce \$15.5 million to perform at a sustainable level.

Exhibit II-6.  
Trends Scenario

Source:  
BBC Research & Consulting.

<i>Category</i>	<i>2010</i>	<i>2015</i>	<i>2023</i>
Retail Space	27,180	127,908	327,028
Demand (Sq. Ft.)			

Under this scenario, Mammoth Lakes will only require about 128,000 square feet of new retail space over the next decade. In the same manner as the baseline scenario, this *Trends* scenario also assumes that the next \$15.5 million dollars of sales will be absorbed within the existing community's retail establishments. This absorption expectations equates to an additional 62,000 square feet of demand.

Transformation Scenario. Exhibits II-7 and II-8 show a similar set of calculations for a third scenario, entitled *Transformation Scenario*, which models the retail demand effects of Mammoth transforming from a weekend auto-based, regional ski area to a full service destination resort. This market evolution implies longer length of visitor stays, greater expenditures per capita, higher transient unit occupancies and growth in the retiree and resident services market. This evolution, which is again, is already evidenced in other resorts, such as Telluride, Vail and Aspen, would likely require completion of an airport and maturation of the North Village to offer a higher level of visitor services and retailing.

As shown below, the result of this scenario is a significant increase in the demand for retail space.

Exhibit II-9.  
Transformation Scenario

Source: BBC Research & Consulting

<i>Category</i>	<i>2010</i>	<i>2015</i>	<i>2023</i>
Retail Space	129,458	338,267	781,659
Demand (Sq. Ft.)			

As in prior examples, this scenario assumes that about \$15.5 million of near term retail growth will be absorbed within the existing retail community; thus, the above figures are square footage requirements beyond that internal absorption requirement.

It should also be noted that all these scenarios anticipate roughly the same amount of new residential development, and that new retail demand is driven by changes in the characteristics of visitors, unit occupancies and broader resort market conditions. More rapid development of accommodations would accelerate the need for the projected new retail.

## Summary

There are many scenarios that reflect Mammoth Lakes' future development profile, but housing and accommodation growth rates are only one factor that will influence Mammoth's long term retail success. Mammoth's maturation as a resort and its likely evolution toward a full service destination resort will affect the size and nature of retail developments. The town's present retail community is still under performing its peers, with town wide sales in the neighborhood of \$230/square foot. Mammoth requires about \$15.5 million dollars of new sales to spur local retailers to more sustainable levels of performance. In addition, even under very conservative growth projections, the community will support at least 25,000 square feet of new retail, and perhaps as much as 130,000 square feet, depending largely on the community's success in redeveloping its built environment to be more in line with current market demands.

