

Dells' Chula Vista begins expansion

\$191 million project will triple resort's size

By TOM DAYKIN, Milwaukee Journal Sentinel, July 1, 2005.

Construction started Thursday on a \$191 million expansion of Chula Vista Resort in Wisconsin Dells, as the family-owned water park resort remakes itself for a new breed of increasingly upscale Dells visitors.

When the four-year project is completed, the 300-room Chula Vista will be about triple its current size, said President Mike Kaminski. The improvements will help Chula Vista better compete for travelers who want a lot to do in one location, he said. Much of the resort's expansion will include condominium units available for either purchase or rent.

"It's the kind of vacation people are now looking for," Kaminski said.

The expansion's first phase, scheduled for completion in early summer 2006, will include 166 condos, an 80,000-square-foot indoor water park and a new restaurant. More than 30,000 square feet of meeting space will be added to the resort's existing 40,000-square-foot convention facilities.

When the expansion is completed in 2009, Chula Vista will have around 1,000 rental units, including condos and traditional hotel rooms. The water park will encompass more than 100,000 square feet, and Chula Vista's convention and banquet center will be around 200,000 square feet. The convention and banquet center also will be available for athletic events, such as volleyball tournaments.

The resort will make improvements to its nearby Cold Water Canyon Golf Course, where some of the condos will be built, Kaminski said.

The project's \$191 million estimated construction costs include \$21 million for new sewers, roads and other public improvements. The public improvements will be financed through property taxes generated by the expanded resort, which was annexed into Wisconsin Dells from the town of Dell Prairie.

"Adding condos to water park resorts is a popular concept," said Jeff Coy, a hotel industry consultant. "There's strong demand from buyers who view the condos as places for vacations as well as real estate investments," said Coy, who operates Rochester, Minn.-based JLC Hospitality Consulting Inc.

Also, the condos are made available for rent to resort guests when they're not in use by their buyers. That makes the condos more affordable to buyers, he said.

Finally, by selling condos, instead of just renting them as rooms, the hotel operators are able to quickly cash out a large share of their investment, Coy said.

The Kaminski family has owned Chula Vista since 1951. The resort had some lean years in the 1980s but then started adding amenities, including a small indoor water park. Those changes, along with the current expansion, will make Chula Vista one of the biggest resorts in the Dells, Kaminski said.

That's important because an ever-larger share of Dells business is going to the biggest players.

In 2001, the 18 Dells hotels with indoor water parks, totaling 3,064 rooms, posted total room revenue of \$85.1 million, according to a report by **Coy and fellow consultant Bill Haralson**. The 44 hotels without indoor water parks, totaling 2,402 rooms, posted total room revenue of \$28.7 million.

By 2003, the 18 water park hotels had 3,454 rooms and posted total room revenue of \$100.3 million. Meanwhile, the other hotels, which didn't add any rooms, saw their total room revenue slip to \$23.1 million.

During that same period, the average daily room rate for the water park hotels increased from \$114.30 to \$120.24. The average rate for the other hotels dropped from \$65.76 to \$61.20. Occupancy rates for the water park hotels remained roughly constant, at around 66%, while the occupancy rates for the other hotels dropped from about 50% to 43%.

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