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# Feasibility Study and Development Assessment

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Northern Maine Development Commission



Prepared by

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## INTRODUCTION

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*"The quieter you become, the more you are able to hear". --  
Zen proverb*



### NMDC

Established in 1967, the Northern Maine Development Commission (NMDC) is a non-profit organization that provides regional planning, economic and community development, business loans and packaging, geographic information system services, and small business counseling services to the northern Maine region. In addition, NMDC is the lead agency for the Aroostook County Empowerment Zone.

NMDC is one of six economic development districts in the state of Maine, and one of 320 nationwide. Initially created in the 1960's, regional development organizations provide rural America with professional planning and economic development services, thereby helping local economies remain competitive both domestically and globally. With representation from member communities, NMDC works with federal, state, regional, and local partners to implement services and programs for all of northern Maine that make the most of the area's resources to build a healthy and diverse economy. Its service area includes 71 communities and 137 unorganized townships throughout Aroostook county and parts of Washington, Piscataquis, and Penobscot counties.\*



### ASSIGNMENT OVERVIEW

Northern Maine Development Commission ("NMDC") is interested in increasing area tourism and growth, and as a result, created a formal Request for Proposal to accomplish this task. Global Resorts, Inc. ("GRI") responded to the RFP and was retained July 2005 to undertake a leadership position in a preliminary assessment of vacation ownership in Aroostook County, Maine ("The County"). The assignment includes the services of Richard L. Ragatz, President of Ragatz Associates, and Richard E. Hulbert, President of The Hulbert Group International.

With the combined efforts of the three entities selected for this assignment (hereinafter referred to as "The Global Team" or "TGT"), and following the original RFP objectives, this assignment focused on the following:

- Create a visually attractive concept for the regional resort(s);

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\* About NMDC – Northern Maine's Regional Planning and Development Organization. 18 Oct 2005.  
<<http://www.nmdc.org>>

- Perform a market assessment to determine the viability of constructing operating resort(s) in The County and if feasibility is proven;
- Prepare a consumer survey and five focus group;
- Develop a program to include recruiting developer and investors to implement the project plan;
- Develop a "best case" business scenario for the creation of an additional 150-rooms in the Fort Kent, Maine area - to be presented as a separate component; and
- Based upon study findings, refine the original concept plan as a final product for development.

The completed Assessment will be used as a basis for determining the general plan of action and providing NMDC with an understanding of how vacation ownership will fit into the culture and economics of The County.

## **METHODOLOGY**

The scope of this assignment was divided into the following three Phases:

- Phase I - Work Session and Concept Development Phase
- Phase II - Market Feasibility and Development Assessment
- Phase III - The Recruitment Plan

### **Phase I – Work Session and Concept Development Phase:**

This Phase initiated the assignment, starting with an introductory site visit with all team members, focused primarily on assisting TGT develop area awareness, review the initial concept, get input from NMDC staff, and make empirical inspections of the area.

### **Phase II – Market Feasibility and Development Plan**

This Phase determined specific resort product(s): what will be built, where, and in what product mix and unit configuration. It also addressed product types and associated amenities. The Assessment addresses resort locations and provides design, development, and construction costs, and includes seasonality factors and marketing initiatives.

### **Phase III – The Recruitment Plan**

The Recruitment Plan, as the title implies, seeks developers and investors with interest and capability in participating in one or more parts of the conceptual plan created by The Consulting Group and endorsed by NMDC.

Throughout the assignment, information was obtained from a variety of sources including materials from NMDC, data from internal GRI files, and various published and unpublished research reports.

## AREA OVERVIEW

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*"Chance is always powerful. Let your hook be always cast; in the pool where you least expect it, there will be a fish."*  
Ovid - Roman poet (43 BC - 17 AD)



## MAINE ATTRIBUTES

One of the most common images that we encountered in our work on this assignment was that Maine is perceived as a friendly, down-to-earth place, with Northern Maine visualized as one of the last environmental frontiers in the continental U.S.

It has an older, season-over-time personality that rings as genuine, warm, Yankee American and a virtual embrace.

It's traditional values are almost anachronistic...lost in the haze of today's traditional values that are but a memory in other places. That is not to say it should be positioned as a curious tourist relic. Quite the contrary, it offers the opportunity to elevate it as an anomaly...a haven for relaxation, learning, appreciating our heritage.

We can solidify this perception by:

- Espousing principles of sustainability
- Use innovative design that reflect environment commitment
- Approve responsible development
- Provide developer support – in regulation and financially
- Present value and benefits honestly and realistically
- Provide memorable experiences that bridge generational gaps

## AROOSTOOK COUNTY



Aroostook County, Maine's largest and northernmost county, offers an abundance of natural, cultural and recreational resources that make for memorable vacations in any season. In "The County," recreation includes biking, canoeing, and fishing in one of the area's 2000 lakes, rivers and streams; hiking along wooded trails; or cross-country skiing and snowmobiling. The County also offers many festivals and fairs where residents celebrate their agrarian roots and the Acadian heritage that's still alive today. <sup>1</sup>

## DYNAMICS OF AROOSTOOK COUNTY

"The County" has a population of 73,390 that includes two cities, 54 towns, 11 plantations, and 108 unorganized townships. The 1999 median household income for The County was \$37,240, compared to national average of \$41,994 <sup>2</sup>.

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<sup>1</sup> Aroostook County. Maine Office of Tourism. 15 Nov. 2005.  
<[http://www.visitmaine.com/region/region\\_aroostook.php](http://www.visitmaine.com/region/region_aroostook.php)>

<sup>2</sup> Aroostook County. Maine State & County QuickFacts. 30 Sept. 2005.

It is significant to note, in terms of the desire for expanded development in the County, that a need exists, and this need is supported by a robust spirit of volunteerism and support that is a rarity in Maine. A good part of this support stems from the fact that of the 16 counties in Maine, Aroostook ranks 6<sup>th</sup> in population, but number 1 in overall decline in population comparing the 2000 census with the 1990 census.

It needs and wants jobs, and has an earnest desire to stem the out-migration of its young people who are seeking career opportunities outside the County – not that they want to – but they are driven to do so with the paucity of growth and career development opportunities. Another dimension is the desire of people – former residents of Aroostook, especially, to come home, as it were, to share and enjoy the great outdoor and healthful attributes that magnetically attract tourists to the area. What could be better than living where people want to vacation, and do so with repeat visitations.

Some of the attributes further defined and elaborated on in the Ragatz Market Study (Book 2 of this document) are:

- Aroostook County appears to have all the attributes for resort development.
- The climate affords four season vacationing and sports/recreation activity that includes skiing, golf, and some of the best snowmobiling in the U.S. .
- There is excellent vehicular access from major New England markets and in-state via the Interstate system. The third largest airport in Maine is located within Aroostook County.
- There is broad recreational diversity within the County in participative and passive forms. These include outdoor sports activities such as fishing, hunting, hiking, camping, and bicycling, in addition to resort-oriented activities in downhill and cross country skiing, snowmobiling, and golf.
- There are five major (for the region) ski areas-three of which are alpine skiing, and two of which are Nordic ski centers.
- Aroostook County has 2,300 miles of fine snowmobiling trails; these trails are used for hiking and equestrian activities in the warm weather season. If the trails available in the County were stretched on end they would run from Atlantic City to Las Vegas.
- Touring. Although a more passive activity, is a significant draw indicated from historic patterns and the research done in connection with our assignment.
- There was positive consumer response to vacation products offered in a “resort” environment, although there was also interest in cluster type smaller projects.
- There is a demonstrated trend for vacation home absentee ownership at 18% of vacation homes owned by out-of-state residents.
- The research results of resort activity preferences for sports and recreation activity are resoundingly positive.

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U.S. Census Bureau. 15 Nov. 2005.  
<<http://quickfacts.census.gov/qfd/states/23/23003.html>>

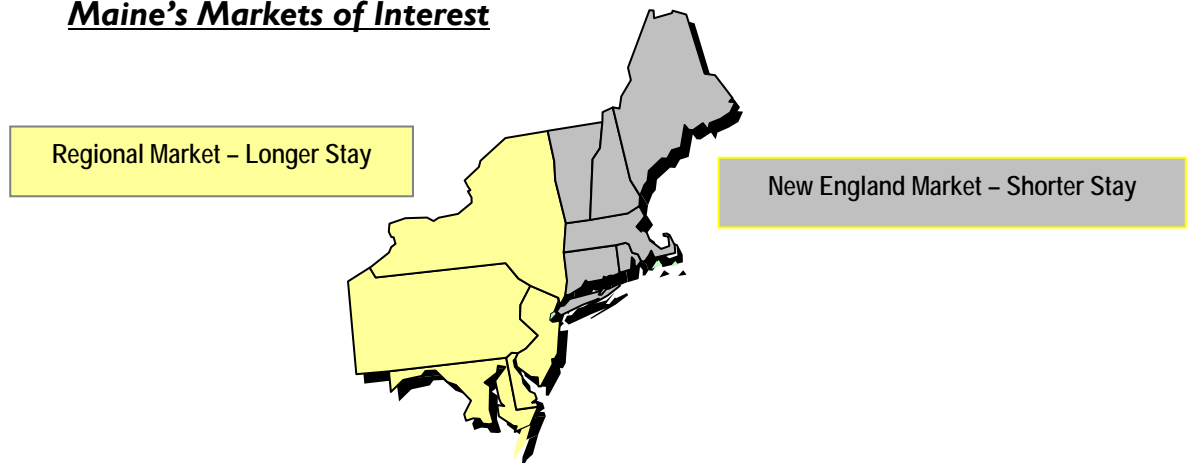
- The degree of interest in purchasing seven (7) vacation products derived from survey and focus group research was favorable in the products that included cabins, fractional interests, timeshare, whole-ownership vacation homes, RV sites, and single-family homesites. There was also demonstrated interest in boutique hotel accommodations.
- The potential market depth for income qualified households is very significant for all seven vacation products offered in the survey and focus group research .

The object of this particular assignment was the focus on three of the larger areas: Presque Isle, Houlton, and Fort Kent which we have divided into zones that are defined in other segments of this report.

