

A Guide to Planning & Developing

Sports & Entertainment Event Venues

Prepared for

Wiener Stadthalle

Prepared by

Parsons
January 2000

BACKGROUND

Cities throughout the world are promoting economic development through the construction of a variety of sports, performance and entertainment venues. Recognizing the importance and significance of people-gathering events in contributing to the quality of urban life, significant efforts have been undertaken in many communities to create new venues such as urban entertainment centers (Sony's Metreon projects in San Francisco, Berlin and Tokyo), sports stadiums (such as San Francisco's Pac Bell Park for the Giants, a professional baseball team), and multipurpose facilities such as the Anaheim Arena (a 20,000-seat facility located adjacent to one of the world's premier tourist attractions, Disneyland in California). Although the specifics of each project differ from place to place, there are several trends which can be identified:

- ❖ *The Visitor or Spectator Experience:* All of the new and recently upgraded facilities have in common a recognition of the importance of addressing the visitor or spectators' needs and requirements. The responses to this new focus include features such as better sight lines for all spectators, comfortable seating, adequate, well-lighted and functional rest rooms, better food and beverage services with reduced time spent waiting in lines, appropriate heating and ventilation systems, use of large video monitors for instant replay of sports action or close-ups of performers, etc. Access and circulation are also important features in encouraging visitors to attend venues; thus investments are being made in parking, improvements in bus and taxi drop-off areas. Also, significant gains have been made in creating "barrier-free" environments which allow the physically challenged (disabled) including the elderly to gain access to and circulate in these public gathering places. This is just a partial list of improvements, but the main point is that if a venue is to attract repeat visitation and truly fulfill its mission and objective as a community facility which people can be proud of and enjoy, it must address people's needs or be doomed to declining attendance and, inevitably, become a liability rather than an asset.
- ❖ *A Focus on Enhanced Utilization* Many of the newly developed facilities have taken an innovative programming and design approach to embrace a range of activities in the overall complex rather than just the "standard" performance or sports elements. These activities such as office space, restaurants and retail outlets, museums and visitor attractions, are complementary to the primary function of the venues and they attract patrons and visitors to use the facilities at times when "standard" stadiums or arenas are totally empty, save for the presence of maintenance and security personnel. In a related development, new and renovated facilities are incorporating significant capabilities to handle computer, telecom and other audiovisual equipment which are required by shows, broadcasters and exhibitors.
- ❖ *A Need for Sound Financial Planning* One of the primary, underlying motivations in developing or redeveloping an event venue is to gain control of its financial destiny. Often, without sound financial planning, public venues are created which require substantial public subsidy with marginal benefit. Today, substantial experience exists with developing projects that optimize the revenue opportunities which are created in large scale public venues. These opportunities include such things as enhancing revenue to the venue owner by expanding food and beverage and merchandise sales, selling promotional rights to advertising in the venue, sales of "naming" rights and self-producing shows and events (as opposed to renting the facility to others who produce the events). In addition, suites are being developed in new and renovated facilities which can be sold to corporations and individuals.

- ❖ *Proactive Operations and Management:* Apart from the important contributions which good planning and design make to a creating a sound physical plant, the significance of an informed, professional organization to operate and manage the venue cannot be understated. The “front-of-house” operations (i.e. the interface with visitors and spectators) in so far as marketing, ticket sales, ticket-taking, crowd control and security, food and beverage, etc. as well as “back-of-house” operations (i.e. maintenance, lighting, audio, set-up/take-down, etc.) are both “mission: critical”.

As a result of these emerging trends and the company's extensive domestic and international experience gained on all types of complex projects, Parsons is increasingly being sought to provide technical assistance to organizations – both public and private - who are interested in developing and renovating event venues as well as commercial visitor attractions and leisure projects. Parsons is currently working on Sony's new Metreon project - an urban entertainment center under construction in Berlin, Germany - and is assisting the developers of the Wonderful World of Oz with the development of a new commercial visitor attraction in Kansas. Parsons also provided architectural and engineering services to the Disney organization for the Animal Kingdom project and the Disney/MGM Studio Tour in Orlando, Florida and is currently working on Disney's newest attraction – the California Adventure – in Anaheim, California. Previously Parsons provided planning assistance to the Ericsson Stadium project in Charlotte, North Carolina and is working on the construction of a new stadium in Seoul, Korea which will be used for the upcoming World Cup events. Parsons is also assisting the organizers of the Athens Olympics in the development of a new Athlete Village. Parsons has assisted in the preparation of feasibility studies and other preliminary planning work for several other projects in various locations throughout the world. Parsons “Total Solutions” approach to project development is well-suited to achieving successful projects – from concept to operation.

