

SANTA ROSA BLUE HOLE

Business Plan

Presented by  Advertising, Marketing & Public Relations
and Southwest Planning and Marketing
AUGUST 2005

EXECUTIVE SUMMARY

This document is a business plan for improvements at the Blue Hole in Santa Rosa. The major findings are:

- The Blue Hole dive facility is a unique and important asset to the City of Santa Rosa.
- The markets for the Blue Hole are divers, swimmers, and general tourists.
- There are few competitor facilities within New Mexico, but there are competitors in nearby states.
- The facility is not optimally developed or operated and is therefore underutilized.
- There is a need to make improvements at the Blue Hole to increase visitor activity in Santa Rosa.
- Necessary improvements include new restrooms/locker room, full-service dive shop, a café, a civic center, and various improvements to the grounds, as well as stabilization of the Blue Hole to prevent further deterioration and damage.
- Such improvements will increase the competitiveness of the Blue Hole, attracting additional visitors and generating additional revenues within Santa Rosa.
- In the future, there will be a need for additional improvements to the Blue Hole, including additional meeting space, an indoor pool, a staging area for divers, and other adjunct facilities.
- To maximize success, the Blue Hole needs to be properly branded and promoted, with a sufficient market budget.
- Special events should be created to attract additional visitors.
- The operation of the improvements should rely on a public/private partnership.
- The City should operate the Blue Hole, restrooms, locker rooms, and civic center, while the private sector should operate the dive shop and café.
- The improvements will require a combination of City equity, grants, and debt.
- The projected City operations at the Blue Hole will operate in the red, largely due to the inclusion of costs for stabilization.
- The dive shop and café are each projected to be profitable.
- It is recommended that the City proceed with the improvements for Phases 1 and 2, beginning with grant writing and necessary architectural and engineering studies.

INTRODUCTION

Santa Rosa is the home of the famous Blue Hole, a geological phenomenon. The natural, bell-shaped pool is 80 feet deep and has astonishing clarity and a constant water temperature of 64 degrees. There are training platforms at depths of 20 and 25 feet, as well as a small dive shop. The Blue Hole is one of the major attractions in Santa Rosa, drawing scuba divers and water enthusiasts from throughout the region.

While the Blue Hole is already an important community asset, it has never been fully developed and marketed as a dive destination. A number of studies have been conducted in the past that have produced drawings for improvements at the Blue Hole. However, none of the past studies actually assessed the market for the Blue Hole and tested the financial feasibility of making various improvements.

The purpose of this business plan is to provide an assessment of what can realistically be developed at the Blue Hole and to provide a plan for developing and operating the recommended improvements. The research has been funded by the New Mexico Rural Development Response Council and overseen by the staff of the City of Santa Rosa. The business plan is organized into the following sections:

- The Organizations
- The Community and Regional Setting
- The Blue Hole Project
- Profit Centers
- Market Research
- Competitor Analysis
- Marketing Plan
- Staffing
- Operations
- Sources of Financing
- Financial Analysis

THE ORGANIZATIONS

The Blue Hole is located on City land. The City currently receives the revenues from the use of the Blue Hole and provides some services to the property: security, maintenance, and life guards during summer usage hours. The Santa Rosa Dive Center, located on the property, is operated by a private party, Stella Salazar, under an oral agreement with the City. In this section, we examine the organizations that should be in place in the future to ensure the successful operation of the Blue Hole. We envision a continuation of public/private partnerships as the best way to operate the Blue Hole.

Role of the City of Santa Rosa

The City of Santa Rosa should continue to play its historic role of policing and maintaining the property, as this is an appropriate role for government. In addition, as discussed below, the City should operate meeting facilities on the property to serve, not only the needs of divers, but also community needs and the needs of other visiting groups.

The City should also market the Blue Hole, as part of its efforts to promote the City of Santa Rosa as a destination or stopover for travelers on Interstate 40. This will require an expansion of the City's historic role in promoting tourism, to assure that sufficient resources are devoted to promotion. The City's activities in relationship to the Blue Hole should all be coordinated under one individual, the Tourism Director.

Role of Private Sector Businesses

We believe that it is appropriate that the private sector continue to operate the actual businesses at the Blue Hole, as has been the case in the past. This role should be formalized, through a process of competitive bidding and a carefully crafted contract outlining roles and responsibilities, as discussed below. We recommend having two separate contractors, one to operate the dive shop, provide dive instruction, and rent out the meeting room(s), and one to operate the café and also cater to the meeting rooms.

The Community and Regional Setting

Santa Rosa is located in Guadalupe County at an elevation of 4,599 feet on Interstate 40 in eastern New Mexico, 114 miles east of Albuquerque, 102 miles west of the Texas state line, and 177 miles south of the Colorado state line. According to the 2000 Census, there were 2744 residents. It is located in ranching country and in the midst of a number of lakes, including Santa Rosa Lake, located within a popular state park. Ranching's legacy endures in the surrounding landscape, but tourism provides the area's biggest economic base. Nineteen hotels and 21 restaurants serve travelers on I-40. There are several softball fields, which host major tournaments during the summer.

Besides being the Guadalupe county seat, Santa Rosa is home to Luna Vocational Technical Institute, as well as four schools, two medical clinics, a 58-bed nursing home, and a small hospital. Another city asset is a community golf course. Santa Rosa also has a two-runway airport.

The major industries providing employment are arts, entertainment, recreation, accommodation and food services (29.6%); educational, health and social services (17.6%); retail trade (13.0%), and public administration (11.6%). The Correctional Facility employs 180 people.

The Blue Hole Project

A number of drawings have previously been made to illustrate improvements that could be made at the Blue Hole. While such drawings helped create a vision of what might be possible, they were not grounded in economic realities. In this section, we define the elements of the Blue Hole project. While a number of improvements would be desirable and beneficial (e.g. large meeting rooms and a hotel), many of them are not financially feasible in the short run. That is why we have divided the project into three phases:

- Phase 1--Architectural and Engineering Studies
- Phase 2—Initial Improvements (buildings and grounds)
- Phase 3—Future Improvements (on-site and off-site)

The financial analysis is based on Phases 1 and 2 only. Each of these phases is discussed below.

Phase 1-Architectural and Engineering Studies

In Phase 1, architectural drawings will be developed for the new buildings, and a site plan will be created for the improvements to the site. Out of this work, a more exact estimate of the Phase 2 costs will be developed.

Also, a feasibility study will be undertaken and plans and specs developed for the stabilization of the Blue Hole itself. Such stabilization is necessary to preserve the structural integrity of the Blue Hole, to ensure its continued usefulness as a dive site. This work will build on a preliminary restoration plan already produced under contract for the Corps of Engineers in February 2005. The preliminary restoration plan provided a list of necessary actions and estimated costs for the stabilization (as well as for adjacent lands, which additional improvements are not part of this analysis.)

The study and plans and specs will provide for accomplishing the following:

- Clamshell dredge accumulated debris from the bottom
- Replace old grate with new grate
- Remove loose material from the surface perimeter and submerged walls
- Stabilize or protect surface areas containing soil or loose debris
- Stabilize submerged walls by attaching netting
- Install permanent anchors to the walls for use by divers

Phase 2—Initial Improvements (Buildings and Grounds)

In Phase 2, the recommendations of the feasibility study for stabilization will be carried out, based on the study and the plans and specs completed in Phase 1. In addition, the following improvements will be made:

- Raze old restrooms and dive shop
- Construct new dive shop
- Construct new restrooms/showers/locker room
- Construct café
- Construct initial conference room
- Construct group shelters
- Provide landscaping
- Provide lighting
- Provide parking
- Install fencing

Raze old restrooms and dive shop. The existing restrooms and dive shop do not adequately meet the needs of visitors. They should be razed and replaced.

Construct new dive shop. A new dive shop will be constructed. The dive shop will carry out the following functions: sell admission tickets to the Blue Hole, rent and sell equipment, offer dive instruction, and book the meeting room. It will have 1,000 square feet of space, including space for merchandise, offices, and hanging wet wetsuits, as well as a public phone.

Construct locker rooms. Men's and women's locker rooms will be constructed. They will include showers, restrooms, and lockers in a total of 1,000 square feet.

Construct café. A 500-square foot café will be built, with a kitchen, food storage, counter, and small seating area.

Construct Civic Center. The civic center will seat 500 people in an 14,800-square foot facility. It will include movable chairs, tables, and audiovisual capability.

Construct group shelters. There will be six new covered group shelters that are 20 feet by 25 feet, i.e. 500 square feet.

Provide landscaping. Landscaping and hardscaping will be installed on the grounds.

Provide lighting. Night lighting will be installed for safety and security.

Provide parking. The parking lot will be surfaced to allow space for 100 cars.

Install fencing. Security fencing will be installed around the Blue Hole proper.

Phase 3—Future Improvements (On-Site and Off-Site)

Beyond Phases 1 and 2, some additional improvements would be desirable in Phase 3, provided that sufficient funds can be raised to pay for them. These future improvements are described below. The initial architectural drawings and site plan should take these future improvements into account, for ease of expansion. The City may also need to acquire adjacent lands to allow for the future expansion. The improvements include:

- Warm room
- Indoor pool
- Outdoor staging pool
- Water link between staging area and Blue Hole
- Decompression chamber
- Open the cave for expert divers
- Cameras and TV monitors
- Fish exhibit
- Trails system
- Area for outdoor events with power for vendors
- Improve ponds to northwest
- Improve Park Lake and grounds
- Hotel
- RV/tent camping area

Warm room. It would be desirable to have a warm room in which divers could put their equipment on and receive instruction, prior to entering the Blue Hole, and after congregate after leaving it. Such a room would be about 600 square feet.

Indoor pool. Because Santa Rosa does not have a public indoor swimming pool, it would be desirable for the City to provide a pool at the Blue Hole. This could be used by community members, including school groups and aerobics classes, and visitors. Sizing would depend upon funding availability, as indoor pools are quite expensive.

Outdoor staging pool. Another useful improvement would be an outdoor pool that divers could use prior to entering the Blue Hole. They could use this pool while they test their equipment or while they wait for other users to vacate the Blue Hole. It would be about 600 square feet in area.

Water link between staging area and Blue Hole. A useful (but non-essential) feature would be the construction of a water link that connected either the indoor pool or the staging pool with the Blue Hole. (There would not be a complete connection to protect the natural waters of the Blue Hole and prevent improper diversions of its water.) This would allow divers to swim from the staging area to a point immediately adjacent to the Blue Hole, from which they could dive into the Blue Hole.

Decompression chamber. An important safety device is a decompression chamber. The nearest decompression chamber is in Albuquerque. Although quite expensive, the safety of having a decompression chamber on site could be a feature that would attract more divers who may be considering other dive sites without this safety feature. A small fee for “insurance”, allowing the user to have access to the chamber, if necessary, could help offset the purchase price (estimated at \$28,000). Divers who did not choose to pay the fee could still use the chamber, if necessary, but would have to pay full price. There may be additional ways to obtain the chamber for a reduced cost by purchasing a previously owned chamber or by working cooperatively with a hospital or emergency medical services provider to ensure that the chamber is available for other types of emergencies.

Open the cave for expert divers. The cave at the bottom of the Blue Hole has been closed as a safety precaution to prevent injury or loss of life. The National Park Service (NPS), along with many cavers and divers, are interested in exploring the cave.

Reopening the closed cave area would attract both more experienced divers and others interested in experiencing an above-ground view of an exciting underwater attraction. In order to use the cave, it is imperative that safety be the first consideration. The cost to stabilize and secure the area is substantial if funded entirely by the city; however, there are sources for assistance.

The National Park Service is extremely familiar with the situation and has actually worked on the project in the past. They put together a comprehensive plan of requirements to stabilize the Santa Rosa Blue Hole for long term use. Some of the tasks that were outlined were completed including removing a large amount of silt and debris from the Blue Hole.

Unfortunately, not all of the recommended improvements have been completed so, at this time, the people at the Park Service fear that some work may have to be redone. The good news is that the Park Service, in conjunction with their underwater geological department, will perform many of the improvements for no charge.

What follows is an abbreviated history of the cave, as provided by the Park Service.

May 4, 1974– NPS first association with diving the Blue Hole. Dan Lenihan, NPS regional dive officer, and Ken Morgan, regional safety officer, dived the open sink; and Lenihan entered the cave at the bottom. In those days, before the parking lot was built, a lot of prehistoric artifacts were present in the immediate environs.

September 16, 1974 – Lenihan, Sheck, and Karen Exley (Florida Cave Divers) dived the cave (spring conduit) at the bottom of the Blue Hole. We noted an altitude-corrected depth of 135' at the deepest point.

March 10, 1976 – A group of students were diving the Blue Hole when two entered the spring conduit at the bottom and drowned in the cave. They were David Gregg (age 21) and Mike Godard (age 22). Their bodies were subsequently recovered by State Police divers. These divers reported depths well in excess of 200 feet. This is obviously at odds with NPS measurements and may have resulted from inaccurate readings.

The NPS never found the room they reported. The State Police divers were good divers, but not cave divers, and this is a short but serious cave dive. It must have been a

harrowing recovery for them and they were probably making a common mistake associated with depth when diving at altitude.

Shortly after the 1976 fatalities, the State Police put a grate over the hole. It was at a corrected depth of 87'. Silt and debris, mainly vegetation, from above gradually covered the grate and filled in the whole bottom on the deepest side of the outer basin. That, in turn, slowed the flow of aquifer water to the point that it pushed out in other vents.

Over the years there were other fatalities in the Blue Hole, but none in the cave, all in the outer basin.

NPS divers used the Blue Hole for three decades for training and equipment shakedown before field projects. So did other agencies and individuals. Virtually all NPS recording systems were first used in the Blue Hole before being taken around the world.

March and April 2000– NPS and State Police divers began process of dredging out truckloads of debris and silt and uncover the grate at the bottom so the spring can “breathe” freely again. Also made the maximum depth 87' again, as opposed to 81', which is what it was after being silted in. This process was filmed by Bob Martin of KRQE News as a live broadcast from underwater. It was June of that year before the grate was finally cleared.

We recommend eventually reopening the cave to divers who meet certain standards of proficiency. This would provide opportunities for research, training, and recreation. A rail or chain might be installed into the cave to help divers find their way out.

Cameras and TV Monitors. It would be desirable to install one or more cameras and TV monitors so that activities in the Blue Hole could be observed by spectators. Underwater cameras and monitors at the Santa Rosa Blue Hole will be multi-use. First, by letting visitors see what goes on below the surface of the Blue Hole, visitors that are not divers will be able to have an enhanced experience. Families of divers may spend more time in Santa Rosa if they know they can observe what is happening underwater. And visitors that have never considered diving may be encouraged to stay and try it for themselves. In addition, safety would be greatly increased with a monitoring system which may save money on insurance. Also, a profit could be made from the sale of still shots or video tapes of dives. The initial cost of \$5000 to \$10,000 would be well worth the investment.

Fish exhibit. The City of Santa Rosa has been working with the legislature to obtain funding for a warm water fish exhibit that will compliment the fish hatchery being built in the Blue Hole development area. This would be an added attraction to draw visitors to the Blue Hole.

To date, the funding has not been obtained, and the project is on-hold until such time that adequate funding and grants can be obtained. Revenues from admission fees alone cannot be expected to cover all of the capital and operating costs.

Trails system. There are plans to expand the trail system, to connect the Blue Hole and Park Lake with wetlands and open space in the vicinity, including a link to the new Cienega Trail. A trail system would be a desirable amenity to have associated with the Blue Hole. And it would give friends and family members something to do while others were diving, as well as attracting other types of visitors.

Trail improvements can be done in phases. Both hikers and bikers will be using the system so it will be important to make sure they are safe, well built, well maintained and organized so that both visitors and locals will use them regularly.