Exhibit II-1.  
Mammoth Lakes Housing

Baseline Scenario

	Base Year 2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Residential Units (permanent residents)</b>																				
Residential occupied units	3,039	3,106	3,174	3,244	3,315	3,388	3,463	3,539	3,617	3,697	3,778	3,861	3,946	4,033	4,121	4,212	4,305	4,399	4,496	4,595
<b>Second Homes (seasonal residents)</b>																				
Second Home Private	1,737	1,775	1,814	1,854	1,895	1,936	1,979	2,022	2,067	2,112	2,159	2,206	2,255	2,304	2,355	2,407	2,460	2,514	2,569	2,626
Second Home Commercial	3,907	3,993	4,081	4,171	4,263	4,356	4,452	4,550	4,650	4,753	4,857	4,964	5,073	5,185	5,299	5,416	5,535	5,656	5,781	5,908
Fractional	-	-	90	92	94	96	98	100	103	105	107	109	112	114	117	119	122	125	127	130
<b>Total</b>	<b>8,683</b>	<b>8,874</b>	<b>9,159</b>	<b>9,361</b>	<b>9,567</b>	<b>9,777</b>	<b>9,992</b>	<b>10,212</b>	<b>10,437</b>	<b>10,666</b>	<b>10,901</b>	<b>11,141</b>	<b>11,386</b>	<b>11,636</b>	<b>11,892</b>	<b>12,154</b>	<b>12,421</b>	<b>12,695</b>	<b>12,974</b>	<b>13,259</b>
<b>Visitor Lodging</b>																				
Hotel	1,322	1,351	1,381	1,411	1,442	1,474	1,506	1,540	1,573	1,608	1,643	1,680	1,716	1,754	1,793	1,832	1,873	1,914	1,956	1,999
<b>Person Nights</b>																				
<b>2nd Homes</b>																				
Second Home Private	380,315	388,682	397,233	405,972	414,904	424,032	433,360	442,894	452,638	462,596	472,773	483,174	493,804	504,668	515,770	527,117	538,714	550,566	562,678	575,057
Second Home Commercial	1,069,637	1,093,169	1,117,219	1,141,798	1,166,917	1,192,589	1,218,826	1,245,640	1,273,045	1,301,052	1,329,675	1,358,928	1,388,824	1,419,378	1,450,604	1,482,518	1,515,133	1,548,466	1,582,532	1,617,348
Fractional	-	-	32,850	33,573	34,311	35,066	35,838	36,626	37,432	38,255	39,097	39,957	40,836	41,735	42,653	43,591	44,550	45,530	46,532	47,555
<b>Subtotal</b>	<b>1,449,952</b>	<b>1,481,851</b>	<b>1,547,302</b>	<b>1,581,343</b>	<b>1,616,132</b>	<b>1,651,687</b>	<b>1,688,024</b>	<b>1,725,161</b>	<b>1,763,114</b>	<b>1,801,903</b>	<b>1,841,545</b>	<b>1,882,059</b>	<b>1,923,464</b>	<b>1,965,780</b>	<b>2,009,027</b>	<b>2,053,226</b>	<b>2,098,397</b>	<b>2,144,562</b>	<b>2,191,742</b>	<b>2,239,960</b>
<b>Visitor Lodging</b>																				
Hotel	579,036	591,775	604,794	618,099	631,697	645,595	659,798	674,313	689,148	704,310	719,804	735,640	751,824	768,364	785,268	802,544	820,200	838,245	856,686	875,533
<b>Total</b>	<b>2,028,988</b>	<b>2,073,626</b>	<b>2,152,096</b>	<b>2,199,442</b>	<b>2,247,830</b>	<b>2,297,282</b>	<b>2,347,822</b>	<b>2,399,474</b>	<b>2,452,263</b>	<b>2,506,213</b>	<b>2,561,349</b>	<b>2,617,699</b>	<b>2,675,288</b>	<b>2,734,145</b>	<b>2,794,296</b>	<b>2,855,770</b>	<b>2,918,597</b>	<b>2,982,806</b>	<b>3,048,428</b>	<b>3,115,494</b>
<b>Skier Visits</b>																				
Residents	280,000	286,160	292,456	298,890	305,465	312,185	319,053	326,073	333,246	340,578	348,070	355,728	363,554	371,552	379,726	388,080	396,618	405,344	414,261	423,375
Visitors	1,055,074	1,078,286	1,119,090	1,143,710	1,168,872	1,194,587	1,220,868	1,247,727	1,275,177	1,303,231	1,331,902	1,361,203	1,391,150	1,421,755	1,453,034	1,485,001	1,517,671	1,551,059	1,585,183	1,620,057
<b>Total</b>	<b>1,335,074</b>	<b>1,364,446</b>	<b>1,411,545</b>	<b>1,442,599</b>	<b>1,474,337</b>	<b>1,506,772</b>	<b>1,539,921</b>	<b>1,573,799</b>	<b>1,608,423</b>	<b>1,643,808</b>	<b>1,679,972</b>	<b>1,716,931</b>	<b>1,754,704</b>	<b>1,793,307</b>	<b>1,832,760</b>	<b>1,873,081</b>	<b>1,914,289</b>	<b>1,956,403</b>	<b>1,999,444</b>	<b>2,043,432</b>

ASSUMPTIONS

Distribution	Annual		Annual Growth Rate	Residential Housing Units	Residential occupied units
	Percent of Units	Occupancy Percent			
<b>Residential Units</b>					3,069
Residential occupied units	35%	100%	2.2%	DETACHED	64.7%
Second Home Private	20%	20%	2.2%	ATTACHED	2,364
Second Home Commercial	45%	30%	2.2%	2 TO 4	1,322
Fractional	0%	50%	2.2%	5 PLUS	
<b>Visitor Lodging</b>				MOBILE HOMES	1,400,000
Hotel		60%	2.0%	<b>Total Residential Units</b>	8,683
					<b>204 Skier Visits</b>
					% of Skier Visits by Residents
					20%
					% of Annual Person Nights that occur in Winter
					80%
					% of Winter person nights that are skier visits
					65%

