



## Honey Creek Resort State Park History

For more than 30 years, the idea of "Destination State Parks" has been a topic for discussion as a statewide initiative by the State of Iowa and the Iowa Department of Natural Resources (IDNR). During this 30-year period, several master plans were created and discussed. Many of these plans were based at Rathbun Lake.

The current planning for this project began in the spring of 2000 when Governor Vilsak recommended a series of Destination State Parks as Enterprise Initiatives for the State of Iowa. As a result, the IDNR held a series of public meetings across Iowa to introduce and discuss the prospects for the Destination State Parks. To keep the project moving forward, the IDNR hired Shive-Hattery Inc. to establish criteria, evaluate potential sites, and make recommendations regarding potential Destination State Parks.

### ***Shive-Hattery, Inc. Destination State Parks in Iowa – Phase One Report***

On September 28, 2000, Shive-Hattery presented *Destination State Parks in Iowa – Phase One Report* to the IDNR. Highlights of this report included:

- Guiding principles for the project.
- Market segments as potential users of a Destination State Park.
- Eight potential sites for Destination State Parks.
- Scoring of all potential sites (Brushy Creek Recreation Area and Honey Creek State Park were rated the most desirable locations for the initial Destination State Parks).
- Required elements for a Destination State Park:
  - A 75- to 125-room lodge
  - 25 cabins
  - RV campground
  - Conference center that can accommodate 300 guests
  - Restaurant that can accommodate 150 guests as well as catering operations
  - Gift shop
  - Game room
  - Indoor pool
  - Fitness facility
  - Equestrian facility
  - Beach
  - Marina
  - Boat ramps
  - Fishing platforms
  - Boat rentals
  - Trails
  - Day use facilities
  - Golf course
- Project cost would be between \$37.8MM and \$72.0MM.



The conclusion of the report is that the State should undertake a program where several Destination State Parks are developed and built across the State. In addition, the report recommended that the master planning for the Destination State Parks begin with Brushy Creek Recreation Area and Honey Creek State Park.

This report was presented to the Natural Resources Commission (NRC) on October 12, 2000. The NRC voted unanimously to accept the report – as well as the recommendation that the first two parks selected as Destination State Park sites be the Brushy Creek State Recreation Area and Honey Creek State Park. The NRC also authorized Shive-Hatterly, Inc to proceed with the Phase 2 master planning for both parks.

### ***Shive-Hatterly, Inc. Destination State Parks in Iowa – Phase Two Report***

On December 7, 2000, the NRC was provided an informational item which delineated general concept master plans for Destination State Park developments at Brushy Creek State Recreation Area and Rathbun Lake/Honey Creek State Park, and on January 11 the NRC was given the final Shive-Hatterly Phase 2 Report.

To create the final report, two public meetings have were conducted, one in Fort Dodge (Brushy Creek), and one in Centerville (Rathbun/Honey Creek). Both meetings were well-attended. In Fort Dodge on December 14, approximately 110 people attended – with most expressing strong apprehensions about the impact of destination park developments at Brushy Creek. Most attendees were hunters, dog trainers, and others who enjoy the site as it is today and who feel that even modest developments beyond those already envisioned in the existing master plan will lead to additional public-use pressures that could ultimately result in closure of the area to public hunting and shooting.

Attendance at the Centerville meeting on December 19 was very high. Nearly 500 people attended the workshop, and there was virtually 100 percent support for proposed Destination State Park development on the Rathbun site.

The report recommended that the lodge at Brushy Creek be placed in a lower priority status than Rathbun/Honey Creek. This recommendation resulted from three factors: (1) Opposition from some local interests to pursuing this type of development on the Brushy Creek site; (2) Perception on the part of consultants that Brushy Creek does not provide the same level of attraction and would not draw users from as large an area as would the Rathbun/Honey Creek site; and (3) Magnitude of cost of this feature and the practicality of funding more than one such facility at a time.

Additional major topics of the report included:

- Market analyses for Destination State Parks at Brushy Creek and Rathbun.
- Proposed conceptual break-out of public- and private-sector costs.
- Proposed phasing of major development components at Rathbun and Brushy Creek sites.
- Other recommendations of the consultants.

On January 11, 2001, the NRC voted unanimously to approve the final report and accept its recommendations.



### ***Smith Group JJR Master Plan***

In the fall of 2001, the IDNR hired Smith Group JJR to develop the third and final phase of the master planning for the initial Destination State Park. This study exclusively concentrated on the Honey Creek State Park. In July 2002, Smith Group JJR presented the *Honey Creek Resort State Park Master Plan* to the IDNR.

This document incorporated additional public information, as well as results from archeological and biological surveys, which created more detailed facility recommendations for essentially the same facilities discussed in earlier planning documents:

Golf course	Aquatic center
Campgrounds	Beach
Day facilities	Equestrian center
Cabins	Multi-user trails
Boat launch	Bridge to Honey Creek State Park
Lodge	

This report was presented to the NRC and unanimously approved on August 8, 2002.

Soon after the original Master Plan was approved, environmental testing (led by Dr. Rosberg from Drake University) identified that the Master Plan would intrude on several environmentally sensitive areas. The Master Plan was altered to avoid the most environmentally sensitive areas. This revised plan involved moving some cabins, relocating portions of the golf course, and removing the equestrian center. This revised plan was approved by the NRC on November 8, 2002.

### ***Biological Surveys on Rathbun (Honey Creek) Resort State Park Site – Iowa Natural History Association – December 31, 2002***

The IDNR commissioned Dr. Thomas Rosberg of Drake University and the Iowa Natural History Association to conduct a biological survey of the proposed resort site on Lake Rathbun. Dr. Rosberg and his team conducted an extensive 12-month survey between September 1, 2001, and August 18, 2002. The principal goal was to document baseline plant and animal populations and discuss the impact of the resort park.

The biological team made recommendations that were incorporated into the final Smith Group JJR November 8, 2001, Master Plan. With these recommendations, the team believed that the resort park would co-exist.

