

Lodging Feasibility Analysis Molalla, Oregon



City of Molalla

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INTRODUCTION

The City of Molalla seeks to understand its potential for new and additional lodging facilities in the community to better serve the needs of visitors and residents. A key motivating factor is that overnight visitor spending is up to three times higher than day visitor spending and provides significant economic benefits to area businesses and the community overall. Presently, Molalla area attractions, special events, residents and businesses send people to lodging establishments out of town where they also spend money on dining out and shopping. Another issue of concern is that Molalla is unable to attract group sporting events due to the lack of lodging facilities.

This report shares Marketek's findings of the Molalla Lodging Feasibility Analysis conducted during the January – February 2008 time frame. The goals of this market opportunity analysis are to:

- Create an accurate and *realistic* picture of Molalla's lodging potential within the current marketplace, including the location and characterization of the existing supply of hotels/motels and recreational vehicle (RV) parks and opportunities and challenges for lodging development.
- Provide an overview of the lodging industry including trends in Oregon and the Molalla market area and a profile of lodging market segments for hotels/motels, bed & breakfasts and RV parks.
- Analyze key demand generators for each lodging type and Molalla's target markets, competitiveness and growth potential.
- Conduct a supply analysis and prepare an inventory of comparable existing and proposed lodging facilities in the Molalla market area. The inventory will include facility size, amenities, market, occupancy rates and quality.
- Conduct a preliminary site evaluation for up to three sites for proposed lodging facilities.
- Draw conclusions regarding lodging opportunities and constraints for Molalla.

Methodology

Marketek's analysis involved primary research that included interviews with representatives of area chambers of commerce, area lodging facilities, local demand generators (employers, visitor facilities), selected developers and other persons familiar with area development. Three site visits were made to Molalla for this project.

Secondary research involved collecting and evaluating data from visitor and lodging industry sources as well as selected sources of economic and demographic information. In addition, Marketek reviewed Molalla's tourism plan, retail market analysis and economic development plan.

This report is organized into seven principal sections:

- 1 Target Market Profiles
- 2 Lodging Market Trends
- 3 Competitive Assessment
- 4 Existing Lodging Supply
- 5 Site Evaluation
- 6 Examples of Success
- 7 Conclusions & Next Steps

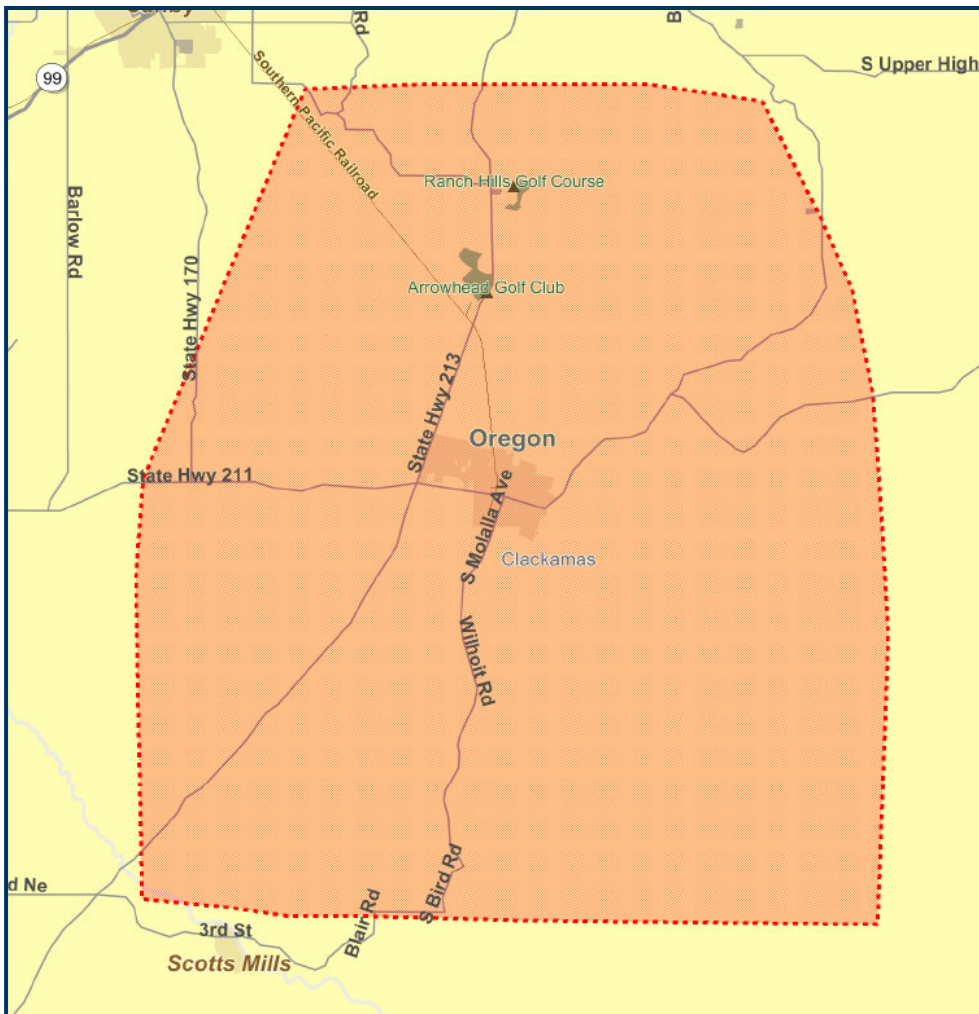
TARGET MARKET PROFILES

The characteristics of potential clientele for new lodging development in the Molalla area are provided in this section. Three target markets are identified: (1) the local resident market; (2) the leisure visitor market; and (3) the business visitor market.

LOCAL RESIDENTS

The local resident market includes households living in the Molalla area whose visitors are potential customers for new lodging developed in the City. The Resident Market Area contains the majority of these households and is illustrated in the map below. This custom-drawn area is based on drive-time estimates, the location of existing competition and the knowledge and experience of Molalla business owners. The delineation of the market area is not meant to suggest that prospective lodging customers will be drawn solely from this geographic area. Molalla's visitor events and assets and economic development will likely bring visitors from outside the market area as well.

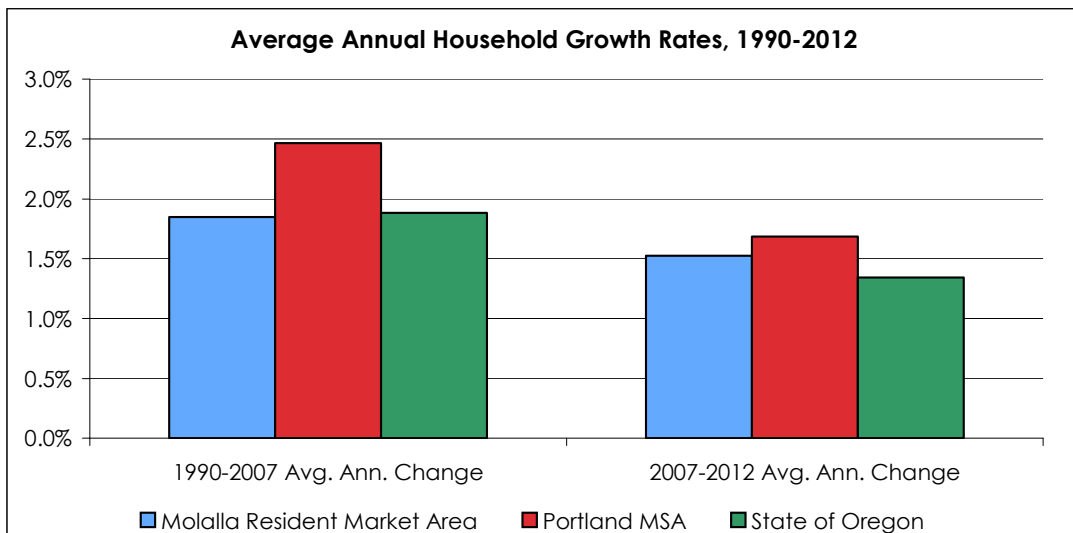
Molalla Resident Market Area



Household Growth

The Molalla Resident Market Area experienced somewhat strong population and household growth from 1990 to 2007, increasing by an average annual rate of 1.85% and 2.03%, respectively (Exhibit 1). While market area growth rates fell short of those of the Portland Metropolitan Statistical Area (MSA), they were roughly equal to those statewide. Through 2012, growth rates in all three geographies are expected to slow. Those of the Resident Market Area, however, are projected to slow the least. Projections indicate that by 2012, the market area will include 20,831 persons in 7,173 households.

EXHIBIT 1 POPULATION AND HOUSEHOLD GROWTH Molalla Resident Market Area, Portland MSA and State of Oregon 1990 to 2012							
Geographic Area	Avg. Ann. Change 1990-2007				Avg. Ann. Change 2007-2012		
	1990	2007 (Estimate)	Number	Percent	2012 (Forecast)	Number	Percent
Resident Market Area							
Population	14,724	19,355	272	1.85%	20,831	295	1.53%
Households	4,941	6,643	100	2.03%	7,173	106	1.60%
Avg. Household Size	2.95	2.90	-0.003		2.89	-0.002	
Portland MSA							
Population	1,523,741	2,162,868	37,596	2.47%	2,345,078	36,442	1.68%
Households	592,507	830,829	14,019	2.37%	899,164	13,667	1.64%
Avg. Household Size	2.53	2.56	0.002		2.57	0.002	
State of Oregon							
Population	2,842,321	3,752,734	53,554	1.88%	4,004,796	50,412	1.34%
Households	1,103,313	1,461,068	21,044	1.91%	1,560,770	19,940	1.36%
Avg. Household Size	2.52	2.51	-0.001		2.51	0.000	



Source: ESRI BIS; Marketek, Inc.

General Demographic Characteristics

The age and household income distributions of the Resident Market Area population are similar to those of the MSA, although the market area population tends to be slightly younger and more affluent, as median ages and household incomes signify. The market area has a higher share of blue collar workers than the Portland MSA and a greater proportion of persons employed in manufacturing, construction and other (agriculture/mining, wholesale trade, transportation/utilities) industries.

EXHIBIT 2					
DEMOGRAPHIC SNAPSHOT					
Resident Market Area and Portland MSA					
2007					
Demographic Characteristic	Market Area	Portland MSA	Demographic Characteristic	Market Area	Portland MSA
Age			Household Income		
Under 15	21.8%	20.4%	Under \$15,000	7.2%	8.3%
15 to 24	13.6%	13.4%	\$15,000 to \$34,999	16.3%	16.8%
25 to 34	13.1%	14.5%	\$35,000 to \$49,999	15.5%	14.9%
35 to 44	13.5%	14.7%	\$50,000 to \$74,999	21.9%	21.3%
45 to 64	27.4%	26.8%	\$75,000 to \$99,999	16.7%	15.4%
Above 64	10.4%	10.3%	\$100,000 and Above	22.4%	23.3%
Total Number	19,355	2,162,868	Total Number	6,643	830,829
Median Age	36.0	36.2	Median Income	\$62,752	\$60,579
Employment by Industry			Employment by Occupation		
Services	36.0%	42.7%	White Collar	47.2%	62.3%
Retail Trade	9.5%	12.0%	Blue Collar	37.2%	23.1%
Manuf./Const.	26.3%	20.4%	Services	15.6%	14.6%
Information/FIRE	6.6%	10.0%	Total Number	8,804	1,052,621
Other	21.5%	14.8%			
Total Number	8,802	1,052,621			

Source: ESRI BIS

Tapestry Market Segments

Recognizing that people who share the same demographic characteristics may have widely divergent desires and preferences, Community Tapestry data (developed by ESRI Business Information Solutions) categorizes neighborhoods throughout the nation into 65 consumer groups or market segments. Neighborhoods are geographically defined by census blocks, which are analyzed and sorted by a variety of demographic and socioeconomic characteristics as well as other determinants of consumer behavior. Based on this information, neighborhoods are classified as one of 65 market segments.

