

ASPEN'S FRACTIONAL TIMESHARE LODGING

November 17, 2011

Background

In 1997, faced with an abundance of lower quality lodging dating back to the early 1950s, the City of Aspen held several public hearings on a new Lodge Preservation Program. The goal of the program was to provide an opportunity for the aging lodges to either upgrade or redevelop in an effort to stimulate new bed base. The program was intended to eliminate those lodges that were marginal while allowing wholesale renewal of others into new, upscale lodging.

Approved in 1997, the program (with GMQS incentives) was generally successful as the City was approached by a number of developers wanting to develop high-end luxury accommodations on former lodging and condominium sites. None of the proposed lodging projects were proposed as traditional hotels; every project was proposed as "fractional units" and timeshares.

Timeshares typically are created when multiple people join in to purchase a single accommodation unit or the right to "share" the time available in that unit, usually by having specific weeks allocated to them (no deed). Two such timeshare projects (Prospector and Shadow Mountain Lodge at Aspen) were developed years before, under the original timeshare regulations, and pre-date the Lodge Preservation Program. Fractional ownership is somewhat different in that an entire property is made available and a purchaser is given specific weeks each year in a unit (most units are identical). Owners can also use other times of the year, if a unit is available. These are sometimes referred to as Residence Clubs which also allow an owner to "exchange" their unit time for another time in another location. Hyatt, St. Regis and the Ritz Carlton allow such "exchange" programs within their corporate structures and owners of these fractions can trade them on a separate private network.

The Ritz Carlton Residence Club, located at the base of the Highlands Ski Area, became the first fractional to enter the Aspen market. It pre-dated the City's Lodge Preservation Program and its revised timeshare regulations (which were adopted as Ordinance 2002-21 on June 24, 2002). The Ritz Carlton was approved in the County, and subsequently annexed into the City of Aspen, thus developing in accordance with County regulations.

The second fractional project that came in with a development application was the Aspen Mountain PUD, renamed the "Hyatt Grand Aspen" project. It, too, preceded the revised timeshare regulations, so much of the PUD entitlement process centered around the issue of "fractional timeshares" and whether they "contributed" to the bed base or were actually condominium residences.

At that time, the City's timeshare regulations were extremely dated and did not do much to address the issues surrounding a new fractional product. Council concerns during the PUD review included: availability of rooms for the general public; less sales tax/lodging tax generation from these "ownership" units; and limited ability to regulate the units to ensure they don't become a "commodity" and thus subject to SEC review. Being such a new product, the City had to research and rely on information about

the product from the applicants, whose purpose was to "sell" the project to the decision-makers by suggesting they were providing the City with those elements they coveted most: high occupancy, new visits, appeal to affordable markets, available to the public through rental, and higher sales tax.

The emphasis was on HOT (high occupancy turnover) beds to introduce new visitors to Aspen, while allowing the general public access to the units when they weren't occupied by owners. The City was told that fractional timeshare units would have a significantly higher occupancy and more positive economic impact on the community. Don Schuester of the Aspen Skiing Company was an advocate of this type of lodging product and was enlisted to make presentations to City Council on behalf of the Hyatt Grand Aspen developer.

At the same time it became evident that the City's timeshare ordinance would need to be entirely re-written to address the concerns of the fractional type product. A new ordinance was not adopted until after the Hyatt Grand Aspen was approved. The regulations clarified how realtors could use the products to entice potential purchasers, and served to address consumer protection. However, it also provided for some measures to ensure sales/lodging taxes were collected and "impact fees" for mitigation of the fractional projects was paid. The remaining fractional projects that came in under this new set of timeshare regulations included:

The Residences at Little Nell;

The St. Regis Residence Club;

The Innsbruck Inn; and

The Dancing Bear Lodge.

The above four fractional timeshare projects, together with the Hyatt Grand Aspen, are the primary subjects of this fractional timeshare study.