In addition, following these recommendations, the IDNR also purchased 592 acres of mitigation land in Sedan Bottoms at Exline, to replace the land used by the lodge footprints.



### ***Honey Creek Resort State Park – Market and Financial Analysis – January 2004***

Economic Research Associates (ERA) was responsible for conducting a Market and Financial Analysis for Honey Creek State Park and for developing the financial pro formas.

The study researched the demographics of the Honey Creek Resort market and the performance of other facilities in related markets and states. The report also examined the financial performance of: the Shawnee Park in Ohio, the Wayne Fitzgerald State Park in Illinois, the Eugene T. Mahoney State Park in Nebraska, the Lake Barkley State Park in Kentucky, and the Eagle Creek State Park in Illinois.

The study produced a ten-year financial pro forma for a 108-room lodge and 37 cabins. Projected average daily rates were \$120 for the lodge rooms and \$140 for the cabins with a 58 percent occupancy rate. Approximately 26,000 rounds of golf a year were projected with an average greens/cart fee of \$45. Expenses were taken from industry averages, and the expenses for the golf course were calculated as if it were a free-standing facility without a host facility. This study estimated the construction costs of the lodge, the aquatic center, the convention center, and the cabins at \$19.5MM.

This pro forma showed positive cash flows, and it became the primary financial pro forma for the future development of the Honey Creek Resort State Park. This report was presented to the Governor, the Iowa Department of Economic Development, and the NRC in January 2004.

### ***Rural Leadership and Enterprise Center – Indian Hills Community College – February 27, 2004***

In the spring of 2004, Indian Hills Community College (IHCC), under the leadership of Jim Lindenmayer – President of Indian Hills, agreed to develop a Rural Leadership and Entrepreneurship Center at Honey Creek Resort State Park. The Center would address two initiatives:

- A speaker's bureau, seminars, and workshops on rural leadership with the goal of developing and assisting people who are in leadership roles or are interested in taking leadership roles within their communities. This center, in conjunction with the lodge component of the park, could also serve as a unique rural setting for companies that conduct planning retreats with their employees and executive teams.
- A larger role in the region with regard to entrepreneurship activities. This center would offer a unique setting for a hub for start-up businesses throughout the ten-county region.

This proposal was very important to the Honey Creek Resort for many reasons. In addition to the contribution to the community, it was also extremely important from a financial sustainability viewpoint as it gives the resort a major draw in the non-peak seasons.



## ***Chapter 463C – Honey Creek Park Development***

On June 15, 2005, Chapter 463C was signed into law – which established the Honey Creek Premier Destination Park Bond Program and created the Honey Creek Premier Destination Park Authority. The Bond Authority is composed of the Treasurer of the State, the Auditor of the State, and the Director of the Department of Management of the State. This Authority and program was created to issue bonds to help the expansion and construction of the Honey Creek Destination State Park.

During this legislative session, \$3,000,000 in incremental funds was allocated to the Honey Creek Destination State Park. This appropriation required a \$4,000,000 local match.

### ***Request for Information***

The IDNR had realized throughout the initial development of the Destination Parks that it did not have the abilities and expertise to build and manage the resort without the assistance of outside professionals. With the signing of 463C, the establishment of the Honey Creek Premier Destination Park Bond Authority and the appropriation of \$3MM, the IDNR began the process to identify and hire the outside professionals required to successfully build and run this resort.

On October 20, 2005, the IDNR issued a Request for Qualifications and Interest to seek a partner to:

- Operate the Destination State Park under a management contract.
- Assist in the formulation of funding and phasing packages for the design and construction of the facilities.
- Serve as the project manager for contracting and construction.

This RFI was distributed to approximately 300 firms nationwide in October 2005. Deadline for responses was November 18, 2005. Seven firms responded:

- Regency Hotel Management, LLC/TSP.
- Delaware North Companies.
- Kinseth Hospitality Companies.
- Goldridge Group.
- DML.
- French-Reneker and Associates.
- KemperSports.



The IDNR and the Bond Authority created an 11-member Review and Selection Committee to review the RFI responses. That committee consisted of Arnie Sohn, Ken Herring, Basil Nimry, and Kevin Szcodronski of the IDNR; Bill Duey from the Army Corps of Engineers; Kevin Kness (a member of the Rathbun Lake Resorts Association [RLR] and Indian Hill Community College Boards); Dean Kaster (a member of the RLR Board and a Appanoose County Supervisor); Denny Ryan (a member of the RLR Board and a Monroe County Supervisor); Nicole Jones from the State Treasurers' Office; Jon Burmeister from PFM Group (the financial advisors to the Bond Authority); and Mike Smith from the Attorney General's Office.

This committee reviewed the seven responses and utilized uniform criteria to evaluate each response. Criteria utilized were:

Financial stability and project capability	50 pts
Commitment and financial contribution	50 pts
Past performance/experience	30 pts
Experience, staff, depth of expertise	30 pts
Understanding/creativity/vision	30 pts

From this process, three firms were short-listed: Regency Hotel Management/TSP, Delaware North Companies, and Kinseth Hospitality Companies.

### ***Construction & Hotel Management - Request for Proposal – February 27, 2006, to March 1, 2007***

The three short-listed firms were sent a Request for Proposal (RFP) on January 13, 2006. The deadline for the submittal of proposals was February 27, 2006.

One firm, Delaware North Companies, opted to withdraw from the process.

The same Review and Selection Committee that developed the short-list recommendation – as well as Kelley Myers from the IDNR and Steve Larson from the State Treasurer's Office – received the written responses to the RFP. On February 28, 2007, the Review and Selection Committee met with Regency Hotel Management, LLC (Regency) representatives (Dave Sweet, Chairman of Regency and his senior management staff (Exhibit 10 & 11). Regency brought its design team, TSP, Inc. (TSP), headed by one of its principals Jim Bruget. During this presentation, Regency and TSP indicated they felt that the budget and timetable were "challenging but doable" and that they could provide an attractive, profitable facility within the budget. In both their written and oral presentations, Regency and TSP stressed the "controlling construction costs were their Number 1 priority". The elements that Regency and TSP determined to be most "challenging" related mostly to the timetable – the only area of concern related to the project budget was the cost of the cabins.