Community Tapestry data shows that Resident Market Area households tend to be a mix of families with or without children. The Green Acres, Up and Coming Families and Main Street, USA segments make up over 70% of market area households. These households tend to enjoy home improvement projects, dining out at family style restaurants and traveling domestically.

EXHIBIT 3

**TAPESTRY MARKET SEGMENTS
Molalla Resident Market Area
2007**

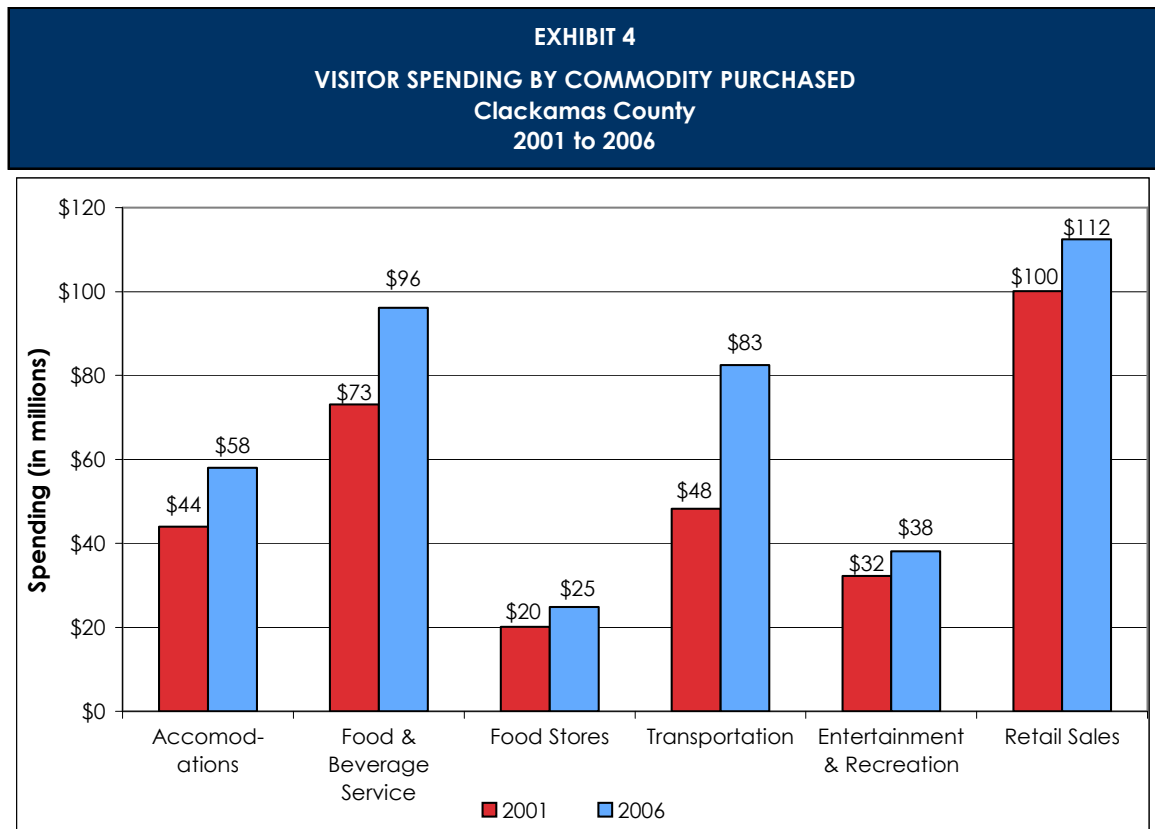
Market Segment	Percent of Hholds	Hhold Type	Median Age	Median Income	Consumer Purchases/Preferences
1 Green Acres	29.3%	Married couples w/ children	41	\$63,922	Blue collar families w/ children 6-17 living in pastoral settings. These do-it-yourselfers are not afraid to tackle home improvement projects and enjoy watching football and NASCAR and going hunting and hiking.
2 Up and Coming Families	21.5%	Married couples w/ children	32	\$77,444	These young, affluent families enjoy home improvement projects and dining out at fast food and family style restaurants. Other leisure activities include taking their young children to the zoo or traveling domestically.
3 Main Street, U.S.A.	19.8%	Family Mix	37	\$55,144	These fairly well-educated consumers tend to purchase software, savings certificates, home improvement items and prescription medication. Civic-minded, they often attend public meetings and work as volunteers.
4 Salt of the Earth	9.4%	Married couples	41	\$50,538	Families with a rural or small town lifestyle who take on small home projects and vehicle maintenance. They frequently own a truck, motorcycle and two or more pets. Leisure activities include hunting and fishing.
5 Midland Crowd	5.0%	Married couples	37	\$49,748	These families reside in rural locations, with nearly 30% living in mobile homes. They are do-it-yourselfers who may own 3 vehicles and enjoy watching TV, hunting, fishing and pets.
6 Exurbanites	4.6%	Married couples	45	\$88,195	Empty nester couples who spend time working in their garden or decorating their homes. Enjoy domestic wine, attending the theater and outdoor activities such as boating and hiking.
7 Rural Resort Dwellers	3.6%	Married couples	47	\$47,311	Enjoy a simple life and consumer tastes. Own domestic 4-wheel drive trucks. Lifestyle includes baking and home cooked meals, as well as participation in local civic issues. They go hunting, fishing and listen to country music.
8 Aspiring Young Families	3.6%	Family Mix	31	\$50,392	Live in start up homes or town homes, nearly half are renters, spend their discretionary income on their children and homes. Enjoy eating out, movies, and playing sports.
9 Prairie Living	3.2%	Married couples	41	\$42,366	Big country music fans who enjoy hunting, fishing and horseback riding. Typically residents of agricultural areas, these households often own a satellite dish and multiple pets. Serve as members of church boards and civic clubs.
Total Households		6,643			

Source: ESRI BIS; Marketek, Inc.

LEISURE VISITORS

Oregon's natural beauty, outdoor entertainment and recreational activities attract a growing number of tourists each year, with travelers spending over \$7.9 billion statewide in 2006. According to Dean Runyan Associates, top expenses included food and beverage service, transportation and accommodations. Visitors to public and private campgrounds are responsible for 7.7% of all traveler spending. This number is comparatively higher than averages in states across the nation. As could be expected, rural areas are the highest contributors to this figure.

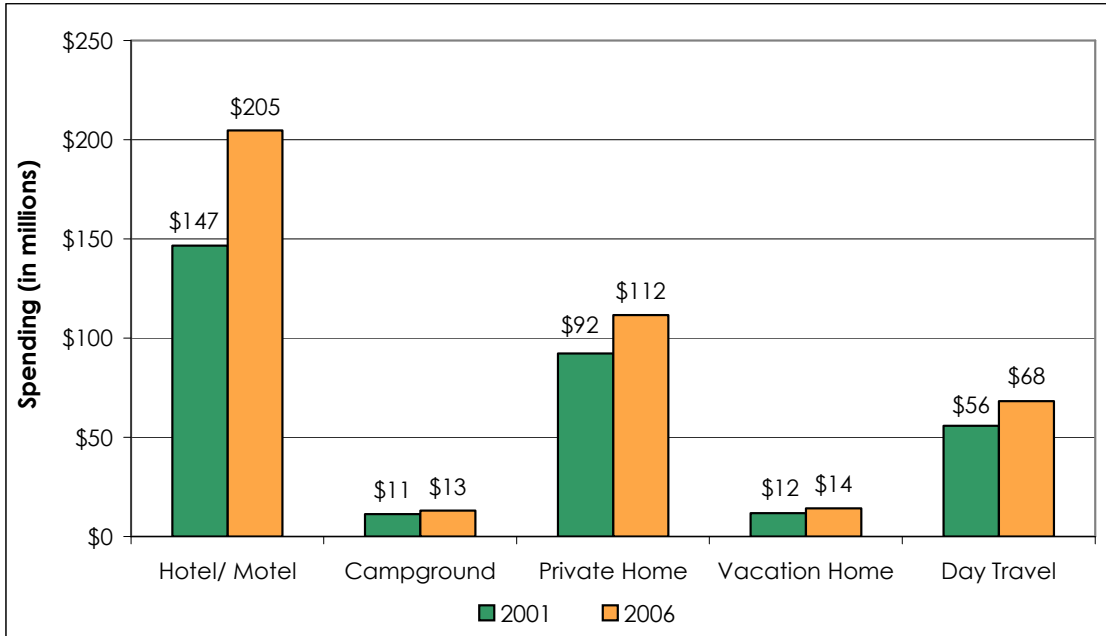
The Clackamas County visitor market – which includes Molalla – has witnessed a strong rise in travel spending over the past five years, from \$317.7 million in 2001 to \$411.9 million in 2006. As Exhibit 4 displays, spending increases since 2001 were highest for transportation (71%) and accommodations (32%). In 2006, Clackamas County visitors spent \$58.0 million on accommodations.



Source: Dean Runyan Associates

In terms of spending by accommodation type, overnight travelers staying in hotels/motels were far and above the dominant contributor, with half (50%) of total expenditure in 2006. As Exhibit 5 shows, visitors staying in private homes also contributed significantly to travel spending, accounting for 27% of expenditures. Campground spending (both private and public) made up only 3% of spending in Clackamas County in 2004.

EXHIBIT 5
VISITOR SPENDING BY ACCOMMODATION TYPE
Clackamas County
2001 to 2006



Source: Dean Runyan Associates

In the immediate Molalla area are several significant attractions whose visitors would be potential customers for new lodging in Molalla. Exhibit 6 provides visitor counts and characteristics for local facilities and attractions. Events at the Molalla Buckeroo facility draw the largest crowds with over 75,000 guests annually (about 40,000 from the Buckeroo Rodeo), many of whom stay overnight. Other local attractions include Skydive Oregon, the Oregon Garden, the Arrowhead Golf Club and Rosse Posse Acres Farm. The Buckeroo website recommends those needing overnight lodging stay at the Stagecoach Inn, Prairie House Inn and Rosse Posse Acres in Molalla or in Mulino, Keizer and Wilsonville. Overnight guests at Skydive Oregon tend to stay in Woodburn or Clackamas.