An adequate trail system will encourage low impact use of the area. The trails can lead to fishing ponds, snorkeling pools, and scenic eco-centers that will show visitors the many things to do in the Blue Hole region, encouraging them to stay longer and spend more time in the area. Interpretive signs would be valuable, especially for family or school groups.

Eventually, an extended trail system that connects all of the lakes, ponds, and streams will help highlight the position of Santa Rosa as a water vacation destination in the desert.

Area for outdoor events with power for vendors. A key component to attracting new visitors is to provide event-driven promotions. Festivals and fairs such as Santa Rosa Days are already held at Park Lake. This site could use improvement, including the provision of power for vendors. An outdoor area that is already set up with electricity for vendors and shelters for visitors will ensure adequate services in order to create successful events that can grow the tourist market. Events should be scheduled to grow the slower seasons and can help attract tourists and travelers year-round. See the marketing plan for more details.

Improve ponds to northwest. It has been proposed that the fishing ponds northwest of the Blue Hole be restored. Non-native species should be removed and amenities added to facilitate fishing.

Improve Park Lake and grounds. Also, Park Lake and its grounds could be improved for the benefit of swimmers, picnickers, and other users. Additional analysis should be done as to the specific needs, potential solutions, and costs.

Hotel. It would be desirable to have a high quality name-brand hotel built in the vicinity of the Blue Hole. This would accommodate divers and other visitors seeking a quality visitor experience. It would also help increase the demand for conference space at the Blue Hole. Such a hotel might be built on private land to the north of the Blue Hole, perhaps in conjunction with a new more direct access point to the Blue Hole from the Interstate.

RV/tent camping area. While there are several RV parks in town, there may be a need for another park in the vicinity of the Blue Hole. Such a park might be located on City land near the Power Dam in Wallace Memorial Park south of the Blue Hole.

PROFIT CENTERS

In this section, we provide a more detailed description of the four profit centers and our assumptions regarding utilization. The profit centers are:

- Blue Hole Admissions
- Civic Center
- Dive Shop/Dive Instruction
- Café

The City will receive the Blue Hole admission revenues, which will be collected at the dive shop; a small portion of those revenues will be kept by the dive shop. The City will also take in revenues from the use of the meeting room, with a percentage going to the dive shop. The dive shop will realize revenues from the sales and rental of equipment and dive instruction. The café will take in revenues from food sales and from catering the meeting room; a percentage of food sales will go to the City.

Blue Hole Admissions

In order to pay for the improvements at the Blue Hole and for ongoing operations, it is necessary to raise admission fees. In particular, fees for dive groups must be increased; however, for groups of four or more divers, an instructor will be admitted without charge. The recommended fees are in line with those charged by comparable facilities. Charges will be higher on weekends, to encourage use during week days.

Admission for divers will be \$20 on weekends and holidays and \$15 during the week. In addition, a special rate of \$25 will be charged for dives scheduled outside of normal operating hours (with a minimum charge of \$100). We project that, in the first year, there will be 10,400 paying divers during normal hours and another 160 divers during off hours. Usage (of all profit centers) is projected to grow at an annual rate of 5%.

Swimmers and observers will also be charged admission, except for local residents during the week, who will be admitted free. Weekend charges for non-residents will be \$5 per adult and \$4 per child under age 12. Weekend charges for non-residents will be \$4 per adult and \$3 per child. Weekday charges for non-residents will be \$4 per adult and \$3 per child. We project that there will be 8,700 paying swimmers in the first year and 3,500 non-paying (locals on weekdays) swimmers.

Revenues will accrue to the City, except that the dive shop will retain \$1 per paying diver and \$.25 per paying swimmer. Also, the dive shop will keep half of the revenues generated from special off hours dive usage.

Civic Center

The civic center rental fee (for the entire facility) will be \$500 per day or \$250 per half day (up to 4 hours) or \$100 per hour (minimum of \$200). It is projected that there will be 200 meeting events in the first year of operation. The dive shop will retain 10% of the revenues in returning for scheduling the events.

Dive Shop/Dive Instruction

The dive shop will retain all revenues that it collects from the sales and rental of equipment and fro dive instruction. The dive shop will also collect revenues from the sale of other merchandise, such as tee shirts, caps, coffee mugs, swim suits, and fishing lures. The dive shop will pay rent to the City for the privilege of operating the shop.

Café

The café will generate revenues from food and beverage sales and from catering the meeting room. It will pay the City 5% of its gross revenues from food and beverage (but not catering) sales for the privilege of operating the café.

SANTA ROSA MARKET RESEARCH

Overview

As part of our contract with the New Mexico Rural Development Response Council (NMR-DRC), Southwest Planning and Marketing and HK Advertising are conducting a marketing study and business plan for both the diving and non-diving tourists in Santa Rosa, New Mexico. This report summarizes the marketing research aspect, which is part of Phase I of this study.

We have focused on two market groups for Santa Rosa and the Blue Hole: 1) scuba divers, and 2) general visitors. Research efforts included internet searches on scuba diving and Santa Rosa, telephone surveys of scuba divers and the general visitors' market, and examining aggregate tourism data from visitor intercept counts at Glenrio, New Mexico and profiles of visitors to northeast New Mexico.

Scuba Divers

Scuba divers constitute an important market for tourism in Santa Rosa for two reasons: 1) they make Santa Rosa a primary destination; and, 2) they fill-up local hotels in what is otherwise the "slow" season – January, February and March. When they travel to Santa Rosa, scuba divers are likely to spend more time within Santa Rosa than general visitors do. As will be discussed later, the majority of Santa Rosa's visitors are passing through to other destinations.

Scuba divers come to Santa Rosa to dive in the Blue Hole and, to a lesser extent, Perch Lake. The unique features of the Blue Hole, such as the constant 64° Fahrenheit water temperature, the crystal clear spring-fed water, and the juxtaposition of this "oasis" in the desert, are in themselves enough of a draw for divers and non-divers alike. Our goal in Phase I is to better understand the needs of scuba divers and general visitors, so that the City of Santa Rosa and the Blue Hole can better market themselves to these groups.

The sport of using "Self-Contained Underwater Breathing Apparatus" (SCUBA) to explore saltwater and freshwater bodies is a steadily growing sport in the United States. According to the Sporting Goods Manufacturing Association, the number of Americans age 6 and older who scuba dive has risen from 2.4 million in 1987 to 2.9 million in 2000, an increase of 20.8%.

There are more male scuba divers than female (60% male and 40% female), the average age is 39, and divers generally range in age from 16 to the early 50s. Scuba divers tend to have upper middle-class to upper class annual incomes (\$81,500 average annual household income). Ethnicities with high rates of participation in scuba diving include: whites (2.0 percent), Hispanics (2.7 percent), and "Other" racial/ethnic groups (5.8 percent). At a participation rate of 0.2 percent, African-Americans are less likely than other ethnic groups to participate in scuba diving.

PADI, or the Professional Association of Diving Instructors, is the largest scuba diving certification organization in the U.S. Based on the location of completion, the top five U.S. states for awarding PADI certificates are, in descending order: Florida, California, Hawaii, Texas and Illinois. From 1990 to 2000, the mean age of female and male divers receiving PADI certification has varied little: 28.5 years in 1990 and 29.4 years in 2000.

As we will discuss in the section about scuba divers' met and unmet needs, certifications are a very important aspect of scuba diving. A diving location with numerous types of

challenges – for example, a deep lake with caves at a high altitude– is going to attract scuba divers who want to receive specific certifications as well as try out new equipment.

The following are psychographic data of scuba divers that can be used to better understand their spending decisions. First, scuba divers show a relative amount of devotion to their sport, with 21 percent of divers saying that diving is their favorite activity. Divers are mostly affluent, male – yet increasingly female, and young to middle-aged. Furthermore, studies of scuba divers as well as our research show that scuba divers, in general: enjoy challenging themselves in terms of underwater exercises and use of new equipment, care about the environments in which they dive, and enjoy the companionship of other divers. The degree to which these factors are important varies with the skill level of the diver: beginners are more interested in learning whereas experienced divers are more interested in camaraderie and studying the marine/freshwater environment.

Regional Drive Market

The regional drive market includes the population centers within a 600 mile or 12 hours’ one-way drive from the Blue Hole. The following table lists the locations and number of dive shops within a day’s drive of Santa Rosa.

Table 1. Cities and scuba diving shops within drive market of Blue Hole

City	Number of dive shops	Distance to Santa Rosa: miles (hours)
Albuquerque, NM	3	114 (2)
Amarillo, TX	2	172 (3)
Colorado Springs, CO	2	322 (5)
Denver, CO	20	391 (6)
El Paso, TX	5	267 (5.5)
Fort Collins, CO	5	455 (7)
Las Cruces, NM	2	245 (5)
Lovington-Roswell, NM	2	150 (4)
Midland-Odessa, TX	3	352 (7.5)
Oklahoma City, OK	8	427 (6.5)
Phoenix, AZ	8	581 (9)
Tucson, AZ	3	519 (9)
Tulsa, OK	5	534 (8)

Based on internet postings of dive shops’ upcoming trips and survey responses from dive shop employees, many of these dive shops frequently use the Blue Hole for scuba diving certification courses and recreational dives. In addition, scuba divers from Oklahoma, West Texas and New Mexico also dive at Balmorhea in the Big Bend area of Texas, Lea Lake in Roswell (part of the “Bottomless Lakes”), Valhalla Missile Silo in West Texas (an extinct nuclear missile silo converted into a diving ‘hole’), and Possum Kingdom near Dallas. There are several reservoirs in Texas and Oklahoma plus abandoned quarries in Texas that are also used for scuba diving. (See report on competitive sites.)

There are geographical reasons why divers from Utah, Arizona, and East Texas are less likely to frequent the Blue Hole than those from West Texas, Colorado and New Mexico. Utah divers enjoy hot springs diving (their warmer versions of the Blue Hole) in places like the Bonneville Seabase just outside of Salt Lake City. Arizona scuba divers either go to Lake Mead, the Sea of Cortez in Puerto Penasco, Mexico, or the Southern California coast.

As for East Texas, scuba divers from Dallas, Houston, and San Antonio are more likely to drive (and then take a boat) to the Flower Garden Banks off the Galveston coast for salt-water diving and the opportunity to explore a tropical reef environment.

Blue Hole Divers

According to Richard Delgado, Tourism Director for the City of Santa Rosa, the majority of scuba divers come from, in descending order: Colorado, New Mexico, Texas, Oklahoma, Arizona, and Utah. The majority of divers to the Blue Hole come from Colorado, and there are at least three possible reasons for this:

- 1) The Blue Hole is the closest and warmest body of water to scuba divers in Colorado Springs, Denver, and Fort Collins;
- 2) Among cities with similar driving distances (i.e., those in West Texas, Oklahoma, and New Mexico) these Colorado cities have significantly larger populations; and,
- 3) As noted previously, there are not as many competing dive spots in Colorado as there are in Utah and Arizona.

However, according to Stella Salazar, manager of the Santa Rosa Dive Center, the number of scuba divers from Colorado tapers off in the summer, as lakes in Colorado become warm enough to dive in. Unlike the general visitors' market, the busy season for scuba divers to the Blue Hole is in the winter/early spring: January through April.

Most of the scuba divers at the Blue Hole are part of an organized group – whether from a dive shop or from a diving association/club. Other groups that use the Blue Hole for training purposes include cadets from the Air Force Academy in Colorado Springs and police/fire/search & rescue personnel. Groups, especially from dive shops in Colorado and West Texas, are more likely to use the Blue Hole on weekends. Individual divers and small groups use the Blue Hole for recreational dives during the weekdays. However, regardless of the group size, everyone must have a “C” card (divers' certification card) and a week-long diving permit to dive at the Blue Hole. Dive permits can be purchased during weekdays at the Santa Rosa Information Center and during the weekend at the Santa Rosa Dive Center (at the Blue Hole).

The demographics of scuba divers to the Blue Hole are similar to the national data previously discussed: 60% male, 40% female, and mostly upper middle-class to upper-class incomes. Anecdotal data from conversations with area dive shop personnel suggest that there are increasing numbers of traditional families going on dive trips, which may explain the growing amount of female participation.

Divers - Met and Unmet Needs

A survey was created to better understand how scuba divers use the Blue Hole. We asked dive shop personnel in Colorado, Texas and New Mexico as well as members of the Zia Diver's Association in Albuquerque, questions regarding their experiences at the Blue Hole, how it compares with other nearby dive spots, and what amenities divers would like at this site. A list of the questions we asked is included in the appendix.

First, articles written about the Blue Hole indicate that the Blue Hole satisfies scuba divers' needs in several ways:

- The Blue Hole, as well as Perch Lake nearby, are the warmest and clearest diving waters within a day's drive for scuba divers coming from Colorado, West Texas and Oklahoma, as well as for those within New Mexico.

- The combination of the depth of the Blue Hole (80 feet) plus the altitude (approximately 5,000 feet) makes diving to the bottom equivalent to a 100 foot dive, which qualifies as an advanced category of scuba diving certification.
- Even in winter, divers need only wear a thin wet suit (or dry suit) because of the relatively warm waters (64° F year-round).
- There are two submerged platforms (approximately 8 feet x 8 feet each), located at depths of 20 and 25 feet. These platforms allow divers to stand or sit while performing various exercises, such as sharing another diver's tank.
- Because of the altitude and lake depth combination, the warm waters, and the exercise platforms, the Blue Hole can host divers ranging from novice to expert. Thus, a dive shop/ dive instructor can lead diving trips for a group of divers with varying levels of expertise.
- The clear waters are ideal for night diving. Per Forrest Darst of the New Mexico Scuba Center:

And for those of you who need to chill, you will find nothing more relaxing than a night dive in the Blue Hole during a full moon. Words cannot describe the brilliance of the moonlight shimmering through the water at 40 feet.

Regarding the level of experience, scuba dive shop personnel within the regional drive market stated that: experience levels for scuba instructors range from a few years to 20 years of either taking dives or leading dive trips to the Blue Hole, and that the frequency of trips to the Blue Hole for dive shops ranges from four times a year to two times a month. Diving shop personnel in Colorado confirmed that they do more diving at the Blue Hole in January through March, and less diving there during the summer months.

The following list synthesizes what scuba dive instructors and scuba divers themselves need at the Blue Hole and is divided into two sub-sections: physical features desired and operational features desired.

Physical Features Desired

Scuba divers would like to have more amenities at the Blue Hole site itself. Many of those surveyed would like a dive facility with:

- 1) Large warm meeting rooms to train and schedule group dives;
- 2) A snack bar with vending machines and/or a cafe that served food such as hamburgers and soft drinks;
- 3) Storage lockers for gear and additional changing rooms;
- 4) Showers that consistently deliver a reasonable amount of hot and cold water;
- 5) Oxygen tank available at all times, possibly a "nitrox" tank;
- 6) Gift shop that includes Blue Hole memorabilia as well as "basic items that a beginning diver would forget" such as a mask, fins, and so forth;
- 7) Payphones;
- 8) More parking spaces; and,
- 9) Do what is necessary to remove sediment at the bottom of the hole, and to maintain the area around the source (the springs at the bottom) so as to mitigate the possibility of stirring up sediment.

Members of the Zia Divers Association emphasized this last item. One member stated, “If you want to dive in clear water, you have to go during the weekdays because the diving students go on the weekends and stir up the sediment.”

One dive shop instructor would like to demolish the existing dive shop next to the dive site, remove the earth from this site to a depth of 25 feet, and then allow the springs to flood this area. Doing so would create a shallow ‘staging’ area next to the Blue Hole for dive instructors and their students. This would relieve some of the crowding within the hole – there can be as many as 4 groups of 8-10 persons using the Blue Hole at the same time. When this idea was presented to members of the Zia Divers’ Association, most were enthusiastic about it. They agreed that not only would it keep the main part of the hole less crowded, it would also keep the water clearer.