## TOURISM

Longwoods International, an internationally recognized research firm, has conducted annual Visitor Research programs for the Maine Office of Tourism since 1996. The research is to provide a number of various visitor statistics, including day and overnight trips, expenditures, and other profiles. The salient Longwoods findings are included in the Appendix.

### **Maine's Markets of Interest**



During the course of their most recent research, Longwoods International provides some interesting insight into Maine's tourism and the steady growth the State, as a whole, has been experiencing. The following is a snapshot of just some of Longwoods findings:

- The travel and tourism industry continues to be a significant and growing contributor to Maine's economy.
- An estimated 43.6 million day and overnight trips were taken to Maine in 2004, representing a  $\pm 0\%$  trend versus 2003.
- Overnight trips accounted for 8.9 million of these, down 1% versus 2003.
- Day trips accounted for 34.7 million,  $\pm 0\%$  versus 2003
  - ❖ *60% or 20.8 million of which were Marketable*
  - ❖ *Shopping was the leading Marketable trip-type, followed by Outdoors, Touring, and Beach trips.*

- U.S. travelers spent an estimated \$6.2 billion in Maine in the year.
- \$4.5 billion of these expenditures were spent by out-of-state travelers.
- The retail and food sector were the largest beneficiaries, capturing estimated \$1.9 and \$1.7 billion respectively, followed by: *transportation at \$1.0 billion, recreation at \$0.8 billion, and accommodations at \$0.8 billion.*
- Day and overnight trips are both significant contributors, generating estimated spending of \$3.5 and \$2.7 billion respectively.
- Based on these levels of traveler spending, travel and tourism in Maine directly and indirectly generated:
  - ❖ 176,633 jobs in Maine
  - ❖ \$3.8 billion in wages
  - ❖ over \$531 million in tax revenues.
- Spending by non-residents accounted for about 70% of the above totals
- Maine's combined Day and Overnight trip market totaled an estimated 43.6 million trips in 2004.
- Maine has an outstanding tourism product. Visitors hold favorable impressions.
- The state's signature strengths relate to:
  - ❖ providing a Family Atmosphere,
  - ❖ being Unique, yet Worry-free
  - ❖ with Sightseeing, as well as Sports & Recreation
- The most popular experiences on Maine trips were:
  - ❖ visiting small towns/villages (64%)
  - ❖ the beach/ocean (59%)
  - ❖ eating a lobster (43%) and the unique local foods (34%)
  - ❖ wilderness areas (39%), touring scenic byways (36%), experiencing the natural environment (31%), and visiting historic areas (25%)
  - ❖ shopping for *gifts and souvenirs* (44%).

## **RAGATZ' FINDINGS**

In order to obtain information concerning the potential interest in The County as a resort destination, two separate programs were performed. Under the direction and leadership of Dr. Richard L. Ragatz, five Focus Groups and one Consumer Survey were conducted to acquire this effective and valuable information. We have summarized the results below. Complete results from each program can be found, in their entirety, in Book 2 of 2, [A Market Analysis on the Potential of the Resort Industry in Aroostook County, Maine.](#)

## **Focus Groups**

During October 2005, Portland, Maine, New York City, and Boston, Massachusetts served as the sites for the focus groups. Conclusions drawn from the focus groups are:

- Aroostook County offers appealing recreational activities (91% of group participants enjoy biking; 70% enjoy hiking/backpacking; 70% enjoy skiing; and 57% enjoy other outdoor recreation, i.e. fishing, hunting, snowmobiling & ATVs.
- 28% of the participants currently own some form of a resort property (timeshare; camp entitlements; condo/fractional interest).
- Once learning of County specifics (history, festivals, culture, etc.), and the potential development, interest in most participants grew for either repeat or first-time visit.
- Some conclusions drawn from the question of purchasing resort real estate (specifically *Timeshare*) in Aroostook County are:
  - ❖ Participants in Portland felt the price was too high (\$10,000-\$17,500)
  - ❖ New York and Boston participants were intrigued by the concept.
  - ❖ For New York participants, driving distance was cited as the largest deterrent in visiting the County.
- Some conclusions drawn from the question of purchasing resort real estate (specifically *Fractional*) in Aroostook County are:
  - ❖ Portland participants consider the County as a “Quick Get-Away” and showed no interest in vacationing longer than one week.
  - ❖ Of the five groups, a majority felt the price was too high for such a remote area (\$70,000-\$175,000)
  - ❖ Boston participants cited the amenities package (variety and number) as important decision maker.
- Some conclusions drawn from the question of purchasing resort real estate (specifically *Whole-Ownership Vacation Home*) in Aroostook County are:
  - ❖ Initially participants were not interested if prices (\$150,000-500,000) are too high.
  - ❖ Interest grew with some participants when suggested offering would be associated with a resort.
  - ❖ Interested participants desired area characteristics and heritage be incorporated into offering (i.e., log cabin).
- Regarding *Single Family Homesites* in Aroostook County, all groups showed interest in purchasing, primarily for investment, especially if associated with a resort.
- Participants were enthusiastic to learn of development of new accommodations.
- More participant enthusiasm was evident during discussions of developing an integrated resort.
  - ❖ important for purchasing and creating a sense of community
  - ❖ offering new resort accommodations with similar amenities and attractions as other Northeastern resorts, but at a lower cost

- ❖ spa offering would counter main negative issue (weather)
- ❖ purchasing vacation option(s) could increase if offering was in close proximity to amenities and area attractions

According to the Ragatz' five focus groups, a majority of participants (74%) showed a 50-50 and up interest in the County and its potential offering(s). Specific reasons for purchasing resort real estate in Aroostook County can be found in the Ragatz' Market Analysis, and are highlighted in the Conclusions and Recommendations..

### **Consumer Survey**

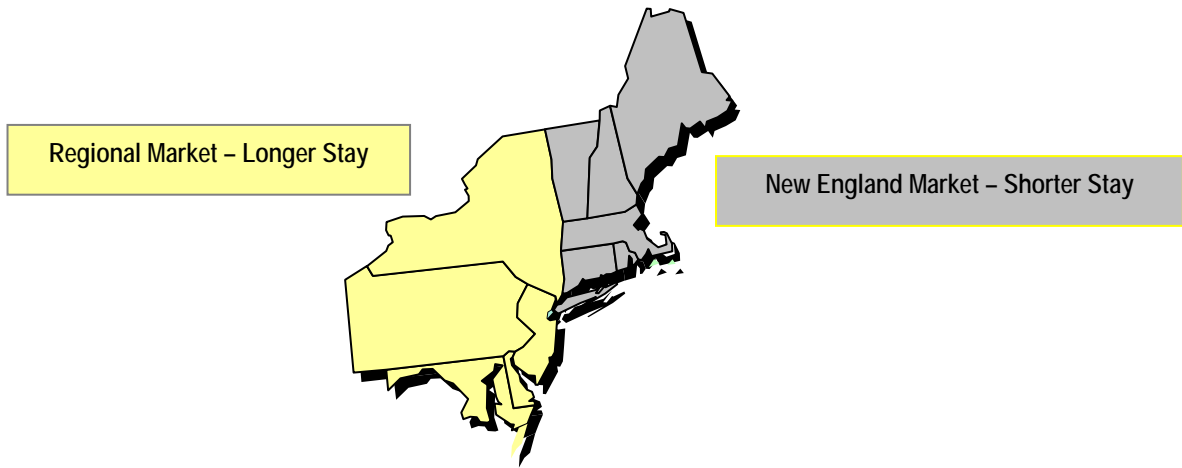
The Survey was distributed to 10,000 households in eight states historically known for generating a majority of the area's leisure trips. The eight states chosen for the Survey distribution include the Shorter Stay states indicated above, and Pennsylvania and New York. Again, the following represents a brief summary. Detailed survey results can be found in the Market Analysis.

During the last three years:

- 28% of respondents have stayed overnight (98% of which report being satisfied)
- 95% indicate interest in visiting, or revisiting, Aroostook County in the future
- top activities participated in most: touring: 54%; dining: 47%; visiting friends/relatives: 38%; shopping: 27%; Outdoor activities (hiking/backpacking, fishing, hunting: 17%; Snow activities: 6%)
- 69% of all respondents cite Aroostook County as a "very beautiful place", 59% would like to visit or own property, and 55% believe all-season fun is offered.
- 44% of all respondents indicated some degree of interest in various products (timeshare, fractional ownership, vacation home, homesite, hotel, RV site)
- Of those familiar with the County, 13% find Northern Aroostook County most attractive, followed by Central (17%) and Southern (6%).
- A majority of respondents (83%) chose "on a lake" as a preferred real estate setting, followed by "along a river" (72%), and in a small town (46%).
- 82% rank the area's scenic beauty as an important factor in purchasing and/or renting, followed by lakes (74%), low prices (69%), and "out of the crowds" (58%).
- Lack of activities top the hesitations to purchasing and/or renting in the County (42%), following by distance (17%), and personal preference (sun/surf locations) (12%).