EXHIBIT 6 SELECTED MOLALLA ATTRACTIONS & VISITOR COUNTS Molalla Area 2008			
Facility/Attraction	Facility/Attraction Description	Visitor/User Counts	Visitor Characteristics/Trends
Molalla Buckeroo	Facility for annual rodeos and other events	Over 20 events draw 75,000 guests annually	Regional market & beyond for many events; Many overnight guests
Skydive Oregon, Molalla	Skydiving facility in Molalla	3,000 - 4,000 visitors per year; Highly seasonal; Busiest in August	For big events, 10% of guests are overnight visitors; Tend to stay in Woodburn or Clackamas
Rosse Posse Acres Farm, Molalla	Working elk ranch with tours and special events	Over 500 guests per event; Apx. 10,000 visit-ors per year	Nature-based visitors; Groups (i.e., seniors, schools, church groups, etc.)
Dibble House, Molalla	Historic homes in downtown Molalla	Over 1,500 guests per event	Local & regional guests
Molalla Chamber of Commerce	Promotes economic development for Molalla businesses	1,054 walk-in visitors per year	Local & regional guests
Silver Falls State Park, Silverton	State park with camping, fishing, swimming and trails	>850,000 annual visitors	Local, Willamette Valley, Portland metro area
Oregon Garden, Silverton	80-acre garden with meeting and reception facilities	43,000 annual visitors	Regional, state, West Coast, garden lovers

Source: Marketek, Inc.

BUSINESS VISITORS

While leisure visitors are the primary market for existing and future Molalla area lodging facilities, business visitors play an important role in boosting hotel/motel occupancies and revenues, especially during off peak tourist months. Exhibit 7 provides a distribution of businesses and employment within the Molalla area mapped on page 2. As shown, there are 782 businesses employing 5,119 persons. The greatest shares of businesses are service providers (33%) or retailers (19%), although nearly a quarter of jobs are in the agriculture industry (23%).

EXHIBIT 7 BUSINESSES & EMPLOYEES BY INDUSTRY Molalla Area 2007				
Industry	Businesses		Employment	
	Number	Percent	Number	Percent
Agriculture & Mining	51	6.5%	1,184	23.1%
Construction	108	13.8%	333	6.5%
Manufacturing	45	5.8%	747	14.6%
Transportation	27	3.5%	103	2.0%
Communication	7	0.9%	43	0.8%
Electric/Gas/Water/Sanitary Services	1	0.1%	1	0.0%
Wholesale Trade	53	6.8%	572	11.2%
Retail Trade	149	19.1%	847	16.5%
Finance/Insurance/Real Estate	52	6.6%	171	3.3%
Services	257	32.9%	1,002	19.6%
Government	21	2.7%	90	1.8%
Other	11	1.4%	26	0.5%
Total	782	100.0%	5,119	100.0%

Source: ESRI BIS

To assess the need for lodging generated by business visitors to Molalla area companies, Marketek interviewed representatives of several large employers in or near Molalla. Most businesses reported limited numbers of visitors, events or meetings that would generate for overnight stays. Cencast Corporation, which recently opened a new facility in Molalla, has about two to three customer visits per month, with parties of two to five persons, and currently recommends lodging in Clackamas because of limited facilities in Molalla. Other companies echoed the limitations of Molalla lodging, instead referring visitors to downtown Portland or I-5.

EXHIBIT 8
OVERNIGHT BUSINESS VISITORS
Major Molalla Employers
2008

Company and Location	Business Visitor Counts/Characteristics
Cencast Corporation 211 Commercial Pkwy., Molalla	Two to three customer visits per month with parties of two to five people; Recommend the Monarch Hotel in Clackamas; Currently hold quarterly meetings for top staff (apx. 10 people) off-site; Potential to move to Molalla with better accommodations
Northwest Polymers 201 Dixon Ave., Molalla	Occasional vendor visits limited to 12-15 per year; Encourage visitors to stay in downtown Portland or on 1-5 corridor
RSG Forest Products, Inc. 28890 Highway 213, Molalla	Few overnight visitors; Most events and visits are in head office in Kalama, Washington
Molalla Communications Co. 211 Robbins St., Molalla	Few overnight visitors; Occasional events; Do not recommend local lodging facilities; Would like to see better/additional lodging in Molalla
Brentwood Corporation 453 Industrial Way, Molalla	Wholesale manufacturer with no regular overnight business visitors

Source: Marketek, Inc.

LODGING INDUSTRY TRENDS

HOTELS AND MOTELS

The hotel/motel sector of the lodging industry serves the needs of several different markets, including business travelers, leisure travelers, visitors of local residents and large groups. The following table outlines characteristics of each of these market segments:

Lodging Market Segments	
Business Travelers	Represent a large portion of lodging demand Peak demand is Monday – Thursday nights Represent commercial, industrial, government sectors Purpose in area: conducting business, training, vendor/supplier sales
Leisure Travelers & Visitors	Vacationers, visiting attractions, attending events, visiting friends/relatives, traveling to other destinations Seasonal in nature; peak on weekends Interested in recreational amenities at or near lodging properties
Group Meeting Travelers	Includes both business and leisure travelers Bus tours, athletic events Business group meetings, trade shows, training events
Other Travelers	Construction workers, utility crews, pass through travelers

According to Longwoods International's 2006 Oregon Overnight Travel Study, 41% of overnight trips nationwide are leisure travelers, another 41% are visitors of friends/relatives and 18% are business travelers. In Oregon, business travelers make up a smaller share (13%) and the share of leisure travelers and visitors of friends/relatives are larger (44% and 43%, respectively).

To meet the diverse needs of travelers, the lodging industry offers a variety of hotel/motel products, as summarized in the table that follows.

Types of Hotels/Motels	
Boutique	An intimate, usually luxurious or quirky hotel environment that differentiates itself from large chain hotels. Often furnished in a themed and/or stylish manor with between three and 100 rooms. Usually feature 24-hour guest services, on-site dining facilities and bars and lounges.
Condo Hotel	Building with units that are used as both condominiums and hotel rooms. Owners purchase condo units that are rented as hotel rooms when the owner is not living in them. Often have a restaurant and guest services that owners can use when living in their units.
Extended Stay	Offer guestrooms or suites with kitchens that have sinks, refrigerators, microwaves and a stovetop. Usually have onsite self-serve laundry facilities and discounts for extended stays of at least 5 to 7 days. Popular with business travelers and families or other travelers who desire more space.
Full Service	Usually high-rise establishments that offer a full range of on-site food and beverage service, a cocktail lounge, entertainment and conference facilities, shops and recreation activities. They also provide a wide range of guest services on a 24-hour basis.

Types of Hotels/Motels (continued)	
Limited Service	Have no on-site restaurant or beverage services and provide only limited guest services. Designed to be clean, comfortable and functional but without guest services typical of full service hotels.
Luxury Hotel	Feature well-integrated, high quality décor, full range of first-class amenities and customized guest services. High staff-to-guest ratio. May have several upscale restaurants, beachfront location and beautifully landscaped grounds.
Resort Hotel	Located in popular vacation spots such as beaches, lakes or on golf courses. Offer fine dining, exceptional services and amenities such as landscaped grounds, luxury indoor and outdoor pools, spas and transit to nearby attractions.

Source: AAA

Recent activity in hotel/motel lodging reveals the following trends:

- Increased chain affiliation and consolidation: To take advantage of economies of scale, independent hotels/motels are being sold and converted to national chains and large chains are consolidating.
- Increased third-party reservation: Online booking services such as Travelocity, Priceline and Hotels.com are becoming increasingly popular methods for booking reservations. One in five reservations are now through such third parties.
- Popularity of alternative-style hotels: Where full-service hotels once dominated the lodging industry, limited service hotel/motels, extended stay hotels and boutique hotels are gaining in popularity.
- Emphasis on refinancing, consolidation and renovation over new construction: As the number of available rooms outpaced demand, financing for new construction slowed, requiring stronger project characteristics such as excellent locations, national branding and solid management plans.
- Cautious outlook for the future: According to a recent National Real Estate Investor article, several large hotel chains are expecting slowed revenue growth for the first quarter of 2008. However, Smith Travel Research's January 2008 statistics indicate that average daily rates have increased 5.7% since December 2007, although occupancy rates dropped by 1.6%.

Critical success factors to the hotel and motel industry and facility operations include:

- Consumer confidence and overall economic conditions. Business travel fluctuates directly with economic conditions and leisure travelers tend to postpone travel until the economy improves.
- Visible, accessible and convenient location. Commercial locations should be accessible from major highways and/or convenient to business districts, colleges or convention centers. Resort locations should be near attractions and provide greater amenities and services.
- Continuous renovation of furniture, fixtures and equipment and maintenance of building and property.
- Friendly and convenient booking experience for guests.
- Competitive prices.

- Excellent guest services and clean rooms.
- Continuous advertisement.
- Understanding of competitors' prices, features and services and amenities offered.

Oregon Market

The Oregon Lodging Association reports that room rates and occupancy were up slightly for the January to November 2007 period compared to the same time in 2006 for most regions in the state. The exhibit below highlights occupancies, room rates and revenue per available room supply by region.

LODGING MARKET PERFORMANCE State of Oregon by Region November Year to Date 2006 to November Year to Date 2007						
Geography	Occupancy Rate		Average Room Rate		Revenue per Avail. Room	
	2006	2007	2006	2007	2006	2007
United States	64.5%	64.6%	\$98	\$104	\$63	\$67
Oregon	62.2%	62.8%	\$80	\$86	\$50	\$54
Portland	66.2%	68.0%	\$87	\$94	\$58	\$64
Oregon West Area	56.9%	58.5%	\$78	\$83	\$44	\$48
Oregon East Area	57.7%	57.7%	\$73	\$79	\$42	\$46
Eugene MSA	71.7%	67.1%	\$77	\$85	\$55	\$57
Medford/Grants Pass	61.7%	60.1%	\$70	\$72	\$43	\$44

Source: Smith Travel Data

In order to provide insight to lodging product and markets relevant to Molalla, telephone interviews were conducted with two hotel/motel management companies that focus on small, limited-service, independently owned facilities in Oregon and Washington. The discussions revealed the following:

- A strong dependable job base able to attract professionals is critical to sustaining occupancy throughout the year unless there is a visitor attraction(s) that draws year round.
- Business travelers generally comprise 40-50% of the lodging market with the balance being tourists and area visitors. The business sector is counted on to provide a stable, dependable base of occupancy throughout the year.
- A customer base of 50% business and 50% leisure is an optimum mix to strive for.
- A growing residential population is an important consideration but will not generate more than 10-15% of occupancies year round in smaller communities
- Average cost to build motel property is \$50,000/unit with a 40 unit minimum to create critical mass.
- Local/regional investment groups can offer a viable approach to pursuing lodging projects that are often challenged to locate adequate financing through traditional sources.

BED AND BREAKFASTS

The following table outlines three different types of bed and breakfasts, ranging from small, family-operated two to five bedroom establishments to larger country inns which often have up to 30 rooms and a full service restaurant. There is considerable variety in the scale and scope of these business models. Bed and breakfast owners frequently supplement income from lodging with other related ventures including a full-scale restaurant open to the public, event space, catering facilities and/or a gift shop selling souvenir or novelty items.

Bed and Breakfast Definitions	
Bed and Breakfast	Formerly a single family dwelling usually in the 2-5 room range, this owner-occupied establishment has an equally mixed use as home and lodging with lodging superseding home more often than not.
Bed and Breakfast Inn	Generally a small, owner occupied inn. The building's primary usage is lodging. Breakfast is the only meal served and only to overnight guests. The inn may host events such as weddings, small business meetings, etc. Room numbers range from 4 to 20.
Country Inn or Bed and Breakfast Hotel	Offer over-night lodging and meals where the owner or manager is actively involved in daily operations, and is on site 24-hours a day. These establishments generally serve at least one meal in addition to breakfast, and operate as "restaurants" as well as overnight lodging accommodations. Room numbers tend to range from 6 to 30.

