

DRAFT

Feasibility Study For a Proposed Golf Course in Girdwood, Alaska

Prepared For:

**The National Development Council
(for the Municipality of Anchorage)**

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Introduction

National Golf Foundation Consulting, Inc. (“NGF Consulting”), a subsidiary of the National Golf Foundation, was retained by the National Development Council to assist the Heritage Land Bank (“HLB”) and the Municipality of Anchorage (the “MOA”), Alaska in determining the financial feasibility of developing and operating a new 18-hole public golf course in Girdwood’s “Upper Valley”. Heritage Land Bank currently manages the land which comprises the proposed site, which is located just north and east of the Alyeska Resort. A new destination golf/ski resort community is considered one of the potential public uses of the property. (In 1989, HLB had retained NGF Consulting to study the financial feasibility of building a golf course in the “Lower Valley”).

Under consideration is the development of an 18-hole regulation length golf course and appropriate related amenities, including a clubhouse. The course is intended to be operated as a high quality public access facility with amenities available on a daily fee basis. The purpose of the feasibility analysis is to determine the economic viability of the golf facility and to provide guidance regarding its positioning in the market. This report addresses the market and financial potential of the golf facility, which is ultimately determined by the net cash flows that the facility will produce. (The MOA will develop capital cost estimates and related debt service associated with the project in a separate phase). NGF Consulting will refer to the proposed golf course as the “Glacier-Winner Creek Golf Course” throughout this report.

Central to the feasibility of the project are the:

- Status of the local public golf market
- Demographic and economic profile of the market area
- Recent historical performance of competing golf courses in the market
- Relevant changes to the local public golf market
- Projected expense to operate and maintain the facility
- Expected financial operating performance of the proposed facility

To examine the market, NGF Consulting Senior Project Director Ed Getherall spent the period of June 18 through 21, 2006 in Girdwood and the greater Anchorage area, as well as in Palmer and Wasila. The consultant’s activities included an aerial tour - via tram - of the subject site, and visits to potentially competitive facilities in the market area. NGF gratefully acknowledges the many contributors to this study effort, including officials and key personnel from the HLB and MOA, representatives from the Alyeska Resort, area golf operators, and all others who assisted in this study.

Executive Summary

The following is a summary of significant findings made by National Golf Foundation Consulting, Inc. The supporting text and tables are found in the body of the attached report.

NGF Consulting has studied the golf market in the Girdwood/greater Anchorage, Alaska area, with special focus on the market potential of a new high quality 18-hole resort-style golf course to be developed within a new second-home community in the Upper Valley of Girdwood. The key NGF Consulting findings on the subject golf market are summarized below.

SITE FACTORS

While NGF Consulting was not retained to do a physical analysis of the proposed golf course site, we have been assured that a course can be physically accommodated on the subject site, and that the land is fully entitled. It is clear that the land for the site will afford spectacular views of the surrounding mountains, and that the golf course should be visually stunning.

From a feasibility standpoint, NGF Consulting has a several primary areas of concern regarding the location of the proposed course. First and foremost, though construction cost estimates for the golf course, infrastructure, and support amenities were not available, we have surmised, due to the nature of the site and other cost information available in this market (e.g., the cost to build the 'Creek' course at Moose Run), that the capital required to build this course to fruition will be significant.

The second major concern regards the climate of the Upper Girdwood Valley, which experience cooler, rainier summers than Anchorage. The subject site is also likely to experience a later snow melt (and sometimes re-freezing), and will get colder earlier in September. Ultimately, the local 'micro-climate' will result in a golf season that will be approximately 25% shorter than courses experience in Anchorage. We are also told that bugs can be a nuisance during the summer months.

NGF Consulting believes that the climatic conditions of the Upper Girdwood Valley will be a critical factor in determining the feasibility the proposed Glacier-Winner Creek Golf Course. Yearly climatic variations will obviously affect the number of days available for golf play, and thus the revenue potential in any given year. This is especially important because expenses may not go down much with fewer play days, as golf courses tend to have very high fixed expense structures.

DEMOGRAPHICS AND THE LOCAL ECONOMY

NGF Consulting has made the following observations regarding the local demographics and economy of the Anchorage, Alaska area:

- The Municipality of Anchorage was estimated to be home to more than 278,000 people in 2005, and is projected to grow to nearly 296,000 residents by 2010. Since 1990, population growth in Anchorage has been moderately higher than the corresponding state and national rates of growth. The Anchorage CBSA, which

includes the Mat-Su Borough, was estimated to have about 351,000 residents in 2005.

- The CBSA is expected to grow significantly over the coming decades, with much of the growth occurring in the Mat-Su Borough. Mat-Su is projected to have 91,000 residents by 2010, 128,000 residents by 2020, and as many as 176,000 by the year 2030. While this growth would be expected to primarily benefit golf courses in Anchorage and points north, it would likely also benefit a golf course in Girdwood, especially if no further golf course development occurs more proximate to Mat-Su.
- The Median Household Income in the MOA is estimated to be about 32% higher than the corresponding national figure of \$46,615, and about 8% higher than the State of Alaska's \$57,041. (South Anchorage, the area most proximate to Girdwood, is one of the most upscale neighborhoods in Anchorage proper). Incomes in the immediate Girdwood area are even higher, at about \$83,000, or more than 78% higher than the national median. Golf demand predictive models indicate that, in general, higher income residents are more likely to play golf, and play more frequently than lower income golfers.
- The Median Age in Anchorage – estimated to be 33.5 years - is considerably lower than the U.S. median of 36.3 years. In general, golf participation rates and frequency of play increase with age, making relatively older markets more attractive to golf facility operators, all other factors being equal.
- Anchorage is Alaska's largest city and the economic hub of the state. It has greatly benefited by Alaska's oil industry, but is also an important center for commerce and tourism. Currently, Anchorage's economy and affluence continue to grow, due to an economic boom driven by rising prices and profits in the oil sector. The continued flow of federal dollars, an increased number of military troops, and the tourism industry also contribute to Anchorage's economic prosperity.
- While high fuel prices have serious negative impacts on rural energy consumers, Anchorage and the state overall will continue to see benefits from surplus state revenue. AEDC expects the price to remain relatively high throughout 2006. Projects like the expansion to the Port of Anchorage and the building of a new convention center are expected to yield sustainable, long-term economic benefits. proposed \$25 billion Alaska natural gas pipeline
- According to a recent study by the McDowell Group, commissioned by the Anchorage Convention and Visitors Bureau (ACVB), Anchorage had about 900,000 visitors in 2005, approximately 70% of visitors each year (about 630,000 individuals) travel to Anchorage in the summer. Visitation reportedly peaked in 2000, and the tourism industry suffered substantially from the 2001 terrorist attacks before rebounding in recent years.
- Alaska cruise ship traffic grew to 950,000 passengers in 2005, and is expected to be up a percent or two in 2006. About one-third of these passengers move through Anchorage. There is a continuing trend of cruise ship passengers coming into the South-central region and choosing to "do their own thing," spending post-cruise time in the area. *This translates to more spending in Anchorage and surrounding communities, and more discretionary time for activities such as golf.*

GOLF MARKET SUPPLY AND DEMAND INDICATORS

NGF Consulting uses predictive models, with input variables such as population, area demographic profiles (includes the critical combination of age and income) and trends, regional seasonality, golf course supply, and actual golf participation survey data, as a means of estimating potential golf market strength. The NGF Predictive Demand Model, based on demographic data and existing golf course supply, supports the following conclusions regarding golf demand in the Municipality of Anchorage, which we have identified as the primary source of play for the Glacier-Winner Creek Golf Course, and the state of Alaska:

- Though Anchorage understandably ranks very low, in comparison to the other 209 markets nationwide, for the number of golf courses, it is estimated to rank in the top 5% of all DMA's on the measure of predicted golf participation rate. This is due to a favorable demographic profile, especially as regards household income.
- Despite a high participation rate, the Anchorage market ranks a low 164th for predicted total golf rounds demanded, primarily due to the very low supply of courses and the short golf season. Predicted golf demand per household in Anchorage is 43% lower than the national benchmark.
- Overall, NGF estimates that there are 25,688 golfing households in the MOA, with the potential to demand as many as 266,000 rounds of golf annually. This number would be expected to increase marginally as the population grows.
- Utilizing visitation statistics from the Anchorage Convention & Visitors Bureau and the national golf participation rate of 12.6%, NGF Consulting has estimated the annual potential tourist/visitor demand for golf in the subject market area to be about 44,000 rounds.
- Overnight guests of the on-site 307-room Alyeska Prince Hotel will be the most important component of visitor demand at the proposed golf course. The Alyeska Resort has given NGF Consulting statistics on actual visitation and occupancy rates at the hotel for the summer months in 2005. NGF research has determined that guests staying at hotels with an on-site golf course or courses exhibit higher demand for golf than do general visitors to a given area. Therefore, applying the national golf participation rate of 12.6%, and assuming one round per golfer per occupied room night, we derive an estimate of 2,858 rounds of golf demanded in a typical summer from Alyeska Prince Hotel guests.
- The MOA has a high number of households per 18 holes of total golf supply, relative to the national benchmark. Specifically, the market has nearly three times the number of households per *total* golf course, and 2.5 times the number of *public* golf courses, than we observe nationally. The continued increase in the population of this region indicates that these ratios, from the standpoint of existing operators, will become more favorable as time goes on, barring further golf course development.
- Using the most basic measures of golf demand and supply, NGF Consulting classifies the primary market area for the proposed Glacier-Winner Creek Golf Course as "inactive". This means that the Anchorage market has a high proportion (relative to the national benchmark) of households available to support each 18 holes of golf in the community, but that these households tend to exhibit

relatively low demand for golf, despite high participation rates. The low demand is primarily a function of the region's extreme seasonality and the small number of golfing choices available to the area's golfers.

COMPETITIVE GOLF MARKET

Though the predictive demand model and supply ratio analysis is very useful in evaluating the relative strength of golf markets, it cannot stand on its own in determining whether a market can support further golf development. Rather, these analyses must be considered in the context of what is actually happening "on the ground" in the market, in terms of price point and activity level trends at existing golf courses. Below, we summarize our general competitive market observations, as well as important findings regarding trends in rounds played and fees.

- Though Anchorage golfers have relatively few choices, the golf courses that do exist are quality facilities that offer good value. The six 18-hole courses we profiled (including two at Moose Run), are generally very well maintained, despite the challenges that the south-central Alaska climate presents. In general, all of the market courses offer a strong price/value proposition.
- Most of the Anchorage and Mat-Su golf courses are very challenging for the average golfer. Other than the 'Hill' course at Moose Run, the other five layouts in the market have slope ratings of 126 or higher. The 'Creek' course at Moose Run, the newest layout in the market, stretches to a whopping 7,324 yards from its back tee, and plays to a slope of 142.
- Anchorage Golf Course is also very difficult due to its narrow fairways and heavily contoured greens. Also, the course reportedly was poorly built and does not have the best of soil. Anchorage is also difficult and expensive to maintain. Despite these factors, until the last several years, the course was operating at very close to maximum capacity.
- All of the 18-hole golf courses in this market offer driving ranges, the lack of which may prove a detriment to the proposed Glacier-Winner Creek Golf Course.
- Tournament play in the form of larger (144 or greater) shotgun style outings, is very significant in this market, making it difficult for daily fee golfers to get tee times at certain times. Weekday charity events are particularly common. Only Eagle Glen appears to put any restrictions on the amount of tournament play.
- Local golf operators must be able to withstand the year-to-year variations in activity levels due to climate conditions in south-central Alaska. This would suggest a high degree of risk involved with planning and budgeting, a situation that some municipalities find untenable, especially if the golf operation must be subsidized by the general fund in any given year. The unpredictability in revenues is especially difficult for golf operations, which tend to have very high fixed expense structures.
- NGF Consulting interviews with area golfers confirms what survey research indicated in 1989 – that Anchorage area golfers are willing to travel to play golf. This is borne out by the two Mat-Su golf courses: both Palmer GC and Settler's Bay report that they draw between 40% and 50% of their total play from Anchorage. Golfers are also

very aware of course conditions at the various market facilities, and tend to plan their play accordingly.

- The length of the golf season varies somewhat at market courses, and is of course dependent on weather. The two Mat-Su facilities tend to open the earliest - typically between April 10 and April 15. Palmer GC has the longest season, typically closing for play some time during the third week of October. The Anchorage facilities tend to open around the first of May. Operating hours can be 20 hours during the longest days of the summer (around the summer solstice), with hours tapering off as the sunlight grows shorter.
- Green fees are very consistent in this market, with all 18-hole golf courses charging between \$34 (Palmer) and \$42 (Moose Run 'Creek' course and Eagle Glen). Only Settler's Bay has a weekday/weekend fee structure. Per person cart rates average \$14, with some courses charging a premium for single riders.
- At the time of NGF Consulting's original study of this golf market, golf operators were operating at very close to maximum capacity. The subsequent additions of the Palmer Golf Course, the second nine at Settler's Bay, and the 'Creek' course at Moose Run have resulted in increased overall play in the market, but a decrease in market share for some courses. Currently, Eagle Glen is operating at closest to capacity, at about 36,000 rounds annually.
- The addition of the Creek Course in 2000 seems to have resulted in a redistribution of rounds from some of the competitors over to Moose Run. Anchorage Golf Course, in particular, seems to have been affected, dropping from the mid-to-upper 30,000s to the lower 30,000s. Moose Run reports that yearly activity was about 30,000 rounds before the addition of the Creek course, but has increased to the low 40,000s.
- Average annual rounds played among the primary market courses were just under 26,000 per 18 holes in 2005. Most operators report activity levels that have stayed essentially level or declined moderately. Though some of the decline can be due to yearly weather variations, the addition of the second course at Moose Run seems to have had an affect by alleviating some of the difficulty in getting a tee time in this market during peak demand times.
- The two military facilities are the highest activity clubs in the market. Moose Run, at about 40,000 to 42,000 rounds annually on its 36 holes, and Eagle Glen, at about 36,000 rounds (which would be higher if tournaments were not restricted), enjoy reputations as very finely conditioned (especially Eagle Glen) tracks that are fun and challenging to play. The military courses, despite popular notion, are self-sustaining facilities that fund even capital improvements out of operating cash flow.
- Despite NGF demand modeling that indicates upwards of 40,000 annual rounds should be demanded by out-of-state visitors to the Anchorage area, market golf courses have not seen this demand come to fruition. All five area facilities report minimal visitor play, with none topping 1,000 annual rounds. This is likely due to a combination of factors, including the feeling that these visiting golfers can "play any time I want at home, why take precious time out of a once-in-a-lifetime Alaska trip to play golf?" Also, many tourists have much of their time in Alaska "programmed" as part of organized packages or tours.

- Active and retired military, to varying degrees, enjoy large discounts at Moose Run and Eagle Glen. Though these golfers are not likely to play often at other golf courses (such as the proposed Glacier-Winner Creek GC), they also effectively limit the number of tee times for the general public, which should have a beneficial affect on the proposed new golf course in Girdwood. Moose Run reports that about 30% of total play is from the military, while Eagle Glen, which restricts tournaments, is at 50%.

MARKET OPPORTUNITY CONCLUSIONS

After integrating and analyzing the various components of the study, NGF Consulting has concluded that there is unmet or “latent” demand in the Anchorage golf market. This is especially true during peak demand periods, such as weekends. Two other factors point to the presence of unmet demand. First, the prevalence of tournament play in this market often excludes daily fee golfers from playing their favorite course when they want to. Secondly, active and retired military are given preferential tee times at Eagle Glen and Moose Run, which may also prevent the general public from getting the most preferred tee times.

The availability of golfing choices is one of the top predictive factors of golf demand in a market. In other words, the lack of playing opportunities will often suppress actual rounds played in a given area. In the case of Anchorage, though there is some available capacity at the existing golf courses, there are peak demand times when it is difficult to obtain a tee time. This is evidenced by the strong Anchorage play that Palmer and Settler’s Bay draw, despite a driving distance of an hour or more. In fact, NGF survey research conducted for the first Girdwood study in 1989 confirmed that golfers in this market are willing to travel further than the typical American golfer to have the opportunity to golf.

NGF Consulting’s analysis of this market suggests that there is a potential opportunity for the Glacier-Winner Creek Golf Course to gain market traction by developing a high quality resort-style golf course, with strong support amenities, at the Upper Girdwood Valley site. Despite the driving distance of about one hour from much of Anchorage, we believe that a high quality course will draw consistent play from Anchorage proper.

The new course will also tap into the latent golf demand from the Alyeska Resort. Despite the ownership relationship between the resort and the Anchorage Golf course, very few rounds of golf at the course have originated from the resort over the years due to the inconvenience of getting to the course (there are no rental car establishments in Girdwood), and the time commitment that would be involved. With an on-site golf course, NGF Consulting believes that there will be strong demand from guests, who typically exhibit a demographic profile that is consistent with high golf participation.

PLAY POTENTIAL AT THE PROPOSED FACILITY

Based on the expected quality of the proposed golf facility and the projected market orientation in the competitive market, NGF Consulting has estimated a schedule of rounds activity that the proposed Glacier-Winner Creek Golf Course would be expected to achieve. This preliminary use projections are predicated on the following green fee parameters for the new course:

- The average resident green fee per round in the pro forma reflects NGF observations on price points in this market, as well as actual recent operating results at Anchorage Golf Course. The rate structure utilized in the financial projections is quoted in 2006

dollars, and may require some modification based upon market conditions in the area and other factors at the point the proposed course is ready to open.