Identification with Maine..."*The Maine Woods Experience*"

- |                             |                       |
|-----------------------------|-----------------------|
| ■ Beauty                    | ■ Unspoiled           |
| ■ Family Values             | ■ Small Town Syndrome |
| ■ Friendly People           | ■ Touring/Shopping    |
| ■ Rustic Appeal             | ■ Frontier Feeling    |
| ■ Stress Refuge             | ■ Abundant Wildlife   |
| ■ Divers Outdoor Recreation |                       |



**NEW ENGLAND MARKET – SHORTER STAY**

	POPULATION (000s)	HOUSEHOLDS (000s)	MEDIAN HSLD EBI (\$)	% \$50K OF EBI*
Maine	1,321.2	547.9	34,932	28.4
New Hampshire	1,309.7	508.4	45,751	44.4
Vermont	623.6	250.3	38,367	33.9
Massachusetts	6,461.5	2,508.1	45,053	44.6
Connecticut	3,521	1,353.5	48,372	48.3
Rhode Island	1,088.7	428.7	39,407	37.1
<b>TOTAL (Avg.)</b>	<b>14,326</b>	<b>5597</b>	<b>41,980</b>	<b>39.45</b>

SOURCE: SALES & MARKETING MANAGEMENT. 2005 SURVEY OF BUYING POWER

**REGIONAL MARKETS – LONGER STAY**

	POPULATION (000s)	HOUSEHOLDS (000s)	MEDIAN HSLD EBI (\$)	% \$50K OF EBI
New York	19,282.0	7,186.6	38,462	37.1
Pennsylvania	12,415.3	4,870.6	37,456	33.9
New Jersey	8,739.0	3,193.3	48,302	48.0
Delaware	834.1	320.5	42,831	40.8
Maryland	5,602.9	2,108.0	47,062	46.1
<b>TOTAL (Avg.)</b>	<b>46,873</b>	<b>17,679</b>	<b>42,822</b>	<b>41.18</b>

SOURCE: SALES & MARKETING MANAGEMENT. 2005 SURVEY OF BUYING POWER

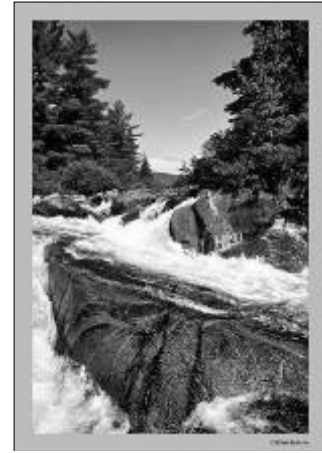
	POPULATION (000s)	HOUSEHOLDS (000s)	MEDIAN HSLD EBI (\$)	% \$50K OF EBI
Total N.E.	14,326	5,597	41,980	39.45
Total Regional	46,873	17,679	42,822	41.18
<b>GRAND TOTAL</b>	<b>61,199</b>	<b>23,276</b>	<b>42,401</b>	<b>40.32</b>
Total % U.S.	21%	21%	\$39,324	40.75

\* EBI = Effective Buying Income

# PHASE I – WORK SESSION & CONCEPT DEVELOPMENT

"Use strategy to avoid tragedy." -- Rohit Khare

This Phase, led by John Sweeney, was intended to provide The Consulting Group with area awareness, an opportunity to review the initial concept, receive input from NMDC, and make an empirical inspection of the area.



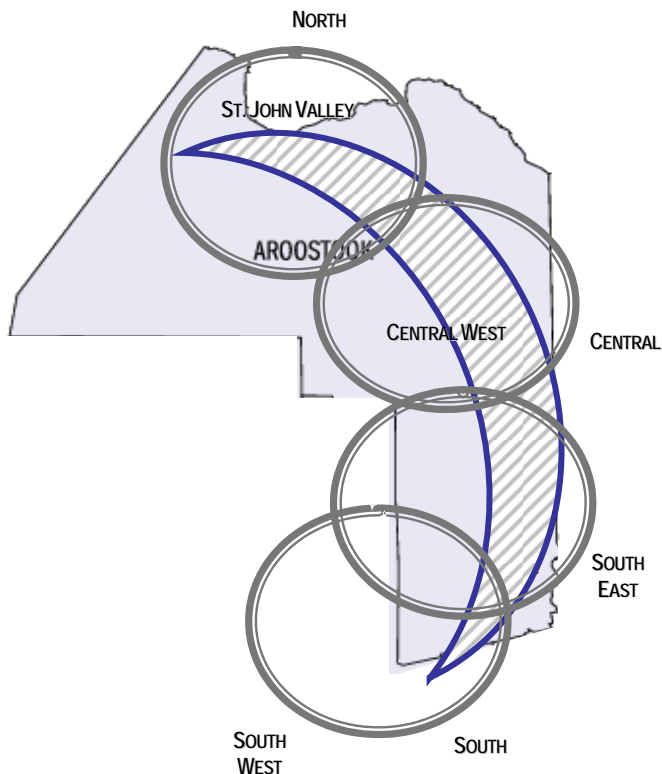
[www.trekearth.com/gallery/North\\_America/United\\_States/Northeast/Maine/photo76268.htm](http://www.trekearth.com/gallery/North_America/United_States/Northeast/Maine/photo76268.htm)

## WORK SESSION

The assignment formally began with an August site visit conducted by all participants and included numerous meetings between representatives of Northern Maine Development Commission, Global Resorts, Inc., Ragatz Associates, and Hulbert Group International. An agenda created by NMDC was followed.

## SITE INSPECTIONS

Several site inspections were conducted throughout the course of the assignment. During the August site visit, The Global Team (TGT) received a tour of Aroostook County, with primary focus on specific sites currently being considered for development:



The Global Team has designated the Aroostook County development potential as the *Northern Maine Crescent of Leisure Development Opportunities*. The Crescent offers four distinct concentrics: North, Central, Southeast, and Southwest, which are addressed, individually, below.

The Northern Maine  
Crescent of Leisure Development  
Opportunities

Unlocking the Value of  
Aroostook County

## **North Concentric**

This concentric includes Fort Kent as its principal location and focal point in tourism travel, but also includes Van Buren, Madawaska, St. John, and St. Agatha municipal areas as well. Generally, this area is referred to as the St. John Valley, which is the term used for the purpose of this report.

### **Accessibility**

This is the most remote part of the County from primary markets and is accessed via Rt. 1-A and Rt. 161. One advantage is the access from and in close proximity to the Canadian border - all serviced by excellent roads. Although there are plans to extend I-95 northward from its present termination point at Houlton, the plans do not call for extending this arterial road as far north as Ft. Kent.

### **Physical Attributes**

This northern most part of the County is more heavily forested than the southerly concentrics and has more compelling land elevations than the other areas studied. There are bountiful large lakes in the eastern and central sector of this area. In general, the land utilization has less agricultural use than the other concentrics under study. A salient issue in our growth plan is that this area is the access to the Allagash Wilderness Waterway which is a pristine recreation area and a major source for remote outdoor adventure activities.

The Allagash Wilderness Waterway, with its portal through the northern concentric, provides a host of outdoor activities. This 92-mile-long waterway winds through forests and lakes and is one of the most popular canoe trip experiences in the United States – a true wilderness edge experience.

### **Recreational Marketability**

This concentric has outstanding ATV, snowmobile, and cross country ski trails and is the site of the World Cup Biathlon, a major European media and participation event. Fort Kent also has a 9-hole golf course and is the urban hub, or what passes for an urban hub, in this area.



The Lonesome Pine Trails, with an elevation of 600 feet, is located in the Fort Kent area, and has some 5,000 visitors per year. It is basically a local family skiing area. The 10<sup>th</sup> Mountain Center in Fort Kent is a world class biathlon and cross country facility and was the home to the 2004 Biathlon World Cup. It has the potential, with hotel accommodation expansion, to continue to compete for this coveted, internationally covered event.

This area has a unique market attraction that is underplayed in the historic New Sweden area that recaptures the Scandinavian migration to Maine in the 19<sup>th</sup> Century and captures the wholesome culture and interesting aspects of this event. The entry of skiing in the U.S. had its genesis from the people in this area who brought that culture with them. It has great charm and could be a hybrid area for unique development by an imaginative recreational or resort developer.

### **Other Salient Issues**

In order to promote the continuation of the World Cup Biathlon and be considered a permanent contender, the Fort Kent area will have to meet increased transient accommodation requirements to properly service participants and spectators. Accordingly, the advent and feasibility of new-build hotel accommodations is a current growth demand, and an object of this engagement. This issue is presented in more detail in the development and economic sections of this document.

## **Central Concentric**

"Presque Isle is the largest city in Maine's northernmost county. Because Northern Maine is the closest U.S. landmass to Europe, Presque Isle was selected as the take-off for planes and equipment going to the European theater during World War II. It was also chosen as the departure point for the Double Eagle II in 1978. The hot air balloon landed roughly 137 hours later in Misery, France, making it the first hot air balloon to cross the Atlantic. A monument in honor of the flight has been erected at the launching site. Presque Isle is the starting point for the world's largest scale model of the solar system, which runs along U.S. Rt. 1 to the town of Houlton, 40 miles away. The center of the solar system is the University of Maine at Presque Isle. The town rests on the eastern edge of the great North Woods, so it is the ideal home base for those who come to Maine to snowmobile, hunt, fish, hike, or mountain bike".<sup>3</sup>

This concentric also includes the areas of Caribou, Mars Hill and Ft. Fairfield which have commercialism and shopping. This concentric encompasses two ski areas - Big Rock and Quoggy Jo. Big Rock is the largest ski area of the three alpine facilities. Our field work covered a site visit to the Big Rock ski area which, in concert with other close-in golf facilities, offers promising development opportunities.

The central concentric could be considered as the *anchor* for the County recreational development initiative under the aegis of this growth plan and our targeted assignment.

## **Accessibility**

This concentric is north of the I-95 connector that terminates in the Southeast Concentric which includes Houlton, and is further detailed in a subsequent section of this report. Vehicular access from the south is via Route 1 and Route 11 after exiting I-95 with good connectors east and west. The extension of I-95 beyond Houlton is a major project of the Maine Department of Transportation, but the dates and exact route of that expansion is indeterminate at this time, at least for pinpointing the marketing and development significance of that anticipated event.

Air access is via the Northern Maine Regional Airport in Presque Isle, the second largest airport in the state, which has all-season carrier service from Boston.

## **Physical Attributes**

This concentric is largely agricultural in nature, but has a broad range of sites and land areas that would be suitable for varied forms of recreational development of the type contemplated under this Plan. The road network is excellent, and there is also good vehicular access in the Canadian Route 2 which parallels the north south line of eastern Aroostook County.

## **Recreational Marketability**

This target concentric not only has a range of development and lead generation opportunities so important to developers, but it also has the largest array of concentrated commercial development in the County from which to produce leads and provide other sales-related support.

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<sup>3</sup> Aroostook County. Maine Office of Tourism. 15 Nov. 2005.  
<[http://www.visitmaine.com/region/region\\_aroostook.php](http://www.visitmaine.com/region/region_aroostook.php)>

It is in the center of the County geographically, has the benefit of I-95 access from the south and a pivotal nexus to recreation areas of the broadest range, and is the gateway to the north concentric with its wilderness area access and other historic attributes. It is "farther than close" but "closer than far" in the sense of tourism access and County location desirability.

