

EXTREME MAKEOVERS: SKI EDITION

Ski destination markets like Whistler, Aspen and Tahoe may never know what's its like to hurt for business — and developers in other markets are using the success of the industry's top locales to their advantage. Companies such as **The Pacific Group**, **Timbers Resorts**, **Vail Resorts**, **Spruce Peak Realty**, **Intrawest** and **Starwood** are spending hundreds of millions of dollars developing a four-season appeal to completely reinvent their base villages. These developers at popular, yet aging, ski destinations move to attract new loads of skiers and nature seekers who may not be too thrilled with the overcrowding at top-tier destinations.

By reinventing base villages to provide increased lodging and second-home options and to highlight the summer environment, developers allow winter tourists to stay closer to the ski runs and give vacationers a reason to keep returning in the off season. Developers in Colorado alone spend more than \$3B to renovate their properties, which will help attract a more affluent clientele away from the better-established, high-end destinations. By offering year-round capabilities in upgraded facilities, developers take the focus away from a single season at their resorts. Instead they emphasize the scenic locales of the individual mountains where their projects reside and turn their location into their cash cows.

Danbury, N.H.

Pacific Group believes so much in the Danbury, N.H., market that it paid \$15M to acquire the 1,600-acre **Ragged Mountain** property. Pacific plans expanding elsewhere in New England and dedicates itself to spending the necessary dollars to turn Ragged Mountain into the jewel of the New Hampshire ski market with a 10-year master plan. Phase I debuts this ski season, which centers on renovations to the existing base lodge and ski lifts, as well as laying more than 10,000 ft. of energy-efficient pipes used for snowmaking and adding 25 new snowguns. As part of Pacific's effort to ensure year-round usage of Ragged Mountain, Phase II begins Q3 2008 and will see the 18-hole golf course undergo a \$6M redesign by **Faxon & Booth Golf Design LLC**. Expect future phases to include the construction of 790 ski-in, ski-out condos, a 30,000-s.f. waterpark, nine new ski lifts and 50 new trails for year-round use.

Steamboat Springs, Colo.

Steamboat Springs gets a major shot in the arm when Timbers Resorts completes its \$175M **One Steamboat Place** project. One Steamboat Place solves Steamboat Springs' largest problem, which is its out-of-date base village. The lack of a high-end base village to complement Steamboat Springs' abundance of snow-capped terrain served as a major obstacle in attracting a high-end clientele to the market. At buildout, the project will have 38 whole ownership units selling at an average of \$3.3M and 42 fractionals ranging from \$400K to \$650K for 1/8th shares. Penthouses will sell for \$4.5M. One Steamboat Place will have 450,000 s.f. of retail amenities.

Vail, Colo.

Vail Mountain gets \$125M worth of renovations from Vail Resorts as the means for revitalizing the aging yet ever-popular ski community. Now the company is ready to see a return on its investment and believes that demand for lodging and second homes in the market is at the perfect level to sustain four-season tourism. **Vail Village** will be a part of the **Vail Front Door** project, and will showcase a new ice-skating rink along with retail, entertainment and dining amenities. The new base village will also have a 14,000-s.f. spa, parking garage and 13 townhomes. By upgrading the skier-service facilities on the mountain, Vail Resorts CEO **Jeff Jones** hopes to turn the 40-something-year-old resort destination into one of the most sought-after pieces of property in the ski industry. The Vail area has seen a total of \$2B of current and future redevelopment.

Epiphany Clubs & Resorts' \$180M **Solaris Residences** will also debut in Vail in 2009. Solaris brings 77 whole-ownership condos and a collection of fractionals to the area, with whole-ownership starting at \$2M.

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EXTREME MAKEOVERS: SKI EDITION...*Continued from Page 1***Stowe, Vt.**

As more and more second-home buyers from New York City and Boston metro areas opt out of purchasing in resort destinations and instead wade through options in drive-to locales, aging ski destinations like Stowe will continue pouring millions of dollars into renovations. **Stowe Mountain Resort** currently is in the midst of a \$400M makeover, which includes what's considered the nation's first green resort, the \$100M **Spruce Peak at Stowe**. Spruce Peak Realty oversees the 35-acre revitalization effort, which will also offer ski-in, ski-out guest quarters on the mountain at the Stowe Mountain Lodge. The developers have constructed a performing arts center, ice rink and pedestrian village. Spruce Peak will include condo residences measuring 525 s.f. to 2,000 s.f. with prices starting at \$1.2M and a PRC offering 1/8th fractions starting in the mid-\$200Ks.