- The green fees for non-Alaska residents reflect a significant premium over resident rates; this premium has been established by NGF Consulting based on observations of similar ski/golf resorts in the lower 48 States. The average resident green fee per round in the pro forma includes cart fee. The only discounts (from the MOA's perspective, and not the golfer's) off of visitor 'rack' rates will be for groups, such as the Alyeska Resort, other Anchorage hotels, or cruise lines, who buy tee times in bulk.
- Eighteen-hole resident green fees are projected to be \$40 to \$44 in the initial years of operation, with market-based fees for other discount categories. Visitor green fees will be offered for 18 holes only, and will be between \$85 and \$90, cart included.

When projecting the level of play for a proposed facility, it is important to realize that the total number of rounds actually played at a new course during the first year will be much lower than the expected stabilized level of play, which can take up to five years to achieve. This can most often be attributed to lack of reputation in the area, loyalties to existing courses, the maintenance quality of a new facility in its infancy, and other reasons. However, as the course matures and gains popularity in the area, more golfers are anticipated to patronize the facility.

The following table summarizes NGF Consulting's projections for attainable activity levels in the first five years of operation for the proposed 18-hole golf facility, with the features and amenities as described in the body of this report. The level of projected rounds is based upon the implementation of the concept for a high quality resort-style layout and design, receiving a fair share of the resident market as well as significant resort play, and at the projected green and cart fee levels.

Projected Rounds for the Proposed 18-Hole Glacier-Winner Creek Golf Course					
	Year 1	Year 2	Year 3	Year 4	Year 5
Total Projected Rounds	16,000	20,000	22,000	24,000	24,000

To accomplish the projected activity levels, management of the facility will need to market the new course aggressively to gain market awareness and stimulate trial. The awareness campaign during pre-opening and for the first year of operation will be critical to the success of this operation. *Supplemental advertising from the Alyeska Resort will be a key to drawing sufficient play from the visitor market, which will be integral to the success of this facility due to the green fee premium discussed earlier.* Because of the need to build and retain market share, it is expected that Glacier-Winner Creek Golf Course will also have to supplement daily fee rounds with significant tournament play in order to maximize rounds activity.

These estimates shown for probable activity levels are presented in a conservative manner. It is important to measure a new course's likely performance in such a way as to help the client make financial decisions based on realistic expectations. It is obviously possible that either more or fewer rounds and members will be realized. Our estimates of performance for the proposed Glacier-Winner Creek Golf Course could change should the following conditions occur:

Stronger Performance	Weaker Performance
Future course closings	New course openings
Stronger than expected population growth	Incorrect price levels
Positive local/ national publicity	Poor customer service
Lack of loyalty to existing courses	Low quality facility
Unforeseen surge in golf interest	Poor yearly weather conditions
Excellent yearly weather conditions	Regional economic recession
	Unwillingness to travel by Anchorage golfers
	Low participation rates among visitors
	Lack of driving range proves detrimental

FINANCIAL OVERVIEW

NGF Consulting's financial projections for the proposed facility are projections that reflect current and projected future golf market conditions and assume a high quality resort golf course and related amenities. We have also assumed that the new Glacier-Winner Creek Golf Course will feature excellent maintenance conditions and offer a high level of customer service.

The results of NGF Consulting's preliminary cash flow projection show that the Glacier-Winner Creek Golf Course can expect to generate approximately \$1.075 million in total operating revenues in the first full year of operation, growing to approximately \$1.837million by the fifth year of operation. Considering all preliminary expense estimates prepared by NGF Consulting for this study, operating losses will total more than \$483,000 in the first three years, while total annual operations profit available for capital investment reduction will be about \$95,000 in year 4.

Based on NGF Consulting's analysis of the local golf market and the resulting net cash flow projections, we estimate the warranted level of investment (estimated supportable debt) for this project to be only \$983,000. Supportable debt level is based upon fourth year net operating income with a debt coverage ratio of 1.2, over a 20-year amortization schedule and with an interest rate of 5 percent. The estimated supportable debt level is based on the use of operating cash flows toward the reduction of debt associated with the golf course and clubhouse construction (including grow-in period), initial equipment purchase, and pre-opening administrative needs. It does not take into account any potential interest capitalization that may occur during the first few years due to negative cash flow from operations.

SUMMARY CONCLUSION

NGF Consulting has studied the golf market in the greater Anchorage area for the purpose of assessing the market potential and financial feasibility of developing and operating a new 18-hole resort golf course in the Upper Girdwood Valley. In summary, our research has revealed a market opportunity for a high quality resort golf course, with commensurate support amenities and market-appropriate pricing, to support the growing Anchorage resident and visitor markets., as well as guests of the adjacent Alyeska Resort.

The Anchorage market shows a very high proportion of households available to support each 18-hole golf course, relative to national benchmarks. Though the addition of the 'Creek' course at Moose Run in 2000 helped to meet some of the un-served demand for golf in this market, there is evidence that the market is still undersupplied with golf during peak demand periods, such as weekends. Though the Creek course did seem to result in a redistribution of rounds away from market competitors, total rounds played in the market did appear to increase.

The Anchorage area exhibits high median household incomes – a demographic profile that is predictive of high golf participations. However, the NGF predictive demand model indicates that Anchorage is an 'inactive' golf market, meaning a high proportion of households to golf courses, but relatively low rounds demanded from these homes. We believe that this result is actually a function of the short golf season in the area, as well as the relative lack of golf opportunities.

NGF research has shown that golf course supply can stimulate demand, especially among avid golfers, and the availability of sufficient golfing choices is one of the top predictive factors of golf demand in a market. In other words, the lack of playing opportunities will often suppress actual rounds played in a given area. In the case of Anchorage, though there is some available capacity at the existing golf courses, there are peak demand times when it is difficult to obtain a tee time, often due to tournament play or, in the case of Eagle Glen and Moose Run, due to preferential tee time policies for the military. The fact that Palmer GC and Settler's Bay draw nearly half their play from Anchorage is testament to this.

NGF Consulting's analysis of this market suggests that there is a potential opportunity for the Glacier-Winner Creek Golf Course to gain market traction by presenting a high quality resort-style golf course, with strong support amenities, at the Upper Girdwood Valley site. Despite the driving distance of about one hour from much of Anchorage, we believe that a high quality course will draw consistent play from Anchorage proper. Golfers have traditionally shown a willingness to travel in this market. In fact, NGF golfer interviews conducted in the course of this study confirm what NGF survey research first revealed in 1989 - that golfers in this market are willing to travel further than the typical American golfer to play.

The new course should also capture much of the latent golf demand from the Alyeska Resort. Though the resort ownership currently leases the Anchorage Golf course, very little play at the golf course has been attributed to resort guests over the years. This is likely due to the inconvenience of getting to the course (there are no rental car establishments in Girdwood), as well as the time commitment that would be involved.

With an on-site golf course, NGF Consulting believes that there will be strong demand from guests, most of whom exhibit a demographic profile that is consistent with high golf participation. Significant play from this group will be critical, as the golf course will not be able to support itself operationally if it has to rely solely on rounds produced at market established price points for resident play. In other words, the premium attached to the visitor green fee will, in effect, subsidize resident play under the recommended business model.

In order to capture sufficient resident market share, and to lure the visiting golfer, the Glacier-Winner Creek Golf Course will have to be a high quality, well-designed golf course that accentuates the site's spectacular scenery. The layout must be challenging, but not overly punitive, and customer service must be at a premium level, as golfers willing to travel from Anchorage must not be given a disincentive to return. Finally, maintenance standards must be the best in the market, a factor that will contribute to an expected high expense structure at the new golf course in Girdwood.

With this in mind, NGF Consulting has prepared a cash flow model that is based on the assumption of the operation of a high-quality public golf facility with appropriate support amenities that is maintained and operated to the standards of high-end resort golf courses in the western United States. We have also assumed that the developer will be willing to spend sufficient marketing dollars, perhaps in conjunction with the Alyeska Resort, in order to build awareness and stimulate latent demand among residents and visitors.

The results of NGF Consulting's preliminary cash flow projection show that the Glacier-Winner Creek Golf Course can expect to generate approximately \$1.075 million in total operating revenues in the first full year of operation, growing to approximately \$1.837 million by the fifth year of operation. Considering all preliminary expense estimates prepared by NGF Consulting for this study, operating losses will total more than \$483,000 in the first three years, while total annual operations profit available for capital investment reduction will be about \$95,000 in year 4.

These cash flows are before any debt service, taxes, or depreciation. With little surplus cash flow from operations, paying the annual debt service related to the golf course and clubhouse construction (including grow-in period), initial equipment purchase, pre-opening administrative needs, and potential interest capitalization due to negative cash flow in the initial years, will require subsidies from some other source.

It must also be understood that capital invested in the construction and operation of a new golf course will be money that is at risk. In addition to competitive market dynamics, other factors out of the control of the operator, but which can have profound effects on operational results, include: changes in the local and regional economy; a decline in the population base of the area; possible new golf course development; regional or national catastrophe; and, most likely, yearly weather variations that can have considerable negative effect on rounds played in any given year.

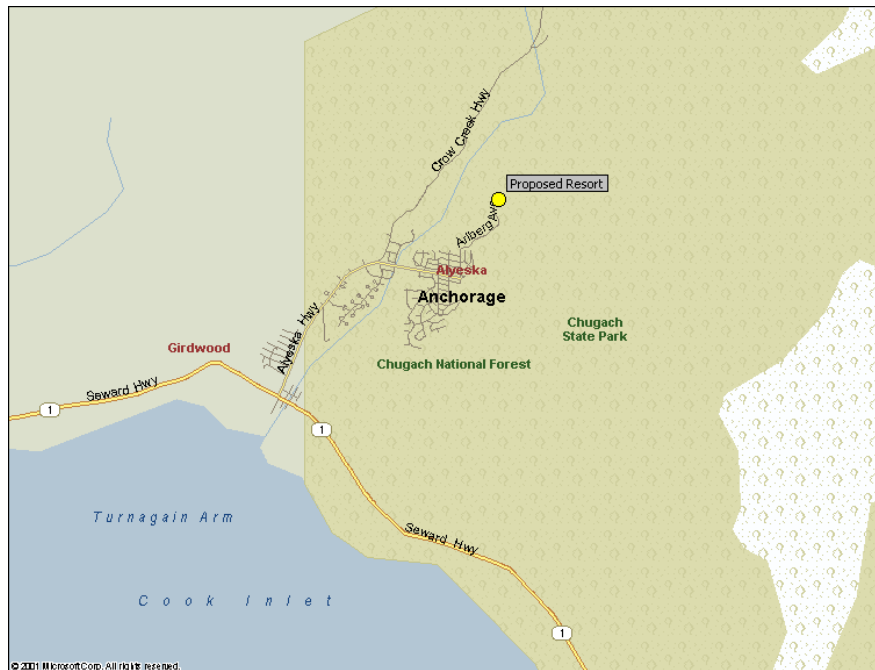
NGF Consulting fully expects that the subject golf course, with good management, top quality maintenance, properly targeted marketing, and excellent customer service, should be able to achieve the market projections made in this study. With favorable weather conditions, greater than expected play from Anchorage residents, strong support from the adjacent Alyeska Resort, and high participation from other Anchorage area visitors, the Glacier-Winner Creek Golf Course could outperform the market projections made by NGF Consulting.

Project Overview

The proposed new Glacier-Winner Creek destination golf/ski resort and residential community would be situated in a remote valley on the north side of Girdwood. The site is along Winner Creek, and abuts the north side of the existing Alyeska Resort. Aside from the championship-quality 18-hole golf course, the proposed project would include ski and residential components. Previous efforts to build a golf course community in the Lower Valley, closer to Seward Highway, were stopped by local environmental concerns.

The maps below show the site in a local and regional context.

Local View



Regional View



HERITAGE LAND BANK

The Heritage Land Bank (HLB) was formed in 1983 to manage land being transferred to the Municipality of Anchorage from the State of Alaska. Anchorage is entitled to receive certain state lands under a 1977 state law known as the Municipal Entitlement Act. The HLB was created by the Mayor and Anchorage Assembly in order to manage these lands for the benefit of present and future residents of Anchorage. Specifically, the municipal code provides that it is the mission of the HLB to:

“...manage uncommitted municipal land and the Heritage Land Bank Fund in a manner designed to benefit the present and future residents of Anchorage, promote orderly development, and achieve the goals of the Comprehensive Plan” (AMC 25.40.010).

To fulfill this mission, the HLB acquires, inventories, and manages approximately 8,000 acres of municipal land located throughout the municipality, from Chugiak to Girdwood. The HLB inventory is periodically reviewed with other municipal agencies for considering transferring of land management of parcels needed for specific municipal purposes such as parks, snow disposal sites, schools and communication facilities. If land is in excess to present and future municipal purposes, the Heritage Land Bank is authorized to propose disposing specific parcels of land by sale, exchange or lease. Revenue obtained from these land disposal activities is then placed in a Heritage Land Bank Fund.

The HLB manages almost every type of land within the municipality, including residential, commercial, industrial, recreation, and open space areas. Some of this land is leased to other agencies or the private sector, while other land is used or managed by other municipal agencies under special permit or other authorization. The 8,000-acre land portfolio extends from Eagle River to Girdwood, and includes downtown real estate as well as remote forested areas in the upper Girdwood Valley. Only a small portion of the inventory has been developed or improved. About 5,000 of the 8,000-acre inventory is in the Girdwood Valley, as mainly undeveloped land.

SITE DESCRIPTION / CONCEPTUAL PLAN

The proposed Glacier-Winner Creek project, if developed, would be expected to become the premier ski and golf resort community in Alaska, featuring the championship golf course, a dramatic mountain setting, a variety of attractive ski terrain, and high quality support amenities. The site, which totals approximately 3,750 acres of developable terrain and about 4,400 vertical feet, is a combination of MOA and state of Alaska land.

The present Alyeska Resort has about 1,000 skiable acres and 2,500 vertical feet. Due to the higher base elevation (700 to 800 feet) of the proposed site, snow quality and quantity should be much better at the new resort. Additionally, there will be a much larger area dedicated to intermediate terrain, and the new area will feature some north facing slopes, adding to the quality of the snow.

The residential development would likely include a mix of single-family and multi-family homes, as well as lodging units. Real estate in Phase I would reportedly consist of approximately 133 units of multi-family residential product and approximately 205 single-family home sites. The ultimate goal of the MOA, as well as prospective developers, is to transform the area into a national second-home destination, attracting affluent buyers from Anchorage as well as the Lower 48.

The proposed new 18-hole golf course at Glacier-Winner Creek is planned for development in a narrow valley, along the base of the proposed new ski area. In September 2005, SE Group of Burlington Vermont presented a conceptual drawing of the site, commissioned *Girdwood 2020*. The conceptual plan shows that the golf course would be laid out north and east of the Alyeska Resort, with housing components on the perimeter of the course, as well as to its north. It is hoped that the golf course would receive significant play from both guests of the Alyeska Prince Hotel and the surrounding residential community. Sections of the golf course will serve as Nordic ski trails during the cold weather months.

Though the MOA has held preliminary discussions regarding this site with a renowned golf course architect, no formal drawings or site/development cost analyses have been undertaken by the MOA itself. The conceptual routing of the golf course by SE Group shows an 18-hole, par 74 golf course of 7,181 yards from the back tees. The routing does not include returning nines, as #1 begins, and #18 ends, at a clubhouse just north of the Alyeska Resort, while #9 ends, and #10 starts, at a proposed Golf/Nordic clubhouse near the center of the course. The distance from the proposed location of the parking lot to the club may necessitate some type of transportation system, especially if the clubhouse at #1 does not have a drive-up bag drop. NGF Consulting assumes that the front side clubhouse will be a small building used only as for payment/starting and bag drop purposes, while the clubhouse on the course will include food service and merchandise sales. The course, at least initially, will not include a driving range.

The project site in the upper valley essentially comprises heavy forest and mountain meadows with large wetland areas in the center and high ridges along the perimeter. The mix of terrain and elevations is expected to result in a very scenic golf course, with some spectacular vistas and abundant native wildlife. Reportedly, the soils at the upper site are not as favorable to golf course development as the lower valley site, as the upper valley soils have more organic matter and a higher concentration of clay. Additionally, the upper valley is approximately 200' higher in elevation and will typically hold snow longer into the spring, which is a positive for the proposed Nordic ski component, but a detriment to the length of the golf season.

From Anchorage, access to the site is direct via the Seward Highway (Route One) and the Alyeska Highway into Girdwood. Depending on what part of Anchorage the traveler is coming

from, as well as the weather conditions, travel time to the site should be about one hour. Although the drive alongside Turnagain Arm is appealing to visitors due to its dramatic and often spectacular scenery, the scenic undivided byway connecting Anchorage to Seward, Homer, and the Kenai Peninsula can be hazardous depending on traffic volume and weather conditions.

Infrastructure, including access and service roads, utilities, etc., currently ends at the Alyeska Resort. Due to the nature of the terrain for the proposed project, infrastructure costs alone are expected to be very high. At this writing, it is unclear how the various funding components will be financed, and by whom. Due to the high infrastructure and capital construction cost anticipated for this development, the success of the residential component will likely be the key to the financial model.

GIRDWOOD

Girdwood is situated in a heavily forested valley in south-central Alaska, about 40 miles southeast of Anchorage, and north and east of Turnagain Arm, at the base of the Chugach Mountains. This geography, which includes several streams flowing through the town, results in spectacular vistas from many areas of town. As we will discuss later in this report, Girdwood is far snowier than Anchorage in the winter and significantly greener, but also cooler and rainier, during the summer. The town is bordered on three sides by the Chugach State Park and the Chugach National Forest.

