

October 30, 2018

Concept Paper

Eastern Kentucky Destination Resort

Background

The Kentucky Chamber of Commerce convened a task force of business leaders in 2013 to address the rapid economic decline in Kentucky's eastern coalfields. Most of the task force members are originally from eastern Kentucky – although their business successes have usually involved relocating outside the region – and they have sentimental attachments and deep loyalty to the region. The focus of the task force has been primarily on the undeveloped tourism potential of East Kentucky and possible ways to create a destination tourist attraction in the region. The task force commissioned a study by AECOM in 2013 to identify possible tourism attractions for the region and has concentrated most of its attention on the Red River Gorge, an area close to several major metropolitan markets.

Purpose

The primary purpose of the work of the task force is economic development – to create an anchor attraction that will have a catalytic effect on generating other tourism-related developments in the region and to demonstrate a high-profile success for the region and the state of Kentucky.

Rationale

Kentucky has no destination resort even though it is centrally located within a day's drive of two-thirds of the US population. The state's resort parks are dated and under-capitalized. There are no mid-to-upper market lodging facilities in the region, and there are no adequate meeting facilities for even medium-sized conferences.

Eastern Kentucky is experiencing an economic depression primarily due to the decline of the coal industry. More than two thirds of all coal jobs have disappeared in the past six years, and there is little hope that employment will rebound.

Eastern Kentucky is a naturally beautiful and accessible area of Appalachia. Most of the region is served by modern four-lane highways.

Ecotourism is one of the fastest-growing components of our nation's travel market and is attracting increasing numbers of international visitors. Red River Gorge is one of the most attractive natural features of the eastern United States and an appropriate, environmentally sensitive development can demonstrate ecologically sustainable practices to an international audience.

The Red River Gorge (RRG) area is a popular brand and a gateway to eastern Kentucky. Most of it lies in the geologically rich Daniel Boone National Forest, and the area is close to the Lexington, Louisville and Cincinnati markets. It has a positive brand, especially with rock-climbing, hiking and off-roading enthusiasts who are drawn to its natural features and miles of trails.

Target Location

For the purposes of this project, Eastern Kentucky is generally defined as the Appalachian region of Kentucky that lies south of I-64 and east of I-75. The target area for a development is **the Red River Gorge area**, specifically the area near Slade, Kentucky, which encompasses Natural Bridge State Resort Park and enjoys immediate access from the Mountain Parkway.

Evaluating Red River Gorge as a Destination

In late 2016, the Chamber task force engaged HVS, a national hospitality marketing firm, to evaluate the feasibility of developing a destination resort in the Red River Gorge area of Eastern Kentucky. Most of the concepts entertained by the task force call for a lodge at the Slade exit intersection of the Mountain Parkway and Kentucky 11. There are several hundred acres of adjacent developable land, and the state owns a rest stop with plentiful parking at that highway intersection. It is assumed by the Chamber task force that the state facilities could be incorporated into a larger public-private partnership – a P3 development. The state-owned Natural Bridge State Resort Park and the signature geological feature of the region, Natural Bridge, are less than two miles away. The privately held land at the Slade intersection, with a few key property acquisitions, could be connected to the state resort park.

Since completion of the HVS report, the proponents of this project have obtained an option through mid-2020 on 891 contiguous acres of land in the targeted area, owned by local businessman Ian Teal. There are two smaller parcels (one of which is owned by the U.S. Forestry Service) between the optioned property and Natural Bridge State Park.

While a firm conclusion about whether the Teal property offers the optimum location for a lodge has not been reached, the site did rank highest among the three sites evaluated in the HVS study. The task force has been working informally with Nesbitt Engineering of Lexington, a firm that is familiar with the infrastructure of the area counties of Powell, Lee and Wolfe and the geological implications for development in the region, to provide preliminary advice on infrastructure needs for a major development.

It is anticipated that the National Park Service and the U.S. Forestry Service, because of their dominant presence in the area, their mandate to preserve and protect the natural resources in the area, and their experience in partnering with private development entities and working with concessionaires in other parts of the country, could be valuable partners in the development plan, whether or not the destination resort is in within protected areas under their jurisdiction.