Study Questions to be Answered

This study is not intended to determine the success of the fractional type product on the Aspen economy. That would be an extensive study, possibly worth investigating as a follow-up to this brief investigation. This investigation is to evaluate if the *fractional timeshare product has performed and operated as was expected* when the projects were originally approved. This assessment is based on primarily anecdotal information gathered from key persons in the accommodations and real estate industries and is qualitative rather than quantitative (due to the lack of primary and secondary data). The fractional timeshare "story" in Aspen is being told in this report by attempting to answer the following specific questions:

1. What are the Occupancy Trends for fractional projects in Aspen?

How do these compare with traditional ownership lodges?

With fractionals in similar resorts?

2. Are fractionals operating as lodges?

Do fractionals rent to the public?

How easy/hard is it to get a room if you are not an owner?

Why do they rent to the public? Does it make business sense?

What is the public occupancy portion of their business?

3. How many unsold timeshare units are there now? Is this a glut? and

4. Is there a recommended process or system for routine measuring of timeshare utilization?

Study Process

This study began with an **inventory** of the five subject properties, using approving ordinances, certificates of occupancy and Community Development Department records to determine the amount of fractional lodging products in Aspen. Please see **Exhibit A** for the inventory of fractional units. Ordinance language for each project addressed the desire of the City Council to ensure "high occupancy turnover" (or HOT beds), by including conditions that the units would need to be available to the general public, and that a central reservation service would need to be used.

The author then corresponded and/or conducted **interviews with several key persons** in the accommodations and real estate business to help get a handle on the operational side of the fractional products. **Bill Tomcich, Stay Aspen Snowmass (SAS)**, provided confirmation that all five of the fractional projects did indeed use the SAS central reservations service to advertise available lodging.

Don Taylor, City of Aspen Finance Director, provided aggregate sales and lodging tax information from five of the fractional properties (excluding the Little Nell but including the Ritz Carlton) from 2008 forward and total sales and lodging tax. This information tells us that 4.5% to 5% of lodging tax is contributable to the fractional properties, an indication that some units are indeed being rented out as short-term lodging. (*Note: Lodging tax is not collected when an owner, their guest, or an "exchange" guest occupies the property, nor on units where a stay is 30 days or more*). Scott Writer notes that industry data suggests that timeshare visitors spend 16% more per capita than hotel guests, thereby generating more in sales tax.

In a phone conference with Bill Tomcich and **MTRIP co-founder Tom Foley**, the data collection of lodging occupancy in Aspen and other resort communities was discussed. MTRIP is a third-person agency that collects monthly occupancy data from fifteen (15) lodging properties in Aspen, including St. Regis, Little Nell, and Frias Properties (one of the largest property management companies who specialize in fractional product rentals). MTRIP also collects lodging occupancy data (traditional lodging and fractional properties collectively) in 14 other resorts (Copper Mountain, North Lake Tahoe, Telluride, Beaver Creek, Keystone, Park City, Vail, Breckenridge, Mammoth Lakes, Winter Park, Central Summit County, CO, Mt. Bachelor, Steamboat Springs and Snowmass Village). To preserve confidentiality in the MTRIP reports, resort names are hidden. The information presented in the reports clearly indicates high occupancy and average daily rates in Aspen as compared with other resorts,

though Aspen is not always the highest. What this tells us is that Aspen's lodging accommodations tend toward upper-end lodging establishments.

In a meeting with **Chuck Frias, Owner/Realtor, Frias Properties**, we generally discussed the sales and re-sale of the fractional units, and why owners choose to rent their un-used time. He could not provide information on sales/re-sales but suggested the County Clerk and/or Assessor may be able to provide accurate information. He opined that the first major fractional timeshare project, the Ritz Carlton, was probably about 95% sold out; that the Dancing Bear Lodge was 50% sold out; and that the Hyatt Grand Aspen (with its 1/20th shares of time) was probably the least sold out. When asked about why owners would be willing to short-term rent their available time, he indicated that many purchasers have found that they occupy their units maybe 2/3 of the time only, and realize that they can make cash off of renting their timeshare to offset expenses when they can't be here to vacation.

He also informed the author that the "rules and regulations" for some projects may preclude the rental of units, though again SAS reports that five of the five fractional properties are available for short-term rental. Mr. Frias also provided the names of contacts at some fractional projects whom he believed may be willing to provide occupancy figures for the fractional units.