The majority of out-of-state visitors to Girdwood fly into the Ted Stevens Anchorage International Airport and drive to Girdwood, though many also come over from ports such as Seward and Whittier as part of land/sea package tours. Located in western Anchorage, the airport is about 40 miles from Girdwood, and the drive-time from Anchorage to Girdwood is about one hour.

Girdwood is a small community comprised of a mix of primary- and second-home owners. Girdwood has a diverse mix of homes; but does not currently feature any master-planned communities (some are proposed). The community is anchored by Seibu's 307-room Alyeska Prince Hotel and ski resort. Aside from the resort, lodging takes the form of Bed & Breakfasts and various smaller cabin-style accommodations. Girdwood has only basic services such as a small grocery store, several restaurants, and an emergency medical clinic. The town is home to one kindergarten through eighth grade school, but has no high school.

ALYESKA RESORT

As mentioned, Girdwood's most notable amenity is the Seibu Alyeska Prince Hotel and ski resort, which opened in 1994. Aside from the 307-room Japanese-influenced hotel, the resort features the ski area, a 60-passenger tram, and the Seven Glaciers Restaurant. Alyeska Resort boasts about 1,000 skiable acres, with a total vertical drop of about 2,500 feet. Alyeska is relatively small compared to major destination ski resorts in the Lower 48. Alyeska ranges in elevation from about 250 feet at the base to about 3,939 feet at the summit, though lifts do not serve the top 1,200 feet of this elevation. Average annual snowfall at the summit is reportedly to be between 600 and 700 inches annually, with about one-third of this amount falling at the base.

Because the base is so close to sea level, Alyeska is at the lowest elevation of any ski resort in the U.S. - a benefit to destination skiers who have difficulty adjusting to high mountain altitudes. However, much of Alyeska's ski terrain is very steep, and is suitable for only intermediate and advanced skiers. Due to the relative lack of beginner and intermediate terrain, its relatively small

size, the travel time from the Lower 48, and its extreme seasonality, the Alyeska Resort draws about 90 percent of its skiers from the local Anchorage market. However, tourists from the Lower 48 are estimated to comprise about 80% of summer visitors.

At this writing, it is not clear what the ultimate involvement of the Alyeska Resort will be in the development and/or operation of the proposed Glacier-Winner Creek Golf Course. The fact that the resort is currently (August 2006) up for sale further clouds the issue. For the purposes of this report, we will assume that Alyeska will, at a minimum, market and promote the golf course heavily, and package rooms with golf. Other possibilities include the hotel buying blocks of tee times for re-sale (if sufficient mark-up opportunity were available), and commissioning the cruise lines, Anchorage hotels and/or travel agents for booking tee times that the resort has purchased.

SUMMARY

Under consideration for this market analysis is the development of an 18-hole, championship length resort golf course, with supporting clubhouse and maintenance facilities. The golf course will be a major component of the proposed new Glacier-Winner Creek residential resort community, planned for the Girdwood community in the Municipality of Anchorage. At this writing, it undetermined who will be the master developer of the site, which entities will fund the infrastructure costs, and whether the MOA will self-operate the golf course, retain a professional golf management company, or lease the operation to a private entity.

Whether or not the Glacier-Winner Creek Golf Course is ultimately constructed is dependent on many factors, including the outcome of this market study. From the standpoint of the MOA, the proposed golf facility must be capable of supporting itself operationally, though it is uncertain what expectations there are regarding the facility's ability to retire development costs. It is expected that the proposed Glacier-Winner Creek Golf Course will be developed as a very high quality resort golf facility, befitting its spectacular setting, with market-appropriate fees and competitive support amenities.

Market Area Overview

To appropriately assess the viability of the proposed golf course, the environment in which the project will exist must be fully understood. Like any other business, the proposed golf course will be an integral part of the local community and economy. Therefore, it is helpful to examine local economic and demographic trends, as well as other factors, such as climate, that have the potential to impact the long-term success of the new facility. In this section of this report, NGF Consulting will provide an overview of important factors that characterize the primary market area for the proposed facility. This overview will include an investigation of the area's demographics, as well as a brief discussion of the local economy.

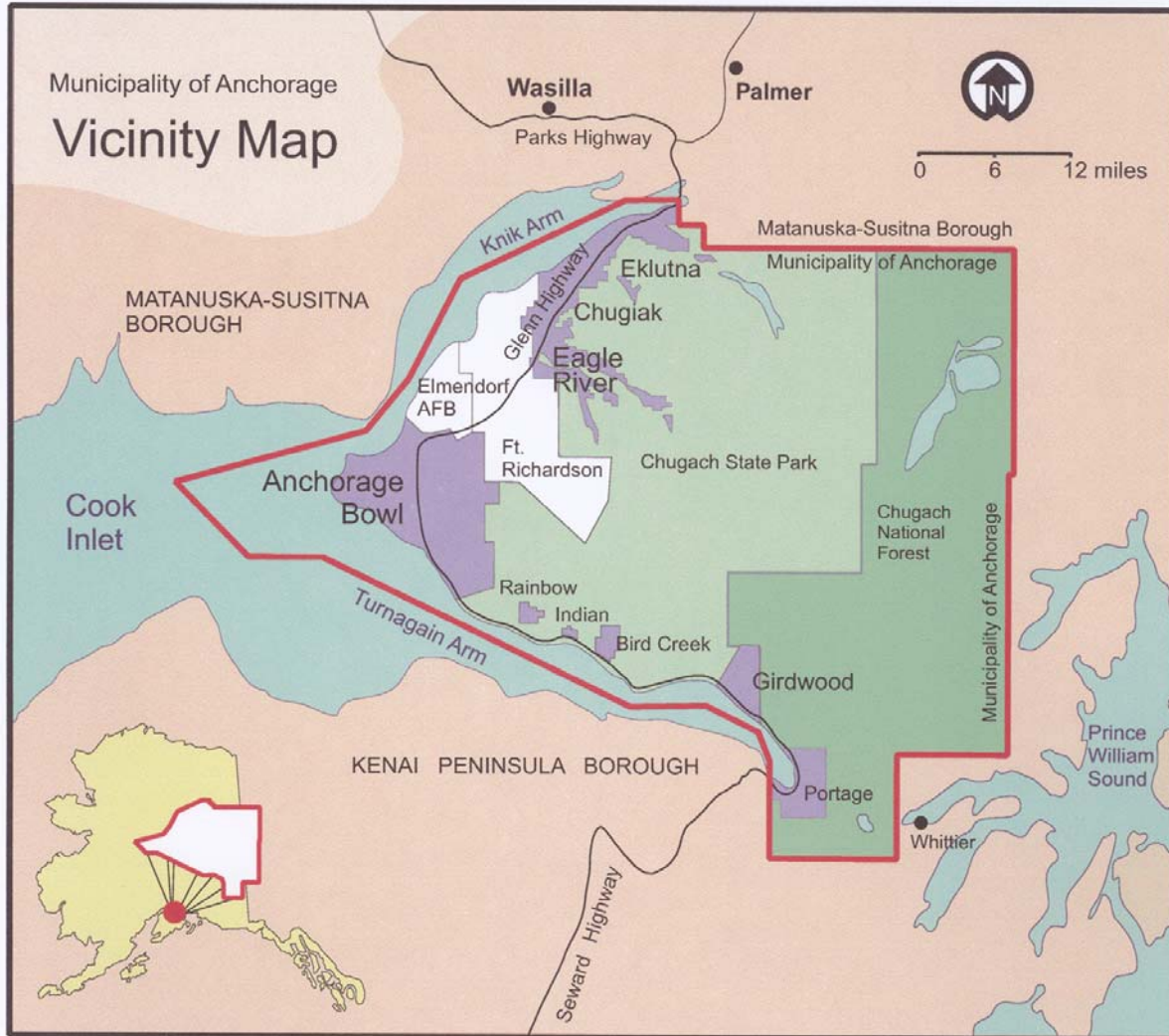
DEFINING THE MARKET

The Golf Consumer Profile, a research document developed by the National Golf Foundation (NGF) in cooperation with Market Facts, Inc., determined that “on the average nationally, golfers travel about 12 miles one way to play their most frequently played golf course. That translates into a 19-minute trip to the average golfer's most often played course.” The survey also determined that golfers travel a considerable distance farther to regularly play a good course. (Average golfers report a willingness to travel just over 26 miles, estimated to be a trip of 36 minutes.) Further, it was determined in the national survey that golfers are willing to travel as far as 48 miles or 60 minutes to occasionally play a good quality golf course; this willingness to travel will be a critical element to the potential success or failure of a new golf course located in Girdwood, due to its expected reliance on Anchorage golfers.

Most of the golf operators in this market report that a majority of play is coming from permanent residents living in the Municipality of Anchorage. Obviously, Palmer Golf Course and Settler's Bay also draw from the Mat-Su area. Therefore, NGF Consulting has determined that the geographic area comprising the MOA is the primary permanent resident market area for the proposed Glacier-Winner Creek Golf Course – the market from which the majority of its play will be drawn. This area includes the proposed second-home residential community around the course, as well as the rest of Girdwood. Occasional play is also expected to be drawn from the Matanuska-Susitna Borough, as well as from as far away as the Kenai Peninsula. This resident play will be supplemented by golf demand from visitors to the area – especially guests of the Alyeska Prince Hotel.

Municipality of Anchorage

The map below illustrates the geographic boundaries of the Municipality of Anchorage, which comprises the primary resident market area for the proposed golf course in Girdwood.



DEMOGRAPHIC OVERVIEW

Utilizing research materials provided by the National Golf Foundation, Tactician Corporation, and Applied Geographic Solutions, Inc. (a supplier of demographic research based on U.S. Census results), NGF Consulting has examined relevant characteristics of the local population. In the following table, NGF Consulting indicates the population, median age, and median household income trends for the 5-mile area surrounding the proposed site (represents a proxy for Girdwood), the MOA, the state of Alaska, and the United States. More detailed demographics are provided in the tables of **Appendix A**.

SITE:	5 Miles	MOA	Alaska	U.S.
Summary Demographics				
Population 1990	711	226,335	549,810	248,709,429
Population 2000	1,127	260,283	626,932	281,421,211
CAGR 1990-2000	4.71%	1.41%	1.32%	1.24%
Population 2005 Estimate	1,259	278,263	662,020	296,459,203
CAGR 2000-2005	2.24%	1.34%	1.10%	1.05%
Population 2010 Projected	1,390	295,713	696,537	310,728,811
CAGR 2005-2010	2.00%	1.22%	1.02%	0.94%
Median HH Inc	\$83,222	\$61,712	\$57,041	\$46,615
Median Age	35.4	33.7	33.5	36.3
CAGR = Compound Annual Growth Rate Source: Tactician Corporation, Applied Geographic Solutions				

NGF Consulting has made the following observations regarding market area demographics:

- The five-mile market area around the proposed site is estimated to have a permanent resident population of about 1,259 people. Though the estimate for 2010 is only 1,390, this figure may be significantly higher should the larger proposed residential developments in the community come to fruition.
- The MOA was estimated to be home to more than 278,000 people in 2005, and is projected to grow to nearly 296,000 residents by 2010. Since 1990, population growth in Anchorage has been moderately higher than the corresponding state and national rates of growth. The Anchorage CBSA, which includes the Mat-Su Borough, was estimated to have about 351,000 residents in 2005.
- The CBSA is expected to grow significantly over the coming decades, with much of the growth occurring in the Mat-Su Borough. Mat-Su is projected to have 91,000 residents by 2010, 128,000 residents by 2020, and as many as 176,000 by the year 2030. While this growth would be expected to primarily benefit golf courses in Anchorage and points north, it would likely also benefit a golf course in Girdwood, especially if no further golf course development occurs more proximate to Mat-Su.
- The Median Household Income in the MOA is estimated to be about 32% higher than the corresponding national figure of \$46,615, and about 8% higher than the State of Alaska's \$57,041. (South Anchorage, the area most proximate to Girdwood, is one of the most upscale neighborhoods in Anchorage proper). Incomes in the immediate Girdwood area are even higher, at about \$83,000, or more than 78% higher than the national median. Golf demand predictive models indicate that, in general, higher income residents are more likely to play golf, and play more frequently than lower income golfers.
- The Median Age in Anchorage – estimated to be 33.5 years - is considerably lower than the U.S. median of 36.3 years. In general, golf participation rates and frequency of play increase with age, making relatively older markets more attractive to golf facility operators, all other factors being equal.

KEY ECONOMIC FACTORS

In addition to identifying demographic trends and characteristics of the area, we have examined certain economic indicators and other mitigating factors that have the potential to affect the performance of the Glacier-Winner Creek Golf Course. Below are some key observations regarding these factors, with emphasis on the economy of the greater Anchorage area, as well as the respective climatic profiles of Anchorage and the Upper Girdwood Valley.

Girdwood

- Several real estate projects are currently proposed in Girdwood which, if they come to fruition and were successful, would result in a significant increase in population. These projects include:
 - **Crow Creek** – Proposed for 500 to 700 single-family home sites, which would make it one of the largest master-planned communities in the region; sales are expected to begin within the next two years.
 - **Alyeska Prince Hotel** – A new mixed commercial/residential project is planned for an undeveloped 55-acre site located between Alyeska Prince Hotel and the base of the ski area. At this time, the master plan calls for approximately 150 second-home units, to be comprised of a mix of condominium and single-family homes, as well as 100 timeshare units. The development, which could ultimately include as many as 450 to 600 units, would follow a “base village” concept, with significant retail space developed in combination with residential product.
- *Girdwood 2020 Outlook, November 2003*, reported preliminary estimates that the proposed Glacier-Winner Creek project could attract thousands more skiers per winter to the area, with another 430,000 visitors in the summer. This would generate \$74 million a year in gross revenues and create up to 900 new jobs.
- Though precise visitation statistics are not compiled for Girdwood, the Alyeska Resort reported 27,864 occupied room nights for the May – September 2005 time period. If we divide by the average stay of 1.77 days and assume an average party size of 2 persons, we can extrapolate that about 31,485 visitors came to the resort during the summer months. The resort reports that about 80% of these summer guests, or 25,188 according to our calculation, are from the Lower 48 states. When other lodging in Girdwood is considered, the figure likely surpasses 30,000 summer visitors.

Anchorage

- Anchorage is Alaska’s largest city and the economic hub of the state. It has greatly benefited by Alaska’s oil industry, but is also an important center for commerce and tourism. Currently, Anchorage’s economy and affluence continue to grow, due to an economic boom driven by rising prices and profits in the oil sector. The continued flow of federal dollars, an increased number of military troops, and the tourism industry also contribute to Anchorage’s economic prosperity.
- Potential development of the proposed \$25 billion Alaska natural gas pipeline, continuing high oil prices, and large construction projects remain the three key

factors in Anchorage's economy in 2006. While the timing of pipeline construction remains uncertain and is no doubt years in the future, it is likely even a contract agreement would have a positive impact on the Anchorage economy.

- While high fuel prices have serious negative impacts on rural energy consumers, Anchorage and the state overall will continue to see benefits from surplus state revenue. AEDC expects the price to remain relatively high throughout 2006. Projects like the expansion to the Port of Anchorage and the building of a new convention center are expected to yield sustainable, long-term economic benefits.
- According to the Alaska Department of Labor and Workforce Development, Anchorage saw 2,050 new jobs created in 2005, an increase of 1.4% over 2004. In 2005, Anchorage enjoyed its 17th consecutive year of job growth. Anchorage's unemployment rate for the first 11 months of 2005 was 5.3%, a slight increase from last year's annual rate of 5.2%. Anchorage's unemployment rate remains well below the statewide rate of 6.7%, but is slightly above the U.S. rate of 5.1%.
- The Anchorage Economic Development Corporation (AEDC) predicts that 1,900 new jobs will be added to the Anchorage economy in 2006. The service sector will once again account for most of this growth, led by health care, professional and business services, trade, and leisure and hospitality services. Increased state spending stemming from a billion dollar budget surplus will likely bring in more state and municipal job opportunities to the Anchorage area.
- Not included in the jobs forecast are uniformed military personnel. Fort Richardson is expected to have a net gain of 2,000 soldiers in 2006 as part of a nationwide reorganization of the U.S. Army. Although Fort Richardson will be transferring a light brigade division to Fort Wainwright, the recent addition of an airborne brigade and planned arrival of other personnel in 2006 will account for the net gain. Construction of office building and facilities are underway to accommodate the Air Force's plans to base C-17 cargo planes at Elmendorf Air Force Base.
- The *Logistics Today* U.S. West Coast Site Selector, which gives regional and national rankings for cities in the U.S. based on criteria important to logistics professionals, has ranked Anchorage #6 in the West coast (out of 362 cities) and #61 in the nation.
- Ted Stevens Anchorage International Airport, which is reportedly nine hours from 95 percent of the industrialized world, is the third-busiest cargo airport in the world. Meanwhile, the Port of Anchorage's steady growth in the past decade is expected to continue into the future, as it is currently in the planning and permitting stages of an expansion and improvement project that will begin in 2006. The project will allow the Port to accommodate larger ships, with deeper drafts, and wider beams, and will develop new barge berths and transshipment areas to improve the flow of goods to rural Alaska. The Port will also improve and expand its cruise ship facilities.
- .According to a recent study by the McDowell Group, commissioned by the Anchorage Convention and Visitors Bureau (ACVB), Anchorage had about 900,000 visitors in 2005, approximately 70% of visitors each year (about 630,000 individuals) travel to Anchorage in the summer. Visitation reportedly peaked in 2000, and the tourism industry suffered substantially from the 2001 terrorist attacks before rebounding in recent years.