Selecting the Ideal Site

The key criteria for determining the ideal site include:

- A panoramic view
- Reasonable access to the site (both highway access and vertical access to the development)
- Convenient and marketable access to other attractions
- Parking availability
- Infrastructure including gas, electric, water, sewer, high speed internet, cell service, etc.
- Ability to control for compatible development in the immediate vicinity
- Alcoholic beverage availability
- Sufficient acreage to be isolated from adjacent developments

The Proposed Destination Resort

Based largely on the HVS study, the envisioned resort would include features such as the following:

- **A 150- to 175-room lodge** that would accommodate families and meetings year-round
- **12,000 square feet of meeting and event space**
- **Private cabins and cottages**
- **An indoor recreational feature** (perhaps a water or rock-climbing feature) that would tie the facility to the natural appeal of the region and serve as a year-round attraction for visitors
- **Swimming pool**
- **Full service restaurant**
- **Indoor and outdoor wedding venues**
- **A Kentucky-themed feature** such as a brew-pub or a bourbon distillery
- **A transportation connection** (perhaps by trolleys or over-ground gondolas) to Natural Bridge State Resort Park and its signature feature, Natural Bridge
- **Connection to area hiking trails**
- **An adjacent themed village designed as a gateway to Eastern Kentucky**
- Possible **other Kentucky-themed features** such as a retail outlet and gallery of Kentucky artists, a Bluegrass music component, an equestrian feature (e.g. riding trails), etc.

Other features envisioned by the task force include:

- A large water feature that would accommodate small boats and recreation.
- Possible gaming options in partnership with other Kentucky gaming interests.
- A **residential community** with privately owned homes and time-share condominiums
- An **interpretive visitor center** that explains the local geology, ecology and geography and provides an educational introduction to other attractions in eastern Kentucky through multimedia presentations, interactive displays, etc.

The proposed development is envisioned as a privately developed facility created through a public-private partnership with the Commonwealth of Kentucky and the U.S. Government, incorporating Natural Bridge State Resort Park. State officials have expressed enthusiasm for a partnership that would incorporate the state-owned park assets, maintain the park as a public asset, reduce the current park deficit, possibly repurpose the 40-room state lodge and dining facility, and generally leverage additional tourist attractions in the area.

It is envisioned that the current Lure Lodge at the state park might be repurposed as a compatible facility with a family-friendly recreational use, perhaps incorporating the small lake as a recreational feature. Perhaps Lure Lodge could be modernized as a lodging facility for families with children and with a pricing structure lower than the larger, adult-centered lodge that would host meetings, conferences, reunions, wedding parties, etc.

It would be desirable for the development to be managed by a single operator to maximize the synergy between the public and private facilities. The transportation connections between the two primary sites and to countless other recreational activities in Powell, Lee, Wolfe and other area counties in the vicinity of the Red River Gorge will be vital to creating a customer-friendly environment and a tourism-related economic district that is greater than the sum of its economic parts.

A Themed Village

HVS suggested the developers consider the possibility of a themed village and offered examples of such developments that have prospered. Such a village would add to the attractiveness of the destination resort and the broader region by providing a focal point of commercial activity and a gateway to the region.

One possibility would be to assemble approximately 20 acres at the Slade intersection, including the current visitor center and the adjacent campground, to develop a themed village that reinforces the positive brand of RRG. If the RRG area is the “Gateway to Eastern Kentucky,” this site at the front door of the RRG could be the “gateway to the gateway.” Creating a small, compact, mixed-use village with shops, galleries, restaurants, and similar amenities could provide a preview for visitors to the unique culture and ambiance of East Kentucky.

Promoting Compatible Development

The 891-acre tract, should it become the site of an anchor attraction for a larger development, is large enough to offer protection from the visual encroachment of other developments on the destination resort. However, any private developer investing millions of dollars and creating hundreds of jobs will want assurances from local authorities that any other developments that follow will complement the proposed high-quality resort and the RRG brand. A land-use plan and reasonable restrictions within a certain radius of the anchor resort will be necessary to attract developers and capital investment.

Marketing the RRG and the Proposed Resort

It will be imperative that the region’s entire hospitality community unite forces to properly promote the area’s attractions to markets such as Lexington, Huntington, Louisville, Cincinnati, and beyond. A state-sanctioned, multi-county tourism authority could be the proper vehicle for raising and investing valuable marketing funds to promote the region.

Needed Transportation Improvements

It would be highly advantageous for the Commonwealth of Kentucky and federal officials to prioritize within their transportation plans a west-bound exit off I-64 onto the Mountain Parkway and highway improvements between Mount Sterling and Slade to attract visitors from Ashland/Huntington and from further into West Virginia.

Next Steps

It is proposed that a next step be the development of a professional development masterplan for the entire RRG area – a plan that would provide final site analysis and engineering guidance, detailed recommendations on ancillary developments such as a themed village, recommendations on incorporating environmentally sustainable practices into the developments, recommendations on land use restrictions in the vicinity, transportation recommendations for linking the proposed resort with other area attractions, etc. Such a plan would provide guidance for the immediate resort development, link the public and private components of the development, and chart a future for managing economic growth in the RRG region in an environmentally responsible way.