One item frequently mentioned by those surveyed was making the cave at the source of the Blue Hole accessible to divers certified in cave diving. Divers noted that the City of Santa Rosa would have to build a locked gate at the cave, and to have a system of giving keys to only qualified cave divers. However, there were also a few divers that were concerned about the safety risks involved. Opening up the caves for diving, although a ‘need’ expressed by some divers, does not seem to be as important a need as the nine items listed previously.

Still, providing access to the caves might attract experienced cave divers who were not part of our survey sample. According to an article in the winter 2005 edition of *Trails and Treasures*:

The National Speleological Society – Cave Diving Section (NSS-CDS), actively seeks to explore underwater caves in New Mexico. As a matter of fact, the Santa Rosa Speleological Survey of New Mexico and the City of Santa Rosa want to re-open the grate at the bottom of the Blue Hole and allow experienced cave divers to explore and map the cave system. If this sounds like something you would like to explore, visit the NSS-CDS website at: www.nsscds.org/home.html.

Operational Features Desired

Many of the needs of scuba divers and dive shop operators concern the operations at the Santa Rosa Dive Center, which is adjacent to the Blue Hole. First, divers need a dive facility that has consistent hours of operation. Although Stella Salazar is open on weekends and allows scuba divers to call her at home to make special arrangements – for example, if they want to get some tanks filled and be able to dive on a Thursday afternoon – the dive center is closed during the week. Because the compressor is inside the dive center, there is no way to use it for air fills during weekdays. For this reason, divers and dive shops with groups often need to bring their own compressors.

Second, divers were frustrated at the difficulty in trying to obtain a weekly or year-long dive permit. Currently, there are two types of permits, weekly and annual, and these are sold to either dive shop instructors or to individuals. Annual permits cost \$25 per individual, \$50 per instructor, and \$100 to cover five instructors. A diver can also buy a weeklong permit (valid Thursday to Wednesday) for \$8. However, permits are only available at the Visitors’ Information Center in Santa Rosa during weekdays and at the Santa Rosa Dive Center on weekends (and when Stella is available).

Scuba divers want to be able to buy permits at regional diving shops. One person suggested the idea of giving a one-dollar rebate to dive shops for each weekly permit they sell in exchange for their providing the service of permit sales. Such a process may also reduce

the possibility of persons diving at the Blue Hole without a permit. According to Richard Delgado, the city is also losing a lot of revenue due to divers not paying for their permits. He estimates that as many as 50% of divers during the weekdays are diving without permits.

Scuba divers want the City of Santa Rosa to provide a greater level of safety and security services at the Blue Hole. Although scuba diving groups 'self-police' themselves when it comes to taking turns diving in the hole and using safe diving practices, often there is nobody to caution swimmers about scuba divers in the water below. One diving instructor commented, "What's to prevent a swimmer from diving off a cliff and landing on a submerged diver?" Because there is a lack of on-site security personnel, scuba divers are diligent in transporting their extra gear back to their cars and locking their cars.

Although we discuss the needs of general visitors to Santa Rosa and the Blue Hole in greater detail in the following sections, it should be noted that scuba divers have wants and needs similar to general visitors. For example, the non-diving spouses and family members who accompany a scuba diver want to have things to do in Santa Rosa other than waiting in the parking lot for their spouse or parent to finish diving in the Blue Hole. Maybe, instead of waiting – in a car or at a picnic table – for the scuba diving members of their family to finish diving, these persons could join the groups of general visitors walking and reading information along an interpretive nature trail that winds through the wetlands downstream of the Blue Hole.

General Visitors

In this section we discuss general information about visitors to northeast New Mexico such as the monthly numbers of visitors, states of origin, demographics, lodging, and typical spending amounts. We then examine more specific data for the Santa Rosa region, such as the visitation by month to Santa Rosa Lake State Park and anecdotal data about tourism from a survey of five local businesses within Santa Rosa. Together these data portray the seasonality of tourism, the activities of visitors, and most importantly, the needs of visitors to Santa Rosa.

Northeast New Mexico Visitors Data

Although we do have anecdotal data from tourist-oriented businesses in Santa Rosa (discussed in the section that follows) we have no data on the number of visitors to the Santa Rosa Visitors Information Center, nor do we have the annual number of room nights for Santa Rosa.

To better understand tourism in Santa Rosa, we examined data from three sources: the Glenrio Visitor Information Center (VIC) counts for 2004, surveys of Glenrio visitors conducted in the summer and fall of 2004, and a profile of visitors to northeast New Mexico from a national survey. Because Glenrio, New Mexico is the closest port of entry for Santa Rosa on Interstate 40, and Interstate 40 is the major thoroughfare in Santa Rosa, we used Glenrio visitor data as a good approximation for the amount and types of visitors to Santa Rosa.

Glenrio VIC Visitor Counts and Surveys

The Glenrio VIC data include the totals for all visitors, total visitors from the top ten domestic states, and total visitors for the top ten foreign countries (not including Canada and Mexico). In 2004, the total number of visitors passing through the Glenrio port of entry at the Texas border was 317,917. The top ten states for 2004 were, in descending order: Texas, Oklahoma, California, Illinois, Arizona, New Mexico, Arkansas, Florida, and

Michigan. The top ten foreign countries for 2004 were, in descending order: Germany, England, France, Netherlands, Australia, Italy, Sweden, Japan, Denmark, and Switzerland.

Sixty percent of Glenrio visitors arrive between April and September, with June and July the busiest months. Although the fall and winter are the slow seasons, spikes in the number of visitors during October and March suggests that “snowbird” travel occurs then. Holiday traffic is apparent in December, which leaves February and November as the slowest months of the year. The origin of travelers for certain months also suggests a pattern of “snowbird” travel: during the late fall and early spring, there are greater proportions of travelers from Midwest states such as Illinois and Michigan.

Starting in the summer of 2004, the Glenrio VIC began conducting surveys of visitors. Questions asked of visitors included: place of origin, length of stay, where are you staying, party size and number of children, and estimates of spending within New Mexico. Additional questions asked were gender, age, and annual household income.

Although place of origin was previously discussed in the total visitor counts at Glenrio, it is included again for sake of comparison. The survey data are consistent with the Glenrio VIC counts: Texas is the most frequent state of origin for all months, and visitors from “snowbelt” states like Michigan are more frequent visitors in the fall. The data presented in the following table are from the summer (June through August) and fall (September through December) of 2004.

Table 2. Glenrio VIC Visitors Survey

Question	Summer 2004	Fall 2004
State of residence?	<i>TX, CA, OK, FL, AZ, IL, LA, IN, TN, OH</i>	<i>TX, CA, MI, TN, OK, FL, AZ, IL, MO, PA</i>
Nights in New Mexico? Including day visitors	2.4	3.3
Not including day visitors	3.1	4.0
Where are you staying?		
Hotel/ Motel/ B&B	59.2%	60.3%
Camping	12.9%	6.3%
RV	6.3%	12.7%
Passing through (not staying)	7.8%	7.0%
With friends/ relatives	5.9%	7.8%
Day visitor (not staying)	2.4%	2.5%
Other accommodations	5.5%	3.4%
Average party size?	2.3	2.3
Average children? (those with children)	2.7	2.0
Estimate of spending in NM:		
Average total spending	\$402	\$440
Average/ person/ night	\$56	\$49
What is your gender?	Female 49.1% Male 50.9%	Female 49.3% Male 50.7%
What is your age?		
18 – 40	39.6%	27.7%
41 – 60	44.5%	40.4%
61 +	15.9%	31.9%
Average	43.8	50.5
Combined annual household income?		
Median Income	\$59,423	\$62,007

Like the Glenrio VIC visitor counts, the surveys also indicate a pattern of “snowbird” travel in the fall – over 30 percent of visitors are 61 years of age and older. The choice of lodging may also reflect the preferences of different generations as well as seasonality: in the summer visitors are more likely to camp whereas in the fall visitors are more likely to stay in a recreational vehicle (RV).

Last, the increased length of stay for fall visitors compared to summer visitors was an unexpected observation. For visitors spending the night in New Mexico, fall visitors spent one more night on average than summer visitors – four nights to three nights, respectively. There are two reasons for this longer average stay in the fall: there are more visitors staying in recreational vehicles during the fall, and there are more pass-through visitors during the summer.

Profile of Northeast New Mexico Visitors

To better understand the purposes of travel and the types of trip activities for visitors, we examined data from a national survey (TravelScope) that profiled visitors to New Mexico’s Northeast Region 4 in 2003. Because this study reflects a different segment of visitors than those passing through Glenrio, one cannot directly compare this set of data with the visitor count data at Glenrio. Still, this profile does give a detailed portrait of trip purposes and types of activities for visitors to the region of New Mexico that includes the City of Santa Rosa, along with Raton, Las Vegas, and Tucumcari.

Travel Purpose

Persons traveling to the northeast region of New Mexico were most likely traveling for the purpose of leisure, including outdoor recreation. The percent of visitors that were leisure travelers was greater than for the state and nation as a whole: 98% of the visitors were leisure visitors, while only 2% were business travelers. 58% of all visitors (59% of leisure visitors) were visiting friends and relatives; thus it is important to educate local residents regarding potential visitor activities. 24% of the visitor listed outdoor recreation as the primary purpose of their trip; this is considerably greater than for the state and nation as a whole.

Origins

Another aspect of the visitors’ profile was that they were more likely to be from New Mexico than other states. 55% of visitors came from within New Mexico, compared to 26% of all New Mexico visitors. The next most important states were Colorado, Mississippi, Texas, Oklahoma, and Arizona. Only 4% of the visitors came from any other states. The Designated Market Areas (DMAs) sending the most visitors were Albuquerque; Amarillo; Denver; Jackson, Mississippi; and El Paso; the importance of Albuquerque may not be fully appreciated within the region. Amarillo, Denver, and Jackson each contributed a higher share of visitors to the region than to the state as a whole.

This region received considerably fewer visitors from Texas than did the state as a whole; there is probably an opportunity to grow market share in Texas, as well as in Oklahoma and Colorado. The last part of the sentence has been emphasized for two reasons:

- 1) As discussed previously about the scuba divers' market, Colorado and Texas are already providing Santa Rosa a significant portion of the estimated 5,000 annual divers to the Blue Hole.
- 2) There are opportunities to build on an existing market of scuba divers and to expand marketing efforts to general visitors from Colorado and Texas.

Trip Duration and Seasons

Visitors to Region 4 spent an average of 84% of their entire trip in New Mexico; this compares with an average of 58% of the trip spent in New Mexico for all visitors to New Mexico; thus, the region is more of a destination than some parts of New Mexico. The average total trip duration for visitors to Region 4 was 5.1 days; this compares to 6.2 days for all trips to New Mexico and 3.1 days for all domestic trips in the United States. The average total length of stay in New Mexico for visitors to Region 4 was 4.3 days; this compares to 3.6 days for all trips to New Mexico. The largest number of visitors came during the spring months (52%), with May being the peak month.

The most popular activities among visitors were attending social events, outdoor recreation, and rural sightseeing. Compared to other New Mexico visitors and visitors throughout the United States, visitors to Region 4 were more likely to participate in the three most popular activities that were mentioned above. Compared to visitors throughout New Mexico and the United States, Region 4 visitors were less likely to participate in shopping, national/state parks, and historical places/museums. There may be an opportunity to increase participation in these areas.

The percentage of visitors staying in hotels was considerably less than the averages for New Mexico (51%) and the United States (47%), resulting in less visitor spending. 16% of the visitors stayed in hotels/motels/B&Bs, while 39% stayed in private homes, 14% in RVs/tents, and 7% in condo/timeshare. The size of the average travel party was 2.4 persons, higher than both the state (2.3) and national (2.1) averages. 31% of the parties consisted of three or four persons (well above the state and national averages).

Amount of Money Spent Per Trip

Average spending per party was \$247 vs. \$492 for New Mexico and \$420 for the United States. Only 12% of the travelers spent over \$250 on their trip, versus an average of 42% for all New Mexico visitors. 47% of visitors had incomes of \$50,000 or less, versus 43% for all New Mexico visitors and 35% for all United States domestic visitors. Average household income was \$61,200, lower than for other New Mexico visitors and visitors to the nation as a whole; this helps explain the low level of visitor spending.

Demographics

Region 4 has an above average representation of young parents and roommates and a below average representation of young couples and older parents. The average age of the head of the household was 42, less than the averages for New Mexico visitors and for United States domestic visitors as a whole. 68% of the heads of household were age 18-44, which is well above the national and state visitor averages of 50% and 48% respectively.

36% of the household heads have never been married, well above the averages for New Mexico visitors and for United States domestic visitors as a whole, reflecting the youthfulness of the Region 4 visitor.

In addition, there were an above average number of visitors with a high school education or less, but also an above average number of visitors with post graduate work. Most visitors were white, non-Hispanics working full time. Fully 23% of visitors were Hispanic.

Santa Rosa Visitation

Tourism is a major sector of the local economy in Santa Rosa and Guadalupe County. Lodging and food service jobs in the tourism industry comprise 19 percent of the county's total, this being a sub-set of the retail/wholesale sector that provides two-thirds of the county's jobs (www.srnm.org). In the City of Santa Rosa, 29.6 percent of the employed population (915 persons) works in the tourism industry sector: "Arts, entertainment, recreation, accommodation, and food services" (2000 U.S. Census). Although long-term plans focus on small manufacturing and agribusiness, tourism will continue to be a significant part of the city's economy.

In addition to employing locals, tourist dollars contribute to the city's tax base via lodgers' tax receipts. For each of the fiscal years 2000 through 2004, Santa Rosa received an average of \$350,000 in lodgers' tax revenues. The following table lists the lodgers' tax revenues by quarter for these years, and from this one can infer a pattern as to the seasonality of visitation. For each year, the first row shows the total receipts per quarter, and the second row shows that quarter's percentage of the yearly total receipts.

Table 2. Lodgers' Tax Receipts for the City of Santa Rosa

Fiscal Year	Third Qtr. (Jul-Sep)	Fourth Qtr. (Oct-Dec)	First Qtr. (Jan-Mar)	Second Qtr. (Apr-Jun)	Total Annual Lodgers Tax Receipts (1)
2004 -Total	110,007	78,504	1,360	171,127	360,998
2004 - %	30.47	21.75	0.38	47.40	
2003 -Total	102,621	79,629	64,775	99,252	346,277
2003 - %	29.64	23.00	18.71	28.66	
2002 -Total	90,935	78,694	30,600	118,743	318,972
2002 - %	28.51	24.67	9.59	37.23	
2001 -Total	112,798	127,109	96,764	57,675	394,346 (1)
2001 - %	28.6	32.23	24.54	14.63	
2000 -Total	1052,209	85,240	62,234	82,381	335,065 (1)
2000 - %	31.40	25.44	18.57	24.59	
Average Quarterly %	29.72	25.42	14.36	30.50	

Notes: (1) Lodgers tax rates were only 3.0% in FY 2000 and FY 2001. For purposes of comparison, these amounts have been adjusted to reflect the 5.0% tax rates in effect since FY 2002.

These data also indicate the relative 'seasonality' of tourism in Santa Rosa. Over this five-year period, roughly 60% of the lodgers' tax receipts occur during the second and third quarters (April through September), 25% during the fourth quarter (October through December), and 14% during the first quarter (January through March). These data are consistent with anecdotal data from local hotels, which indicate that most of their visitors come between April and October.

