

Hotel Study

St. Clairsville, OH

May 16, 2005

Presented by



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Real Estate Corporation

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INTRODUCTION

Background

The City of St. Clairsville (the City, or the Client) has made significant investments in its business district that have yielded a stable, attractive, safe, and convenient downtown district that houses commerce, tourism, arts, historic, and other positive venues. Also, development along the Interstate 70 corridor section of St. Clairsville has been significant and features the typical major suburban development including an enclosed, regional shopping mall, big box retail, chain restaurants, and limited service lodging. The City has been working with the Ohio Department of Transportation and other officials to seek funding for the development of a second interchange at I-70 to serve the growing traffic generated by the businesses along the corridor. While downtown St. Clairsville is located about a mile from I-70, the downtown area - as well as the entire region - stands to benefit from the accessibility and related growth patterns associated with a major highway.

St Clairsville is located in Belmont County, Ohio, of which it is the county seat. Belmont was one of the first incorporated counties in Ohio, and is situated along the banks of the Ohio River just west of Wheeling, West Virginia. St. Clairsville is located about 10 miles west of the City of Wheeling, and Belmont County is one of three counties that comprise the Wheeling Metro Area (MSA).

Route 40, the nation's first federally funded highway, and often referred to as the National Road, dissects the city and has been a major part of its history and development over the years. Downtown St. Clairsville largely developed around the National Road throughout most of the 19th century. Interstate 70, a major east-west limited access highway, traverses portions of the city to the south, and has led to major retail and hospitality development in that portion of the city and further south. While much of the retail growth in the I-70 corridor since 1980 has been at the expense of growth in downtown St. Clairsville, the downtown area has made significant progress in retaining and attracting smaller, local retailers and services to remain vibrant. The downtown is historically significant as well, and maintains a quaintness that is characteristic of an aesthetically pleasing small town. Further, the presence of county and municipal offices provides a certain employment base that supports numerous other businesses.

Situation

The City has purchased a historic, vacant former hotel in downtown St. Clairsville (the Subject Property), known as the Clarendon, and is seeking developers or end users to restore the facility and operate a hotel, restaurant and other possible amenities. The Client has budgeted funding for this effort as well as a potential subsidy to the chosen developer. Synergy Real Estate Corporation (Synergy) has proposed a scope of services that includes 1) an update of existing market data and analysis, 2) benchmarking the potential Clarendon development against other existing, similar, successful projects, 3) a feasibility analysis of the project, and 4) development of a target list of potential operators or developers. This scope will commence in order to help the City fulfill its objectives with this property.

Vision

The community's vision is that the hotel facility should express a "sense of place", and be a symbol of the community's "arrival" as an economic center. Given its historic significance, this will be a "boutique" style inn or hotel that will retain the historic characteristics of the property as well as the surrounding downtown neighborhood. The hotel should be "full-service" with amenities including a bar and restaurant, meeting rooms, and will likely be owner operated, rather than associated with any major chain.

Objective

The objective of this Study is to evaluate and update market conditions, the supply and demand factors affecting the market for a hotel and restaurant facility at the Subject Property, examine the feasibility of such an operation given market conditions, and make recommendations regarding a potential market for redevelopment of the property.

Methodology

Market Analysis

A real estate market study is a combination of a market analysis and a marketability analysis. A successful development involves building the right project for the market.

We commenced with this study by conducting a kick-off meeting with the Client. At this Kick-off meeting we discussed the project's "Rate of Return". Return is often financial but not exclusively; we have found by meeting with clients that there are often goals that go beyond traditional bottom line return. The kick-off meeting is an opportunity to explore and reveal the true goals of return for a project, both quantitative and qualitative.

We have gathered and analyzed current and relevant demographic and economic data regarding the market area including tourism trends, population and income trends, employment trends, and general real estate development and occupancy trends. Examination of potential correlations between the various economic and demographic data and the demand for hotel and related facilities has been studied.

Primary market research within the competitive market, consisting of interviews with key demand generators and discussions with people who are familiar with development patterns, historical market results, and the competitive market in general has been undertaken. Among those with whom we have conducted such interviews have been local and regional tourism and convention officials, representatives of local amenities and tourist attractions, owners and/or managers of competitive and potentially competitive properties, and local officials in planning, zoning, economic development, and transportation. These interviews have allowed us to gather statistical data regarding historical and likely future growth in the supply of and demand for accommodations, and to formulate informed judgments with respect to potential demand for the subject property.

Benchmarking

Synergy will identify and research similar hotel restoration projects in similar markets in order to benchmark their success and challenges against the potential of the St. Clairsville site. This eventually will allow the Client to proceed with a marketing program developed specifically to attract users to the site. The benchmarking effort will be limited to successful

operations of similar size and scope, and located in markets similar to that found in St. Clairsville. Those operations used for this process will include examples recommended by the Client as well as by other operators and trade associations and those researched by Synergy.

Feasibility Analysis

Using the market updates described above and our overall market research and knowledge as a basis, we will make cash flow estimates of all revenues and operating expenses for a potential hotel operation for the next five (5) years of operation. These statements will include all revenues and expenses, including, but not limited to, rooms, food and beverage, retail, administrative, marketing and maintenance departments and result in a "bottom line" of earnings before utilizing the results of the interest, taxes, depreciation and amortization (EBITDA).

Once the market analysis is complete and cash flow estimates have been made, it is important to determine the project's feasibility as it relates to the costs of developing the project and the expected Return. A discounted cash flow model that yields a net present value (NPV) measure of the development project will be used. A market driven financial return measure is calculated to be used as part of the discounted cash flow model. If the project produces a positive NPV then the project will move forward; if it is negative, we will then need to focus on strategies to make the project more favorable by exploring public/private-financing options.

We use a cost/benefit approach that blends quantitative and qualitative factors, including return, market study, cash flow estimates, and capital budget techniques. An assessment of financial viability is integrated with other strategic variables to form a complete and concise recommendation to our client.

In a capital budgeting analysis, we consider the Initial capital outflow, which includes the acquisition and closing costs along with the building costs. Factors we consider include the purchase price, transfer tax, title insurance, financing costs, survey fee, legal fees, environmental and engineering costs, and overall construction costs. We will use the developed cash flow estimates, which include a pro-forma income statement, a pro-forma operating expense statement, and a disposition analysis. We use this information along with an estimated market arrived hurdle rate to perform a discounted cash flow analysis considering the net present value.

Target List

Based on market conditions and the results of our feasibility analysis and benchmarking process, Synergy will identify for the Client a list of potential contacts for use in marketing the Subject Property to a target audience.

Client Project Return Goals

As mentioned previously, the kick-off meeting produced return goals for the proposed project. These goals, both quantitative and qualitative are as follows:

- Create a “signature” downtown development;
- Anchor a downtown revitalization;
- Expand the tax base;
- Offer a downtown full-service hotel;
- Offer a new moderate dining facility;
- Build on existing downtown and regional activities; and
- Preserve the historic character of the structure.

ASSUMPTIONS AND LIMITING CONDITIONS

See Appendix

MARKET UPDATE

REGIONAL MARKET AREA

The area studied for this report as it relates to the Subject Property is defined herein as Marshall and Ohio Counties in West Virginia and Belmont County, Ohio, which together constitute the Wheeling Metropolitan Statistical Area (MSA). We have defined all of Metro Wheeling as the Competitive Market for two important reasons: 1) Population, employment and other economic data, as well as real estate market data, is readily available for the entire MSA, and 2) it is anticipated that development of a hotel operation at the Subject Property will depend on a regional base of activities that will include the entire MSA and the greater regions beyond. For purposes of examining the hospitality market, we have made a cursory review of the Metro Wheeling market, but have focused more on that specific to Belmont County and the City of St. Clairsville, since the primary market and competition for a hotel and restaurant operation is centered there. We have also included demographics specific to the City of St. Clairsville, since the more specific data will be of particular interest when exploring the market potential for a restaurant and hosted events at the Subject Property, and for purposes of benchmarking against other similar markets.



REGIONAL MARKET DATA

Population

Wheeling MSA - Population Projections

	Ohio County	Marshall County	Belmont County	Total
2000	47,427	35,519	70,226	153,172
2005	45,633	34,456	69,204	149,293
2010	44,543	33,669	68,030	146,242
2015	43,955	33,137	67,596	144,688
2020	43,808	32,868	66,813	143,489
2025	44,035	32,730	66,316	143,081

The population of the Wheeling MSA has declined over the last 14 years by an average of just less than one percent each year. The decline has occurred in all three counties, but has been less dramatic in Belmont County (an average .1% per year). Population loss is a significant factor, since it is generally population growth that drives new real estate development.

The Wheeling MSA has suffered from attributes similar to other traditional industrial markets in the northeast and Midwestern United States. While industrial economies have, for the most part, been able to transition to a more diversified economic base, the transition has been slower in smaller MSA's such as Wheeling, and has led in part to out-migration of younger and more productive citizens. The result is an older than average population (the median age in Metro Wheeling is 40.5 compared to a national average closer to 35) more dependent on social security and other social services, and a lower than average working age population. This population is also less diverse than most metro areas of similar size, with only 1.8 percent of the population of nonwhite decent.

The projection chart above was compiled with information from the 2000 U.S. Census, and shows little change in the population declines of the region and the county. What these projections do not reflect are possible events that could alter the projected trends, such as a major economic event or new migration of retirees or second homebuyers into the marketplace.

NAICS Employment Categories	
	<u>Primary code</u>
Forestry, fishing, hunting, agriculture support	9
Mining	1,260
Utilities	1,260
Construction	2,070
Manufacturing	3,767
Wholesale Trade	2,445
Retail Trade	9,108
Transportation & warehousing	829
Information	1,164
Finance & insurance	2,360
Real estate & rental & leasing	550
Professional, scientific & technical services	1,697
Management of companies & enterprises	550
Admin, support, waste mgt, remediation services	2,031
Educational services	2,381
Health care and social assistance	11,660
Arts, entertainment & recreation	675
Accommodation & food services	5,215
Other services (except public administration)	2,950
Auxiliaries (exc corporate, subsidiary & regional mgt)	135
Unclassified establishments	9
Total Employment in Study Area:	<u>52,123</u>
Basic Employment by Primary Codes:	11,852
EBM by Primary Codes:	4.40
Population Employment Ratio (PER):	2.96

This chart depicts employment by sector (as defined by North American Industrial Classification) in the Wheeling MSA based on 2000 Census data. The chart indicates that 52,123 people are employed in greater Wheeling, and that 11,852 of those jobs are “basic” to its economy. Basic employment (sometimes called primary employment) refers to those jobs that are engaged in the production of a good or a service that is exported from the region’s economy rather than produced for consumption by people or businesses within that economy. Census information shown here indicates that Wheeling exports certain goods and services associated with mining, utilities, transportation and warehousing, educational services, health care and social assistance, accommodation and food services and other services.

The information here has been calculated using a formula developed by the CCIM (Council of Commercial Investment Members) Institute to determine how basic jobs affect the region’s economy. Based on the number of jobs basic to Wheeling’s economy, CCIM has determined an economic base multiplier (EBM) of 4.40, meaning that every one basic job in that region supports an additional 3.4 non-basic jobs. The population-to-employment ratio (PER) of 2.96 indicates that about 34% of the region’s total population is employed, about five percent less than the national figure of 39 percent.

