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March 25, 2022

James Decker, President/CEO
Warren County Chamber of Business & Industry
308 Market Street
Warren, PA 16365

Dear Mr. Decker,

CHM Government Services ("CHMGS") is pleased to provide you a proposal for professional services associated with Market, Financial and Investment Feasibility to support the assessment of proposed development of hospitality and recreational developments at Kinzua Beach, Kinzua Point Information and at Jakes Rocks within the Allegheny National Forest. Please note this proposal remains valid for 90 days from issuance. If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'G Baekey', is written over a light gray rectangular background.

Geoff Baekey
Managing Director
CHM Government Services
M: 617.510.7142
gbaekey@chmgov.com

PROJECT APPROACH

Warren County is seeking to understand the feasibility of a set of hospitality and recreation resources within the Kinzua Dam region. Specifically at three locations: Kinzua Beach, Kinzua Beach Information Center and the Jakes Rock Mountain Bike Trail system. CHMGS designed its work plan with the objective of looking at these locations wholistically.

TASK 1: MARKET DEMAND ANALYSIS

Task 1.a: Pre-Planning

The purpose of Pre-Planning is to collect and assemble all the critical information necessary to understand and evaluate the current supply and demand for recreation and hospitality opportunities at the sites identified and within the competitive market. The initial investment in this task will result in efficient data collection, enhanced project communication and overall project success. This task will involve the consultant developing an Advanced Information Request (AIR) by category and by entity (e.g., County, USACE, USFS, etc.) regarding types of information needed. Following the issuance of this AIR, the consultant will coordinate a kickoff call to review all information requested. An example of categories of information to include within the AIR, if available, are provided below:

Organization

1. Identification of the Project Point of Contact
2. Stakeholder Engagement listing.

Planning Information

1. Any existing site or regional tourism or site planning studies that support need for proposed development
2. Visitor profile/survey data available from state and/or regional Destination Marketing Organizations.
3. Listing of other proposed tourism amenity development projects under consideration and supporting analysis.
4. Data from County planning on status of new recreational developments.

Demand Information

1. Listing of regional events by year for the last year including attendance, if available.
2. Any statewide regional STR data from State Tourism office, if available,

Financial Information

1. Sales/Room Tax trends for the last five years
2. Data on bonding authorities, amounts available, rate, terms of bonds
3. Information on economic incentive programs for development

The consultant will use this information in the development of their market and financial analysis. Based upon this information, the consultant will identify a preliminary competitive supply analysis for use in the development of their site visit plan.

Deliverables:

1. Advance Information Request
2. Conference Call to Discuss AIR Data

Task 1.b.: Site Visit

Following the review and analysis of the data collected, Task 1.b. includes the development of a fieldwork plan. The consultant will be responsible for developing a fieldwork schedule in advance of the site visit to ensure that the CHMGS team contacts all appropriate entities for meetings. At a minimum, the following should occur during fieldwork.

Day 1 and 2: Site Evaluation

1. On Site meeting with Warren County Development Association and members of the Kinzua Regional Marketing Initiative to discuss vision for development. Additional stakeholder meetings can occur through a group meeting or through individual discussions. Discussion will include
 - a. Background History on Site Development Concepts
 - b. Amenities desired and rationale
 - c. Perspectives on competitive market
 - d. Insight to economic development trends
 - e. Market drawing area determination
 - f. Discussion of local and regional events and their impact on lodging supply
 - g. Discussion of proposed comparables to evaluate.
2. Meet with Local USACE and USFS Staff to discuss Lake recreation and operations.
3. Visit to Sites to review locations for development.

Day 3 through 4: Meetings with Competitive Market

The consultant shall organize a combination of phone interviews and local visits with overnight accommodations, recreation and food and beverage providers in the competitive marketplace. These discussions would focus on:

1. Discussion of market opportunity for recreation, overnight and support amenities including product, clientele, and guest profiles.
2. Discussions of market segmentation and opportunities for induced demand.

Day 5: Meetings with Additional Stakeholders

Working with the Warren County Development Association, the project team will identify relevant stakeholders with which the project team should meet. These calls may occur in person and/or post site visit virtually based upon availability of individuals. Following the site visit, the consultant shall schedule a conference call to discuss preliminary findings and observations from site visit. An optional strategy for this could be an on-line survey to a greater number of stakeholders. The costing is based upon in-person or on-line discussions, but if the WCDA believes larger feedback would be useful, and can send out a survey link, CHMGS can provide this as an option.