In e-mail correspondence with **Scott Writer, Developer of Hyatt Grand Aspen**, he points out that fractional products bring in more first time visitors than hotels. Purchasers in other locations often "exchange" their units to come to Aspen for "free" lodging, and often visit during non-prime-time seasons. He also points out, anecdotally, that the average fractional owner spends more per capita than the average hotel guest, somewhere in the 15% - 30% range, because they feel they can "live it up" since they have already paid for their lodging.

A meeting with the **County Assessor's Department** provided information on sales of timeshare properties (through the Clerk & Recorder's website, easily sorted because all fractional timeshares are transferred under a Special Warranty Deed). Unfortunately, a key piece of information (unit number and fractional weeks) was often missing from the tables, requiring a substantial amount of further research to determine original sales from re-sales. This research was not completed due to the limited amount of time allocated to this study.

Input from the **General Managers** of fractional timeshare properties was also sought by phone and/or e-mail. A short series of six questions regarding general occupancy and renting to the public was developed for this purpose (see **Exhibit C**). At the time of this writing, only two of the GMs responded, but a third property provided confidential occupancy information on the condition that it not be reported as attributable to it. To be clear, most lodging properties consider occupancy proprietary information and are unlikely to share, so the confidential information provided to the author will serve as the best source of occupancy information available.

The author also solicited responses from **Other Resort Communities** regarding their success with fractional projects. Some resorts have yet to see their first fractional project (Crested Butte) while others have fractional projects, but occupancy trends have not been studied. Telephone and e-mail conversations were held with Community Development/Planning Directors Mark Wardlaw from

Mammoth Lakes, Tyler Sinclair with Jackson, WY, George Ruther with Vail, and Thomas Eddington (reported by Shauna Stokes for Mr. Eddington) with Park City, UT. There are mixed reviews from these resources as to the effectiveness of the fractional timeshare product in the other resort communities. The author did find out that Whistler is undergoing a similar study, though no results are available at this time. **Exhibit B** provides the e-mail responses from various Resort Communities.

Finally, in an attempt to determine the ease with which "renting a room" was possible, the author acted as a "**secret shopper**" by personally going into a handful of the fractional properties and requesting a future room reservation and/or going on-line to rent a room. These findings are presented in more detail in the section below.

Analysis/Findings

The author analyzed the information gathered to determine general perceptions/observations of trends in occupancy and use of the fractional products. These findings were intended to answer the specific questions to be answered by the study, and are presented below each question.

1. What are the Occupancy Trends for fractional projects in Aspen?

In order to understand occupancy trends of both fractional and traditional lodging, it is important to work with a baseline of data representing total lodging within the community. MTRIP data provides the best source of total lodging available in Aspen. Together with the Inventory of fractional timeshare properties attached as **Exhibit A**, a "snapshot" of Aspen's lodging is provided.

According to confidential MTRIP data, Aspen has a total of 2,304 lodging units, representing approximately a total maximum occupancy of 9,385 (sometimes referred to as "pillows"). As of the end of July 2011, it was estimated that 790 of the 2,304 units are not part of the MTRIP reporting, representing approximately 34% of lodge units and approximately 43% of pillows not being reported through MTRIP.

Exhibit A indicates that 198 fractional units came on line between approximately 2000 and 2009, including the Ritz Carlton project approved in Pitkin County. However, MTRIP data of total lodging indicates that 288 fractional timeshare units (1,529 pillows) exist, including the Ritz Carlton but excluding Dancing Bear Lodge (this does not show up as available lodging on the MTRIP data). Eliminating the 9 Dancing Bear units from **Exhibit A** for comparison purposes brings the total fractional unit inventory to be 189. The difference between 288 units (MTRIP) and 189 (**Exhibit A**) can be presumed to be 99 "lock-off" rooms that are counted as units in the MTRIP data. Therefore, 288 "units/rooms" of the 2,304 total lodging units represents approximately 13% of the total Aspen lodging inventory being made up of fractional timeshare units/rooms.