These numbers indicate that, while the Wheeling region has had success in shifting its economic base from manufacturing to other areas, it still lacks a high percentage of basic employment when compared to other regions. Further, the total number of people employed compared to the region’s population indicates a higher percentage of non-employed people (retirees, students, indigent populations).

Basic employment is essential to the projection of demand for specific real estate products because it drives the need for such products. More important to that end than the number of basic jobs today is the anticipated growth or decline in the number of those jobs. Since one basic job in Wheeling supports an average 3.4 other jobs, the addition or loss of a basic job will have a significant impact on the need for housing and commercial real estate within this market. The following table indicates projected growth and decline within the major job sectors constituting basic employment in the Wheeling region from 2000 through 2010.

Category	2000	2010	Change	%
Mining	1,045	709	-336	-32.2
Utilities	945	1,075	130	13.8
Retail Trade	2,292	2,606	314	13.7
Educational Services	1,236	1,424	188	15.2
Healthcare/Social Assistance	5,132	6,199	1,067	20.8
Accommodations/Food Serv.	677	780	103	15.2
Other Services	525	609	80	15.2
Total	11,852	13,402	1,546	

These projections indicate that the Wheeling region’s economy will produce an additional 1,546 basic jobs during the 10 years from 2000 to 2010, which, based on the EBM of 4.40, will produce an additional 5,256 non-basic jobs throughout the economy.



Current Geography Selection: (1 Selected) MSAs by State: Wheeling, WV-OH

Demographic Detail Summary Report

Population Demographics

	1990 Census	2000 Census	2003 Estimate	2008 Projection	Percent Change	
					1990 to 2000	2003 to 2008
Total Population	159,301	153,171	149,285	143,449	-3.80%	-3.90%
Population Density (Pop/Sq Mi)	165.5	159.2	155.1	149.1	-3.80%	-3.90%
Total Households	62,857	62,248	61,558	60,500	-1.00%	-1.70%

Population by Gender:

Male	75,176 47.20%	73,938 48.30%	72,320 48.40%	69,890 48.70%	-1.60%	-3.40%
Female	84,124 52.80%	79,232 51.70%	76,964 51.60%	73,558 51.30%	-5.80%	-4.40%

Population by Race/Ethnicity

	1990 Census	2000 Census	2003 Estimate	2008 Projection	Percent Change	
					1990 to 2000	2003 to 2008
White	155,315 97.50%	146,466 95.60%	142,712 95.60%	137,074 95.60%	-5.70%	-4.00%
Black	3,194 2.00%	4,397 2.90%	4,327 2.90%	4,223 2.90%	37.70%	-2.40%
American Indian or Alaska Native	145 0.10%	177 0.10%	173 0.10%	167 0.10%	22.10%	-3.50%
Asian	546 0.30%	708 0.50%	688 0.50%	655 0.50%	29.70%	-4.80%
Some Other Race	101 0.10%	211 0.10%	205 0.10%	196 0.10%	108.90%	-4.40%
Two or More Races		1,212 0.80%	1,180 0.80%	1,134 0.80%		-3.90%
Hispanic Ethnicity	568 0.40%	740 0.50%	776 0.50%	824 0.60%	30.30%	6.20%
Not Hispanic or Latino	158,734 99.60%	152,431 99.50%	148,509 99.50%	142,625 99.40%	-4.00%	-4.00%

Population by Age

	1990 Census	2000 Census	2003 Estimate	2008 Projection	Percent Change	
					1990 to 2000	2003 to 2008
0 to 4	9,402 5.90%	7,880 5.10%	8,457 5.70%	8,586 6.00%	-16.20%	1.50%
5 to 13	18,951 11.90%	17,200 11.20%	15,459 10.40%	14,250 9.90%	-9.20%	-7.80%
14 to 17	8,787 5.50%	8,412 5.50%	7,788 5.20%	6,865 4.80%	-4.30%	-11.90%
18 to 24	14,280 9.00%	12,987 8.50%	13,538 9.10%	13,001 9.10%	-9.10%	-4.00%
25 to 34	21,976 13.80%	17,776 11.60%	17,026 11.40%	17,314 12.10%	-19.10%	1.70%
35 to 44	23,795 14.90%	23,034 15.00%	20,257 13.60%	17,085 11.90%	-3.20%	-15.70%
45 to 54	16,551 10.40%	23,227 15.20%	23,256 15.60%	21,536 15.00%	40.30%	-7.40%
55 to 64	16,938 10.60%	15,202 9.90%	16,663 11.20%	19,275 13.40%	-10.20%	15.70%
65 to 74	16,581 10.40%	13,856 9.00%	12,693 8.50%	12,202 8.50%	-16.40%	-3.90%
75 to 84	9,344 5.90%	10,384 6.80%	10,313 6.90%	9,371 6.50%	11.10%	-9.10%
85+	2,708 1.70%	3,836 2.60%	3,213 2.10%	3,965 2.80%	18.60%	3.40%

Median Age:

Total Population	37.5	40.7	41.4	42.1
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Households by Income

	1990 Census	2000 Census	2003 Estimate	2008 Projection	Percent Change	
					1990 to 2000	2003 to 2008
\$0 - \$15,000	21,944 34.90%	15,339 24.60%	14,265 23.20%	12,436 20.60%	-30.10%	-12.80%
\$15,000 - \$24,999	13,167 20.90%	10,790 17.30%	10,098 16.40%	9,240 15.30%	-18.10%	-8.50%
\$25,000 - \$34,999	10,000 15.90%	9,038 14.50%	8,707 14.10%	7,928 13.10%	-9.60%	-8.90%
\$35,000 - \$49,999	9,732 15.50%	10,121 16.30%	9,960 16.20%	9,665 16.00%	4.00%	1.90%
\$50,000 - \$74,999	5,945 9.50%	10,165 16.30%	10,428 16.90%	10,545 17.40%	71.00%	1.10%
\$75,000 - \$99,999	1,072 1.70%	3,956 6.40%	4,520 7.30%	5,494 9.10%	269.00%	21.50%
\$100,000 - \$149,999	695 1.10%	1,736 2.80%	2,346 3.80%	3,628 6.00%	149.80%	54.60%
\$150,000 +	342 0.50%	1,104 1.80%	1,235 2.00%	1,565 2.60%	222.80%	26.70%
Average Hhld Income	\$28,122	\$40,329	\$43,017	\$47,571	43.40%	10.60%
Median Hhld Income	\$21,999	\$30,335	\$32,370	\$35,830	37.90%	10.70%
Per Capita Income	\$10,964	\$16,341	\$18,165	\$20,606	49.00%	13.40%

Employment and Business

	1990 Census	2000 Census	2003 Estimate	2008 Projection	Percent Change	
					1990 to 2000	2003 to 2008
Age 16 + Population	126,668	123,918	121,548	117,298	-2.20%	-3.50%
Employed	63,314 50.00%	63,560 51.30%	62,244 51.20%	59,889 51.10%	0.40%	-3.80%
Unemployed	6,027 4.80%	5,313 4.30%	5,232 4.30%	5,072 4.30%	-11.80%	-3.10%
In Armed Forces	86 0.10%	26 0.00%	26 0.00%	25 0.00%	-69.80%	-3.80%
Not In Labor Force	57,229 45.20%	54,987 44.40%	54,046 44.50%	52,313 44.60%	-3.90%	-3.20%
Number of Employees (Daytime Pop)			65,064			
Number of Establishments			5,787			
Emp in Blue Collar Occupations		29,244 46.40%				
Emp in White Collar Occupations		33,850 53.60%				

Housing Units

	1990 Census	2000 Census	2003 Estimate	2008 Projection	Percent Change	
					1990 to 2000	2003 to 2008
Total Housing Units	69,433	69,215	68,448	67,348	-0.30%	-1.60%
Owner Occupied	45,483 65.50%	45,786 66.20%	45,509 66.50%	45,068 66.90%	0.70%	-1.00%
Renter Occupied	17,376 25.00%	16,462 23.80%	16,049 23.40%	15,432 22.90%	-5.30%	-3.80%
Vacant	6,576 9.50%	6,967 7.70%	6,890 10.10%	6,848 10.20%	5.90%	-0.60%

Vehicles Available

	1990 Census		2000 Census		2003 Estimate		2008 Projection		Percent Change	
	Count	%	Count	%	Count	%	Count	%	1990 to 2000	2003 to 2008
Average Vehicles Per Household	1.54		1.64		1.64		1.65		6.50%	0.40%
0 Vehicles Available	9,462	15.10%	7,158	11.50%	6,886	11.20%	6,886	11.40%	-24.40%	0.00%
1 Vehicle Available	22,458	35.70%	21,855	35.10%	21,593	35.10%	21,193	35.00%	-2.70%	-1.90%
2+ Vehicles Available	30,916	49.20%	33,235	53.40%	32,914	53.50%	32,421	53.60%	7.50%	-1.50%

Marital Status

	1990 Census		2000 Census		2003 Estimate		2008 Projection		Percent Change	
	Count	%	Count	%	Count	%	Count	%	1990 to 2000	2003 to 2008
Age 15+ Population	128,879		126,005		131,192		118,527		-2.20%	-9.70%
Married, Spouse Present	73,554	57.10%	66,788	53.00%	68,461	52.20%	60,794	51.30%	-9.20%	-11.20%
Married, Spouse Absent	1,699	1.30%	5,258	4.20%	6,458	4.90%	5,913	5.00%	209.50%	-8.40%
Divorced	10,324	8.00%	12,827	10.20%	12,700	9.70%	11,227	9.50%	24.20%	-11.60%
Widowed	13,982	10.80%	12,303	9.80%	13,676	10.40%	13,161	11.10%	-12.00%	-3.80%
Never Married	29,315	22.70%	28,829	22.90%	29,897	22.80%	27,433	23.10%	-1.70%	-8.20%

Educational Attainment

	1990 Census		2000 Census		2003 Estimate		2008 Projection		Percent Change	
	Count	%	Count	%	Count	%	Count	%	1990 to 2000	2003 to 2008
Age 25+ Population	107,893		105,257		104,044		100,748		-2.40%	-3.20%
Grade K - 8	12,545	11.60%	6,835	6.50%	6,680	6.40%	6,492	6.40%	-45.50%	-2.80%
Grade 9 - 12	16,655	15.40%	11,742	11.20%	12,889	12.40%	12,531	12.40%	-29.50%	-2.80%
High School Graduate	45,385	42.10%	46,172	43.90%	45,105	43.40%	43,752	43.40%	1.70%	-3.00%
Some College, No Degree	14,805	13.70%	18,800	17.90%	18,323	17.60%	17,730	17.60%	27.00%	-3.20%
Associates Degree	5,344	5.00%	6,079	5.80%	5,927	5.70%	5,744	5.70%	13.80%	-3.10%
Bachelor's Degree	8,233	7.60%	9,506	9.00%	9,209	8.90%	8,844	8.80%	15.50%	-4.00%
Graduate Degree	4,907	4.50%	6,123	5.80%	5,911	5.70%	5,655	5.60%	24.80%	-4.30%

[Current year data is for the year 2003. 5 year projected data is for the year 2008. More About Our Data.](#)

Demographic data © 2003 by Experian/Applied Geographic Solutions.