Acadian Village in Van Buren is a popular summer attraction and listed on the National Register of Historic Landmarks. It has historical buildings and artifacts dating from 1790 to 1900.

Aroostook State Park is located in Presque Isle and covers some 700 acres. It is a popular year-round attraction that appeals to visitors and offers camping and a full range of outdoor activities. This central concentric is a very popular camping area, especially in the Debouille Public Reserved Land in Ashland. This 22,000-acre area attracts over 100,000 visitors a year and provides numerous outdoor recreational attractions for campers and wilderness enthusiasts.

### ***Other Salient Issues***

We have reviewed the products of Katahdin Cedar Log Homes as a readily available "fit" for contemplated development under the project Plan for the County. We have found that these products would have appeal to developer candidates and serve the dual purpose of promotion an in-county resource that has employment and other economic benefits for the County. We have included information on this company and their varied products which fit into our recommended array of products with "Maine North Woods" consumer appeal. Although the application of Katahdin Cedar Log Homes would probably be concentrated in the North and Central concentrics, their physical plant is located in Oakfield in the Southeastern Concentric. For that reason, it is mentioned in both locations – employment impact in one area – product development likely in another(s).

### **Southeast Concentric**

"In the early 1900s, the town of Houlton was one of the 10 richest communities in the United States due to its thriving logging and potato industries. Many of the Victorian mansions constructed during this era have been well maintained and the town's Market Square District contains an impressive collection of buildings listed on the National Register of Historic Places. Houlton, the county seat of Aroostook County, is centrally located among some of the best snowmobiling and ATV trail riding in the Northeast. Canoeing and primitive camping along the region's lakes and streams is another popular pastime. Local attractions include the mysterious "Boy with Leaking Boot" sculpture, and the world's largest scale model of the solar system, which begins in Presque Isle and ends 40 miles away at the Houlton Visitor Information Center".<sup>4</sup>

Houlton would be ideally suited for an urban offering focusing on villages and shopping, although this was the lowest level of interest expressed by consumers in our focus group and survey research. It may have potential in the future, but the consumer response was very clear – pursuit of a wilderness and "Maine North Woods" experience centered around, in, and among lakes, woodlands, and cabins with outdoor emphasis was the primary appeal.

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<sup>4</sup> Aroostook County. Maine Office of Tourism. 15 Nov. 2005.  
<[http://www.visitmaine.com/region/region\\_aroostook.php](http://www.visitmaine.com/region/region_aroostook.php)>

Notwithstanding, as consumer demand and demographics change, the advent of an urban infill experiences could add appeal to a more urbanized “resort village” in the future. Due to its proximity to the major urban centers of tourist origin and the vehicular access by I-95 we feel this area should receive commentary and be in reserve for future development action.

### ***Accessibility***

The Southeast concentric has the best vehicular access from major urban markets attracted to Maine recreation as the present northern terminus of I-95. We have previously mentioned the planned extension of this interstate highway.

### ***Physical Attributes***

In our empirical tour of the County area, and inherent in the process of our analysis, we visited Houlton and toured the urban nature of the area. It has a certain “village square” charm, around which could be built a New England/Maine old town environment with dwelling units in, over and around the quaint shopping paved central area that town leaders have fostered and developed. It has the feeling of being “in town” albeit a Maine small town, and vibrates with this transitional space between the Big City crush where our tourists come from, and the pathway to the escape they seek.

It is a location on the fringe – in the physical as well as conceptual consumer map, but it may have a time – it appears that it is just not now, with the data collection and information we have gathered. However, as a gateway or portal, it serves a point, provides a service, and can be the economic inheritor of many peripheral benefits in the future. It already has location and modern quick access, so it has not been passed by. On the contrary, it is the other concentrics that have been passed by and now stand in line for their day in the sun – or perhaps day in the snow, as it were.

### ***Recreational Marketability***

There is little “recreational marketability” in this concentric, per se, but its potential urban infill cache is there nevertheless ...in the overall scheme of things. As a travel and tourism portal it has promise and utility as a generation source through trip interruption experiences and necessities, and should be a part of any enterprising developer’s marketing action plan.

### ***Other Salient Issues***

Katahdin Cedar Log Homes (KCLH), located in Oakfield (this concentric) offers a fine array of products with short range shipping rates in the County. This would have a salutary impact on developers considering projects in the area – a definite inducement. KCLH produces and sells some 200 cabin units per year, and has the capacity for a production level of 400 units.

Our team had several discussions with the key KCLH marketing executive, and made a site visit to their physical plant in the course of this assignment. We have included promotional literature and pricing data in the Development Section of this document, and refer interested readers to that section for more details. We are not endorsing this product, per se, and have no inducement to do so. But KCLH is an in-County manufacturer of the type product we envision to be in concert with targeted consumer desires, and objectively recommend that developer contacts consider other suppliers also.

## **Southwest Concentric**

This concentric is part-in / part-out of the displayed concentric pattern, but it is the only area in the County where timeshare/resort development exists. The Vacationland project, which was visited by the Global Team, and hosted by the owner, John Walker, is a sold out property that is anachronistic in design and style, but it was successful some 12 or more years ago. The developer has started another project in the Bar Harbor area, but expressed his intent to return to this part of the state to resume his development activity.

### **Accessibility**

One of the prime attributes of this area is its close proximity to major distant markets as it can be reached by close access to I-95 coming from the south. It is the closest of any of the concentrics to major metropolitan and significant in-state markets.

### **Physical Attributes**

This concentric, which is only partly in the County, per se, has close access to Baxter State Park, a major recreational attraction. In fact, Mt Katahdin can be seen from some of the properties visited during our inspection tour of the County, particularly Vacationland Estates. These views and the proliferation of lakes in this section of the County make it a desirable spot, but one that perhaps has less of a growth impact on the County, most of which lies to the north. It is heavily wooded for the most part, and from a travel convenience perspective has a "market proximity" index that is desirable from a marketing outlook.

### **Recreational Marketability**

In the course of our tour of Vacationland, John Walker pointed out a nearby tract that had ski potential, although a previous attempt at development failed due to slope placement in the wrong compass point. He expressed intention to undertake development of this ski area which would raise the potential of the area for development patterns congruent with the growth initiative of this plan.

Vacationland Estates is the only timeshare development in the County at the present time, and although it has been sold out for over a decade it still represents an example that timesharing can be sold this far north in light of other competition in the state. From a historical view, the Vacationland product is outdated and of "plain vanilla" design, but the developer has expressed an intent to add more timeshare to this property and upgrade the design and facilities. It already has an 18-hole golf course which provides a solid base from which to make this *anchor* property grow to its location potential in the recreational scheme of things for Aroostook County.

### **Other Salient Issues**

This part of the County has more growth inherently there and is probably a lesser target than the central region, but it does have the best access and would, perhaps, have more developer appeal than other areas for that single fact. Only observation and touring in the County by developer candidates would answer that question.

## NORTHERN MAINE DEVELOPMENT CRESCENT MATRIX

	NORTH	CENTRAL	SOUTHEAST / SOUTHWEST
<b>Area Attributes</b>	<b>Ft. Kent - Van Buren Madawaska St. Agatha</b>	<b>Caribou - Presque Isle - Mars Hill Big Rock - Ft. Fairfield</b>	<b>Houlton - Island Highlands (SW)- Weston / Danforth (SE)</b>
<i>Terrain</i>	<ul style="list-style-type: none"> <li>▪ Less Agriculture than Central &amp; South</li> <li>▪ More heavily forested throughout</li> <li>▪ More compelling land elevations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Largely agricultural</li> <li>▪ Some striking vista areas</li> <li>▪ Elevations sufficient for development</li> </ul>	<ul style="list-style-type: none"> <li>▪ Scenic linkage to Mt. Katahdin</li> <li>▪ Proliferation of lakes, but many lack accessibility or have heavy build out</li> </ul>
<b>Access Issues</b>	<ul style="list-style-type: none"> <li>▪ Access via Rt. 1 and Rt. 11</li> </ul>	<ul style="list-style-type: none"> <li>▪ Access via Rt. 1 and Rt. 11</li> </ul>	<ul style="list-style-type: none"> <li>▪ Access via Interstate from I-95</li> </ul>
<i>Recreation / Local Dynamics</i>	<ul style="list-style-type: none"> <li>▪ Ft. Kent Golf Course</li> <li>▪ World Cup Biathlon-Nordic Center</li> <li>▪ Outstanding ATV, snowmobile and cross country trail systems.</li> <li>▪ Most distant from major US market area</li> </ul>	<ul style="list-style-type: none"> <li>▪ Mars Hill Golf in Place</li> <li>▪ AVCC Golf / Presque Isle Golf Club</li> <li>▪ Bigrock ski area (day ski) in place</li> <li>▪ Aroostook Valley Golf Club on Canadian border</li> <li>▪ Potential camping on Aroostook River</li> </ul>	<ul style="list-style-type: none"> <li>▪ 18-hole golf and Vacationland with successfully sold out timeshare (80s)</li> <li>▪ Very plain unit design and site plan at Vacationland project. New units planned</li> <li>▪ Potential for ski area development in Island Falls area.</li> </ul>
<i>Events Activities</i>	<ul style="list-style-type: none"> <li>▪ World Cup Biathlon</li> <li>▪ Little Sweden Activities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Potato Festival Center</li> <li>▪ Biathlon Jr. Championship</li> </ul>	<ul style="list-style-type: none"> <li>▪ More individual use programs</li> </ul>
<i>Growth Potential</i>	<ul style="list-style-type: none"> <li>▪ Need to expand room base to get repeat World Cup event (need 150 beds)</li> <li>▪ UMFK expansion into hospitality training</li> </ul>	<ul style="list-style-type: none"> <li>▪ Hotel component potential for ski area</li> <li>▪ Link golf course in development plan</li> <li>▪ Bigrock ski area expandable</li> <li>▪ Needs overnight accommodations.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Grow off extension of Vacationland for ski build out and home sites, cabins with lake views.</li> </ul>
<i>Downtown as Core Attraction</i>	<ul style="list-style-type: none"> <li>▪ Border access to Canada</li> <li>▪ Two solid blocks for "Old Town" setting</li> </ul>	<ul style="list-style-type: none"> <li>▪ "Slopes" Restaurant leap of faith</li> <li>▪ Best mall shopping area (Sears, WalMart, etc.).</li> <li>▪ "Old Town" setting not as favorable</li> </ul>	<ul style="list-style-type: none"> <li>▪ Perfect "Old Town" setting - tree-lined with street access stores; town square used for festivals and events</li> <li>▪ Vacant stores abound</li> <li>▪ Several ticky-tacky stores</li> </ul>
<i>International Spin</i>	<ul style="list-style-type: none"> <li>▪ Linked to Canadian boarder crossing</li> <li>▪ Little Sweden enclave</li> </ul>	<ul style="list-style-type: none"> <li>▪ Germany</li> <li>▪ Scandinavia</li> <li>▪ Europe</li> </ul>	<ul style="list-style-type: none"> <li>▪ Not significant</li> </ul>
<i>Promotional Opportunities (Lead Generation)</i>	<ul style="list-style-type: none"> <li>▪ World Cup Biathlon parents and relatives attending</li> <li>▪ TV and Internet linkage</li> <li>▪ Alumni leads from UMFK</li> </ul>	<ul style="list-style-type: none"> <li>▪ Alumni leads from UMPI</li> <li>▪ Conventional lead programs related to sports and commercial activities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Vacationland owner base with second generation</li> <li>▪ Conventional programs</li> </ul>