- Alaska cruise ship traffic grew to 950,000 passengers in 2005, and is expected to be up a percent or two in 2006. About one-third of these passengers move through Anchorage. There is a continuing trend of cruise ship passengers coming into the South-central region and choosing to “do their own thing,” spending post-cruise time in the area. *This translates to more spending in Anchorage and surrounding communities, and more discretionary time for activities such as golf.*
- The McDowell Study revealed some demographic characteristics of visitors that, according to NGF research, *are predictive of high golf participation*, including high incomes and median ages. Some highlights of their findings:
 - Anchorage visitors average 50 years of age, and \$90,000 in average household income.
 - Anchorage is attracting an increasing number of repeat Alaska travelers, from 36% of visitors in 2001, to 47% in 2005.
 - The average age of cruise passengers visiting Anchorage is 57.9 years, and they enjoy average household income of \$97,000.
- Although visitation is large, local experts note that Anchorage is an important service hub, but not often a tourist destination. Many visitors who fly into Anchorage reportedly purchase necessities for their trip, and then depart to other destinations in the state.
- The McDowell Group reports that Anchorage offers approximately 8,100 commercial lodging units, with an average daily rate (ADR) of about \$109. Commercial lodging establishments in the Anchorage region report average annual occupancy of about 67%. On average, peak occupancy is in August (about 93%). Lodging units host an average of about 1.85 guests per room; non-cruise overnight visitors stay in Anchorage for an average of 4.3 nights in Anchorage and 11.1 nights in Alaska.

State of Alaska

- The economic news in Alaska continues to be positive, with 17 consecutive years of employment growth. Among Alaska's top industries of oil and gas, seafood, mining, and tourism, tourism has experienced increased investment since 2004, specifically in hotel and cruise operations.
- The broadly based services industry sectors will again combine to add the most jobs of any industry in Alaska. The recent hotel openings have contributed additional employment in both Fairbanks and Anchorage. In addition, the average annual growth rate for hotels and lodging places was predicted at 2.9%. Total arrivals increased by 9 percent to 1,951,600 arrivals in summer 2004, while domestic air arrivals increased 7 percent, breaking the one million mark for the first time.
- BP PLC's decision in August 2006 to shut down part of the nation's largest oil field shows just how dependent the state has grown on oil. Alaska receives 89% of its income from oil revenue, and the state has no state sales tax and no personal income tax. Some economists estimate that about a third of the state's overall economy is fueled by the oil industry. The industry, which drew workers here decades ago to build the massive trans-Alaskan pipeline, has continued to supply high-paying jobs that, in turn, feed spending in the service economy and other areas.

- Governor Murkowski instituted a state hiring freeze just days after BP said it would have to shut down the Prudhoe Bay oil field it operates because it had discovered leaks and severe corrosion in oil pipelines there. The company later said it would only partially shut down the oil field while it works to repair and replace 16 miles of pipes.
- State economists note that there is more to Alaska than oil, and point to tourism, fishing, the military and the international cargo shipping industry as examples. Additionally, state government comprises one-third of Alaska's economy. The state is also taking more steps to diversify; an example is the state's expanding service sector. Still, the percentage of state's general fund revenue that comes from oil has increased in the last few years.
- Although Alaska's economy is heavily dependent on oil extraction, the Alaska Permanent fund is designed to help the state and its residents weather the ups and downs of the oil market. The Fund was established in 1976 to invest proceeds from the sale of minerals from Alaska to benefit current and future Alaskans. The Fund is among the 100 largest investment funds in the world. In the U.S., it is larger than any endowment fund, private foundation, or union pension trust. By the end of the year 2005, the Alaska Permanent Fund was valued at over \$35 billion. Since 2000, the average annual dividend each Alaska resident has received has been \$1,371.
- Tourism is Alaska's second largest private-sector employer, accounting for one in eight private-sector jobs. It is also Alaska's fastest-growing industry in South-central, Southeast, and Interior Alaska, and it continues to grow in the Southwest and Far North regions. Winter tourism is also growing in many areas of the state.
- More than 1.5 million visitors come to Alaska each year, with the majority coming for pleasure. The average visitor is very well educated, has an average household income of \$60,000 and is about 50 years old. Visitors to Alaska spent over \$1.8 billion annually, equating to around \$1,300 on average, per person per trip.
- After several years of decline, Alaska bed tax collections have rebounded since 2004. Hotels and food services dominate employment in this industry, and Anchorage has added substantial new hotel capacity. Four new hotels, the Aspen Suites Hotel, Homewood Suites-Hilton, Fairfield Inn, and Motel 6 have recently opened, adding 447 rooms to the city's total capacity. Several more are expected to open in 2007.

CLIMATE

The climatic conditions of the Upper Girdwood Valley will be a critical factor in determining the feasibility the proposed Glacier-Winner Creek Golf Course. Yearly climatic variations will obviously affect the number of days available for golf play, and thus the revenue potential in any given year. This is especially important because expenses may not go down much with fewer play days, as golf courses tend to have very high fixed expense structures. Below, we discuss the respective climates of south-central Alaska, Anchorage, and Girdwood. Please see **Appendix B** for Girdwood and Anchorage climate summary tables.

The climate of south-central Alaska is considered mild by Alaska standards. Temperatures are moderated by the Gulf of Alaska, and the truly cold winds of the north are often blocked by the

Alaska and Talkeetna mountain ranges. The region has many more clear days and much less rain than southeast Alaska, but experiences much more snow. Anchorage, blocked from the Gulf by mountains, receives about 70 to 80 inches of snow per year on average.

The snow near sea level generally melts away by early May. The length of the golfing season in Anchorage is approximately four to five months long (May – September). This golf season length is not that dissimilar to many other states located in the northern part of the lower 48 states such as Wisconsin and Minnesota. Through much of June, July and August, daylight lasts for up to 19 hours, offering an extensive daylight period for golf. It is possible, and even quite common, for golfers to enjoy a full round of golf with a starting time after 7:00 p.m.

Anchorage generally has far more sunny days and much less rain than Girdwood, which is situated on the northernmost edge of a temperate rain forest. Precipitation falls frequently in Girdwood, and it's warmer in winter and cooler in summer than Anchorage. On average, Girdwood has cooler weather year round and has more precipitation than Anchorage. The major impact of the Girdwood location's weather is to limit the golf season to four months maximum, and perhaps closer to 3.5 months in the Upper Valley. Heavy snowfall and late snowmelt at the subject site limits the longevity of the golfing season

Even within Girdwood, weather patterns vary significantly by elevation. For example, the Town of Girdwood is at an elevation of about 250 feet, and reportedly receives about 200 inches of average annual snowfall, whereas the summit of Mount Alyeska is at an elevation of about 3,939 feet, and reportedly receives about 600 inches of average annual snowfall.

Girdwood's climate is very seasonal. In the winter, the region is typically cold and snowy, with limited daylight. Springs and falls tend to be somewhat risk but generally appealing. Summers feature long hours of daylight, but they are cool and moist, with a large number of cloudy days. The climate tends to be relatively dry during May and June, with average high temperatures in the low 50s and 60s, respectively. July, August, and September are considered the area's rainy season. Average monthly precipitation ranges from 2.6 to 7.9 inches per month, and average high temperatures are 66, 63, and 55 degrees, respectively. Girdwood experiences about 21, 17, and 14 hours of daylight in July, August, and September. The climate cools rapidly during the fall months of October and November, with average high temperatures of 42 and 32, and average snowfall of 12 inches in October and 28 inches in November. Also, days begin to shorten rapidly, when the area experiences about 11 and 9 hours of daylight each day.

GOLF MARKET SUPPLY AND DEMAND INDICATORS

The objective of this section is to provide an overview of demand potential for the subject facility's primary geographic market area. In the previous section, we identified key demographic and economic factors that may affect the performance of the Glacier-Winner Creek Golf Course; we now turn our attention to the current golf supply and demand dynamic in this market.

National Trends

Golf participation in the U.S. has grown from 3.5% of the population in the early 1960s to about 12.5% of the population today. NGF estimates that 36 million golfers reside in the U.S., with growth slowed to about 1.0% per year. Other surveys completed outside the golf industry show the number of people who "identify themselves as golfers" is as high as 45 million, indicating a large potential "latent" demand from very inactive golfers.

As rapidly as the demand for golf has grown, the supply has grown even faster, with an average increase of about 2.1% per year. With the increase in supply, we are seeing a marked increase in competition, and the supply is greater than the demand in some markets.

In addition to increased competition, four other factors have contributed to a decline in the number of rounds per course during the 2002 to 2005 period. These include: 1) a worsening economy; 2) the aftereffects of 9-11, which greatly reduced the traveling golfer market; 3) the increasing time pressure on individuals and families; and 4) abnormally poor weather conditions over the past few years in much of the U.S. The combination of these factors has caused many golf facilities to become distressed, particularly those that have a high debt load because of higher construction costs and the perceived need to build high-end courses. The number of golf course closings has doubled from an annual average of 24 courses per year in 1993 – 2001 to 48 courses in both 2002 and 2003 and 63 courses in 2004.

In terms of the total number of rounds produced, NGF estimates that rounds fell about 1.5% in 2003, after a 3% drop in 2002. End-year NGF research indicates a rebound of about 0.7 percent in 2004, and a very slight decline of 0.1% in 2005. Year-to-date results through April 2006 indicate that rounds played are up about 9% over the corresponding period last year.

On the positive side, the growth in golf course development has slowed considerably nationally and in the majority of local markets, a trend that should help ease some of the competitive pressure. Another positive trend is the aging of America. Baby boomers are rapidly approaching retirement age when golf activity flourishes. The baby boomers represent not only the largest single demographic in the US, but they also approach retirement age with more disposable income than any previous generation.

Anchorage Golf Demand

NGF Consulting uses predictive models, with input variables such as population, area demographic profiles (includes the critical combination of age and income) and trends, regional seasonality, golf course supply, and actual golf participation survey data, as a means of estimating potential golf market strength. The NGF Predictive Demand Model, based on demographic data and existing golf course supply, supports the following conclusions regarding golf demand in the Municipality of Anchorage, which we have identified as the primary source of play for the Glacier-Winner Creek Golf Course, and the state of Alaska:

- Though Anchorage understandably ranks very low, in comparison to the other 209 markets nationwide, for the number of golf courses, it is estimated to rank in the top 5% of all DMA's on the measure of predicted golf participation rate. This is due to a favorable demographic profile with regard to household income.
- Despite a high participation rate, the Anchorage market ranks a low 164th for predicted total golf rounds demanded, primarily due to the very low supply of courses and the short golf season. Predicted golf demand per resident in Anchorage is 43% lower than the national benchmark.
- Overall, NGF estimates that there are 25,688 golfing households in the MOA, with the potential to demand as many as 266,000 rounds of golf annually. This number would be expected to increase marginally as the population grows.

	SITE:	5 Miles	MOA	U.S.
Golf Demand Indicators				
# of Golfing Households		238	25,688	20,392,712
Number of Rounds Played		3,576	266,083	495,441,760
Golfing Household Index		174	134	100
Rounds Played Index		108	57	100
Source: NGF, Tactician Corporation, Applied Geographic Solutions				

Potential Visitor Demand

In addition to the permanent residents in the market area, Anchorage area visitors represent another potential source of demand for the proposed Glacier-Winner Creek Golf Course. Of these visitors, those staying overnight at the Alyeska Prince Hotel during the crucial June through September golf season months are considered the second most important potential component of play at the proposed facility, behind only permanent residents of the MOA.

The Anchorage Convention & Visitors Bureau (ACVB) provided NGF Consulting excerpts from a study done by the McDowell Group in 2006. The study revealed that an estimated 900,000 people visited the Anchorage area in 2005. Based on statewide visitation patterns, NGF Consulting has estimated that about 70% of these visitors, or 630,000 people, were adults who arrived during the June through September period.

Based on the total number of 630,000 adult summer visitors to Anchorage in 2005, we will be able to estimate potential golf demand in the market from the tourist segment of the market. According to NGF's *Golf Consumer Profile*, the average traveling golfer played .557 rounds per day of travel. Because Alaska is not known as a golf destination, we have elected to take a conservative route and use this rounds estimate on a *per-trip*, rather than *per-day-of-travel*, basis.

Area Visitors	2005
Estimated Visitors to Anchorage Market	900,000
X Percent Adult Visitors June through September	70.0%
= Estimated Golf Season Visitors	630,000
X Estimated National Golf Participation Rate	12.6%
= Estimated Visiting Golfers to Anchorage	79,380
Estimated Golf Frequency Rate (Traveling Golfers)	.557 Rounds/trip
Estimated Potential Visitor Rounds Demanded	44,214

As noted earlier, overnight guests of the on-site Alyeska Prince Hotel will be the most important component of visitor demand at the proposed golf course. The Alyeska Resort has given NGF Consulting statistics on actual visitation at the hotel for the summer months in 2005. The 307-room hotel reported summer occupancy rates of 59.6%, 77.4%, 81%, and 51.1% for the months of June, July, August, and September, respectively.

The previously noted occupancy rates result in 22,685 total occupied room nights from June 1 through September 15 (September visitation was divided in half, to reflect the expected golf season in the Upper Valley). National Golf Foundation research has determined that guests

staying at hotels with an on-site golf course or courses exhibit higher demand for golf than do general visitors to a given area. Therefore, applying the national golf participation rate of 12.6%, and assuming one round per golfer per occupied room night, we derive an estimate of 2,858 rounds of golf demanded in a typical summer from Alyeska Prince Hotel guests. ***It should be noted that this model assumes that 2005 occupancy rates are reflective of an average season, and that the presence of a golf course may very well increase occupancy rates and thus, rounds of golf demanded from guests.***

Alyeska Prince Hotel Guests	2005
Occupied Room Nights June 1 – September 15	22,685
X Estimated National Golf Participation Rate	12.6%
= Estimated Resort Golfer Nights	2,858
Estimated Golf Frequency Rate (On-Site Hotel)	1Round/day
Estimated Potential Resort Guest Rounds Demanded	2,858

Anchorage Golf Supply

- There are five total golf facilities - all public - within the MOA, totaling 90 holes. This figure includes the 9-hole short courses Russian Jack Springs (proposed for renovation as a First Tee facility) and Tanglewood, which would not compete for rounds with the proposed new course in Girdwood. Of course, two golf facilities that will be competitors to some degree, Palmer Golf Course and Settler's Bay, are not located within the boundaries of the Municipality.
- Household/Supply Ratios, which are derived by dividing the total number of households by the number of 18-hole equivalent courses in a market, are used by NGF Consulting as a benchmark to establish the support (households) that is available for existing golf courses. The MOA has a high number of households per 18 holes of total golf supply, relative to the national benchmark. Specifically, the market has nearly three times the number of households per *total* golf course, and 2.5 times the number of *public* golf courses, than we observe nationally. (There are no private clubs in the market). The continued increase in the population of this region indicates that these ratios, from the standpoint of existing operators, will be become more favorable as time goes on, barring further golf course development.
- Using the most basic measures of golf demand and supply, NGF Consulting classifies the primary market area for the proposed Glacier-Winner Creek Golf Course as "inactive". This means that the Anchorage market has a high proportion (relative to the national benchmark) of households available to support each 18 holes of golf in the community, but that these households tend to exhibit relatively low demand for golf, despite high participation rates. The low demand is primarily a function of the region's extreme seasonality and the small number of golfing choices available to the area's golfers.
- Other than the proposed renovation of Russian Jack Springs, the NGF facility database indicates no new golf courses either in planning or under construction in the Anchorage market.

Though the predictive demand model and supply ratio analysis is very useful in evaluating the relative strength of golf markets, it cannot stand on its own in determining whether a market can support further golf development. Rather, these analyses must be considered in the context of what is actually happening “on the ground” in the market, in terms of price point and activity level trends at existing golf courses. In the next section we will take a close look at the supply of golf courses across different price points and quality categories in order to present a clearer picture of the dynamics of the Anchorage golf market.

DRAFT

Golf Market Competitive Analysis

In an earlier section of this report, we detailed the overall golf course supply ratios in this market. We now turn our attention to those specific public access facilities that would compete most directly with the proposed Glacier-Winner Creek Golf Course. We have included in our analysis all regulation length 18-hole public access golf courses located within the MOA, as well as Palmer Golf Course and Settler's Bay. Two market nine-hole facilities - Russian Jack Springs (currently being renovated as a First Tee facility) and Tanglewood Lakes GC – are not considered potential competitors to the proposed Girdwood course, but we include them in our discussion of the demand for golf in the Anchorage market.

The following is a list of these facilities, as defined; a map displaying their locations follows on the next page.

Market Area Public Golf Courses – Regulation Length				
Primary Competitors	Type	Location	Year Open	Location Relative to Site*
Anchorage Golf Course	18H-DF	Anchorage	1987	26 miles northwest
Eagleleglen Golf Course	18H-DF	Anchorage	1971	30 miles northwest
Moose Run Golf Course	36H-DF	Anchorage	1951/ 2000	28 miles northwest
Palmer Golf Course	18H-MU	Palmer	1990	40 miles north
Settlers Bay Golf Course	18H-DF	Wasila	1978	44 miles northwest
Other Market Courses				
Russian Jack Springs Golf Course	9H-MU	Anchorage	1979	28 miles northwest
Tanglewood Lakes Golf Club	9H-DF (P)	Anchorage	1996	27 miles northwest
*Air Miles from subject site, rounded to half-mile; actual driving distances will be greater KEY: MU – Municipal DF – Daily Fee P – Par 3				

Competitive Public Golf Facilities Map



Competitive Assessment Review – Public Access Golf Courses

The table on the following page provides general comparative information regarding the operation of market area 18-hole regulation length public access golf facilities, as defined previously.