Current Geography Selection: (1 Selected) Counties: Belmont County

Demographic Detail Summary Report

Population Demographics

	1990 Census	2000 Census	2003 Estimate	2008 Projection	Percent Change	
					1990 to 2000	2003 to 2008
Total Population	71,073	70,226	69,104	67,399	-1.20%	-2.50%
Population Density (Pop/Sq Mi)	131.3	129.7	127.6	124.5	-1.20%	-2.50%
Total Households	28,161	28,309	28,284	28,240	0.50%	-0.20%

Population by Gender:

Male	33,404 47.00%	34,474 49.10%	34,076 49.30%	33,469 49.70%	3.20%	-1.80%
Female	37,669 53.00%	35,752 50.90%	35,028 50.70%	33,930 50.30%	-5.10%	-3.10%

Population by Race/Ethnicity

	1990 Census	2000 Census	2003 Estimate	2008 Projection	Percent Change	
					1990 to 2000	2003 to 2008
White	69,521 97.80%	66,698 95.00%	65,589 94.90%	63,906 94.80%	-4.10%	-2.60%
Black	1,306 1.80%	2,553 3.60%	2,551 3.70%	2,547 3.80%	95.50%	-0.20%
American Indian or Alaska Native	81 0.10%	97 0.10%	96 0.10%	93 0.10%	19.80%	-3.10%
Asian	129 0.20%	226 0.30%	224 0.30%	219 0.30%	75.20%	-2.20%
Some Other Race	36 0.10%	109 0.20%	108 0.20%	108 0.20%	202.80%	0.00%
Two or More Races		543 0.80%	536 0.80%	526 0.80%		-1.90%
Hispanic Ethnicity	194 0.30%	274 0.40%	296 0.40%	328 0.50%	41.20%	10.80%
Not Hispanic or Latino	70,881 99.70%	69,952 99.60%	68,808 99.60%	67,071 99.50%	-1.30%	-2.50%

Population by Age

	1990 Census	2000 Census	2003 Estimate	2008 Projection	Percent Change	
					1990 to 2000	2003 to 2008
0 to 4	4,198 5.90%	3,531 5.00%	3,750 5.40%	3,840 5.70%	-15.90%	2.40%
5 to 13	8,679 12.20%	7,787 11.10%	7,046 10.20%	6,515 9.70%	-10.30%	-7.50%
14 to 17	3,976 5.60%	3,966 5.60%	3,588 5.20%	3,199 4.70%	-0.30%	-10.80%
18 to 24	5,709 8.00%	5,418 7.70%	6,071 8.80%	6,105 9.10%	-5.10%	0.60%
25 to 34	9,846 13.90%	8,382 11.90%	7,868 11.40%	7,867 11.70%	-14.90%	0.00%
35 to 44	10,424 14.70%	10,890 15.50%	9,674 14.00%	8,309 12.30%	4.50%	-14.10%
45 to 54	7,307 10.30%	10,528 15.00%	10,827 15.70%	10,420 15.50%	44.10%	-3.80%
55 to 64	7,623 10.70%	6,966 9.90%	7,662 11.10%	9,005 13.40%	-8.60%	17.50%
65 to 74	7,638 10.70%	6,332 9.00%	5,898 8.50%	5,776 8.60%	-17.10%	-2.10%
75 to 84	4,431 6.20%	4,923 7.00%	4,828 7.00%	4,426 6.60%	11.10%	-8.30%
85+	1,258 1.80%	1,892 2.70%	1,503 2.10%	1,937 2.90%	19.50%	2.40%

Median Age:

Total Population	37.8	40.9	41.7	42.6
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Households by Income

	1990 Census	2000 Census	2003 Estimate	2008 Projection	Percent Change	
					1990 to 2000	2003 to 2008
\$0 - \$15,000	10,066 35.70%	6,756 23.90%	6,344 22.40%	5,619 19.90%	-32.90%	-11.40%
\$15,000 - \$24,999	6,218 22.10%	5,338 18.90%	5,005 17.70%	4,584 16.20%	-14.20%	-8.40%
\$25,000 - \$34,999	4,406 15.60%	4,282 15.10%	4,164 14.70%	3,884 13.80%	-2.80%	-6.70%
\$35,000 - \$49,999	4,378 15.50%	4,632 16.40%	4,720 16.70%	4,753 16.80%	5.80%	1.70%
\$50,000 - \$74,999	2,503 8.90%	4,633 16.40%	4,745 16.80%	4,789 17.00%	85.10%	0.90%
\$75,000 - \$99,999	354 1.30%	1,628 5.80%	1,950 6.90%	2,557 9.10%	359.90%	31.10%
\$100,000 - \$149,999	204 0.70%	644 2.30%	908 3.20%	1,480 5.20%	215.70%	63.00%
\$150,000 +	46 0.20%	396 1.40%	448 1.60%	574 2.00%	760.90%	28.10%
Average Hhld Income	\$25,977	\$39,115	\$41,579	\$45,939	50.60%	10.50%
Median Hhld Income	\$21,044	\$29,696	\$31,714	\$35,088	41.10%	10.60%
Per Capita Income	\$10,201	\$15,738	\$17,549	\$19,872	54.30%	13.20%

Employment and Business

	1990 Census	2000 Census	2003 Estimate	2008 Projection	Percent Change	
					1990 to 2000	2003 to 2008
Age 16 + Population	56,270	56,964	56,520	55,477	1.20%	-1.80%
Employed	26,975 47.90%	28,442 49.90%	28,192 49.90%	27,623 49.80%	5.40%	-2.00%
Unemployed	3,019 5.40%	2,173 3.80%	2,165 3.80%	2,142 3.90%	-28.00%	-1.10%
In Armed Forces	32 0.10%	6 0.00%	6 0.00%	6 0.00%	-81.30%	0.00%
Not In Labor Force	26,238 46.60%	26,343 46.20%	26,157 46.30%	25,706 46.30%	0.40%	-1.70%
Number of Employees (Daytime Pop)			26,172			
Number of Establishments			2,631			
Emp in Blue Collar Occupations		13,659 48.70%				
Emp in White Collar Occupations		14,401 51.30%				

Housing Units

	1990 Census	2000 Census	2003 Estimate	2008 Projection	Percent Change	
					1990 to 2000	2003 to 2008
Total Housing Units	30,575	31,236	31,215	31,186	2.20%	-0.10%
Owner Occupied	20,773 67.90%	21,229 68.00%	21,311 68.30%	21,430 68.70%	2.20%	0.60%
Renter Occupied	7,390 24.20%	7,080 22.70%	6,973 22.30%	6,810 21.80%	-4.20%	-2.30%
Vacant	2,414 7.90%	2,927 7.00%	2,931 9.40%	2,946 9.50%	21.30%	0.50%

Vehicles Available

	1990 Census	2000 Census	2003 Estimate	2008 Projection	Percent Change	
					1990 to 2000	2003 to 2008
Average Vehicles Per Household	1.63	1.74	1.75	1.75	6.60%	0.40%
0 Vehicles Available	3,587 12.70%	2,824 10.00%	2,810 9.90%	2,810 10.00%	-21.30%	0.00%
1 Vehicle Available	9,877 35.10%	9,444 33.40%	9,438 33.40%	9,424 33.40%	-4.40%	-0.10%
2+ Vehicles Available	14,688 52.20%	16,041 56.70%	16,028 56.70%	16,006 56.70%	9.20%	-0.10%

Marital Status

	1990 Census	2000 Census	2003 Estimate	2008 Projection	Percent Change	
					1990 to 2000	2003 to 2008
Age 15+ Population	57,239	57,925	60,874	56,071	1.20%	-7.90%
Married, Spouse Present	33,763 59.00%	31,304 54.00%	32,478 53.40%	29,534 52.70%	-7.30%	-9.10%
Married, Spouse Absent	714 1.20%	2,211 3.80%	2,767 4.50%	2,505 4.50%	209.70%	-9.50%
Divorced	4,387 7.70%	6,009 10.40%	5,836 9.60%	5,302 9.50%	37.00%	-9.20%
Widowed	6,541 11.40%	5,576 9.60%	6,447 10.60%	6,310 11.30%	-14.80%	-2.10%
Never Married	11,826 20.70%	12,825 22.10%	13,346 21.90%	12,420 22.20%	8.40%	-6.90%

Educational Attainment

	1990 Census	2000 Census	2003 Estimate	2008 Projection	Percent Change	
					1990 to 2000	2003 to 2008
Age 25+ Population	48,527	48,749	48,649	47,740	0.50%	-1.90%
Grade K - 8	5,611 11.60%	2,915 6.00%	2,864 5.90%	2,815 5.90%	-48.00%	-1.70%
Grade 9 - 12	7,779 16.00%	5,789 11.90%	6,466 13.30%	6,369 13.30%	-25.60%	-1.50%
High School Graduate	22,081 45.50%	22,938 47.10%	22,553 46.40%	22,139 46.40%	3.90%	-1.80%
Some College, No Degree	6,160 12.70%	8,508 17.50%	8,355 17.20%	8,195 17.20%	38.10%	-1.90%
Associates Degree	2,493 5.10%	3,085 6.30%	3,023 6.20%	2,962 6.20%	23.70%	-2.00%
Bachelor's Degree	2,814 5.80%	3,507 7.20%	3,426 7.00%	3,341 7.00%	24.60%	-2.50%
Graduate Degree	1,561 3.20%	2,007 4.10%	1,962 4.00%	1,919 4.00%	28.60%	-2.20%

[Current year data is for the year 2003. 5 year projected data is for the year 2008. More About Our Data.](#)

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CITY MARKET DATA

St. Clairsville is a city located in Belmont County, Ohio, comprising a portion of the Wheeling Metropolitan Area. As of the 2000 census, the City had a total population of 5,057. It is the county seat of Belmont County.

Geography

St. Clairsville is located at 40°4'46" North, 80°54'5" West (40.079379, -80.901274). According to the United States Census Bureau, the city has a total area of 2.2 square miles. 100% of it is land and none of the area is covered with water.

Demographics

As of the census of 2000, there are 5,057 people, 2,262 households, and 1,431 families residing in the city. The population density is 2,354.2 per square mile. There are 2,430 housing units at an average density of 1,131.2 per square mile. The racial makeup of the city is 94.48% White, 3.08% African American, 0.04% Native American, 1.36% Asian, 0.04% Pacific Islander, 0.16% from other races, and 0.83% from two or more races. 0.47% of the population are Hispanic or Latino of any race.

