

**MARKET EVALUATION OF DEVELOPMENT OF MEETING AND CONFERENCE
SPACE AT THE NAPA COUNTY FAIRGROUND AND STRATEGIC
RECOMMENDATIONS FOR THE NAPA COUNTY FAIR ASSOCIATION**

Report to

NAPA COUNTY FAIR ASSOCIATION

From

GRUEN GRUEN + ASSOCIATES

Urban Economists, Market Strategists & Land Use/Public Policy Analysts

September 2015

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PURPOSE AND WORK COMPLETED

The Napa County Fair Association engaged Gruen Gruen + Associates (GG+A) to conduct a market study to assess whether sufficient obtainable demand exists to support the development of meeting and conference center building space (or the rehabilitation of existing space) on the Napa County Fairgrounds. The purpose of this market assessment is to provide the Fair Association with objective information to help inform the master planning process for the future use of the 63-acre Napa County Fairgrounds. The research and analysis summarized in this report was conducted to test the hypothesis that a modern meeting space or conference venue may capture non-local event space demand while establishing a consistent source of positive net revenue for the Napa County Fair Association.

To accomplish the analysis, GG+A completed the following work tasks:

1. Conducted field research and interviews with and obtained information and data from hotel developers, hotel and event space managers, local knowledgeable business people as well as representatives of the Visit Napa Valley, St. Helena Chamber of Commerce, Calistoga Chamber of Commerce, and Mayor of Calistoga. Appendix A contains a list of sources consulted. We directed these interviews toward gaining information and insights needed to define the likely relevant primary market areas and to identify: (a) the likely origins and types of prospective space users and visitors; (b) the alternative locations prospective space users and visitors will consider; and (c) the relative advantages and disadvantages of the Fairgrounds for meetings and conference center-type events and activities;
2. Studied hotel and event space supply conditions and trends;
3. Analyzed demographic and employment characteristics of the Calistoga area; and
4. Evaluated the potential demand for a meeting and event space building based on a review of meeting and conference supply and demand trends, evaluation of the supply of competitive facilities, and interviews with managers of meeting and event facilities and local tourism experts.

FINDINGS

Based on a synthesis of the field research, interviews, and review of secondary data, the following summarizes the primary findings drawn from the market evaluation starting with an assessment of



the primary competitive strengths and constraints for the development and utilization of meeting and conference space at the Napa County Fairgrounds.

Competitive Strengths

- Although most visitors to Napa County originate from within a 120 mile driving distance, the expansion of the Sonoma County Airport to accommodate larger commercial air traffic is a potential advantage. Calistoga is the nearest Napa Valley destination to the Sonoma County Airport.
- Calistoga's Downtown provides numerous restaurants, shops, antique stores, and historical hotels and resorts and offers visitors a pleasurable and authentic experience.
- Calistoga has a unique brand associated with its "hot spring" pools, which is a key visitor attraction that cannot be duplicated.
- The popularity of Napa Valley as a group travel destination appears to be growing, although this is not an advantage unique to Calistoga.

Competitive Constraints

- The resident base and business base of Calistoga is small. The market of local event activity is limited and already being served by facilities at the Napa County Fairgrounds.
- The largest hotel in Calistoga contains 116 rooms with each of the remaining hotels at less than 100 rooms in size. This will limit the ability to attract larger non-local groups as some groups or planners will want the entire block of rooms to fit within one hotel property.
- The high occupancy rates and ADR's of the existing hotel base leave little room for accommodating demand from non-local, price-sensitive business or association group events.
- Attracting day trip groups for meetings and conferences will be challenging given Calistoga's location farthest up valley in the Napa Valley. The City of Napa is about a 1½ hour drive from the Bay Area from where a significant number of group and conference meeting business originates. Calistoga's location about a 45 minute drive further north from Napa will make it challenging for business or conference groups to make a day trip type meeting.
- Supply competition throughout the valley for meetings/conferences can be expected to



grow, both internally within Calistoga, and externally in St. Helena and Napa.

- The Fairgrounds, while not far from Downtown Calistoga, still sits at least six walking blocks from the Downtown core on Lincoln Street. Shuttle service would need to be provided for any meeting/conference space at the Fairgrounds to connect the hotels to the Fairgrounds.
- The presence of the Speedway may be perceived negatively by leisure markets (e.g., higher-end wedding events and business meetings).

Characteristics of Supply, Competing Locations, Sources of Demand, and Market Challenges to the Development and Utilization of Meeting and Conference Space at the Napa County Fairgrounds

- No large stand-alone meeting and conference facilities exist in Napa County. Interviews with hotel operators and tourism officials in Napa County indicate that most meeting and event space in Napa Valley is attached to a hotel or resort, and that higher levels of room night generation and event space utilization are achieved with a combined hotel and meeting/conference facility.
- Larger meetings and conferences for group-oriented business are served most effectively by the larger, more affordable hotels in the City of Napa.
- Smaller and less price-sensitive business groups are attracted to boutique luxury hotels in Yountville, St. Helena, Calistoga, Rutherford, and Healdsburg (Sonoma County).
- A few non-hotel meeting and event facilities are located in unique facilities such as a culinary school and a monastery, the institutional nature of which tend to generate some of their own event space needs.
- A privately operated event and wine tasting space in Downtown Calistoga (Domaine) has attracted few private events since opening in early 2014.
- Sonoma County and Monterey County are cited as the two primary external sources of competition within Northern California for small and medium sized conferences and meetings.
- Leisure travel is the predominant room night demand generator throughout the Napa Valley but particularly in the smaller Upper Valley communities, including Calistoga. The resort with the largest amount of on-site meeting/event space in Calistoga, Solage, generates only



30 percent of its demand for room nights from corporate or business travelers. Valley wide, less than three percent of all visitors (including overnight lodging, day trippers, and those staying in private residences) cite conferences or group meetings as the primary reason for visitation.

- The current Calistoga hotel supply is small with high year-round occupancy rates and high average daily rates. While Calistoga contains a mix of budget, limited service, and full-service hotels, the size of a typical property is very small (at less than 40 rooms), with only one property offering more than 100 rooms. While new hotel supply has recently been added in Calistoga, the occupancy and average daily rates in the market have remained strong and have improved over time, one indication that lodging demand exceeds supply. The peak season with the highest occupancy and room rates has extended into shoulder season months over the past couple of years.
- The robust demand relative to supply for hotel rooms in Calistoga suggests that additional meeting and conference space geared to businesses is not needed to generate more hotel room night demand in the absence of the significant expansion of the hotel room inventory.
- Limited availability of blocks of hotel rooms in the market area will make it challenging to attract larger business group meetings and conferences.
- In addition, a location not readily accessible to major Bay Area airports is not conducive to attracting time- and cost-sensitive business travelers from outside the region attending a short mid-week conference or meeting. Our interviews with local hoteliers and event operators confirm this accessibility disadvantage is another primary challenge to attracting frequent group meeting and conference business to Calistoga.
- Consistent with the less than ideal transportation accessibility to out-of-region visitors, tight hotel room inventory in Calistoga and nearby communities of St. Helena and Yountville, and the importance of the leisure market served, meeting and conference groups attracted to the Upper Valley rarely include more than 100 participants. Non-wedding events at Solage, for example, tend to typically include about 50-60 guests while many venues cater to even smaller business groups, such as Indian Springs which reports a typical group size of about 15-20 people. These examples are indicative of the make-up and source of demand for meeting space in the Upper Valley which tends to primarily consist of corporate retreats and incentive trips (which themselves are usually “leisure” in nature with limited durations of meeting space required). Most event space operators with whom we spoke indicated that groups originating out of the Bay Area/Northern California usually comprise around 50 percent of space utilization.



- None of the hotel or event space operators with whom we spoke have fully utilized meeting or conference spaces. Some venues such as the Marriott in Napa or the small Hotel Yountville reportedly turn away some group business, especially for weekend leisure/social events, but only during the peak season months of August through September. It would be challenging to accommodate any sizeable group lodging needs during this season even if the spillover event space demands could be captured in Calistoga.
- Most meeting and conference venues are also not charging much for the event space itself - group business is attractive because of the hotel room, food/beverage, and spa revenues that are captured through on-site event activities.
- Additionally, the competitive supply of event space throughout Napa Valley can be expected to grow in the next few years. Two new resorts are planned in Calistoga that will include on-site event space capable of accommodating groups of up to 200-250 people, and the largest resort in Calistoga (Indian Springs) also has vacant land upon which to expand its offering of event facilities in addition to hotel rooms. Further south in St. Helena, the City of St. Helena is pursuing the development of a hotel/conference center on multiple city-owned properties and interviews suggest that a proposal for a large wedding venue is likely to be put forward soon. In Napa, the Meritage is also expanding upon its already dominant position as the largest resort and conference center in Napa Valley. The Culinary Institute of America is also planning an expansion through its purchase of the Copia building in Downtown Napa and plans on trying to attract more corporate events than it currently attracts at its St. Helena campus.
- The visitor- and hospitality-service and agricultural-oriented nature of the economic base and small size of the local population and employment base are not likely to support additional meeting and conference space at the Fairgrounds.