Golf Course	Typical Season	Par / Slope / Distance	Total 2005 Rounds	Recent Trend	Average Annual Non-Resident Rounds	18-Hole Green Fee (WD/WE)	18-Hole Twilight Green Fee (WD/WE)	Per Person 18-Hole Shared Cart Fee	Membership Fee (Single/Family)	18-Hole Club Rental (Standard/Premium)
Primary Competitors										
Anchorage Golf Course	5/1 – 10/20	72 / 130 / 6,628	31,790	Down	469 ¹	\$38/\$38 ²	\$31/\$31	\$16	DNA ³	\$21/\$39
Eagleglen Golf Course	5/1 – 10/20	72 / 126 / 6,689	36,000	Down	N/A	\$42/\$42 ⁴	\$30/\$30	\$14	DNA	\$15/\$25
Moose Run Golf Course (Hill)	5/1 – 9/30	72 / 119 / 6,504	42,000	Level	800	\$38/\$38 ⁴	\$25/\$25	\$14	DNA	\$12/\$25
Moose Run Golf Course (Creek)	--	72 / 142 / 7,324 ⁵	--	--	--	\$42/\$42 ⁴	\$25/\$25	\$14	--	--
Palmer Golf Course	4/10 – 10/20	72 / 132 / 7,125	25,000	Down	Minimal	\$34/\$34 ⁶	\$17/\$17 ⁷	\$13	\$499/\$750	\$15/\$40
Settlers Bay Golf Course	4/15 – 9/30	71 / 127 / 6,450	20,000	Up	N/A	\$35/\$38	\$22/\$22	\$14	\$599/\$850	\$15/\$25
Market Average Rounds (per 18 holes)/Fees			25,798		--	\$38/\$39	\$25/\$25	\$14	\$549/\$800	\$16/\$31
CHART KEY										
<p>1 Represents average over 2000 – 2005 time period 2 Non-resident rate is \$54; Alyeska resort rate is \$46 3 Early morning unlimited play pass is available for \$350 (weekday only, 5:00 am to 9:00 am) 4 Active and retired military receive discounts of 50% or more, depending on status/classification 5 'Blue' tee also available at 6,781 yards 6 Active military receives \$10 discount 7 Represents 2 for 1 special, which is run every day beginning at 4:00 pm</p>					<p>*NGF Consulting Estimate N/A – Information not available DNA – Does not apply</p>					

Anchorage Course Profiles

Anchorage Golf Course

The Anchorage Golf Course is a mid-quality golf course owned by the MOA and operated under a lease agreement with the Seibu Alyeska Resort. The lease agreement restricts fee increases for Alaska residents. The 18-hole, par-72 course measures approximately 6,616 yards from its back tees. It is the southernmost of the Glacier-Winner Creek's potential competitors, situated in south Anchorage on O'Malley Road (many locals refer to the course as "O'Malley").

Anchorage, built in 1987, features a core layout with returning nines. The course, particularly the back nine, is difficult to play due to numerous trees, narrow fairways and highly contoured greens; it is also difficult and expensive to maintain, due primarily to poor construction and less than ideal soils. Anchorage GC, built in the mid-1980s for about \$2.7 million, is quite scenic, with views of Cook Inlet and Denali from certain areas of the course. Amenities include a driving range and 15,000 square foot clubhouse with pro shop and full-service restaurant (though it caters primarily to the banquet market and does not open until 4:00 pm). Anchorage GC has a very active junior program, with three teaching professionals.

The golf season at Anchorage Golf Course typically begins during the first week of May (on temporary greens) and ends in mid-October. The course hosts about 32,000 rounds per year, down from the mid-to-upper 30,000s before the year 2000, when Moose Run's 'Creek' course opened. As would be expected, the peak activity period is typically in June and July, when the course generates about 10,000 rounds per month due to favorable weather (in most years) and long hours of daylight; during June and July, tee times are available from 5:00 am to 10:00 pm.

Eagleleglen Golf Course

Eagleleglen, long considered the best maintained golf course in the Anchorage market, is located on the Elmendorf Air Force Base in northern Anchorage. Eagleleglen is run by the Department of Defense, and operations are reportedly self-sustaining. The 18-hole, par 72 course measures approximately 6,689 yards from its back tees, which play to a slope rating of 126. Eagleleglen's front tees, at 5,443 yards, are punitive for most women and shorter hitters. Eagleleglen, constructed in 1970 by the Army Corps of Engineers, is an early Robert Trent Jones Jr. design and was recently voted the best golf course in Alaska by *Golf Digest*.

Built in the Ship Creek drainage basin, Eagleleglen is aesthetically beautiful, with tree-lined fairways, a river that runs through the course, and striking views of the surrounding mountains. Water hazards come into play on several holes, and numerous sand bunkers protect the greens and fairways. The greens are generally small and fast, and the fairways are narrow.

Military personnel account for about 50% of play at Eagleleglen and receive, depending on status, green fee discounts of 50% or more off of the full-fee civilian rate of \$42 (2006 season). Active duty personnel can make tee times 7 days in advance, while retired military receive 6-day advance and the general public 4 days. Reportedly, there are 6,000 to 7,000 personnel on the base, and this number will grow with the pending F-22 project.

Eagleleglen, which restricts tournament play to about 20% of total rounds, operates very close to capacity for this market, at about 36,000 to 38,000 rounds annually. Eagleleglen's season is similar to that of Anchorage GC – generally early May to mid-October, but operating hours are even longer, at 5:00 am to midnight during the longest days of the summer. In addition to the golf course, Eagleleglen additionally features a pro shop, restaurant, and covered driving range. Eagleleglen continues to improve, adding a new irrigation system in 2000 (reported cost of \$2 million+), and making upgrades to the cart paths, bunkers, and maintenance facility. Despite this, the facility reports no debt. Eagleleglen recently increased green fees from \$38 to \$42 for

civilians, but has suffered no drop-off in activity levels. The facility eliminated season passes but offers a frequent player card.

Moose Run Golf Course

Moose Run, which claims to be the “northernmost 36-hole golf facility in the world” is located on Fort Richardson, a U.S. Army base in north Anchorage. Moose Run reports a slightly shorter season than either Anchorage GC or Eagle Glen, opening in early May but generally closing by the end of September. Moose Run includes a driving range, full service clubhouse with a small pro shop, bar/grill, and modest banquet facilities. The two 18-hole layouts are:

- **Hill Course:** The par 72 Hill Course measures approximately 6,504 yards from its back tees, and is relatively easy at a slope rating of 119. The front nine was completed in 1952, and is hilly and lined with spruce and birch trees. The back nine, which is flatter, was completed in 1955 and features several holes that run along Ship Creek. The push-up style greens are generally small. The Hill course does not have paved cart paths. Public daily fee play costs \$38 on the Hill course.
- **Creek Course:** This par 72 course, which measures a robust 7,324 yards from its back tees, was reportedly built for more than \$7 million in 2000. The Creek Course was designed by Robin Nelson. Civilian green fees are moderately higher for this course, \$42 for the 2006 season. The opening of the Creek course Public daily fee play costs \$38 on the Hill.

As we will note in the section to follow, the opening of the Creek course in 2000 seems to have resulted in a moderate redistribution of rounds in the Anchorage golf market, as Moose Run went from hosting about 30,000 rounds annually to doing about 42,000. (Due to poor weather, rounds are not likely to exceed the mid 30,000s in 2006). Also, with two courses and a large cart fleet of 140, Moose Run can, and does, facilitate a large number of tournaments and outings, from as far away as Palmer and Wasila. With a very high number of tourney rounds, and about 31% military play, the daily fee golfer can often be squeezed out of prime tee times.

Moose Run is a financially successful operation, with about \$2.5 million in gross revenue annually. The facility is self-funded and reportedly funds even debt service out of operations. Some large scale capital improvements are currently in planning, including the potential construction of a new 12,000 square foot clubhouse, with banquet facilities, in 2009. Additionally, a proposed \$6 million rebuilding of the Hill Course is being discussed for as soon as 2008.

Other Area Golf Courses

Though the Anchorage golf courses we have profiled set up as the primary competitors for the proposed Glacier-Winner Creek Golf Course, two facilities locate in the Mat-Su Borough will certainly compete for Anchorage golfer rounds with the new course. **Palmer Golf Course**, an 18-hole golf course owned by the City of Palmer and operated by a management company, features a par 72 Scottish links-style course. This scenic 7,125 yard track is notable for its scenic location, highlighted by views of nearby glaciers.

Palmer is another relatively difficult layout; though the fairways are wide open, golfers must still contend with the standard cut of rough defining their borders. In addition, the Matanuska River flows alongside the course and comes into play on seven holes. The signature hole is #6, a 350-yard, par 4 that offers a breathtaking view of the Knik Glacier from off its green. Palmer enjoys a reputation as a well-maintained course, and enjoys perhaps the longest season in this regional market, typically opening by the second week of April (on temporary greens) and closing by the third week of October.

The \$2 million facility (no land cost) gained market acceptance almost immediately upon opening in 1990; play peaked at about 27,000 rounds, but activity dropped to the mid 20,000s when the Moose Run Creek course opened. Still, the management company reports that the course is profitable operationally. About 50% of Palmer's play comes from Anchorage, and the facility's 300 pass holders account for about 25% of all rounds. Palmer GC hosts mostly smaller tournaments, and many of the bigger events from Palmer area organizations are lost to the Anchorage golf course, particularly Moose Run.

Settlers Bay is an 18-hole daily fee golf course located in a 2000-acre residential community in Wasila. The par 71 layout plays to 6,450 yards from the back, making it the shortest of the 18-hole golf courses in the area. Another very scenic and well-maintained golf course, Settlers Bay is located in the shadow of 6,000-foot Pioneer Peak, which looms over the expansive Mat-Su Valley. The course is challenging due to its tight fairways, water features (especially on the front nine), and numerous trees. Interviews with area golfers indicated that Settlers Bay is perhaps the best conditioned course in the market in 2006, along with Eagle Glen.

Settlers Bay, like Palmer GC, typically opens earlier in the spring than the Anchorage courses. During the last few years it has done so without resorting to temporary greens due to new green covers. However, the course tends to close earlier than Palmer and the Anchorage courses. Settlers Bay has a full practice facility, pro shop, and separate restaurant – the Alaska Cadillac Café. The operator reports that rounds have gradually increased over recent years at Settlers Bay, which added its second nine in the 1990s. The facility currently plays about 20,000 rounds annually, with about 40% coming from Anchorage residents. The course does not report a lot of tournament rounds.

Russian Jack Springs Golf Course, a municipal 9-hole golf course, has long been considered a "beginning" facility that is popular with less serious golfers in the area. Russian Jack Springs, the MOA's 26-year-old 9-hole golf course known for its artificial greens and tee boxes, is in the process of being transformed into a First Tee facility. The First Tee is a national organization that encourages kids to play golf. The renovation will be a \$3 million dollar project that is expected to progress in three phases. The First Tee has donated \$30,000 to the Alaska Chapter, and the remaining costs will be obtained by the Alaska chapter fundraising and course fees. The Alaska Chapter, formerly known as the Russian Jack Springs Junior Golf Association, will give kids opportunities to learn golf skills and etiquette and develop life skills by playing the game.

The Alaska Chapter has a three-phase plan that will take four years to complete. Phase I starts in April 2007, and involves volunteers visiting local elementary gymnasiums to teach First Tee's so-called "snag curriculum." By summer 2007, the artificial-turf green on No. 9 will be used as a training area. The Alaska Chapter aims at 8-18 year olds, who will have full use of a 33-foot-tall, 50-foot-wide driving range net, chipping areas and a putting green. When the second phase is complete, golfers will have grass greens and tees on holes 4 through 9, Starlings said. Holes 1 through 3 will remain open for youth and adult golfers to practice their game. Construction begins in 2008 and will take all summer to complete. The third phase, planned to start in 2009, will put grass greens on holes 1 through 3. When the facility is ultimately complete, it should function as a strong player cultivation program for the existing 18-hole regulation length golf courses in the Anchorage market.

Two other 9-hole golf courses rounds out the golf offerings in this market. **Tanglewood Lakes** is a 1,400 yard par 3 course located off of Seward Highway in south Anchorage. It features a 100-yard indoor two-tiered driving range. The green fee to walk the course is \$17, and the owner reports about 10,000 annual rounds of play. **Fish Hook** is a 9-hole family owned golf

course located in Palmer. Neither of these courses would be expected to have an impact on the proposed resort golf course in Girdwood.

Significant Findings

NGF Consulting research indicates the following significant findings for the greater Anchorage golf market:

- Though Anchorage golfers have relatively few choices, the golf courses that do exist are quality facilities that offer good value. The six 18-hole courses we profiled (including two at Moose Run), are generally very well maintained, despite the challenges that the south-central Alaska climate presents. In general, all of the market courses offer a strong price/value proposition.
- Most of the Anchorage and Mat-Su golf courses are very challenging for the average golfer. Other than the 'Hill' course at Moose Run, the other five layouts in the market have slope ratings of 126 or higher. The 'Creek' course at Moose Run, the newest layout in the market, stretches to a whopping 7,324 yards from its back tee, and plays to a slope of 142.
- Anchorage Golf Course is also very difficult due to its narrow fairways and heavily contoured greens. Also, the course reportedly was poorly built and does not have the best of soil. Anchorage is also difficult and expensive to maintain. Despite these factors, until the last several years, the course was operating at very close to maximum capacity.
- All of the 18-hole golf courses in this market offer driving ranges, the lack of which may prove a detriment to the proposed Glacier-Winner Creek Golf Course.
- Consistent with our findings in the initial market study done for this area in 2000, we note that golf cart utilization averages about 60% to 65% of all rounds in the market area. Many of the courses are a challenge to walk due to topography and/or elevation.
- Tournament play in the form of larger (144 or greater) shotgun style outings, is very significant in this market, making it difficult for daily fee golfers to get tee times at certain times. Weekday charity events are particularly common. Only Eagleleglen appears to put any restrictions on the amount of tournament play.
- Annual unlimited play memberships have been discontinued at Anchorage Golf Course and Moose Run, and now are offered only at Palmer Golf Course and Settler's Bay. AGC does still offer an early morning pass, but it is valid only weekdays between 5:00 am and 9:00 am, based on availability. Green fee punch cards or frequent player cards are available at several market courses, including Eagleleglen and Palmer GC.
- Local golf operators must be able to withstand the year-to-year variations in activity levels due to climate conditions in south-central Alaska. This would suggest a high degree of risk involved with planning and budgeting, a situation that some municipalities find untenable, especially if the golf operation must be subsidized by the general fund in any given year. The unpredictability in revenues is especially difficult for golf operations, which tend to have very high fixed expense structures.

- Golf facility rounds capacity is clearly enhanced in this market if the golf course can be open for play shortly after rain events. Any golf operation that is able to drain effectively and/or add materials (sand) to the playing surfaces to help it dry are at a competitive advantage in this market.
- NGF Consulting interviews with area golfers confirms what survey research indicated in 1989 – that Anchorage area golfers are willing to travel to play golf. This is borne out by the two Mat-Su golf courses: both Palmer GC and Settler's Bay report that they draw between 40% and 50% of their total play from Anchorage. Golfers are also very aware of course conditions at the various market facilities, and tend to plan their play accordingly.
- Most market courses open in the spring with the use of temporary greens. This is the only time of the golf season that facilities charge less than their published 'rack' green fees.
- The length of the golf season varies somewhat at market courses, and is of course dependent on weather. The two Mat-Su facilities tend to open the earliest - typically between April 10 and April 15. Palmer GC has the longest season, typically closing for play some time during the third week of October. The Anchorage facilities tend to open around the first of May. Operating hours can be 20 hours during the longest days of the summer (around the summer solstice), with hours tapering off as the sunlight grows shorter.

Green Fees and Trends

Some observations regarding green fees in this market:

- Green fees are very consistent in this market, with all 18-hole golf courses charging between \$34 (Palmer) and \$42 (Moose Run 'Creek' course and Eagleleglen). Only Settler's Bay has a weekday/weekend fee structure. Per person cart rates average \$14, with some courses charging a premium for single riders.
- Unlike many golf markets we have observed across the nation, the Anchorage market appears to have been able to sustain some moderate green fee increases over the past several years without a noticeable drop off in play. Average Daily Rates (ADR's) in many other markets have actually *declined* in recent years.
- Also unlike many other markets, discounting has not become prevalent in Anchorage. The only discounts available (other than for juniors, senior, and military) are twilight rates, which average \$25.

Rounds Activity and Trends

Below are our observations on rounds activity and trends in this market.

- At the time of NGF Consulting's original study of this golf market, golf operators were operating at very close to maximum capacity. The subsequent additions of the Palmer Golf Course, the second nine at Settler's Bay, and the 'Creek' course at Moose Run have resulted in increased overall play in the market, but a decrease in market share for some courses. Currently, Eagleleglen is operating at closest to capacity, at about 36,000 rounds annually.