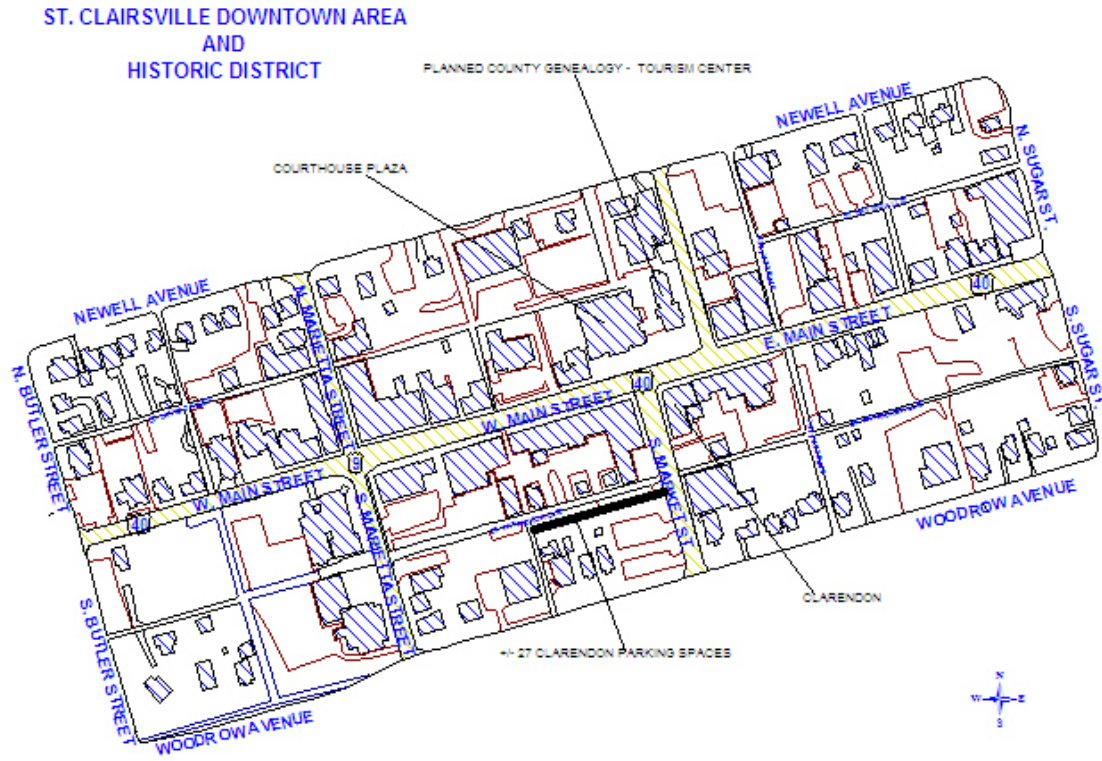
There are 2,262 households out of which 24.8% have children under the age of 18 living with them, 52.8% are married couples living together, 8.0% have a female householder with no husband present, and 36.7% are non-families. 33.7% of all households are made up of individuals and 18.4% have someone living alone who is 65 years of age or older. The average household size is 2.18 and the average family size is 2.78.

In the City the population is spread out with 19.8% under the age of 18, 5.6% from 18 to 24, 23.1% from 25 to 44, 27.6% from 45 to 64, and 23.9% who are 65 years of age or older. The median age is 46 years. For every 100 females there are 82.9 males. For every 100 females age 18 and over, there are 78.0 males.

The median income for a household in the city is \$36,630, and the median income for a family is \$47,808. Males have a median income of \$40,597 versus \$25,229 for females. The per capita income for the city is \$23,416. 6.7% of the population and 4.2% of families are below the poverty line. Out of the total population, 11.0% of those under the age of 18 and 5.4% of those 65 and older are living below the poverty line.

The Downtown Neighborhood

Downtown St. Clairsville covers a distance of three blocks along Main Street between Sugar and Butler Streets, and extends a block in each direction from Main Street. U.S. Route 40 passes through the downtown area and much of the City where it becomes Main Street. Route 40 is also known as the National Road, because of its significance as the first federally funded highway, built in the late 1700's as a major east-west transportation route between Baltimore, Maryland and St. Louis, Missouri. The Road's historic relevance correlates well with the historic significance of downtown St. Clairsville.



The City and the St. Clairsville Chamber of Commerce initiated a streetscape improvement plan in 1991 and 1992 that included new sidewalks, landscaping, underground wiring, decorative lighting, new signage, benches, removal of parking meters and improvements to city parking lots. A program to rehabilitate or renovate building facades was started in 1991, and by 1998 about 55% of the buildings in the downtown area had been redone.

The City achieved designation of the downtown area as a Historic Downtown District in March 1996. This distinction enables building restoration to be eligible for a maximum 20% Federal Historic Tax Credit. Development of the Courtyard Elderly Housing Project in 1997 utilized the Tax Credit, and helped to convince the State of Ohio to change the formula by which low income housing credits were awarded statewide.

Through these efforts, the City has become something of a model within Ohio for downtown rehabilitation.

THE LODGING MARKET

The lodging industry throughout the United States continued it's slow to modest recovery during 2004, according to Legg Mason's Real Estate Market Cycle Monitor. Occupancy levels for establishments in the three-county Wheeling market reached an average occupancy level of 57.4%, up from a six-year low of 54.6% for 2003, according to information tabulated by Smith Travel Research. The Wheeling market endured an increase of three new hotels and 268 rooms between 2000 and 2003, an increase of nearly 18% during a time of recession, both within the industry and for the economy in general.

While the hospitality industry suffered during 2002 as a result of oversupply, recession and the September 11, 2001 terrorist attacks, a gradual recovery has been evident since 2003 with increased occupancy levels in all sectors. Average daily rates (ADR) have remained stagnate however.

A detailed trend report issued by Smith Travel Research on the Wheeling market for the period from 1998 through 2004 is included in the Appendix.

Existing Facilities/Potential Competition

The Wheeling MSA market area includes nineteen hotels, nine of which are located in Belmont County near St. Clairsville.

<u>Establishment</u>	<u>City & State</u>	<u>Zip</u>	<u>Open Date</u>	<u>Rooms</u>
Days Inn Wheeling West	St.Clairsville, OH	43950	June-64	139
Days Inn Triadelphia	Triadelphia, WV	26059	June-72	106
Hampton Inn St. Clairsville	St.Clairsville, OH	43950	June-76	116
Twin Pines	St.Clairsville, OH	43950	June-47	21
Holiday Inn Express Wheeling East	Triadelphia, WV	26059	October-97	115
Red Roof Inn St. Clairsville	St.Clairsville, OH	43950	November-83	108
Super 8 St. Clairsville	St.Clairsville, OH	43950	June-85	62
Best Value St. Clairsville	St.Clairsville, OH	43950	June-79	104
Oglebay Resort	Wheeling, WV	26003	June-58	262
Wheeling Hotel	Wheeling, WV	26003	June-10	170
Closed Rogers Hotel	Wheeling, WV	26003	March-91	0
Hampton Inn Wheeling	Wheeling, WV	26003	March-89	104
Holiday Inn Express St. Clairsville	St.Clairsville, OH	43950	August-97	65
Econo Lodge St. Clairsville	St.Clairsville, OH	43950	July-00	62
Super 8 Wheeling	Wheeling, WV	26003	June-00	55
Fairfield Inn St. Clairsville	St.Clairsville, OH	43950	April-02	66
Reilleys Motel 11	Glen Dale, WV	26038		39
Haven Inn	Glen Dale, WV	26038		25
Wheeling Island Hotel	Wheeling, WV	26003	June-03	151
Total Rooms				1,770

Competition in the area is considerable. There are nineteen hotels/motels in the area that could pose competition on a geographic level. However, given the nature and the target customer base prone to lodge at a boutique-style, historic hotel, it becomes clear that the Subject Property will attract a different audience than the competing name-brand hotels listed here. Further, of the nineteen establishments in the marketplace, only two – Wheeling Island and Oglebay Resort – are full service hotels. It must be considered, however, that any significant number of rooms in a given market could be considered potential competition – even to a unique hotel as is envisioned. Our conclusions lead us to believe that ten of the fourteen hotels – primarily those located along the I-70 corridor near St. Clairsville as well as the full-service Wheeling Island Hotel – are potential competition to a hotel downtown, and each is profiled here.

Days Inn Wheeling West

Address: 52601 Holiday Drive, St. Clairsville
Rooms: 139
#Suites: 5
#Function Rooms: 4
Amenities: Continental breakfast, outdoor pool
Rates: \$64.99
J.D. Powers Rating: 69/100

Hampton Inn

Address: 51130 National Road, St. Clairsville
Rooms: 116
#Suites: 1
#Function Rooms: 1
Amenities: Breakfast bar, hair dryer, outdoor pool, guest laundry, restaurant
Rates: \$79-89
J.D. Powers Rating: 80/100

Twin Pines

Address: St. Clairsville
Rooms: 21
#Suites: 0
#Function Rooms: 0
Amenities: Television
Rates: \$30-48
J.D. Powers Rating: Not rated

Red Roof Inn

Address: 68301 Red Roof Lane, St. Clairsville
Rooms: 108
#Suites: 0
#Function Rooms: 0
Amenities: TV, work desk, oversized chair
Rates: \$48.99-58.99
J.D. Powers Rating: 72

Super 8

Address: 68400 Matthews Street, St. Clairsville
Rooms: 62
#Suites: 1
#Function Rooms: 0
Amenities: Continental breakfast, king bed, micro fridge
Rates: \$39.99-44.99
J.D. Powers Rating: 75

Best Value

Address: 51260 National Road, St. Clairsville
Rooms: 104
#Suites: 0
#Function Rooms: 0
Amenities: Outdoor pool
Rates: \$39.95-49.95
J.D. Powers Rating: 68

Holiday Inn Express

Address: 51654 National Road, St. Clairsville
Rooms: 65
#Suites: 17
#Function Rooms: 0
Amenities: Continental breakfast, indoor pool, fitness center
Rates: \$79-96
J.D. Powers Rating: 83

EconoLodge

Address: 51659 National Road, St. Clairsville
Rooms: 62
#Suites: 10
#Function Rooms: 1
Amenities: Continental breakfast, indoor pool
Rates: \$49.99-59.99
J.D. Powers Rating: 71

Fairfield Inn

Address: 67731 Mall Road, St. Clairsville
Rooms: 61
#Suites: 10
#Function Rooms: 1
Amenities: Continental breakfast, indoor pool
Rates: \$49.99-59.99
J.D. Powers Rating: Rating not available yet

Wheeling Island Hotel

Address: Wheeling Island Racetrack & Gaming Center, Wheeling
 # Rooms: 151
 #Suites: 9
 #Function Rooms: 1
 Amenities: Gaming, room service, bellman, fitness center
 Rates: \$139-195
 J.D. Powers Rating: Rating not available yet

LODGING MARKET SUPPLY AND DEMAND ANALYSIS – BELMONT COUNTY

This analysis will start with a survey of historical demand trends to determine how local hotel room demand has changed over time. The historical number of hotel rooms will then be quantified to evaluate the local supply trends. This study will be using data compiled by Smith Travel Research (hotel operators routinely use Smith's published data). This report contains data on all of the major competitors within the market area.

Belmont County – Historical Lodging Supply and Demand Comparable Properties*

	1998	1999	2000	2001	2002	2003	2004
Average Daily Room Count	511	511	511	573	573	573	743
Available Room Nights	186,515	186,515	186,515	209,145	209,145	209,145	271,195
Change		0.0%	0.0%	10.1%	0.0%	0.0%	23.9%
Occupied Room Nights	121,421	119,556	116,571	129,879	136,363	128,624	169,226
Change		-1.6%	-2.5%	10.2%	4.8%	-5.7%	24.0%
Occupancy	65.1%	64.1%	62.5%	62.1%	65.2%	61.5%	62.4%
Change		-1.5%	-2.6%	-0.6%	4.8%	-6.0%	1.5%
Average Daily Rate	\$47.87	\$50.25	\$51.46	\$53.24	\$52.68	\$54.32	\$57.12
Change		4.8%	2.4%	3.3%	-1.0%	3.1%	5.0%
RevPar	\$31.15	\$32.42	\$32.17	\$33.07	\$34.36	\$33.40	\$35.65
Change		4.0%	0.7%	2.8%	3.8%	-2.8%	6.4%

* All nineteen establishments reported within the Wheeling MSA market.