Exhibit II-2.  
Mammoth Lakes Commercial  
All figures in Thousands

**Baseline Scenario**

	Base Year																			
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Taxable Retail Spending</b>																				
Permanent Residents	\$ 30,778	\$ 31,991	\$ 33,251	\$ 34,561	\$ 35,922	\$ 37,338	\$ 38,809	\$ 40,338	\$ 41,927	\$ 43,579	\$ 45,296	\$ 47,080	\$ 48,935	\$ 50,863	\$ 52,867	\$ 54,950	\$ 57,114	\$ 59,365	\$ 61,703	\$ 64,134
Second Home Private	24,721	25,264	25,820	26,388	26,969	27,562	28,168	28,788	29,421	30,069	30,730	31,406	32,097	32,803	33,525	34,263	35,016	35,787	36,574	37,379
Second Home Commercial	74,875	76,522	78,205	79,926	81,684	83,481	85,318	87,195	89,113	91,074	93,077	95,125	97,218	99,356	101,542	103,776	106,059	108,393	110,777	113,214
Fractional	-	-	2,300	2,350	2,402	2,455	2,509	2,564	2,620	2,678	2,737	2,797	2,859	2,921	2,986	3,051	3,119	3,187	3,257	3,329
Hotel	46,323	47,342	48,384	49,448	50,536	51,648	52,784	53,945	55,132	56,345	57,584	58,851	60,146	61,469	62,821	64,204	65,616	67,060	68,535	70,043
<b>Subtotal</b>	<b>\$176,696</b>	<b>\$181,119</b>	<b>\$187,959</b>	<b>\$192,673</b>	<b>\$197,513</b>	<b>\$202,483</b>	<b>\$207,587</b>	<b>\$212,830</b>	<b>\$218,214</b>	<b>\$223,744</b>	<b>\$229,424</b>	<b>\$235,260</b>	<b>\$241,254</b>	<b>\$247,413</b>	<b>\$253,741</b>	<b>\$260,243</b>	<b>\$266,925</b>	<b>\$273,791</b>	<b>\$280,847</b>	<b>\$288,099</b>
Supermarket/Liquor Sales	22,500	23,175	23,870	24,586	25,324	26,084	26,866	27,672	28,502	29,357	30,238	31,145	32,080	33,042	34,033	35,054	36,106	37,189	38,305	39,454
<b>Total</b>	<b>\$199,196</b>	<b>\$204,294</b>	<b>\$211,830</b>	<b>\$217,259</b>	<b>\$222,837</b>	<b>\$228,567</b>	<b>\$234,454</b>	<b>\$240,502</b>	<b>\$246,716</b>	<b>\$253,101</b>	<b>\$259,662</b>	<b>\$266,405</b>	<b>\$273,334</b>	<b>\$280,455</b>	<b>\$287,775</b>	<b>\$295,298</b>	<b>\$303,031</b>	<b>\$310,980</b>	<b>\$319,152</b>	<b>\$327,553</b>
Retail Square Foot Projections	797	817	847	869	891	914	938	962	987	1,012	1,039	1,066	1,093	1,122	1,151	1,181	1,212	1,244	1,277	1,310
Additional Square feet necessary	(83)	(62)	(32)	(11)	12	35	58	82	107	133	159	186	214	242	271	302	333	364	397	431

**ASSUMPTIONS**

<b>Retail Taxable Spending Per Person/Night</b>		<b>Commerical space (square footage)</b>		<b>Mixed Commercial Breakdown</b>		<b>Supermarket Sales</b>
Second Home Private	\$65	Mixed Commercial	760,673	Retail	50%	Sales revenue per square
Second Home Commercial	\$70	Retail	378,298	Theater/Recreation	4%	Square Footage
Fractional	\$70	Restaurant	153,688	Restaurant	20%	Growth Rate
Hotel	\$80	Theater/Rec	27,961	Office	11%	
		Standalone Retail/Office	359,462	Public	13%	
		Retail	165,928			
		Standalone Restaurant	153,728	<b>Standalone Retail/Office breakdown</b>		
		<b>Total Productive Space</b>	879,603	Productive retail	46%	