## **DIFFERENTIATION**

There are many features, some listed in the Area Overview and other tangible attributes that will differentiate Aroostook County from other destinations...even those within Maine.

### **Concept**

Richard E. Hulbert of The Hulbert Group International, has created several renderings related to the Hub/Spoke/Rim development concept, which we feel is the nexus of a growth plan. For ease of viewing, all renderings prepared by The Hulbert Group have been printed on full 8 1/2 x 11 and can be found in the Development section of this report.

The Hub/spoke/Rim concept is not the only approach to development in the County, of course, but it offers a differentiation platform with appeal to the developer and customer alike. There is still ample opportunity for smaller, fragmented development projects throughout the County, some of which could even have appeal to local or in-state/in-region developers, especially once they saw an initial movement in the growth plan.

### **The Aroostook County “Brand”**

We must think about differentiation in the realm of creating an Aroostook County “brand”. This must be a specialty brand rather than a mass tourism brand. The discovery elements must convey distinctive segments either not found elsewhere, or lacking in depth and breadth...notions like:

- Genuine “new Maine experience” capability...on the frontier edge
- New design elements such as an “Aroostook Signature Cabin” that could be offered by Katahdin Cedar Log Homes or others with specific design and site plan twists
- Capitalize on the 2,300 miles of ski and snowmobile trails in the County as one of its unique features. For impact, there could be a promotional theme that the County trail system would stretch from Atlantic City to Las Vegas if extended in a straight line.
- Stress the sprit of “volunteerism” and penchant for controlled growth that is an anomaly in Maine for the most part
- Capitalize on the Nordic Centers and World Cup Biathlon events with European links
- Create a target buyer profile that has a special cache:

Our targeted socioeconomic level customer is a cultural traveler...in many cases a curious “discover” and explorer with a penchant for learning and an insatiable addiction for new experiences. These people are generally well-traveled, want to learn about different places, and probe deeper into the places they are already familiar with. They seek different experiences; reach out beyond the big city, touristy, glamour-oriented places. They are interested in lifestyles, small towns, rural culture, history, and the unspoiled environment

## PHASE II – MARKET FEASIBILITY/ DEVELOPMENT PLAN

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*“Go confidently into the direction of your dreams! Live the life you always imagined”. –Henry David Thoreau*



[www.trekearth.com/gallery/North\\_America/United\\_States/Northeast/Maine/photo143372.htm](http://www.trekearth.com/gallery/North_America/United_States/Northeast/Maine/photo143372.htm)

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## PHASE III – THE RECRUITMENT PLAN

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*"We want to be loved for what we are...but we must also continue to be what we are loved for". –John Brunelle, Portland Press Herald*



This Phase is ongoing, and is centered on reaching developers and investors interested in participating in one or more parts of the conceptual plan created by The Consulting Group and endorsed by NMDC.

Using the concepts and details outlined in the Market Feasibility and Development Assessment, a Recruitment Plan has been created and will be utilized to attract capable developers to participate in the project in part or in total.

The work performance under this Phase does not guarantee delivery of any developer or investor participant, and will be undertaken on a best-efforts basis.

### DEVELOPER ATTRIBUTES – MAGNETIC ATTRACTIONS

During the initial August site visit, The Global Team listed items that developers, especially timeshare "system product" developers, look for as desirable attributes in a given area. Although all attributes might not be available, Aroostook County does possess a number of sought-after qualities, as indicated on the list below:

- Overall financial and market viability
- Attractive land prices at favorable terms
- Land available for sequel projects
- Location demand from their owner base or research
- Favorable seasonality and use bands
- Potential for prospect lead generation
- External recreation facilities in place with alliances for favorable prices
- Favorable building and development costs and available sub contractors/trades
- Available and competitive construction companies familiar with local ordinances and building codes
- A favorable local entitlement review process without inordinate approval for permits
- Local community acceptance of development and operations
- No major environmental impediments
- Available labor pool for development and ongoing resort management operations
- Favorable exchange company demand measured by prior performance
- Viable second home vacation market
- Local lodging/rental rates that support vacation ownership prices
- Confirmatory professional feasibility and market research

- Limited competitive influences
- Project differentiation potential from existing offerings
- Willingness of lenders to finance development

**Internal organization support behind project**

- Value Proposition
- Consumer desire to visit and own leisure-oriented, environment (database)
- A&D Costs (land and development)
- Lead generation opportunities (Gateways & Portals)
- Compelling consumer research related to specific business objectives
- Regulatory/Municipal acceptance (towns/villages/citizens)
- Favorable seasonality (weeks of use)
- Leverages investment (acquisition terms)
- Workforce availability
- Accessibility
- Ability to offer recreational differentiation product
- A new vacation experience
- Socio-economic overlay/congruence

**CONSUMER MAGNETIC ATTRACTION**

- Value propositions
- Certainty of quality accommodations
- Recreation diversity
- Peripheral, usable benefits

**WHAT'S IT GOING TO TAKE?**

- Promotional Linkage
  - MTO
  - Business Community Support
  - Advertising Budget (State)
  - Investment Capital (Initial Matching Funds)
  - Advertising (New Lateral Entrants)

# MARKETING AND SALES

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Developer contacts and recruitment prospects will be familiar with the marketing and sales process, but we are presenting this section to create awareness within local groups and NMDC/APP of the salient marketing and sales issues and processes that will be present in and impact on Aroostook County. Moreover, it will show marketing themes and motifs likely to be employed and reflected in promotional material and impact on the Aroostook County image.

Marketing and sales are often thought of as being the same. Many organizations hire individuals for Marketing/Sales and fail to realize that hiring should be done for both *Marketing and Sales*. The two specialties are very different.

Generally, marketing is referred to as the process of creating a demand for the product to be sold and generating enough interest/incentive so the prospect will participate in a sales presentation. In other words, marketing is responsible for bringing a qualified prospect to the salesperson so the sale can occur.

Selling, on the other hand, is persuading the prospect to sign the contract and actually purchase the product. In the sale of resort real estate products, effective selling means more than a signed contract. The buyer must be satisfied with their purchase and continue with their payments, assuming they finance a portion of the purchase price.

Although marketing and sales are separate, specialized disciplines, there is a need for close interaction, coordination, and cooperation. Leaders of marketing and sales organizations should report directly to the project developer, or executive that has overall responsibility for the success of the resort. Although marketing and sales must work in tandem, it is also important that they work in a process of healthy tension to constantly move the project forward. Moreover, there is a need to also have rapport with area merchant elements since marketing leads will come from and be processed through this channel.

## MARKETING

Marketers view the marketing issue as one of developing the right *product* backed by the right *promotion* and put in the right *place* at the right *price*. This is commonly referred to as the four Ps of marketing. Specifically, the four Ps apply to the following aspects of resort product marketing:

## ***Product***

Product design that will appeal to the buyer is a critical issue. This requires extensive market research and analysis and needs to be an ongoing function of the development process. The ancillary work completed by Ragatz Associates certainly adds to the confidence level for the projects being contemplated under this plan. As the customer demands change, so must the product. Marketers must constantly stay aware of consumer demands. This type of analysis requires skill and technical training not usually inherent in typical sales professionals.

## ***Promotion***

Communication strategies and tactics that make the product familiar, acceptable, and even desirable to the audience is a key focus.

Design and creation of marketing techniques that will appeal to the right audience is a skill requiring technical training. The "right" audience must have interest in the product, but also have the other essential ingredient, capability of purchase. *Promotion* includes such activities as advertising, publicity, and design of collateral materials. Each activity is a specialty, which requires sophisticated levels of knowledge and technique. The ability to create these individual programs requires detailed, specialized skills. The ability to tie all of the individual programs together requires a "big picture" mentality to visualize and create a desirable and compelling offering.

## ***Place***

This marketing variable means arranging for efficient and cost effective distribution channels and materials to secure the targeted number of leads and ultimately sales. This process requires sophisticated technical skills to determine locations and methods that will appeal to the qualified prospect. If this component of the marketing strategy is not administered with proficiency, the marketing costs for lead generation can escalate and greatly impact the overall profit margin. Just as location is a key success factor in real estate development, it is equally important in marketing.

## ***Price***

The marketer is instrumental in defining the price of the product based on significant market research similar to that done by Ragatz Associates in this assignment. This research can determine what the buyer is willing to pay and will reveal other issues regarding competitive influences that exist in the market being targeted. Pricing will have a major impact on the velocity at which the project can be sold. Establishing the appropriate and realistic sales price will also have a significant impact on what the developer builds.