The marketplace experienced an increase in supply over the past six years, adding 190 rooms from 1997 to 2003. The 151 rooms added in 2003, a 4.3% increase, is the most in any one-year period, and then followed by an actual reduction in rooms.

Demand Levels - indicated by occupied room nights - in the Competitive Market have lagged only slightly behind the supply growth for the trend period. The supply has grown by 13% while demand grew by almost 12% for the period. The strongest occupancy was 57.2% in 1998. The significant drop off in 2001 and subsequent rebound in 2002 can be attributed to both slowing economic conditions during 2001 and the terrorist attacks of September 11th that year, both of which had significant negative impacts on the hospitality business nationwide.

Trends in the Wheeling area for the period compare favorably to national trends, with the local industry rebounding somewhat faster after the 2001 events. Further, this market has not added supply at times when demand has diminished, as has been the case in many other markets. Stabilization of demand is expected in 2005 with modest growth in demand going forward. This is due to the stable room supply for the past several years and overall national economic recovery.

Average rates in the subject market have seen moderate to strong growth since 1998, with the exception of a .8% decline in 2001. The addition of the Wheeling Island Hotel to the market in 2003 likely caused significant increases of over 5% during 2003 and 2004. The current average rate of \$64.65 should increase as supply remains stable and as demand grows.

Latent Demand

The table presented earlier in this section illustrated the accommodated demand in the subject property's competitive market. Because this estimate is based on historical occupancy levels, it includes only those hotel rooms that were used by guests. Latent demand considers guests who could not be accommodated by the existing competitive supply, and can be divided into un-accommodated demand and induced demand.

Un-accommodated Demand

Un-accommodated demand refers to individuals who are unable to secure accommodations in the market because all of the local hotels are filled. These travelers must defer their trips, settle for less desirable accommodations, or stay in properties located outside the market area. Because this demand did not yield occupied room nights, it is not included in the estimate of historical accommodated room night demand. Area-wide occupancy in excess of 70% is widely accepted in the industry as a sign of un-accommodated demand in a market.

This is the case with the subject property's competitive market during peak months. Un-accommodated demand is indicated if the market is at all seasonal with a distinct high season and low season; such seasonality indicates that while year-end occupancy may average below 70%, the market sells out many nights during the year. Therefore, yearly occupancy levels are never able to reach the 70% range, even though there is un-accommodated demand during the summer months.

Accordingly, we believe that moderate levels of un-accommodated demand exist in the market. This un-accommodated demand is generally leisure in nature as it takes place in summer months when leisure travel is at its peak. The areas below highlighted in green indicate un-accommodated demand:

Occupancy

Year	1998	1999	2000	2001	2002	2003	2004
Month							
January	46.2	33.6	38.4	39.9	45.0	40.0	41.1
February	45.3	46.5	47.3	43.5	51.2	53.1	48.3
March	48.1	50.8	56.0	47.0	67.2	54.8	59.1
April	60.2	58.4	64.2	58.1	73.8	60.8	57.6
May	68.5	66.7	70.4	63.2	70.6	64.5	67.0
June	80.8	77.0	77.6	71.8	73.8	71.5	68.5
July	83.2	83.0	77.7	75.5	82.0	78.9	74.5
August	74.8	73.8	74.6	73.6	73.5	73.6	67.1
September	70.5	71.7	61.5	69.9	63.5	57.1	68.9
October	71.7	71.5	63.1	69.5	65.6	62.1	73.7
November	72.6	77.2	65.5	71.9	61.7	64.5	66.3
December	57.9	57.9	51.2	60.5	51.1	56.3	55.8
Total Year	65.1	64.5	62.5	62.1	65.2	61.5	62.4

 Un-accommodated Demand

Induced Demand

Induced demand represents the additional room nights that are expected to be attracted to the market following the introduction of a new demand generator. Situations that can result in induced demand include the opening of a new manufacturing facility, the expansion of a convention center, or the addition of a new hotel with a distinct chain affiliation or unique facilities. Our research indicated that the location of the Subject Property in historic downtown St. Clairsville adjacent to the courthouse and municipal building would be advantageous in accommodation of demand from city visitors. We also anticipate increased induced demand for a hotel at the Subject Site based on the growing travel and tourism business in the region, numerous local and regional events, the site's relative proximity to I-70, the growing gaming industry in Wheeling and an overall growing trend in historic, boutique-style inns.

FACTORS AFFECTING DEMAND

Travel & Tourism

With the growing age of the Baby Boomer population resulting in retirement and increased tourism, St. Clairsville and similar small towns are poised to benefit. Many attractions such as Wheeling Island, Mountaineer Park, Cabela's, and the vast outdoor and recreational opportunities available throughout the region appeal to tourists of this category. Further, increased travel on I-70 stands to increase interest in towns proximate to the highway like St. Clairsville.

Local and Regional Events and Destinations

Oglebay

Oglebay is a unique 1,650 acre resort of exceptional beauty and abundant recreational activities nestled in the hills surrounding Wheeling, West Virginia. Wilson Lodge at Oglebay has overnight accommodations with fine dining, indoor pool, fitness room and massage therapy. For families and larger groups, 49 cottages are available at Oglebay.

Oglebay also features two championship golf courses, one designed by the legendary Robert Trent Jones, Sr. and the newest course, designed by Arnold Palmer. Bissonnette Gardens at Oglebay features seasonal floral displays from April through October and the Winter Festival of Lights at Oglebay is America's largest light show with a million lights in November and December. There are also seven specialty shops scattered throughout Oglebay, all featuring unique gifts, wearables and collectibles.

The 30-acre Good Zoo at Oglebay features over 80 species of animals, a hands-on Discovery Lab, the Benedum Planetarium with laser shows, 1-1/2 mile train ride, and miniature train display.

Other family activities at Oglebay include swimming, tennis, Schenk Lake, the Mansion Museum, Schrader Environmental Education Center, horse stables and numerous special events with an annual following throughout the year.

Jamboree in the Hills

A four-day outdoor Country Music Festival held in Morristown, Belmont County, Ohio. For the past 28 years, over a 100,000 fans a year have flocked to the rolling hills of Eastern Ohio to catch some of the hottest country acts in the nation.

The Jamboree was first held in 1977 and has grown in size and popularity ever since, attracting fans from hundreds of miles that include several surrounding states and Canada. The next Jamboree is scheduled for July 11-14, 2005 and includes headliners Travis Trett and George Jones.

Beast of the East

The Beast of the East Baseball Tournament, or the Edgar Martin Classic, was first held in Wheeling in 1989, and has been an annual event ever since, attracting top Minor Leaguers from the United States and Canada. The event is viewed by over 50 college coaches and scouting representatives from every Major League team. The tournament accepts up to 114 teams for competition, and features numerous ancillary events such as a miniature golf competition for players and coaches, a homerun derby and a golden arm competition. This year's event is scheduled for June 30 through July 3.

The National Road

The historic National Road, or U.S. Route 40, is a designated National Scenic Byway that runs east to west connecting Baltimore, Maryland to St. Louis, Missouri. The National Road is historically significant as the nation's first federally funded highway, Congress having authorized its construction through the Appalachian Mountains into the Midwest in 1806. Although the road's significance as a vital transportation link has waned as railroads, air travel and interstate highways gained prominence, it remains an important business corridor

through numerous small towns and business districts including St. Clairsville. The road's historical significance has led to numerous designated historical landmarks, scenic areas and events along its route.

Interstate 70

Interstate 70 is an east-west limited access highway that traverses the nation and passes through a portion of southern St. Clairsville recently annexed into the City. Unlike numerous traditional cities and towns affected negatively by the presence of highway development due to an exodus of business from the traditional business district to the edge of town, St. Clairsville stands to gain.

The highway had included an exit connecting it to nearby Route 40, which parallels I-70 for much of its trek through several states. The Ohio Valley Mall was constructed at this exit in the early 1980's, creating a critical mass of retail, restaurant and hotel development, mostly on the south side of the highway. Wal-Mart opened a store and related strip plaza in the 1990's on the north side of I-70, followed by Lowe's and numerous restaurant and hotel/motel operations (most of these hotels have been detailed earlier herein).

The Ohio Department of Transportation has been working with local officials, including the City, to fund a planned second interchange and connector road just west of the current existing interchange. Development of this connection would open up several vacant and landlocked acres within the City to development opportunities along the busy I-70, and is expected to relieve current traffic congestion at the existing interchange near Wal-Mart.

While it might be assumed that creation of an additional access point at I-70 and the encouragement of development there might be a further detriment to downtown St. Clairsville, the importance of I-70 to the larger area must be considered. Many traditional downtowns have suffered because of limited accessibility, among other things. A second, less congested, better planned and more direct link between downtown St. Clairsville and I-70 via the important Route 40 would very likely improve accessibility and boost the long-term fortunes of the business district. It would allow a growing cadre of more sophisticated travelers to seek out the traditional over the homogenous business community located within eye-shot of the highway itself.

Lodging Trends

While the growth of limited service type hotels such as Super 8, Comfort Inns and EconoLodge grew at a tremendous pace during the 1990's, that trend has slowed significantly in this century. Development of limited service operations (primarily those without restaurant or other specialized operations) represented 95% of the growth in the business in 2000. Full-service operations, expensive to build and to operate, were relegated primarily to unique locations such as convention centers and tourist areas.

A growing trend as long ago as the 1980's, the emergence of "boutique" style hotel operations has become an increasingly important segment of the industry. While no official definition of a boutique hotel exists within the business, these are generally operations of 100 rooms or less (sometimes less than 10), older and even historic structures, and operated independent of national chains. The boutique segment includes bed and

breakfast, country and historic inns, and is found increasingly in both large cities, small towns and rural locations.

The popularity of smaller and unique hostelrys can be attributed to a more sophisticated traveling public as well as a morphing of the baby-boom generation. Thousands of maturing baby-boomers able to buy property and undertake quality restorations have sought boutique hotel opportunities in cities and towns far from the major markets. This same huge age group seeks such places to lodge more and more as an alternative to the typical motel or hotel. While the entire lodging industry suffered through a recession and as a result of the September 11th, 2001 terrorist attacks, the boutique segment suffered far less according to a 2003 report on the industry issued by the Professional Association of Innkeepers International (PAII). The overall industry has also seen a consistent decline in average daily rates (ADR) over the last five years, while the boutique segment has experienced an increase in both supply of rooms and ADR. PAII attributes this paradox to several features unique to the boutique operation:

- Orientation towards leisure travelers
- Income levels of guests
- Guest loyalty
- Rural location
- Value of the boutique experience
- Owner-operated management structure
- Strong seasonality

Not only do these factors and the recent market trends they stimulate bode well for a customer market at a restored Carendon, but also the demographics surrounding interest in the marketplace for such a development make the Subject Property an attractive and timely opportunity.