Deliverables:

1. Fieldwork schedule and On-Site Meetings
2. Fieldwork
3. Conference Call to Discuss Fieldwork Findings

TASK 2. PROJECT/MARKET FEASIBILITY ANALYSIS

The objective of Project/Market Feasibility Analysis is to ascertain the potential market positioning of, and demand for proposed hospitality and recreational facilities at the three identified areas (i.e., Kinzua, Kinzua PIC and Jakes Rocks Trails). The consultant shall complete the following services.

1. Develop an overview of the economic and demographic trends related to the market drawing area for the proposed development and supporting facilities.
2. Identify the competitive set for the proposed developments. This will be three types of developments: Overnight Accommodations and supporting amenities, Food and Beverage Facilities and Retail/Rental. Identify the performance of each of the competitive set including segmentation of demand.
3. Identify the positioning of the proposed developments considering the competitive set findings.
4. Provide an overview of the assets within the proposed development portfolio (e.g., recreation, overnight accommodations, etc.) as well as specific performance of these assets and trends to inform the market position of the proposed developments
5. Provide three comparable successful rural lake recreation development projects that include overnight accommodations supporting recreational development and develop comparable fact sheets.
6. Undertake demand analysis to include growth in demand for the competitive market for each of the proposed developments, identify unaccommodated and induced demand for the proposed developments (e.g., overnight accommodations). Note, data on restaurants and retail demand will be less granular based upon data availability.
7. Develop a site matrix identifying attributes needed for development of overnight facilities and support amenities.
8. Develop a scope of facilities including example of proposed types of facilities.

Deliverables:

1. Project/Market Feasibility Briefing
2. Conference Call to Present Draft Findings

TASK 3: FINANCIAL AND INVESTMENT FEASIBILITY ANALYSIS

The objective of the financial and investment analysis is to identify the Cash Flow available for a proposed development. The consultant shall complete the following services.

1. Develop a 10-year financial proforma for the proposed development and supporting facilities. This financial proforma will be one proforma for all recreational and hospitality developments. The basis for the revenue projections will be the demand build ups and rate positionings developed as part of Task 2. The Proforma will be developed to the Earnings Before Interest, Taxes and Depreciation and Amortization (EBITDA). This will allow for the ability to layer on a variety of financing costs.
2. CHMGS's will leverage its proprietary database of financials from private sector entities operating facilities on public land. This CHMGS data base reflects some of the unique revenue and expenses issues that occur as a function of development and operation on federal public land.
3. Included in the financial analysis will be an appropriate reflection of any federal permit or lease requirements. CHMGS has worked with both the USFS and USACE over decades and is familiar with the existing requirements for operating on public land.

4. The financials will result fed into a Discount Cash Flow analysis (DCF) to establish the present value of the income stream. This can be an indicator of the proposed development value **but cannot be considered an appraisal for valuation purposes.**
5. Discussion with County and State Economic Development to identify any economic incentive programs that would be available to private developers. Specifically, discussion will include funding sources and strategies for consideration in the investment analysis. The development costs assessment should identify if different elements are more suitable for various financing sources. An example of this would be that infrastructure components are a candidate for public financing vs. hospitality and recreational components that are likely candidates for private financing. The CHMGS team will discuss with relevant parties, the level of public financing available as well as what public financing options are possible under the terms of different deal structures.
6. Leverage cost data from internal proprietary and external recreation and hospitality development sources for projects executed in the last five years. **NOTE: Development costs will be based upon best available comparable information. This task does not include a detailed facility design and cost estimate. For feasibility analysis, the consultant team is of the opinion that this type of cost estimate is appropriate.**
7. Identify market-based returns required by asset class (e.g., lodging, camping, f&b, retail, etc.).
8. The CHMGS team will compare the value developed from the DCF to the estimated development costs This comparison will identify any gap in development funding that may exists. The size of the gap will indicate the overall project investment feasibility.
9. The project team will undertake a MS Teams Meeting to discuss the initial findings of the financial and investment analysis. If there is a funding gap, the team will discuss with WCDA strategies to fund the gap as well as prioritizing scoping to allow for potential phasing of the proposed projects.
10. The CHMGS team will undertake one additional iteration of the financials to ascertain a phased strategy.
11. The project team will then develop the Financial & Investment Briefing identifying the findings of this task and deliver it to WCDA.

Deliverables:

1. Project Briefing with Financial & Investment Feasibility Analysis
2. MS Teams Meeting to discuss initial findings and strategies for funding

TASK 4: ECONOMIC IMPACT ANALYSIS

The objective of this task is to identify how the proposed development will impact the existing supply of recreation and hospitality assets as well as benefit the community from potential development and operational direct and indirect spending. The purpose of the economic impact analysis is to estimate the jobs, average wages, economic output, and taxes resulting during both the construction phase (short-term economic impacts) and the operations phase (long-term economic impacts).