## **Program Selection Criteria**

### ***Competitive Influences***

When structuring the marketing strategy, the influence of existing, nearby lodging facilities and local attractions that might create a degree of competition should be thoroughly analyzed. This source of analysis was very limited in terms of direct competition, but emerging similar and measurable projects such as Brownsville and other areas to the south add dimension to the effort and possibly reflect obstacles that could occur with recreational

growth projects in Aroostook County. Emerging trends, anticipated projects, etc., must be monitored for future or potential impact, positive and/or negative. Developer candidates will certainly undertake such efforts in their due diligence and investigatory process.

### ***Economic Issues***

Consideration should be given to whether the marketing and sales costs will sustain the desired level of profitability through project sell-out. This is reflected in the economic models in the report focused on several development opportunities and methodology. The capability and depth of the consumer market for this project should also be monitored.

### ***Precedence***

It is important to determine local perception of the product and marketing programs being considered. If the public perception is negative, the project will most likely be unsuccessful. This has been stressed in discussions and talks with LEAD and other County leaders.

### ***Physical Issues***

Appropriate space must be available to support the programs and techniques being planned. For example, a telemarketing operation requires telephone lines and space to support the volume of anticipated response. Lead generation or marketing programs that have exposure to public and potential clients must be completed professionally. The importance of a well-designed and functional sales center for any of the project plans cannot be over-emphasized. It is the heartbeat of a well conceived and executed marketing and sales initiative. Our financial models have provided for top-notch sales center costs.

### ***Talent***

Realistic perception of available staffing is critical. Testing and training are essential for optimum success. Although experienced cadre will need to be brought in (perhaps from within the state) savvy developers will make an effort to recruit and train personnel with local knowledge. Thus, job opportunities will exist for sales and sales support personnel. That means jobs and new skill training, and that meets yet another objective. Skill levels and aptitudes must be commensurate with the programs selected. Programs that are implemented must be compatible with the target market. This area is one that will need much monitoring, but offers local job and career potential.

### ***Marketing Conditions***

The developer must constantly monitor the overall market and results of each program against the overall master program. Changes can impact the effectiveness of the marketing programs. The developer must always have supplemental programs ready on the shelf and be flexible as well as creative.

## **Themes/Motifs**

Some of the possible marketing themes could include:

- Starry Maine Nights...not City Lights
- The Lure...the Legend...the Legacy
  - ◇ **The Lure** – the magnetic attraction of Maine
    - ◆ Early Settlers
    - ◆ Little Sweden
    - ◆ Rugged Pioneers
    - ◆ Mountain, lakes, streams, seacoast
    - ◆ Lumberjacks
    - ◆ Hardy lifestyle
    - ◆ Abundant Wildlife
    - ◆ Frontier mentality
    - ◆ Starry Nights
    - ◆ Trees `n Trout
  - ◇ **The Legend** – the rich history of the area
    - ◆ Maine independence
    - ◆ Contribution in preserving the Union
    - ◆ Tourism
    - ◆ Lumber / Forestry
    - ◆ Frugality / Freedom
    - ◆ Diverse environment
    - ◆ Wilderness Escape
    - ◆ L.L. Bean...on the way up
    - ◆ Counter City Stress
    - ◆ Winter / Summer recreation
    - ◆ Lobster Legends
    - ◆ Yankee Independence
    - ◆ Bugs & Beauty
    - ◆ Moose `n Mountains
    - ◆ Snow `n Ice ... that's nice!
    - ◆ Modern Defense Frontier
    - ◆ Abundant Wildlife
    - ◆ Family Values
    - ◆ Safe-Friendly
  - ◇ **The Legacy** – a look at the future
    - ◆ Combining the desire for preservation with the compelling need for prosperity...and keeping them in balance.
    - ◆ Shimmering example of maintaining a pristine environment and skillfully blending development as a seamless, lateral insertion.
    - ◆ Combining stewardship of the land with stabilized economic growth for the people living on it.

Taking a look at other possible promotional themes

- Northern Maine...a new, yet accessible frontier experience
- Go just a little farther to get a whole lot more!
- Aroostook, Maine...where are you? (Fun application)
- The Maine Woods...it's right, it's real...it's yours
- Up, Up, and Away...the zeal is real in Northern Maine
- Travel the North Maine Woods Trail
- Change your life...refresh your soul...it's easy...it's "frontier" Maine
- Go with Thoreau...The North Maine Experience

- Where else can you see and learn about diverse woodland and wildlife and enjoy the best seafood on the planet?
- Trade congestion for open space and outdoor adventure
- Live life on “the edge of America”
- Northern Maine...explore, experience, “invigorate”
- The Maine Woods Heritage Club (logo)
- Greeley was right about “go west young man...”, he just had the wrong compass point

## **SALES**

Creating and implementing an effective marketing plan is only half the challenge. The final step is selling the product. The sales environment, the sales presentation and the integrity of the sales staff will impact the overall sales volume and create a lasting positive image. Understanding and applying the components of an effective sales process is essential in sustaining the viability of a project.

The sales function provides a solution to the buyer’s needs. When the sales representative takes on the role of a problem-solver for the buyer, the no-trust barrier is overcome. This attitude should be carried into the entire sales interaction and process. An exchange takes place wherein the buyer explains his “problem” and the seller meets those particular needs. The focus is on the interpersonal skills of the salesperson. Consumers dealing with this type of salesperson have greater trust, feel less at risk, and are more likely to provide referrals. Better still, they become owners.

### ***Sales Environment***

Creating an environment conducive to selling is a critical first step in effective sales. The sales arena creates the first image the prospect will have of the product.

- Physical Comfort – The prospect must be comfortable and feel at ease if they are to be persuaded to buy the product.
- Spatial Arrangement – In an effort to accommodate more prospects, many sales centers use small tables crowded into an extremely small area. The customer should be provided with enough space to maintain a level of personal contact.
- Wall Décor – The décor should be tasteful. The developer should take the opportunity to display pictures of the resort features, prior success stories, industry awards, etc., to build credibility for the product, the developer, and the salesperson. Scenes of the Northern Maine area and the historic aspects should be evident in the wall décor and to some degree in the decorator items.
- Acoustics – The sales center should have good acoustics that will allow the prospect to be attentive during the sales presentation.

## **Potential Challenges**

### **Pragmatism**

Being pragmatic can impose limitations at a time that requires creativity, releasing of paradigms, and innovation to move vacation ownership to a new height of public acceptance. Successful operations are able to overcome this stigma, by way of professional attitude and quality of relationships. The tendency is to follow the old recipe book, but the consumer is demanding a new menu.

### **Short Term vs. Long Term**

Adapting to more profitable and competitive programs often requires giving up short-term dollars for long-term gain in results and reputation enhancement.

### **Sales Professionalism**

The transition from historical pressured sales tactics to the more modern *Counselor Selling* method requires personal behavioral changes. Recruiting, hiring, and training practices must set and adhere to standards that will create the professionalism required to maintain competitiveness and meet business demands.

### **Lack of Policies**

It is important for the sales staff to have clearly defined policies that provide presentation performance guidelines. The "rules of the road" must be clear and evenly applied to everyone. A lack of guidelines and policies invites fabrication and deviation from sound presentations. Well-defined and enforced processes allow for company growth.

<b>SALES PROCESS SUMMARY</b>		
<b><i>Procedure</i></b>	<b><i>Definition</i></b>	<b><i>Purpose</i></b>
Greeting Warm-up Intent	Warm-up/order of the day; Get attention by positioning product; Learn the customer.	Get the attention of the customer by positioning the uniqueness of the product. Explain what will happen today while they are with you and learn about the customer.
Discovery Discovery Agreement	Discover and develop emotional need for vacations. Learn values, habits, dreams and goals.	Determine current vacation habits to learn their perceived need for vacations. To the level needed, create emotional need for taking vacations.
Personal & Company Credibility	Establish the sales person's credentials and the company's credibility.	Use counselor selling techniques and have supporting graphic materials of high quality.

## A COOPERATIVE EFFORT

Although the function of marketing and sales are two very distinctly different disciplines, it is critical that the two be administered as a cooperative function. It is important that the sales agent be a part of the marketing effort. Building relationships at the earliest point in the contact process will add to the efficiencies of the sales team. Listed below is a check-list of critical issues pertaining to marketing, sales, or both.

	MKTG	SLS
◆ Training for maximum results	✓	✓
◆ Non-verbal skills	✓	
◆ Creativity, planning, and analytical skills	✓	
◆ Generate qualified leads to maintain low sales ratio	✓	
◆ Special aptitude of selling skills and abilities by observation and testing		✓
◆ Verbal skills, particularly persuasive		✓
◆ Attentive to body language		✓
◆ Maintain project integrity and maximizing profits	✓	✓
◆ Remain focused on common mission	✓	✓
◆ Industry knowledge	✓	✓
◆ Must work with harmony and professionalism	✓	✓

## RESORT PRODUCTS – MARKETING CONCEPTS AND IMPACTS

The resort real estate industry is a direct marketing business and, as such, the primary focus of marketing is to get a prospect - which is defined as a couple or a single person able to make an investment decision – and have that prospect sit down with a trained sales person to learn about the product, and how they can purchase it. Because people do not wake in the morning deciding to buy a vacation home, interval product vacation or outdoor membership, it is important to talk directly to the prospect and inform them about and potentially show the product and its benefits. With this direct sales approach, the developer is spending a great deal of money getting the prospect to the presentation. In most cases, the sales presentation takes place at the resort or an off-site location in a major metropolitan area in the case of developers that have a “system” product or club offering. They can sell Aroostook as part of their club offering at off-site locations as well as in-County.

Since the County does not have large metropolitan areas, it will be important to have a sales office located in the resort complex or at least nearby. With sales organizations come local jobs in the communities and the potential for additional housing needs and services for experienced sales and management staff relocating to the area. This should have a positive impact on the County which is one of the objectives. Also, marketing programs focused on drive-to customers will provide significant area exposure.

Below we have outlined marketing programs that will probably be used by developer organizations.