Exhibit II-5.  
Mammoth Lakes Commercial  
All figures in Thousands

Trend Scenario

	Base Year																			
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Taxable Retail Spending</b>																				
Permanent Residents	\$ 30,778	\$ 32,084	\$ 33,446	\$ 34,866	\$ 36,346	\$ 37,889	\$ 39,497	\$ 41,174	\$ 42,922	\$ 44,744	\$ 46,643	\$ 48,623	\$ 50,687	\$ 52,838	\$ 55,081	\$ 57,419	\$ 59,857	\$ 62,398	\$ 65,046	\$ 67,807
Second Home Private	24,721	25,462	26,226	27,013	27,823	28,658	29,518	30,403	31,315	32,255	33,222	34,219	35,246	36,303	37,392	38,514	39,669	40,859	42,085	43,348
Second Home Commercial	74,875	75,249	75,625	76,003	76,383	76,765	77,149	77,535	77,923	78,312	78,704	79,097	79,493	79,890	80,290	80,691	81,095	81,500	81,907	82,317
Fractional	-	-	2,300	2,460	2,633	2,817	3,014	3,225	3,451	3,692	3,951	4,228	4,523	4,840	5,179	5,541	5,929	6,344	6,789	7,264
Hotel	46,323	47,018	47,723	48,439	49,165	49,903	50,651	51,411	52,182	52,965	53,760	54,566	55,384	56,215	57,058	57,914	58,783	59,665	60,560	61,468
<b>Subtotal</b>	<b>\$176,696</b>	<b>\$179,813</b>	<b>\$185,320</b>	<b>\$188,782</b>	<b>\$192,351</b>	<b>\$196,032</b>	<b>\$199,830</b>	<b>\$203,748</b>	<b>\$207,793</b>	<b>\$211,968</b>	<b>\$216,279</b>	<b>\$220,733</b>	<b>\$225,333</b>	<b>\$230,087</b>	<b>\$235,000</b>	<b>\$240,080</b>	<b>\$245,333</b>	<b>\$250,766</b>	<b>\$256,387</b>	<b>\$262,204</b>
Supermarket/Liquor Sales	22,500	23,175	23,870	24,586	25,324	26,084	26,866	27,672	28,502	29,357	30,238	31,145	32,080	33,042	34,033	35,054	36,106	37,189	38,305	39,454
<b>Total</b>	<b>\$199,196</b>	<b>\$202,988</b>	<b>\$209,190</b>	<b>\$213,368</b>	<b>\$217,675</b>	<b>\$222,116</b>	<b>\$226,696</b>	<b>\$231,420</b>	<b>\$236,295</b>	<b>\$241,325</b>	<b>\$246,518</b>	<b>\$251,878</b>	<b>\$257,413</b>	<b>\$263,129</b>	<b>\$269,034</b>	<b>\$275,134</b>	<b>\$281,439</b>	<b>\$287,955</b>	<b>\$294,692</b>	<b>\$301,658</b>
Retail Square Foot Projections	797	812	837	853	871	888	907	926	945	965	986	1,008	1,030	1,053	1,076	1,101	1,126	1,152	1,179	1,207
Additional Square feet necessary	(83)	(68)	(43)	(26)	(9)	9	27	46	66	86	106	128	150	173	197	221	246	272	299	327

ASSUMPTIONS

<b>Retail Taxable Spending Per Person/Night</b>		<b>Commerical space (square footage)</b>		<b>Mixed Commercial Breakdown</b>		<b>Supermarket Sales</b>	
Second Home Private	\$65	Mixed Commercial	760,673	Retail	50%	Sales revenue per sq. ft.	\$375
Second Home Commercial	\$70	Retail	378,298	Theater/Recreation	4%	Square Footage	60,000
Fractional	\$70	Restaurant	153,688	Restaurant	20%	Growth Rate	3%
Hotel	\$80	Theater/Rec	27,961	Office	11%		
		Standalone Retail/Office	359,462	Public	13%		
		Retail	165,928				
		Standalone Restaurant	153,728	<b>Standalone Retail/Office breakdown</b>			
		<b>Total Productive Space</b>	879,603	Productive retail	46%		