Winter Park, Colo.

Intrawest's Phase I development of its base village in **Winter Park** is nearly complete. The \$130M initial phase finally brings a village to the base of Winter Park Mountain, which had been one of the only large-scale ski resorts in Colorado not to offer an adequately sized pedestrian village to cope with the scale of its visitors. Phase I includes 200 condo hotel units starting at \$200K and also 20,000 s.f. of retail space. Between now and 2012, Intrawest plans on developing upward of 1,500 condos and an additional 20,000 s.f. of retail. The developers also spend \$8M constructing 100 acres of ski trails. Winter Park already holds the reputation as the mountain biking capital of the nation and also is seeking approval to construct 20 new downhill trails in the next five years. The construction of a high-end pedestrian village is Intrawest's way of bringing the resort's winter tourism up to par with its well-established summer traffic.

Killington, Vt.

Killington's in the same boat as Stowe when it comes to doing whatever it can to attract drive-to vacationers looking for second homes. The **Killington Ski Resort** plans beginning construction of the **Killington Village** beginning in 2009. The village will come on the heels of \$3M of renovations to the resort that include new snowguns and pipe replacement to feature environmentally friendly air pipes over outdated electrical pipes. In order to target multiple levels of potential second-home buyers, Killington develops 1,500 condos sold as timeshare, fractional and whole ownership units in an area that's high in demand for second homes, but extremely low on supply.

Deer Valley, Utah

DDRM Great Place and CEO **Stan Castleton** separate from all other Utah resorts by offering the state's first five-star property with the help of **Starwood**. The \$213M **St. Regis Resort & Residences** is a part of \$700M worth of development in the Deer Valley Ski Area. The project offers 70 condos, 180 hotel rooms and 26 private residences. Amenities will include a 20,000-s.f. spa, retail, a ski lounge and a ski valet.

Whitefish, Mont.

Winter Sports Inc. plans to completely rebuild the **Big Mountain Village** at the **Big Mountain Resort**. The 60-year-old resort remains a top ski destination, but Winter Sports' redevelopment strategy provides a means of avoiding the slump in tourism that other Montana resorts have experienced in recent years. The \$24M project will see the construction of upward of 1,000 residential units within the next 10 years, which will include fractionals. Winter Sports and CEO **Fred Jones** also will spend \$1.6M to install a second high-speed chairlift.

COASTAL REGION EN FUEGO

Developers and investors alike make out like banditos on the west coast of Mexico. **Playa Hotels & Resorts SL** continues its buying spree in Baja California, while **AIG Global Real Estate** has a good thing going in Punta Mita. **Rockingham Asset Management LLC** plans "the Monaco of the Americas" in Sonora.

The Mexican government's FONATUR primes the west coast with additional infrastructure. The agency did the same on the Yucatan Peninsula when it more or less created Cancun out of thin air in the 1970s. However, development in that area has hit something of a plateau recently. Cancun's remote location also renders it relatively inaccessible to northern visitors by all but air travel.

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COASTAL REGION EN FUEGO...

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In contrast, the west coast is much easier to reach, especially once the Costera, Mexico's federally funded highway, is complete. A new international airport in Sonora also helps grease the wheels for tourists.

Will Playa ever sate its appetite for Mexican resorts? Most recently gobbled up: the Grand Baja Resort & Spa in Los Cabos. **Fernando Mulet**, VP of Acquisitions and Development for Playa's parent company **Barcelo Hotels & Resorts**, carries out the renovation and expansion planned by the previous owner, along with a name change to **The Barcelo Los Cabos Resort**. The resort now in operation is just one wing of the much larger planned development. Look for the 249-unit, all-suite resort to turn into a 725-guest suite hotel, which means breaking down the condo-like two-bedroom-plus-kitchen suites and adding new restaurants, meeting space and amenities to bring the hotel up to the standards of the Barcelo Premium hotel brand. Mulet breaks ground on the renovation ASAP and on the expansion in early 2008. The phased buildout occurs over 18 months, but cost estimates are still being tweaked.