The Committee met with Bruce and Les Kinseth and Jeff Schrader from Kinseth Hospitality Companies on March 1, 2007. Kinseth Hospitality Companies reached a conclusion that the available and projected Phase 1 development budget of approximately \$40 million was insufficient to fund the facilities envisioned. Their preliminary estimates indicated a shortfall of approximately \$15 million for Phase 1 facilities.



The Committee utilized criteria as contained in the RFP to score and rank the two proposals. Criteria used were:

- Thoroughness of financial analyses: 200 points.
- Thoroughness of proposal: 100 points.
- Capabilities of the lead firm and its team members: 100 points.
- Compatibility of the lead firm and its team members with the vision of the project as well as the ability to work with staff and stakeholders: 100 points.
- Timeliness of proposed actions, ability to meet timetables as spelled out in the RFP: 100 points.
- Experience and references: 100 points.
- Value of products and services to be delivered relative to costs: 100 points

The Committee scored both responses using criteria established in the RFP. Kelley Myers and representatives from the Attorney General's Office did not participate in the scoring, but were on hand to provide legal guidance throughout this portion of the selection. It was the unanimous recommendation of the Committee that the IDNR enter into negotiations with Regency of Sioux Falls, South Dakota, for the design, construction, and operation of the Honey Creek Resort State Park. The composite scores for all team members and all criteria were: 7,045 points for Regency and 4,855 points for Kinseth Hospitality Companies.

Christian Vetter from Economics Research Associates, Inc. (the firm that did the initial market analyses, facility sizing recommendations, and financial pro formas) was present for both presentations and participated extensively in committee discussions leading to our scoring and ranking. He also provided a written summary of his firm's thoughts in regard to the two bidders and their respective proposals. Mr. Vetter is in agreement with the Committee's conclusions and recommendations, though he was not a voting member of the Committee (Exhibit 12).

It was the Committee's belief that Regency was in a better position to respond to a "State Park RFP" because of its experience with similar projects, its past associations with other state/private enterprises and partnerships, and its vision for the project – as well as the experience, the contacts, the processes, and the ability to lead stakeholders through the pre-design and design elements, and the ability to assist in guiding important decisions associated with the process. In addition, Regency entered the process with a positive position that a quality facility could be built with the funds that were available and anticipated.

On March 9, 2006, the NRC approved the initiation of negotiations with Regency for the design, engineering, construction management, and operation of the primary facilities in the resort park.

After several months of contract negotiation, the Construction Management Contract with Regency was submitted to the NRC for approval. On July 26, 2006, the NRC approved the Construction Management Contract for design, engineering, and construction management. Regency, in turn, executed an agreement with TSP to lead the design, engineering, and construction efforts.



The original members of the Regency/TSP Project Team were:

- Regency, LLC – Developer/Management:
  - Davis Sweet – Chairman on the Board.
  - Greg Schjodt – President and CEO.
  - Robert Thimjon – Chief Financial Officer.
  - Thomas Morris – Regional Operations Manager.
- TSP, Inc. Architecture, Structural, Mechanical, & Electrical Engineering:
  - Jim Bruget – Partner & Project Manager.
  - Larry Crane – Architect.
  - Darla Jacobsen – Interior Designer.

### ***Local Match of Funds Secured***

The appropriation of funds and the Bond Authority required a \$4,000,000 local match of funding for the project to proceed. The local match was finalized in summer 2006.

Appanoose County	\$357,250
Monroe County	\$357,250
RLR	\$535,500
Rathbun Regional Water	\$928,595
Chariton Valley Electrical Cooperative	\$877,170
Iowa Telecom	\$250,000
Private Funds Campaign Drive (RLR)	\$1,000,000
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	<b>\$4,455,765</b>

This commitment of over \$4MM in local funds made the total \$3MM state appropriation available for expenditure. In addition to the private funds raised or committed through a guarantor for this project, the fundraising consulting firm of Leslie-Kline-Lucas estimated that a total of \$2.5MM could be raised through an organized statewide campaign.

The commitment of local funding was reported to the Bond Authority in late July and to the NRC on August 10. This relationship between the local donors and the IDNR was formalized with a 28E agreement that the NRC approved on September 14, 2006.





### ***Honey Creek Resort State Park Market and Financial Analysis Update by ERA – August 4, 2006***

At the request of the Bond Authority, ERA updated the Market and Financial Analysis that was originally presented in January 2004. ERA found that almost all of the major assumptions and projections made in the original study were still valid and correct. ERA presented a revised pro forma that was very similar to the original pro forma of August 2006.

On October 3, 2006, ERA presented the final pro forma, which was based upon the updated market and financial analysis. This final pro forma was incorporated into the formal bond documentation.

### ***Tax-Exempt Bond Issuance – October 19, 2006***

With the local funding secured and the revised Market and Financial Analysis completed by ERA, the Bond Authority and the IDNR began the formal process to issue the tax-exempt revenue bonds for the construction and furnishing of the Honey Creek Resort as authorized by Iowa Code chapter 463A.

On August 7, 2006, the Bond Authority approved a "reimbursement resolution," which officially triggered the two-month period that led to the issuance of the bonds.

The Honey Creek Premiere Destination Park Authority is comprised of the Auditor and the Treasurer of the State of Iowa and the Director of the Department of Management. In order to facilitate this transaction, this entity has sought services from qualified professionals, including:

- Underwriter: William Blair & Company of Chicago, IL.
- Financial Consultant: Public Financial Management, Inc. of Des Moines, IA.
- Bond Counsel: Faegre & Benson, LLP of Minneapolis, MN, and Des Moines, IA.
- Trustee: Banker's Trust, NA.
- Bond Insurer: Financial Security Assurance, Inc.