Source: Oregon Bed & Breakfast Guild

Bed and breakfasts frequently face two forms of competition. Primary competitors are other bed and breakfasts and small inns with similar target markets. Secondary competitors are establishments such as hotels, motels or campgrounds, which provide lodging but appeal to different clientele than bed and breakfasts.

A literature search of the bed and breakfast lodging sector pointed to the following critical drivers to success for individual proprietors:

- Strong and growing local lodging market
- Visibility and proximity to business demand generators, tourist attractions, transit and highways
- Quality signage and logo
- Charm and appeal of home
- Amenities such as off-street parking and private bathrooms
- Advertisement including web marketing, a brochure and neighborhood/business support to create "word-of-mouth" references
- Knowledge of competitor's prices, minimum stay requirements, breakfasts and other amenities

RV PARKS

Recreational vehicles (RVs) combine transportation and temporary living quarters for travel, recreation and camping. These vehicles fall into two categories:

Motorhomes – range from large motorized vehicles to small van campers. Their prices range from around \$48,000 for small campers to up to \$400,000 for large motorhomes.

Towables – include folding camping trailers, truck campers and conventional and fifth-wheel travel trailers. Prices for these types of campers range from as low as \$4,000 for truck campers to up to \$140,000 for large travel trailers.

A variety of RV parks serve multiple target markets:

1. RV parks located near and easily visible from major interstate highways attract transient overnight campers and have few amenities.
2. Destination parks draw vacationers interested in staying in a more remote location and offer amenities such as swimming pools, game rooms, playgrounds, snack bars and places to fish.
3. Luxury "resort" parks seek to attract leisure travelers by offering facilities such as tennis courts, golf courses and health spas.

Recent statistics indicate that RVs are becoming an increasingly popular form of leisure activity. As of 2005, 8 million households owned at least one RV. This represents a 15% increase from ownership rates in 2001 and a 58% increase from rates in 1980. Reports are that rising fuel prices are moderating sales somewhat. As fuel prices rise, RVers tend to drive fewer miles while on vacation and instead spend more time at their campgrounds. Thus, amenities and activities offered by RV parks become more important.

The RV Industry Association indicates that RV demand will continue to grow over the next decade, with nearly 8.5 million households owning an RV by 2010. Reasons for this growth include the aging baby boomer population and increased advertising to younger market segments. Studies show that the largest number of RVs are owned by people between the ages of 30 and 54; the typical RV owner is 49 years old and married, with an income of about \$68,000. Other reasons for the success of RVs and RV parks are the flexibility and convenience they offer, their versatility and ease of access, affordability and family appeal and their ability to help vacationers enjoy the outdoors.

Successful RV parks and park owners/managers possess the following attributes:

- Accessible, attractive and convenient location;
- Strong local tourism market;
- Cleanliness;
- Proximity to attractions (for destination parks) and visibility from major highway (for parks designed for transient, overnight stays);
- Amenities including wireless internet access, swimming pools, playgrounds, laundry facilities, fitness center, restroom and showers, snack bars or small shops;
- Ability to accommodate a variety of vehicle types;
- Water frontage for fishing, boating and swimming;

- Knowledge of customer desires;
- Internet presence with online reservation system;
- Large sites that can accommodate “big rigs,” potentially equipped with sliding rooms on both sides; and
- Understanding of competitors’ operating characteristics (such as price, amenities, etc.) and their performance.

ALTERNATIVE LODGING

Throughout this research, Marketek asked lodging operators and professionals about the use and availability of yurts. Generally, yurts are not a part of RV parks or other private lodging developments. They are increasingly popular components of Oregon state park camp grounds, however, because of their protection from weather in all seasons and ease of use. A few campgrounds in the Mt. Hood area have yurts available. They could be considered a part of the mix for an RV development in Molalla.

COMPETITIVE ASSESSMENT

To help provide insight to Molalla's competitive posture for attracting and developing lodging facilities, a broad evaluation is provided of how Molalla measures up against factors identified as key to success. These focus on locational influences, market characteristics and infrastructure elements and are outlined in the exhibit that follows.

<p>Key for Rating S = Strength W= Weakness N = Neutral</p>

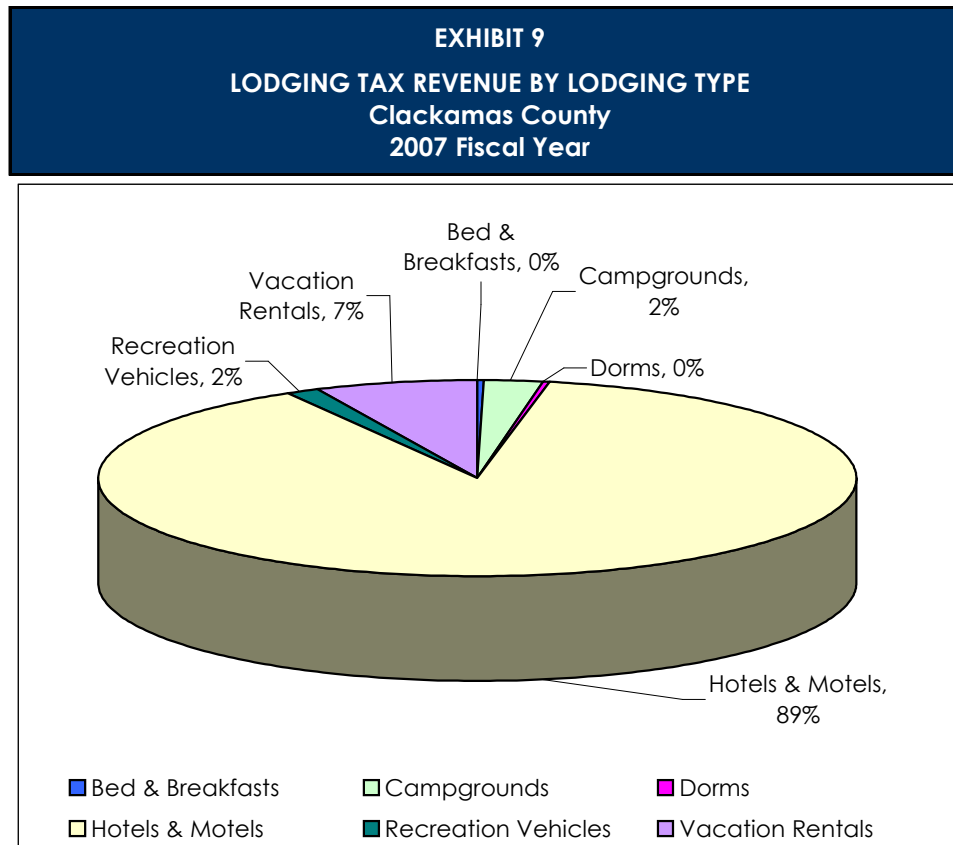
Molalla's Competitiveness for Lodging		
Critical Success Factors	Rating	What Molalla Offers
Business & Economic Characteristics		
Major employers	N	Limited number of sizable employers to generate regular business travel demand. In the market area are small businesses--782 employers w/ 5,119 estimated employees
Business growth/expansion	S	In recent years, TEAM's organized industrial development effort has helped attract Cencast and NW Polymers with strong potential for business attraction tied to marketable industrial property.
Available shopping – a selection of quality shopping for visitor needs	N	A good base of convenience shopping and services. Very limited selection of comparison and specialty goods or visitor-oriented retail.
Business services & amenities, including restaurants/entertainment	W	No up-to-date meeting facilities, though the Buckeroo plan holds promise. Limited choice for eating out. Limited entertainment options.
Tourism & Recreation Characteristics		
Visitor attractions (parks, casinos, boating, museums, etc.)	N	No single, large draw. Highly seasonal. Multiple venues appeal to diverse but small slices of visitor market—from sky diving to fishing.
Special events and festivals	N	Buckeroo is main event with nearly 2 dozen other events that pull from beyond Molalla. More year-round events are needed. City is exploring sports complex on Bolander Field that would draw athletic competitions.
Strong market position/niche	N	Best known for single event-Buckeroo rodeo. Community visitor theme is missing.
Market Demand		
Visitor/Leisure Market	N	Highly seasonal. Largely local/regional. More cross-marketing needed with regional attractions.
Business Market	N	Limited overnight lodging clientele at present; potential growth as economic base expands.

Molalla's Competitiveness for Lodging		
Critical Success Factors	Rating	What Molalla Offers
Group Market	W	No established infrastructure at present to support meetings/group events.
Residential Market	S	Molalla Market Area is relatively large and is expected to grow at an average annual rate of 1.5% through 2012 to reach 20,831 persons.
Market Supply		
Hotel/Motels	W	One local motel, below par in quality. Other facilities are 10-20 miles away in Woodburn, Silverton, Oregon City and Clackamas.
RV Parks	N	None in Molalla proper, but several within 10-15 miles in Silverton, Canby, Feyrer Park.
Bed & Breakfasts	S	Two B&Bs in Molalla, one in Mulino and eight in Silverton. Reportedly, the occupancy rates do not warrant additional facilities.
Lodges/Resorts	N	No resorts in Molalla proper. Garden Resort will open in Silverton in September 2008.
Location		
Proximity to competition	N	Molalla's proximity to Woodburn, Oregon City and Silverton lodging, while not 'convenient,' is not so far as to be 'unreasonable' for visitors to travel.
Proximity to market/customer base	N	Molalla's year-round visitor attractions draw mostly from the Portland metro area. Visitors to Molalla River area and other recreational venues are largely 'day trippers.'
Highway access/visibility	W	Hwy 211 is a main route to Mt. Hood from I-5. But overall, Molalla is 'off' the I-5 and I-205 radar. Distance from interstate could be negative for RVers.
Surrounding area attractiveness	N	Mixed. Natural scenery is alluring. Main highway & built environment from Molalla's edge and through town is not attractive.

Source: Marketek, Inc.

EXISTING LODGING SUPPLY

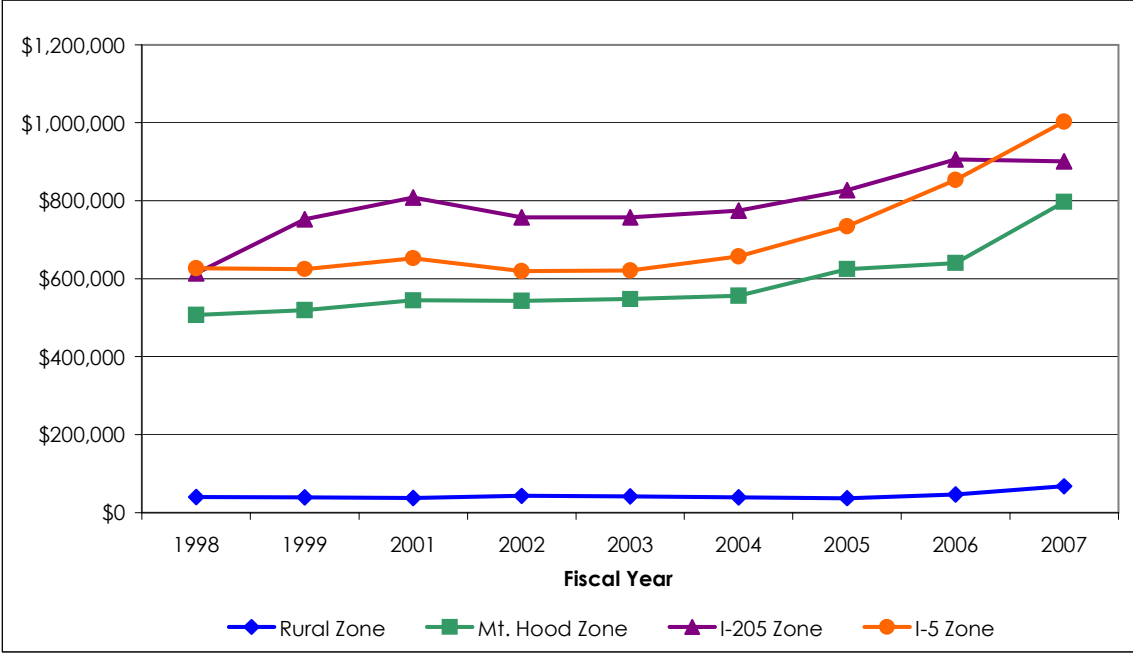
While there are few lodging options within the City of Molalla, Silverton, Woodburn, Canby and Wilsonville offer a variety of hotels, motels, bed and breakfasts, RV parks and campgrounds. As an indicator of accommodations spending by lodging market segment, Exhibit 9 provides a breakdown of lodging tax revenue by segment for Clackamas County. As shown, the vast majority of lodging spending in FY 2007 was on hotels and motels (89%), followed by vacation rental (7%). Combined, campgrounds and RV parks generated 4% of lodging tax revenue in the county.