CONCLUSIONS AND RECOMMENDATIONS

Potential Meeting Event/Conference Center

- The demand for modern meeting space or a conference venue from businesses and association groups originating from outside the local market is not likely to be deep and consistent enough to offset the costs and risks of new development, while establishing a consistent source of positive net revenue for the Napa County Fair Association.



- The leisure, social, and corporate incentives market would support additional room night demand in Calistoga and some ancillary meeting/conference and banquet space¹.
- Hotel rooms and food and beverage service are the essential elements, rather than meeting/conference space per se, that could be expected to generate net revenue for the Napa County Fair Association.
- We understand that entitling a new hotel and meeting/banquet space use on the Napa County Fairgrounds can be expected to be risky, time-consuming, and expensive to undertake. The approval of a hotel and meeting/conference/banquet space use on the Napa County Fairgrounds would likely require the City of Calistoga and Napa County to reach an intergovernmental agreement about tax sharing and given the low density development regulations would reduce the amount of land available for other uses on the Fairgrounds. If following preliminary meetings with representatives of the City and County, an “entitlement audit” suggests a potentially viable path to obtaining approvals is plausible, a solicitation program could be devised to encourage private sector participation to advance risk capital for the planning and entitlement as well as development of the hotel including meeting/banquet space under which a participating ground rent structure would generate net revenue for the Napa County Fair Association.

Enhance Revenues from RV Park and Complementary Utilization of Fairgrounds

- Evaluate the potential opportunity to expand the most profitable use on the Fairgrounds – the RV Park. Identify if the RV Park could be expanded to include more RV spaces/hook-ups and amenities such as a pool or attractive outdoor barn or pagoda for group gatherings and socializing that would serve to increase obtainable fees.
- Evaluate the potential revenue-generating opportunities to expand the RV Park use to include other outdoor activities such as high-end camp tenting (including options such as heavy canvas and hardwood floors to give the feel of camping, while still boasting essentials like heaters and ceiling fans) and outdoor recreational activities that could be used to serve the corporate incentives and wedding or family reunion markets. For example, hay rides, pool parties, rock wall climbing, wine tastings, volley ball courts, bocce ball courts, fitness center programs, scavenger hunt and obstacle courses for team building, and facilities or services such as massages, acupuncture and acupressure could appeal to these target markets already attracted to Calistoga. A survey of existing RV Park users could be part of the

¹ Based on the existing number of hotel rooms and associated meeting space in Calistoga, Yountville, and St. Helena hotels, at 42 square feet per room key, a 100 room hotel, for example, would include 4,200 square feet of meeting/conference and banquet space.



research to identify willingness to pay for enhanced programming, services, and facilities. Private operators/producers could be solicited to identify willingness to pay for the right to provide services and facilities.

- An enhanced golf course/club house offering would complement the potential revenue-generating enhancement opportunities described above. The supply of off-resort golf courses throughout the Upper Valley is non-existent. An improved golf course and clubhouse would likely increase the appeal of the Fairgrounds for RV Park users as well as attract a greater share of local residents. A café or other provision of food service facilities would likely be necessary as part of the expansion of revenue-generating programming, services, and facilities related to expanding the RV Park and outdoor recreational uses. Other RV parks and camping facilities have such facilities and a market reconnaissance of these facilities could be conducted. Outreach to local food service and catering operators could be conducted as part of the due diligence programming and identification of how best to implement the development and operation of food service. A survey of golf course and RV Park customers could also be part of the survey research to identify improvements most desired and willingness to pay for such enhancements.



CHAPTER II: EXISTING FACILITIES, MARKETS CURRENTLY SERVED, AND DEMOGRAPHIC, EMPLOYMENT, AND ACCESSIBILITY CHARACTERISTICS

EXISTING FACILITIES, LOCATION, AND TYPE OF NON-FAIR EVENTS CAPTURED

The 63 acre Napa County Fairgrounds is located on Oak Street between Grant and Washington Streets in the City of Calistoga. The area surrounding the Fairgrounds is comprised primarily of an older single-family residential neighborhood. The Fairgrounds are a six-block walk from Lincoln Street, the main thoroughfare through Calistoga on which the majority of hotels, restaurants, and shops are located. The Napa River borders the west side of the Fairgrounds and to the west of the Napa River is the Rancho de Calistoga, a 55+ age 183-unit mobile home park. The Fairgrounds also includes the Calistoga Speedway and Calistoga RV and Campgrounds and Mount St. Helena Golf Course, a 9-hole golf course. The Napa County Fair is held annually on July 4th. Because attendance has declined over time the duration of the Fair has been reduced to a one day event. Attendance for the 2015 annual fair approximated fewer than 8,000 attendees. A new 14,000-square-foot Boys and Girls Club facility is planned to start construction next summer on a City-owned parcel immediately west of the Fairgrounds. The new facility will include a kitchen, game and art room, eating area, restrooms, technology lab, academic/meeting room, and gymnasium. The joint ground lease between the City and Boys and Girls Club allows for the City and other non-profit and private uses to use the facilities during non-club hours.

Four buildings at the existing Fairgrounds facilities include the following:

Calistoga Arts Center– A permanent tenant for the 3,600-square-foot building pays rent, but the building is underutilized in terms of layout and hours of operation. The building has a kitchen that is not health department licensed.

Tubbs Buildings –Tubbs Building is the largest building on the Fairgrounds at nearly 12,000 square feet. Its cosmetic condition and overall functionality is marginal; the building cannot be subdivided for rental. Acoustic insulation is lacking such that the Fair Association’s administrative offices which occupy a small portion of the building cannot be occupied at the same time as event rentals. The building lacks a sufficient number of restrooms and has a kitchen that is not health department licensed. The building has a 750 person dining capacity and about 1,100-1,200 person assembly capacity. The building is rented about 20 times per year and the \$3,000 rental rate per event includes the kitchen. Last year, the building was rented for about 10-12 large Hispanic weddings/social events. According to the Napa County Fair CEO, every fundraiser in Calistoga takes place in the building and the Fair Association had 10 of these last year (down from 12 fundraiser events in 2010). The Hispanic wedding and quinceanera events usually have about 400-500 attendees; and fundraisers have about 350-400 attendees.



Butler Pavilion– The Butler Pavilion is an approximately 4,000-square-foot building with 3,000 square feet of usable space. The Butler Pavilion building accommodates 250 people dining style and 550 people assembly style. This building has hardwood floors and low ceiling but is reported to be in better condition than the Tubbs Building. The building has a rental fee of \$1,500 per event and attracts more price sensitive users. Annual events number approximately eight including two fundraisers and six weddings/quinceaneras. A pilates/dance class meets two days per week in the building.

Golf Course Building and Tucker Room – The Mount St. Helena Golf Course’s club shop occupies approximately one-third of the building. The Tucker Room which occupies approximately two-thirds of the building is an approximately 1,600-square-foot space with dining capacity for 96 people and assembly style capacity for over 200 people. The building is the most utilized one on the Fairgrounds. The Calistoga Rotary Club is the main user (and revenue generator) for the Tucker Room, holding weekly meetings in the space. Other users include the Native Sons and the American Legion, and Lions Club. RV groups also utilize the Tucker Room as a clubhouse approximately 30-40 times per year, mainly in winter months. The Napa County Fair Association also holds its board meetings in the Tucker Room. Rental fees are in the \$100-\$200 range per meeting. The building has a kitchen area though no restaurant or café is operated in the clubhouse portion of the building.

Utilization of the two largest buildings – Tubbs Building and Butler Pavilion - on the Fairgrounds is low, with the number of rentals for social events far less than the 52 weekends in a given year. The smallest building on the Fairgrounds experiences the highest rate of utilization, with weekly and monthly usage from community clubs. The existing buildings on the Fairgrounds would have utilization capacity to host additional meetings and conferences.

PRIMARY MARKET AREA SERVED AND DEMOGRAPHIC AND EMPLOYMENT CHARACTERISTICS

The Napa County Fairgrounds are located in a sparsely populated area. According to interviews, this represents a competitive disadvantage or weakness of the location. Table II-1 summarizes the demographic characteristics of the households and population located within one mile and three miles of the Fairgrounds.