- 1) **Off Premises Contact (OPC)** – The most commonly used marketing method in resort areas is contacting visitors while they are in the area. This could include “contact points” with our alliance (**Rim**) partners, as well as local businesses and recreation amenities that will cater to or benefit from contact with our customers (prospects) and purchasers in the future.
  - A) The developer is not providing transportation for the prospect, but is taking advantage of the prospects’ desire to enjoy the local area at their own cost.
  - B) This method is dependent on vacationers and tourists in close proximity to the resort and being exposed to a location where the developer can solicit prospects.
  - C) This method also requires a location within the community in a highly traveled area or within an amenity or stores (i.e. Wal-Mart) where large numbers of visitors can be contacted.
  - D) A method used in many areas including Branson, Missouri and Orlando, Florida is an *Information* or *Visitor’s* Center. Developers’ employees serve as ambassadors for local attractions or points-of-interest and sell tickets to attractions or events or provide them as incentives to visit a given property. This gives the developer close contact with potential prospects. Setting these contacts up with MTO or within the County would have a positive impact on sales operations.
  - E) The developer can set up kiosks or booths in high-traffic areas on the street front like the one in Houlton that can capture tour groups or at least get names for future mail or re-visit contacts. Again, the locations can dispense information or tickets to local attractions or events or provide other incentives.
    - (i) Where a ski area may be a part of the resort, the developer may want a kiosk or booth in the ski lodge to have exposure to the day-skiers visiting the mountain. The same would apply to golf courses or clubs involved directly or indirectly in the development process.
    - (ii) The developer will seek areas where local ordinances do not preclude the solicitation of area visitors. It is important for the developer and the community to understand the need for this type of marketing program. However, it is incumbent on the developer to train their solicitors to ensure that visitors are not disturbed by the marketing efforts. There cannot be a negative impact on the enjoyment factor of Maine visitors.
- 2) **Direct Mail** – This method, which usually involves a mini-vacation or resort visitation over a two or three day period, can be used effectively but is more costly for the developer, and generally requires on-site or nearby quality hotel accommodations...a definite need in the County.
- 3) **Media Exposure** – There is some benefit in using local media, but it has more of a reinforcement function than a direct lead generation potential. There is great value, however, in the use of exchange company publications and promotions. They can also be used as point-of-sale material in the sales process which adds credibility and builds consumer confidence.

- 4) **Referral Sales** – This is clearly the most cost effective source of lead generation and the highest closing rate source of prospects. It takes customer satisfaction and is a reflection of how people are treated in the sales process and the quality of the experience (the Northern Maine experience especially) to get this activity started and to sustain it. The core issue is the delivery of the representations made in use, value and service.
- 5) **Loyalty and Affinity Groups** – This is especially effective with camping and RV enthusiasts who tend to be joiners and group oriented.

**Exchange Role / Points**

The exchange function is a vital part of the promotion and selling process, and a vibrant part of continuing satisfaction. Moreover, the use of a points-based system such as RCI Points, offers enhanced flexibility and use alternatives. RCI has been very responsive to our requests for providing member information relative to the markets for Aroostook County and the State of Maine. Below is a chart that shows the wide distribution of their members in our target states. Almost 10% of their vast 4.5 million household memberships reside in our primary and secondary market target areas.

FILE: RCI MEMBERSHIP IN NEW ENGLAND AND SECONDARY STATES			
DATE: MARCH 10, 2006			
<b>PERCENTAGE BY STATE - ALPHA</b>			
	CT	32,850	8%
	DE	7,557	2%
	MA	52,227	12%
	MD	57,300	13%
	ME	9,106	2%
	NH	11,594	3%
	NJ	71,057	16%
	NY	110,572	25%
	PA	68,883	16%
	RI	9,482	2%
	VT	4,807	1%
		<b>435,435</b>	<b>100%</b>
<b>PERCENTAGE BY STATE - RANK</b>			
	NY	110,572	25%
	NJ	71,057	16%
	PA	68,883	16%
	MD	57,300	13%
	MA	52,227	12%
	CT	32,850	8%
	NH	11,594	3%
	RI	9,482	2%
	ME	9,106	2%
	DE	7,557	2%
	VT	4,807	1%
		<b>435,435</b>	<b>100%</b>
Total Number of RCI Hshlds in the U.S.			4,500,000
Member Hshlds as % of Total RCI Member Hshlds			9.68%

We have included exchange utilization information on Maine timeshare owners and exchange guests coming into Maine from RCI and placed this material in the Appendix section.

Ultimately, the exchange organization selection is a developer choice, and an experienced developer will probably already have an exchange relationship or an internal points-based system. The exchange organization for RV and camping will be Coast to Coast Resorts as this is a separate type of exchange or reciprocal use program unique to the RV industry.

We have extensive experience with all the exchange groups and will make this a factor in our recruitment efforts related to the development scenarios included in this growth plan.

### **Community Impacts**

A recent report by FERMATA on implementing the Maine Nature Tourism Initiative recommended more visitor and information locations within the communities. This marketing method could give greater information spreading capability with little or no cost to the community or the taxpayers.

In many communities the use of OPC marketing has increased the level of participation in local amenities and activities. Many times the developer uses an incentive to entice the prospect to listen to the sales presentation. In many incidents the incentive is a ticket to the local activity that the visitor might not have visited without the "free" ticket. These incentives are purchased within the local community and can add significantly to the revenue of activities and retail outlets.

The solicitation of visitors on the street and within business locations, events, and amenities within the resort community has led to problems relating to methodology. Even though the community needs to cooperate with the developer, the developer, conversely, must be cognizant of any potential negative impact on the community that could result from marketing and sales efforts not conducted in a dignified manner.

# FINANCIALS

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The following pages contain our financial analysis of the Aroostook County project elements. For each scenario, the documents include a pro forma cash flow, detailed assumptions, construction and furnishing costs, and marketing/sales and administrative costs. There are also ancillary categories such as legal and accounting fees. We have assumed that contracts receivables generated from sales are hypothecated with an established industry lender. There is also a Project Life Income Statement and Cash Flow Statement for the timeshare and cabin sales in the Hub/Spoke/Rim financial projections.

Special attention should be focused on the Hub/Spoke/Rim - Model Menu as the program is driven from these parameters. We have made assumptions on many of the Menu Drivers based on our industry and County area research done by Ragatz Associates. However, there can be additional costs in such items as local mitigation issues, utilities, and planning fees beyond the scope of this work.

Conduct of a financial analysis for a proposed product offerings involves many variables and assumptions, as described in the following paragraphs and in each program element. Due to the relative newness of the industry, its ever-evolving business operations, and the lack of close comparables in local area, etc., the presented pro forma(s) for mixed-use and timeshare/fractional, and cabin offerings, as well as an RV Outdoor Resort uses numerous, and in some cases non-uniform assumptions for the various product segments. However, industry rules-of-thumb have been generated and refined over the past 20 years and the following analysis is as accurate as possible at this time for the subject properties.

The financial formats used in this analysis are familiar to experienced developers and their lenders. We have used them extensively with our clients over the years and lenders such as Textron find them acceptable. Accordingly, our thrust is focused on these sources, and generating interest among them.

## TIMESHARE PRODUCT DEVELOPMENT

This product analysis relates to the timeshare component of the **Hub/Spoke/Rim** concept reflected in the accompanying site plan.

There could be an independent hotel operation linked to a Central Facilities Building (CFB) shown in the accompanying site plan, but this would require a separate analysis because there would need to be a brand and scope determination, based on the character of the overall project and the extent of the core infrastructure installation. Reference can be made to the Fort Kent hotel financials in this report as a guideline, although we feel a more upscale brand might be appropriate in the contemplated mixed-use environment.

If a hotel operation is made a part of the resort this would enhance the project credibility and provide prospects to the various real estate and vacation products. The insertion of homesites could easily be added to the Hub/Spoke/Rim concept depending on density and land allocations. Most of the costs would be incremental to the utility infrastructure created for the overall resort.

## Timeshare Product Development

Project Sales	\$ 60, 728,923	Absorption Rate:	5 Years
Units	75	All-In Unit Cost	\$ 250,292
Interval Weeks	3,900	Retail Unit Yield	\$ 760,000
Product Mix	50 – 2BR Units 20 – 2BR Cabins 5 –Remote Cbns	Construction Cost (per s.f.)	\$ 100
Starting Avg. Wkly Price	\$ 14,172	FF&E Cost (per s.f.)	\$ 25
Project Life Price:	\$ 15,572	Development Profit	\$ 9,001,661 (15 %)
Product Cost:	\$ 18,771,931 31%	Financing Profit	\$ 13, 986,872 (23% of sales)
<b>Total Profit: \$ 22,988,533</b>		<b>27%</b> (of total revenue and interest income)	

The variables and assumptions include:



- The units will generate 3,900 weekly timeshare/use intervals. The 75 units will include a mix of 50 two-bedroom conventional condominiums, or cabin units, an additional 20 definitive cabin units, and remote cabin units of unspecified design. The units will average approximately 1,300 s.f.
- Amenity enhancements have been shown as a cost of \$ 1,125,000 which could be applied to debt reduction of core **Hub** facilities or independent amenities if the **Hub** core was not built. It should be noted, however, that the core CFB is considered an essential ingredient to the success of the resort, and to the overall growth plan effort. This might well be the initial thrust of the entire initiative.
- The projected “product costs” shown in the assumptions accompanying the cash flow analysis are near the general industry standards of 25-30% of gross sales. The estimates in these preliminary projections are “order of magnitude” without consideration of design, development or construction plans.
- A critical item in a timeshare pro forma is marketing and sales, since typically the amount is significantly greater than the actual product costs, i.e., it requires more to market and sell the product than it does to build and furnish it. We have used historical costs for potential marketing and sales costs at the subject property in the absence of a formal marketing and sales business plan. However, we are confident that as the final plans move forward and the actual retail and entertainment venues are better defined, we could refine the marketing costs to reflect the unique value of this offering.
- While averages are good to have, it is known that marketing and sales costs vary according to type of lead generation program. As noted earlier, market demand for timeshare at the subject property will come from sources previously described which include in-area tourists, resident households in the primary Northern Maine market area, other sources as developed, and hotel guests generated from an on-site hotel if that becomes a part of the development plan. We also believe that a timeshare developer with a club system would be able to sell additional inventory at established off-site centers.