Source: Clackamas County Tourism Development Council

Historical lodging tax revenues indicate increasing spending on lodging in Clackamas County. Exhibit 10 displays county tax revenues for four sub-areas. The rural zone, which includes Molalla, Canby and Estacada, brought in significantly lower revenues than other parts of Clackamas, but showed the highest growth rate over the last nine years. Undoubtedly, this is due to the limited lodging offerings in each of these communities. Rural zone tax revenue grew at an average annual rate of 8.0% since 1998, compared to 6.4% in the Mt. Hood zone, 5.2% in the I-205 zone and 6.7% in the I-5 zone.

EXHIBIT 10
LODGING TAX REVENUE BY AREA
Clackamas County
Fiscal Year 1998 to Fiscal Year 2007



Note: Rural Zone includes Estacada, Molalla and Canby; Mt. Hood Zone includes Sandy and Timberline; I-5 Zone includes Wilsonville and Lake Oswego and I-205 Zone includes Oregon City, Gladstone and Clackamas.

Source: Clackamas County Tourism Development Council

Key characteristics of the area lodging market are displayed in Exhibit 13, with State of Oregon and Willamette Valley Region statistics provided for comparison. Molalla is considered part of the Willamette Valley market. Occupancy rates in Clackamas County have increased steadily since 2004 to reach 66% in 2006. Average room rates and revenue per room have also shown steady increases over the past three years. While Clackamas County occupancy rates were above those of the state and region in 2007, county room rates were below those of the state and equal to those of the region. Note that these statistics include conventional hotels and motels only and not RV parks or campgrounds. (RV occupancy statistics from State Parks Department are still to come.)

Monthly occupancy rates for Clackamas County and the City of Salem mirror the results of interviews with representatives of local attractions and lodging. In 2006, county occupancy rates ranged from a low of 50% in January to a high of 81% in July.

EXHIBIT 11					
SUMMARY LODGING STATISTICS Molalla Area and State of Oregon					
Area/ Year	Rooms Sold	Rooms Available	Occupancy Rate	Average Room Rate	Revenue per Avail. Room
State of Oregon*					
2007	13,115,387	21,413,602	61.2%	\$86	\$53
Willamette Valley*					
2007	2,032,692	3,273,702	62.1%	\$82	\$51
Clackamas County*					
2006	604,256	917,362	65.9%	\$82	\$54
2005	565,788	919,070	61.6%	\$74	\$46
2004	524,303	919,070	57.0%	\$72	\$41
City of Salem**					
FY 2007	386,753	717,474	53.9%	NA	NA

*Includes hotels/motels only. No bed and breakfasts, campgrounds or RV parks included.

**Includes hotels/motels and bed and breakfasts only.

NA: Not Available.

Source: Smith Travel Research; Clackamas County Tourism Development Council; City of Salem

The following pages (Exhibits 12 and 13) summarize selected Molalla area lodging facilities in terms of size, room rates, amenities, occupancies and visitor markets. These facilities in particular are ones that Molalla visitors are referred to by visitor groups, businesses and others. It is important to note that in addition to the Oregon Garden Resort bringing 103 rooms online in September 2008, Canby anticipates ground breaking of a new mid-size chain hotel on Highway 99 within the next year, adding another 60-80 rooms to the area supply. Another developer, the InterContinental Hotels Group has been actively evaluating the development of a 79-room Holiday Inn Express in Clackamas and a 72-room Holiday Inn Express Hotel and Suites in West Linn.

In addition to the private RV parks noted in Exhibit 13, the Oregon Parks and Recreation Department reported on the growing utilization of RV sites at five state parks in the regional market: Ainsworth, Champoeg, Milo McIver, Silver Falls and Viento. Over the last three fiscal years 2005-2007, total occupancies steadily climbed from 32,755 days to 35,509. Days open/year vary by park and may be impacted by weather conditions as well.

EXHIBIT 12
SUMMARY CHARACTERISTICS OF SELECTED HOTELS/MOTELS AND BED & BREAKFASTS
Molalla Area
2008

Facility/ Location & Type	Dist. from Molalla*	Num. of Rooms	Nightly Room Rate	Amenities	Comments
Hotel/Motel					
Stagecoach Inn 415 Grange St. Molalla Motel	0 mi.	32	\$69	Restaurant adjacent. Fax & copy service. Kitchenettes available. Walk to town & Buckeroo grounds.	Eight units rented as studios. Repainted, renovated.
Silverton Inn 310 N. Water St. Silverton Hotel	15 mi.	15	\$99 - \$139	Five suites with one at \$199/night. Downtown location with adjacent restaurant.	Prime market is visitors and family of area residents. Renovated in 2006.
Oregon Garden Resort 895 W. Main St. Silverton Hotel	16 mi.	103	\$138 - \$189	Lodge with meeting, conference and reception space. Restaurant. Spa. Heated pool and hot tub.	Now booking for September 2008.
Best Western Woodburn 2887 Newberg Hwy. Woodburn Hotel	15 mi.	81	\$65 - \$95	Fitness center. Pool and hot tub. High speed internet. Continental breakfast. Laundry. Business center.	Six suites available. Meeting space available for up to 70 people.
La Quinta Inn & Suites 120 N. Arney Rd. Woodburn Hotel	15 mi.	60	\$69 - \$94	Fitness center. Pool and spa. High speed internet. Business center. Continental breakfast.	Twelve suites available. Walking distance to Woodburn Company Stores.
Super 8 821 Evergreen Rd. Woodburn Hotel	15 mi.	81	\$59 - \$75	Pool and spa. High speed internet. Laundry facilities. Continental breakfast.	Off I-5. Meeting space available. Near Woodburn Company Stores.
Canby Country Inn 463 SW 1st Ave. Canby Motel	13 mi.	35	\$59	High speed internet.	Built in 1986 and renovated in 2001. In mediocre condition.
Best Western 30800 SW Parkway Ave. Wilsonville Hotel	21 mi.	63	\$88 to \$93	High speed internet. Business center. Fitness center and pool. Continental breakfast. Kitchenettes available.	
Snooz Inn 30245 SW Parkway Ave. Wilsonville Motel	21 mi.	58	\$45 to \$55	High speed internet. Heated pool. Laundry facility. Continental breakfast.	
Wilsonville Inn & Suites 29769 Boones Ferry Rd. Wilsonville Hotel	21 mi.	56	\$75 - \$95	Continental breakfast. High speed internet. Pool and hot tub. Business center. Fitness center.	Meeting facilities available.

*Distance from 117 N Molalla Avenue.

Source: Marketek, Inc.

EXHIBIT 12 (continued)
SUMMARY CHARACTERISTICS OF SELECTED HOTELS/MOTELS AND BED & BREAKFASTS
Molalla Area
2008

Facility/ Location & Type	Dist. from Molalla*	Num. of Rooms	Nightly Room Rate	Amenities	Comments
Hotel/Motel					
Comfort Inn Wilsonville 8855 SW Citizens Dr. Wilsonville Hotel	22 mi.	64	\$80 to \$100	Fitness center. Pool and sauna. Continental breakfast.	Excellent I-5 access.
Super 8 25438 SW Parkway Ave. Wilsonville Hotel	23 mi.	73	\$64 - \$70	Continental breakfast. High speed internet. Business center. Laundry facility.	Excellent I-5 access.
Holiday Inn 25425 SW 95th Ave. Wilsonville Hotel	24 mi.	170	\$85 - \$100	Fitness center. Pool and hot tub. Laundry service. Business center. High speed internet. Restaurant.	I-5 access. Two-room suites available for \$210 - \$220/ night.
Rivershore Hotel 1900 Clackamette Dr. Oregon City Hotel	19 mi.	117	\$95 to \$115	On-site restaurant. High speed internet. Pool and spa. Laundry facility. Fitness center.	Offers packaged fishing trips, jet boat trips and museum trips.
Keizer Renaissance Inn 5188 River Rd. N. Keizer Hotel	29 mi.	86	\$78 to \$140	Continental breakfast. Pool and spa. Fitness center. Laundry service. Suites available.	
Bed and Breakfasts					
Prairie House Inn 524 E. Main St. Molalla	0 mi.	6	\$95 to \$135	Breakfast service & evening hors d'oeuvres. Dinners & luncheons by request.	Weekend retreat packages available.
Rosse Posse Acres 32690 S. Mathias Rd. Molalla	2 mi.	1	\$106	Participation in ranch activities.	Working elk ranch with petting zoo.
Mulino House 26570 S. Hwy. 213 Mulino	7 mi.	5	\$85	High speed internet.	Some shared bathrooms.
Water Street Inn 421 N. Water St. Silverton	15 mi.	5	\$125 - \$165	Private baths. TV/VCRs, telephones and dataports. Reduced winter rates.	Historic home in downtown Silverton.
Inn on Pine 1106 Pine St. Silverton	17 mi.	2	\$72 - \$82	Landscaped gardens.	Near Silver Falls State Park, Oregon Gardens, and downtown Silverton.

*Distance from 117 N Molalla Avenue.

Source: Marketek, Inc.

