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# To Build or Not to Build

by Michael S. Komich

East Coast Associate, VSC Sports Consultants

While certainly not in danger of rivaling William Shakespeare's famous question, "to build or not to build" certainly ranks among the top questions owners or potential owners of an ice skating facility ask themselves. This question has become even more critical as current and/or future players in the ice skating industry contemplate the serious investment an ice skating facility involves. While our nation's economy is currently prosperous in terms of surplus federal budgets, increased corporate profits, low unemployment, and rising personal income, our industry is in the midst of a slowdown in many parts of the country. The positive impact on the skating industry created by the 1992 and 1994 Winter Olympics has ebbed as our industry enters the millennium. Those contemplating building an ice skating facility can no longer use local rinks without open ice time or programming space as reasons for constructing a facility.

Many established ice skating facilities across the country are experiencing lower ice time sales, reduced program enrollments, and smaller public session attendance over the past year. Some of this phenomenon can be tracked to the existence of newer ice skating facilities placed in communities without the benefit of thorough, and qualified advanced research and planning. This has created excess capacity of available open ice time and programming space in these communities. With these national trends in mind, what must an individual, group, or entity consider when deciding to build or not to build?

What Are the Goals of the Facility? This is an often-overlooked question but an important first step. To the private individual, the goal might be to find extra ice time for his daughter the figure skater so he doesn't have to get up at 4:00 a.m. to drive 50 miles to the nearest ice skating facility. To a group, the goal might be to create a venue for youth hockey in a new area. To a municipality, the goal may be to replace an antiquated indoor or outdoor facility. Whatever the reason, goals for the concept facility should be defined before setting out to answer the build/not build question.

Proper Research. Planners of ice skating facilities, like anyone considering a multi-million dollar investment, must perform proper research in advance. Research into the business of ice skating should consider many avenues. Among these are attendance at trade association seminars (ISI, for example), talking to current rink owners, touring existing facilities, considering a feasibility study from a qualified firm, and soliciting the advice of qualified architects and financial advisors. The importance of thorough, advanced research by qualified, unbiased firms cannot be understated when considering the build/not build question for an ice skating facility.

During the research phase, the individual, group, or entity should answer the following questions: 1) Is there enough capital available to execute the acquisition of real estate and/or construct the facility? 2) Is there an acceptable site available? 3) Will the operations of the facility support expenses including debt service (if applicable)? 4) Can the facility cover operating expenses or operate at a profit and still deliver quality programs? 5) Will the facility operate at acceptable margins that allow the accumulation of capital and operating reserves to ensure proper maintenance and longevity of the facility? Finally, it will be necessary to obtain "seed" money to pursue the research of this concept facility.

If the facility location is not pre-determined (building on a school campus for example), the real

estate component of the facility requires its own research. This research should begin with discussions with a qualified commercial broker. This broker can earn a commission by saving the planners time in identifying suitable sites in the local area. The planners should consider an option agreement or conditional purchase and sale agreement for the chosen site. The broker can draft these agreements and then a review by the planner's legal counsel can be conducted – saving costly legal fees. Yes, it is also wise to have legal counsel on the planning team. These agreements allow the planners to have time, while pursuing the purchase of the real estate, to assess the suitability of the chosen site for an ice skating facility while investing little or no non-refundable capital.

Among the tools used to define suitability of the real estate are traffic impact studies (you don't want to build an ice skating facility and find the local drawbridge is open every weeknight stranding your skaters). Another tool is an environmental impact study – a device that will tell the planners how they may have to contend with certain conditions with the property in question. These assessment tools are often required by the local municipality; however, even if they are not required, the planners may wish to consider them. I am sure some readers are thinking, "sure it's not his money, easy for him to tell us to spend all of this money on studies". My response to this is the cost for a single surface ice skating arena can be $2 to $4 million and a twin surface ice skating facility can cost $5 to $7 million. The investment in proper research, when weighed against the facility cost, is a wise investment.

Prospective Location(s). It is often said that the three most important things in the real estate business are location, location, and location. This concept is often forgotten or not given the proper level of consideration in our industry when it comes to finding a suitable site for an ice skating facility. The real estate requirements, depending upon spectator seating, are 2.5 to five acres of land for a single surface facility and five to seven acres of land for a twin surface facility. When meeting these requirements, the reality of locating an ice skating facility on a suitable site becomes a daunting task for individuals, groups, or entities considering these facilities. Owners of facilities that have experienced financial difficulties or closed have had many, some of them valid, reasons for the location of their ice skating facility. Among these are:

• The land is already owned by one of the future facilities' owners, eliminating cost of real estate as a barrier to entry into the ice skating industry.

• The land is favorably zoned, saving time and expense in the site plan review and approval process with the local municipality.

• The land is affordable due to its location.

• The land is in an industrial or office park, reducing the headaches of access to utilities, and site preparation.