This is a big move for Barcelo. Though its seventh resort in Mexico, it's the first property for the brand in San Jose del Cabo. Mulet sees the site as an ideal location for breaking into the area. Only 30 minutes from Cabo San Lucas, San Jose del Cabo provides a quieter alternative to the tourist mecca. With a new marina and several golf courses in the area, San Jose del Cabo sees a good deal of development these days — plus it has the highest REVPAR in the country.

Life is good for AIG in Punta Mita, Mexico. So good, in fact, that the company moves ahead of schedule to break ground on Phase II of its **El Encanto** master-planned residential community near Puerto Vallarta. Sales will begin in Q1 2008 on Phase II's 22 homes, which will overlook the Bay of Banderas. Prices range from \$1M to \$3M. AIG markets the units primarily to second-home-seeking baby boomers, who are expected to fuel Mexico's second-home explosion beyond the end of the next decade. The area continues attracting a five-star crowd, which views the area as replete with lucrative second-home investment opportunities they don't need to seek financing to purchase. **Starwood**'s been high on Punta Mita for years and will debut its new St. Regis, Punta Mita in early 2008. The property will feature a 120-room St. Regis hotel, 65 luxury villas, a **Jack Nicklaus**-designed golf course, and a 10,000-s.f. spa and fitness center. Word is the company may eventually explore a fractional concept in Punta Mita based on its **W** brand.

Rockingham develops its \$50B **Liberty Cove** in Sonora on a truly massive scale. On 46,500 acres, with a 30-year buildout, the project encompasses 15 miles of coastline and three mountain ranges. Chairman and CEO **Craig Ricketts** works with master planner **GMA International** on a resort community that aims to be more successful than both Cancun and Cabo San Lucas — and eco-friendlier, to boot. Ricketts brings his environmentally conscious lifestyle to the development, which incorporates electric cars and electricity generated by the tides. The first of many phases covers 6,133 acres and includes two hotels — a boutique and a full-service — 1,000 custom-home lots, 1,500 condos, a golf course, a heliport, a medical center, an equestrian club, a safari club and a beach club that does double-duty for the time being as a sales center. The boutique hotel may contain fractionals, and Ricketts is in talks to co-brand the full-service hotel. The lots range from one to 10 acres and \$75K to \$300K. Some lots, likely ones on the beachfront, may exceed those price points, but they won't be available initially. The condos measure 1,627 s.f. to 3,000 s.f. and max out at four stories. Look for Ricketts to sign a big name for that golf course by year's end.

Buildout time on the \$110M Phase I will be between three and five years. So far, all the funding is coming from Rockingham, giving the company total autonomy over the project. Ricketts seeks additional financing for later phases, which add marinas capable of handling both megayachts and cruise ships, a racetrack and as many as 14 additional golf courses. Don't be surprised if the racetrack gets bumped up, especially since Ricketts has an LOI with **Davy Jones** of Fast Track 1 to design it. Expect Ricketts to line up contractors by the end of the year. Liberty Cove's primary demographics are retirees and so-called international citizens.

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DEVELOPMENT STAYING IN VEGAS

What happens in Vegas? Mostly resort development. **Marriott International** scopes out a key piece of land to make its mark in Sin City. **Westgate Resorts** acquires key funding to move ahead with high-end timeshares. **Elad Properties** brings a little Manhattan sophistication to the desert, while **MGM Mirage** and **Kerzner International Holdings Ltd.** put their heads together on another Las Vegas landmark — with some help from a mutual friend. There's only so much Strip to go around, but it seems like nothing can stop the Vegas development freight train.

Everyone's talking about Macau's rampaging casino resort market, but American exports like The Wynn Macau Resort and The Venetian Macau Resort Hotel effectively act as funnels to drive the high-rollers of Asia to Las Vegas. As if Vegas land weren't pricey enough — multimillion-dollar acreage is commonplace — a new downtown sports arena complex under development by Harrah's Entertainment Inc. and Anschutz Entertainment Group drives up the value of nearby property by as much as 20%. Expect it to generate mixed-use construction along the lines of Phoenix and San Diego, where the presence of downtown stadiums proves a shot in the arm for urban economies. Not that Vegas is hurting in that department: Its economy grows steadily by around \$500M/year, and casino revenue alone should hit the \$6.5B mark by the end of the calendar year. But Sin City realizes increasing profits from non-gaming revenue streams as well, and the city's marketing plan for the next two years focuses on the city's non-gaming offerings with an emphasis on the international market and business travelers.

