

What managerial accounting tools could be used to determine whether it would be profitable to redevelop Grossinger's Catskill Resort Hotel, the inspiration for the movie "Dirty Dancing"?

The Grossinger's Catskill Resort Hotel in the Catskill Mountains in Liberty, New York, was the inspiration for screenwriter Eleanor Bergstein when writing the "Dirty Dancing" movie screenplay. Her fictional Kellerman's was a family resort, full of activities such as swimming, tennis, and dancing.

Opened in 1919, Grossinger's contained 35 buildings and attracted up to 150,000 guests per year in the 1960s and 1970s. It was the first place to use artificial snow on its ski slopes. It had its own airstrip, bowling alley, ballrooms, post office, golf courses, and auditoriums.

Grossinger's closed in 1986 and has fallen since into disrepair. Several of the original buildings have been removed. The property's real estate developer, Louis Cappelli, has applied for funding from the New York State Department of Environmental Conservation to clean up environmental contamination on the site, which is the first step in renovating the resort.

Cappelli ultimately wants to build a conference center, housing, spas, and chalet-style lodging on the sprawling site. While Cappelli has indicated that most of the remaining buildings on the property will be removed, he wants to retain some of the character of the resort. Cappelli feels that now is an opportune time to redevelop the resort because there is a \$750 million Resorts World Catskills casino opening in the area in 2018. This new casino should attract more visitors to the area.

While Cappelli has not indicated the cost of the proposed redevelopment of Grossinger's, it will take millions of dollars to rebuild the resort.

Questions

1. What managerial accounting tools could Cappelli use to help determine whether it would be profitable to redevelop the Grossinger's property?
2. Would the original price that Cappelli paid in 2013 to purchase the Grossinger's be relevant to decisions now about how best to redevelop the property? Why or why not?
3. What specific information or estimates would Cappelli need to evaluate whether Grossinger's should be redeveloped?