EXHIBIT 13
SUMMARY CHARACTERISTICS OF SELECTED ALTERNATIVE LODGING
Molalla Area
2008

Facility/ Location	Dist. from Molalla*	Num. of Spaces	Nightly Rate	Description/ Amenities
Recreational Vehicle (RV) Parks				
Silver Spur RV Park 12622 Silverton Rd. Silverton	16 mi.	134	\$24	Most (90%) short term spaces. Also have weekly (\$160) and monthly (\$335) rates. Offer lodge and meeting rooms, trails, fishing, picnic area, laundry facilities, showers, fire pit, kitchen, cable TV, phone jacks and data ports. Opened in 2006.
Portland-Woodburn RV Park 115 N. Amey Rd. Woodburn	15 mi.	150	\$34	Offer nightly (\$34), weekly (\$205) and monthly (\$380) rates. Rates do not include electricity. Amenities include a rec room, kitchen, swimming pool, picnic area, BBQ pit, internet and restrooms and showers.
Riverside RV Park 24310 S. Hwy. 99E Canby	14 mi.	110	\$30	Offer nightly (\$30), weekly (\$175) and monthly (\$395) rates. About 65% (71 spots) are monthly renters. Other spots fill up during peak summer travel times but decline during winter. Offer rec room, laundry facility and showers.
Aurora Acres RV Park 21599 Dolores Way Aurora	18 mi.	130	\$27	Offer daily, weekly and monthly rentals. Fifty pull-throughs available on a nightly basis. Built in 1982 with new owners in 2004. Amenities include laundry facility, pool and BBQ pit.
Campgrounds				
Feyrer Park Mathias Rd. & Feyrer Park Rd. Molalla	1 mi.	20 (tent or RV sites)	\$16 - \$19	Open May 1 to Oct 31. In June, 50% booked on weekends. In July and Aug, almost 100% full on weekends. Little activity during the week. Offer picnic areas, softball, volleyball & horseshoe facilities, a playground, fishing and electrical hookups.
Camp Adams 18499 S. Hwy. 211 Molalla	6 mi.	10 cabins		210-acres retreat center owned and operated by United Church of Christ. Hold summer camp sessions. Meeting space available. Volleyball, basketball & other recreation activities. Cabins sleep 10-28 each.
Molalla Retreat Molalla River Corridor & S. Molalla Forest Rd., Molalla	8 mi.	Lodge + 3 cabins	\$25 per person	Retreat with camp and conference center. Activities include a beach & swimming hole, sports pavilion, fishing and trails. Facility sleeps up to 90.
Camp Colton 30000 S. Camp Colton Dr. Colton	9 mi.	7 cabins	\$150 to \$250	80-acre event facility. Cabins sleep 2-12 persons and have kitchens, 1-2 bathrooms and living rooms. Two RV hookups. Tent camping available. Hiking, fishing & campfires.
Camp Dakota 1843 Crooked Finger Rd. Scotts Mill	21 mi.	20 (tent or RV sites)	\$18 to \$55	Tepees & yurts available to rent. Activities include paintball, disc golf, gold panning, sports, waterfalls and trails.

*Distance from 117 N Molalla Avenue.

Source: Marketek, Inc.

SITE EVALUATION

Although a specific site had not been chosen at the time of our fieldwork, the City of Molalla identified several potential locations that could be considered for lodging. Marketek conducted a visual inspection and evaluation of the sites and summarized the findings in the table that follows.

Evaluation of Potential Lodging Sites				
Location	General Description	Issues/ Challenges	Opportunities/ Assets	Suitability
SW Corner of Hwys 211 & 213	<ul style="list-style-type: none"> Large flat parcel >50 acres at prime signalized intersection Diagonally across from Molalla Market Center; other corner occupants: gas/grocery and café 	<ul style="list-style-type: none"> Not presently for sale Outside City limits Would continue to spread Molalla's commerce outside downtown core 	<ul style="list-style-type: none"> High traffic and visibility Excellent access to 2 highways Close proximity to industrial park 	<ul style="list-style-type: none"> Mixed-use retail and lodging
Gramor property adjacent to Safeway @ Molalla Marketplace	<ul style="list-style-type: none"> Flat parcel (< 5 ac) can accommodate 30,000 sq ft Shared parking w/ existing shopping ctr 	<ul style="list-style-type: none"> Setback off the highway Layout adjacent to Safeway in anticipation of 'conventional' retail 	<ul style="list-style-type: none"> Excellent access High quality development Location serves broad market area 	<ul style="list-style-type: none"> Retail/service
Hwy 211 frontage at 31667 S. Hezzie Lane	<ul style="list-style-type: none"> 9.9 acres \$1.5 million New medical facility across street Listed w/ Prudential 	<ul style="list-style-type: none"> Must drive to restaurants, shopping and services 	<ul style="list-style-type: none"> Good visibility and traffic Potential to subdivide Could tap into water & sewer across street On 211 com'l corridor 	<ul style="list-style-type: none"> Business park/general commercial, Hotel/motel
Hwy 211 frontage adjacent to Bi-Mart site	<ul style="list-style-type: none"> 8.5 acres \$2.3 mil Listed w/ First Commercial 	<ul style="list-style-type: none"> Pending rezoning to Com'l, but could be included as part of Bi-Mart Master plan Nearby heavy com'l/ind'l uses incongruent w/ quality hotel SDCs prohibit development 	<ul style="list-style-type: none"> High traffic, in-town area Will partition Excellent hwy access, visibility 	<ul style="list-style-type: none"> Retail, restaurant, drugstore Hotel/motel
32272 South Molalla Avenue	<ul style="list-style-type: none"> Private owner seeks to develop RV park of 79-99 sites 3-acre site 	<ul style="list-style-type: none"> Just outside city limits; needs sewer & water Adjacent, surrounding uses of vacant mill site & ill-kept properties Off beaten path 	<ul style="list-style-type: none"> Level site Some mountain views Close to downtown com'l Fairly quiet 	<ul style="list-style-type: none"> Moderate potential as quality RV site; significant visual buffers of nearby properties needed

Evaluation of Potential Lodging Sites (continued)				
Location	General Description	Issues/Challenges	Opportunities/Assets	Suitability
N. Cole St. Molalla Buckeroo property	<ul style="list-style-type: none"> • North of Clark Park • 5 acres (est'd) • Owned by Molalla Buckeroo Assoc 	<ul style="list-style-type: none"> • Access through residential neighborhood 	<ul style="list-style-type: none"> • Highly scenic setting, mountain views, quiet • Across from aquatic center & adjacent to Clark Park & Buckeroo grounds/future meeting center • Level site • Close to commercial services 	<ul style="list-style-type: none"> • RV Park

An additional consideration for evaluating potential lodging sites and promoting their visibility is the amount of nearby traffic. Exhibit 14 summarizes average daily traffic (ADT) at key locations in the Molalla area.

EXHIBIT 14 MOLALLA AREA TRAFFIC COUNTS 2006		
Road /Milepost	Avg. Daily Traffic (all vehicles)	Location
Highway 213		
10.99	15,200	.01 mile south of S. Mulino Rd @ Mulino
16.09	8,400	.01 miles north of Hwy 211
16.11	5,200	.01 mile south of Hwy 211
Highway 211		
11.3	6,100	.01 mile west of Hwy 213
11.32	11,300	.01 mile east of Hwy 213
12.25	11,800	West City limits of Molalla, .09 mi east of LeRoy Av.

Source: Oregon Department of Transportation

EXAMPLES OF SUCCESS

In order to provide insight to lodging product and markets relevant to Molalla, telephone Interviews were conducted with two hotel/motel management companies that focus on small, limited-service, independently owned facilities in Oregon and Washington. The discussions revealed the following:

- A strong dependable job base able to attract professionals is critical to sustaining occupancy throughout the year unless there is a visitor attraction(s) that draws year round.
- Business travelers generally comprise 40-50% of the lodging market with the balance being tourists and visitors of family and friends. The business sector is counted on to provide a stable, dependable base of occupancy throughout the year.
- A customer base of 50% business and 50% leisure is an optimum mix to strive for.
- A growing residential population is an important consideration but will not generate more than 10-15% of occupancies year round in smaller communities
- Average cost to build motel property is \$50,000/room with a 40-unit minimum to create critical mass.
- Chains such as Holiday Inn lack flexible, with minimum unit requirements (70 rooms); construction costs average \$75,000/room.
- Local/regional investment groups can offer a viable approach to pursuing lodging projects that are often challenged to locate adequate financing through traditional sources.

Clatskanie River Inn, Clatskanie, Oregon

One recent example of a successful hotel project in a rural setting is the 40-room Clatskanie River Inn, (Clatskanie, OR) for which construction was completed in 2004. After extensive research of the growing employment base it was determined that sufficient demand could be garnered to satisfy minimum occupancy requirements. Construction of Cascade Grain Products' ethanol plant, a PGE generation facility, and Georgia Pacific plant expansion are among the local initiatives creating support for the hotel. An Enterprise Zone location on Highway 30 helped defray start-up costs by reducing property taxes by 80% the first three years. Meeting space—a feature highly recommended by the industry management—accommodates up to 100. The Inn has plans to add another dozen rooms. Rates are \$79-\$159.

Silverton Inn & Suites, Silverton, Oregon

Recently renovated (2006-2007), the Silverton Inn & Suites is a model of a successful small town hotel. Presently, there are 13 rooms, including 5 suites, with ongoing conversion in 2008 bringing the total number of rooms to 15. The Inn represents a high quality remodel of the run-down motel that previously existed. The owner, Doug DeGeorge attributes the Inn's success to its excellent location in downtown Silverton, a major upgrade in the lodging experience, a blend of prices to accommodate the middle market (\$99-\$139), low overhead, and an adjoining quality restaurant leased by the hotel. Although the Inn benefits from Silverton's visitor market and some business travelers, family and friends of the residential market provide a year round base of support.

Mt. Hood Village RV Resort, Welches, Oregon

Mt. Hood Village RV Resort was repeatedly mentioned as the model RV park in Oregon if not the Northwest. Opened in 1984, the Village has 352 sites total, including 277 full hookups on 114 acres of forest. One of 300 properties owned by Equity Lifestyle Properties across the U.S., the Village offers a wide variety of accommodations including nightly rentals in 20 furnished cottages and several cabin suites.

The Village general manager, Dan Werner noted that despite their size and amenities, their success is tied to the same factors that are critically important to any RV park as noted below. This top rated, five star RV property has a 38% annual occupancy.

- An excellent location with significant recreational opportunities year round
- Numerous events throughout the year to attract guests and extend their stays
- Quality amenities such as a swimming pool, restaurants, etc.
- Family-orientation and activities
- Length of stay options—from nightly to monthly
- Continuous marketing and special outreach to the group market

Also important to note is that the market is increasingly local and regional for RV travelers with the majority of guests at the Village resort coming from the Portland metro area. In large part this is attributable to rising gas prices. Many RVs get only 10 miles to the gallon, costing up to \$400 to fill the tank.

CONCLUSIONS AND NEXT STEPS

DEMAND POTENTIAL

Demand for lodging will be generated by residents, visitors, local businesses and special events. Key factors affecting future demand are highlighted below.

- Molalla is experiencing steady population growth, above average for the state as a whole. By 2012, the size of the local market area will be nearly 21,000 with 7,173 households.
- Presently, Molalla has limited demand from business travelers due to its relatively small commercial and industrial base. Over time, the attraction and expansion of Molalla's industrial and employment base will generate lodging demand from businesses for customers, suppliers and other affiliated with serving local industry. Molalla is poised for economic development with several prime industrial properties including: the soon to be certified 25-acre shovel ready industrial site and 40 available acres at the Four Corners Industrial Park, ideally situated at the Highway 211 and 213 intersection. The 110-acre Flragon former millsite property is also expected to redevelop following evaluation by the Department of Environmental Quality.
- Molalla is not viewed as an overnight destination for travelers, yet many recreation visitors are passing near or through town en route to hiking, hunting, fishing, kayaking and equestrian activity. Visitor traffic is highly seasonal and peaks in July and August. The potential exists to generate overnight demand beyond the events at the Buckeroo facility.
- The Molalla Area Chamber as well as area visitor attractions collectively report a dozen or more events a year where visitors are sent 'out of town' for overnight hotel accommodations-- not including weddings, family reunions, etc. RV owners are regular attendees of Molalla's sporting events and outdoor activities and often arrive in a motor home wanting to stay through a long weekend, but due to lack of space are routinely referred to other parks in the region. The Chamber office receives frequent calls from RV'ers looking for a local park.
- Youth and high school athletic events are an important source of demand for year round lodging. The school athletics program maintains that they could host an estimated ten sports tournaments a year with existing athletic facilities, if quality lodging were available. Enhanced athletic fields and facilities together with lodging could potentially triple the number of events.
- The Molalla Buckeroo Association has plans for a new convention center next to the current rodeo grounds, pending negotiations with the city of Molalla on a long-term lease for a 3.21-acre city-owned plot of land. The anticipated capacity is 500-600 with facilities to accommodate a variety of meetings, starting with the demand from local civic organizations. Currently, the most functional meeting space in town is the Senior Center which is 'overbooked.' The Senior Center's ability to successfully attract out-of-town functions is directly tied to quality overnight accommodations. No determination has been made regarding

the number of meetings and visitors expected to utilize the space. The convention center is one step in a series of long-term expansion plans that include an RV park and an indoor equestrian facility.