To gather more specific local data about tourism, we developed a set of survey questions to ask persons at the Santa Rosa Visitors Center, area attractions, and local hotel owners. We were able to survey five persons, four of whom were hotel owners. These questions cover topics such as the seasonality of visitation and the origins of customers, the basic demographics of visitors, travel purposes, types of travelers and the activities they take part in, and what could be done to improve Santa Rosa for visitors. The list of questions we asked is included in the appendix of this report.

There is a consensus among respondents that most visitors arrive in the summer months, and that the winter months of January and February have the least amounts of visitors. States of origin that were frequently mentioned included Texas, Arizona, California, and New Mexico as well as a couple of Midwestern states, Michigan and Illinois. The basic demographics of visitors are: young families in the summer and during December holiday travel period, and more seniors in the fall and spring.

Answers to questions about attractions in and around Santa Rosa, travel purpose and trip activities, and improvements needed are in the next three sections, respectively: Area Attractions, Trip Activities of Santa Rosa Visitors, and General Visitors' Market – Met and Unmet Needs.

Area Attractions

The region around Santa Rosa primarily features water features in addition to the Blue Hole. Like the Blue Hole, Perch Lake is within the city limits and is popular with divers and non-divers alike. Scuba divers enjoy exploring the submerged airplane in Perch Lake and doing orienteering exercises underwater. Because Perch Lake is wider than the Blue Hole, it is more conducive to such exercises. However, Perch Lake is not as consistently warm or as clear as the Blue Hole, and therefore the Blue Hole is the main attraction for divers.

Other water features include: Town Lake (within the city), wetlands and numerous springs around and downstream from the Blue Hole, the Pecos River, and Santa Rosa Lake State Park. Town Lake is too shallow and murky for scuba divers – however, it is popular with swimmers. Santa Rosa Lake State Park is about 5 miles north of Santa Rosa, and is a reservoir on the Pecos River. The following table listing the annual numbers of visitors to this state park between 2002 and 2004 shows the seasonality of visitation.

SANTA ROSA BLUE HOLE

Table 3. Monthly visitor totals at Santa Rosa Lake State Park

2002													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
Santa Rosa Lake State Park	1,205	1,187	2,187	3,970	4,002	7,489	11,566	7,937	6,582	2,218	1,425	804	50,572
Monthly % of annual	2.4%	2.3%	4.3%	7.9%	7.9%	14.8%	22.9%	15.7%	13.0%	4.4%	2.8%	1.6%	100.0%
Quarterly % of annual	9.1%			30.6%			51.6%			8.8%			
2003													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
Santa Rosa Lake State Park	671	639	4,340	6,726	9,671	11,943	4,690	4,757	5,046	2,444	1,386	2,724	55,037
Monthly % of annual	1.2%	1.2%	7.9%	12.2%	17.6%	21.7%	8.5%	8.6%	9.2%	4.4%	2.5%	4.9%	100.0%
Quarterly % of annual	10.3%			51.5%			26.3%			11.9%			
2004													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
Santa Rosa Lake State Park	2,334	2,492	5,908	6,506	12,332	11,312	12,055	12,406	8,663	5,185	4,083	2,055	85,331
Monthly % of annual	2.7%	2.9%	6.9%	7.6%	14.5%	13.3%	14.1%	14.5%	10.2%	6.1%	4.8%	2.4%	100.0%
Quarterly % of annual	12.6%			35.3%			38.8%			13.3%			
SANTA ROSA LAKE STATE PARK CUMULATIVE DATA FOR 2002, 2003, AND 2004													
Totals	4,210	4,318	12,435	17,202	26,005	30,744	28,311	25,100	20,291	20,291	9,847	6,894	5,583
Avg. Monthly %	2.2%	2.3%	6.5%	9.0%	13.6%	16.1%	14.8%	13.1%	10.6%	3.6%	5.2%	3.6%	2.9%
Avg. Quarterly %	11.0%			38.7%			38.6%			11.7%			

Over a three-year period, most of the annual visitors to Santa Rosa Lake State Park have gone there during the spring and summer months: 77% of annual visits occur between April and September. These data about the seasonality of visitation support the Glenrio VIC count data as well as anecdotal data supplied by the Santa Rosa Visitors Center and local hotels.

Although most of the area attractions are oriented towards outdoor recreation, there are a few opportunities for cultural recreation: the Route 66 Auto Museum within Santa Rosa, and Puerto de Luna, a traditional Hispanic farming community south of Santa Rosa on the Pecos River. The Design Planning Assistance Center at the University of New Mexico has produced designs and programming ideas for two buildings that could become additional cultural amenities: 1) The Johnson Warehouse, a former wool warehouse adjacent to the railroad tracks and situated at a focal point along Santa Rosa's main street downtown; and 2) the Santa Rosa courthouse, an historical example of the Midwestern 'town-square' architecture.

Trip Activities of Visitors to Santa Rosa

The majority of Santa Rosa visitors, who are not scuba divers, still enjoy the unique qualities of the Blue Hole and nearby spring-fed lakes. Some swim in the Blue Hole and others just like to view this "oasis in the desert" and the surrounding scenery – including marshlands surrounding the creek that empties the Blue Hole. Often, tourists who visit Santa Rosa do so without intentionally making this a destination. Many visitors enjoy the anomaly of seeing and experiencing natural, clear lakes in the otherwise arid environment of eastern New Mexico.

According to survey responses, the majority of visitors (80 percent) are just passing through, rather than making Santa Rosa their primary or secondary destination. Of those who are making Santa Rosa their primary or secondary destination, a significant portion (30 to 50 percent) are coming to Santa Rosa to scuba dive in the Blue Hole. Others are coming to visit nearby family and friends.

Softball tournaments are popular in Santa Rosa during the summer, and consequently softball teams make up a large portion of the primary/secondary destination market in these months. One hotel manager noted that her hotel is booked solid on Memorial Day and July 4th weekends by softball teams.

General Visitors - Met and Unmet Needs

As discussed previously, general needs of visitors also include the general needs of non-scuba diving spouses and family members. The Blue Hole and Santa Rosa serve some needs of general visitors, such as passive recreation and scenery, and reasonably priced accommodations. Regarding the latter, one instructor from a dive shop in Colorado noted that she brings a lot of families on budgets to the Blue Hole. They like the inexpensive hotels that work with divers, and for a nice meal out they go to Joseph's, a local restaurant with Mexican and American dishes. Still, respondents to both the scuba divers' survey and the survey for general visitors would like to have additional services and amenities at both the Blue Hole and within Santa Rosa.

At the Blue Hole itself, survey respondents stated that they need better public bathrooms, a better parking lot, comfortable places to hang out, and a gift shop at the dive center. Many persons, including some Santa Rosa locals, need a better "way-finding" system to the Blue Hole: a) for east and west-bound travelers on Interstate 40 and, b) directional signs within Santa Rosa directing visitors to the Blue Hole and surrounding water features.

One idea being proposed, an interpretive center at the Blue Hole as well as a multi-purpose trail that links the Blue Hole with surrounding wetlands (and Santa Rosa Lake State Park), would satisfy the needs of general visitors for passive and active recreation. Also, because many of the summer softball tournaments take place in a baseball diamond adjacent to the Blue Hole, it is reasonable to assume that members of teams and their families would also utilize this interpretive nature center and the multi-purpose trail.

Within Santa Rosa, there is a consensus that the city could use a wider variety of three and four-star restaurants and hotels. Many visitors, especially scuba divers from Colorado, are used to “resort” types of facilities at or near a diving location. Although the northeast New Mexico visitors’ profile indicates that the average visitor to this region is not as wealthy as the average visitor to the rest of New Mexico or the U.S., national data about scuba divers and responses to the survey suggest that divers have higher incomes.

Other amenities that visitors want or need in Santa Rosa are identical to those wanted by local residents, as expressed in a needs assessment by The Idea Group: more banks and grocery stores (currently only one of each), a bowling alley, and more retail opportunities (currently only one variety store). Members of the Zia Divers’ Association noted that concessions at the Blue Hole, such as a café and gift shop, would not only benefit scuba divers, but also local residents by supplying much-needed summer jobs for the youth of Santa Rosa.

Conclusions

The City of Santa Rosa has a hidden asset in the Blue Hole and surrounding water features. Many visitors to Santa Rosa do not even know about the Blue Hole, and some find out about the Blue Hole “by accident.” One hotel owner indicated that he makes it a point to tell visitors about the Blue Hole and sometimes takes visitors there: “This thing can be an asset if the city markets it.”

Unfortunately, the lack of amenities within Santa Rosa and at the Blue Hole – for scuba divers and general visitors alike, may decrease the likelihood of such visitors making repeat visits. One respondent to the general visitors’ survey summarized what a dozen different scuba diving instructors told him during the past three months: many do not want to return to Santa Rosa because: a) there’s nothing to do in Santa Rosa and b) there are no facilities at the Blue Hole.

COMPETITIVE ANALYSIS

In order to conduct a study of competitors in our market, we started with a map of US dive site destinations. There are hundreds all over the country from oceans and quarries to man made aquariums, rivers, lakes and natural springs.

Then, we narrowed it down to sites that we considered to be stronger competitors because of location, dive setting, amenities or surrounding attractions. We took a closer look at 15 dive sites throughout five states which are all potential competition to The Blue Hole project of Santa Rosa.

In Texas, we studied Balmorhea State Park, Athens Scuba Park, Bob Wentz Park at Windy Point at Lake Travis, Amistad National Recreation Area and the Reef Resort. In Oklahoma we found Tenkiller Lake. In Colorado we researched many lakes which offer a similar scuba experience such as Grand Lake, Carter Lake, Horsetooth Reservoir, and Chatfield Lake. We also found that the State of Utah is a very developed state for scuba diving, as you'll see in the overview of Homestead Crater Resort, Belmont Hot Springs, Blue Lake and Bonneville Seabase. Finally, here in New Mexico, another popular site is the Bottomless Lakes State Park, near Roswell. Whether the dive site's foundation is that of a lake or a hot spring, amenities and the overall experience vary vastly from state to state and site to site.

Narratives for each of the 15 dive sites have been compiled from personal phone calls and information on the Internet to give a feel for the competition. To supplement the narratives, specifics about the sites have been transformed into a spreadsheet for a convenient comparative look at the competition. The spreadsheet can be found in the back of this packet. Categories studied include amenities such as available lodging, dive shops and other activities available on site. Also on the spreadsheet are area specs such as high and low water temps, marine life, visibility, depth and much more.

By getting to know our competition, we can better determine our position in the market and how to develop the Blue Hole into the premier dive and activity site of the west.

Bonneville Seabase • Ogden, Utah

Forty miles west of Salt Lake City off Interstate 80, in the middle of a sagebrush desert is the giant Lake Bonneville. In an extension of the lake lies a small saltwater sea. Bonneville Seabase consists of a series of interconnected bays fed by underground hot springs and stocked with tropical fish from all over the world.

Bonneville Seabase has three diving bays with ranges of 14 to 62 feet deep. White Rocks Bay, 125 by 65 feet, is covered by a Plexiglas roof for comfort in any weather. It is the main entry area, bordering the Aquadome, a heated staging enclosure. A swim-through leads to the open-air Habitat Bay which is almost five times larger than White Rocks Bay and serves as the principle training area. For novelty, an underwater air-filled dive bell has been suspended at 15 feet, and a small boat lies nearby.

The main underwater attractions at Seabase are the saltwater fish. As the massive inland sea evaporated, leaving the Great Salt Lake, the former seabed became permeated with salt. Hot spring water dissolves these ancient crystals, resulting in a salinity level very similar to that of oceans. Starting with a few castoffs from home aquariums, Seabase's fish population has mushroomed to include French and Gray angels and puffers from the Caribbean, Indo-Pacific clownfish, fire gobies and batfish, garibaldi from California, barimundis from Australia and a variety of Red Sea tangs. The real show stealers are the three full grown nurse sharks.

Bonneville Seabase has quality snorkel and scuba rental equipment. Regulators and BC's are inspected and serviced regularly. Seabase is a location for Open Water Certification and snorkeling classes year round. Instructor services for Open Water referrals are available at the diver's convenience. Certified and insured independent instructors are welcome. Amenities include: air fills, bath house, gear rental, a salt water hot tub, discussion and gear setup area and concessions.



The covered Aquadome leads to a series of interconnected bays.



Arial view of Bonneville Seabase

Balmorhea State Park • Toyahvale, Texas

Balmorhea State Park is located on 45.9 acres in southwest Texas at the foothills of the Davis Mountains and surrounded by the Chihuahuah Desert. The 77,053 square foot San Solomon Spring (which at first glimpse looks like an L-shaped pool), is the focal point of Balmorhea State Park. From 22 to 28 million gallons of water flow through the spring-fed swimming pool each day.

Pre-1930's the site was just San Solomon Springs. The water flowed freely out into the desert and served as a large wetland area. The diving site came about through a depression era project by the Civilian Conservation Corps (CCC) which dredged the marsh and built the pool which drastically altered the ecosystem. Fortunately, the aquatic life survived and flourishes here today with thousands of fish, including two endangered species, turtles, frogs and crayfish. Waters in the spring remain at a consistent temperature of 78 degrees year round. The deepest area of approximately 25 feet is reserved for scuba divers.

Other CCC structures in the park include a limestone concession building, two wooden bathhouses, an adobe superintendent residence, and San Solomon Courts, an early expression of the modern-day motel, constructed of adobe bricks. All of the CCC buildings are constructed in a Spanish Colonial style with stucco exteriors and tile roofs. Visitors to Balmorhea State Park can enjoy a swim in the CCC-constructed pool and, if staying overnight, may do so at the nearby San Solomon Courts. A dive shop is located locally.



Balmorhea State Park

Blue Lake • Utah-Nevada Border

Blue Lake is a geothermal, spring-fed, 10-acre lake in the wilderness of the Utah-Nevada border, about 20 miles south of Wendover, on the edge of the Utah Test and Training Range in Tooele County. The warm spring water, surrounded by a 216-acre marsh, keeps the lake open to diving year-round. Spearfishing is prohibited. A unique attraction is the collection of metal sculptures including a hammerhead shark, turtle, rhinoceros and praying mantis, which were placed on the bottom of the lake by University of Utah divers. There are two underwater platforms and a maximum depth of 59 feet. Altitude diving rules come into play here, as the lake sits at an elevation of nearly 4,300 feet. Who is responsible for the site is unclear, according to the Tooele County Chamber of Commerce. The Army Corps of Engineers once installed restrooms at the site but vandals destroyed them. The Utah Division of Wildlife Resources and the U.S. Air Force once had an agreement on limited wildlife management but nothing came of it. Different government agencies have maintained the area but divers serve as unofficial caretakers.



Blue Lake has depths of up to 59 feet, water slightly salty and light blue in color with visibility of 15-25 feet. Silt is easily stirred up by divers on the bottom. Surface water temperature is about 78 degrees in midsummer. Near the bottom, the temperature increases to 83 degrees. Winter surface temperature is about 69 degrees. There is no thermocline. Aquatic life includes warm-water species like bass and bluegill.

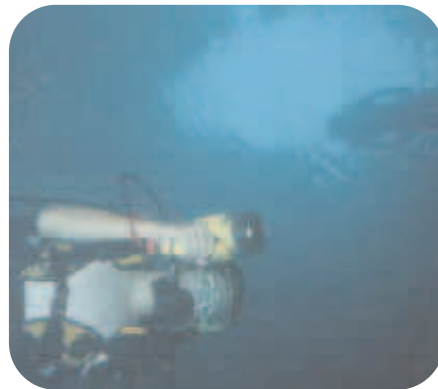
A wooden walkway built over the surrounding marsh helps divers reach the site but the closest amenities of any kind are in Wendover.