Marriott International

The company plans a 3,500-room hotel with 500,000 s.f. of meeting space and a 75,000-s.f. casino across the street from the Las Vegas Convention Center. Marriott paid \$230M for the 16-acre site, and EVP **Arne Sorenson** anticipates total development costs of around \$2.5B. Some Marriott execs frown on the company's current lack of representation in Vegas, and hope to rectify the situation when the unnamed resort opens just north of the Wynn Las Vegas Golf Club in late 2011. The project is in the planning stages for another nine to 12 months and should break ground shortly thereafter. Sorenson considers potential partners on the project and foresees largely a managerial role for Marriott. Count on him to bring on a partner or two by the end of 2008.

Marriott's MRC I Funding Corp. accumulated the land in a number of multimillion-dollar deals. The largest included \$87.5M for a Marriott Suites sitting on 2.5 acres and \$43M to buy back a Courtyard by Marriott from Marcourt Investments, which purchased the property 15 years ago. Marriott now owns all but two properties on the block, one of which is available (Piero's, a restaurant on nearly an acre) and one that isn't (Metropolis, a condo development). Keep an eye out for Colony Capital to respond by accelerating its planned expansion of the nearby Las Vegas Hilton. Sorenson may also put in a Marriott Marquis, Marriott's upscale brand, south of the LVCC.

Westgate Resorts

Westgate hits the jackpot with **Textron Financial Corporation**. Textron financed the \$1.15B **Planet Hollywood Towers** project to the tune of \$400M, a record for Textron's Resort Finance Division. Westgate COO **Mark Waltrip** promises the most expensive timeshare development ever built. Phase I involves 550 units, 1,200 keys, the requisite casino and a 75,000-s.f. convention center. Phase II, yet to break ground, brings the unit count to 1,232 with 2,832 keys. Though most of the development is timeshares, a number of sole-ownership luxury penthouse suites forms what Waltrip sees as a property within the property. These range from 5,000 s.f. to 15,000 s.f., and come with private everything: balconies, a pool, an elevator, a lobby, a club room, and a concierge. At \$2,000/s.f., prices range from \$10M to \$30M. Westgate started in Vegas with the Westgate Flamingo Bay at Las Vegas — villas on 4.6 acres — that gave the company the track record necessary to take on a huge project like the Planet Hollywood Towers. The towers are a sister development to the Planet Hollywood Hotel and Casino, which replaced the Aladdin Casino in April and officially opens in November.

Elad Properties

Elad's Plaza Hotel in New York City has a worldwide reputation for opulence, and now Elad President and CEO **Miki Naftali** wants to spread the brand to Las Vegas. The 34.5-acre site, on which The New Frontier & Casino currently stands, cost Naftali more than \$35M/acre. Total development costs could range from \$5B to \$8B for the multi-use development, which includes a six-diamond hotel, a residential component, retail space and a casino. Look for **The Plaza in Las Vegas** to break ground in mid-November and open in 2011. Naftali considers high-end amenities to be a bigger draw than theme parks and casinos. Elad has virtually unlimited access to capital thanks to backer Israeli Discount Bank, and it doesn't hurt that Forbes Magazine named Elad Group President **Yitzahk Tshuva** the 214th richest man in the world in 2007.

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IKM JV LLC

Kerzner Chairman and CEO **Sol Kerzner** took notice earlier this year when MGM Mirage acquired a 40-acre corner lot at the north end of the Las Vegas Strip. Now Kerzner leads **IKM JV LLC**. The LLC is comprised of MGM Mirage and Kerzner Istithmar Las Vegas LLC, which is a partnership between Kerzner and **Istithmar Hotels FZE** in the development of a multibillion-dollar casino resort. MGM Mirage ponies up the land at \$20M/acre, while Kerzner contributes \$600M, \$200M of which goes back to MGM Mirage to even things out at \$600M apiece. That's a mere fraction of final buildout costs, but Kerzner, MGM Mirage Chairman and CEO **Terri Lanni** and Istithmar CEO **Joe Sita** still have a year or so of planning ahead of them. MGM Mirage eventually will have a 50% ownership in the property and Kerzner and Istithmar will split the rest. Count on the development to be a major destination that anchors further development at the end of the Strip.