- The addition of the Creek Course in 2000 seems to have resulted in a redistribution of rounds from some of the competitors over to Moose Run. Anchorage Golf Course, in particular, seems to have been affected, dropping from the mid-to-upper 30,000s to the lower 30,000s. Moose Run reports that yearly rounds played was about 30,000 before the addition of the Creek course, but has increased to the low 40,000s.
- Average annual rounds played among the primary market courses were just under 26,000 per 18 holes in 2005. Most operators report activity levels that have stayed essentially level or declined moderately. Though some of the decline can be due to yearly weather variations, the addition of the second course at Moose Run seems to have had an affect by alleviating some of the difficulty in getting a tee time in this market during peak demand times.
- Market operators report that rounds are down considerably in the summer of 2006, due to poor weather in 2006. Moose Run reported that it would be fortunate to do 35,000 rounds in 2006.
- The two military facilities are the highest activity clubs in the market. Moose Run, at about 40,000 to 42,000 rounds annually on its 36 holes, and Eagleglen, at about 36,000 rounds (which would be higher if tourneys were not restricted), enjoy reputations as very finely conditioned (especially Eagleglen) tracks that are fun and challenging to play. The military courses, despite popular notion, are self-sustaining facilities that fund even capital improvements out of operating cash flow.
- Both Palmer Golf Course and Settler's Bay report drawing up to 50% of their total play from the Anchorage area, another indicator of the local golfer's willingness to travel, as well as the difficulty getting tee times during peak demand periods.
- Despite NGF demand modeling that indicates upwards of 40,000 annual rounds should be demanded by out-of-state visitors to the Anchorage area, market golf courses have not seen this demand come to fruition. All five area facilities report minimal visitor play, with none topping 1,000 annual rounds. This is likely due to a combination of factors, including the feeling that these visiting golfers can "play any time I want at home, why take precious time out of a once-in-a-lifetime Alaska trip to play golf". Also, many tourists have much of their time in Alaska "programmed" as part of organized packages or tours.
- Active and retired military, to varying degrees, enjoy large discounts at Moose Run and Eagleglen. Though these golfers are not likely to play often at other golf courses (such as the proposed Glacier-Winner Creek GC), they also effectively limit the number of tee times for the general public, which should have a beneficial affect on the proposed new golf course in Girdwood. Moose Run reports that about 30% of total play is from the military, while Eagleglen, which restricts tourneys, is at 50%.

Market Opportunity Analysis

From the market analysis delineated in previous sections, it is possible to highlight any market opportunity that may exist for the Municipality of Anchorage to develop and operate a new resort golf course on the subject Girdwood site. These conclusions were based on NGF's analysis of the local golf supply and demand situation, as well as local and regional demographic and economic factors.

GOLF MARKET SUPPLY AND DEMAND SUMMARY AND CONCLUSIONS

As noted earlier, NGF Consulting classifies the Anchorage golf market as “inactive”. This means that the local market has a high proportion (relative to the national benchmark) of households available to support each 18 holes of golf in the community, but that these households tend to exhibit low demand for golf. *However, the golf demand predictive model is benchmarked against U.S. averages, and the low demand per household in the Anchorage market is primarily a function of the short season and the relatively small supply of golf courses. In other words, if the local golf season was as long as the national average, it is quite possible that we would term the Anchorage market as “active”.*

Even considering the “inactive” status of the golf market, the demand model also indicates that there are about 26,000 golfing households in the market, with the potential to demand about 266,000 rounds of golf annually. We have also noted potential visitor demand of more than 40,000 rounds per year. As we saw in the previous section of this report, existing market courses, including Palmer Golf Course and Settler's Bay (which are technically not located in the Anchorage market) are supplying only about 155,000 rounds. Even with the 9-hole facilities - Tanglewood Lakes and Russian Jack Springs - brought into the equation, current market golf operators are supplying less than 175,000 rounds of golf annually.

We can conclude from this analysis that there is untapped or “latent” demand in the market; this is especially true during peak demand periods, such as weekends. Two other factors point to the presence of unmet demand. First, the prevalence of tournament play in this market often excludes daily fee golfers from playing their favorite course when they want to. Secondly, active and retired military are given preferential tee times at Eagle Glen and Moose Run, which may also prevent the general public from getting the most preferred tee times.

MARKET OPPORTUNITY CONCLUSIONS

After integrating and analyzing the various components of the study, NGF Consulting has concluded that there is unmet demand in the Anchorage golf market. The availability of golfing choices is one of the top predictive factors of golf demand in a market. In other words, the lack of playing opportunities will often suppress actual rounds played in a given area. In the case of Anchorage, though there is some available capacity at the existing golf courses, there are peak demand times when it is difficult to obtain a tee time. This is evidenced by the strong Anchorage play that Palmer and Settler's Bay draw, despite a driving distance of an hour or more from much of the Anchorage area. In fact, NGF survey research conducted for the first Girdwood study in 1989 confirmed that golfers in this market are willing to travel further than the typical American golfer to have the opportunity to golf.

NGF Consulting's analysis of this market suggests that there is a potential opportunity for the Glacier-Winner Creek Golf Course to gain market traction by developing a high quality resort-style golf course, with strong support amenities, at the Upper Girdwood Valley site. Despite the driving distance of about one hour from much of Anchorage, we believe that a high quality course will draw consistent play from Anchorage proper. The new course will also tap into the latent golf demand from the Alyeska Resort. Despite the ownership relationship between the resort and the Anchorage Golf course, very few rounds of golf at the course have originated from the resort over the years due to the inconvenience of getting to the course (there are no rental car establishments in Girdwood), and the time commitment that would be involved. With an on-site golf course, NGF Consulting believes that there will be strong demand from guests, who typically exhibit a demographic profile that is consistent with high golf participation.

CONCEPT RECOMMENDATIONS

NGF Consulting addresses the financial feasibility of the proposed Glacier-Winner Creek Golf Course in the next section of this report. However, given the market findings we discussed previously, we have established some basic parameters for the new golf course that we believe will give it the best chance for success should the MOA elect to develop the facility.

Because of the required driving distance to Girdwood for Anchorage golfers, the Glacier-Winner Creek Golf Course must provide a very strong price/value proposition compared to in-town golf courses. This begins with a well-designed golf course that should challenge skilled golfers and provide an enjoyable experience for beginners and/or golfers of lesser skill levels, while at the same time not punishing the average and/or casual golfer. The expected aesthetic beauty of the golf course should be an additional lure for Anchorage golfers.

The distance of the course from much of the primary market makes it imperative that customers not be given a disincentive to return. Anchorage golfers will become easily dissuaded from patronizing the new facility if they do not perceive value given the facility's pricing; are offered a poor quality or poorly maintained product; are given sub-standard customer service; or, are punished for even occasional good shots. Likewise, design features must not preclude particular groups from frequenting the facility; for example, forward tee boxes that are too long may prevent many seniors, juniors, and ladies from enjoying the course.

Recommended features and amenities at the Glacier-Winner Creek Golf Course include:

- 18-hole regulation length high quality golf course (of sufficient quality and character to attract play from Anchorage)
- Four or five sets of tee boxes ranging from approximately 4,800 yards to 7,000+ yards
- Moderate size clubhouse with appropriate amenities; indoor and outdoor seating, perhaps in conjunction with an outdoor *pavilion*, should be sufficient to accommodate an outing of at least 144 players
- Practice bunkers and greens
- Pro shop (offering a variety of brand name hard & soft goods)
- Snack bar/limited grill (hot menu, sandwiches, snacks, beverages, alcoholic beverages)

PLAY POTENTIAL AT THE PROPOSED FACILITY

When projecting the level of play for a proposed facility, it is important to realize that the total number of rounds actually played at a new course during the first year will be much lower than the expected stabilized level of play, which can take up to five years to achieve. This can most often be attributed to lack of reputation in the area, loyalties to existing courses, the maintenance quality of a new facility in its infancy, and other reasons. However, as the course matures and gains popularity in the area, more golfers are anticipated to patronize the facility.

The following table summarizes NGF Consulting's projections for attainable activity levels in the first five years of operation for the proposed 18-hole golf facility, with the features and amenities as described previously. The level of projected rounds is based upon the implementation of the concept for a high quality resort-style layout and design, receiving a fair share of the resident market as well as significant resort play, and at the projected green and cart fee levels. As we will see in the financial section to follow, it is expected that non-Alaska residents will pay a significantly higher green fee than resident golfers, a business model that is used at many golf resorts across the nation.

Projected Rounds for the Proposed 18-Hole Glacier-Winner Creek Golf Course					
	Year 1	Year 2	Year 3	Year 4	Year 5
Total Projected Rounds	16,000	20,000	22,000	24,000	24,000

To accomplish the projected activity levels, management of the facility will need to market the new course aggressively to gain market awareness and stimulate trial. The awareness campaign during pre-opening and for the first year of operation will be critical to the success of this operation. *Supplemental advertising from the Alyeska Resort will be a key to drawing sufficient play from the visitor market, which will be integral to the success of this facility due to the green fee premium discussed earlier.* Because of the need to build and retain market share, it is expected that Glacier-Winner Creek Golf Course will also have to supplement daily fee rounds with significant tournament play in order to maximize rounds activity.

It should be noted that each golf course has a "theoretical" and "effective" maximum capacity. The theoretical maximum would assume that every available tee time over the course of a season would be available to be filled. Of course, in the real world, this is not possible because of factors such as bad weather days, "no shows", or partially filled foursomes. The reality of operating a golf course is that these three issues that serve to decrease capacity are always present at some level, depending on the type and location of a club. Therefore, there is another measurement called "effective" capacity, which would take into account these other constraining factors.

Based on NGF research and extensive interviews with area golf operators, we have determined that effective maximum capacity for the golf courses located in Anchorage and Mat-Su is approximately 38,000 to 40,000 rounds annually. At this activity level, operations and maintenance conditions would be strained. Due to the micro-climate of the Upper Girdwood Valley, NGF Consulting has estimated that the maximum capacity of a course at this location would be about 25% less than the Anchorage/Mat-Su facilities, or about 30,000 rounds. Of course, yearly weather variations could make the effective capacity even lower.

MARKET SHARE CONCLUSIONS

When considering the total market share of a new facility, it is important to realize that a new facility, even in the best of conditions, should not expect to reach its full play potential in the initial years of operation. Our estimates of performance for the proposed Glacier-Winner Creek Golf Course could change should the following conditions occur:

Stronger Performance	Weaker Performance
Future course closings	New course openings
Stronger than expected population growth	Incorrect price levels
Positive local/ national publicity	Poor customer service
Lack of loyalty to existing courses	Low quality facility
Unforeseen surge in golf interest	Poor yearly weather conditions
Excellent yearly weather conditions	Regional economic recession
	Unwillingness to travel by Anchorage golfers
	Low participation rates among visitors
	Lack of driving range proves detrimental

These estimates shown for probable activity levels are presented in a conservative manner. It is important to measure a new course's likely performance in such a way as to help the client make financial decisions based on realistic expectations. It is obviously possible that either more or fewer rounds and members will be realized. However, given the possibilities that the market has shown, we believe that our estimates are market-appropriate for this area of south-central Alaska.

Financial Overview

The following are the general assumptions that have been used in the development of NGF Consulting's cash flow model for the proposed Glacier-Winner Creek Golf Course to be located in Girdwood, Alaska, which is within the boundaries of the Municipality of Anchorage. NGF Consulting has prepared a cash flow model that is based on the assumption of the development of a high-quality 18-hole resort-style golf facility, featuring a modest clubhouse with appropriate support amenities, and maintained and operated to the standards of similar ski resort golf courses in the lower 48 States. The results of the cash flow model are assumed to be the same regardless of the management alternative chosen by the MOA. *(All figures are expressed in 2006 dollars).*

The warranted level of investment, as presented in the cash flow model, is not intended to be an estimate of the actual cost to develop the golf course and related amenities. Rather, it is an estimate of the level of debt that these cash flows could support, based on the projected stabilized activity levels of the golf course and the financing assumptions noted in the model.

ACTIVITY LEVELS

- All projections assume a golf course designed, constructed, and operated in a manner consistent with high quality ski resort golf courses in the lower 48 States. This includes a golf course design consistent with the considerations noted earlier in this report. The Glacier-Winner Creek Golf Course will have attractive and challenging features and the highest standard of maintenance in the local market.
- This golf facility is expected to generate approximately 24,000 annual rounds of golf at stabilization, which is projected to occur by the fourth or fifth year of operation. These projections are predicated on a 4-month golf season (June through September), with a typical year comprising 110 to 120 playable days.
- Based on market averages, cart utilization is estimated to be at 65 percent of all resident rounds. Carts fees for non-residents will be included in the green fee, resulting in an effective utilization rate of 100%.
- Activity levels have been estimated based on current market characteristics and NGF Consulting market projections. It is expected that the new Glacier-Winner Creek Golf Course would ultimately have *resident* play divided into 'rack rate' and discount (i.e., junior, senior, 9-hole, promotional, twilight, etc.) categories. We also expect play to be generated from other special events such as organized outings and tournaments.
- It is anticipated that unlimited play seasonal or annual memberships will not be offered. These pre-paid green fee arrangements tend to lower average green fee revenue per round and can have a negative effect on profitability. However, some type of frequent player card program may be an effective method of inducing Anchorage golfers to travel to Girdwood more frequently to play.

- Average golf shop merchandise revenue is estimated at \$8 per round in year 1, growing at 3% annually. This amount is based on the premise that apparel with attractive Alaska-themed logos will be very popular with visiting golfers.
- The food and beverage operation is assumed to be self-operated and is expected to comprise a modest bar/grill type set-up in the main clubhouse, as well as a halfway house and on-course beverage carts. Average revenue per round is estimated to be \$7 in year 1, with a 3% annual increase thereafter.

PROPOSED FEE SCHEDULE

- The *resident* fee schedule assumed by NGF Consulting for the first five years of operation reflect the variations between round types expected at this facility, including several types of discount rounds. The average resident green fee per round in the pro forma reflects NGF observations on price points in this market, as well as actual recent operating results at Anchorage Golf Course. The rate structure utilized in the financial projections is quoted in 2006 dollars, and may require some modification based upon market conditions in the area and other factors at the point the proposed course is ready to open.
- The green fees for non-Alaska residents reflect a significant premium over resident rates; this premium has been established by NGF Consulting based on observations of similar ski/golf resorts in the lower 48 States. The average resident green fee per round in the pro forma includes cart fee. The only discounts (from the MOA's perspective, and not the golfer's) off of visitor 'rack' rates will be for groups, such as the Alyeska Resort, other Anchorage hotels, or cruise lines, who buy tee times in bulk. The average non-resident green fee shown in the pro forma is also assumed to be net of any commissions paid to groups or individuals (such as hotel concierges).
- Eighteen-hole resident green fees are projected to be \$40 to \$44 in the initial years of operation, with market-based fees for other discount categories. Visitor green fees will be offered for 18 holes only, and will be between \$85 and \$90, cart included. Average green fee revenue per round is projected to grow at 3% per year.
- Eighteen-hole resident golf carts are projected at \$15 per player for eighteen holes and \$10 for nine holes the first two years, with moderate increases in year 3 and year 5. With expected utilization rates, the average cart revenue per round in year 1 for resident rounds is projected at \$9.59.
- NGF Consulting has crafted its estimates for income in this cash flow model under the assumption that a permanent golf clubhouse will be operated at the Glacier-Winner Creek Golf Course from inception. This building, which the MOA anticipates may be a dual-use Nordic/Golf structure, will include a full-service golf pro shop and bar/grill.
- A large inventory of rental clubs will be needed to accommodate the non-resident golfers. It is expected that both 'premium' and 'standard' sets will be offered. Usage for non-residents is assumed at 90% of all rounds, while usage for residents is assumed at 3%. The average rental price is expected to be \$30 for visitors and \$25 for residents, and average revenue expressed per *total* round will be \$6 in year 1.

CASH FLOW STATEMENT

- NGF Consulting has utilized the previously mentioned assumptions to create the cash flow statements in the following exhibits. Each category of revenue has been listed separately, and all figures have been rounded to the nearest \$100 for simplicity.

FIXED EXPENSES

NGF Consulting has assumed that a golf facility can be physically constructed on the site and that such facility would have average to better than average drainage characteristics. For this preliminary financial analysis, NGF Consulting has also made some basic assumptions for operational and maintenance expenses based on NGF Consulting experience, regional averages, and input from other operators in the area. Golf course maintenance expenses have been estimated to be \$474,000 in the first year of operation, growing at four percent per year to about \$554,000 by the fifth year of operation. Overall, golf course maintenance expenses are expected to conform to the following general schedule prepared by NGF Consulting.

Estimated Golf Course Maintenance Expense – Glacier-Winner Creek Golf Course	
Salaries & Wages	
<i>Full-Time Employees</i>	
Course Superintendent	\$45,000
Assistant Superintendent	25,000
Mechanic	25,000
Benefits & Taxes @ 30%	28,500
<i>Part-Time /Full-Time Seasonal Labor</i>	
8,000 hours @ \$8.00/hr.	64,000
Benefits & Taxes @ 10%	6,400
Total Salaries & Wages	\$193,900
Utilities – Incl. Water	50,000
Seed, Sod & Sand	75,000
Supplies (Chemicals & Fertilizer)	60,000
Repairs & Maintenance	25,000
Fuel & Oil	50,000
Miscellaneous (incl. Landscaping)	20,000
Total Course Maintenance Expense	\$473,900

General and administrative expenses have been estimated to be about \$528,000 in the first year of operation, growing at four percent per year to about \$618,000 by the fifth year of operation. The general and administrative expenses have been estimated based on the operation of a high-quality golf course, and are assumed to be the same whether the owner opts for self-operation or retention of a management company. A significant advertising budget has been included for the Glacier-Winner Creek Golf Course based on the need to build awareness and market share, and to increase non-resident golf participation. Overall, general and administrative expenses are expected to conform to the following general schedule prepared by NGF Consulting.