As mentioned earlier, occupancy trends of fractional projects are difficult to determine. Only the management of the fractional projects have that information and since it is proprietary, few are willing to share it. The author contacted the General Managers at the properties by phone and/or e-mail to

generally inquire about occupancy and sales/re-sales of fractional timeshare units (see **Exhibit C** for Questions asked of the General Managers). Only two properties responded to the survey and a third property provided actual occupancy information.

Anecdotally, there are few other methods to determine "use" or occupancy of the fractional timeshare lodging products. Even as a function of lodging tax collected (as discussed below), it does not equate to occupancy as fractional timeshares are often occupied by owners, their guests or through exchange programs where no lodging tax is collected. So to summarize "occupancy" of the fractional timeshare units based on the limited information provided to the author (through SAS and other sources), the author was able to determine the following:

- Occupancy "averages" approximately 60%-65% year round.
- During "high seasons" (typically July and January/February), occupancy can be in the 80-95% range
- During "off-season" (April/May and November) occupancy drops to the 20-25% range
- It is perceived that occupancy in fractional units is slightly higher on average over traditional lodging.

How do these compare with traditional ownership lodges?

It is also difficult to compare traditional lodging with fractional/timeshare lodging, other than as presented below as a function of lodging tax collected. By comparing the lodging tax generated for the five timeshare properties (including Ritz Carlton but excluding the Residences at Little Nell) against the lodging tax collections for all lodging in Aspen, we can determine that on average, the five fractional properties generate approximately 4.5 to 5% of total lodging tax (again, the fractional properties represent about 13% of all lodging in Aspen). The reverse of this would be that the remaining lodging tax collected (95% or approximately \$958,629 of a total \$1,009,083 in lodging tax collected in 2010) would be from traditional lodges and other property owners (condos or single-family) who report sales/lodging tax to the City. This could also include an aggregate amount reported by a property management company such as Frias (which may include fractional units) or properties available through VRBO (Vacation Rentals By owner), for example. Also of note is that the lodging tax generated by the Residences at Little Nell are aggregated with those of the Little Nell Hotel and are included in the 95% of lodging tax collected. This information only tells us that more lodging tax is generated by traditional lodging products. However, the fractional timeshare products may generate more Real Estate Transfer Tax (RETT), a lodging mitigation fee, and/or sales tax (by owners spending up to 30% more per capita on restaurants and purchases according to Scott Writer) as a comparison.

The other comparison that can be made is that if we know that 13% of the total Aspen lodging inventory represents fractional/timeshare units and the timeshare properties collectively generate approximately 5% of total lodging tax, that much of the fractional unit inventory may be used by owners, their guests, or as "exchange" time within the Residence Club, thus not generating any lodging tax.

MTRIP reports provide some insight into traditional lodging occupancy. Presuming the MTRIP data provided is reporting only traditional lodging, the following general conclusions can be made in terms of 2011 occupancy compared with 2010 actual bookings:

- Bookings in 2011 have been higher than that in 2010 (this is consistent with what some GMs reported).
- Bookings are highest over the weekends (Friday and Saturday) and lowest mid-week.
- The highest summer bookings for 2011 (approx. 95% occupancy) were Food & Wine and 4th of July Weekends, approximately 5% higher than 2010 bookings.
- Off-season actual occupancy in October and early November 2010 was lowest at approximately 8% and highest at about 48%.
- As of August 31, 2011, future Winter bookings are generally tracking higher than 2010 future Winter bookings. In other words, more lodging reservations have been made already for the 2011-2012 ski season as compared with future bookings at that point in time for the 2010-2011 ski season.

To summarize, 83% of all Aspen lodging is considered "traditional" lodging, while 13% is considered fractional timeshare lodging. MTRIP occupancy reports represent traditional lodging only. Approximately 4.5 to 5% of lodging tax is generated by fractional timeshare lodging as compared with 95% of lodging tax generation by traditional lodging. Fractional timeshare lodging produces other taxes, such as RETT and some portion of sales tax that is not reflected in this study. On average, it appears that fractional timeshare properties perform slightly higher than traditional lodging in terms of occupancy.

How do these compare with fractionals in similar resorts?