Table II-1: Demographic Characteristics within 1- and 3-Mile Radius of Fairgrounds

2013 Estimates	1-Mile	3-Mile
Total Population	5,259	6,568
Total Households	2,020	2,579
Total Employment (Jobs)	2,192	3,178
<i>Population by Age:</i>		
Under 20 years	24%	23%
20 to 34 years	19%	18%
35 to 49 years	19%	18%
50 to 64 years	19%	21%
65 years and over	19%	20%
<i>Hispanic Population:</i>		
Hispanic	50%	44%
Non-Hispanic	50%	56%
Average Household Income	\$79,145	\$81,815
Median Household Income	\$56,974	\$61,456
<i>Distribution of Household Income:</i>		
Less than \$50,000	44%	42%
\$50,000 to \$74,999	16%	15%
\$75,000 to \$99,999	10%	11%
\$100,000 to \$149,999	18%	18%
\$150,000 or more	12%	14%
Sources: Loopnet; Gruen Gruen + Associates		

Nearly 6,600 people and more than 2,500 households reside within three miles of the Fairgrounds. The neighborhoods closest in proximity to the Fairgrounds are characterized by a higher Hispanic population and slightly lower household income. Approximately 50 percent of the population located within one mile of the Fairgrounds is Hispanic and approximately 62 percent of residents are under the age of 35. Within one mile of the site, the median household income approximates \$57,000 and approximately 60 percent of annual household incomes are below \$75,000. Within three miles, the median household income is approximately eight percent higher. A small employment base within three miles of the Fairgrounds of more than 3,000 jobs also exists, more than the 2,600 households in the same area.

According to the U.S. Census Bureau County Business Pattern data, the Calistoga zip code area contained nearly 2,900 jobs in 2013 (most recent year for which data is available and close to the



estimate shown above in Table II-1). Two of the three largest employers (with 100+ employees each) are in the accommodation and food services industry. According to County Business Patterns (based on zip code area), the Calistoga area contains 259 business establishments and about 45 percent of business are in the retail trade, accommodation and food services, and winery industries. Few businesses (less than 13 percent of total businesses) are in industries such as finance, insurance, and real estate and professional and business services which traditionally use meeting space for training and seminars. The City of St. Helena, about eight miles south of Calistoga, also has a similar composition of businesses. The nature of the economic base and small size of the local population and employment base are not likely to support additional meeting and conference space at the Fairgrounds.

TRANSPORTATION ACCESSIBILITY OF CALISTOGA

Transportation accessibility into Calistoga is generally limited to one of two routes: Highway 29 or Porter Creek Road via Highway 101. The Silverado Trail on the east side of the valley, coming up from Napa, is longer but sometimes quicker during peak travel hours. Non-local visitors arriving by air into either San Francisco or Oakland must travel about 80 to 90 miles north which during rush hour which can take upwards of three hours.² An additional 5-6 hours of travel time on top of air travel is generally not conducive to the time- and cost-sensitive business traveler attending a short mid-week conference or meeting. Our interviews with local hoteliers and event operators confirm this is one primary challenge to attracting frequent group meeting and conference business to Calistoga.

The accessibility of Calistoga may change with the expansion of the Sonoma County Airport. Direct flights into Santa Rosa are currently offered out of Los Angeles, San Diego, Portland, and Seattle by Horizon/Alaskan Air. The Airport is pursuing air carrier expansions with Southwest, American, and United that would considerably broaden the air accessibility to other regions of the country. If flights are not provided at reasonable prices relative to Bay Area airports, however, this is unlikely to dramatically change the scale and composition of visitation attracted to the upper valley.

² According to the [2014 Napa Valley Visitor Profile](#), approximately 84 percent of overnight visitors fly into the San Francisco or Oakland airports.



CHAPTER III: HOTEL AND LODGING MARKET TRENDS

REGIONAL LODGING MARKET PERSPECTIVE

According to a Visitor Profile Study conducted for Visit Napa Valley, the region’s tourism agency, Napa Valley had over 3.3 million visitors in 2014 with about two-thirds of visitors classified as day-trippers. Only 29 percent of visitors stayed overnight in Napa Valley lodging but these overnight visitors accounted for nearly 72 percent of the direct visitor spending. A majority of visitors cited vacation or weekend getaways as the primary reason for visiting Napa Valley. Only 2.3 percent of all visitors (including overnight visitors, day trippers, and those staying in private residences) cited conferences or group meetings as the primary reason for visitation. Overnight lodging visitors tended to have higher incomes than day trippers. Females comprise a majority of overnight lodging visitors (as compared to a more equal gender split for day trippers). Forty-five percent of all visitors are from the San Francisco Bay Area and about one-third of overnight lodging visitors are from the Bay Area. Calistoga was cited as the third most visited city, after Napa and St. Helena (the majority of visitors tend to visit multiple towns within the Napa Valley).

Sonoma County and Monterey County are cited as the two primary external sources of competition in Northern California for small and medium sized conferences and meetings³. Both markets include a larger hotel room inventory than the 5,000 rooms in Napa County, with Sonoma County including approximately 6,200 rooms and Monterey County containing about 11,800 rooms. Table III-1 below compares overall hotel occupancy rates for these three counties from 2012 through 2015.

Table III-1: Regional Hotel Market Occupancy Rates¹

County	2012 %	2013 %	2014 %	2015 %
Napa	64.7	66.4	68.9	69.6
Sonoma	65.0	70.3	74.4	75.8
Monterey	62.8	64.1	66.9	69.0

¹ Running 12-month averages from July through June.

Sources: Smith Travel Research; Visit Napa Valley; Gruen Gruen + Associates.

The overall occupancy rate in Napa County has improved from 64.7 percent in 2012 to 69.6 percent over the past twelve months. The overall occupancy rate in Sonoma County has improved more substantially over the past four years, increasing from 65 percent in 2012 to just below 76 percent

³ For fiscal year 2015, according to Visit Napa Valley Lost Business report, 11 out of 85 lost business events went to Sonoma County. For fiscal year 2014, 10 out of 74 lost business events went to Sonoma County.



over the past 12 months. Occupancy rates in Monterey County, which is a considerably larger hotel market, have been similar to Napa County with the annual occupancy rate over the past twelve months reported at 69 percent.

The average daily rate ("ADR") in Napa County is considerably higher, as summarized below in Table III-2.

Table III-2: Regional Hotel Market Average Daily Rates (ADR)¹

County	2012 \$	2013 \$	2014 \$	2015 \$	ADR Growth 2012-2015 %
Napa	236.76	250.61	268.76	283.16	19.6
Sonoma	115.82	122.84	133.86	143.27	23.7
Monterey	161.65	168.25	175.10	183.33	13.4

¹ Running 12-month averages from July through June.

Sources: Smith Travel Research; Visit Napa Valley; Gruen Gruen + Associates.

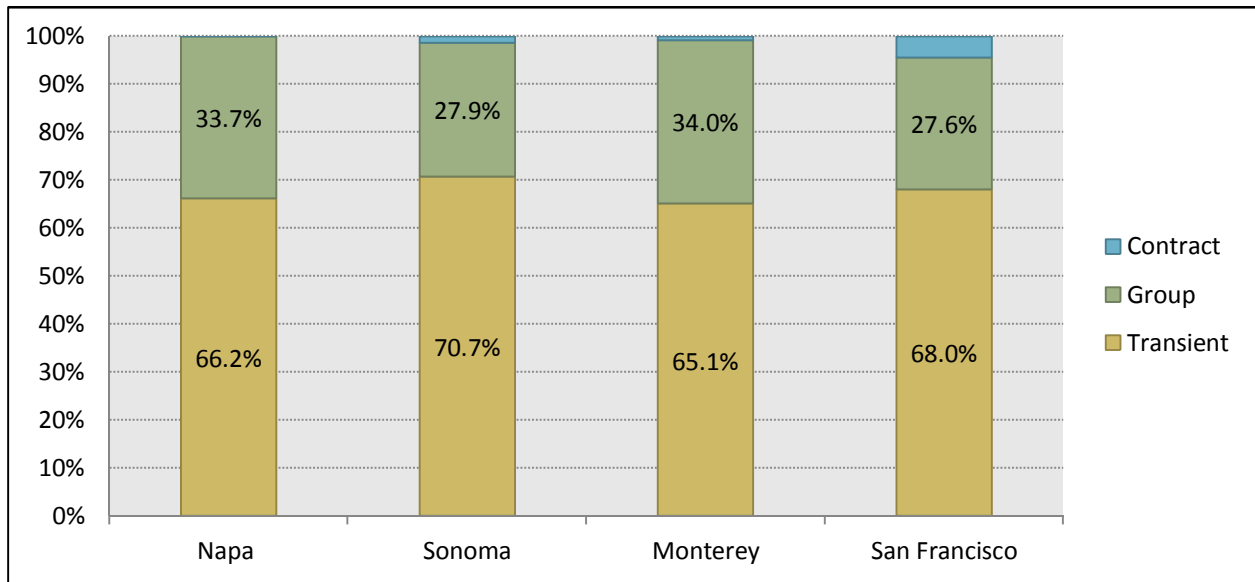
The ADR in Napa County has grown from approximately \$237 in 2012 to \$283 over the past twelve months, representing growth of about 20 percent over three years. The ADR in Sonoma County is about one-half that of Napa County at \$143 over the past twelve months according to Smith Travel Research data. The ADR in Sonoma County has grown by about 24 percent over the past three years. Average rates in Monterey County fall in between Napa and Sonoma counties, reported \$183 over the past 12 months. The ADR in Monterey County has grown less significantly over the past three years at only 13 percent.