The Gaming Industry

The State of West Virginia legalized slot machines at four of its horse and dog racing tracks in 1994, making it one of the first states outside of Nevada or New Jersey to do so. The economic and social impact on West Virginia and surrounding states has been significant, prompting Pennsylvania to follow suite in 2004 in an effort to keep gamblers at home. The West Virginia legislature has considered the possibility of legalizing table games at its four resorts as well, but no action has ensued yet.

The establishment of slots led to the eventual developments surrounding Wheeling Island and Mountaineer Race Tracks, both of which include luxury hotels and casinos in addition to the racetracks and betting parlors. These two resorts located in the northern panhandle attract patrons from nearby Pennsylvania and Ohio and beyond, and both are major employers in the region.

While it may be a stretch to assume that gaming patrons would contribute to the customer base of a historic inn located in St. Clairsville (numerous surveys indicate that such patrons almost always lodge within the casino establishment), the growing industry and the entertainment business it has spawned could well contribute to the health of the region's lodging industry.

Major Employers

Besides gaming, several large employers in and around Wheeling and the Ohio Valley region lodge employees on a regular basis for a variety of reasons such as training, seminars and regular meetings. These employers would be a natural source of potential customers at a unique hostelry – both for lodging and for conferencing. Just as the traveling public increasingly seeks a more unique lodging experience, so too does the business traveler and businesses seeking to attract and retain employees. Following are several of the Wheeling region's major employers worthy of contact as part of any marketing effort for a potential hotel in St. Clairsville:

- Barnesville Hospital Association
- Bellaire City Board of Education
- Belmont County Government
- East Ohio Regional Hospital
- Health Plan of Upper Ohio Valley
- Mayflower Vehicle Systems
- Ohio Valley Coal Company
- State of Ohio
- The Times Leader Newspaper
- Wal-Mart Stores
- WHX/Wheeling-Pittsburgh Steel Corporation

PROJECTION OF OCCUPANCY

Along with average room rate, the occupancy levels achieved by a hotel are the foundation of the property's financial performance and market value. Most of a lodging facility's other revenue sources (food, beverages, and telephone) are occupancy dependent more than other factors in the community at large.

Historic Occupancy

The Subject Property's proposed occupancy rate is based on historical data for the entire market, specific information obtained through interviews with other hotel operators, and an understanding of its position in the marketplace. A survey of the past seven years in the market shows generally declining occupancy. The interviews with operators of similar style hotels provided the insight that the hotels operating at the high end of the market have the strongest occupancy rates.

Year	% Occupancy	% Chg
1998	65.1	
1999	64.5	-1.5
2000	62.5	-2.6
2001	62.1	-0.6
2002	65.2	4.8
2003	61.5	-6.0
2004	62.4	1.5
7 Year Avg.	63.3	

According to the Professional Association of Innkeepers (PAII) 2002 B&B/Country Inn Industry Study, occupancy levels at boutique-style hotels averaged 54% for the period 1998 through 2002, approximately 10% below the national average occupancy levels of all hotels for the same period. Further, discussions with benchmark hotel operators interviewed for this study have indicated that occupancy during the initial year of operation at a boutique hotel will lag national and local averages even more significantly. The PAII study also indicates that boutique operations averaged occupancy increases of fourteen percentage points over the initial five years of operation.

The occupancy levels indicated for Belmont County hotels nearly mirrors the national average of 62.7% for 2004 and throughout the period starting in 1998. Given the subjective nature of projecting occupancy – especially at a unique operation – we have tied occupancy projections for the Subject Property to approximately 10% less than the Belmont County averages for all hotels, with a calculated reduction of 14% for Year One, a 10-point increase for Year Two, and 2% increases for each year after that until reaching the national average for boutique hotels of 54%. Therefore, we estimate occupancy as follows:

Year 1	38%
Year 2	48%
Year 3	50%
Year 4	52%
Year 5	54%

This projection assumes a reasonable growth rate for the hospitality sector for the first five years of operation, an assumption that could be altered considerably by unexpected events such as economic conditions or another terrorist attack.

Room Night Analysis

Lodging demand and occupancy can be projected through a process known as room night analysis. A room night is a unit of hotel demand that equals one room that is occupied for one night. After estimating the number of room nights a hotel can be expected to attract during a twelve-month period, one can determine occupancy by dividing the number of room nights of demand captured by the number of room nights available.

Penetration Factor

The subject property's forecasted market share and occupancy levels are based upon its anticipated competitive posture within the market, as quantified by its penetration factor. The penetration factor is the comparative ratio between a single property's market share and that of other properties in the overall market. The following two ratios will be used to determine our estimate of market penetration:

$$\text{Fair Share} = \frac{\text{Single Property's Total Number of Rooms}}{\text{Market Areas Total Number of Rooms}}$$

$$\text{Market Share} = \frac{\text{Single Property's Total Room Nights Captured}}{\text{Market Area's Total Room Nights Captured}}$$

If a property with a fair share of 5% is capturing 5% of the market demand in a given year, then its occupancy will equal the market-wide occupancy, and its penetration factor will equal 100% (5% divided by 5% = 100%). If the same property achieves a market share in excess of its fair share, then its occupancy will be greater than the market-wide occupancy, and its penetration factor will be greater than 100%. Conversely, if the property captures less than its fair share, then its occupancy will be below the market-wide average, and its penetration factor will be less than 100%.

Projected Hotel Penetration-Subject Property

	Year 1	Year 2	Year 3	Year 4	Year 5
Available Room Nights	7,300	7,300	7,300	7,300	7,300
Estimated Occupancy	38.0%	48.0%	50.0%	52.0%	54.0%
Total Room Nights Captured	2,774	3,504	3,650	3,796	3,942
Marketwide Available Room Nights	271,195	271,195	271,195	271,195	271,195
Marketwide Occupancy	62.4%	63.3%	64.3%	65.3%	66.2%
Marketwide Occupied Room Nights	169,226	171,764	174,341	176,956	179,610
Fair Share	2.7%	2.7%	2.7%	2.7%	2.7%
Market Share	1.6%	2.0%	2.1%	2.1%	2.2%
Total Penetration	60.9%	75.8%	77.8%	79.7%	81.5%

The table above illustrates a significant penetration factor for the proposed hotel. A quality operator with higher end food service and conference facilities could penetrate further into the leisure and business travel sector, especially given the current absence of a boutique-style operation anywhere in the marketplace.

PROJECTION OF AVERAGE RATE

One of the most important considerations in estimating the value of a lodging facility is a sustainable forecast of its attainable average daily room rate, which is more formally defined as the average rate per occupied room. Average rate can be calculated by dividing the total room's revenue achieved during a specific period by the number of rooms sold during the same period. The projected average rate and the anticipated occupancy percentage are used to forecast room's revenue, which in turn provides the basis for estimating most other income and expense categories.

Historical Average Rate

	Avg. Rate	% Chg
1998	\$ 47.87	
1999	\$ 50.25	4.7
2000	\$ 51.46	3.4
2001	\$ 53.24	3.3
2002	\$ 52.68	-1.0
2003	\$ 54.32	3.1
2004	\$ 57.12	5.0
7 Year Avg.	\$ 52.42	

The average room rate has increased steadily in the marketplace over the past seven years 16.2% from 1998 to 2004. This is an encouraging indicator as these rates have grown while both supply and occupancy have increased as well. Belmont County's average rate has far outpaced the national average, which has increased less than 1% over the past five years to \$86.55. The national average rate for a 20-room boutique hotel stood at \$133.05 in 2002 according to the PAll study, having increased by 15% over five years.

Given this data, we have assumed an average daily rate for the Subject Property that is 64.7% of the average rate for boutique hotels just as the Belmont County rate is 64.7% of the national figure. We have also assumed a growth rate of 3% per year reflecting the national average growth rate as follows:

Year 1	\$86.00
Year 2	\$88.00
Year 3	\$90.00
Year 4	\$92.00
Year 5	\$94.00

Competitive Position

Although the average rate analysis here follows the occupancy projections, these two statistics are highly correlated; in reality, one cannot project occupancy without making specific assumptions regarding average rate. For the purposes of our analysis, we assume that the Subject Property will achieve an average rate above that of the market. This is due to its upscale and unique product within the marketplace, and follows the national trend. We have positioned the proposed Subject Property's average rate at \$90.00 for the first five years of operation. We feel that this is appropriate given the rate structures at similar benchmarked hotels, proposed product offering, location, and market orientation compared to existing hotels in the greater Wheeling area.

Average Rate Increases

It is important to note that hotel room rate increases do not necessarily conform to the underlying monetary inflation rate because lodging facilities are influenced by market conditions such as the relationship between supply and demand. A hotel's ability to raise room rates is affected by a number of factors, including the following.

- **Supply and Demand Relationships** – The relationship between supply and demand is one of the factors that determine hotel occupancies and average rates. Strong markets where lodging demand is increasing faster than supply are often characterized by rate growth that exceeds inflation. Markets that are overbuilt or suffering from declining demand are unlikely to exhibit any significant increases in average rates;
- **Inflationary Pressures** – Price increases caused by inflation affect hotel room rates by eroding profit margins and encouraging operators to raise prices. This strategy is effective only in markets that are characterized by a healthy supply and demand relationship;
- **Improving the Competitive Standard** – When a new lodging facility enters a mature market, its rates may be set higher than the market wide average in an effort to justify the development costs. This may allow other competitors to achieve corresponding gains by effectively raising the amount the market will bear. However, if the additional supply has a severe impact on the occupancy levels of other hotels, price competition may ensue; and
- **Property Specific Improvements** – Changes that make a hotel more or less attractive to guests can have an impact on average rate. An expansion, renovation, upgrading, or the introduction of additional facilities and amenities may enable greater than inflationary room rate increases. Likewise, deferred maintenance may make a property less competitive, engendering a decline in room rates.

BENCHMARKING

METHODOLOGY

Part of the assignment at hand is to identify successful restoration projects similar to that proposed for the Subject Site in similar markets. Since the boutique hotel segment is a unique and small sector within the multi-billion dollar hospitality industry, this dictates a unique set of criteria used to identify truly comparable situations for use in this benchmarking process.

In order to identify projects that would be comparable in size, scope and operation to the Carendon, and to identify markets similar to that of St. Clairsville, Synergy identified the following building and market traits unique to the Subject Site and the City's plans for its development, as well as to the downtown St. Clairsville location and its position in the overall market:

- Location on the main street within the business district of a small town with similar population and income to that of St. Clairsville.
- Market location somewhat distant from major markets and major tourist attractions.
- Less than 100 rooms, but no fewer than 30.
- At least 100 years old, with restoration within the last 30 years.
- A full-service restaurant with liquor sales.
- Banquet and conference facilities or function rooms.
- Individual ownership and management with no chain affiliation.

A benchmark establishment ideal for comparison might be a 40-room establishment in a small Midwestern town located 50 miles from a major city on Main Street that includes a restaurant and bar. It is important to note that St. Clairsville has a population of 5,057 and a median household income of \$36,630, significantly less than the statewide \$43,332. Although St. Clairsville and surrounding Belmont County are part of the Wheeling MSA, St. Clairsville remains relatively isolated from the major activities and cultural happenings usually associated with a larger market.