MGM Mirage used to generate as much as 85% of its revenue from gaming. Nowadays, in a shift that indicates a changing industry, around 60% comes from non-gaming sources. The partnership marks the first time in Vegas for Kerzner, known primarily for the Atlantis Paradise Island in the Bahamas, but it's hardly the first time in the U.S. for Istithmar parent company Dubai World. Already heavily invested in Kerzner, Dubai World recently acquired 14 million shares in MGM Mirage at \$2.4B, with a tender offer for another 14 million. That's not counting the \$2.7B Dubai World recently paid for a 50% stake in MGM Mirage's \$7.4B CityCenter. Dubai World also invests with domestic companies such as Fairmont Hotels and Resorts, Greg Norman Golf Course Design and The Trump Organization.

Other Developments

Diamond tycoon and Africa-Israeli Investments Chairman **Lev Leviev** purchases 60 acres near the Hard Rock Hotel for \$625M. His JV with The Edge Group plans hotels and condos on the site, which is in a key position to capitalize on an expanding Strip.... Look for the **Real Estate Interests Group Inc.** to develop a \$9.5B mixed-use project on 85 acres near downtown. Anchored by a 22,000-seat arena, it includes 6,000 hotel rooms, 1,500 condos, 1,600 timeshares and 5 million s.f. of office, retail, commercial and exhibition space. REI President **Jon Weaver** aims to extend the Strip to downtown.

RESORT SHORTS

❖ **London Bridge Resort** is building up. Owner **Tom Flatley** wants some condos with his timeshares, and sites 50 units on four acres south of the storied bridge in Lake Havasu, Ariz. Instead of more timeshares, these are all sole-ownership condos; the existing resort already has 122 timeshares, and Flatley doesn't want to dilute his product with more of the same. Plus, Flatley has an easier time financing condos than timeshares, which doesn't hurt considering the project costs an estimated \$20M. Current plans are to get the project off the ground with some presales, then secure additional funding when it has momentum. The condos go on the upper floors, while the ground floor hosts retail space and a plaza, all within 35 ft. of the lakeshore. All of this requires a zoning change before the dirt flies, and though Flatley won an endorsement from the city's Planning and Zoning Commission, he has yet to face the City Council. Flatley's architect and long-time business partner **Gerald Clark** is confident that the city will embrace the proposal and that the whole thing will soon come to fruition. If all goes well, the development should break ground in spring 2008.

Flatley and Clark have a good deal of experience as developers across the country, but prefer Lake Havasu. Clark sees it as California's playground, despite the Arizona address, and as an extension of the California economy. Lake Havasu enjoys something of a renaissance these days, with the city's master plan spurring a steady stream of development and construction. Despite their strategy for the condos, some in the community predict that buyers of the new units would do so as investors, not residents, and rent the condos privately, thus creating another virtual vacation property. However, there may be another reason for Flatley's reluctance to build more timeshares: history. His tumultuous turn as the head of Epic Resorts LLC and all that followed garnered him a rather dubious reputation in the industry. Whether he can overcome it in Lake Havasu remains to be seen.

❖ San Antonio gets another **Wyndham** flag to fly with the 100-timeshare-strong **Wyndham La Cascada**. San Antonio chugs along as a popular destination with its arts and cultural experiences and the **Wyndham Riverside Suites** timeshare resort already in the area. La Cascada includes ones and twos, as well as penthouse-style suites. Amenities include a rooftop pool and sundeck, a children's pool and a game room. The resort is within walking distance to shops and in proximity of the Alamo and the River Walk complex. Wyndham La Cascada is the latest urban destination resort developed by Wyndham, a portfolio that also includes New Orleans, Washington, D.C., and San Diego.