The Crater • Homestead Resort, Utah

Located on the eastern slopes of the Wasatch Mountains, just a few miles from Utah's ski areas, Homestead is Utah's only full-service resort featuring both cross-country skiing and scuba diving on the same property. As you enter the well-manicured grounds of this upscale country getaway, the crater's dome resembles a beehive and overshadows the stately elegance of the historic hotel nearby. 400 feet wide by 55 feet high, the rock dome is the result of deposits of over a period of 8,000 to 10,000 years of warm, calcium-rich waters rising 2 miles underground.

In the early '90s Dr. Jerry Simons, an electrical engineer, visited the resort. He immediately envisioned the crater's internal pool as a perfect, climate-controlled setting for all-weather diving. In partnership with the resort's owners, he blasted a 110-foot long tunnel through the side, just above water level. In 1996 the crater opened for diving and snorkeling, as well as therapeutic mineral baths. Inside the tunnel leading to the water is a dive shop and amenities.

The heart of the crater is a rock-walled cavern roughly 85 feet (26 m) across containing a crystal-clear pool 65 feet (20 m) deep. The high calcium and magnesium content and consistent 94 degree temperature of the water causes exclusion of living organisms. The spring's flow rate of 100,000 gallons per day completely exchanges the pool's contents every few days. Two water-level platforms provide easy access to the pool, and a training platform is suspended 20 feet under the surface.



Underwater Shot at Crater



Outside of the Crater Scuba Area

Belmont Hot Springs • Utah

Lesser known in Utah, but equally as accessible to divers from northern Utah and surrounding states, is a hot spring area that has been turned into a dive site. Belmont Hot Springs hugs the banks of the thermally active Malad River, tucked among hilly grasslands less than 90 minutes north of Salt Lake City along Interstate 15. Located at the intersection of geological fault lines, the area is honeycombed with hot springs. In 1971 the land was developed into an aquarium-fish farm, golf course and naturally heated swimming pool. The growing popularity of scuba diving prompted the owners to open two of the hot spring ponds to divers in 1994.

The main diving pond covers over 2 acres and has a maximum depth of 35 feet. At an altitude of 4,400 feet, this is equal to 48 feet at sea level. Platforms have been placed at 3 feet and 20 feet to keep divers off the clay and sand bottom, which bubbles like champagne. Kara, an algae, grows in 5-foot (1.5 m) "pillows" along the bottom in the cooler months, and small aquarium fish such as mollies and gornamis, as well as cornucopia snails, can be seen along the banks of the pond. Visibility hovers around 10 feet (3 m).

Belmont Hot Springs are truly hot, bubbling up at a stable 125 degrees. By controlling the rate of flow, the water in the diving pond can be cooled to 91 degrees, but may run slightly higher during the summer. Because of this, another diving pond is being constructed to allow further cooling for more comfortable warm-weather diving.



Scuba instructors frequently hold classes here. Amenities include locker rooms with showers, and an enclosed cafe and meeting area. Belmont Hot Springs does not provide scuba equipment rentals or air fills, preferring that divers go through a dive center which is not available onsite. The facility is open all year, but in the winter only by appointment.

To prevent overcrowding, all three facilities limit the number of divers in the water at one time. You must call ahead to schedule your arrival, and fees do apply. Each facility has safety equipment on premises. The nearest recompression chambers and dive shops are in the Salt Lake City area.

Lea Lake • Southeast New Mexico

In southeast New Mexico about 12 miles from Roswell, is Lea Lake. It's one of seven spring-fed bodies of water bordered by high red bluffs in Bottomless Lakes State Park. In 1933 the area was set aside as New Mexico's first state park. Their greenish-blue color creates the illusion that they are bottomless, but in reality they range in depth from 17 feet to 90 feet (5 m to 27 m). Lea Lake is the deepest and the only one of the seven lakes that allows diving. Each day about 9 million gallons of water flows through Lea Lake.

During the summer visitors can rent paddle boards and paddle boats for a small fee, and lifeguards are on duty to watch swimmers. The best diving at Lea Lake is from mid-June through September. During this time a thermocline is formed on the lake bottom where the highest level of spring water inflow occurs. This area of the lake is known as the "Mecca" and offers visibility up to 75 feet (23 m). Aquatic life includes two protected species, the Pecos pupfish and Mexican tetra as well as mosquitofish, rainwater killifish, green sunfish and rainbow trout. Fees at Lea Lake are \$4 per vehicle per day. Annual permits cost \$20. The overnight camping fee is \$10.



On-site amenities include a shelter, picnic tables, restrooms, hot showers, electrical hookups, water hydrant, pump station, parking, playground and a bathhouse.

Tenkiller Lake • Oklahoma

Created in 1953 by construction of the Tenkiller Ferry Dam on the Illinois River, the lake is in eastern Oklahoma and covers 12,650 acres. On the south side of the lake near the dam is the 1,190-acre Tenkiller State Park. Besides diving, visitors will find camping, cabins, a swimming pool, boat ramps, nature center, hiking trail and a full-service marina with floating restaurant.

The mildly sloping hills and rock cliffs are not confined to the land. As they delve into the depths of the lake they provide an intriguing underwater terrain down to 165 feet deep, making Tenkiller one of the deepest lakes in the area. Divers will find gradual slopes of 20 feet to sheer cliff drop-offs. The two main dive sites at Lake Tenkiller are Old DX Landing and Crappie Point. In addition to viewing the cliffs, divers can explore a town left behind when the lake was formed. Home sites are still accessible, where you can find artifacts such as horseshoes, buggies and farm equipment. There is also a jailhouse, wagon wheels and Native American pottery and jewelry. The items are protected by state law, and may not be removed. Marine life includes black bass, white bass, striped bass, crappie, catfish, bream and walleye.



Fees are \$1 per person or \$4 per vehicle and are charged at developed swimming beaches. A fee of \$3 is charged at selected boat launching ramps that have additional amenities. The park has 40 cabins, 10 cottages, and more than 200 campsites in 10 camping areas. There are a number of dive stores in easy driving range from Tulsa and Fort Smith, Arkansas and two locally. Lake Tenkiller works with nearby scuba facilities to offer lessons at the lake.

Amistad National Recreation Center • Southern Texas

Along the Mexican border in southern Texas, 150 miles from San Antonio, at the confluence of the Rio Grande, Devils and Pecos rivers is Amistad National Recreation Center. As of 1990, Amistad Reservoir offers dive opportunities inside the Amistad National Recreation Area.

The most popular dive site is Diablo East Dive Cove, with a dive platform at 40 feet, two boat wrecks to explore, and a maximum depth of 100 feet at the outer point of the cove. Castle Canyon has a few protected coves to beach a boat and dive. The Highway 90 Bridge offers good visibility on its leeward side. A dive flag is required during all dives except in Scuba Cove. The nearest multi-chamber recompression facility is 150 miles (240 km) away in San Antonio. A single chamber may be available at Val Verde Medical Center in Del Rio. Aquatic life includes black bass, stripers, and channel and yellow catfish. Besides aquatic life, divers can find sunken boats, railroad tracks and even buildings. \$4 per day or \$40 per year is required for boats, and camping rates range from \$2 to \$8 per night. Amistad is open year round with camp sites and picnic areas.

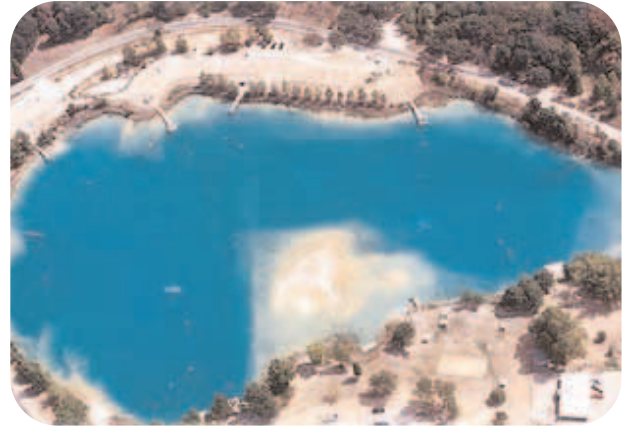


Athens Scuba Park • Athens, Texas

A scuba-enthusiast family, the Wilchers, founded Athens Scuba Park. It's a clear water scuba area good for training and experimenting with specialty courses. Owned and operated by the Wilchers, this dive site is geared toward accommodating divers and friendly service.

The underlying clay, which was previously mined for bricks, has a low pH level that keeps algae from growing, and the spring-fed waters boast an average visibility of 35 feet. The lake varies in depth from 24 to 35 feet.

Park regulations are designed for maximum safety and enjoyment for divers. There are no boats, jet skis or fishermen allowed. Seven carpeted underwater platforms provide a safe area for underwater training. There is an on-site, full service dive shop, clean campgrounds, beach volleyball court and a full bathhouse. Airplanes, motorcycles, boats and VWs are all on the menu of quarry attractions. Trains that occasionally rumble down the nearby railroad tracks send eerie sounds and vibrations reverberating through the lake, adding an air of otherworldliness for divers, especially at night.



Athens is open April 1 thru August 31, Wednesday-Friday, 10am-5pm and on the weekends 8 am to 6pm. It's open September 1 thru December 18, Friday-Sunday, 10 am to 5pm. A snorkel kit is \$90, snorkel gear is \$150-250, scuba gear is \$30 a day, Lake fees are \$15 a day and air fills are \$5 each. Students in training and Certified divers are \$15 a day. Swimmers and watchers are \$5 a day.

Athens offers a variety of courses ranging in price from \$50 to \$375. Courses are either in the lake or pool, last from a few hours to two days and are categorized based on skill level or age. Specialty courses cover training such as Refresher Course, Research Diver, Peak Performance Buoyancy Diver, Cavern Diver, Boat Diver, Side Scan Sonar Diver, Under Water Photo and Video diving and more.

Bob Wentz Park at Windy Point at Lake Travis • Texas

Located in the basin area of Lake Travis in the scenic Hill Country of central Texas, Bob Wentz Park is a favorite location for water sports. The park's facilities are approximately one-half hour's drive from downtown Austin, Texas. Available activities include volleyball, picnicking, swimming, sunbathing, windsurfing, sailing and scuba diving. The shoreline areas (including a sandy peninsula known as "The Point") are heavily used, while an adjacent 150-acre tract is maintained as a nature area. The park includes two sand volleyball courts, a shoreline walking path, a boat dock, a pavilion available for rent, a wind and temperature monitor, barbecue grills, restrooms, showers and drinking water. The lake is 211 acres and its annual visitor count averages 300,000 people.



Fall hours (Sept. 10 - Oct. 31) are 9:00 am to 7:30 pm, winter hours (Nov. 1 - Feb. 28) 9:00 am to 6:00 pm, spring hours (Mar. 1 - Apr. 30) 9:00 am to 7:30 pm and summer hours are (May 1 - Sept. 9) 8:00 am to 9:00 pm. Entrance Fees include a day permit of \$8.00 per vehicle and \$3 for pedestrians and bicyclists.

The Reef Resort • Houston, Texas

The Reef is a "Water-Based Family Park" with a 20 acre spring-fed lake located in Houston, Texas. The park serves approximately 4,000 divers per year. Other activities include swimming, fishing, kayaking/canoeing and picnicking. The Reef has a rich ecology with many varieties of freshwater fish, turtles, crayfish, shellfish, ducks, geese and many species of migratory birds. Scuba diver accommodations include 6 docks for easy entry and 26 boats and 3 school buses located underwater for exploring. There is also a simulated dive boat for practicing entries. It has a maximum depth of 40 feet and visibility ranges from 15-25 feet. Summer water temperature is 86 degrees. Docks and beach walk-in areas are accessible for divers. Picnic tables, trees and grass, restrooms and changing rooms are available onsite. A food concession is open May through September and vending machines and a covered patio area are also available. An airfill station is available at the park and there are several dive shops in the Houston area. Dive fee is \$16, general adult admission is \$7 and boaters are \$10. Night diving is allowed with a request in advance. Overall, this dive site is not well documented on the web. There is a web site [HYPERLINK "http://www.atthereef.com"](http://www.atthereef.com) www.atthereef.com, however it is simply a list of classes available at the site with no mention of the site itself.

Horsetooth Reservoir • Fort Collins, Colorado

Horsetooth Reservoir is popular for fishing, boating, water-skiing and camping. The 6.5 mile (2000 acre) reservoir is open year round. It's a county park located in Fort Collins, Colorado. Elevation here is 5,430 feet. The lake has a maximum depth of 200 feet and has poor visibility ranging from 2 to 7 feet. Water temperature is 72 degrees in the summer and is around 32 degrees in the winter. Access by divers to the lake is either a rocky shore entry or accessible by boat only. There are several different entry points.



These include Dixon Dam, South Bay Swim Beach, Dixon and Quarry Coves (diving allowed weekdays only), and Orchard Coves (diving allowed anytime weekdays and before noon on weekends). Ice diving is not allowed, night diving is. Facilities include restrooms, fresh water and camping. The nearest dive shops are located in Fort Collins and Boulder. Fees are \$5.00 a day per vehicle and per boat. Annual passes are \$50 per year. Night diving is allowed. The nearby Inlet Bay Marina offers fishing and camping supplies, boat moorings, gasoline, boat rentals and food.

Chatfield State Park • Littleton, Colorado

Chatfield Park is located just outside of the Denver metro area in Littleton, Colorado. Chatfield is one of the most complete parks in Colorado offering restrooms, camping, a full-service livery, miles of hiking and biking trails, boating and fishing and scuba diving. A dive shop is located locally in Littleton. Visibility is generally low, but this is typical for Colorado diving. The lake has a maximum depth of 45 feet and average water temperature is 62 degrees. The only access is through the shore. Elevation here is 5,361 feet and fees are \$4 per vehicle.



Carter Lake • Loveland, Colorado

Carter Lake is located in Loveland, Colorado County Park, 52 miles northwest of Denver. It has a maximum depth of 80-100 feet. Visibility is generally poor at 2-7 feet. Elevation is 5,430 feet and fees are \$5 a day per vehicle or boat. Water Temperature is 72 degrees in the summer and 32 degrees in the winter. Scuba access is through a rocky shore entry or by boat only. Recreational use of the lake is managed by Larimer County Parks and Open Lands. Carter Lake is a 1140-acre reservoir that is popular for fishing, sailing, camping, swimming and water skiing. The park is open year-round. Carter Lake Marina offers restaurant service, fishing and camping supplies, firewood, boat mooring, gasoline and boat rentals. Dive shops are located in Fort Collins and Boulder.



Grand Lake • Grand Lake, Colorado

Grand Lake is a freshwater mountain lake at an altitude of close to 9,000 feet and is 150 miles northwest of Denver. One diver's testimony is that although visibility is low, she saw sponges at Grand Lake. She also saw many species of fish such as trout, salmon, pike, perch, bass and catfish and also crustaceans such as crayfish. Grand Lake has a maximum depth of 270 feet with a visibility of zero to 30 feet. Visibility is best in early spring and worst in August, due to algae growth. Water temperatures are 40-60 degrees in the spring and summer and it's usually iced over in the winter. Scuba access is by boat, shore or dock. At the East Portal, you have to climb down the rocks. This can be difficult and is not advised to do alone. Another diver said there is a wall to dive at the East Portal, about 100 yards off shore. There's a sand slope to dive off at the marina. Night dives available only at the marina. There you can find objects including bottles and engines. Facilities are a picnic area and outhouse by the East Portal. The Marina offers a boat ramp and restrooms. You can also rent small recreational boats.

MARKETING PLAN

Foreward

The purpose of this section is to propose a strategic marketing plan for the effective marketing of the Santa Rosa Blue Hole. Within the overall plan are smaller plans; each demanding its own action steps, logical order of procedures, budget and personnel. Developing this important recreation area creates multiple challenges for both internal and external marketing changes by the City of Santa Rosa. A single, over arching marketing strategy must unite the community and the implementers of this plan in promoting a real expectation of actual experiences without over promising and/or under delivering. This is how the Blue Hole will increase its visitation and revenues; and both attract its target markets and hold its market niche profitably.