Administrative & General Expense – Glacier-Winner Creek Golf Course	
Salaries & Wages	
<i>Full-Time Employees</i>	
General Manager/Director of Golf	\$60,000
Golf Shop Manager	25,000
2 Assistant Golf Professionals @ \$25,000	50,000
Food & Beverage Manager	50,000
Benefits & Taxes @ 30%	55,500
<i>Part-Time/Full-Time Seasonal Labor</i>	
Shop Clerks, starters, rangers, bookkeeper, cart attendants, etc. (10,000 hours @ \$8.00/hr.)	80,000
Benefits & Taxes @ 10%	8,000
Telephone, Postage & Printing	30,000
Advertising & Promotion	50,000
Professional Services	20,000
Insurance	60,000
Supplies	25,000
Miscellaneous	15,000
Total Administrative & General Expense	\$528,500

DEPARTMENTAL / VARIABLE EXPENSES

- Expenses associated with operating a fleet of 70 golf carts have been estimated to be \$1,500 per cart. This estimate was intended to apply regardless of whether carts are purchased or leased by the golf course.
- Direct expenses associated with operating the pro shop have been estimated to be 70% of total pro shop revenue. The estimate assumes self-operation and excludes payroll expenses (included previously). The largest expense item would be cost of goods sold.
- Direct expenses associated with food & beverage operation have been estimated to be 60% of total F&B revenue. The estimate assumes self-operation and excludes payroll expenses (included previously). The largest expense item would be cost of goods sold.
- Maintenance and repair expenses in addition to the aforementioned normal maintenance may be necessary during the course of operating a top-quality golf facility. NGF Consulting has included a schedule for capital improvements of an 18-hole facility equivalent to 5% of adjusted gross revenue. This money can be spent each year, or saved as a reserve for major repairs in the future.
- In keeping with the conservative posture taken for this feasibility study, NGF Consulting has assumed a contingency expense to account for any possible unforeseen expenses. This contingency has been estimated to be 5% percent of total operating expenses, excluding cost of goods sold and capital improvements.
- Annual fixed expenses associated with operating the golf clubhouse have been estimated to be \$50,000, growing at 4% per year. The estimate assumes self-operation and excludes payroll expenses (included previously). The largest expense item would be building maintenance and upkeep.

NGF Consulting has utilized the previous assumptions to create the cash flow models that follow:

Glacier-Winner Creek Golf Course 18-Hole Layout					
Resident Rounds	13,000	16,000	17,500	19,000	19,000
Visitor Rounds	3,000	4,000	4,500	5,000	5,000
Total Rounds	16,000	20,000	22,000	24,000	24,000
Average Fee/Round					
Resident	\$28.00	\$28.84	\$29.71	\$30.60	\$31.51
Visitor (cart included)	\$80.00	\$82.40	\$84.87	\$87.42	\$90.04
Power Cart (Residents)	\$9.59	\$9.59	\$10.21	\$10.21	\$10.86
Green Fee and Cart Revenue					
Resident	\$364,000	\$461,440	\$519,841	\$581,331	\$598,771
Visitor	\$240,000	\$329,600	\$381,924	\$437,091	\$450,204
Power Cart	\$124,638	\$153,400	\$178,588	\$193,895	\$206,245
Total Fee Revenues	\$728,638	\$944,440	\$1,080,353	\$1,212,317	\$1,255,219
AVE. DEPARTMENTAL REVENUES/ROUND:					
Merchandise	\$8.00	\$8.24	\$8.49	\$8.74	\$9.00
Food & Beverage	\$7.00	\$7.21	\$7.43	\$7.65	\$7.88
Club Rentals	\$6.00	\$6.18	\$6.37	\$6.56	\$6.75
Other (Pull Carts, Gift Certificates, Misc.)	\$1.00	\$1.03	\$1.06	\$1.09	\$1.13
DEPARTMENTAL REVENUES:					
Merchandise	\$128,000	\$164,800	\$186,718	\$209,804	\$216,098
Food & Beverage	\$112,000	\$144,200	\$163,379	\$183,578	\$189,085
Club Rentals	\$90,750	\$120,000	\$134,625	\$149,250	\$149,250
Other (Pull Carts, Gift Certificates, Misc.)	\$16,000	\$20,600	\$23,340	\$26,225	\$27,012
TOTAL DEPARTMENTAL/OTHER REVENUE	\$346,800	\$449,600	\$508,100	\$568,900	\$581,400
TOTAL REVENUE	\$1,075,438	\$1,394,040	\$1,588,453	\$1,781,217	\$1,836,619
Less: Cost of Sales	\$156,800	\$201,880	\$228,730	\$257,009	\$264,720
ADJUSTED GROSS INCOME	\$918,600	\$1,192,200	\$1,359,700	\$1,524,200	\$1,571,900
EXPENSES:					
Administrative and General	\$528,500	\$549,600	\$571,600	\$594,500	\$618,300
Course Maintenance	\$473,900	\$492,900	\$512,600	\$533,100	\$554,400
Golf Cart Lease & Maintenance	\$105,000	\$105,000	\$105,000	\$105,000	\$105,000
Fixed Clubhouse Expense	\$50,000	\$52,000	\$54,100	\$56,300	\$58,600
Cap. Item Set-Aside	\$45,900	\$59,600	\$68,000	\$76,200	\$78,600
Contingency (5%)	\$57,900	\$60,000	\$62,200	\$64,400	\$66,800
TOTAL EXPENSES	\$1,261,200	\$1,319,100	\$1,373,500	\$1,429,500	\$1,481,700
EBITDA	(\$342,600)	(\$126,900)	(\$13,800)	\$94,700	\$90,200

RESULTS

The results of NGF Consulting's preliminary cash flow projection show that the Glacier-Winner Creek Golf Course can expect to generate approximately \$1.075 million in total operating revenues in the first full year of operation, growing to approximately \$1.837 million by the fifth year of operation. Considering all preliminary expense estimates prepared by NGF Consulting for this study, operating losses will total more than \$483,000 in the first three years, while total annual operations profit available for capital investment reduction will be about \$95,000 in year 4.

Based on NGF Consulting's analysis of the local golf market and the resulting net cash flow projections, we estimate the warranted level of investment (estimated supportable debt) for this project to be only \$983,000. Supportable debt level is based upon fourth year net operating income with a debt coverage ratio of 1.2, over a 20-year amortization schedule and with an interest rate of 5 percent. The estimated supportable debt level is based on the use of operating cash flows toward the reduction of debt associated with the golf course and clubhouse construction (including grow-in period), initial equipment purchase, and pre-opening administrative needs. It does not take into account any potential interest capitalization that may occur during the first few years due to negative cash flow from operations.

NGF Consulting's financial projections for the proposed facility are projections that reflect current and projected future golf market conditions and assume a quality public golf course and related amenities. We have also assumed that the new Glacier-Winner Creek Golf Course will feature excellent maintenance conditions and offer a high level of customer service.

THE ECONOMICS OF GOLF

As mentioned previously, NGF Consulting's use level and cash flow projections are intended to be conservative. The new Glacier-Winner Creek Golf Course could obviously outperform these projections. However, as the quantitative analysis below illustrates, our revenue projections would have to be off by a factor of more than 100% for the golf operation to be able to cover both operating expenses and the debt service related to the construction of the golf course (assuming construction costs are at or above the reported \$7 million cost of Moose Run's Creek Course in 2000). The quantitative analysis illustrates the fundamental challenge that many golf operators face in today's difficult golf market.

The table below illustrates the net stabilized operating cash flow that would be required to annually service the debt level listed in the second column, using net stabilized cash flows, a lender-required coverage ratio of 1.2, and assuming financing by means of a 20-year note at 5% interest. The third column shows the level of gross operating revenue that must be attained, assuming a 25% operating margin (which is considered highly efficient in the golf industry), in order to generate the corresponding net cash flow in the first column.

Even utilizing the favorable financing terms assumed in the example, Glacier-Winner Creek Golf Course would have to generate roughly \$2.8 million in total operating revenue, at a high 25% margin, in order to meet the annual debt service on \$7 million of financing. Of course, were the actual upfront capital costs to approach \$15 million or more, the revenue needed to meet operating expenses and the debt service would approach \$6 million, assuming a 25% margin.

Net Stabilized Operating Cash Flow	Maximum Sustainable Debt*	Revenue Required Assuming 25% Gross Margin
\$300,000	\$3,100,000	\$1,200,000
\$400,000	\$4,200,000	\$1,600,000
\$500,000	\$5,200,000	\$2,000,000
\$600,000	\$6,200,000	\$2,400,000
\$700,000	\$7,300,000	\$2,800,000
\$800,000	\$8,300,000	\$3,200,000
\$900,000	\$9,300,000	\$3,600,000
\$1,000,000	\$10,400,000	\$4,000,000
\$1,200,000	\$12,500,000	\$4,800,000
\$1,500,000	\$15,600,000	\$6,000,000

UTILIZATION OF FINANCIAL PROJECTIONS

The financial projections presented by NGF Consulting have been prepared based on existing and projected market conditions, the quality of the proposed facility and the intended segment of the golf market toward which it will be oriented. Proper uses of these projections include but are not limited to:

- Establishing reasonable performance expectations for the proposed facility
- Determining an appropriate level of debt that the facility can support
- Establishing the basis for financing determinations
- Providing guidelines for development cost determinations

NGF Consulting is confident that the stated financial projections can be achieved at the proposed facility. However, they should not be viewed as the ultimate target once the facility has been operating for a few years. From a practical standpoint, those managing the facility will need to respond to variable market conditions as well as unforeseen maintenance needs. Due to the fact that these conditions are more likely to change as the course continues to mature, NGF Consulting has limited its projections to a five-year period. Nevertheless, we are confident that the facility will be able to continue to achieve similar results beyond the first five years of operation.

MANAGEMENT ALTERNATIVES

A municipality has several alternatives with respect to the management of a golf course's operations and management. Municipalities typically use one of four different types of operating structures to run their golf facilities. These four methods are:

- Self-operation by the municipality
- Private for-profit management company
- Not-for-profit management company
- Lease and concession agreements with independent contractor

In **Appendix C** of this report, NGF Consulting shows a matrix of the different types of municipal golf facility management options and compares the advantages and disadvantages of each system.

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Appendices

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Appendix A – Detailed Demographics

Appendix B – Climate Tables

Appendix C – Management Options

APPENDIX A – DETAILED DEMOGRAPHICS

Summary Demographic

	5 miles		Anchorage CBSA		Alaska	
	Number	Percent Change	Number	Percent Change	Number	Percent Change
1980 Census	431		171,568		393,159	
1990 Census	711	64.90%	226,335	31.90%	549,810	39.80%
2000 Census	1,127	58.60%	260,283	15.00%	626,932	14.00%
2005 Projection	1,259	11.70%	278,263	6.90%	662,020	5.60%
2010 Projection	1,390	10.40%	295,713	6.30%	696,537	5.20%

	5 miles		Anchorage CBSA		Alaska	
	Number	Percent Change	Number	Percent Change	Number	Percent Change
1980 Census	187		59,546		130,005	
1990 Census	317	69.30%	82,699	38.90%	188,912	45.30%
2000 Census	496	56.30%	94,822	14.70%	221,600	17.30%
2005 Projection	565	13.90%	103,363	9.00%	234,213	5.70%
2010 Projection	632	11.90%	111,540	7.90%	246,225	5.10%

Families (2005)						
	5 miles		Anchorage CBSA		Alaska	
Families		280		70,253		158,925
Average Household Size		2.23		2.62		2.74

Population by Race (2005)						
	5 miles		Anchorage CBSA		Alaska	
	Number	Percent	Number	Percent	Number	Percent
White	1,178	93.50%	197,324	70.90%	457,036	69.00%
Black	2	0.10%	16,053	5.80%	22,925	3.50%
Asian	14	1.10%	16,337	5.90%	26,513	4.00%
Native American	24	1.90%	20,401	7.30%	101,905	15.40%
Hawaiian / Pacific Islander	0	0.00%	2,823	1.00%	3,755	0.60%
Two or More	31	2.40%	18,569	6.70%	38,517	5.80%
Other Race	11	0.90%	6,756	2.40%	11,369	1.70%
Total	1,260	100.00%	278,263	100.00%	662,020	100.00%

Hispanic Population (2005)						
	5 miles		Anchorage CBSA		Alaska	
	Number	Percent	Number	Percent	Number	Percent
Hispanic	25	1.90%	18,925	6.80%	32,521	4.90%
Not Hispanic	1,235	98.00%	259,338	93.20%	629,499	95.10%
Total	1,260	100.00%	278,263	100.00%	662,020	100.00%

Income (2005)				
	5 miles		Anchorage CBSA	Alaska
Median Household Income		\$83,222	\$61,712	\$57,041
Average Household Income		\$126,794	\$84,657	\$78,741
Average Family Income		\$175,768	\$95,998	\$89,327

Households by Income (2005)						
	5 miles		Anchorage CBSA		Alaska	
	Number	Percent	Number	Percent	Number	Percent
Less Than \$10,000	9	1.60%	4,101	4.00%	12,642	5.40%
\$10,000-\$14,999	12	2.10%	3,500	3.40%	10,113	4.30%
\$15,000-\$19,999	3	0.60%	4,138	4.00%	10,687	4.60%
\$20,000-\$24,999	3	0.50%	4,551	4.40%	11,165	4.80%
\$25,000-\$29,999	45	7.90%	4,826	4.70%	11,295	4.80%
\$30,000-\$34,999	32	5.60%	4,994	4.80%	11,800	5.00%
\$35,000-\$39,999	18	3.10%	4,930	4.80%	11,700	5.00%
\$40,000-\$49,999	58	10.30%	10,238	9.90%	23,353	10.00%
\$50,000-\$59,999	29	5.00%	8,983	8.70%	20,383	8.70%
\$60,000-\$74,999	47	8.40%	12,443	12.00%	27,570	11.80%
\$75,000-\$99,999	82	14.40%	15,926	15.40%	34,587	14.80%
\$100,000-\$124,999	65	11.40%	10,460	10.10%	21,986	9.40%
\$125,000-\$149,999	39	6.90%	5,867	5.70%	11,693	5.00%
\$150,000-\$199,999	49	8.70%	4,515	4.40%	8,448	3.60%
\$200,000-\$249,999	24	4.20%	1,433	1.40%	2,545	1.10%
\$250,000-\$499,999	36	6.30%	1,511	1.50%	2,550	1.10%
\$500,000+	15	2.70%	947	0.90%	1,696	0.70%
Total	566	100.00%	103,363	100.00%	234,213	100.00%

Households by Tenure (2005)						
	5 miles		Anchorage CBSA		Alaska	
	Number	Percent	Number	Percent	Number	Percent
Owner Occupied	370	44.20%	64,206	59.20%	146,153	53.70%
Renter Occupied	195	23.30%	39,157	36.10%	88,060	32.30%
Vacant	272	32.60%	5,079	4.70%	38,095	14.00%
Total	837	100.00%	108,442	100.00%	272,308	100.00%

Daytime Population (2004)				
	5 miles		Anchorage CBSA	Alaska
Establishments		2	14,114	29,853
Employees		6	149,394	283,145

Demograph Trend

5 miles

Summary Demographic			
	2000 CENSUS	2005 ESTIMATE	2010 FORECAST
Population	1,127	1,259	1,390
Households	496	565	632
Families	245	280	315
Median Age	34.6	35.4	35.7
Median Household Income	\$71,653	\$83,222	\$96,899
Average Household Income	\$84,874	\$126,794	\$141,777
Average Household Size	2.27	2.23	2.2

Households by Income						
	2000 CENSUS		2005 ESTIMATE		2010 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Less Than \$10,000	9	1.80%	9	1.60%	9	1.40%
\$10,000 - \$14,999	14	2.90%	12	2.10%	11	1.80%
\$15,000 - \$19,999	1	0.10%	3	0.60%	5	0.80%
\$20,000 - \$24,999	21	4.30%	3	0.50%	2	0.30%
\$25,000 - \$29,999	40	8.10%	45	7.90%	34	5.40%
\$30,000 - \$34,999	20	3.90%	32	5.60%	46	7.20%
\$35,000 - \$39,999	14	2.90%	18	3.10%	16	2.50%
\$40,000 - \$49,999	52	10.50%	58	10.30%	38	6.10%
\$50,000 - \$59,999	40	8.00%	29	5.10%	48	7.50%
\$60,000 - \$74,999	48	9.60%	47	8.40%	46	7.30%
\$75,000 - \$99,999	80	16.10%	82	14.40%	70	11.00%
\$100,000 - \$124,999	42	8.40%	65	11.40%	82	13.00%
\$125,000 - \$149,999	31	6.30%	39	6.90%	51	8.10%
\$150,000 - \$199,999	34	6.80%	49	8.80%	69	10.90%
\$200,000+	51	10.20%	75	13.20%	106	16.70%
Total	496	100.00%	565	100.00%	632	100.00%