The Economic Impacts identified and measured are as follows:

1. **Short-term activities:** Spending during the construction phase, including spending on things like architectural planning and design, engineering, legal services, physical work on site, and project management. Project costs for the economic impact analysis are outputs of Task 3.
2. **Long-term activities:** Spending by tourists, including spending on lodging, restaurants, retail, and recreation activities. Using existing literature from comparable sites, spending

profiles will be developed for both local and nonlocal visitors. Spending profiles describe the average spending by visitors, categorized by spending categories. To arrive at total annual spending, the Consultant will combine annual visitation projections with estimated per-trip spending by visitor type. Visitation estimates for the economic impact analysis are outputs of Task 1.c.

To measure economic impacts associated with the above spending, the consultant will use input-output (IO) modelling, which characterizes the financial linkages between industries within a regional economy, and shows how spending in one industry ripples throughout the economy. The Consultant shall use IMPLAN multipliers from MIG Inc, provided by the Client. The region of analysis will be specific to the level of IMPLAN data provided by the Client (i.e., County, State, or both), and produce defensible results of direct and secondary impacts (employment, wages, economic output, and tax impacts). These impacts can be categorized by impacted industry, e.g., the impact on the restaurant industry.

Deliverables:

1. Executive Summary Memo that includes methods, results (economic impact for short- and long-term activities, including jobs, average wages, and tax contributions - detailed by industry), and key assumptions.
2. Up to three meetings with client (i.e., including a kickoff meeting, ongoing update meetings, and a meeting to share results)

PROPOSED COST ESTIMATE

The proposed project cost includes Tasks 1 to 4. CHMGS typically requests a retainer prior to commencing each engagement and upon contract execution will send the first retainer to cover 10 percent of Task 1 (**\$2,180**). Payments will be due and payable within thirty (30) days of the issuance date.

Description	Unit	Total
Task 1 -Market Demand Analysis	Each	\$21,800
Task 2 -Project/Market Feasibility Analysis	Each	\$18,600
Task 3: Financial & Investment Feasibility Analysis	Each	\$14,200
Task 4: Economic Impact Analysis	Each	\$10,800
TOTAL PRICE	Project	\$65,400

Our professional fees include expenses. Since expenses estimates are based upon point in time, we reserve the right to schedule the field work within time periods that allow us to meet these estimates. This fee estimate is subject to revision, if the work plan is altered, or if circumstances arise beyond our control which causes us to spend more time than originally anticipated. Fee changes will be the subject of mutual agreement between CHMGS and Warren County Chamber of Business and Industry. If a decision is made to discontinue this engagement prior to its completion, our fee will be based upon the actual man hours expended and the expenses incurred to that date.

PROPOSED TIMELINE

Task and Work Step	Week Due	4-Apr-22	11-Apr-22	18-Apr-22	25-Apr-22	2-May-22	9-May-22	16-May-22	23-May-22	30-May-22	6-Jun-22	13-Jun-22	20-Jun-22	27-Jun-22	4-Jul-22	11-Jul-22	18-Jul-22	25-Jul-22	1-Aug-22	8-Aug-22	15-Aug-22	22-Aug-22	29-Aug-22	5-Sep-22	12-Sep-22
Task 1 -Market Demand Analysis																									
Kick Off	04/11/22																								
Advanced Information	04/25/22																								
FieldWork	06/27/22																								
Task 2 -Project/Market Feasibility Analysis																									
Draft Briefing	07/25/22																								
Final Briefing	08/05/22																								
Task 3: Financial & Investment Feasibility Analysis																									
Deliverance of Financial & Findings 1	08/15/22																								
Deliverance of Updated Financial & Investment Findings 2	08/31/22																								
Draft Briefing	08/31/22																								
Task 4: Economic Impact Analysis																									
Include In Task 2 Report	09/15/22																								

ASSUMPTIONS AND LIMITING CONDITIONS

1	CHMGS professional(s) will attend a five-day, four-night site visit to Warren County and the surrounding market. We will potentially order up to one AIRDNA and/or STR market trends report for properties relevant to the subject market. As of this time, CHMGS has assumed that the in-person market research.
2	CHMGS will deliver all meetings with WCDA outside of Task 1, using MS Teams and/or through a licensed Conference Call service provided by WCDA. (e.g., Zoom, GoToMeeting, etc.)
3	Earth Economics will leverage the IMPLAN model provided by the client (e.g., County, State or Both) for the Economic Impact Analysis.
4	CHMGS' services do not include the provision of legal advice and CHMGS makes no representations regarding questions of legal interpretation. We accept no responsibility for changes in the law or regulations or their interpretation, which may occur after the effective date of our engagement.
5	Warren County and its supporting entities, the USACE and the USFS shall provide CHMGS with all information relevant to the Services and any reasonable assistance as may be required to properly perform the Services.
6	CHMGS provides to Warren County the output of its analysis in the form of reports and findings memos. Warren County shall have no rights to the proprietary tools and technology of CHMGS. This right always remains with CHMGS.