Branding the Blue Hole

The function of branding is to drive customers to an action and to influence the decision making process. The brand conveys “who”, “what” and “where” the experience and destination exists. The brand tone determines names, logos, market positioning, internal and external public relations and the critical image planted in the minds of all participants.

The brand of the Blue Hole ought to focus on the availability of activities for everyone- from the most subdued to the most daring adventurer.

Santa Rosa hopes to offer bird watching, hiking, jogging, site seeing, fishing, swimming, snorkeling, diving, boating and biking opportunities- activities for every diver, visitor, and traveler. This sets Santa Rosa apart from its competitors narrowly focusing on divers and diving training.

Everyone visiting the Blue Hole really can...

Dive In!

This is just one suggestion for a positioning statement and a brand tone. We believe it's a good one and HK would normally use it in context with a brand positioning commission.

Santa Rosa should hire professionals to brand the Santa Rosa Blue Hole and produce a positioning statement of the highest quality as soon as possible.

Marketing Strategy

Planning is always a collaborative process resulting in common understanding of where people are and where they need to go. The City of Santa Rosa has had no shortage of input from university studies, National Park Service analyses, development projections and community meetings in an effort to carefully bring forward an exciting and unique expansion of the Blue Hole. Our own research, conversations, analyses and 25 years of marketing experience have produced the following recommendations. The most important point is:

IF YOU DO NOT FINALIZE THE MARKETING PLAN AND IMPLEMENT IT, IT WILL DEFINITELY NOT WORK !

Every successful strategic marketing plan must follow these basic steps for success, no matter how they are modified:

1. Truly analyze your situation. Never deceive yourself about the true situation (i.e. people, property, performance and prospects). What is the truth about what is being offered and how do we convince others?
2. Formulate the strategy. Decide definitively what your brand and position should be in your specific market. Where are you really going and what is a better way than what has been before of getting there ?
3. Identify action based priorities. Decide how you will commit the human, physical and financial resources necessary and assign each category a timeline with measurable benchmarks.
4. Set measurable objectives. Goals have to be expressed in measurable terms. For example, "In our first year, we want to increase diving permit sales by 43% and increase occupancy of Blue Hole facilities by 38% with a \$_____ increase in net revenue to the City.
5. Create an action plan with specific steps. State each goal with a breakdown of the actions required to accomplish the goals. (Sounds simple. Wait until you create the whole grid!)
6. Budget. Gather the actual and estimated cost figures necessary but do not finalize the budget until after all the rest of these steps have been completed.

Santa Rosa needs a marketing "map" of what is to be done, when it is to be done and exactly who is going to do it. You can know exactly what to do but without proper implementation, it won't happen.

Project Overview

The Santa Rosa Blue Hole is an attraction with characteristics found nowhere else in the country.

The primary strategy is to promote the entire Santa Rosa Blue Hole area as an ecologically interesting water and wetland oasis in the desert with an abundance of activities that are attractive and accessible to everyone.

Internal Marketing and Public Relations

As previously stated, Santa Rosa faces multiple marketing challenges while expanding and developing the Blue Hole recreation area. The first is building a strong local awareness and cooperation among local businesses, volunteers, city services and hospitality industry representatives. The Blue Hole experience cannot be successfully marketed externally until there is widespread support, agreement and commitment from the community at large. These are the people and businesses that will profit from but also lose some of their current status as the Blue Hole is developed.

Some ways to begin the internally marketing process are:

1. Establish specific marketing roles for each business organization or civic group.
2. Establish a Council of supporters from all segments of the community to hold personal meetings and present the overall development plan.
3. Create buttons, placards, in-store signage or other "booster" materials that are displayed by businesses and volunteers.
4. Use local media to coordinate your message and strategies.
5. Establish a core group of volunteers.

Remember! Research shows that external marketing usually cannot be effectively accomplished before one or two years after internal efforts have begun. This means that the internal marketing, promotion, public relations and agreements must happen first and then evolve simultaneously with the external marketing plan.

Internal/External Marketing Infrastructure

The following are essential steps to begin both internal and external marketing:

1. Establish an "industry standard" database. This can be built by an expert in the community using Access but would probably be best acquired as a turnkey system which uses a multi-faceted outside server that can accommodate hundreds of thousands of entries.

Currently Santa Rosa has a partial database of divers to the Blue Hole that has not been extensively used for marketing or strategic planning.

This database should be entered into an electronic database management system. As visitors come to the Santa Rosa Blue Hole, they can be added to the database. Every on-line permit purchase can be automatically added to the database and each on-line inquiry can be automatically added as well.

This database will be an invaluable research tool and a marketing resource for future business.

Santa Rosa should reserve the domain name, santarosabluehole.com, hire professionals to produce a user friendly site and add a database marketing segment as soon as possible. Database management systems are available through companies such as Opt-In Pro for just a few hundred dollars a year.

2. Clean up the existing database of target market lists and let those people know of the changes and planned changes for the Blue Hole.
3. Create a mailing piece that can also be posted on the web site.

A descriptive representation of the actual Blue Hole as a one-of-a-kind destination should be featured in all promotional materials.

Target Markets Include:

- Diving associations and clubs
- Divers
- EMS personnel
- Law Enforcement
- Firefighters
- Tourists

Travelers interested in active participation in diving, swimming, snorkeling, bird watching, fishing and other activities.

Santa Rosa should commission professionals to produce stunning photography and quality copy for at least two brochures appealing to the specific target markets. One brochure will not do double duty effectively.

The Santa Rosa Blue Hole area (SRBH) should pay special attention to the dive market and incorporate the core feature of diving into all promotional materials. Exciting and varied photography of diving in the Blue Hole should be used to emphasize the unique features of the area that set it apart from its competition.

There should be a particular effort to focus on attracting the serious diver, dive instructors, and dive shop partners. Public relations efforts and database marketing will reach this market.

Divers come from both in state and out-of-state mainly in the drive market up to 500 miles. They are interested in the benefits and features that will make their experience at the Blue Hole memorable and in what makes the SRBH better than the competition. Testimonials from the dive community can give the Blue Hole credibility in the dive market.

Santa Rosa must promote the SRBH to tourists and travelers by reaching both in-state visitors and tourists, and travelers from the drive market.

Santa Rosa is lucky to be located on one of the busiest highways in the Western United States – Interstate 40. The Glenrio Visitors Center at the eastern border of New Mexico is the highest volume visitors center in the state. Santa Rosa can use this to its advantage.

Promoting all of the distinguishing features of the Santa Rosa Blue Hole area will allow cross promotion of the target markets. SRBH can encourage divers to bring families to enjoy the other features of the area such as swimming and fishing and the SFBH can entice tourists who come to fish or hike to try snorkeling or diving. Visitors will stay longer when there is more to do and will spend more.

4. Completely reconfigure the web site and its links to act as an internet brochure, a newsletter, a source of new business and a means of receiving reservations and payments.

An information rich, visually pleasing, easy to navigate web site is a requirement in today's competitive market. It can be easily updated to include current events and information. New photos and on-line newsletters will give visitors a reason to return again and again. Once again, modern technology has given the web site the potential for becoming a turnkey operation for tourism sites.

Next Steps

We recognize that the Santa Rosa Blue Hole is well known in several key areas. Locals have known about and have used the area for years. Divers have used the area for training and for recreational dives and travelers stop to see the Santa Rosa Blue Hole when traveling the highways and byways.

Let's review some of the challenges we have discussed:

- The local community is accustomed to using the Blue Hole whenever they like, with no fees or charges.
- Certain divers and their organizations have adopted the Blue Hole as their own with good and bad repercussions.
- Obtaining permits has been a challenge for many divers.
- Locals and divers may not be enthusiastic about higher fees.
- Changes may be difficult for the community to accept.
- Services and support staff will have to increase the quantitative and qualitative level of service.
- Divers will have to be notified of the increased services and improved facilities.
- Events and activities will require administrative, marketing and support services which have not been refined.
- Tourists and travelers must be informed of the increased availability of activities and tourist related attractions.

Despite the challenges, the community has agreed that:

- Creating an area to accommodate both divers and tourists will increase visitors and visitor days, expand target markets and increase local business.
- Expanding facilities around the Blue Hole will increase visitors and visitor days and increase revenues.
- Promoting special events at the Blue Hole will bring new in-state and out-of-state visitors and give current divers and visitors a reason to return.

The Name, Logo and Positioning Statement

The name, logo and positioning statement all give the brand established for the Blue Hole a consistent graphic look and tag line. The name should be descriptive, yet simple. A great logo will be easily recognizable and will stand out. The positioning statement should add emotion and character to the package.

A professionally produced brand identity package is a critical step in establishing a presence in the marketplace for the Santa Rosa Blue Hole. Colors, shapes and type faces all have subtle meanings to the consumer and should be carefully and professionally planned and executed. A logo is your signature and will be with you a very long time.

Once the brand is established for the Blue Hole, professionals should be hired to complete the name, logo, and positioning statement for the project.

Graphics Standards

The Blue Hole facility and all of the businesses within the area should use identical colors and graphics established for the project. From signage, to interior design, to employee uniforms and letterhead and envelopes; the logo and graphics should be used in all phases of development.

A graphics standards manual should be developed and included as part of the contract for business operation in the Blue Hole facility.

Graphics standards manuals are used by most companies to ensure that the image they work so hard to develop is maintained in every aspect of their daily business. The manual is also used to ensure that partners who use the logo in cooperative marketing maintain the established look, image and brand goals of the company every time the logo is reproduced.

Businesses Within the Facility

In order to be profitable, and to ensure the success of the project, all of the businesses leasing space within the SRBH development must agree to certain terms of operation. All of the businesses and services in the facility must keep regular hours, and demonstrate dependability and consistency in the product offered to tourists and divers. This should be a condition of leasing space in the new facility and will require a substantial level of administrative oversight by the City.

Permits

It is very difficult to obtain a permit for diving in Santa Rosa. It is also difficult to find information about rules and regulations and hours of operation. The dive shop is open only occasionally, and does not provide an adequate level of service for a great customer experience.

Currently, a lot of time and money is spent on enforcement for people diving without a permit. But the majority of the people diving without a permit have had difficulty in obtaining one. It would be more cost effective and would enhance customer service to make it as easy as possible to obtain information and permits rather than to try to enforce penalties.

Our competitive analysis of other dive and recreation areas in the region shows:

Regular hours, dependable services, and comprehensive activities, are already offered by others trying to attract some of the same target markets as the Blue Hole.

A high level of service and professionalism is one of the most important strategies for setting the Santa Rosa Blue Hole apart from its competition.

Adding services such as diving instruction and swimming lessons will help establish the Blue Hole as a full service destination. Adding state-of-the-art equipment such as a decompression chamber is one more special feature the Santa Rosa Blue Hole can promote.

Excellent signage, scrupulously clean restrooms, knowledgeable and attentive employees, and comprehensive and convenient services can make the difference in a return trip, a referral to friends or the choice to go somewhere else.

The Employees

It cannot be over emphasized that friendly employees, well trained in their jobs, will increase the satisfaction of every tourist, traveler and diver.

Happy and satisfied tourists and travelers increase business. Dissatisfied customers can cause serious damage to any marketing program. It is much less expensive to keep customers than to get new customers and most expensive to lure back unhappy customers.

A comprehensive and continuing training program is well worth the effort and expense.

It never hurts to review the basics of hospitality training:

- Provide a superior product cheerfully
- Welcome customers to the business
- Keep the businesses organized and clean
- Handle customer complaints or concerns professionally
- Be able to answer questions
- Take pride in the jobs
- And always re-evaluate to offer more

There are many companies in New Mexico with the talent and ability to lead this effort. For example, John Garcia, past New Mexico state tourism director and his company Hospi-Totally specialize in this area.

A training program should start before businesses are opened.

The Community

Everyone in the community can be a tourism ambassador, a passive observer, or a road-block to economic development through tourism.

During the initial research, it became apparent that Santa Rosa has many different businesses with as many different opinions on the correct way to market the Santa Rosa Blue Hole.

As mentioned before, cooperative efforts within the community can reduce problems and help everyone to see the economic benefit of tourists and travelers for the whole community. Training for frontline sales people at restaurants, hotels and other tourist related businesses in town will ensure that each visitor has a better experience than expected and one that makes them want to share that information.

Programs for community training are available for one-time sessions or can be scheduled at regular intervals throughout the year.

In addition to the training programs, a good way to encourage cooperation with all of the businesses in the city is to offer cooperative advertising opportunities to other tourism related businesses in the area. (Ideas are in the media plan and budget that follow).

Signage

It's important to help visitors find what they would like to see. Currently, there is inadequate signage directing travelers to the Blue Hole. The City said that signage was in place at one time, but was removed for construction and has not been replaced. Santa Rosa should have clear and consistent signage, incorporating the brand colors and the logo, at every exit leading directly to the Santa Rosa Blue Hole. If the Blue Hole is promoted as one of the main attractions of the city, visitors must be able to find it.

Directing tourists to easily find the Santa Rosa Blue Hole does not mean they will not use the other services offered in the city. To the contrary, if the visitor can quickly and easily find what they are looking for, they are more likely to have a pleasant experience and stay longer.

Kiosks, or additional visitor information boards can be installed throughout town featuring maps, restaurant, and attraction information that will further enhance the visitor's experience.

Another way to involve the community is to position the kiosks near other tourist attractions in the city. The more information centers available for the visitor with accurate information and directions, the better.

In order to reduce costs, businesses could provide space and materials, and volunteer organizations could partner with the businesses to provide labor to build or maintain the kiosk in return for promotional space.

Non-Tourist Attractions

There are certain things that are always serious detractors. Even with the best of plans and the most positive intentions, innovations are always necessary to make the tourist's experience better. Even when there are plans to eventually improve an area of the city; if the next phase of development has not begun, the tourist may look at the site as run-down or broken-down.

There are several areas in Santa Rosa that currently present a deserted look. Some are scheduled for remodeling or reconstruction but the public has no way of knowing that. A simple sign indicating a projected renovation or development reveals the City's intentions and exciting new plans.

A sign that says, "Coming soon at this historic Route 66 site...." will give the visitor one more reason to return to Santa Rosa.

Special Events

Special events are a great way to attract locals, day trippers and visitors. Different events can be used to target diverse groups.

The events can also be used to enhance the slower tourist seasons. Currently Santa Rosa Days are very popular. Fiestas and softball tournaments have also been successful. Santa Rosa can build on these successes and add more special events such as:

Diving competitions – Diving competitions can attract divers, their families and observers. Competitions could be scheduled for a weekend and could grow into several day events.

Motorcycle rallies – Motorcycle rallies are very popular in New Mexico. The historic location of Route 66 and the easy access from Interstate 40, along with the many attractions in the area make this a potentially profitable event.

Art fairs – Art fairs will attract artists and craftspeople from across the southwest. They have the added value of being a venue for local artists to participate.

Fishing derbies – Fishing derbies are a great way to attract families and retired couples. According to people in Santa Rosa, the senior fishing days at the ponds near the Blue Hole are very popular. Fishing derbies can be scheduled during slower tourism times.

Blue Hole Food Fair Day-Designate a special event where all the food has to be blue (cupcakes, lemonade, popcorn, snow cones, etc.) and offer competitive prizes for the best blue dish. There could be a Blue Hole Blue Food Bake Off as well as typical field day events and eating contests. This event would appeal to families and young people.

By adding an area for electric hookups events can be expanded and profitability can be increased. During all events, appropriate vendors can be used to accommodate the increased business to ensure a great customer experience. Food and other services will not take business away from local businesses but will accommodate overflow and provide a better customer experience. Vendor profit sharing and booth charges are a source of additional income for the Blue Hole project.