❖ Just what exactly can the newly formed **Exotic Destination Development LLC** offer that's been alien to the world of resort communities? Principal **Adam Mizzi** believes Exotic carves a niche for itself by not only having unique locations promoting eco tourism, but by also offering entertainment, retail and gaming amenities the industry's five-star properties currently lack. Exotic retains the services of **The Innovation Group** to collect market data to identify the new company's target demographic, which is expected to focus primarily on U.S. and European travelers. The developers are bullish on the Central American markets. Mizzi is a strong believer in Nicaragua's upside, a market he expects within the next five years will rival Costa Rica. Belize is also a strong market with a well-developed diving and snorkeling market offering tremendous value to Exotic as a built-in eco-friendly attraction. The company is already at work exploring opportunities in Panama. In fact, with gaming a top amenity at its resorts, expect Exotic to develop an expansive Latin American portfolio as those markets are believed to possess more than \$4B of untapped gaming revenue. Exotic plans to fly flags of different internationally recognized brands at each of its projects (the company already is in talks with **Morgans Hotel Group**). Look for each of the company's resorts to offer whole-ownership villas and residences, and for a smattering of condo hotels in certain locales. Additionally, Exotic looks forward to developing abroad in Bonaire, Montenegro and Vietnam.

❖ If you're private and you're an investor, than **Cay Clubs Resorts & Marinas** really wants to hear from you — they really, really want to hear from you. Publicly traded **Key Hospitality Acquisition Corp.** backs out of a reported \$47M merger deal, and now Cay Clubs is staring at nearly \$50M in debt, which is due Q2 2008, squarely in the face. Additionally, the company is reportedly behind on a \$1M payment on a \$54M loan, so even if Cay and Key successfully merged, Cay wouldn't have been out of the woods. Key's apprehension centers on the slumping Florida condo market, a reported \$10M in overdue lease-back payments to investors in the Cay's condo hotels, and Key's belief that the credit crunch will make banks wary of financing condo purchases in a depressed market. Cay now searches for private equity partners to invest in its Florida Keys properties, which the company maintains will be an easier process now that the deal with the publicly held Key Hospitality is off the table.

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RESORT SHORTS

❖ **Bluegreen Corp.** completes a private offering and sale of \$177M of timeshare loan-backed securities. The proceeds go toward paying off all outstanding amounts of existing timeshare loans, providing \$28M of cash for general purposes and debt services, and pay transaction fees and expenses. Bluegreen's wholly owned special purpose finance subsidiary, BRF Corp., bought the loans. Approximately \$200M in aggregate principal of timeshare loans were sold, including approximately \$116M in aggregate principal of previously transferred timeshare loans. Look for the company to possibly sell nearly \$49M in aggregate principal of timeshare loans to BRF between now and Dec. 28, 2007.

❖ The **American Skiing** supernova burns out. The company files a certificate of dissolution with the Delaware Secretary of State and reportedly collects \$599M after selling all of its eight resorts. But the last of its assets is still the subject of contention as **Vail Resorts** and **Talisker Canyons Finance Co.** fight over **The Canyons**. The latter made a successful \$100M bid for The Canyons, but spurned suitor Vail Resorts fired back with a lawsuit. Vail made a \$110M bid by offering to fully repay ASC preferred stockholders and provide ASC's common stockholders an opportunity to participate in the proceeds of such a sale. Vail would do this by contributing 30% of the net cash flow through 2020 from development rights, pegged at \$650M in incremental cash.

❖ A former Titan Missile Base might not seem like the ideal location for a resort, what with the subterranean missile silos and all, but that's just what Owner **Bari Hotchkiss** aims to do with one. The 57-acre **Larson Air Force Base Complex 1A Titan ICBM Facility** in Central Washington State is for sale at \$1.5M. It consists of three, 160-ft. missile silos, three four-story equipment terminal buildings, two antenna silos and a couple of domed structures around 100 ft. in diameter each — and they're all underground. All told, the complex measures more than 2 million s.f., 45,000 of which is useable floor space. The \$1.5M price tag might seem like a steal, but the base lacks any sort of electricity or sewage system; running wire and pipe through the entire place could cost millions. Hotchkiss attempts offsetting the financial burden by subsidizing capital improvements to the property with lease credits. Among the uses for the unusual location, Hotchkiss envisions a museum full of military artifacts and classified blueprints, with a nigh-constant stream of field-tripping schoolchildren coursing through the halls. While he isn't officially considering any proposals just yet — most of his suitors are still trying to sort out their plans — he has entertained a few suggestions, such as turning one of the silos into the world's tallest rock-climbing wall or filling another with water for a unique SCUBA-diving experience. House-hunting evil masterminds need not apply.

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