- Based on the preceding estimates, overall marketing and sales costs at the subject property are anticipated to be about 50 percent. This includes 26% for marketing, 18% for commissions, and 6% for sales administrative overhead.
- These cost and revenue projections do not include provisions for a Central Facilities Building (CFB) as called for in the conceptual Hub//Spoke/Rim concept outlined in the 142-acre plan, but do provide for an amortization payment of the anticipated amenities cost for this scenario which are \$1.125 million used as a debt service payment for a pro-rata share of the CFB complex. The CFB complex might be reduced in size to conform to this amount and augmented as other elements of the total resort come on-stream.

The timeshare model does include revenue from installment receivables as this in a part of that business model. In any event, where receivables contracts are generated we assume the following parameters:

- The average industry interest rate of 14.5% on consumer receivables as applicable to the target socio-economic group representative of prospective purchasers.
- Average interest expense on consumer loans (the hypothecation rate) of 8.5%.
- Average consumer loan terms of 84-month payback and 15 percent down payment – industry averages.
- The industry average of 5.0 percent delinquency/default rate per year.
- The industry average of 75 percent of sales will be financed and 25% will be cash sales. This number may vary based on the availability of home equity financing and purchaser assets that can be converted for this use – making it a cash sale to the developer but a purchaser financed sale with indebtedness to another source or lender.
- Receivables financing percentage (hypothecation advance rate) of 85.0 percent.
- Hypothecation financing costs of 1.0 point.
- The sales pace indicated for the various products is based on our industry experience.
- The pricing schedules are assumed attainable in this market based on our experience.

## **CONDO-RESORT OFFERING**

The following condo-resort offering is considered a part of the **Hub/Spoke/Rim** plan although it could also be an independent project if a specified site would be of interest to a developer and suited to an independent operation. There is a \$1.0 million allocation for CFB debt reduction in this plan.

Although a specific condo-hotel operation has not been projected, the units tied to the planned CFB could provide potential rentals for expanding visitor stays in the County.

### Condo-Resort Offering

Project Sales	\$ 14,415,000	Absorption Rate:	2 Years
Units	50	All-In Unit Cost	\$ 213,250
Interval Weeks	Whole Units	Retail Unit Yield	\$ 288,300
Product Mix	33 2-Bdrm 17 3-Bdrm	Construction Cost (per s.f.)	\$ 95.00
Starting Min Avg. Price	\$ 256,000	FF&E Cost (per unit	\$ 27, 040
Product Cost:	\$ 10,662,000 74%	Development Profit	\$ 1,545,385
<b>Total Profit: \$ 1,545,385</b>		<b>11 % (of total revenue and interest income)</b>	

The variables and assumptions include:



- The 50 units will generate \$14,415,000 in whole unit condominium sales, and can be a part of the **Hub/Spoke/Rim** development or a separate entity at another location.
- The 50 units will include 33 two-bedroom; and 17 three -bedroom units. The units will have a weighted average size of 1,499 sq. ft of living area.
- Amenity enhancements have been shown as a cost of \$ 1,000,000 that can be used as debt service for core **Hub** facilities or for independent amenities servicing only the condo owners.
- The estimates in these preliminary projections are “order of magnitude” without consideration of design development or construction plans.
- We have used historical whole unit condo costs for potential marketing and sales costs at the subject property in the absence of a formal marketing and sales business plan.
- While averages are good, it is known that marketing and sales costs vary according to type of lead generation program. As noted earlier in this chapter, market demand for condos at the subject property will come from sources, previously described which include in-area tourists, resident households in the primary market area, and other sources as developed.
- Based on the preceding estimates, overall marketing and sales costs at the subject property are anticipated to be about 8 percent.

### **MIXED-USE (RV/RESORT/CABIN)**

The survey and focus group findings indicated an interest in the RV lifestyle in the Northern Maine environment. We have elected to show a 20-acre site development scenario to meet the demands for this product. With the current interest in the RV lifestyle and the interest in Northern Maine, we felt that a membership RV resort was the appropriate vehicle for this area.

We have shown a 20-acre site plan that includes the following elements:

- Class A motorhome and conventional camp sites
- Cabin configurations for "roughing it", conventional and luxury stays
- Additional space is set aside for tent and platform tent camping
- Amenities appropriate for an RV Park of this type

Although the pro forma does not match the site plan exactly, we felt the pro forma represented the potential market for this product in Aroostook County.

Below is the summary of the pro forma for a project of this type. Although it does not show a calculation for the interest profit normally associated with this type of RV facility, the development and operating profit represent a reasonable expectation of success.

Project Gross Sales	\$55,238,827	Absorption Rate:	6 Years
Units	RV Sites-73 / Cabins 114	RV Site Cost	\$ 9,415
Totals Memberships	4,377	Cabin Avg Cost	\$ 118,015
Product Mix	20 Adventure Cabins 64 Frontier Cabins 30 Luxury Cabins	Cabin Constr. Cost (per s.f.)	\$ 85.00
Starting Avg. Mbrshp Price	\$ 10,302	FF&E Cost (per s.f.)	\$ 22.00
Project Life Price:	\$ 11,423	Net Income	\$ 13,451,067
Product Cost:	\$ 16,777,041 30 %	Financing Profit on Receivables not included in these projections.	
<b>Total Profit: \$ 13,451,067</b>		<b>19 % (of total revenue only - w/o interest income)</b>	

The variables and assumptions include:

- The accompanying site plan reflects more units than the pro forma analysis since we wanted to show a comprehensive plan, but a conservative development scenario that could allow for pro forma results on a less aggressive land use plan for alternative applications.
- The site plan reflects use of approximately 20 acres.
- The pro forma units will generate a total of 4,377 membership base sales (not including re-sales).
- The project unit mix includes 73 RV sites with a mix of conventional and Class A motorhome and conventional RV sites, and a mix of 114 cabins in three categories: 20 *Adventure Cabins* (500 s.f.); 64 *Maine Frontier Cabins* (900 s.f.) and 30 *Luxury-in-the-Woods Cabins* (1,200 s.f.).
- The use entitlements may be non-proprietary and will carry a one week use per year subject to a reservation system. The cabins will have a seasonality of 32 memberships each per year. Memberships for the RV sites will be sold on the basis of 10 owner/users per site.

- It is estimated that the cabins will have 70% occupancy; the unused time will be rented at a conservative average rate of \$47 per night.
- Amenity enhancements have been shown as a cost of \$ 1,500,000 and include standard amenities and an array of ancillary products that could be included in that amount such as platform tents, tipis, wilderness trail shelters, and other relatively low-cost and seasonal outdoor use products. There is also a provision for a \$750,000 sales center that could later be converted to an activity center.
- Product costs are within the industry standards of 25-30% of gross sales. The estimates in these preliminary projections are order of magnitude without consideration of design development or construction plans or a specific site.
- Based on the preceding estimates, overall marketing and sales costs at the subject property are anticipated to be 50 percent. This includes 23% for marketing, 21 % for commissions, and 6% for sales administrative overhead.
- We have not included calculations for installment receivables income in the RV model, but this would add additional revenue and could later be calculated on the basis of negotiated terms. The condo model does not have mortgage receivables income as it is anticipated that these sales would result in conventional second home mortgages granted from an external source.

## **FORT KENT HOTEL INITIATIVE**

A major initiative in this assignment was to present an analysis for a hotel component in the Fort Kent area. This was a situation created by the general need for more accommodations to support continuing consideration of Fort Kent as a contender for future World Cup Biathlon competition, as well as providing a transient facility to foster further growth of this part of the County.

We set about this by our empirical review of the market area as part of our field work, and later studied the situation in more depth in discussions with NMDC staff and Jim Roy and his sons, who have developed life care facilities in Fort Kent. Mr. Roy generously provided data on Fort Kent and the benefit of his development experience there. The Global Team had several conversations with Mr. Roy about land costs and even his interest in undertaking a hotel development effort.

Notwithstanding, we have made inquiries to and received information from one of the leading economy-segment hotel franchisors, a segment we feel is the right fit for a hotel of the right scope, cost, and price points for the Fort Kent area. We have collected information on this company, Travelodge, a franchisor of Cendant, the world's largest franchisor of hotel brands, and made this a part of our work product to be presented to NMDC. There may be other brands deemed more suitable in future negotiations, but Travelodge has expressed an interest in the Fort Kent area, and already has two other hotels in Maine - Portland and Bangor. Naturally, there could be other interested brands but we feel this provides a tangible measurement of the cost and operating projections on a hotel in the Fort Kent area.

A review of the Fort Kent Hotel pro forma reflects the following assumptions:

- The hotel is based on 75 rooms with a 150-bed capacity. This would meet the Biathlon test.
- Based on Travelodge estimates the per-room cost would be \$25,000 to \$35,000. We have used a \$30,000 per room figure.
- Land cost has been calculated at \$20,000 figuring we would use one and one half acres.
- The developer would put in 30% equity which we feel is the level that would be required in today's lending market. This investment amounts to \$681,000. This does not include franchise fees, start-up training costs and working capital. We estimate these costs to be an additional \$150,000.
- The total amount borrowed for construction is \$1,589,000 at 8% interest with annual debt service on the loan of \$127,120 - reflected in the expense pro forma.
- We estimate that the initial year (2007) would start with a 55% occupancy and an average daily rate (ADR) of \$65.00. This rate escalates at 3% annually along with other cost line items.
- The occupancy would rise annually and stabilize at 62% by the third year of operation.
- Room revenue would represent 35% of operating revenue.
- We anticipate that there would be a limited food and beverage operation that would cover a free breakfast that is included in the rate at a cost allocation of \$2.00 per occupied room.
- Franchise fees would represent 8% of total revenue, but would be subject to further negotiation with the franchisor.
- There would be a property management fee to the owner developer of 3% of revenue.
- Other expenses are in line with normal hotel allocations and shown on an annual basis for the first eleven years of operation including the base year.
- Considering land cost, and other start up fees/costs the operation moves to positive cash flow in its third year of operation.

## **SUMMARY OF FINDINGS AND RECOMMENDATIONS**

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# APPENDIX

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