Another feature common to the boutique hotel segment is ownership. Smaller inns are almost always owned and operated by a couple or individual, rather than a corporation, and are generally not associated with a name brand, or "flag" hotel chain. The relationship between a boutique hotel and the surrounding community is rather intimate, with the hotel often a focal point of the town's business activity.

Lucienne Anhar defined boutique hotels in an article for Hospitality Net as those establishments exhibiting "distinction, warmth, and intimacy..., which seem to attract a niche of customers looking for a special and differentiated property able to fulfill their individual needs." While numerous small inns and hotels of historical significance thrive in a variety of small towns, we have identified seven located in markets similar to that of the Subject Property. Most are located within an easy drive of St. Clairsville.

Hotel Winneshiek

104 Walter Street, Decorah, IA 52101

Telephone: 563-382-4164

www.hotelwinn.com

Location:	Northeastern Iowa, about 250 miles north of Des Moines
# Guest Rooms:	31
Rates:	\$99-289
Market Population:	8,172
Median income:	\$37,485
Year Built:	1870
Year Restored:	2003
Restaurant:	The Victorian Rose (lunch and dinner) Albert's Lounge (casual dining, bar)
Function Rooms:	Banquet room

From the Website...

Hotel Winneshiek is a magnificent example of turn-of-the-century architecture. It features an octagonal three-story lobby that opens to a 14' x 14' stained glass skylight. The elegant cherry grand staircase extends from the lobby to the third floor. A working marble fireplace, a stately entrance foyer with brass chandelier, antique furnishings, and exquisite millwork are some of the components that make this hotel one of the Midwest's most attractive destinations.

The historic Steyer Opera House, locked up for decades after a glorious past that began in 1870, reopened in 2003. Not only had the two-story Victorian treasure been restored to its former magnificence by the construction and architectural firms that renovated the Iowa State Capitol Building and the Governor's Mansion, but also brought with it a new mission. The Opera House became the centerpiece for an innovative new approach to hosting conferences, meetings and executive retreats.

With the opening of the Steyer, the final phase of the Hotel Winneshiek, Opera House and Conference Center, a multi-year \$14 million restoration project, was completed. Among the goals of the project—to create an incomparable environment for businesses and organizations to meet, retreat, restore and rejuvenate.

The Hotel has splendidly appointed rooms and suites that encircle an open, three-story atrium. A marble fireplace, Waterford crystal chandelier, antique furnishings and exquisite millwork create an inviting atmosphere for meeting and conference guests.

Amenities abound in the Hotel Winneshiek's guest accommodations. Complimentary continental breakfast, coffee makers, hairdryers, magnifying mirrors in the bathrooms, upgraded toiletries and large fluffy terry towels and robes are some of the pampering our guests receive. We provide personalized service expected by discriminating travelers.

Pantall Hotel

135 East Mahoning Street, Punxsutawney, PA 15767

Telephone: 800-872-6825

www.pantallhotel.com

Location:	About 100 miles northeast of Pittsburgh
# Rooms:	75
Rates:	\$49-89
Market population:	6,271
Median income:	\$26,250
Year Built:	1888
Year Restored:	1970
Restaurant:	The Coach Room and Victorian Bar (fine dining)
Function Rooms:	5 meeting rooms; capacity up to 300

From the Website...

The Hotel was built in 1888 by Theo Pantall, thus the name, which we choose to keep; it is definitely part of the history of the hotel and Punxsutawney. Renovations began in 1970 with the current owners and are now finished; we literally rebuilt the building and it is beautiful. There are 75 bedrooms each with brand new baths with showers, air, cable TV, heat, beautiful appointments and phones with voice mail and data ports. Two suites are available. You'll love the cleanliness of the rooms and the ironed sheets and pillow cases. The entire building is unusually clean.

Undoubtedly our biggest business is the Groundhog and February 2 is the biggest activity of the year. We even rent rooms out of town and send a bus to pick you up and take you to Gobblers' Knob and then down here to get involved in all that is scheduled. In the summer Punxsy has a Groundhog Festival, equal to none. The Festival Committee meets at the Pantall year round to come up with the numerous activities that make up the week-long festival. Across the park from the Pantall is a Band Stand that was erected in 1939 as a war memorial. During the Festival there is a musical activity there all day, every day. People bring their lawn chairs and enjoy all kinds of music. The park is literally filled with rides for the children, craft booths, games, food vendors, a Teddy Bear Picnic for the children. It is worth a trip to participate.

What many people don't realize is that we celebrate the Groundhog every day of the year. We have souvenirs in our lobby as we are open 24 hours a day and often people check in after the stores close and check out before they open. Often people stop in the middle of the night to buy souvenirs. Our zoo is available every day; Gobblers Knob is available every day. We sell souvenirs every day. And people will tell you about the Groundhog every day. Stop and see us!

We are located on routes 119 and 36, right downtown on the main street (135 Mahoning Street). We are right beside Barclay Square, the town park, and the Groundhog Zoo.

Hotel Millersburg

35 West Jackson Street, Millersburg, OH

Telephone: 800-822-1487

www.hotelmillersburg.com

Location:	About 60 miles northeast of Columbus
# Rooms:	24
Rates:	\$60-115
Market Population:	3,326
Median income:	\$33,809
Year Built:	1847
Year Restored:	1980
Restaurant:	The Tavern (bar and restaurant) The Courtyard (fine dining) The Brickyard (bar)
Function Rooms:	None

From the Website...

Built in 1847, Hotel Millersburg offers unique history combined with modern conveniences. The building exterior and several interior features remain from the original construction. The Hotel offers 24 comfortable rooms, each with a private bath.

Hotel Millersburg offers the Tavern with its beautiful, ornate brass bar and full service menu, the Courtyard with fresh grilled meats and live entertainment, or privately with your group in our formal dining room.

Hotel Millersburg lies in the heart of Ohio's earliest frontier - Holmes County, Ohio. Built in 1847, it is Millersburg's oldest large building, and in its early days, a substantial improvement over the stagecoach inns used by most travelers.

In 1980 Millersburg businessman R. Gene Smith began the long, slow, and tedious task of renovating and reconstructing the Hotel to its original style. Extensive reconstruction was planned to allow the facility to closely resemble the original 1847 structure. While some changes have been made, they have not altered the feel of the original structure. Original elements include the building exterior and several beautiful tin ceilings. New elements include an extensive fire safety system and private bathrooms in each of the 24 rooms.

The entire project was approved by the Ohio Historic Preservation Society in conformity with Ohio Building Code for National Register Buildings. A plaque placed by the United States Department of the Interior designates Hotel Millersburg as a property on the National Register of Historic Places.

The Golden Lamb

27 S. Broadway

Lebanon, Ohio 45036

Telephone: 513-932-5065

www.goldenlamb.com

Location:	30 miles north of Cincinnati
# Rooms:	18
Market Population:	17,896
Median Income:	\$46,856
Year Built:	1803
Year Restored:	1969
Rates:	\$60-112
Restaurant:	The Golden Lamb Restaurant (fine dining lunch and diner)
Function Rooms:	Private dining rooms; capacity to 80 people

From the website...

Isaac Stubbs, the hotel's owner, was a Quaker from Wrightsborough Meeting, in Georgia, where his parents and the ancestors of Robert H. Jones, the present owner of The Golden Lamb, lived on adjoining farms. He immigrated to Ohio with his parents and family in 1804. After learning the milling trade he built a mill on the Little Miami River. Around this mill grew a busy little settlement first called Millsborough, later Stubbtown. When his business prospered, he built a good brick house nearby to live in. A versatile man, he engaged in many ventures, among which ownership of the Golden Lamb was one.

The LaFayette Hotel

101 Front Street, Marietta, OH

Telephone: 740-373-5522

www.lafayettehotel.com

Location: About 70 miles south of Wheeling
Rooms: 77
Rates: \$49-280
Market population: 14,515
Median income: \$29,272
Year Built: 1918
Year Restored: 2002
Restaurant: The Gun Room Restaurant and Riverview Lounge
Function Rooms: 4 meeting rooms; capacity to 70 people

From the website...

The Lafayette hotel overlooks the Ohio and Muskingum Rivers and is in the heart of historic downtown Marietta. We have 77 guest rooms. We are ADA accessible and kids under 18 stay free in the parents' room. Other features include room service, laundry and free airport shuttle service. Rooms and rates are listed below.

One of the last riverboat-era hotels, the Lafayette opened on July 1, 1918, and was named in honor of the Marquis de Lafayette, who visited the city in 1825 at a site near the hotel. He has since been regarded as Marietta's first tourist.

With its distinctive triangular shape, the hotel offers guest rooms with views of either the Ohio or Muskingum Rivers, whose legendary flooding a half-century ago is indicated on benchmarks in the lobby.

The dining room features a fine collection of long rifles, including one made by J. J. Henry that accompanied the Benedict Arnold expedition to Quebec in 1775. An 11-foot pilot wheel from the steamboat J. D. Ayres is featured the lobby.

The Calumet Inn

104 West Main Street, Pipestone, MN 56164

Telephone: 800-535-7610

www.calemutin.com

Location:	About 150 miles southwest of Minneapolis
# Rooms:	38
Rates:	\$59-\$109
Market population:	4,280
Year Built:	1888
Year Restored:	1981
Restaurant:	Eddie's Pub
Function Rooms:	Pocahontes meeting room

From the Website...

The name Calumet is the one French fur traders gave to ceremonial pipes used by American Indians. The stone (pipestone) used to create these pipes is still quarried at the nearby Pipestone National Monument.

The first grand hotel was located one block north of the present structure, where the First National Bank now stands at the corner of 2nd St. N.W. and Hiawatha Avenue. The 60-room facility was built by the Close Brothers, English land agents, at a cost of \$25,000. The wood and veneered brick structure was destroyed in two hours Dec. 15, 1886 by fire.

Townpeople wanted a grand hotel to serve the trains, which were the lifeblood of the early community. Two bankers announced plans to build a new bank at the corner of Hiawatha Avenue and Main Street, the present Calumet location. It was decided to include the hotel with the bank and east and north doors would be for the hotel.

The new Calumet Hotel would include 50 rooms in three stories and cost \$30,000. The Sioux Quartzite, the primary building stone, was taken from quarries at Jasper. Darker stone for trim came from quarries at nearby Pipestone.

Construction began in the spring of 1887 on the 50x100-foot building. The grand opening was Thanksgiving Day in 1888. In 1900 a large addition to the rear of the building was added. A slightly different color of stone shows where the addition starts. In 1913 work began on adding a fourth floor and 30 additional rooms.

In 1979 the hotel was purchased for \$60,000 by Greg and Michael Hasara and a \$3 million renovation/restoration began. The building was returned as much as possible to the looks of its original construction, but with modern conveniences added, and reopened Feb. 7, 1981. The current owners took over the property in Sept. 1993, and they want to keep the quality and traditions going.

In addition to the current 38 guest rooms (many furnished with antiques) and the elegant dining room, the Inn now includes a lounge, Eddie's Pub, Pocahontas meeting room, and a gift shop area. The lounge occupies what once was the bank, with the vault as the wine room.