LODGING SUPPLY

Both Clackamas County and Willamette Valley hotel occupancies are above the state average. Clackamas County has experienced steadily rising occupancies and increasing room rates, a healthy sign for the lodging sector.

Existing lodging offerings within Molalla are highly limited. Only 11 bed and breakfast (B&B) rooms exist in the area, counting the Mulino House. The B&Bs report about a 50% occupancy rate, peaking in the summer months. This niche lodging type also attracts a niche market which generally does not include business travelers and outdoor enthusiasts.

The Stagecoach Inn reports serving long term tenants in order to be profitable. Community members note that many times even in the off-season the 'no vacancy' sign appears. True occupancies are obscured by the presence of full time renters. The Stagecoach owner commented that his strongest business-related demand has been tied to construction crews which are highly sporadic and low budget in nature.

However, the key issues with the Stagecoach are its image and character. Many local residents/leaders/businesses do not make referrals to the Inn because of its dated condition. While the size and location may be satisfactory to serve the Molalla community, the Inn needs a major overhaul to compete with facilities on the I-5 and I-205 corridor or in Silverton.

KEY FINDINGS

Locally-generated demand within the Molalla market area is not measurably sufficient to support a new hotel of sufficient size (50-80 rooms) and occupancies (of 60% or higher), that are necessary to maintain and sustain a profitable operation. While not convenient, *Molalla is close enough to the significant lodging supply of Interstate-5, Interstate-205 and Portland further hampering its ability to attract a conventional, chain hotel.* However, Molalla should be able to support a small quality motel (20-35 rooms) to serve the needs of the community and to accommodate the small meeting/group event market.

The primary market for conventional lodging in Molalla in the near term consists of friends and family of market area residents, supplemented by visitors to events and seasonal recreation. Molalla's predicament is that it could attract segments of the group market (sporting and special events) if it had attractive lodging facilities. Construction of the Buckeroo meeting facility—assuming it is an attractive design and competitive with other meeting space—should spur additional lodging opportunities tied to functions and small conventions.

An RV facility serves a more recreation-oriented, seasonal market that complements Molalla's visitor industry. Unlike hotels, RV park developments have the advantage of being phased-in with sites, services and amenities added as demand and capital resources warrant. The RV industry continues to grow with retiring baby boomers and by all accounts there are opportunities for expansion. The availability of a quality RV

location and park in Molalla will facilitate synergies with the many community events and the abundant outdoor recreation activities and generate more spending in local businesses.

DEVELOPMENT OPTIONS

Lodging development goes hand in hand with expanding the jobs base, revitalizing downtown Molalla, improving visitor infrastructure (such as meeting space and restaurants), continuing to develop a full calendar of events and aggressively promoting the events with the area's visitor offerings.

Practically speaking, a new chain hotel facility is unlikely to succeed on its own without new demand generators. Average construction costs for a new conventional mid-market hotel, such as a Holiday Inn Express are \$75,000 per room. An alternative involving renovation of the Stagecoach, estimated to be between \$10,000-\$20,000 per room is far less capital-intensive. Though off the highway, the Stagecoach is centrally located to the commercial base and civic heart of the community. This lodging alternative should be pursued, along with the construction of a destination RV park facility, which is estimated to cost around \$20,000. These options also appear to be more realistic and achievable in the near term.

The RV lodging option in particular encourages Molalla to focus on its unique characteristics and market position as a quaint, welcoming rural community with high scenic value and strong recreational opportunities. The Buckeroo site offers a very favorable setting and the convenience of being situated next to the Buckeroo grounds for events that will attract an RV market. While the Buckeroo Association views an RV park on its property as being a longer-term opportunity, there may be other potential property owners and operators who would pursue this venture in the near future. With aggressive marketing of the opportunity, other sites may become available beyond those explored during this research. The City too may consider public ownership of an RV facility as has occurred in other Oregon communities, Cannon Beach being one example and several run by Port Districts (Newport and Florence).

Renovation of the Stagecoach Inn could result in a highly functional, updated, quality facility accommodating mid to middle-upper market clientele. During the course of this research, Marketek conversations with the owner and with a private developer indicated that this possibility merits further exploration in the near term.

The success of any lodging venture in Molalla will depend on proper location, favorable site characteristics, quality development and excellent management and marketing.

NEXT STEPS

Suggested next steps for Molalla in pursuit of lodging market opportunities are outlined below:

1. Through TEAM and its partners (including the City, Clackamas County, Chamber of Commerce) and the Buckeroo Association, form a Lodging Task Force to

explore steps to encourage redevelopment of the Stagecoach Inn and the creation of an RV park in town. Among the options for the Stagecoach are: the current owner renovates; the property is sold privately to hotel developer; and the city purchases the property and packages the opportunity to a developer. If these approaches fail, begin courting non-chain hotel developers to pursue another location. Ideally, the restaurant adjacent to the Stagecoach is also redeveloped to a high quality, mid-priced dining establishment. This would make the Stagecoach more attractive as a development opportunity and as a favorable lodging choice.

As the Buckeroo site is the top candidate for a quality RV park, explore alternatives with the organization for ways to spur that proposed project along in the next 18 months. Short of developing the property on their own, the most likely option is for the Buckeroo to lease or sell the site to either a private investor or the city for development.

Other steps for the Lodging Task Force to pursue are:

- Identify incentives the city, TEAM or other partners may offer as an enticement to hotel and/or RV developers such as reduced sewer hook-up fees and system development charges, low-interest loans, tax breaks and free land.
 - Gather names of potentially interested owners, operators and investors.
 - Identify other potential RV properties in the community with good access and the potential for development.
 - Implement a target marketing campaign focused on RV developers and managers. (See Step 2.)
2. Carry out a targeted plan to recruit a developer and company to operate a Recreational Vehicle Park. Among the steps are:
 - Prepare a 'Development Opportunity' marketing piece that outlines the compelling factors for the site and the community as a prime location for an RV park. (site assets, visitor data, nearby attractions and amenities.)
 - Research RV park developers and develop a target list. (Examples include Equity LifeStyle Properties, Inc., Outdoor Resorts of America and KOA.) Check out the National Association of RV Parks & Campgrounds and a helpful website on park development: www.rversonline.org (See article in Appendix B).
 - Send brochure and cover letter to contacts on target list; follow-up with phone call and invitation to tour.
 - Advertise the investment opportunity in the Oregon Lodging Association and the Oregon RV Park & Campground Association newsletters and conference brochures and West Coast RV publications.
 3. Send Molalla representatives to the annual conferences of the Oregon Lodging Association-OLA (October 5-6 in Sun River, Bend) and the Oregon RV Park &

Campground Association-ORCA (April 15-17, 2007 at the Seven Feathers Resort in Canyonville). Network with industry leaders and operators to get to know first hand what other rural communities have done to successfully develop lodging sectors and learn from their experience.

4. Immediately begin to track visitor counts from all sources on a regular basis. Produce a semi-annual, then annual report of findings on an ongoing basis. The Molalla Buckeroo Association maintains a good data base related to their facilities/event, but other attractions and destinations appear to have anecdotal visitor count information. Accurate records demonstrating a large and growing visitor market with as long a season as possible provide vital information to any potential lodging investor considering a Molalla location. The Chamber and TEAM group can spearhead this effort.
5. Continue to aggressively support Molalla's growth and development in the residential and industrial sectors that will help any quality lodging facility succeed.
6. Prepare to demonstrate to a hotel or RV developer Molalla's commitment to an aggressive visitor marketing effort as outlined in the Molalla Community Tourism Action Plan. Of particular importance will be cross-marketing initiatives with other nearby events that have the potential to capture overnight stays including Mt. Angel's Oktoberfest, Woodburn's Tulip Festival and drag strip races, St. Paul's rodeo and Silverton's art festival.

APPENDIX A

Persons Interviewed

Alan Ross, Rosse Posse Farm
Bev Doolittle, Canby Chamber of Commerce
Billie Ray, Molalla property owner
Champ Vaughan, William Hatchette Vaughan House
Chris Michalopoulos, Molalla Communications Company
Dan Werner, Mt. Hood RV Resort
Debbie McCune, Salem Convention and Visitors Association
Dennis Randazzo, First Commercial Real Estate
Fred Patel, Stagecoach Inn
George Fogelsome, Prairie House Inn
Gordon Root, Root Development
Gregg Mindt, Oregon Lodging Association
Jamie Johnk, Clackamas County Business & Economic Development
Jeff Hampton, Oregon Tourism Commission
John Atkins, City of Molalla
Linda Bell, Clackamas County Tourism Development
Marilyn, Woodburn Chamber of Commerce
Mark Hansen, Gramor Development
Mark Shuholm, Northwest Polymers
Mark Wheeler, Molalla Buckeroo Association
Rachel Beede, Prudential Real Estate
Roger Engle, Mulino House Bed and Breakfast
Sheri Kelly, Molalla Chamber of Commerce
Stacy Palmer, Silverton Chamber of Commerce
Teresa, Skydive Oregon
Tim Hall, Cencast Corporation
Tom Hughes, Oregon State Parks and Recreation Department

APPENDIX B

Considerations in Building an RV Park

We frequently get inquiries on the "Park Owners" side of our web site from readers that are interested in building an RV park -- and want to know how to get started. We usually try to respond to these inquiries, but our reply always makes it clear that we don't consider ourselves as experts in RV park constructions. In our travels we do make it a point to discuss the "business of RV park ownership and management" with park owners and managers. And we've published a number of articles about what we consider the essential elements of a successful RV park or campground. In that sense we may qualify as "students" of RV park construction, ownership and management. But the best advice for the development of specific properties will always come from those who have fine tuned their skills in RV park management, and are now available on a professional consulting basis.

With that disclaimer, we'd like to pass along a few thoughts that we think are germane to those who write to us to ask our opinion on "starting an RV park". By doing so here we will answer those queries, within the limitations first noted, within the scope of our experience and "amateur competence". We list below the considerations we think would be park owners would want to consider and evaluate before launching an RV park.