Population by Age						
	2000 CENSUS		2005 ESTIMATE		2010 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Age 0-4	65	5.70%	73	5.80%	84	6.00%
Age 5-9	64	5.70%	69	5.50%	74	5.30%
Age 10-14	61	5.40%	69	5.50%	72	5.20%
Age 15-19	53	4.70%	66	5.20%	71	5.10%
Age 20-24	64	5.70%	81	6.40%	94	6.70%
Age 25-29	143	12.70%	140	11.10%	164	11.80%
Age 30-34	124	11.00%	123	9.70%	123	8.80%
Age 35-39	124	11.00%	114	9.00%	109	7.80%
Age 40-44	120	10.60%	119	9.40%	113	8.10%
Age 45-49	124	11.00%	141	11.20%	143	10.30%
Age 50-54	92	8.20%	119	9.50%	135	9.70%
Age 55-59	43	3.80%	67	5.40%	89	6.40%
Age 60-64	22	2.00%	39	3.10%	60	4.30%
Age 65-69	7	0.60%	12	0.90%	20	1.50%
Age 70-74	9	0.80%	11	0.90%	19	1.40%
Age 75-79	9	0.80%	11	0.90%	16	1.20%
Age 80-84	2	0.10%	2	0.20%	3	0.20%
Age 85+	1	0.10%	3	0.20%	3	0.20%
Total	1,127	100.00%	1,259	100.00%	1,390	100.00%
Median	34.6		35.4		35.7	

Population by Race Trends						
	2000 CENSUS		2005 ESTIMATE		2010 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
White	1,065	94.50%	1,178	93.60%	1,220	87.70%
Black	0	0.00%	2	0.10%	20	1.40%
Native American	20	1.80%	24	1.90%	46	3.30%
Asian	10	0.90%	14	1.10%	31	2.20%
Hawaiian / Pacific Islander	0	0.00%	0	0.00%	3	0.20%
Two or More	23	2.00%	31	2.40%	50	3.60%
Other Race	8	0.70%	11	0.90%	20	1.40%
Total	1,127	100.00%	1,259	100.00%	1,390	100.00%

Hispanic Population Trends						
	2000 CENSUS		2005 ESTIMATE		2010 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Hispanic	17	1.50%	25	2.00%	31	2.20%
Not Hispanic	1,110	98.50%	1,235	98.00%	1,359	97.80%
Total	1,127	100.00%	1,259	100.00%	1,390	100.00%

Households by Occupancy Trends							
	2000 CENSUS		2005 ESTIMATE		2010 FORECAST		
	Number	Percent	Number	Percent	Number	Percent	
Owner Occupied	316	42.60%	370	44.20%	423	45.40%	
Renter Occupied	180	24.40%	195	23.30%	209	22.40%	
Vacant	245	33.00%	272	32.50%	300	32.20%	
Total	740	100.00%	837	100.00%	932	100.00%	

Daytime Population			
	2000 CENSUS	2005 ESTIMATE	2010 FORECAST
Establishments	0	2	0
Employees	0	6	0

Anchorage CBSA

Summary Demographic			
	2000 CENSUS	2005 ESTIMATE	2010 FORECAST
Population	260,283	278,263	295,713
Households	94,822	103,363	111,540
Families	64,131	70,253	76,096
Median Age	32.4	33.7	34.9
Median Household Income	\$55,865	\$61,712	\$69,049
Average Household Income	\$68,091	\$84,657	\$94,994
Average Household Size	2.74	2.69	2.65

Households by Income						
	2000 CENSUS		2005 ESTIMATE		2010 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Less Than \$10,000	3,932	4.10%	4,101	4.00%	4,253	3.80%
\$10,000 - \$14,999	3,765	4.00%	3,500	3.40%	3,292	3.00%
\$15,000 - \$19,999	4,089	4.30%	4,138	4.00%	3,812	3.40%
\$20,000 - \$24,999	4,826	5.10%	4,551	4.40%	4,319	3.90%
\$25,000 - \$29,999	5,388	5.70%	4,826	4.70%	4,648	4.20%
\$30,000 - \$34,999	4,832	5.10%	4,994	4.80%	5,494	4.90%
\$35,000 - \$39,999	5,104	5.40%	4,930	4.80%	3,812	3.40%
\$40,000 - \$49,999	10,054	10.60%	10,238	9.90%	9,513	8.50%
\$50,000 - \$59,999	9,243	9.70%	8,983	8.70%	9,893	8.90%
\$60,000 - \$74,999	12,205	12.90%	12,443	12.00%	11,162	10.00%
\$75,000 - \$99,999	13,557	14.30%	15,926	15.40%	16,342	14.70%
\$100,000 - \$124,999	7,961	8.40%	10,460	10.10%	12,700	11.40%
\$125,000 - \$149,999	4,272	4.50%	5,867	5.70%	8,717	7.80%
\$150,000 - \$199,999	3,199	3.40%	4,515	4.40%	7,884	7.10%
\$200,000+	2,395	2.50%	3,891	3.80%	5,699	5.10%
Total	94,822	100.00%	103,363	100.00%	111,540	100.00%

Population by Age						
	2000 CENSUS		2005 ESTIMATE		2010 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Age 0-4	20,033	7.70%	21,101	7.60%	22,008	7.40%
Age 5-9	21,867	8.40%	20,996	7.50%	21,248	7.20%
Age 10-14	21,501	8.30%	22,135	8.00%	21,251	7.20%
Age 15-19	19,662	7.60%	22,194	8.00%	22,382	7.60%
Age 20-24	17,694	6.80%	20,436	7.30%	22,353	7.60%
Age 25-29	19,748	7.60%	18,324	6.60%	20,549	6.90%
Age 30-34	20,365	7.80%	19,034	6.80%	18,398	6.20%
Age 35-39	23,972	9.20%	20,703	7.40%	19,117	6.50%
Age 40-44	24,238	9.30%	22,715	8.20%	20,696	7.00%
Age 45-49	21,685	8.30%	23,458	8.40%	22,694	7.70%
Age 50-54	17,118	6.60%	21,107	7.60%	23,145	7.80%
Age 55-59	11,240	4.30%	16,468	5.90%	20,838	7.00%
Age 60-64	6,918	2.70%	11,079	4.00%	15,828	5.40%
Age 65-69	4,982	1.90%	6,885	2.50%	10,655	3.60%
Age 70-74	3,913	1.50%	4,631	1.70%	6,127	2.10%
Age 75-79	2,805	1.10%	3,307	1.20%	4,122	1.40%
Age 80-84	1,479	0.60%	2,087	0.80%	2,393	0.80%
Age 85+	1,063	0.40%	1,603	0.60%	1,909	0.60%
Total	260,283	100.00%	278,263	100.00%	295,713	100.00%
Median	32.4		33.7		34.9	

Population by Race Trends						
	2000 CENSUS		2005 ESTIMATE		2010 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
White	188,009	72.20%	197,324	70.90%	206,281	69.80%
Black	15,199	5.80%	16,053	5.80%	16,790	5.70%
Native American	18,941	7.30%	20,401	7.30%	22,101	7.50%
Asian	14,433	5.50%	16,337	5.90%	18,029	6.10%
Hawaiian / Pacific Islander	2,423	0.90%	2,823	1.00%	3,204	1.10%
Two or More	15,575	6.00%	18,569	6.70%	20,494	6.90%
Other Race	5,703	2.20%	6,756	2.40%	8,814	3.00%
Total	260,283	100.00%	278,263	100.00%	295,713	100.00%

Hispanic Population Trends						
	2000 CENSUS		2005 ESTIMATE		2010 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Hispanic	14,799	5.70%	18,925	6.80%	22,729	7.70%
Not Hispanic	245,484	94.30%	259,338	93.20%	272,984	92.30%
Total	260,283	100.00%	278,263	100.00%	295,713	100.00%

Households by Occupancy Trends						
	2000 CENSUS		2005 ESTIMATE		2010 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Owner Occupied	56,953	56.70%	64,206	59.20%	71,224	61.30%
Renter Occupied	37,869	37.70%	39,157	36.10%	40,316	34.70%
Vacant	5,546	5.50%	5,079	4.70%	4,662	4.00%
Total	100,368	100.00%	108,442	100.00%	116,202	100.00%

Daytime Population			
	2000 CENSUS	2005 ESTIMATE	2010 FORECAST
Establishments	0	14,114	0
Employees	0	149,394	0

Alaska

Summary Demographic			
	2000 CENSUS	2005 ESTIMATE	2010 FORECAST
Population	626,932	662,020	696,537
Households	221,600	234,213	246,225
Families	152,337	158,925	165,117
Median Age	32.4	33.5	34.4
Median Household Income	\$51,855	\$57,041	\$63,285
Average Household Income	\$62,532	\$78,741	\$88,176
Average Household Size	2.83	2.83	2.83

Households by Income						
	2000 CENSUS		2005 ESTIMATE		2010 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Less Than \$10,000	12,442	5.60%	12,642	5.40%	12,700	5.20%
\$10,000 - \$14,999	10,989	5.00%	10,113	4.30%	9,264	3.80%
\$15,000 - \$19,999	10,901	4.90%	10,687	4.60%	9,786	4.00%
\$20,000 - \$24,999	12,003	5.40%	11,165	4.80%	10,457	4.20%
\$25,000 - \$29,999	12,867	5.80%	11,295	4.80%	10,744	4.40%
\$30,000 - \$34,999	12,132	5.50%	11,800	5.00%	12,353	5.00%
\$35,000 - \$39,999	11,999	5.40%	11,700	5.00%	9,129	3.70%
\$40,000 - \$49,999	23,487	10.60%	23,353	10.00%	21,429	8.70%
\$50,000 - \$59,999	21,454	9.70%	20,383	8.70%	21,901	8.90%
\$60,000 - \$74,999	27,412	12.40%	27,570	11.80%	24,428	9.90%
\$75,000 - \$99,999	30,340	13.70%	34,587	14.80%	34,672	14.10%
\$100,000 - \$124,999	16,929	7.60%	21,986	9.40%	26,893	10.90%
\$125,000 - \$149,999	8,425	3.80%	11,693	5.00%	17,650	7.20%
\$150,000 - \$199,999	6,075	2.70%	8,448	3.60%	14,948	6.10%
\$200,000+	4,145	1.90%	6,791	2.90%	9,871	4.00%
Total	221,600	100.00%	234,213	100.00%	246,225	100.00%

Population by Age						
	2000 CENSUS		2005 ESTIMATE		2010 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Age 0-4	47,591	7.60%	49,493	7.50%	52,371	7.50%
Age 5-9	53,771	8.60%	49,157	7.40%	49,095	7.00%
Age 10-14	56,661	9.00%	53,940	8.10%	49,144	7.10%
Age 15-19	50,094	8.00%	56,878	8.60%	53,926	7.70%
Age 20-24	39,892	6.40%	50,627	7.60%	56,681	8.10%
Age 25-29	42,987	6.90%	41,614	6.30%	50,451	7.20%
Age 30-34	46,486	7.40%	41,658	6.30%	41,417	5.90%
Age 35-39	55,723	8.90%	46,354	7.00%	41,462	6.00%
Age 40-44	58,326	9.30%	52,585	7.90%	45,905	6.60%
Age 45-49	53,515	8.50%	56,097	8.50%	52,077	7.50%
Age 50-54	41,437	6.60%	51,574	7.80%	54,916	7.90%
Age 55-59	27,423	4.40%	39,733	6.00%	50,482	7.20%
Age 60-64	17,327	2.80%	26,656	4.00%	37,798	5.40%
Age 65-69	12,626	2.00%	16,917	2.60%	25,357	3.60%
Age 70-74	9,881	1.60%	11,498	1.70%	14,873	2.10%
Age 75-79	6,863	1.10%	8,163	1.20%	10,122	1.50%
Age 80-84	3,695	0.60%	5,157	0.80%	5,828	0.80%
Age 85+	2,634	0.40%	3,919	0.60%	4,632	0.70%
Total	626,932	100.00%	662,020	100.00%	696,537	100.00%
Median	32.4		33.5		34.4	

Population by Race Trends						
	2000 CENSUS		2005 ESTIMATE		2010 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
White	434,534	69.30%	457,036	69.00%	479,143	68.80%
Black	21,787	3.50%	22,925	3.50%	24,043	3.50%
Native American	98,043	15.60%	101,905	15.40%	105,678	15.20%
Asian	25,116	4.00%	26,513	4.00%	27,887	4.00%
Hawaiian / Pacific Islander	3,309	0.50%	3,755	0.60%	4,197	0.60%
Two or More	34,146	5.40%	38,517	5.80%	40,683	5.80%
Other Race	9,997	1.60%	11,369	1.70%	14,906	2.10%
Total	626,932	100.00%	662,020	100.00%	696,537	100.00%

Hispanic Population Trends						
	2000 CENSUS		2005 ESTIMATE		2010 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Hispanic	25,852	4.10%	32,521	4.90%	39,020	5.60%
Not Hispanic	601,080	95.90%	629,499	95.10%	657,517	94.40%
Total	626,932	100.00%	662,020	100.00%	696,537	100.00%

Households by Occupancy Trends						
	2000 CENSUS		2005 ESTIMATE		2010 FORECAST	
	Number	Percent	Number	Percent	Number	Percent
Owner Occupied	138,509	53.10%	146,153	53.70%	153,433	54.20%
Renter Occupied	83,091	31.80%	88,060	32.30%	92,792	32.80%
Vacant	39,378	15.10%	38,095	14.00%	36,903	13.00%
Total	260,978	100.00%	272,308	100.00%	283,128	100.00%

Daytime Population			
	2000 CENSUS	2005 ESTIMATE	2010 FORECAST
Establishments	0	29,853	0
Employees	0	283,145	0

APPENDIX B – CLIMATE TABLES

Alyeska, Alaska Monthly Climate Summary Period of Record : 11/7/1963 to 12/31/2005													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
Average Max. Temperature (F)	26.0	29.7	35.2	43.7	53.7	61.9	65.5	63.4	54.8	41.9	32.1	28.6	44.7
Average Min. Temperature (F)	14.7	17.2	19.8	27.7	36.0	43.6	48.3	46.5	39.1	28.9	20.7	17.5	30.0
Average Total Precipitation (in.)	8.05	5.90	4.82	5.12	3.46	2.24	2.60	4.69	7.94	8.13	6.62	9.34	68.90
Average Total SnowFall (in.)	29.0	32.9	33.9	11.5	1.0	0.0	0.0	0.0	0.0	11.7	28.2	48.8	197.0
Average Snow Depth (in.)	24	30	34	24	2	0	0	0	0	1	7	19	12
Percent of possible observations for period of record. Max. Temp.: 77.6% Min. Temp.: 77.9% Precipitation: 78.7% Snowfall: 77.5% Snow Depth: 72% Source: Western Regional Climate Center													

Anchorage WSCMO AP, Alaska Monthly Climate Summary Period of Record : 4/ 1/1952 to 12/31/2005													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
Average Max. Temperature (F)	21.7	26.1	32.9	43.6	55.0	62.5	65.4	63.4	55.1	40.5	28.0	22.6	43.1
Average Min. Temperature (F)	8.6	12.0	17.6	28.5	38.9	47.4	51.6	49.5	41.3	28.5	16.2	10.1	29.2
Average Total Precipitation (in.)	0.73	0.83	0.65	0.53	0.67	1.00	1.87	2.66	2.72	1.92	1.12	1.10	15.79
Average Total SnowFall (in.)	8.9	11.8	9.5	4.5	0.3	0.0	0.0	0.0	0.4	7.4	11.7	15.5	69.9
Average Snow Depth (in.)	10	11	10	3	0	0	0	0	0	1	4	8	4
Percent of possible observations for period of record. Max. Temp.: 99.4% Min. Temp.: 99.6% Precipitation: 99.6% Snowfall: 98.1% Snow Depth: 97.9% Source: Western Regional Climate Center													

APPENDIX C – MANAGEMENT OPTIONS

Management Options				
Contractual Obligations	Management Contract	Operating Lease	Concession Agreement	Self-Operation
Term of Contract	Initial contract may be for two to five years with two-year options.	Initial contract may be ten or more years with options depending on amount of capital improvements.	Initial contract may be for three years with two, one-year options.	Not Applicable.
Payment	The City pays management firm a fixed fee for its services, plus incentives.	Lessee pays the City a fixed fee or a percentage of gross receipts whichever is higher.	Concessionaire pays the City a flat fee, plus a percentage of gross receipts.	Not Applicable.
Capital Improvements	The City pays for all improvements.	Lessee is required to pay for all improvements. The City may give lessee relief from rent schedule in consideration for cost of improvements.	Concessionaire may pay for minor items; the City pays for all major projects.	The City is responsible for all capital improvements.
Operation and Maintenance Budgets	City has total responsibility for the budget managed by the firm.	Lessee has budget responsibility. The City should have authorization to review expenditures for maintenance and capital improvements.	Concessionaire has budget responsibility. The City should require authorization to review expenditures to verify contract compliance.	The City has complete control over golf budget.
Revenues	All revenues belong to the City.	All revenues belong to the lessee.	All revenues belong to the concessionaire.	All revenues belong to the City.
Fees and Charges	Recommended by the management firm and approved by the City.	Set by the lessee, approved by the City. Approval should not be denied if fees are competitive with market.	Recommended by the concessionaire, approved by the City.	Established by the City.
Hours of Operation	Recommended by the management firm and approved by the City.	Recommended by the lessee, approved by the City.	Recommended by the concessionaire, approved by the City.	Established by the City.
Staffing	The City must have approval over management firm's staff. All employees belong to the firm. The City reimburses firm for payroll expenses.	The City can demand that key staff be replaced if lessee fails to comply with contract requirements.	The City has approval over key staff.	The City is responsible for all employees.
Equipment	The City retains ownership of equipment and pays for the cost of repairs.	Lessee is required to provide all equipment. The City may elect to sell lessee its equipment or use it elsewhere.	The City may include the use of its equipment in the agreement; concessionaire is obligated to maintain and replace equipment as needed.	The City purchases, maintains, and replaces all equipment.