It does not appear that any other western ski resort communities collect data on timeshare use. Other than the timeshare study being conducted by Whistler, there does not appear to be any comparable resort timeshare use information available to compare with the limited occupancy information on Aspen's fractional timeshare properties. Notwithstanding the lack of information, resort planning departments have reported perceptions that fractional timeshare units have been both a boon and a detriment to their communities.

For instance, Mammoth Lakes indicated that the Westin property completed in 2007 has substantially increased their Transient Occupancy Tax (TOT). This may be because the majority of the community's existing bed base is composed of 1970s and 80s stock of condominiums and the Westin is perceived as a newer, up-graded property with more desirable accommodations. Jackson, WY reports their perception that occupancy is substantially lower than traditional lodging, and that they contribute less liveliness to the street (less lights on). To be clear, Jackson's regulations do not require a manned front desk or retail space as is required by both Aspen's and Vail's regulations. Further, Jackson is in the process of updating their community plan and a balanced approach to lodging (both traditional and fractional timeshare) is being discussed. They also report that apparently fewer bankers are now lending on fractional timeshare projects than was the case in the early 2000s.

The consensus from these conversations and e-mail correspondence was that fractional timeshares do contribute to a higher year round occupancy, though none of those cities/towns have done any data collection verifying this perception.

2. Are fractionals operating as lodges?

The fractional timeshare properties do operate as lodges and do rent to the general public through a variety of distribution channels, one of which is SAS. According to Bill Tomcich, all four timeshare projects approved under the revised Timeshare Ordinance (The Residences at Little Nell, The St. Regis Residence Club, The Innsbruck Inn, and The Dancing Bear Lodge) along with the Hyatt Grand Aspen currently are registered with Stay Aspen Snowmass (SAS) central reservation service. The Ritz Carlton is not, and clearly operates as a private Residence Club with no known public booking opportunity.

Do fractionals rent to the public? How easy/hard is it to get a room if you are not an owner?

The author was able to book larger units (2 to 3 bedroom units as opposed to a lodge room) by internet in all but two properties.

To further quantify the ease with which a non-owner can "rent" a unit/room, the author walked into four different fractional timeshare properties looking to book a three-bedroom unit for a "girls weekend" in late October. One property was closed until November, but could be booked for a future date on-line. One property allowed the author to book a room as a "walk up" customer. The other two required that another property manager needed to be consulted about renting a unit on a short term basis, though one of those could be booked directly on-line.

In summary, the author can confirm that all of the fractional timeshare properties operate like traditional lodges by allowing the general public to either walk up and book a unit or to book a unit through the internet or by phone.

Why do they rent to the public? Does it make business sense?

According to Chuck Frias, it does make business sense for owners to allow their unused weeks to be used by a short-term renter. Owners rarely use all of the time they are allocated and have found that it makes economic sense for them to make money off of the unused portion of their timeshare. Further, Mr. Frias elaborated that over the last 30 years he has seen a trend that when economic times are challenging, more rental units become available. It may be that owners have less time to vacation as they are working harder during these periods, that they are trying to subsidize their incomes, or that they cannot afford to take a vacation.

He further explained that fractional owners' rental inventory is accepted by management companies for periods that they (management) believe they can rent. They turn down inventory during periods when there is an oversupply, like January or early December. Fractional owners tend to want to use their space the same periods as everyone else and the shoulder periods of the season are typically in less demand. He noted that the City lost significant condominium rental inventory over the years as real estate prices increased, and these residential properties went off-line with new owners purchasing and remodeling their units. Today, condo owners want the flexibility of using their property last minute, and they do not like the wear and tear and the incremental revenue generated by renting out their property--they may not think it is worth the wear and tear or lack of flexibility to keep it in a rental program. Condo owners also have more of a personal attachment to their property than fractional owners have to their units.

Further, the GMs report that some owners purchased their interest with the intent of always renting it, while others opt to rent out only when they cannot use it. It was also reported that one week of rental can pay for an entire annual assessment(homeowner's dues). According to one GM, the rental market is an important part of their business model (they can collect up to 40% of the rental revenue), but owners have the option to rent their units on their own.