Exhibit II-8.  
Mammoth Lakes Commercial  
All figures in Thousands

Transformation Scenario

	Base Year 2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Taxable Retail Spending</b>																				
Permanent Residents	\$ 30,778	\$ 32,084	\$ 33,446	\$ 34,866	\$ 36,346	\$ 37,889	\$ 39,497	\$ 41,174	\$ 42,922	\$ 44,744	\$ 46,643	\$ 48,623	\$ 50,687	\$ 52,838	\$ 55,081	\$ 57,419	\$ 59,857	\$ 62,398	\$ 65,046	\$ 67,807
Second Home Private	24,721	26,360	28,091	29,919	31,848	33,885	36,034	38,301	40,692	43,214	45,873	48,676	51,630	54,744	58,025	61,481	65,121	68,955	72,993	78,553
Second Home Commercial	74,875	77,268	79,717	82,222	84,784	87,404	90,085	92,826	95,629	98,496	101,427	104,425	107,489	110,622	113,825	117,100	120,447	123,868	127,365	132,597
Fractional	-	-	2,346	2,560	2,794	3,050	3,328	3,631	3,961	4,321	4,713	5,141	5,607	6,114	6,667	7,270	7,926	8,641	9,419	10,267
Hotel	46,323	47,884	49,494	51,154	52,867	54,634	56,456	58,335	60,273	62,272	64,333	66,458	68,649	70,909	73,239	75,641	78,118	80,672	83,304	86,637
<b>Subtotal</b>	<b>\$176,696</b>	<b>\$183,596</b>	<b>\$193,093</b>	<b>\$200,721</b>	<b>\$208,640</b>	<b>\$216,861</b>	<b>\$225,399</b>	<b>\$234,266</b>	<b>\$243,477</b>	<b>\$253,046</b>	<b>\$262,989</b>	<b>\$273,322</b>	<b>\$284,063</b>	<b>\$295,228</b>	<b>\$306,838</b>	<b>\$318,911</b>	<b>\$331,469</b>	<b>\$344,534</b>	<b>\$358,128</b>	<b>\$375,862</b>
Supermarket/Liquor Sales	22,500	23,175	23,870	24,586	25,324	26,084	26,866	27,672	28,502	29,357	30,238	31,145	32,080	33,042	34,033	35,054	36,106	37,189	38,305	39,454
<b>Total</b>	<b>\$199,196</b>	<b>\$206,771</b>	<b>\$216,964</b>	<b>\$225,307</b>	<b>\$233,964</b>	<b>\$242,945</b>	<b>\$252,265</b>	<b>\$261,939</b>	<b>\$271,979</b>	<b>\$282,404</b>	<b>\$293,227</b>	<b>\$304,468</b>	<b>\$316,142</b>	<b>\$328,270</b>	<b>\$340,871</b>	<b>\$353,965</b>	<b>\$367,575</b>	<b>\$381,723</b>	<b>\$396,433</b>	<b>\$415,315</b>
Retail Square Foot Projections	797	827	868	901	936	972	1,009	1,048	1,088	1,130	1,173	1,218	1,265	1,313	1,363	1,416	1,470	1,527	1,586	1,661
Additional Square feet necessary	(83)	(53)	(12)	22	56	92	129	168	208	250	293	338	385	433	484	536	591	647	706	782