The ADR trends summarized above in Table III-2 exemplify one of the primary challenges the Napa Valley faces as it relates to attracting frequent conferences or corporate/association meetings with a high proportion of out-of-town attendees: the high pricing limits the size of the potential market for these types of events.

Figure III-1 below summarizes year-to-date room night demand by travel segment.



Figure III-1: Composition of Room Night Demand by Segment (Jan-June 2015)



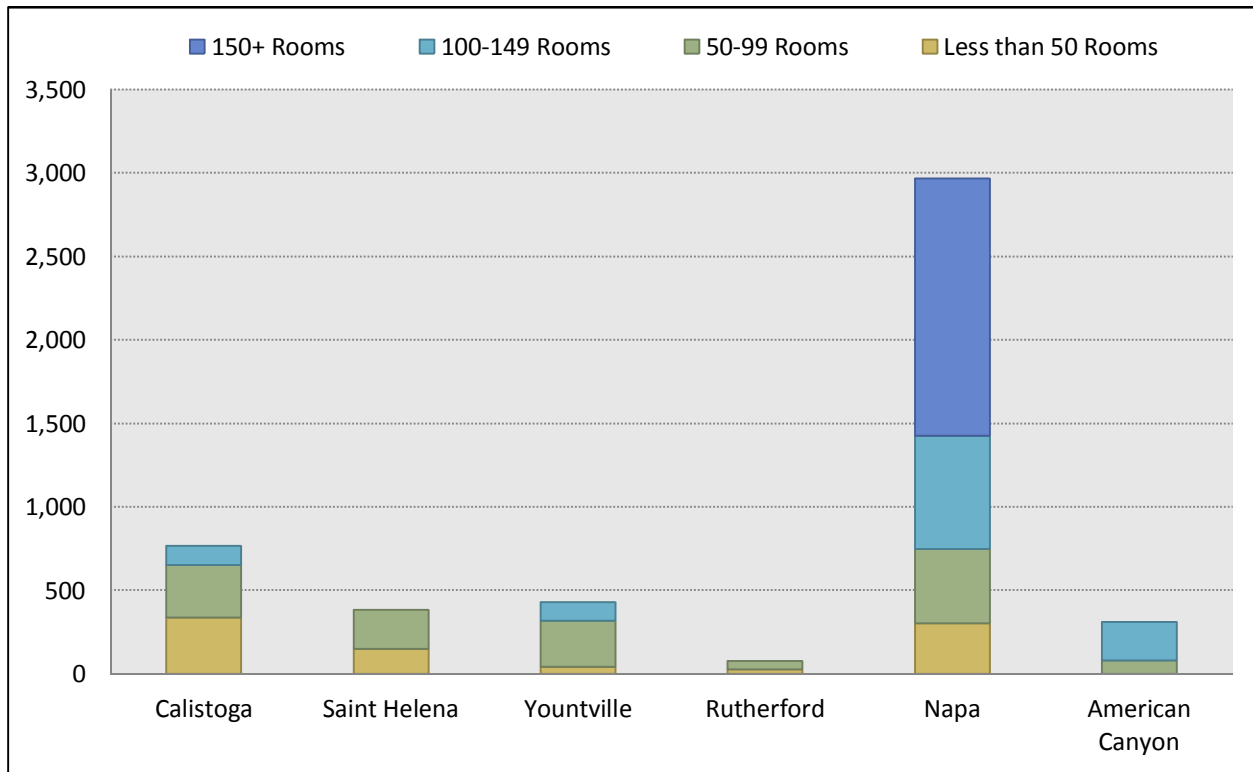
Group rooms (classified by Smith Travel Research as rooms sold simultaneously in blocks of 10 or more) have comprised about 34 percent of year-to-date room night demand in Napa County. A similar share of room night demand in Monterey County has been attributed to group travel as well. Napa and Monterey counties attract a slightly smaller proportion of "transient" or leisure travel than does Sonoma or San Francisco, for example.

NAPA VALLEY HOTEL ROOM INVENTORY AND TRENDS

According to Smith Travel Research data, the Napa County hotel market contains a total inventory of approximately 5,000 rooms. Approximately 60 percent of the total room inventory is located in the City of Napa. Calistoga represents the second largest market with 767 hotel rooms or approximately 16 percent of the countywide hotel room inventory. Figure III-2 below summarizes the distribution of hotel rooms throughout the Valley by location and size of property.



Figure III-2: Hotel Rooms by City and Size of Property in Napa County



The "Upper Valley" communities of Calistoga, St. Helena, Yountville, and Rutherford contain a limited number of larger-scale hotel properties. The Upper Valley contains about 1,700 hotel rooms in total, or one-third of the countywide inventory, with the vast majority of the inventory located in lodging properties with fewer than 100 rooms. Development regulations and limited land availability for larger hotel projects have contributed to the high proportion of smaller hotels. The two largest properties in the Upper Valley each contain about 115 rooms (Indian Springs Resort & Spa in Calistoga and the Villagio Inn & Spa in Yountville). In contrast, the City of Napa contains six larger hotels offering more than 150 rooms with approximately 1,500 rooms between them. These group-oriented hotels which include Silverado Resort and Spa (415 rooms), The Meritage Resort (322 rooms), Napa Valley Marriott (275 rooms), and Embassy Suites (205 rooms) attract group and convention travelers with their on-site meeting space facilities and food and beverage facilities as well as room rates that are typically below that of luxury hotels.⁴

No new hotel supply has been added to the Napa County hotel market since 2009. In 2009, five hotels opened with a total of 424 rooms of which only 82 rooms (in two hotels) were located in the Upper Valley. The majority of new additions to the hotel supply in Napa County are planned or

⁴ Note that in Sonoma County, the Fairmont Sonoma Mission Inn and Spa (226 rooms) and The Lodge at Sonoma Renaissance Resort and Spa (182 rooms) also attract group-oriented business travelers.



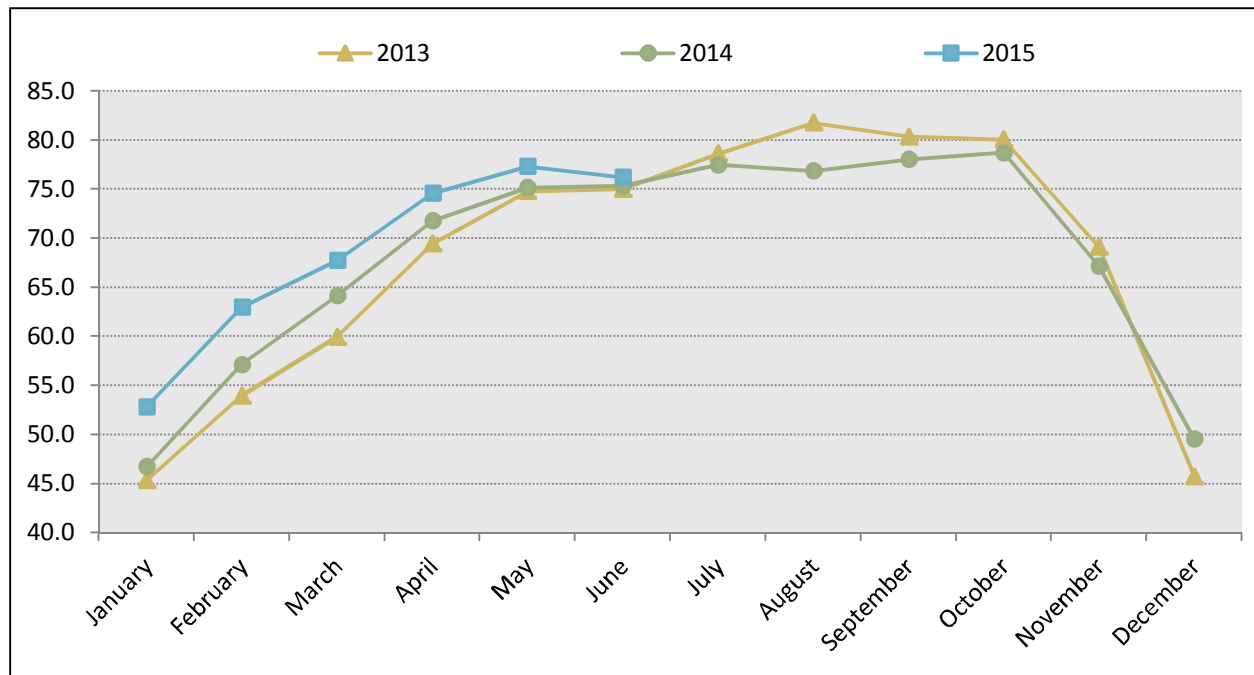
already under construction in the City of Napa. One 183-room luxury hotel is currently under construction in Downtown Napa with another 351-room luxury resort project entitled.