What is the public occupancy portion of their business?

The "public" occupancy portion of the fractional business is impossible to determine since fractional properties don't distinguish occupancy by "owners" vs. "renters", they simply report "occupancy". This was confirmed by Mr. Frias, who confirmed that the Ritz Carlton only tracks that a unit is occupied, and does not distinguish whether it is occupied by an owner or a renter. By contrast, MTRIP reports the aggregate occupancy information reported by the member lodging establishments *for paid occupancy only*. E-mail correspondence from MTRIP indicates that reports reflect *"Units available for paid occupancy only, and does not include units that are exclusively for owners / guest of owners / comp stays, closed for >30 days, etc. The number is dynamic and changes month to month"*.

Fractional timeshare occupancy is considered proprietary information and is not directly available, even through a third party reporting source such as MTRIP. SAS does not have access to any occupancy data either, other than aggregated occupancy of reporting properties (traditional lodges) through MTRIP. Therefore, it is not possible to report on the "public" occupancy portion of the fractional business.

3. How many unsold timeshare units are there now? Is this a glut?

A better question to ask is how many fractional timeshare units have been sold or re-sold. This information is available through public records in the Clerk and Recorder's office, but would require a substantial amount of further research to determine original sales from re-sales because a key piece of information (unit number and/or fractional weeks) is often missing from the tables. Further, some of the tables indicate that no "consideration" was paid or that no "sold to" information was provided, making the "sales" difficult to quantify. This research was not completed due to the limited amount of time allocated to this study. However, the table below does provide general information on total sales and re-sales since the issuance of a Certificate of Occupancy, but should not be used as an indication of how often a property is resold without more research being concluded.

PROPERTY	TOTAL SALES/RE-SALES	FRACTIONAL UNITS	C of O ISSUANCE
Dancing Bear Lodge	40	9	2009
Grand Aspen Hyatt	173	51	2007
Innsbruck Inn	82	17	2008
Residences at Little Nell	174	24	2009
St. Regis Residence Club	385	24	2005
Ritz Carlton Club	1,008	73	2001
Total	1,573	198	

One conclusion that can be derived from this information is that, generally, the longer the property has been on the market, the more sales/re-sales have been made. Sales were approximated by some reporting GMs to be between 42%-73%, with re-sales being less than 10%.

4. Is there a recommended process or system for routine measuring of timeshare utilization?

This is perhaps the easiest question to answer. Discussions with Bill Tomcich and Tom Foley indicate that MTRIP would be the most logical third party agency to be able to collect and report the aggregate occupancy of fractional timeshare units in Aspen. Currently, three entities (Little Nell, St. Regis, and Frias Properties) already report their occupancy of hotel rooms to MTRIP. If these and the remaining fractional properties are willing to confidentially report their occupancies, then with some limited programming changes, MTRIP could likely provide timeshare utilization information. If this reporting structure were created, it should collect data on both "owner" and "public" occupancy.

The issues with putting this fractional timeshare reporting system into place would include who would pay for the additional set-up of the program and getting the fractional projects to agree to participate in the subscription service. Bill Tomcich recommends that the City arrange a meeting with all of the fractional properties' representatives to determine if they are willing to participate in such a reporting system. He further suggests that Tom Foley be available by phone to answer any questions (particularly on confidentiality) that may be raised.

Summary/Conclusions

To summarize, the author has been able to determine that, generally, the fractional timeshare product has performed and operated as was expected when the projects were originally approved. Further, the author can verify that all of the fractional timeshare properties are available to rent to the general public, thus closely functioning like traditional lodges. Interestingly, it appears that fractional projects have a slightly higher occupancy than traditional lodging, but because owners tend to occupy their units, less lodging tax is generated by the fractional properties, though other taxes (e.g. RETT) are collected.

As compared with other resort communities' fractional projects, it is unclear how they perform in terms of occupancy, though Whistler is undergoing a study to help determine the effectiveness of their timeshare products. What is understood from MTRIP data is that Aspen's traditional lodging properties clearly indicate high occupancy and high average daily rates as compared with other resorts, though Aspen is not always the highest. What this tells us is that Aspen's lodging accommodations tend toward upper-end lodging establishments.