ASSUMPTIONS

<b>Retail Taxable Spending Per Person/Night</b>		<b>Commerical space (square footage)</b>		<b>Mixed Commercial Breakdown</b>		<b>Supermarket Sales</b>													
Second Home Private	\$65	Mixed Commercial	760,673	Retail	50%	Sales revenue per square	\$375												
Second Home Commercial	\$70	Retail	378,298	Theater/Recreation	4%	Square Footage	60,000												
Fractional	\$70	Restaurant	153,688	Restaurant	20%	Growth Rate	3%												
Hotel	\$80	Theater/Rec	27,961	Office	11%														
		Standalone Retail/Office	359,462	Public	13%														
<b>Annual Spending Growth Rate</b>	1%	Retail	165,928																
		Standalone Restaurant	153,728	<b>Standalone Retail/Office breakdown</b>															
		<b>Total Productive Space</b>	<b>879,603</b>	Productive retail	46%														
<b>Spending Growth</b>																			
Second Home Private	\$65.65	\$66.31	\$66.97	\$67.64	\$68.32	\$69.00	\$69.69	\$70.39	\$71.09	\$71.80	\$72.52	\$73.24	\$73.98	\$74.72	\$75.46	\$76.22	\$76.98	\$77.75	\$78.53
Second Home Commr	\$70.70	\$71.41	\$72.12	\$72.84	\$73.57	\$74.31	\$75.05	\$75.80	\$76.56	\$77.32	\$78.10	\$78.88	\$79.67	\$80.46	\$81.27	\$82.08	\$82.90	\$83.73	\$84.57
Fractional	\$70.70	\$71.41	\$72.12	\$72.84	\$73.57	\$74.31	\$75.05	\$75.80	\$76.56	\$77.32	\$78.10	\$78.88	\$79.67	\$80.46	\$81.27	\$82.08	\$82.90	\$83.73	\$84.57
Hotel	\$80.80	\$81.61	\$82.42	\$83.25	\$84.08	\$84.92	\$85.77	\$86.63	\$87.49	\$88.37	\$89.25	\$90.15	\$91.05	\$91.96	\$92.88	\$93.81	\$94.74	\$95.69	\$96.65

## SECTION III.

### North Village Retail

This section analyzes certain retail development issues that BBC has been asked to address, which are specifically related to the immediate planning effort for North Village.

#### Critical Mass

*How much retail should be concentrated at North Village in order to establish the critical mass necessary to create an active, vibrant, successful, tourist oriented retail area?*

There is no single formula for creating a successful resort retail concentration and even less certainty as to how to sustain successful retail villages as markets change and evolve. Each resort operates in a different marketplace with varying clientele, competition and character. Critical market variations that make comparisons difficult include:

- the resort's ratio of day and destination visitors;
- overall market seasonality;
- nearby or down valley competition;
- the quality, functionality and attractiveness of the local retail environment;
- the wealth and demography of the visitor market;
- access, visibility and pedestrian connections with the mountain, parking, resident housing and visitor accommodations;
- the nature, scale and character of guest accommodations within walking distance;
- availability and functionality of mass transit;
- commercial lease rates and local competition;
- the presence of other attractors, such as government services, offices, recreation, conference centers, medical facilities, libraries; and
- climate, amount of sunshine, and the care taken in arranging outdoor space to maximize sunny locations.

With this acknowledgment that the above factors can obviate other considerations, and that all rules of thumb have exceptions, there are some reasonable standards to consider.

For a collection of resort shops to become a destination village with unique character, adequate consumer choice and a sense of place, requires roughly 75,000 square feet of active, functioning commercial space, supported by appropriate parking, 1,000-1,200 units within walking distance, immediate mountain access, and a well designed, engaging retail environment. The bed base should have a high proportion of warm beds, although the unit count is flexible, if there is public transit, good parking and other supporting bed base in the region. This square footage does not include office space, Realtors, or ticketing/administrative functions, although these are also important elements of an active village.

The key to retail village sizing is in meeting two consumer needs:

- Restaurants are the new anchor tenants. The village must have an adequate number of restaurants such that consumers will go to the village in the expectations of finding something available, rather than go to a single destination restaurant based on reservations. When there is sufficient food and beverage diversity that visitors will simply go to the village in expectation of finding something that meets their needs, it seems that a place has passed a necessary vitality threshold.
- The village must have enough diverse activity that it is typically an active place—a “watering hole”, where visitors go to see who else is in town, what they’re wearing and what’s go on—the see and be seen function is critical. This quality typically requires more than just a tourist orientation. Attracting local resident and having the authenticity that comes with multi-functionality also seems an important criteria for village success.

Seventy-five thousand square feet should be sufficient, but the other criteria listed previously in this section can make or break a village experience. More space is better than less, but no single threshold level ensures success.