Hotel Pattee

112 Willis Avenue, Perry IA

Telephone:888-424-4268

www.hotelpattee.com

Location:	About 26 miles northwest of Des Moines
# Rooms:	40
Rates:	\$139-309
Market population:	7,633
Median income:	\$35,429
Year Built:	1913
Year Restored:	1997
Restaurant:	David's Milwaukee Diner
Function Rooms:	5 meeting rooms; capacity to 150 people

From the website...

The historic Hotel Pattee invites guests to relax in a setting that celebrates the sights and sounds, the people and memories of small town America. A unique reminder of the millions of people who came from all over the world to build our town, our state, and our country, the Pattee is one of the few hotels where every room and suite tells its own story. Our 40 individually decorated and themed guest rooms preserve history, celebrate ethnicities, honor craftsmanship, and pay tribute to the noteworthy sons and daughters of Iowa and the Midwest.

Known as one of the finest boutique hotels in the world, the Hotel Pattee stands as the idyllic retreat location. Whether it's for a couple desiring a romantic weekend getaway, a meeting planner seeking the ideal setting for a board retreat or a soon-to-be bride looking for the perfect reception site, the Pattee promises to make your event one you'll never forget.

BENCHMARKING CONCLUSIONS

Interviews with owners or managers of the operations detailed in this report and others knowledgeable in the field indicated a variety of factors important in the establishment and operation of a boutique hotel in a small market:

- ADR's are generally higher than the local market, and are justifiable and sustainable at boutique establishments given their level of service, uniqueness and customer loyalty.
- Occupancy levels generally run lower than average for the given markets, with higher occupancy levels on weekends and during peak summer months. While most of the benchmarked operations indicated occupancy at less than 50% during the first year of operation, that number trended upward during succeeding years.
- Since most boutique hotels endure more obscure locations than their limited service flagged counterparts, marketing and outreach are essential to their survival.
- These establishments become integral with the culture and business of their respective communities and environment, often becoming the physical and cultural focal points of the community. This relationship is also critical to their success.
- A variety of room sizes, styles and price points increase the customer base, occupancy levels and ADR.
- The hotel should offer some smaller rooms at a below-market rates.
- Private baths, while not available at every establishment for all rooms, are generally preferred by most customers.
- Occupancy levels may be more susceptible to seasonal trends than chain hotels, but will average better than most of them, and will be more than offset by higher ADR.

Comments from hotel operators were generally consistent with the research we conducted industry-wide regarding the differentials between boutique-style and average limited service operations. While the numerous limited service operations offer competitive rates, consistency and convenience, they lack the intimacy, uniqueness and personalized service available at independently-operated boutique establishments.

While full-service chain hotels such as Marriotts, Hiltons and others can and often do provide the detail of service that a boutique operation will, they are rarely available in a small town or rural setting. Larger full-service hotels are almost always located in urban markets near a critical mass of population, business or tourism. Such establishments are far more expensive to operate than their limited service counterparts and require higher levels of occupancy and ADR to break even.

A boutique hotel competes with both the full and limited-service chains by surpassing their level of customer service, variety, uniqueness, intimacy and customer loyalty. Repeat customers are known to frequent the same boutique operation time and again once discovered, yet have their choices of any number of homogenous chains at which to lodge. These elements are the key factors to the hotel's ability to compete with chain operations given what appear to be insurmountable competitive obstacles.

Food Service/Meeting Facilities

A consistent component of each operation benchmarked for this study was the presence of food service and meeting facilities. Most hotels include a restaurant and tavern or bar separate from one another, with a few having integrated bar and restaurant operations. Most also offer at least some one meeting room available for conferences or banquets. Most had two or more such rooms available. Most operators do a large wedding reception business on weekends, with such events increasing both food and beverage revenues as well as room revenues.

Our interviews revealed a distinct and, for the most part, essential connection between the hotel and food service operations. In one case, the hotel was actually a secondary operation to that of the restaurant, the owner having purchased the business primarily to operate a fine dining establishment. All but one of the benchmark establishments integrates the food service and hotel operations under the same management. Most operators rely on a share of restaurant business not dependent on hotel guests, with estimates as high as 50% in some cases, but averaged about 20% among those interviewed. One hotel manager said that a “street” entrance to the restaurant separate from the hotel was essential to capture maximum restaurant patrons.

Key elements regarding food service and meeting facilities revealed during interviews include the following:

- Food, beverage and banquet service are essential integral parts of the hotel operation, and contribute greatly to increased room nights.
- Restaurant share of the overall operation ranged between 40% and 70% - higher than the industry average of 23% - for those hotels in business three years or longer, with newer operations depending more heavily on restaurant revenues.
- Banquet and conferencing facilities are a key component of operations, especially for those with lower room counts.

PROGRAM DEVELOPMENT

THE SUBJECT PROPERTY

The Subject Property is located at the corner of East Main and South Market Streets in downtown St. Clairsville, directly adjacent to the Belmont County Courthouse, a significant historic structure as well. The Subject Property is an anchor for the historic district that comprises most of the downtown area. The historic Thomas House is located next to the Clarendon and currently being converted to a tea room. In addition to free on-street parking, a municipal parking lot is located just off Woodrow Avenue at South Market Street directly behind the Subject Property.

The Subject Property itself is a lot measuring approximately 72 by 112 feet, and is occupied primarily by the Clarendon Hotel structure with some vacant area for parking (about five vehicles maximum) in the rear of the building. The brick and masonry structure hotel is three stories above grade with a full basement below street level and exposed in the rear. Each floor consists of about 4,160 square feet of usable space, the second and third floors having been used exclusively for hotel rooms and ancillary space (hallways, baths and maintenance rooms). The ground floor features an area of about 800 square feet that had been used most recently as a main lobby, a space with street access of about 1,400 square feet most recently used as a restaurant, and remaining retail or office spaces with various entries from Main and Market that total about 2,100 square feet. The rear of the basement has two finished spaces accessing the alley that could be used as office or retail containing about 600 square feet each.

The building features a central stairway from the main lobby accessing all three floors underneath a skylight. The hallways on floors two and three are six to eight feet wide with high ceilings, a unique feature even for a building of this age and style. There are currently 18 rooms on the second floor, the largest measuring about 18 by 20 feet and the smallest about 9 by 15 feet. Only eight of these rooms have private baths, and most have no closet space. The third floor has twenty rooms, the largest measuring about 20 by 20 feet with a rounded corner window. Only four of these rooms have attached baths.

The Clarendon Hotel was built in 1890 to accommodate traffic along the busy National Road. The property began a steady decline as a hotel in the years following World War II as Route 40 traffic gave way to the newly constructed I-70 and as national chain hotel and motel operations gained favor with travelers. The property evolved into transient apartment use until acquired by the City in 2002. The City vacated the property and has begun to develop plans for adaptive reuse of the structure.

PROPOSED OPERATION

The quality of a lodging facility's physical improvements has a direct influence on its marketability and attainable occupancy and average daily tariff rate. The quality of restoration and functionality of the facility combined with an effective marketing and outreach program will ultimately determine the success of a boutique-style, historic inn.

The layout and components assumed for the preparation of this report and the feasibility analysis herein has been determined by Landmark Design Architects (LDA) under prior arrangement with the Client and presented to them in the summer of 2003. LDA presented the City with various options for reuse of the Clarendon, including the establishment of a restaurant and hotel.

Restaurant

All reuse scenarios contemplate that the entire first floor would be rehabilitated for use as a 110-seat restaurant and lounge. Modern partitions and dropped suspended ceilings are proposed to be removed and the first floor opened up to its original walls with an open kitchen facing a dining room along South Market Street and an informal lounge and eating area along Main Street.

Hotel

The design is proposed for 20 hotel rooms on the upper two floors of the building. The existing main stair is proposed to be restored and fitted with life safety features so it can remain open at the first floor with a restored skylight. A new staircase is proposed to be added at the south end of the building and a new elevator is planned. The upper floors are designed to provide comfortable rooms with modern conveniences along the historic corridors while maintaining the turn-of-the-century character and quality of the original hotel.

The design and construction costs are estimated to be \$2,600,000, as detailed herein. It is the intent of the City to create a "vanilla box" situation with the building, and a budget for furniture, fixtures and equipment is not included for that reason.

ESTIMATE OF CONSTRUCTION COSTS

As hotel//restaurant on Floors 1, 2 and 3 w/ support space in basement
Landmark Design Architects (LDA)

June 2003

Exterior

New Roof	4,600 SF	\$10.00	\$46,000.00
Restore/replace main skylight	1 budget	\$15,000.00	\$15,000.00
Rebuild Parapet	700 SF	\$35.00	\$24,500.00
New Windows	78 each	\$1,000.00	\$78,000.00
Restore/replace large windows	12	\$2,000.00	\$24,000.00
Masonry Cleaning	11,400 SF	\$2.50	\$28,500.00
Masonry Paint Removal	1,400 SF	\$7.50	\$10,500.00
Masonry Pointing	5,000 SF	\$5.00	\$25,000.00
Entrance Ramps	2 budget	\$15,000.00	\$30,000.00
Paint	1 budget	\$20,000.00	\$20,000.00
		Subtotal	\$301,500.00

Interior

Demolition/clean out	18,000 SF	\$3.00	\$54,000.00
Basement Rehab	5,700 SF	\$60.00	\$342,000.00
New South Stair Tower	1 budget	\$35,000.00	\$35,000.00
Architectural	14,700 SF	\$41.00	\$602,700.00
Plumbing	14,700 SF	\$12.00	\$176,400.00
Fire Suppression (Entire Bldg)	20,400 SF	\$2.00	\$40,800.00
Heating/Cooling	14,700 SF	\$14.00	\$205,800.00
Atrium Smoke Evacuation	1 budget	\$25,000.00	\$25,000.00
Electrical	14,700 SF	\$12.00	\$176,400.00
Fire Alarm System	20,400 SF	\$2.25	\$45,900.00
Structural Repair	1 budget	\$50,000.00	\$50,000.00
		Subtotal	\$2,055,500.00
		A/E Services @ 8%	\$164,440.00
			\$2,219,940.00
		Contingency @ 15%	\$332,991.00
		TOTAL	\$2,552,931.00

FURNITURE, FIXTURES AND EQUIPMENT (FF&E)

The Client has indicated a willingness to provide the Subject Property as a “Vanilla Box,” ready for installation of furniture, fixtures and equipment (FF&E) by a qualified operator, should the project move forward. We have used an estimate of FF&E costs provided to the Client by LDA to calculate various feasibility scenarios. Since the feasibility models are based on a 20-year projection, it has been assumed that FF&E will have to be replaced every ten years and adjusted for inflation. It is therefore assumed that FF&E will be replaced in years 10 and 20 of the Present Value projections.

	Estimated Cost	
Guest Rooms	\$	200,000.00
Common Areas	\$	60,000.00
Restaurant	\$	250,000.00
Bar	\$	75,000.00
Kitchen	\$	200,000.00
Total	\$	785,000.00
Design Services	8% \$	62,800.00
Contingency	10% \$	84,780.00
Total		\$932,580.00
Laundry		\$ 10,000.00
Telephone System		\$ 35,000.00
Misc.		\$ 12,000.00
Total		\$989,580.00
Term	10	
Interest	7%	
Payment		\$140,893.93