Creative Presentation

SRBH has something very special. Ads with superior photography will show the customer what to expect. A wonderful photo can make good copy come to life. A careful inventory of photo requirements and organized planning will save time and money. Professional photographers can cost more but will take the appearance of the promotional materials to a more professional level.

Professionally produced materials that feature the colors and graphics of the development and promote the brand of the Santa Rosa Blue Hole will ensure each impression builds the image in the mind of the customer.

A great photo bank should be developed and maintained and will save time and expense in years to come.

Web Site

The Santa Rosa Blue Hole needs a dedicated and expanded Web site that links to the city site. The promotion of the area should focus on the Blue Hole services and information on the Blue Hole should be extremely easy to find. The URL santarosabluehole.com is available and should be reserved immediately.

The Web site should be information rich and full of photos of all of the activities in the area.

Schedules of events, prices, hours of operation and services available should all be easily accessed via the internet.

In addition, permits can be sold on-line as a service to visitors. Inquiries can be answered on-line or by mail and customer information can be added to a database.

Media Strategy

A well planned media mix will provide the very best opportunity to increase tourism to the area. However, with a limited budget it is even more critical to analyze the benefits of each media source, choose the best media for the project and stick to a plan.

Research, customer sourcing and conversion studies will help predict effectiveness and will help refine the plan for future placements.

There is an abundance of media that is effective in promoting tourist destinations. The location, attractions, and the budget should be carefully considered in order to make the right media choices. Remember that the budget emphasis is established as the plan is defined and specific decisions are made.

Billboards

As previously discussed, Santa Rosa lies on one of the busiest highways in the Southwest - Interstate 40. Hundreds of thousands of potential visitors travel this highway every month and it is a prime conduit for reaching the tourist market. A high quality billboard campaign with strategically placed messages will reach an extremely large segment of the potential visitor market. A billboard or two dedicated to the dive market could reach a potential new market of divers traveling along Interstate 40.

Brochures

Brochures are a wonderful way to use quality photos and copy to tell the story of the Santa Rosa Blue Hole area. Brochures are a cost effective as they can serve multiple purposes and can be sent to anyone inquiring about the Blue Hole. Two different brochures should be developed. They can share much of the general information of the area but one should focus on diving and one on tourists. They can be sent to lists already in the database to keep in touch and encourage a return visit. They can also be placed in racks throughout the region to reach both travelers and locals in cities throughout the drive market. The purchase of specific lists representative of the Blue Hole's target markets are essential in developing new business. They can be located through trade publications and purchased by zip code.

Magazines

Magazines should be considered that can offer tracking features. A reader response card or links to the magazine web site can help track the effectiveness of the placement. Full page ads can be "sponsored" by the Blue Hole with a banner. Community businesses can buy smaller space within the ad resulting in a large presence for Santa Rosa and the Blue Hole, yet savings for the participating businesses.

Broadcast

When budget allows, television and radio can be used to attract target markets during specific seasons. Partnerships can be formed with many broadcast outlets to trade promotion for rooms, meals, and attraction fees. Many times, the stations will offer their viewers and listeners a prize or trip package. It can be a positive experience for both the stations and the Blue Hole and can help acquire more promotion and exposure within a tight budget.

Public Relations, Publicity, Promotion

Public relations and publicity cannot be ignored. A regular schedule of contact with newspaper personnel for press releases, and contact with travel writers, tour operators and other editorial sources is an important way to keep the Santa Rosa Blue Hole in the public's mind. Publicity, both free and paid is essential.

A professional public relations firm should be consulted and/or contracted.

Proposed Budget

Media Plan and Budget / Year 1

Logo / Brand Position / Applications Package	\$ 7,500
Billboards	
8 billboards – Average of \$500 each per month	
12 months - \$6000 each per year.	\$48,000
Production – Design and production of 8 Vinyls for 10 x 40 Boards	\$ 6,500
Collateral	
Brochure production and printing –	
2 brochures – 1 Dive market / 1 Tourist market	\$20,000
Racking brochures – drive market	
Mailing brochures – Diver database	\$10,000
Web Site / Database	\$10,000
Database marketing to dive market –	
Includes list purchase	\$10,000
Magazine	
New Mexico Magazine Vacation Guide	
Co-op with local businesses	\$10,000
Broadcast Promotion	
Trade and sponsorships from local businesses	\$8,000
In Kind – Business services and donations	(\$17,000)
TOTAL:	\$130,000

Proposed Budget

Media Plan and Budget / Year 2

Billboards-

8 billboards – Renew for an average of \$500 each per month 12 months - \$6000 each per year.	\$48,000
Production – Design and production of 8 new vinyls for 10 x 40 Boards	\$ 6,500

Collateral

Reprint both brochure with updates / revisions	\$18,000
Racking brochures – drive market	\$10,000

Web Site / Database

Maintenance	\$ 9,500
-------------	----------

Magazine

New Mexico Magazine Vacation Guide Co-op with local businesses	\$10,000
---	----------

Public Relations	\$10,000
------------------	----------

Broadcast Promotion

Trade and sponsorships from local businesses	\$8,000
--	---------

In Kind – Business services and donations	(\$17,000)
---	------------

TOTAL:	\$130,000
---------------	------------------

STAFFING

The Blue Hole operation will be partly staffed by City employees and partly by dive shop and café employees, as described below. Please note that the salaries and wages shown in the spreadsheet are higher than those described below, due to the inclusion of fringe benefits.

City of Santa Rosa

The City Tourism Director will oversee the entire Blue Hole operation and provide the primary interface with the lessors of the dive shop and café. City support staff will include one full-time maintenance/janitorial person at \$8 per hour, 2 lifeguards during the summer at \$6 per hour, and a person to set up/break down the meeting room at \$8 per hour (2 hours per event). The City already incurs a portion of these costs for maintaining the Blue Hole site and restrooms and for the lifeguards. The lifeguards would need to be certified. The other staff would need to meet basic City employment requirements.

Dive Shop

The dive shop will employ a manager, who could also be the dive instructor. The manager will need to have some business management experience. The dive instructor will need to be certified. Annual salary would be \$40,000. He will be assisted by a clerk, who would make \$7 per hour. The clerk should be a high school graduate.

Café

The café will employ a part-time manager, who will be responsible for overseeing the operation and ordering food and equipment, at a salary of \$20,000. The manager will need some experience in food service and business management. He will be assisted by counter staff, who would be paid \$6 per hour.

OPERATIONS

Blue Hole

The Blue Hole will continue to be open throughout the year, with permits available at the dive shop during normal operating hours. Hours will vary by season, with the summer season comprising the period from Memorial Day weekend through Labor Day weekend. Certain summer hours will be set aside for divers only, to improve the quality of the dive experience.

During the summer, the Blue Hole will open daily at 9 a.m. and close at 7 p.m. on Sunday through Thursday and at midnight on Friday and Saturday. The pool will be open only to divers and observers (no swimmers) during the hours of 7 p.m. to midnight on Friday and Saturday nights and 9 a.m. to 3 p.m. on Saturday and Sunday. It will be restricted for swimmers only during the hours of 3 p.m. to 7 p.m. on Saturday and Sunday. During weekdays, it would be open to both divers and swimmers.

During the rest of the year, the Blue Hole will be open from 9 a.m. to 5 p.m. on Friday through Monday.

In addition to these regular hours, groups may schedule special dives during other hours.

Café

The café will be open from 11 a.m. to 7 p.m. daily during the summer season and from 11 a.m. to 5 p.m. on Friday through Monday during the rest of the year.

Sources of Financing

The financial model discussed in the next section incorporates capital and operating costs for Phases 1 and 2. The costs and sources of financing for future Phase 3 improvements should be considered at a later date, when it is time to look at further expansion of the project.

The total cost to the City of constructing Phases 1 and 2 will be \$4,815,536, inclusive of \$1,600,000 for stabilizing the Blue Hole and \$3,260,536 for the buildings and grounds. The sources of financing for Phases 1 and 2 will be a combination of equity, grants, and debt, as discussed below.

The private sector will not be responsible for any capital costs, with the exception of inventory for the sale and rental of merchandise in the dive shop, equivalent to \$45,000.

Equity

The City has \$400,000 set aside from past lodgers tax collections that can be utilized for a civic center. Because the project will include a civic center, food service, rest rooms, parking, and grounds improvements that will cost more than that amount, the \$400,000 can be used for the purpose of constructing this project.

Grants

The federal government is expected to contribute 65% of the cost of the Blue Hole stabilization, equivalent to \$1,040,000. We also estimate, conservatively, that another \$200,000 can be obtained from the federal and/or state governments under earmarks for the project, resulting in a total of \$1,240,000 in grants.

Debt

The balance, after equity and grants, of \$3,175,536 will be comprised of debt secured by pledges of future revenues from the lodgers tax fund. This is a common way for municipalities to finance projects of this nature. We have modeled this debt over 30 years at 5% interest.

Financial Analysis

We have analyzed the financial consequences of constructing and operating Phases 1 and 2 of the Blue Hole project over a ten-year period. The ten years begin with the completion of all of the Phase 1 and 2 improvements, at which time the new rates and new hours of operation would go into effect. We have separately modeled the operation of the Blue Hole from that of the dive shop and café. The pages which follow this section are proformas, which illustrate the results of constructing and operating the Blue Hole.

Capital Costs

The first spreadsheet shows the assumptions regarding the capital costs of the project, which total \$4,815,536. It shows the assumptions regarding the sizing and costing of the various facilities, as well as costs for architects and engineers (A/E). In addition to building construction costs, costs are included for furniture, fixtures and equipment (FF&E). The buildings are depreciated over 25 years, the FF&E over 7 years and the equipment in the dive shop over 4 years. Sources of capital are also shown, as described in the previous section.

Operating Costs

The second spreadsheet shows the assumptions regarding operating costs and revenues. It illustrates projected facility usage, shown to grow at a 5% annual rate. It shows how revenues will be split between the City and the private businesses. And it shows operating costs for the three facilities: City operations (Blue Hole, restrooms and locker room, meeting room, and grounds), dive shop, and café. Operating costs include staff, marketing expenses, repair and maintenance, supplies, insurance, and cost of goods sold (COGS). Over time, operating revenues may grow through the development of a Friends of the Blue Hole membership program and a corporate sponsorship program.

City Operations

The third spreadsheet shows the results of the City operations. It shows revenue and expense projections; earnings before taxes, interest, depreciation, and amortization (EBIT-DA); earnings before interest and taxes (EBIT); and net income before taxes. It also shows annual and cumulative cash flow.

Due to the need to amortize the civic center and stabilization costs, the project has a negative income and cash flow in each year and has a net present value of negative \$2,319,041. It should be kept in mind that these expenses include many existing City expenses which will not be “new” expenses: lifeguards, maintenance personnel, supplies, and marketing.

Dive Shop

The fourth spreadsheet shows the financials for the dive shop. It shows revenues (from a portion of Blue Hole admissions, booking of meetings, special dives, sales, rentals, and instruction) and costs of operation. Income and cash flow are positive in every year. After ten years, the cumulative cash flow is \$743,718. This demonstrates that the dive shop is a viable operation, particularly when the additional income to the manager (who could be the owner) is taken into account.

Café

The fifth and final spreadsheet is the proforma for the café. It shows revenues (from sales and catering) and expenses. As with the dive shop, income and cash flow are positive in every year. After ten years, the cumulative cash flow is \$137,021. This demonstrates that the cafe is a viable operation, particularly when the additional income to the part-time manager (who could be the owner) is taken into account.

Conclusion

Given the preceding analysis, it is recommended that the City proceed with the improvements for Phases 1 and 2, beginning with grant writing and architectural and engineering studies. A detailed project development plan and timeline should be created. Additional input should be sought from the dive community, perhaps through an advisory committee, as the project is being developed.

APPENDIX

Questions asked of dive shops and diving instructors

1. What knowledge/ experience do you have with the Blue Hole?
2. What would make the Blue Hole a more attractive dive site?
 - a. For beginning divers?
 - b. For intermediate levels of divers?
 - c. For experienced/ advanced skill level divers?
3. As a follow-up, what do other dive sites offer that is not available in Santa Rosa?
4. What would make Santa Rosa a more attractive community for hosting divers?
5. As a follow-up, what do other host communities have that is not available in Santa Rosa?
6. If some of these suggested improvements were made (at the dive site and in the community), do you think that divers from your area would dive at the Blue Hole more often and in greater numbers? If so, by a little or a lot?
7. What are the demographics (age, gender, income level) of typical divers? (both students being certified and more advanced divers)
8. Are these divers aware of other diving areas near the Blue Hole?

Questions asked of Santa Rosa Visitors Center and local hotels

1. What are the origins of your visitors/customers? (By state and further breakdown if possible, especially for NM and Texas.)
2. What is the seasonality of your visitors/customers? (e.g. hotel occupancy rates by month if possible or at least anecdotal info, re: variation by season.)
3. What is the variability between weekdays and weekends?
4. What is the average length of stay?
5. What are the demographics of your visitors (age, party size, children, RV or auto)
6. For hotels: what percent are just passing through vs. making Santa Rosa their primary or secondary destination?
7. Of the primary/ secondary visitors, what percentage are divers?
8. Of the primary/ secondary visitors, what percentage are non-divers?
9. What are the primary trip activities of visitors to the area?
10. What could be done to improve the Blue Hole for non-divers?

SANTA ROSA BLUE HOLE

CONSTRUCTION

Phase	% of Construction		Construction		FF&E	Total
	SF	Cost/SF	Subtotal	Subtotal		
1-Master Plan (A/E)						\$ 218,336
2A-Initial On-Site Improvements						
New dive/swim/bait/curios shop	1,000	185.00	185,000	30,000		\$ 215,000
New restrooms/showers/locker rooms	1,000	250.00	250,000	8,000		\$ 258,000
Café	500	300.00	150,000	40,000		\$ 170,000
Civic center	14,000	130.00	1,820,000	15,000		\$ 2,030,000
Demo old dive shop			10,000			\$ 10,000
Subtotal w/ A/E			1,990,000	210,000		\$ 2,683,000

2B-Grounds Improvements	
Group Shelters	3,000 35.00 105,000
Landscaping/hardscaping	6,600 3.50 23,100
Lighting	
Parking Lots	
Security fence around Blue Hole	
Subtotal	93,500 57,600 314,200

TOTAL

268,000 \$ 3,215,536

DIVE SHOP LESSEE INVESTMENT

	Year 1	Year 5 & 9	
Dive Shop Rental Equipment	\$ 15,000	\$ 20,000	Dive shop equity investment.
Dive Shop Initial Inventory	\$ 30,000		
Capital Cost Check			##### Initial investment only.

INITIAL CAPITAL COST

	SF	Constructor	Grounds	FF&E	Inventory	Rental Equip.	Total
Dive Shop	1,000	208,232	19,042	30,000	30,000	15,000	302,275
Café	500	256,616	9,521	8,000			274,137
Lockers	1,000	163,232	19,042	20,000			202,275
Meeting Room	14,000	#####	266,594	210,000			#####
TOTAL before Stabilization	16,500	#####	314,200	268,000	30,000	15,000	#####

ck

SANTA ROSA BLUE HOLE

BLUE HOLE STABILIZATION
TOTAL after Stabilization
 Less Dive Shop Lessee Portion
 Net City Responsibility

 #####
 45,000
 #####

UTILITIES / R&M

Utilities
 Repair and Maintenance

\$/SF	Annual Cost
3.50	\$ 57,750
4.50	\$ 74,250

DEPRECIATION

Years Asset Life
 Depreciation Charge

Buildings	FF&E	Rental Equip.
25	7	4
117,901	38,286	3,750

SOURCES OF CAPITAL

Equity (Existing Lodgers Tax Revenue)
 Federal/State Grants
 Other Own Equity
 Total Equity/Grant
 Debt
 Term
 Interest Rate
 Total Project Financing

\$	400,000	Other Gran	% Stabilization
\$	1,240,000	Plus >	from Grants
\$	-	< < <	200,000
\$	1,640,000		65%
	3,175,536		
	30		
	5.0%		
\$	4,815,536		

Not including Dive Shop portion, assumed owner equity financed.