Conditions Regarding the Use of Report and Work Product

The services outlined in this engagement letter do not constitute an audit, examination, review, or compilation of historical or prospective financial information conducted in accordance with Generally Accepted Auditing Standards or with standards established by the American Institute of Certified Public Accountants (“AICPA”). Accordingly, we are unable to express any opinion or other form of assurance with respect to any of the historical financial information, or whether the financial information is presented in conformity with AICPA presentation guidelines.

CHMGS' consulting services outlined in this engagement letter will be based upon research, knowledge of the industry, and other data and sources available to us. CHMGS' work should not be construed as an appraisal in conformity with USPAP or FIRREA. Information provided by parties as a part of our services conducted on your behalf will be accepted without audit or verification and will be assumed to be correct.

The report may contain estimates or opinions that represent the consultants' view of reasonable expectations at a particular point in time. However, such information, estimates or opinions are not offered as predictions or as assurances that the level of performance will be achieved, or that events will occur. Actual results achieved during the period covered by the analysis will vary from those described in our report, and the variations may be material.

CHMGS makes no representations or warranties regarding the accuracy of the conclusions contained in the analysis and that CHMGS' report shall remain subject to each of the conditions, limitations and assumptions stated therein.

Recognizing that CHMGS' role is advisory, and in partial consideration for the services to be rendered hereunder, Warren County Chamber of Business and Industry agrees to indemnify CHMGS and its respective partners, principals, affiliates, agents and employees (CHMGS and each such person being an "Indemnified Party") from and against any and all losses, claims, damages and liabilities, joint or several, to which any of such Indemnified Parties may be subject related to or arising out of the subject services and/or the engagement of CHMGS pursuant to this engagement letter. Warren County Chamber of Business & Industry will reimburse any Indemnified Party for all expenses (including reasonable counsel fees and expenses) as they are incurred in connection with the investigation of, preparation for, or defense of, any pending or threatened claim or action or proceeding arising there from, whether or not such Indemnified Party is a party thereto. Warren County Chamber of Business & Industry shall be liable under the foregoing indemnification provisions, except to the extent that any such loss, claim, damage, liability, or expense is found in a final judgment by a court of competent jurisdiction to have resulted from the willful misconduct or gross negligence of such Indemnified Party. No Indemnified Party shall be liable for any losses, claims, damages, or liabilities sustained by Warren County Chamber of Business & Industry (or any person claiming therein Warren County Chamber of Business & Industry, except to the extent that any such loss, claim, damage, liability, or expense is found in a final judgment by a court of competent jurisdiction to have resulted primarily and directly from the willful misconduct or gross negligence of such Indemnified Party.

This Agreement and the rights and obligations hereunder shall not be assignable or transferable by any party hereto without the prior written consent of the other parties hereto, except that it is understood that CHMGS may assign this Agreement or any portion of it to any successor in interest to all or part of its practice without the prior written consent of any other party hereto.

Distribution of our report, which is to be in its entirety only, and the conclusions therein, are intended for and restricted to Warren County Chamber of Business & Industry and should not be relied on for any other purpose. Neither the report, nor any of its contents, nor any reference to our firm or signers of the letter, may be included or quoted in any document, offering circular, registration statement, prospectus, sales brochure, appraisal, loan agreement or other agreement without CHMGS' prior written approval.

If you are in agreement with the conditions regarding the use of our work product, please sign the enclosed copy of this letter and return it to CHMGS. Acceptance of this engagement letter is subject to CHMGS' normal client acceptance procedures.

We appreciate the opportunity to submit this proposal and look forward to working with you on this project. Please contact Geoff Baekey at (617) 510-7142 with any questions or comments.

Respectfully submitted,

Concessions Hospitality Management Government Services, LLC

A handwritten signature in black ink, appearing to read 'G. Baekey', written over a light blue rectangular background.

By: _____
Geoffrey Baekey, Managing Director

Accepted:

By: _____
James Decker, President/CEO

For: Warren County Chamber of Business & Industry