On October 4, 2006, the Bond Authority met with Bond Counsel Andy Andersen and passed a resolution that approved the financial documents. On October 12, 2006, the NRC unanimously approved all financial documents and authorized the IDNR to execute documents related to the Honey Creek Resort State Park Revenue Bonds (Bonds), which will be used to pay the costs of acquiring, constructing, and equipping the Honey Creek Resort State Park (Park); funding capitalized interest on the Bonds; funding a debt service reserve for the Bonds; and paying the cost of issuing the Bonds. The Bonds were formally issued on October 19, 2006.



At the time of bond issuance, the IDNR, the Honey Creek Premiere Destination Park Authority, the State of Iowa Treasurer's Office and the Trustee executed an indenture of trust (Indenture), which memorialized the parties' respective obligations pursuant to this bond issuance. In it, the IDNR agreed to pay back the bonds in a prescribed manner and agrees to guarantee the construction of a destination park to include, at minimum: a 105-room lodge, a restaurant, an aquatic center and conference facility, an 18-hole golf course, family and group cabins, a sewer facility, a boat ramp, and docking facilities. The principal of and the interest due on the bonds, according to the terms of the Indenture, are payable primarily from net revenues of the Honey Creek Resort State Park.

The terms of the Indenture provide for little deviation from the obligations imposed therein. In the event that the Department is unable to meet its obligations pursuant to the Indenture, thereby breaching this contract, it would be in default and the Trustee could take action against the state to protect the interests of the bondholders, including legal action. In some circumstances, the bond holders themselves would have the right to take legal action against the Authority, the Treasurer, and the IDNR, as well. Therefore, meeting the obligations imposed by the Indenture is critical to the IDNR, as default could result in judgments against the Authority, the Treasurer, and the IDNR. These judgments would not only mean monetary losses for the state, but it would also put an otherwise very strong state-wide credit rating in jeopardy, impacting all other state-affiliated projects and businesses.

The terms of the Indenture do provide for some exceptions to its obligations. One exception is for unavoidable delays to the opening date. This exception allows the IDNR to delay the opening of the park, or portions thereof, in the event it meets this defined exception. IDNR requested bond counsel to opine on the current situation with respect to the delayed opening of the lodge and cabins from what is provided in the Indenture. Bond counsel advised that the IDNR may rely on this exception due to the various activities that have occurred outside of its control, including higher-than-expected bids, staff resignations within TSP, and unavailability of funds. A copy of that bond counsel opinion is available.

The terms of the Indenture do not provide a mechanism to change the elements of the park, e.g., the lodge, cabins or marina, except through a supplemental indenture, or amendment; that process requires the involvement of the bond holders and their affirmative votes to support the amendment. The IDNR has been counseled by financial advisers that while this is not an insurmountable feat, it is not often successful and therefore, not a preferable option.

### ***Phase 1, Package 1 Construction Contracts – Grading, Golf Course, and Waste Water System Construction***

With the issuance of the Bond, the first portion of the Resort construction project was sent out for bid on November 15, 2006. This portion of the project primarily included over lot grading; erosion control; construction of the golf course, irrigation system, and sanitary sewer system; and incidental work as required by the Plans and the IDNR Construction Inspector.

Five bids were opened on December 12, 2006:

- Duinick Brothers, Inc. of Prinsburg, MN: \$6,024,100.00.
- Peterson Contractors, Inc. of Reinbeck, IA: \$6,538,800.00.
- Mid-America Golf and Landscape, Inc. of Lee's Summit, MO: \$6,709,313.00.



- Ryan Incorporated Central, Inc. of Janesville, WI: \$6,845,556.75.
- Park Construction Co., Inc. of Minneapolis, MN: \$7,107,391.22.

Due to the bids coming in under estimate, several alternative items were chosen, including: using concrete paving in lieu of asphalt paving for cart paths, bent grass fairways, weather station and GPS, and other upgrades for irrigation and HDPE or corrugated metal pipe in lieu of reinforced concrete pipe for storm sewers.

Staff recommended awarding the contract to Duininck Brothers, Inc. for \$6,024,100.00 for the base bid and selected alternates. The NRC unanimously approved this recommendation on December 14, 2006. The contractor moved on-site on January 8, 2007, and construction was scheduled for completion in the fall of 2007.

The fact that the first major bid package came in under budget reassured that this project would be completed on time and on budget.

### ***Phase 1, Package 2 Construction Contracts – Lodge/Aquatic Center/Convention Center and Cabins***

Phase 1, Package 2 was sent out for bidding on February 22, 2007. This portion of the project included the 105-room lodge/aquatic center/convention center and the 28 family/group cabins, as well as incidental work as required by the Plans and the IDNR Construction Inspector.

For the lodge/aquatic center/convention center portion of the project, the IDNR budget for the project was \$13.5MM. Fifty-two sets of plans were issued. One bid for the lodge/aquatic center/convention center was received and opened on March 22, 2007:

- The Hansen Company, Inc. of Johnston, IA: \$24,350,000.00.

For the cabin portion of the project, the IDNR budget for the project was \$4.25MM. Sixty-eight sets of plans were issued. Two bids for the cabins were received and opened on March 22, 2007:

- Vieco Development & Construction, Co., Inc. of St. Joseph, MO: \$4,929,000.00.
- Grooms & Company Construction, Inc. of Ottumwa, IA: \$5,277,000.00.

The combined lodge and cabin bids were almost \$14MM over the project budget. The IDNR was considerably surprised by these bids – particularly after hiring TSP and other design professionals who had said they could design this project within the original budget.

Staff recommended the rejection of all bids for the lodge/aquatic center/convention center and the cabins. This recommendation to reject all bids was approved unanimously by the NRC.