1. Location. And as many in the real estate business would likely say, "location, location, location". The success of most RV parks is found in capitalizing on the attractiveness of the park's location to potential guests. Generally parks tend to be somewhere along the spectrum of "overnight parks" to "destination parks". It's essential to know where a proposed new park will be along that important line. Some locations, usually close to major highways (though hopefully not so close as to be unduly noisy) will be situated conveniently for those who are "en route" travelers. The more well traveled the route by RVers, obviously the better the opportunity. Other parks settings represent places RVers will like to go for recreation. Beaches, lakes, scenic country settings, and access to major recreation activities such as golf, hiking, bird watching, or the cultural attractions offered by major cities. Overnight parks need to be geared for the short term visitor, with amenities and conveniences geared to cater to overnight guests. Destination parks are often more "resort oriented", and the park itself may well contain or be adjacent to the types of features that RVers seek when looking to enjoy a popular area for several days to months. As a practical matter, most potential park locations will have elements of both overnight and destination parks. But it's crucial to analyze where along the spectrum the location best "fits", so that park design and marketing efforts can be properly targeted.

2. The Target Audience: Once the analysis suggested about location has been made, it needs to be refined to consider the type of RV guest that would most likely be attracted to it. Here we encounter considerations of what type of guest the park is most likely to attract -- the answer to which will be greatly influenced by park design. Do you want primarily short term guests, whose need will be primarily for basic accommodations? Or are you seeking to entice larger, high end RV owners by offering a design and park amenities more essential to this segment of the RVer population? Here's where a careful marketing analysis is critical, because it is

essential you know in advance which "type" of park will have the most appeal to your "natural RVer audience". The term "natural RVer audience" is meant to describe the type of RVer most likely to be attracted to an RV park at that particular location -- and of the design you have decided is optimal for that location. We could write an entire thesis on this concept, but for simplicity we simply wanted to identify this essential factor. By ensuring your park design, and future marketing efforts, have a focus on your "natural RVer audience", you'll have identified another of several factors that will influence your success. Most new to the business of developing an RV park will likely want some expert help here.

3. RVers versus Residents: While it may seem too simple to require consideration, this is a crucial factor that requires careful front end analysis. Some people own RVers to enhance their travel experience. Others own them because they need a place to live. Of the latter group, some are full timers. They will typically have sold their traditional home, and are enjoying "life on the road". These folks clearly belong in the category of RVers who own their RV to enhance their travel experience. Others whose only home is their RV have chosen the RV as a practical and economical residence. Typically these folks live and work in the local community, the only difference from others in the community being their particular home has a set of wheels. Some parks cater to those whose RV is primarily used as a permanent residence. Other parks focus only on RVers (including full timers as previously defined) who are using their RVs to enhance their travel experience. Many parks will have elements of both "residents" and "travelers" -- but it's a juggling act that needs to be considered with great care. RV "travelers" enjoy being in the company of others who are enjoying that type of RV lifestyle, and in some cases will avoid parks that give the appearance of being mostly permanent residents. Because most parks are seasonal, it's not uncommon to find an increase in "residents" during the slower off-season months -- for the practical reason of keeping some income stream during slow periods. However many parks will significantly decrease or even eliminate "residents" during the peak season, both to get the benefit of the higher daily or weekly rates, but also to ensure the park is attractive to RV "travelers" in season. To the extent a park caters to both travelers and residents, we think they are most successful when strict rules are enforced concerning the appearance of RVs and their immediate surroundings. *Note: for the balance of this article we will focus only on parks that cater entirely or primarily to "traveling" RVers.*

4. Park Design and Layout: Parks built 10 or more years ago often find that they are simply not designed to accommodate today's much larger and wider RVs. The notion of slide out rooms -- which sometimes number as many as 3 or 4 -- was simply not contemplated when designing RV spaces through the mid-90's. And the bigger, longer, taller rigs now require wider interior roads, with adequate space for making turns. Trees are usually a welcome part of the landscape. But if they are not trimmed so as to easily accommodate the tallest of rigs, they will cause owners of the increasing percentage of "big rigs" to stay away. It's simply too expensive to repair the damage -- even if cosmetic -- inadequately trimmed trees can cost. And as the average size of RVs has increased, so to has been the demand for pull through spaces, rather than back in spaces. It's a fact of life that not all RVers are expert at maneuvering their rigs. And they'll invariably select parks that have a deserved reputation for being "big rig friendly". Even those with much smaller units appreciate parks that are easy to navigate and have spaces that can be easily accessed without "obstacles" -- either natural or man-made. Back in spaces come in two distinct flavors: Easy and challenging. The trick is to make them "easy". Here's where

the layout needs to provide sufficiently wide interior roads to permit the considerable road width to back very long rigs, especially large fifth wheel units, easily into a space. And it's far easier to back into a well slanted space than it is a space that is perpendicular to the roadway. Finally park designers will invariably appreciate that RVers can back into a space if the backing turn is made towards the driver's side, since the driver does not have to rely entirely on the mirrors to accomplish the backing maneuver.

5. Site Size: Here's the ultimate trade off. The same property that can accommodate perhaps 100 sites that will give a feeling of being quite close together, may only accommodate 60-75 sites that will feel "spacious". Without question RVers strongly prefer spaces that provide adequate room, a feeling of uncrowded spaciousness, and to the extent possible some landscaping that provides both a defined "property line" and a degree of at least perceived privacy. Sociological studies have concluded that RVers will have a very strong sense of "ownership" of their space. This is perhaps why our own surveys reveal that at the top of the list of RV park guest dislikes is other people "walking through *their* site". This keen sense of an RVer having his or her own space is also revealed by the frequent insistence that they be assigned to a particular site within the park. Economically smaller sites mean more spaces, which should translate to more RVers per night that can be accommodated, and more revenue. Right? Well, not so fast. More RVers will pass up parks with sites they deem are too close together ("packed in like sardines"); and they won't be willing to pay as much for these smaller sites. Yet in some circumstances a careful assessment of the "natural target audience" before the park is designed may help provide some useful indication of where a park should be in terms of "site size". Surely any park that wants to cater to the "RV Resort" crowd will need to ensure the sites are comfortably spaced.

6. Which Amenities to Include? Our sense is that as more parks have offered an more complete set of amenities, RVers have begun to expect them. Water, sewer, and up to 50 amp power is becoming the minimum requirement for most big rigs. Cable TV is nice, but an increasing number of rigs now have satellite access. A telephone is becoming increasingly important -- not for phone calls, but for modem access. Typically where a site phone is available, an RVer will expect to pay a reasonable extra nightly fee for its use. It would seem foolish today to build a park which did not include a phone line to each site, even if only a very few would be initially activated. Clearly tomorrow's requirement will contemplate ways to accommodate high speed data transfer -- even though it is difficult to forecast with accuracy what infrastructure needs that may require. Most of the better parks today offer modem access for laptops in one or more public places within the park, often an office, clubhouse, or laundry room. Yet with increasing demand for modem access, and increasing demand for longer online times, this solution will for many parks in the future be perceived as "inadequate". A clubhouse is extremely important to attract group business -- rallies held by various RV clubs and organization, or sponsored by manufacturers, dealers or others. This can be a lucrative business for parks, but can only be captured if it offers an attractive clubhouse facility with accommodations for social events. (In our view the ability to capture a continuing stream of RV club rallies will increasingly become a key to financial success.) A laundry room with sufficient machines to handle the anticipated traffic has become a normal expectation. And of course the key facility will be the bathroom and shower facilities. This usually rates as the "most important" consideration for most RVers. What's looked for here is not just

a clean, modern design, but frequent quality maintenance to ensure they remain in that condition.

7. Family Attractions: Here's another example of why it's so crucial to correctly forecast what a park's potential "natural target audience" will be before proceeding. It may be true that 20 years ago the profile of RVers equated to "retired". Not so these days, as increasingly younger families are finding the many pleasures of family weekend outings, or summer vacations, using the incredible number of new RV types and options available today. Some parks have found that families with young children are a prime target audience, and have included a number of amenities that appeal to children. Yet others have concluded that if their clientele has too many children present, their more senior guests may soon be heading for other places that have cultivated a clientele of more mature years. Indeed, in some of the most popular snowbird parks in the sun belt states it's not at all uncommon to find RV resorts that either prohibit children altogether, or strictly limit when and how long they can be in the park. It seems logical to conclude that parks attracting primarily young families are likely to lose business among RVers who do not travel with children; and parks that cultivate a more senior clientele are less likely to be attractive to younger families. Therefore when planning the types of amenities to be included in a new park, it's essential to make informed judgments. Playgrounds and game rooms full of coin operated amusement devices will attract children; parks with horse shoe pits, pool tables, and club houses are more likely to attract other than young families. This is not to suggest that a careful "mix" is not possible; but it does point to the need for a very careful front end analysis of just how that might be accomplished.

8. Barriers to Development: We suspect many would be RV park builders underestimate the obstacles to constructing a new park caused by regulations and permit requirements. While most new businesses pose some permit issues, RV parks will often have far more issues to deal with. Environmental concerns have resulted in lengthy and expensive permit processes, often with public opinion and even political issues thrown in for added complexity. Part of this is caused by an outdated -- but for some quite real -- impression of an RV park (or even RV Resort). Going back 50 years or more, the term was always "trailer park". And the term "trailer trash" referred primarily to itinerant persons who primarily for economic reasons lived in a house trailer. Unfortunately the images of the past still haunt the new, modern RV industry -- an industry that now caters to an entirely new breed comprised in significant part of high end buyers, and units that not infrequently cost more than a lavish home. With those lingering images, however, it can be difficult to engender community support for a new RV park, even though the economic impact on the surrounding community can be extremely positive. With these daunting "barriers to entry" it's not surprising to hear predictions from the National Association of RV Park and Campground Owners (ARVC) that in the future the difficulty of building new parks may well lead to a shortage of RV park spaces. Older "mom & pop" RV parks will be bought out and refurbished by new corporate owners. And potentially these new "chain" parks will offer significant competition to smaller, less sophisticated individually owned parks. While these are unknown and not easily foreseeable outcomes, they at least deserve the knowledgeable consideration of individuals wanting to own an RV park.

9. Park Management: Probably the single most important aspect of any RV park is the quality of the management and staff. First and foremost it must immediately project a friendly, helpful image. The old adage "you don't get a second chance to make a first impression" applies in spades here. RV parks are in the hospitality business -- and

unless they both understand that fact and gear their entire operations to it, they will not be successful. This has implications for hiring, retention, training, and even pay rates. While a complete discussion of this is beyond the purpose of this article, we've published an earlier article that we think outlines the importance of cultivating a friendly, inviting, and professional image for an RV park. Beyond issues of projecting an attitude, today's park owner must have a thoughtful business plan, strong internal accounting and computer systems, and a carefully planned marketing strategy. Effective use of the internet as a marketing tool is, we think, increasingly essential.

Summary: We end where we began: We do not consider ourselves expert in RV park design or management. However our many years of RVing experience, augmented by the continuing exposure to reader opinion gained by maintaining these pages, provides us with an appreciation for what we consider some of the more fundamental considerations for those contemplating entry into this business. Surely any aspiring RV park owner would want to take advantage of all existing resources available. These would include discussions with existing park owners; membership and active participation in ARVC and/or the local state RV park owners' association, and even staying tuned into the conversations that comprise this web site. But an identification and understanding of the issues germane to RV park development and management is still not enough. What is truly needed is a careful application of these considerations to a specific parcel of property being considered as the site of an RV park, and an evaluation of all relevant considerations applicable to that specific location. This latter undertaking may well benefit from an objective professional evaluation of a qualified expert, and prove a valuable preliminary investment.

Source: RVers Online