Recommendations

The author believes that tracking fractional timeshare occupancy in Aspen would provide the clearest perspective on the effectiveness of the fractional timeshare product. It would appear that the MTRIP reporting service may be the most efficient and effective way to collect this information by the third party agency. That being said, the author agrees with Bill Tomcich and recommends that the City

arrange a meeting with the fractional timeshare properties to gauge their interest in participating in such a data collection method.

Further, the author believes that lodging tax collection is not an accurate depiction of how effective the fractional timeshare product is within the community. For instance, lodging tax paid by property management companies is usually aggregated and not reported by specific properties. Further, lodging tax collections only reflect those that report their "sales", and it logical to presume that some rentals are not reported to the City.

Finally, the author believes that additional research, such as the Real Estate Transfer Tax (RETT) collected on sales/re-sales of the fractional timeshare products, could provide some insight as to the financial benefit these properties bring to the City. This information should be collected as part of a broader study that would evaluate all the pros and cons of this type of product. But before taking this on, the City should begin with facilitating the collection of occupancy data (including who is occupying the unit).

Attachments:

Exhibit A Inventory of Fractional Lodging Products

Exhibit B Resort Community Responses

Exhibit C Questions asked of the Fractional Timeshare General Managers

About the Author: Julie Ann Woods, President of the *Elk Mountains Planning Group* authored this study in September/October 2011. She is the former Community Development Director for the City of Aspen (1998-2004) and was directly involved in the drafting of the revised Timeshare Ordinance and served as case manager on several fractional timeshare projects in Aspen in the early 2000s.

Disclaimer: The information provided in this study is primarily from second and third party sources and provides non-conclusive evidence of the effectiveness of the fractional timeshare product. However, any errors or inconsistencies with the information presented here should be directed to the author at elkmtplan@aol.com or by calling 970-948-0802.

EXHIBIT A INVENTORY OF FRACTIONAL UNITS IN ASPEN--DRAFT ONLY--NOT FOR PUBLIC INFORMATION

10/19/2011			
PROJECT	FRACTIONAL UNITS	ORDINANCE/DATE	CO DATE
Dancing Bear Lodge	9	29-2003; 8/11/2003	7/16/2009
Grand Aspen Hyatt	51	52-2001; 12/17/2001	1/9/2007
Innsbruck Inn	17	32-2004; 9/27/2004	5/2/2008
Residences at Little Nell	24	30-2004; 10/12/2004	11/19/2009
St. Regis Residence Club--Bldg. A/B	24	25-2003; 5/12/2003	5/12/2005
St. Regis Residence Club--Bldg. C	0	25-2003; 5/12/2003	5/12/2005
Ritz Carlton Club	73	NA	NA
Totals	198		

St. Regis received approval to convert 98 of 257 existing hotel rooms into 24 timeshare units and one residential unit and to modify 22 approved but unbuilt hotel rooms into 20 hotel rooms (Building C)
 Residences at Little Nell PUD indicates 24 timeshare units, 8 hotel rooms, 2 condo units and 8 AH,
 but CO indicates 26 residential units and 8 lodge rooms; presume 2 units are condos
 Innsbruck had CO issued for 8 one-bedroom units; ten two-bedroom units; probably includes manager's unit

****Information from Building Dept. Certificates of Occupancy (CO)**

EXHIBIT B

E-MAIL CORRESPONDENCE FROM OTHER RESORT COMMUNITIES

Below is the e-mail sent by the author to the list of Community Development/Planning Directors in other resort communities, followed by responses:

Hello Resort Planners!

WOW! It's been a long time since I last updated this list (2008?!), so I'm going to take a chance and hope that some of you are still with your respective towns. I've eliminated the names of folks that I know are no longer where they were, and added a few new ones I'm aware of.