After all bids were rejected, staff began work to "value engineer" the current project and seek more bidders for the project.



### ***TSP Design Team Leaves the Firm and a New TSP Design Team is Named – April 2007***

On April 27, 2007, the original TSP design team of Jim Bruget – Partner & Project Manager, Larry Crane - Architect, and Darla Jacobsen - Interior Design resign from TSP to start their own design firm. Sean Erwin – Architect & Partner, and Bob Meilke – Engineer & Partner were named the new members of the TSP design team.

### ***IDNR hires Project Administrator to Oversee Honey Creek Resort State Park Project – June 20, 2007***

On June 20, 2007, Terry Montgomery joined the IDNR as the Honey Creek Resort State Park Project Administrator, reporting to the Director.

Mr. Montgomery had recently served as the Chief Financial Officer of the Science Center of Iowa where he managed finances, operations, and construction of the new \$60MM facility. Previous to that he had served as the Senior Vice President of Finance and Operation for the Younkers Department Store Chain, and the as a Vice President of Finance for Saks Incorporated.

### ***Phase 1, Package 2 Construction Contracts Rebid – Lodge/Aquatic Center/Convention Center and Cabins***

The revised Phase 1, Package 2 was sent out for rebidding on May 23, 2007. This portion of the project again included the 105-room lodge/aquatic center/convention center and the 28 family/group cabins as well as incidental work as required by the Plans and the IDNR Construction Inspector.

Seventy sets of plans were issued for the lodge/aquatic center/convention center. One bid was received and opened on June 21, 2007:

- The Hansen Company, Inc. of Johnston, IA: \$19,300,000.00.

For the cabin portion of the project, sixty-two sets of plans were issued. Two bids were received and opened on June 21, 2007:

- Vieco Development & Construction, Co., Inc. of St. Joseph, MO: \$4,224,000.00.
- Grooms & Company Construction, Inc. of Ottumwa, IA: \$4,557,000.00.

The combined lodge and cabin rebids were \$8MM over the project budget; however, these bids were \$6MM less than the previous bids.

With the combined bids \$8MM over project budget, the IDNR did not have the available funding to accept both bids and equip these facilities for operations.



With the available funds insufficient to complete the full project, decisions regarding how to invest the available funding needed to be made. The IDNR remained committed to opening a Destination Park at Honey Creek in 2008. Decision-making criteria were developed:

- Repay the bonds fully.
- Build the best facility for the available dollars to benefit the people of Iowa and showcase our state park system.
- Foster and build respect with partners (federal, state, local, public, and private) and meet their expectations.

From these decision-making criteria, IDNR staff made the following recommendations:

- The lodge/aquatic center/convention center bid from The Hansen Company, Inc. be accepted. Construction is to begin immediately for the lodge/convention center/aquatic center and restaurant. This facility is planned to open along with the golf course/club house and boat docks in summer 2008.
- Cabin construction be delayed until the cabins can be fully funded. The IDNR is to immediately work with our project partners, including the Rathbun Lake Resort Non-Profit Organization and the Army Corps of Engineers, to fully fund the cabins, the proposed RV campground, park shelters, additional trails, and the bridge that will connect the Resort Park and the existing state park.

The NRC approved the staff recommendations on June 28, 2007, by a 4-2 vote. This plan has also been presented to and approved by the Bond Authority, which includes: the State Treasurer, the State Auditor, and the Director of the Department of Management. The Bond Counsel has also written an opinion that supports this course of action. To fully meet the indenture of the Bond, the cabins must be completed in the foreseeable future.

The Hansen Company, Inc. has begun construction and will complete the lodge, aquatic center, convention center in the summer of 2008. Meetings have begun to discuss further financing for this project.

### ***Honey Creek Resort seeks a new partner for Hotel Management – September 2007***

In March of 2006, Regency Hotel Management was selected to perform the dual role of Construction Management and Hotel Management. After 17 months of negotiation, the Department and Regency Hotel Management have been unable to agree upon terms and execute a management agreement for Honey Creek Resort State Park, and mutually agreed that Regency Hotel Management will not be the hotel management company for the Resort.



Throughout the negotiations, the Department was adamant that the terms of the hotel management contract be consistent with Regency's initial response to the Department's RFP in order to protect the State's interests and maintain conformance with the bond documents. The Department had prepared a contract consistent with terms of the RFP proposal and approved by Bond Counsel. The contract also included additional performance measures, in conformance with the Iowa Accountable Government Act and in light of previous performance challenges between the Department and Regency with respect to project budget, schedule, and management over the past year. This final contract was mailed to Regency on September 4, 2007, and rejected by Regency on September 5th, 2007.

Due to the prolonged negotiations with Regency, the Department had developed contingencies that will allow for a successful opening and management of the Resort without the involvement of Regency. The Department has issued a new RFP for Hotel Management to secure a new hotel manager by the end of this calendar year. Internally, the Department has undertaken all other management responsibilities, including marketing and sales until such a contract is in place.

This change will not affect the summer 2008 opening date, nor should it affect resort performance. With several hotel management companies expressing interest in the project, we expect that the new hotel management partner will be able to bring enhanced levels of customer service and operational efficiency to this project.

### ***Phase 1, Package 3B Construction Contracts – Golf Maintenance Building and Clubhouse***

Phase 1, Package 3B was sent out for bidding in September, 2007. Bids were opened October 24, 2007. This project consisted of the construction of a golf course clubhouse and a golf course maintenance building, as well as incidental work as required by the Plans, the Construction Manager, and the Department. The project is budgeted at 100% Honey Creek Bond Proceeds (Capital Link #82). The DNR estimate is \$827,000. The project was designed by TSP of Sioux Falls, SD, and its subcontractors. Thirty-six sets of Plans were issued. Four bids were received. An alternate item for maintenance building is accepted.