Outside of Downtown Napa, Auberge Resorts has received approval to build a 150 room hotel and 95 vacation homes which is planned for a 2017 opening. The existing 325-room Meritage Resort in Napa is also pending approval for a 134 room expansion. Two luxury resort projects are planned to add approximately 220 rooms in Calistoga. St. Helena which has a very small base of hotel rooms cannot accommodate more than a 100-150 room block. One new 70-room hotel is currently under construction though the City has not typically been receptive to hotel development. In addition, Healdsburg in Sonoma County is encouraging the development of additional hotels, some of which will serve the luxury market.

Seasonality of Napa Valley Hotel Market and Occupancy and Rates

As a result of no new supply additions and the economic boom occurring in much of the San Francisco Bay Area, occupancy rates and average daily rates have climbed since 2013. Figure III-3 below summarizes occupancy rates by month for the Napa Valley hotel market.

Figure III-3: Hotel Occupancy Rates by Month, 2013-2015



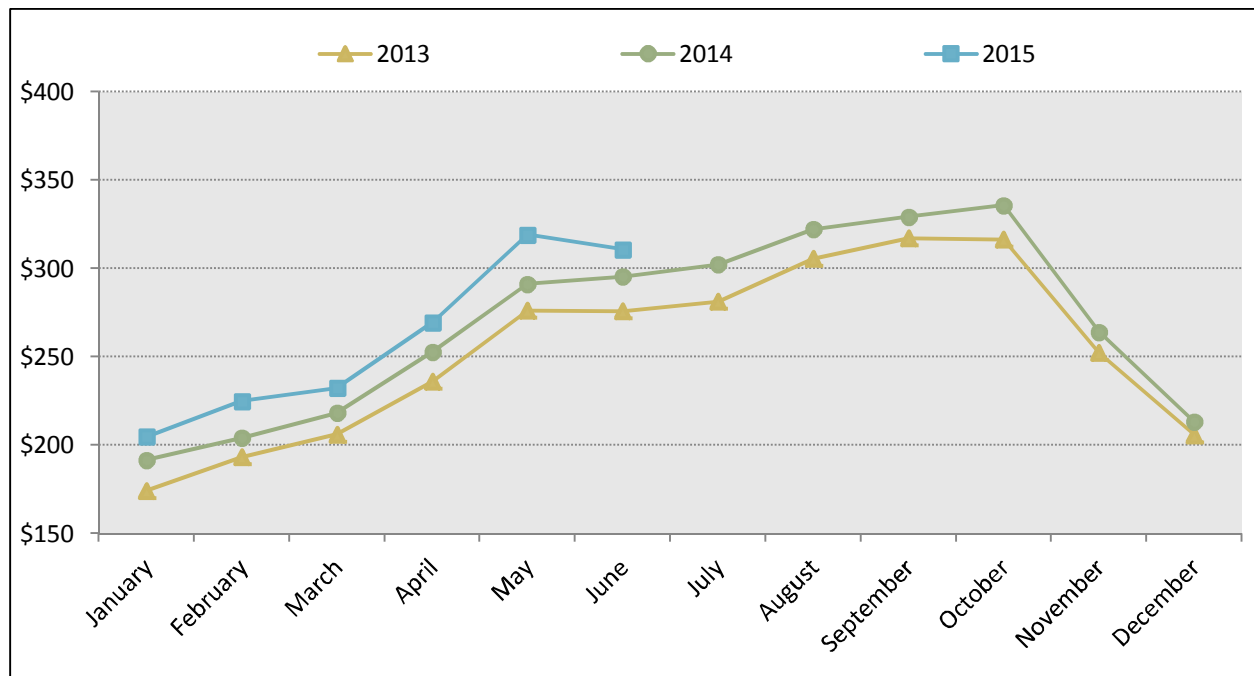
Occupancy rates from May through October generally exceed 75 percent throughout Napa Valley. In the late summer and fall of 2013, occupancy rates exceeded 80 percent for a three month period from August through October. Early season occupancy rates have been improving over the past



three years, with rates this past March and April approximating 68 percent and 75 percent respectively, which is an improvement over the past few years. Interviews with local hoteliers and Chamber of Commerce staff suggest that the drought and lack of snow in the Lake Tahoe area has resulted in higher winter and springtime visitation to Napa Valley.

Figure III-4 summarizes average daily rate trends by month.

Figure III-4: Average Daily Rates by Month, 2013-2015



Consistent with the demand-supply conditions exemplified by the seasonality in hotel occupancy rates throughout the valley, average daily rates tend to peak in fall harvest season. Last October, the ADR peaked at \$336 representing six percent growth over the previous October. Average daily rates across the board have been improving over the past few years. This past May, the average daily rate was estimated at approximately \$320, representing more than a 15 percent increase over the ADR in May 2013. Winter rates this past year, from December through February, all exceeded \$200 for the first time.

LOCAL CALISTOGA HOTEL MARKET AND ROOM INVENTORY

Calistoga is primarily a residential community with a visitor-serving business base. The visitor-serving hotel base and tourism characteristics of the local market and wider region will influence the ability to attract non-local events.



Table III-3 summarizes the inventory of hotel rooms within Calistoga.

Table III-3: Calistoga Hotel Room Inventory		
Name	Original Open Date	Rooms
Carlin Country Cottages	Jun 1980	15
Cottage Grove Inn	Jun 1996	16
Hideway Cottages	NA	16
Mountain Home Ranch	Jun 1913	20
Christopher`s Inn	Jun 1991	21
Golden Haven Spa Hot Springs	Jun 1961	28
Mount View Hotel & Spa	Jun 1917	31
Best Western Plus Stevenson Manor	Apr 1997	34
Dr Wilkinson`s Hot Springs	Jun 1951	42
Calistoga Ranch Resort	May 2004	48
The Sunburst Calistoga	Jan 1952	50
Comfort Inn Calistoga Hot Springs Of The West	Jun 1986	55
Calistoga Spa Hot Springs	Jun 1920	57
Roman Spa	Jun 1975	60
Solage Calistoga	Jul 2007	89
Indian Springs Resort & Spa	Jun 1940	116
Subtotal		698
Additional B&B Inventory ¹		69
TOTAL INVENTORY		767
¹ Small inns with fewer than 15 rooms, such as EuroSpa & Inn, Aurora Park Cottages, etc.		
Sources: Smith Travel Research; Visit Napa Valley; Gruen Gruen + Associates.		

Calistoga contains only six properties with 50 rooms or more and only one property with 100+ rooms. The average size of hotel properties in Calistoga is about 35-40 rooms. About one-quarter of room inventory has been added over the past 11 years. Indian Springs recently expanded its resort by a 75 room expansion (2014). Prior to this expansion, the eight-year-old 89-room Solage was the most recently built project.

Occupancy and Average Daily Rate

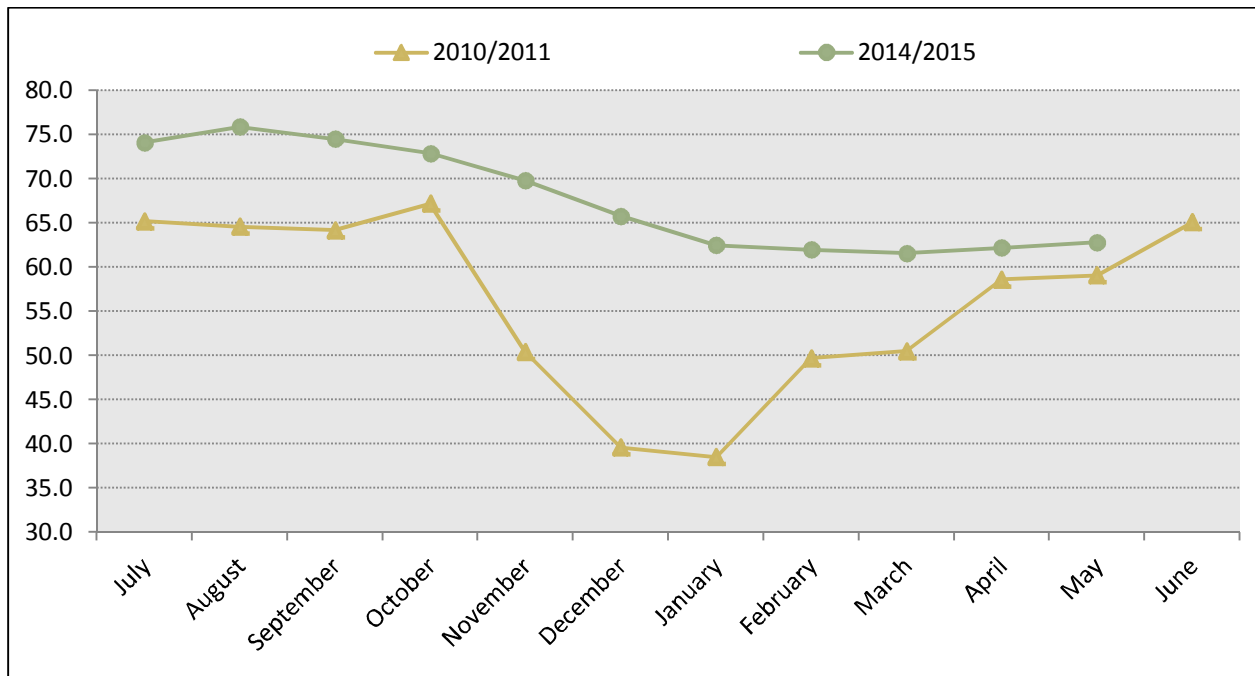
According to our interviews, the local hotel market maintained an overall occupancy rate of approximately 67 percent last year and the annual average daily rate has continued to increase. The



seasonality of the local hotel market has also "flattened" recently with off-season occupancy rates improving. As noted previously, some hoteliers report that the drought and associated lower amounts of precipitation and above-average temperatures have positively impacted off-season occupancy rates and visitation. (The drought has also negatively impacted the appeal of other popular winter/spring destinations such as Lake Tahoe with which Napa Valley tends to compete for visitors during the off-season). The recent expansion of the Indian Springs Resort has not negatively impacted overall occupancy or average daily rates in Calistoga.