At any rate, I am writing for two reasons. First, I think it is time to update our contact list (see attached). I will depend on all of you to make corrections to your info as well as pass along the names of new directors/planners who have replaced ones on the list--please just forward directly to me and I will update the master list and re-send it out when updates are complete. Remember, this list is intended to be used judiciously by us collectively, and should not be openly shared except as appropriate. Please get me changes to the list--just make the changes on the attached word document and forward to me--by next Friday, Sept 23rd.

Second, (and this is the real reason I am writing you) I am working with the City of Aspen to complete a quick investigation into fractional unit use in Aspen and comparable resort communities.

We are trying to figure out occupancy trends of fractional units as opposed to standard lodging units. It has been about 6 years since Aspen approved a number of fractional units, and to date, Aspen has not been able to garner this "proprietary" information (occupancy) from the fractional projects. Are any of your communities able to track occupancy in fractional units? If so, how do you do it?

Can any of you provide me with any information you may have regarding occupancy of fractional units in your communities? We had been told that if owners of fractional units decline to use their units during scheduled times that the units would be placed in a "pool" for use by the general public. We have some units that do that, but others that have not. We had been told that such projects contribute "hot beds" to the community, but we haven't been able to "prove" this assertion. What has been your experience?

In the very least, could you please share your thoughts as to whether you view the fractional units as "short-term lodging" that contributes to your community's bed base? If not, why not?

I'd like to incorporate your responses into my report, and will provide you with a copy of the final findings after City Council reviews it.

Thanks in advance for any information you can share.

Julie Ann Woods, AICP/ASLA

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Julie Anne,

John Hess passed the second half of your question to me. The Town of Crested Butte has no fractional units currently approved within the Town so we have no track record. However, when a project was proposed several years ago we drafted an ordinance to address submittals and approvals and tried to anticipate all the issues with fractional that were out there at the time. One of the things we are requiring is a yearly report that details monthly occupancy rates that delineate who is using the units. If you want to look at our ordinance it is on-line. Section 16-7-160 is the most pertinent to the question. Hope this helps.

Bob Gillie

Hi -

First, only one name correction: Mark Wardlaw (not Mike).

Second, we do not yet track occupancy or frequency of rental. We are ramping up our TOT enforcement program and intend to develop tracking and reporting tools through the effort.

Mark Wardlaw
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Good Afternoon Julie-

Good to hear from you as well.

You pose some really great questions in your email. Questions that I do not have answers to off the top of my head. We too were sold one thing but I'm not certain we really got back what we were sold. Let me dig around a bit and see if I can pull up some factual information for you. I have my opinions and suspicions but nothing concrete. Can we talk next Thursday or is that too late? Let me know.

Thanks,

George Ruther, AICP
Director
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Hi Julie Ann. I am still at Whistler. Phone numbers and email are accurate. My title is General Manager of Policy and Program Development. I'll get back to you on the fractional enquiry, as we have commissioned some work on how different ownership models behave.

Mike Vance [mvance@whistler.ca]

. . .With respect to you fractional share question, the City of Durango contemplated adopting some fractional share ownership regs, but the bottom fell out of the market before we began serious consideration of them, and there has been absolutely zero interest in them since, so we have nothing to help you out with.

All the best to you,

Hoch, Greg [HochGS@ci.durango.co.us]

Exhibit C
Survey of Fractional Timeshare Properties' General Managers

Timeshare Project Name: _____

We don't need specific figures. We are just trying to gauge your observations.

- 1. What are the year-round Occupancy Trends for the fractional units at your property? Please provide a ball park % of occupancy of units during high season and off-season.**

- 2. How do you think the occupancy of these units compare with traditional hotels/lodges? Do you think the occupancy is higher, lower or about the same?**

- 3. Approximately what percentage of units/fractions have sold since the property came on-line?**

- 4. Approximately what percentage of units/fractions have been re-sold since the first round of sales occurred?**

- 5. Does your establishment allow the fractional timeshare units to be available for short-term lodging by the general public? If so, how is this done? Central Reservations Service? Walk-up? Phone reservations only?**

- 6. Why do you think owners may want to allow short-term rental of their units to the public? Does it make business sense? Or is it done just to comply with city regulations?**

- 7. Other comments /observations about fractional units?**

Thanks for your feedback. All information will be held strictly confidential.