- Legacy Construction Inc., Pella, IA -- \$728,387.00 Clubhouse: \$385,897.00 Alternate: \$342,490.00
- The Hansen Company Inc., Johnston, IA -- \$803,000.00 Clubhouse: \$438,500.00 Alternate: \$364,500.00
- Grooms & Co Construction, Ottumwa, IA -- \$844,000.00 Clubhouse: \$457,000.00 Alternate: \$387,000.00
- M & M Enterprises, Sigourney, IA -- \$852,000.00 Clubhouse: \$453,000.00 Alternate: \$399,000.00

The NRC voted to award of contract to Legacy Construction Inc., the low bidder, on November 8, 2007.



### ***Phase 1, Package 3C Construction Contracts – Sewer Lagoons, Sanitary Sewer and Grading***

Phase 1, Package 3C was sent out for bidding in September, 2007. Bids were opened October 17, 2007. This portion of the project included the construction of lagoons, sanitary sewer forced main, boat ramp, rip rap on boat ramp shore, beach, wetlands dams and bioretention basins for the project, and incidental work as required by the Plans, the Construction Manager, and the Department.

The IDNR budget for the project was \$2,200,000. Fifty-seven sets of Plans were issued. Two bids were received:

- McAninch Corp., West Des Moines, IA -- \$1,824,995.00.
- DeLong Construction Inc., Washington, IA -- \$2,129,800.00.

The NRC voted unanimously to award of contract to McAninch Corp. on November 8, 2007.

### ***Phase 1, Package 3D Construction Contracts – Dock Package***

Phase 1, Package 3D was sent out for bidding in October, 2007. Bids were opened November 21, 2007. This phase of the project consists of the construction of boat docks and slips for the project and incidental work as required by the Plans and the DNR Construction Inspector. The primary boat dock will have 48 slips ranging in size from 28' x 15' to 63' x 25' to accommodate a wide variety of boats on the lake. The docks will be free-floating with anchors and concrete decking. This dock is constructed to stay in the water all winter. This primary dock also contains a covered fishing house with small "bait shop" retail space, storage, and a stainless steel fish-cleaning area. The fishing area will have a concrete decking and a standing-seam metal roof. The fish house also has an 18' x 10' fishing hole surrounded by seating. Both the fishing dock and the fishing hole will have 3' 6" fencing for safety. The second dock is a courtesy dock for the boat ramp. This is a 40' x 6' concrete-surfaced structure to accommodate boaters who utilize the boat ramps. Boat structures are handicapped-accessible using the U.S. Army Corps' Dock Specifications. The designers estimate is \$445,000. Eleven sets of Plans were issued. One bid was received. No alternate items are being accepted.

- The Hansen Company, Inc., Johnston, IA -- \$435,300.00.

The NRC voted to award of contract to Hansen Construction Inc. on December 13, 2007.

### ***Hotel Management –Vendor Selection – February 27, 2006 to March 1, 2007***

The IDNR issued a RFP to seek a new vendor to serve as the Hotel Operator For Honey Creek Resort in October, 2007.



Three responses were received:

- Kemper Sports Management, Northbrook, IL.
- Central Management Group, St. Cloud, MN.
- Kinseth Hotel Corporation, North Liberty, IA.

The Review/Evaluation Committee met on November 26 and 27 with representatives from the three prospective resort management firms that had responded to the RFP. Membership of the Committee was:

- Terry Montgomery—Honey Creek RSP Project Administrator.
- Arnie Sohn—Honey Creek RSP Assistant Project Administrator.
- Julie Tack—IDNR Marketing.
- Bill Duey—US Army Corps of Engineers, Rathbun Lake.
- Dean Kaster—Appanoose County Board of Supervisors.
- Denny Ryan—Monroe County Board of Supervisors.
- John Glenn—Rathbun Regional Water Association.
- Steve Larson—State Treasurer's Office/Honey Creek Bond Authority.
- Jim Lawson—IDNR State Parks District Supervisor.
- Kevin Szcodronski—IDNR State Parks Bureau Chief.
- Sherry Arntzen—IDNR State Parks Administrator.
- Kelley Myers—IDNR Legal (non-voting).

Each voting member of the committee was asked to review written responses to the RFP prior to the presentations/interviews. Scores and rankings were reviewed and discussed by committee members after the three presentations were complete. Committee members were free to amend their scores based on materials or perceptions received during oral presentations or upon comments provided by other committee members after hearing all presentations.

Each of the three firms had its strong points; the following is a summary of their financial proposals and qualifications:





Financial Proposals	Central Group	Kemper Sports	Kinseth Hotel Corporation
Pre Opening Compensation (payments above direct expenses)	\$ 96,000	\$ 70,000	\$ 250,000
Operating Management Fee (aprox % of revenue)	4%	4%	4%
	<i>Note: all management companies offered an Operating Management Fee that used a fixed and variable component to comply with the requirements of the bond. All of these percentages are estimates based on projected cashflow.</i>		
Proforma fully makes bond payments	Yes	Yes	No
Experience with Tax Exempt Bonds	No	Yes	No
<b>Management Experience</b>			
Hotels	Yes	Yes	Yes
Restaurants	Yes	Yes	Yes
Conference Centers	Yes	Yes	Yes
RV Park	Yes	No	No
Water Park	Yes	No	No
Golf	Yes	Yes	No
"Resorts"	Yes	Yes	No
Special Events	Yes	Yes	No
Experience Opening New Properties	Yes	Yes	Yes
Experience purchasing furniture, fixtures and equipment	Yes	Yes	Yes

The committee agreed all three companies could have adequately managed the resort, therefore the scores were very close:

- 899 - Central Management Group.
- 790 - Kemper Sports.
- 718 - Kinseth Hotel Management.



However, it is the unanimous recommendation of the Review and Evaluation Committee that the IDNR enter into negotiations with the Central Management Group of St. Cloud, Minnesota for the operation and management of Honey Creek Resort State Park.