Figure III-5 below summarizes occupancy rates by month in Calistoga for the 2010/11 Fiscal Year and the 2014/2015 Fiscal Year.

Figure III-5: Calistoga Hotel Occupancy by Month (FY 10/11 and FY 14/15)



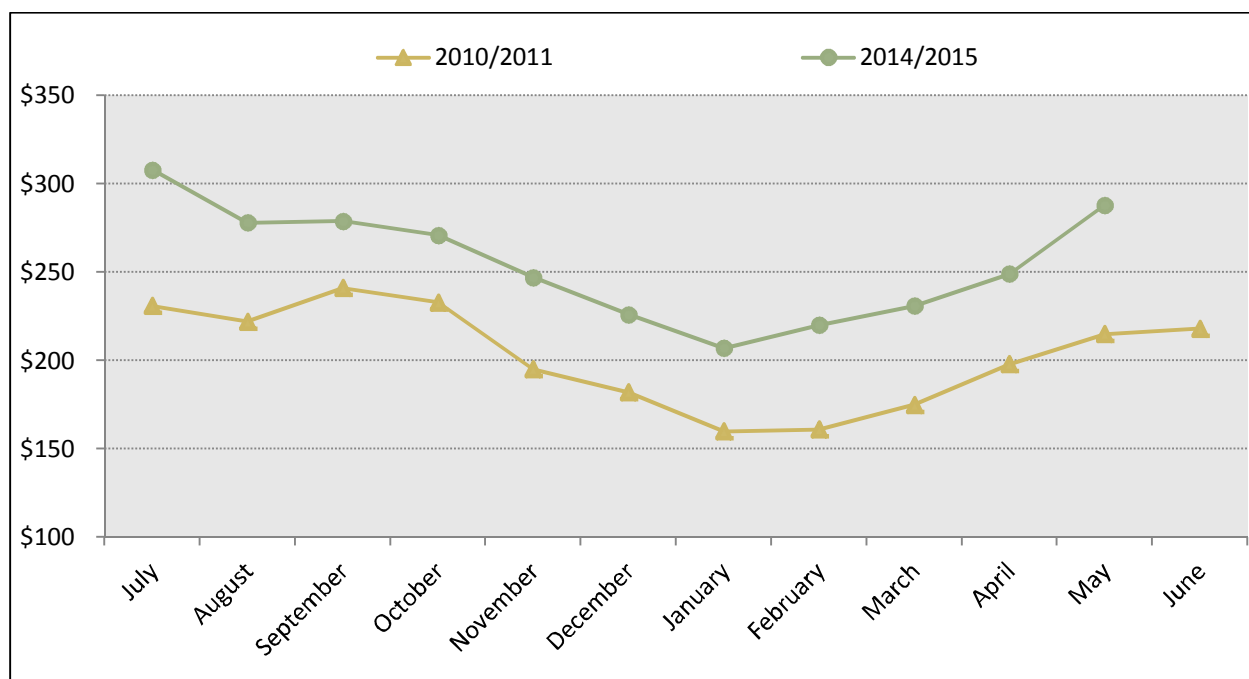
Hotel occupancy rates over the last Fiscal Year have ranged from 62 percent to 76 percent. As illustrated above, this was a considerable change from four seasons ago when off-season occupancy rates from November through March generally remained below 50 percent. In late 2010 and early 2011, occupancy rates dipped below 40 percent, which translated into an average of more than 400 available hotel room nights in Calistoga each day. This would likely be sufficient to accommodate the lodging requirements of a small or mid-sized conference or meeting if the hotel accommodations could be easily assembled across various properties. With the economic recovery and indeed booming regional economy and resulting increase in hotel occupancy rates and average daily rates, attracting meeting and conference space users that also require blocks of hotel rooms can be expected to be challenging.



Our interviews suggest that many of the larger hotel properties in Calistoga, particularly those with on-site hot springs such as the Indian Springs Resort & Spa, Solage, and Calistoga Spa, maintain year-round occupancy rates well above the overall market average. Some properties are reportedly operating at year-round occupancy rates exceeding 85 percent. Mid-week and off-peak season occupancy rates were reported around 70 to 75 percent by local operators.

Average daily rates have also experienced considerable gains over the past four years according to Transient Occupancy Tax reports produced by the Calistoga Chamber of Commerce, which are summarized below in Figure III-6.

Figure III-6: Calistoga Hotel ADR (FY 10/11 and FY 14/15)



Calistoga’s monthly ADR has not dropped below \$200 in FY 2014/2015. The Solage and Calistoga Ranch Resort are Calistoga’s two highest-end luxury resorts with average daily rates exceeding \$500. Two other properties with hot springs pools on-site, Calistoga Spa Hot Springs and Indian Springs Resort and Spa, have overall average daily rates under \$500 but still high during peak season. As these luxury and other resorts are typically full on weekends during peak season, other limited service hotels in Calistoga have been able to increase their rates.

"Harvest season" rates in September and October are about 16 percent higher than four years ago. The biggest rate increases have occurred in mid-summer and February/March which are up about 35 percent over the past four years. This is due to higher occupancies over the non-peak and



shoulder season over the past couple years.

CUSTOMER BASE

According to interviews with tourism officials and local hotel operators, the majority of customers are related to leisure demand either individual travelers or groups. Leisure demand is generally reported to make up 70 percent or more of room night demand. Group leisure demand relates to social retreats such as yoga, water painting, biking, family reunions, weddings, etc. Repeat business is reported to be a significant part of the local customer base. Most travelers are coming within 120 miles. Wedding business is a significant part of room night demand and most local operators indicated full occupancy on weekends, especially during peak season.

Business/corporate meeting demand relates primarily to sales incentives trips or executive retreats. Group size served is generally 30 people or fewer. Most hotel operators indicated the desire to serve leisure groups especially wedding parties who spend a lot and generate more room night demand than that of business groups. The Solage Resort, Calistoga's most recent luxury resort, provides meeting and banquet space and caters to non-price sensitive high level executives and professionals.

One developer of a planned new luxury resort indicated reaching out to prospective businesses to size the amount of meeting space reported concurrence from would-be space users and being told the small size of the planned project (under 100 rooms) was a limitation to attracting larger meetings or events.

Implications of Hospitality Infrastructure on Meeting/Conference Space Demand

The Calistoga hotel market is small with less than 800 rooms. As occupancy and average daily rates increase, affordability and hotel room capacity will be the main constraints on attracting demand from groups utilizing meeting and conference space. Smaller less price sensitive business and association groups willing to pay high hotel rates will likely prefer to hold their events in the resorts rather than at the Fairgrounds, which lacks the high-end image and amenity package such groups prefer.⁵

⁵ As part of the research, prompted by references made in interviews, we investigated whether St. Helena Hospital could be a significant source of meeting or conference space needs. While the increasingly destination nature of some of the services has generated some hotel room demand, the Hospital hosts relatively few and small meetings per year. The Hospital can accommodate most of its needs internally or within existing local venues. The need for large "ballroom" venues for medical consumer event shows are infrequent and have been held in Napa at which the hotel facilities provided both rooms and exhibit space.



CHAPTER IV: MARKET FOR MEETING, CONFERENCE, AND EVENT SPACE

EXISTING EVENT SPACE SUPPLY COMPETITION

Table IV-1 summarizes the primary supply of venues within Calistoga able to accommodate events with 50 or more guests in an indoor banquet/reception setting.

