

Entertainment Center Development:

Tips On Avoiding Costly Mistakes

Gerald J. Merola
Chief Financial Officer
Amusement Entertainment Management, LLC

As corporate America begins to slow, many individuals are viewing this time period as an opportunity to branch out into their own endeavors, many of which have been lifelong dreams. Right now, there are literally hundreds of new entertainment facility developers throughout the country working on variations of traditional entertainment venues. The "new-age" centers contain many different elements than we might not normally expect, having been designed in concept, by individuals whose backgrounds are based outside of the amusement industry. Many of these new concepts are quite thrilling, but others appear dangerous, in that the market targets are so narrow that such businesses run the risk of capturing too few patrons by which to sustain long-term existence.

Many of the concepts that my firm's clients are undertaking include items like extreme skate zones, splash parks, sports hybrids, and multi-level indoor karting -not your run-of-the-mill attraction portfolio. In essence, many of these developers are creating new markets for entertainment, following the shift in generational preferences and the market's overall mindset. If anything, these new designs illicit a "must see" attitude by patrons in most markets, many of whom have been enjoying these very attractions in much more rudimentary "street" form. Take a look around your neighborhood throughout the year - you'll find kids (and sometimes adults) on bikes, skateboards, and in-line skates jumping over curbs, make-shift ramps, and railroad ties. Community parks are filled with in-line skaters to the point where they've monopolized the walking paths. In other areas you'll find kids playing around open fire hydrants, sprinklers, and even large puddles (most of which are usually muddy). And what about sports? Ask any parent whose been getting up at 3:30 a.m. four days a week to shuttle a son or daughter to hockey or soccer practice whether there's a demand for indoor sports.

Clearly, there is an emerging market for many of these active formats, but the concepts alone won't be the formula for success. Here are some items to consider when planning the development of these "new age" facilities:

Check Local Zoning Requirements. Many municipalities are completely unfamiliar with entertainment formats such as extreme skating or splash sequences. Oftentimes, zoning regulations do not exist for these uses, leaving a municipality's board of adjustment as the sole source in determining acceptability. Proper zoning is more than simply obtaining the right to operate certain attractions or concessions - it carries with it the requirements and limitations of such use. Everything from water consumption, sewer allocations, retention ponds, occupancy limitations, and parking requirements are all derived from the initial zoning classification. It's important that these areas of development be studied and supported ahead of time, as my own experience shows that most municipalities have a tendency to overdue these requirements. Being prepared for battle is half the battle.

Identify Likely Development Sites. All too often, initial conversations regarding zoning lead many new developers to seek land sites that are outside of the current retail hub of the target market. The philosophy seems to be that if the project is placed in a less densely populated area, approvals for development will be easier to obtain. While this may appear true on the surface, reality has shown me that these "new age" projects fair better in higher concentration venues, such as malls or mall pad sites. While approvals may be trickier, the end result can be a much more successful operation.

Synergy of Attractions Is Critical. There are literally a plethora of new attractions designs and concepts floating around out there. All have merits in their own right. The problem is that sometimes these same attractions do not blend well together, and at times, are counter effective. For instance, many of the new splash attractions create a high level of draw to a site, but once patrons become wet, they're more apt to leave the facility than partake in the other attraction offerings. How do we handle this condition? Clearly, we need to "dry" our patrons if we expect them to spend the next hour or so playing amusement games, lasertag, or mini golf. Some critics may counter that patrons will experience the dry attractions first and then progress to the wet attractions. This would be ideal, but in the mind of a seven year old, there's little logic in saving the "best" for last. Now that we know a design issue exists, steps can be taken to remedy the condition. Perhaps the facility will require a changing area or might need to retail low-cost swim wear to those patrons that didn't come prepared. Whatever the solution, it must be incorporated early in the planning stages to prevent costly engineering or zoning approval changes.

Sustainable Operating Formats. Even before the facility is built, some time needs to be spent on determining the

facility's evolution strategy. What's going to happen in five years when extreme sports is considered passé ? How will this space be utilized, and has it been designed from the onset for future modification? As we're all aware, attractions have lifespans, some longer than others, but at some point change will be essential. Are there other attractions available that can be blended into the concept without causing cannibalization among selections? Will the current allocations of space prove too limiting during future attraction rotations? I stress this point strongly in hope that none of us wake up one day to find out that our business is suddenly behind the attention curve of consumers.

Pool Potential Investors. Given the changes in our global economy, most lenders are scrutinizing the viability of new "start-up" businesses more closely than ever. Loan-to-value ratios are declining, with lenders requiring greater equity capital from project participants than previously seen. With this in mind, it's strongly recommended that an investor pool be established to support this enhanced equity requirement. Possible investors may actually start out as potential competitors. Many times, there are other new developers in the target market that are contemplating the creation of an entertainment facility, but might possess a different focus from your own. In the past year, we've seen three such groups join forces, combining sports formats with indoor entertainment, with the result being a well-integrated, multi-use complex with greater equity strength than the individual segments.

Does A Market Of Opportunity Lie Ahead?

Is now the time enter the entertainment arena? Without question. More than ever, today's consumer is ready and waiting for next-level entertainment. Those that carve the new path will likely be the industry success stories in future years, and set the standard that others will follow. Insure your own success by dotting the "i"'s and crossing the "t"'s, and just maybe, your facility will be the market leader by which all others are judged.

[Return to top](#)
www.AEMLLC.com