The department quickly finalized the contract for Hotel Management with Central Management Group. The Bond Authority and the NRC approved the contract in December, the Army Corps of Engineers approved the contract in January, and a contract was signed with Central Management Group to manage Honey Creek Resort State Park.

***Governor's budget includes \$8 million to fully complete Phase 1 – January 2008***

The Governor's Budget released in January, 2008 includes an \$8 million appropriation to complete the Phase 1 construction of Honey Creek Resort State Park. If approved by the legislature, this would allow the 28 group and family cabins to open in early spring 2009, and all other construction to be completed in the 2009 calendar year.



# Honey Creek Resort State Park Project Budget

Updated January 2008

Phase 1 of the Honey Creek Resort State Park, including all portions that are required to be completed by the Bond Indenture, is currently \$50,911,634.00. The projected cost of Phase 1 currently under construction (without the cabins) is \$42,911,634. There is currently \$42,911,634 in available funding.

Lodge/Aquatic/Conv Center/Rest.	\$	21,640,000.00
Marina/Boat Ramp*	\$	1,400,000.00
Golf Course	\$	4,986,500.00
Golf Course Buildings	\$	728,387.00
Contingency /Change Orders	\$	841,948.00
P&I Roads & Spur Roads*	\$	4,211,634.00
Sanitary Sewer and Lagoons	\$	2,368,069.00
Landscaping, Parking Lots, Signs & Other	\$	1,721,046.00
Architect & Engineering	\$	3,014,050.00
Administrative/Preopening Expense		
Staff, misc. expenses	\$	500,000.00
Legal	\$	150,000.00
Pre Opening Costs	\$	850,000.00
Operating Reserve Fund	\$	500,000.00
<b>Current Sub-Total</b>	<b>\$</b>	<b>42,911,634.00</b>
Cabins	\$	5,675,000.00
Architect & Engineering	\$	478,679.00
Activity Center	\$	600,000.00
Additional Infrastructure and Project Contingency	\$	1,046,321.00
Admin/Legal	\$	200,000.00
<b>Phase 1 Total</b>	<b>\$</b>	<b>50,911,634.00</b>



## **Current Phase 1 Projects**

### Lodge, Restaurant, Aquatic Center and Conference Facility

The Lodge will include 105 rooms and suites of various sizes, and many will have views of Rathbun Lake. Lodge guests will enter into a Great Room with an expansive attached patio that overlooks the Lake and the existing Honey Creek State Park. The existing natural features of the State Park will not be developed in a way that detracts from the natural setting).

A full-service restaurant and lounge will be provided. At one end of the lodge, an enclosed, waterpark will include a water slide, a "Lazy River", numerous play and spray features, and lounging space for adults.

At the other end of the lodge, a conference facility of approximately 8,000 square feet will provide flexible meeting and banquet facilities, including smaller "board room" meeting areas and a large-group meeting hall that can accommodate 250-350 people. The meeting hall can also be divided into 3-4 smaller meeting rooms that can accommodate approximately 75- 100 persons. State-of-the-art audio, visual, and electronic facilities will support a wide variety of conference and retreat functions.

Outdoor gathering areas will be an important element of the landscape architecture on the lodge site. These areas will be designed to support a variety of events such as weddings, reunion gatherings, and corporate retreat functions.

The \$21,640,000 cost of the Lodge/Aquatic Center/Convention Center/Restaurant includes \$19,440,000 in base construction costs of the facilities; \$2,000,000 for furnishings, fixtures and equipment; and \$200,000 for public art.

### Golf Course

The golf course design firm of Herfort-Norby has developed plans for an 18-hole, par 72 golf course with four tee placements, practice greens, a driving range, and paved cart paths. Course lengths are from 5,530 yards to 6,937 yards. Fairways and greens are bent-grass, and the entire course is irrigated. Several holes provide scenic views of Rathbun Lake. Construction of the golf course is nearing completion.

The completed course will be Audubon-certified, and natural prairie will coexist with the golf course.

### Boat Ramp and Docking Facilities

Since many guests are expected to bring boats with them and many visitors to the restaurant are expected to travel by boat, providing a convenient place to launch those boats and to park them during their stay at the resort is an important amenity to provide.

A multi-slip boat dock will be provided at Honey Creek Resort. Accommodations will be made into the docks to provide fishing.



### Other

**Beach.** There will be a sandy beach with a swimming area as well as a "comfort station" that will provide restrooms, vending machines, and outdoor showers to remove sand.

**Recreational vehicle campground.** Twenty upscale recreational vehicle campsites will be provided. All sites will be pull-through, easy access paved pads with full utility hookups and wi-fi access.

**Hiking and multi-purpose trails.** Paved and unpaved multi-purpose and hiking trails will be provided. Hiking trails will provide excellent views of Rathbun Lake, will encompass easy walking surfaces and grades, and will be surfaced with limestone "fines." will be carefully designed and constructed to provide access to the high-quality natural areas on the site. Interpretive signage will give visitors a better understanding of the native prairie plant communities and unique plant and animal species seen along the trails.

**Roads.** \$4,211,634 is planned to provide roads and paved trails. This is funded through the use of P & I Roads funds a restricted fund the IDNR receives from the IDOT to build roads and infrastructure in state parks. This amount has been raised and additional IDNR funds have been allocated above the original \$2,400,000 to provide the resort with a more robust road systems, constructed in a more environmentally friendly manner using materials that are more durable and sustainable. This is a change in the budget from fall 2007.

**Other.** This allocation also includes landscaping, parking lots, and outdoor signage.

### ***Remaining Phase 1 Projects***

*The family cabins are specifically required by the bond indenture.*

#### Family and Group Cabins

- Twenty-eight cabins will be built, with one to four bedrooms. These cabins contain full bath facilities and each has access to a living room and kitchen area if so desired – which allows great flexibility. Individual rooms may be rented much as the lodge rooms are rented, or the entire cabin (with access to the living room, kitchen, fireplace, etc.,) may be rented so guests have access from their rooms to these comfortable "commons" areas for small meetings, family get-togethers, etc.