Table IV-1: Primary Event Space Supply Competition within Calistoga¹

	Total Indoor Event Space # Square Feet	Largest Contiguous Space # Square Feet	Maximum Banquet Capacity # Persons	Maximum Meeting/Conf. Capacity ² # Persons
Calistoga:				
Solage Resort	4,710	3,500	230	48-180
Calistoga Ranch Resort	2,795	1,175	92	40-60
Indian Springs Resort	3,440	1,200	120	35-50
Domaine	2,000	2,000	50	NA
Hans Fahden Winery	3,000	3,000	120	NA
¹ Refers to indoor venues/spaces. Outdoor spaces (lawns, terraces, pavilions, etc.) are not included in the count of existing supply. Banquet and meeting capacities are for largest contiguous indoor space.				
² Range indicates difference between conference and "classroom" set up.				
Sources: Visit Napa Valley; Group Sales Kits from Various Resorts; GG+A Interviews.				

The Solage Calistoga Resort & Spa contains approximately 4,700 square feet of indoor event space. The largest contiguous indoor space approximates 3,500 square feet in size with a banquet capacity of 230 persons (the maximum meeting capacity is approximately 180 persons in a "classroom" layout). According to an interview with the General Manager of the Solage Calistoga Resort & Spa, the event space is not fully utilized. The relatively small size of the resort (at 89 rooms) limits the utilization of its event facilities. Corporate groups and meetings, which typically include about 50-60 participants, are reported to comprise about 60 percent of Solage's event space utilization. Corporate groups generally travel from the Bay Area, Southern California, and to a lesser extent the Midwest. Weddings and social events comprise the remaining 40 percent of event space demand. Although upwards of 70 percent of room nights booked at the resort are from leisure travelers (both individuals and groups), they rarely use small dining space on the property. Primary competition for leisure travel and events is the Calistoga Ranch, a smaller 50-room luxury resort which includes



approximately 2,800 square feet of indoor event space with the largest contiguous space accommodating a maximum banquet capacity of about 90 people. Both resorts cater to high-end clientele. A Saturday wedding for 125 guests, for example, will routinely exceed \$45,000 at either venue⁶. The site fee for the largest ballroom space at Solage is reported at \$20,000 before catering and other charges.

The Indian Springs Resort & Spa added event and meeting space to its property as part of the 75-room expansion it completed last year. The largest space, the "Event Barn", is approximately 1,200 square feet in size and is equipped to accommodate corporate/business event needs with a reception capacity up to 120 people. Other smaller event spaces on the property, including a private dining space below Sam's Social Club, can accommodate smaller groups of about 40 to 50 people. Corporate retreats and "incentive" trips are the most frequent type of non-leisure events attracted. Most tend to originate from within Northern California and are typically small with 10 to 20 guests staying for two or three nights. According to the owner of the Indian Springs Resort & Spa, site fee charges for the various event spaces tend to be relatively nominal (at \$500 to \$1,000) and the event facilities were added with the intent of generating hotel room revenue, as opposed to independently generating net income. The event spaces are not fully utilized. The Indian Springs Resort & Spa has begun to ramp up its corporate group sales/marketing efforts with the recent expansion but still anticipates that 80 percent of demand for rooms and space will still relate to leisure travelers (individuals and groups).

Domaine is a 2,000-square-foot loft event space located in the second story of a building in Downtown Calistoga. The venue opened in early 2014 and includes capacity for 50-person seated events (or up to 100 people standing). The venue has a partnership with a wine tour operator (Domaine Somm) and has been used almost exclusively for wine tastings and other wine tourism-related activities. Utilization of the space for private events has been very low since opening. Asking daily rental rates for the facility range from approximately \$0.50-per-square-foot or \$1,000 (midweek) to a maximum of \$2.00-per-square-foot or \$4,000 (Saturdays). A representative of the venue indicated that it has been challenging to "get people in the door" primarily because the stand-alone facility is not affiliated with or adjacent to a resort or winery.

The Hans Fahden Vineyard is the nearest winery offering a venue for weddings. The Hans Fahden Vineyard has been hosting weddings since 1998 but does not host corporate meetings or other business-related events. The property is located in Sonoma County so it is not subject to the on-site wedding restrictions placed on wineries within Napa County. Weddings with up to 120 guests can be accommodated (this is the capacity of the Wine Cave that is frequently used for dinners) and the grounds include a combination of indoor and outdoor spaces. The property is licensed for up to 50 weddings per year and has been operating at maximum capacity for many years; Saturday weddings for example tend to book up 12-15 months in advance according to the owner of Hans Fahden Vineyard. The venue attracts wedding parties and guests from around the world but roughly one-

⁶ See for example <http://www.womangettingmarried.com/calistoga-ranch-wedding-venue>



half of weddings tend to originate from within the Bay Area/Northern California. The venue competes for wedding business with high-end resorts in Napa Valley, primarily including the Auberge de Soleil, Meadowood, Calistoga Ranch, and Solage. The pricing, however, is comparatively affordable at Hans Fahden where a 100-person, all-inclusive Saturday wedding can be held for around \$25,000. Most overnight wedding guests do stay in Calistoga and lodging accommodations are not a frequent challenge simply because the weddings are typically arranged/booked far in advance. The lack of available hotel rooms in peak wedding season (which runs from April through the second week of November according to the owner) has been a challenge sometimes for wedding parties that do not plan and notify guests well in advance.

Table IV-2 summarizes other venues available elsewhere in the Upper Valley (St. Helena and Yountville) that represent competition for 50+ person events and meetings.

Table IV-2: Primary Event Space Supply Competition within Upper Valley¹				
	Total Indoor Event Space # Square Feet	Largest Contiguous Space # Square Feet	Maximum Banquet Capacity # Persons	Maximum Meeting/Conf. Capacity ² # Persons
St. Helena:				
Auberge de Soleil	2,300	1,870	120	55-85
Harvest Inn	3,550	1,500	110	110
Meadowood	4,225	1,600	100	NA
Culinary Institute of America	NA	NA	500	NA
Yountville:				
Hotel Yountville	1,232	1,232	65	30-50
Bardessono	1,664	1,664	104	50-60
Villagio/Vintage Inn	10,000	2,700	200	130-215
¹ Refers to indoor venues/spaces. Outdoor spaces (lawns, terraces, pavilions, etc.) are not included in the count of existing supply. Banquet and meeting capacities are for largest contiguous indoor space.				
² Range indicates difference between conference and "classroom" set up.				
Sources: Visit Napa Valley; Group Sales Kits from Various Resorts; GG+A Interviews.				

The hotel inventory in St. Helena is even more limited than in Calistoga, as previously described, and the event spaces provided on-site at resorts also tend to be smaller. In addition to the meeting/event spaces summarized above in Table IV-2, St. Helena also includes three wineries that are not subject to the on-site event restrictions in Napa County: Charles Krug; Merryvale; and V.



Sattui. According to the St. Helena Chamber of Commerce, these wineries host more than 200 weddings per year and can serve up to 250 guests.

The 78-room Harvest Inn in St. Helena contains about 3,600 square feet of indoor event space with the largest available contiguous room at 1,500 square feet. According to our interviews, the property was expanded by 20 rooms specifically to be able to accommodate for small meetings and conferences. A former general manager of the Harvest Inn indicated that utilization of the largest and newest meeting room was high at approximately 75 percent, but the overall utilization of the 3,500 square feet of total event space never exceeded 50 percent. According to the hotel's current representative, the annual utilization rate for the past year was estimated at 30 percent and the hotel rarely turns away meeting groups. The utilization coincides with the seasonality of leisure travel to St. Helena, with the highest utilization occurring during the peak months of August through October. Corporate incentive groups and wedding/social groups have generally been the predominant sources of event space demand at the Harvest Inn. Approximately 50 percent of event space demand is reported to originate from within Northern California. During the past year, the Harvest Inn accommodated approximately 50 weddings, 100 social events, and 50 group meetings (over multiple days). The Harvest Inn has attracted some smaller association group meetings but these are far less frequent sources of demand than leisure and wedding related events. According to a representative of the property, the event space itself does not create much rental revenue; this is dependent upon room night bookings and food and beverage services.

The Culinary Institute of America (CIA), a world class private culinary college in St. Helena is located on Highway 29 in the historic Greystone building which was the former Greystone Cellars winery. The Greystone building is 117,000-square-feet in size⁷. According to the event manager for the CIA, a variety of spaces exist for rental including classrooms and a boardroom that holds up to 24 people. CIA also has several demonstration kitchen labs and a 125-seat amphitheater which are used for corporate events such as teambuilding cooking events and wine tastings. In the Upper Valley, the CIA offers the largest indoor space in its "barrel" room which seats up to 500 people. The CIA hosts many corporate events and a wedding most every weekend of the year. Of conferences held at the Greystone building, the CIA hosts 75 percent of these for events related to the food and wine industry. The other 25 percent of conferences are private party rentals some for Bay Area businesses. While detailed utilization rates were not provided by the CIA, the utilization varies and there can be weeks where only three days of conferences are booked.