FACILITY USAGE

	Year 1 Use	Price/Use
Regular Dives	10,400	17.50
Special Dives	20	200.00
Swimmers	8,700	4.00
Non-paying Swimmers	3,500	-
Meeting Events	200	250.00
Persons per Event	50	
Annual Growth	5.0%	

REVENUE SPLITS AND DRIVERS

	City	Dive Shop	Café	
Lease Revenue - Dive Shop	10.0%			of dive shop capital cost
Admission - Diver	\$ 16.50	\$ 1.00		per diver
Admission - Swimmer	\$ 3.75	\$ 0.25		per swimmer
Special Dives	50.0%	50.0%		revenue split
Dive Shop Sales		\$ 10.00		per diver
Dive Shop Rentals		\$ 5.00		per diver
Dive Instruction		\$ 3.00		per diver
Café Sales - \$			\$ 3.00	per user
Café Sales - Split	5.0%		95.0%	of café gross revenues
Meeting Events	90%	10.0%		revenue split
Meeting Event Catering			\$ 7.00	revenue per person per event

	Summer	Off-Season	Annual
Weeks per Season	14	38	
Operating Hours per Week	80	32	Hours
	1,120	1,216	2,336

OPERATING COSTS

Annual real cost inflator 1% applies to all operating costs below unless *

City

	Units	\$ Cost	
Marketing	1	#####	per year
Utilities		#####	per year
Life Guards	2	7.80	per hour 812 hours per year
Maintenance/Janitorial Personnel	1	#####	per year
Meeting Setup Personnel	2	10.40	per meeting event
Repairs and Maintenance - General	1	#####	per year
Repairs and Maintenance - Rental Equip.	1	1,500.00	per year
Supplies	1	650.00	per year
Insurance	1	-	per year

Dive Shop

Facility Lease	1	#####	per year
COGS		40%	of sales *
Shop Manager/Instructor	1	#####	per year
Shop Clerk	1	8.40	per hour
Materials and Supplies	1	1,050.00	per year
Telephone/Internet	1	250.00	per month
Insurance	1	4,000.00	per year

Café

Revenue Share to City	1		
COGS - Food		30.0%	of sales *
COGS - Non Food		7.5%	of sales *
Café Manager	1	#####	per year
Counter Help	1	7.20	per hour
Materials and Supplies	1	800.00	per year
Telephone/Internet	1	125.00	per month
Insurance	1	1,000.00	per year

CITY

INCOME PROJECTION (\$)

	Year 1	Year 2	Year 3	Year 4
REVENUE				
Admissions	204,225	214,436	225,158	236,416
Dive Shop Lease	30,227	30,530	30,835	31,143
Special Dives	2,000	2,100	2,205	2,315
Café Revenue-based Lease	6,890	7,235	7,596	7,976
Meeting Events	45,000	47,250	49,613	52,093
Total Revenue	288,342	301,551	315,407	329,944
COST OF SALES & EXPENSES				
Marketing	130,000	131,300	132,613	133,939
Utilities	57,750	58,328	58,911	59,500
Life Guards	12,667	12,794	12,922	13,051
Maintenance/Janitorial Personnel	21,632	21,848	22,067	22,287
Meeting Setup Personnel	4,160	4,202	4,244	4,286
Repairs and Maintenance - General	150,000	151,500	153,015	154,545
Repairs and Maintenance - Rental Equip.	1,500	1,515	1,530	1,545
Supplies	650	657	663	670
Insurance	-	-	-	-
Total Expenses	378,359	382,143	385,964	389,824
EBITDA	(90,017)	(80,592)	(70,557)	(59,880)
Depreciation	156,187	156,187	156,187	156,187
EBIT	(246,204)	(236,779)	(226,745)	(216,067)
Interest	158,777	156,387	153,878	151,243
NET INCOME BEFORE TAXES	(404,981)	(393,166)	(380,622)	(367,310)

CASH FLOW PROJECTION (\$)

	Year 1	Year 2	Year 3	Year 4
EQUITY EXPENDITURE				
400,000				
CASH IN				
Net Income Before Taxes	(404,981)	(393,166)	(380,622)	(367,310)
Less Principal Payment	(47,796)	(50,186)	(52,696)	(55,330)
Addback Depreciation	156,187	156,187	156,187	156,187
Net Cash from Operations	(296,590)	(287,165)	(277,131)	(266,453)
CASH FLOW	(696,590)	(287,165)	(277,131)	(266,453)
CUMULATIVE CASH	(696,590)	(983,755)	#####	#####

Year <u>5</u>	Year <u>6</u>	Year <u>7</u>	Year <u>8</u>	Year <u>9</u>	Year <u>10</u>
248,237	260,649	273,681	287,365	301,733	316,820
31,455	31,769	32,087	32,408	32,732	33,059
2,431	2,553	2,680	2,814	2,955	3,103
8,375	8,794	9,233	9,695	10,180	10,689
54,698	57,433	60,304	63,320	66,485	69,810
345,195	361,197	377,986	395,602	414,085	433,480
135,279	136,631	137,998	139,378	140,771	142,179
60,095	60,696	61,303	61,916	62,535	63,160
13,182	13,313	13,446	13,581	13,717	13,854
22,510	22,735	22,963	23,192	23,424	23,659
4,329	4,372	4,416	4,460	4,505	4,550
156,091	157,652	159,228	160,820	162,429	164,053
1,561	1,577	1,592	1,608	1,624	1,641
676	683	690	697	704	711
-	-	-	-	-	-
393,722	397,659	401,636	405,652	409,709	413,806
(48,527)	(36,463)	(23,650)	(10,051)	4,377	19,675
156,187	156,187	156,187	156,187	156,187	156,187
(204,714)	(192,650)	(179,837)	(166,238)	(151,810)	(136,513)
148,476	145,572	142,521	139,319	135,956	132,425
(353,190)	(338,221)	(322,359)	(305,557)	(287,767)	(268,938)
Year <u>5</u>	Year <u>6</u>	Year <u>7</u>	Year <u>8</u>	Year <u>9</u>	Year <u>10</u>
(353,190)	(338,221)	(322,359)	(305,557)	(287,767)	(268,938)
(58,097)	(61,002)	(64,052)	(67,254)	(70,617)	(74,148)
156,187	156,187	156,187	156,187	156,187	156,187
(255,100)	(243,036)	(230,223)	(216,624)	(202,197)	(186,899)
(255,100)	(243,036)	(230,223)	(216,624)	(202,197)	(186,899)
#####	#####	#####	#####	#####	#####

SOURCES AND USES OF FUNDS (\$)	Year 1	Year 2	Year 3	Year 4
SOURCES				
<u>Project Financing</u>				
Equity	400,000			
Grant	1,240,000			
Debt	3,175,536			
Total	4,815,536			
Net Cash from Operations	(296,590)	(287,165)	(277,131)	(266,453)
TOTAL SOURCES OF FUNDS	4,518,946	(287,165)	(277,131)	(266,453)
USES				
<u>Capital Improvements</u>				
Dive Shop	257,275			
Café	274,137			
Lockers	202,275			
Meeting Room	2,481,849			
Blue Hole Stabilization	1,600,000			
TOTAL CAPITAL EXPENDITURES	4,815,536			
NET CASH	(296,590)	(287,165)	(277,131)	(266,453)
CUMMULATIVE CASH	(296,590)	(583,755)	(860,886)	#####
PROJECT FEASIBILITY INDICATORS (\$)				
	Year 1	Year 2	Year 3	Year 4
EQUITY INVESTMENT AND RETURN	(696,590)	(287,165)	(277,131)	(266,453)
NET PRESENT VALUE *	(2,319,041)	* NPV Discount Rate 5%		
INTERNAL RATE OF RETURN				
WORKING CAPITAL CASH REQUIREMENT *	2,461,417	* Coverage of working capital shc		

Year <u>5</u>	Year <u>6</u>	Year <u>7</u>	Year <u>8</u>	Year <u>9</u>	Year <u>10</u>
------------------	------------------	------------------	------------------	------------------	-------------------

(255,100)	(243,036)	(230,223)	(216,624)	(202,197)	(186,899)
(255,100)	(243,036)	(230,223)	(216,624)	(202,197)	(186,899)

(255,100)	(243,036)	(230,223)	(216,624)	(202,197)	(186,899)
#####	#####	#####	#####	#####	#####

Year <u>5</u>	Year <u>6</u>	Year <u>7</u>	Year <u>8</u>	Year <u>9</u>	Year <u>10</u>
(255,100)	(243,036)	(230,223)	(216,624)	(202,197)	(186,899)

ortfall through additional equity or credit line

DIVE SHOP

INCOME PROJECTION (\$)

	Year 1	Year 2	Year 3	Year 4
REVENUE				
Admissions Ticket Fee	12,575	13,204	13,864	14,557
Meeting Event Booking Fee	5,000	4,762	4,762	4,762
Special Dives	2,000	2,100	2,205	2,315
Sales	104,000	109,200	114,660	120,393
Rentals	52,000	54,600	57,330	60,197
Instruction	31,200	32,760	34,398	36,118
Total Revenue	206,775	216,626	227,219	238,342

COST OF SALES & EXPENSES

Facility Lease	30,227	30,530	30,835	31,143
COGS	41,600	43,680	45,864	48,157
Shop Manager/Instructor	48,000	48,480	48,965	49,454
Shop Clerk	19,622	19,819	20,017	20,217
Materials and Supplies	1,050	1,061	1,071	1,082
Telephone/Internet	3,000	3,030	3,060	3,091
Insurance	4,000	4,040	4,080	4,121
Total Expenses	147,500	150,639	153,892	157,266

EBITDA 59,275 65,987 73,326 81,076

Depreciation 3,750 3,750 3,750 3,750

EBIT 55,525 62,237 69,576 77,326

Interest - - - -

NET INCOME BEFORE TAXES 55,525 62,237 69,576 77,326

CASH FLOW PROJECTION (\$)

	Year 1	Year 2	Year 3	Year 4
EQUITY EXPENDITURE	45,000			
CASH IN				
Net Income Before Taxes	55,525	62,237	69,576	77,326
Less Principal Payment	-	-	-	-
Addback Depreciation	3,750	3,750	3,750	3,750
Net Cash from Operations	59,275	65,987	73,326	81,076
CASH FLOW	14,275	65,987	73,326	81,076
CUMULATIVE CASH	14,275	80,262	153,588	234,664

Year <u>5</u>	Year <u>6</u>	Year <u>7</u>	Year <u>8</u>	Year <u>9</u>	Year <u>10</u>
15,285	16,049	16,852	17,694	18,579	19,508
4,762	4,762	4,762	4,762	4,762	4,762
2,431	2,553	2,680	2,814	2,955	3,103
126,413	132,733	139,370	146,338	153,655	161,338
63,206	66,367	69,685	73,169	76,828	80,669
37,924	39,820	41,811	43,902	46,097	48,401
250,021	262,284	275,160	288,680	302,875	317,781
31,455	31,769	32,087	32,408	32,732	33,059
50,565	53,093	55,748	58,535	61,462	64,535
49,949	50,448	50,953	51,462	51,977	52,497
20,419	20,623	20,830	21,038	21,248	21,461
1,093	1,104	1,115	1,126	1,137	1,148
3,122	3,153	3,185	3,216	3,249	3,281
4,162	4,204	4,246	4,289	4,331	4,375
160,765	164,395	168,163	172,074	176,137	180,356
89,256	97,888	106,997	116,605	126,739	137,425
3,750	3,750	3,750	3,750	3,750	3,750
85,506	94,138	103,247	112,855	122,989	133,675
-	-	-	-	-	-
85,506	94,138	103,247	112,855	122,989	133,675
Year <u>5</u>	Year <u>6</u>	Year <u>7</u>	Year <u>8</u>	Year <u>9</u>	Year <u>10</u>
20,000				20,000	
85,506	94,138	103,247	112,855	122,989	133,675
-	-	-	-	-	-
3,750	3,750	3,750	3,750	3,750	3,750
89,256	97,888	106,997	116,605	126,739	137,425
69,256	97,888	106,997	116,605	106,739	137,425
303,920	401,808	508,805	625,410	732,149	869,574

CAFÉ

INCOME PROJECTION (\$)

	Year 1	Year 2	Year 3	Year 4
REVENUE				
Sales	67,800	71,190	74,750	78,487
Meeting Catering	70,000	73,500	77,175	81,034
Total Revenue	137,800	144,690	151,925	159,521
COST OF SALES & EXPENSES				
Revenue-based Lease	6,890	7,235	7,596	7,976
COGS - Food	41,340	43,407	45,577	47,856
COGS - Non Food	10,335	10,852	11,394	11,964
Café Manager	24,000	24,240	24,482	24,727
Counter Help	16,819	16,987	17,157	17,329
Materials and Supplies	1,050	1,061	1,071	1,082
Telephone/Internet	3,000	3,030	3,060	3,091
Insurance	1,000	1,010	1,020	1,030
Total Expenses	104,434	107,821	111,359	115,055
EBITDA	33,366	36,869	40,565	44,465
Depreciation	-	-	-	-
EBIT	33,366	36,869	40,565	44,465
Interest	-	-	-	-
NET INCOME BEFORE TAXES	33,366	36,869	40,565	44,465

CASH FLOW PROJECTION (\$)

	Year 1	Year 2	Year 3	Year 4
EQUITY EXPENDITURE	-			
CASH IN				
Net Income Before Taxes	33,366	36,869	40,565	44,465
Less Principal Payment	-	-	-	-
Addback Depreciation	-	-	-	-
Net Cash from Operations	33,366	36,869	40,565	44,465
CASH FLOW	33,366	36,869	40,565	44,465
CUMULATIVE CASH	33,366	70,235	110,800	155,265

SANTA ROSA BLUE HOLE

Year <u>5</u>	Year <u>6</u>	Year <u>7</u>	Year <u>8</u>	Year <u>9</u>	Year <u>10</u>
82,411	86,532	90,858	95,401	100,171	105,180
85,085	89,340	93,807	98,497	103,422	108,593
167,497	175,872	184,665	193,898	203,593	213,773

8,375	8,794	9,233	9,695	10,180	10,689
50,249	52,761	55,400	58,170	61,078	64,132
12,562	13,190	13,850	14,542	15,270	16,033
24,974	25,224	25,476	25,731	25,989	26,248
17,502	17,677	17,854	18,032	18,213	18,395
1,093	1,104	1,115	1,126	1,137	1,148
3,122	3,153	3,185	3,216	3,249	3,281
1,041	1,051	1,062	1,072	1,083	1,094

118,918	122,954	127,174	131,585	136,197	141,020
48,579	52,917	57,491	62,314	67,396	72,753
-	-	-	-	-	-
48,579	52,917	57,491	62,314	67,396	72,753
-	-	-	-	-	-
48,579	52,917	57,491	62,314	67,396	72,753

Year <u>5</u>	Year <u>6</u>	Year <u>7</u>	Year <u>8</u>	Year <u>9</u>	Year <u>10</u>
48,579	52,917	57,491	62,314	67,396	72,753
-	-	-	-	-	-
-	-	-	-	-	-
48,579	52,917	57,491	62,314	67,396	72,753
48,579	52,917	57,491	62,314	67,396	72,753
203,844	256,762	314,253	376,567	443,963	516,716