The cabins will be located in clusters but will be separated to provide a degree of privacy for each cabin. Some will have lake views; others will have views of the golf course.

The total cost of the cabins will be \$6,353,679 – which includes \$4,700,000 for construction, \$700,000 for furnishings, \$250,000 for potential change orders, \$478,679 for architectural / construction management fees, \$200,000 for administrative & legal fees and \$25,000 for public art.



### Activities Center and Resort Activity Infrastructure

Also originally designed into Phase 1 was an Activity Center to support educational and recreational activities in the resort. This center would include inside space as well as an outdoor amphitheater for outside programming.

Additional funding was also desired to provide for other small infrastructure required to equip a destination state park for long term success such as playgrounds day-use shelters, and equipment for activities.

Completing this infrastructure and fully outfitting the facility is critical to the success and sustainability of the facility. This additional infrastructure is required to promote extend the stay from a weekend to a full week, and is the elements that make this a "Destination Park" rather than just a "hotel" on northern Appanoose County.

### **Phase 2 Project**

Plans for the Park anticipate that additional improvements will be made as a part of a Phase 2 Project – the timing and funding of which are also uncertain at this time.

Phase 2 Projects include items not completed in Phase 1 plus incremental hiking and multi-purpose trails, an expanded picnic day use area, and a pedestrian trail bridge (approximately 700 feet in length) that will link the new resort park development to the existing Honey Creek State Park. The estimated cost of the bridge is \$3.5 million.

The existing Honey Creek State Park includes a recently upgraded campground, four camper-cabins, a large public boat ramp, picnic shelters, and trails. Although it is located across the Honey Creek Arm of Rathbun Lake, visitors must drive approximately ten miles from the Park site to reach the Honey Creek boat ramp. Design of the bridge will include necessary considerations for lake level fluctuations and for passage of pleasure and fishing boats at normal pool levels. Provision of this trail bridge will be a convenience for management and for public use of the two parcels and their respective recreational features. In addition, the bridge promises to be an attraction of its own. Additional trail development within the existing Honey Creek State Park would accompany the provision of this new bridge.



### Sources of Funding

The current funding for this project is a result of the proceeds of bonds, state appropriations, and local contributions. Currently there is \$40,700,000 in available funding (not including the value of the in-kind contributions from local participants).

#### Phase 1 Current Funding

Appropriations	\$	3,650,000.00
Bond Proceeds	\$	28,000,000.00
Appanoose County	\$	357,250.00
Monroe County	\$	357,250.00
RLR	\$	1,535,500.00
Parks & Inst. Roads	\$	4,211,634.00
Marine Fuel Tax	\$	1,400,000.00
Values Fund	\$	3,000,000.00
Interest	\$	400,000.00
<b>TOTAL</b>	<b>\$</b>	<b>42,911,634.00</b>

It should be noted that \$1,000,000 (the Rathbun Lake Resort contribution) is obtained through a \$1,000,000 loan from a private individual. Fundraising must be completed to pay off this loan before RLR will be able to raise incremental funds.

Local groups have also provided a great deal of in-kind donations, including:

- Rathbun Rural Water Association has committed installing the resort park's water supply infrastructure and to providing a surface pumping station to deliver untreated Rathbun Lake water for purposes of golf course irrigation. The value of these contributions is approximately \$928,000.
- Chariton Valley Electrical Cooperative has made a commitment to provide electrical infrastructure to the park's facilities. This contribution is valued at \$877,000.
- Iowa Telecom has committed to providing telecommunications infrastructure at the Park. The estimated value of this contribution is \$250,000.



## Project Cost Bridge

The following is a bridge between the budget in the October 19, 2006, bond document and the current projected budget.

Honey Creek Resort State Park  
Project Budget Bridge to Original Budget

COMPONENT	Phase 1 Original Budget 10/19/2006	Phase 1 Current Budget 1/25/2008	Variance	%
Lodge/Aquatic/Conv Center/Rest.	\$ 14,318,450.00	\$ 21,640,000.00	\$ 7,321,550.00	51%
Cabins	\$ 4,025,000.00	\$ 5,675,000.00	\$ 1,650,000.00	41%
Marina/Boat Ramp*	\$ 1,400,000.00	\$ 1,400,000.00	\$ -	0%
Golf Course		\$ -		
Golf Course & Equipment	\$ 4,557,237.00	\$ 4,986,500.00	\$ 429,263.00	9%
Golf Course Equip/Facilities	\$ 200,000.00	\$ 728,387.00	\$ 528,387.00	264%
Contingency /Change Orders	\$ 4,105,425.00	\$ 1,091,948.00	\$ (3,013,477.00)	-73%
P&I Roads & Spur Roads*	\$ 2,400,000.00	\$ 4,211,634.00	\$ 1,811,634.00	75%
Sanitary Sewer***	\$ 2,158,888.00	\$ 2,368,069.00	\$ 209,181.00	10%
Landscaping, Parking, Signs & Other additional facilities	\$ 500,000.00	\$ 3,067,368.00	\$ 2,567,368.00	513%
Architect & Engineering	\$ 3,460,000.00	\$ 3,492,728.00	\$ 32,728.00	1%
Administrative/Preopening Expense	\$ 1,075,000.00	\$ 1,750,000.00	\$ 675,000.00	63%
Operating Reserve Fund	\$ 500,000.00	\$ 500,000.00	\$ -	0%
<b>Total</b>	<b>\$ 38,700,000.00</b>	<b>\$ 50,911,634.00</b>	<b>\$ 12,211,634.00</b>	<b>32%</b>

The original budget had made provisions for the project being a tight budget – it incorporated a \$4,105,425 (or more than 10%) contingency to allow for cost overruns.

Some of the cost overruns were a result of required items not being included in the original project budget. For example, parking lots, DNR administrative costs, legal costs, and equipment to care for the golf course was not included in the initial project costs.