### Mix of Businesses

*What is the appropriate mix of retail in a tourist oriented village core?*

Again, with the caveat that there are more exceptions to the rule than firm formula, we suggest the following target mix for a 75,000 square foot center, with the understanding that Mammoth already has a grocery nearby:

Exhibit III-1.  
Recommended  
Retail Mix

<i>Category</i>	<i>Square Footage</i>
Destination Restaurant (white table cloth restaurant)	15,000 (at least 3 separate operators)
Bistros (informal restaurants)	10,000
Fast food (e.g. pizza, or other to go; could incorporate bars)	5,000
Retail trade	20,000
Other services (includes art galleries)	7,000
Entertainment	8,000
Upscale convenience food and grocer	10,000
<b><i>Total</i></b>	<b><i>75,000</i></b>

Additional tenants are critical, including non-retail uses, such as offices, Realtors and services. These other commercial uses should primarily be on the second floor space, although some use on the first floor is acceptable.

The entertainment function is perhaps the most difficult to fill and options depend upon the age and demography of the visitors. Aspen has private clubs and two movie theatres (both scheduled to close). Telluride Mountain Village is building a large recreation center. Beaver Creek has spas. Breckenridge and Vail have outdoor concert venues. Other resorts have teen-oriented video arcades.

Other possible anchor tenants including:

- Sports medicine clinic;
- Recreation center;
- Convention/conference;
- Spa
- Local Interpretive center/hall of fame/museum

In general, resorts are increasingly borrowing strategies from traditional urban redevelopment projects and acknowledging that core facilities that focus entirely on tourism are difficult to support and they are less active and engaging than villages that are multi-functional and serve a variety of submarkets.

## Retail Composition Trends

Resort mix strategies have changed over time trends include:

- More restaurants of all kinds, particularly sit down, high-end establishments. Food is the new entertainment. Good restaurants are the new anchor tenants of a resort village. A diverse mix of restaurants is critical. The portion of a village typically devoted to restaurants (which have largely absorbed the stand alone bar business) has grown by 50 percent over the past decade.
- Entertainment and bars are declining, mostly the result of demographic changes, although modern restaurants and hotels often incorporate a healthy bar scene. Brewpubs have become a standard bar substitute. In limited instances, private clubs have prospered.
- Retail trade (i.e. clothing, soft goods, shoes) is generally struggling. The local proprietor stores are very demanding enterprises and the chains are not effective draws. Urban visitors have access to good retail trade in their hometowns, and it takes a very capable, hard working, local retailer to be successful in the mountain resorts.
- Traditional ski shops have reduced their reliance on hard goods and rentals and expanded their soft goods and lifestyle apparel share—effectively replacing stand alone clothing stores into a larger recreational goods environment.
- Hours of operations are declining, although this tends to exacerbate problems with slow business.
- Home stores, “lifestyle housewares,” kitchen stores, interior designers with retail outlets, and unique cosmetics have been a major growth sectors.
- Art galleries have a checkered history—successful in some resorts virtually non-existent in others.
- Day spas and health clubs have an increasing presence. Retailers, often associated with local fractional projects, are taking more prime retail space but this trend can undermine the village’s vitality.

In sum, the mix of stores and associated retailers is changing as the ski resort market matures and evolves. An older market with access to comfortable private lodging is less likely to spend time in a public village or at least uses the village in a different manner.

## Resort Village Trends

Retailing has been struggling in most core resort towns, although generally 2004 was a much better year. A general list of common challenges facing most Rocky Mountain resorts includes the following:

- Repetition and lack of uniqueness in the village retail area, along with a general overbuilding of retail nationwide has taken some of the excitement out of the downtown;
- An aging visitor population, less interested in public socializing or late night entertainment undermines the activity levels and late night entertainment qualities of many villages;
- Competition from “down valley” communities—in Mammoth this might be “down the street,” retailing;
- Stagnation in skiing and summer auto based tourism; and
- Increasing market reliance on second homes and full service accommodations that provide comfortable and luxurious options to going out.

As a rule, there is a growing recognition that the traditional concept of a largely visitor oriented, entertainment based village core might be too limiting in the current market, and correspondingly greater interest in incorporating local resident services, government functions, offices, recreational and more traditional urban downtown, mixed use functions in resort village core areas. The concept of *messy vitality*, particularly an interest in maintaining the messy, authenticity character is reemerging as a key redevelopment strategy.