The lack of a hotel attached to the CIA has not been a major constraint in terms of attracting events. The events booked at the CIA are a mix of both day trippers and overnight lodging visitors. Events which generate overnight guests for lodging are referred to hotels in St. Helena or Calistoga and if booked far enough in advance (the CIA representative is already booking events into 2016 and 2017), most events can find lodging. The CIA representative indicated that the name recognition and prestige of the CIA attracts events that a typical meeting space venue could not and not many

⁷ https://en.wikipedia.org/wiki/The_Culinary_Institute_of_America_at_Greystone



events are turned away due to capacity constraints. Facility rental rates range from \$500 for a boardroom (which seats 24) to up to \$5,000 for the barrel room (which seats up to 500). Classrooms which can be used as meeting rooms are charged at \$1,000 per event. Food and beverage minimums are required only for Saturday evening events.

The CIA is, however, expanding its presence in the Napa Valley with its purchase of the 78,000-square-foot Copia building in downtown Napa. The Copia building had been a former museum of food, wine, and arts. While the redevelopment program is still in its planning stages, the CIA representative indicated that due to its more central location in Napa and easier access from the Bay Area, the CIA anticipates hosting more corporate events at this facility. The Copia building also has a more modern design which may appeal to businesses (as opposed to wedding parties who like the historic nature and aesthetic of the Greystone building).

The Hotel Yountville, an 80-room property, added approximately 1,200 square feet of indoor meeting space in 2011 when the hotel was undergoing a renovation. The room can be subdivided into two smaller spaces of approximately 600 square feet each. The indoor banquet capacity is about 65 people, though upwards of 80-person events can be accommodated with combined use of the outdoor terrace. The meeting space can accommodate groups of about 30 to 50 people in a board room or classroom-style set up. A representative of the hotel indicated that utilization of the meeting space is very high during peak season, which primarily relates to incentive groups and corporate retreats/board meetings as opposed to business and association group meetings and conferences. The hotel hosts weddings but these are far less frequent. Inquiries for the meeting space are sometimes turned away but usually only during September and October. Larger corporate groups in peak season will typically consider the joint facilities of the Villagio and Vintage Inn. Pricing for the space can vary considerably depending on the duration and size of the meeting/event and the number of hotel room nights booked. Approximately 60 percent of the meeting space utilization is reportedly related to out-of-state group business.

The Vintage Estate, including the Villagio Inn & Spa and Vintage Inn in Yountville, represents the largest source of event space supply competition within the Upper Valley. Our interviews frequently cited this resort/venue as a preferred destination for corporate group meetings, in part because it can accommodate larger groups and has nearly 200 hotel rooms on-site. The largest "barrel room" space can alone accommodate a meeting of up to 215 people. During past off-seasons, the Vintage Estate has also offered complimentary meeting space and "team-building and team-bonding events" if groups booked a minimum of 10 hotel rooms per night, suggesting that the venues are not fully utilized year-round.⁸

Table IV-3 summarizes the larger event available spaces in the City of Napa frequently cited in our interviews as primary competition for corporate and group meetings.

⁸ See <http://www.smartmeetings.com/meeting-planning/12645/small-meetings-big-choices>



Table IV-3: Primary Event Space Supply Competition within City of Napa¹

	Total Indoor Event Space # Square Feet	Largest Contiguous Space # Square Feet	Maximum Banquet Capacity # Persons	Maximum Meeting/Conf. Capacity ² # Persons
Napa:				
Embassy Suites	7,700	2,430	220	72-142
Marriott	12,000	4,224	350	225
Silverado	12,800	5,160	360	144-280
Meritage	32,000	10,490	770	720

¹ Refers to indoor venues/spaces. Outdoor spaces (lawns, terraces, pavilions, etc.) are not included in the count of existing supply. Banquet and meeting capacities are for largest contiguous indoor space.

² Range indicates difference between conference and "classroom" set up.

Sources: Visit Napa Valley; Group Sales Kits from Various Resorts; GG+A Interviews.

The 205-room Embassy Suites in Napa has 7,700 square feet of indoor meeting space. Its largest ballroom of approximately 2,400 square feet can accommodate banquet seating for up to 220 people and meetings of up to 140 people (upwards of 500 people can be accommodated in a standing reception). The Marriott is a larger property, containing 275 hotel rooms and 12,000 square feet of indoor event space and up to 13 break-out rooms. An interview with a representative of the property indicated that its meeting/event space is very highly utilized during peak season (August-October) by corporate groups and association meetings during weekdays and with weddings on the weekends. The Marriott does not charge separately for its meeting spaces which are tied to food and beverage and room night packages. It does turn away some meeting/group business during the peak season, sometimes because the room rates are too high or because they do not have enough available guest rooms. Our interview suggests it would be beneficial for the hotel to have some additional conference space nearby to refer overflow meeting demand (so the hotel can capture additional guest room night demand), however, conference space in Calistoga would be too far away to capture this spillover demand.

The Silverado Resort & Spa and the Meritage Resort & Spa are the two largest hotels and meeting venues within the Napa Valley. The 385-room Silverado offers almost 13,000 square feet of indoor event space with the largest ballroom of approximately 5,200 square feet accommodating banquets of up to 360 people. The 502-room Meritage, with over 30,000 square feet of indoor event space, includes a "Grand Salon" of approximately 10,500 square feet that can be subdivided into ten break-out rooms. This large contiguous ballroom space can accommodate banquets of up to 770 people, meetings of up to 720 people (in a classroom layout), and standing receptions of more than 1,100 people. Our interviews routinely suggested that the Meritage is the preferred destination with Napa



Valley for larger corporate and association meetings and events.

In addition to the larger event spaces described above in Napa, one smaller meeting and conference center facility exists at the De La Salle Institute Christian Brothers in Napa. According to the event representative, the institute contains a stand-alone two story building with approximately 16 guest rooms on the second floor and one large 1,500 square foot conference space on the first floor which can seat up to 100 people. The conference facility rents a mix of day trip business meeting events and meetings that generate overnight lodging. Napa Valley Vintners, a non-profit trade association, recently hosted its Christmas party for 28 people at the conference center and preferred the venue because it had its own chef/food service capabilities.

POTENTIAL FUTURE SUPPLY COMPETITION

The largest hotel in Calistoga, the Indian Springs Resort & Spa, has more than 30 acres of adjacent vacant land for future potential expansion and is located along the Downtown core on Lincoln Street. Interviews suggest that no future development is likely to occur within the next few years, though plans have been drawn and the expansion could add event space in addition to hotel rooms.

Additionally, over the next two to three years, the two planned resorts planned for development on the outskirts of Calistoga (the Four Seasons and Rosewood's "Calistoga Hills") can be expected to add event space. The on-site event spaces can be expected to have maximum capacities of around 200-250 people and both resorts will cater to very high-end clientele with room night price points in the \$600 to \$1,000 range. The land developer of the Four Seasons indicated that an "event barn" of roughly 10,000 square feet, for example, will accommodate events with up to 250 guests.

In St. Helena, three city-owned properties are expected to be solicited for hotel and/or event-oriented developments. The largest of the three prospective development sites, a 5-acre parcel on Adams Street, will be subject to a Request for Proposals (RFP) soon. Interviews suggest that a local hospitality developer is likely to propose a plan that includes a wedding facility/venue that could accommodate up to 600 people and up to 150 weddings per year.

Potential future supply competition elsewhere in the Upper Valley is likely to be limited. Our interviews suggest that Yountville is already built-out. Further south however, the Meritage in Napa is planning to expand upon what is already the largest hotel and conference venue in the Napa Valley. Plans have been proposed for a vacant 9.3-acre parcel adjacent to the existing hotel that would add 134 rooms and a 10,000-square-foot exhibition center.⁹

⁹http://napavalleyregister.com/news/local/meritage-resort-plans-another-major-expansion/article_ff8ab53b-77d1-58e0-b6a7-e0fc276281e2.html



APPENDIX A: SOURCES CONSULTED

- Chris Canning, Executive Director, Calistoga Chamber of Commerce
- Aram Chakerian, Operations Manager, Napa Valley Vintners
- Joshua Cowen, Vice President of Marketing and Corporate Development, St. Helena Hospital
- Kevin Dimond, Vice President Hotel Operations, Harvest Inn
- Antione Fahden, Owner, Hans Fahden Vineyards
- Kelly Foster, Principal, Bald Mountain Development
- Debbie Greene, General Manager, Mount View Hotel & Spa
- Alexandra Harner, Event Manager, Domaine Somm
- Eliot Hurwitz, Calistoga Institute
- Mike Lennon, General Manager, Calistoga Spa Hot Springs
- Bernice Lopez, Sales Manager, Hotel Yountville
- John Merchant, Owner, Indian Springs Resort & Spa
- Marcus Mueller, General Manager, Solage Resort & Spa
- Stephen Patel, General Manager, Best Western Stevenson Manor Inn
- Amy Thomason-Richardson, Special Events Sales & Marketing Manager, Culinary Institute of America
- Teresa Savage, Vice President, Visit Napa Valley
- Pam Simpson, CEO/President, St. Helena Chamber of Commerce
- Jeremy Spaulding, Senior Sales Manager, Napa Valley Marriott Hotel & Spa
- Elaine St. Jean, Christian Brothers Retreat and Conference



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