It is critically important, once the goals of the conceptual ice skating facility are defined, that the prospective location decision be a sound one.

Ease of Use. One of the simplest things that the planners of an ice skating facility must consider is: how easy will it be for customers to find and use this facility? Too often planners of such facilities overlook this very basic question. For example, there are beautiful facilities that are easily visible from major highways, which is a positive. The negative attached to these facilities however is that by the time you access the off ramp, navigate the local roads, and compete with both shopping mall or office park traffic, the appeal of getting to the facilities quickly has worn off. Consider the dilemma of the mother or father responsible for transporting a child to skating at the facility: pick up the child at school, drive to the facility, wait until the skating activity is complete, drive the child home, and then of course there is dinner, homework, etc. With the arrival of the millennium and time at a premium in today's working households, the average parent does not have the time or desire to

negotiate long or complicated trips to the ice skating facility. This fact needs to be considered by the planners of these facilities. Taking this scenario further, here are some characteristics of some customer friendly ice skating facilities.

• A general rule of thumb is that a single surface ice skating facility requires a population of 100,000 people within a five mile radius, 250,000 people within a 10 mile radius and no existing competition within these radii to be economical- ly feasible. These populations are necessary to attract skaters to fill programs, rent ice, and attend pub-lic skating sessions, hockey games, and skating competitions. It is not enough for individuals, groups or entities to rely on phone calls, per-sonal conversations, or letters of interest from prospective customers. Critical masses of population are the bedrock of an ice skating facility's success. Planners considering locat-ing an ice skating facility need to consider this. Of course in states like Maine where I live, we consider a larger radius since customers are used to driving longer distances to use facilities. In the Boston area where there are high population densities, there are some locations that will support multiple facilities within these radii.

• The facility should be located near a major highway system, and whenever possible through the use of site planning or signage, visible from the highway system. A proper location saves the customers time and provides an ease of use for those traveling great distances (figure skaters, travel teams, and tournament teams).

Proximity to Other Facilities. Other entities can provide help to the economics of the proposed ice skating facility and should be evaluated as potential catalysts when located near the prospective facility.

• Retail malls allow parents to shop before, during and after their or their children's use of the facility. Those that have grocery stores and drug stores, which feature constant people traffic, are pluses.

• Restaurants close by make it easy for hungry skaters and their families between exhibitions, tournaments and before/after regular uses.

• Office or industrial parks located near an ice skating facility can pro-vide a stable of potential customers that can blend skating time to and from work, or squeeze in some time for their work while transporting their skaters.

• Hotels make the prospective facility more attractive for tournaments, camps, and competitions. These hotels should feature key amenities desirable to skating families: a restaurant which serves breakfast/lunch/dinner and has a children's menu, a full size swimming pool, game room, health club, and meeting rooms (good for team/parents meetings).

• Schools offer exposure to scores of children and their parents for a proposed ice skating facility and provide many interconnected scenarios of use including inexpensive or free land, dual locker room use and linked facilities such as gymnasiums, swimming pools, and athletic fields.

• Health club facilities allow a synergy that is helpful to the ice skating facility. Mom or dad may workout when son or daughter is skating.

The value of all of the above examples is to establish visibility for the ice skating facility in order to continue to generate a steady flow of people traffic which is so critical to the economics of the facility. For example, in the Northeast by the time April 1 rolls around most parents, coaches, officials, and skaters wish to get away from the ice skating facility and out to the baseball/softball fields, ocean, and lakes. The dilemma for the planners or management of an ice skating facility in this region, and many other regions across the country, is how to get the customers to keep coming between April 1 and October 1. Locating the ice skating facility near the above can provide solutions

to customer traffic, add cross-promotional opportunities, and spawn new or expanded revenue streams. The research component of the assessment process can discern whether these facilities are compatible with the ice skating facility.

Suitability to an Exit Strategy. One final consideration is that the planners of an ice skating facility must always evaluate an exit strategy. Though our clients never like to hear this, an ice skating facility, with the high capital requirements and highly fluctuating cash flows, is a risky proposition to be involved with. Economic failure is a possibility that must be considered in the planning of these facilities. By locating a facility properly, the owners can hope to recoup some or all of their investment by selling the facility to an owner that can develop the facility for another purpose: a cold storage warehouse, light manufacturing facility, etc. Sometimes planners of ice skating facilities overlook this sobering fact and position a facility in a place where little future potential for an alternate use is possible - which may have doomed the facility in the first place.

In summary, there is much to consider when an individual, group, or entity is asking the question to build or not to build? Defining the goals of the venture, conducting proper research, prospective location, ease of use, proximity to other facilities, and suitability to an exit strategy are the necessary ingredients to the success of the efforts of the planners of ice skating facilities. By taking these factors into account, groups, individuals, or other entities will enable themselves to make an informed decision and hopefully correctly answer this most important question.