The present paper has been prepared to provide interested parties such the Wiener Stadthalle of Vienna, Austria who are currently considering opportunities for repositioning this key public facility with an introduction to Parsons' approach to the process of developing this type of project; it outlines the basic phases of work and the tasks which must be carried out to realize a successful project.

Why Develop Sports & Event Venues?

As any spectator can attest, attendance at a major sports or entertainment event is fun. But apart from this obvious attraction, why would a developer or a governmental entity want to promote the development of such a project? Considering the experience of several developments, various motives can be cited:

- Creating an identity or an image for a city or an urban district.
- Enhancing the attractiveness of an existing tourist destination.

- Attracting large numbers of people and generating a demand for related goods and services, such as hotels, restaurants, shops, and other commercial enterprises.
- Creating new employment opportunities.

As with any project that requires a large capital investment, the successful sports and event venue is one that meets and achieves established economic performance criteria. Entertainment value notwithstanding, a performance venue is a business and one that should be approached with the same attention to careful planning as one might approach a new industrial or commercial venture. There are several examples of unsuccessful event venue developments. Fortunately, there are also success stories that serve as useful models for new projects. The approach outlined in the following pages is designed to incorporate the experience of successful venues in a step-wise, logical process, which can serve to guide the development of new projects.

PROJECT DEVELOPMENT APPROACH

There are three basic phases of work required to plan, design, and construct a sports and event venue project; they include:

- The Project Development Plan
- Design Development
- Construction

The general scope of each of these phases is described in the following paragraphs:

Phase I: Project Development Plan

The *Project Development Plan [PDP]* provides the basic framework for the implementation of the project and describes, in some detail, its physical, operational, and financial characteristics.

Phase II: Design Development

This activity begins upon completion of the *PDP* and is based on the architectural and engineering concepts prepared in Phase I. Detailed design and construction documents are prepared and bills of quantities are used to develop a definitive estimate of capital requirements. The project is subsequently divided into construction packages, prospective bidders are qualified, bids solicited and evaluated, and award recommendations made.

Phase III: Construction

The construction phase involves the physical realization of the project, initiating with site clearing and grading, placement of basic infrastructure and foundations, construction of building shells and other structures, finish work, installation of equipment [rides and attractions, air conditioning, telecommunications, fire and life safety, etc.], as well as furniture and fixtures, and finally, start-up testing and project close-out.

PHASE I: THE PROJECT DEVELOPMENT PLAN

Because the first steps in the process of beginning to plan for a new or renovated sports and entertainment venue project are the most critical, a more detailed description of the *Project Development Plan* is provided in the following paragraphs. The *PDP* provides the basic framework for the implementation of the project and describes, in some detail, its physical, operational, and financial characteristics. In preparing the *PDP*, sufficient research, analysis, planning, design and engineering, preliminary cost estimating, and scheduling is performed to sufficiently define the project in order for the Owner[s] to make informed decisions about its implementation. A partial list of the issues and matters to be resolved in producing the *PDP* includes:

- What is the market? How many people will be attracted to the project; what are the socioeconomic characteristics of the potential visitors; where will they come from and at what times of the year will most of them be there; how long will they stay; how much will they spend for food and beverage, merchandise, etc.; to what extent are other attractions in the region either competitive or complementary?
- What is the overall concept? What kinds of events and attractions are to be accommodated, what participatory activities are to be provided for, what food/beverage services, and merchandise outlets are to be provided; what particular themes or imagery will the project contain?
- How does the venue relate to other projects? Because the facility can attract local, regional, and perhaps national and international attention, it can be a generator of related activities such as tourism, commercial services, and possibly industry. With proper planning, the project can, in fact, be a strategic instrument in guiding future development of the surrounding community.
- Where will the project be located? What is the location of the project and how is this location responsive to marketing, access, land cost, and surrounding land use factors?
- What are the physical facility requirements? What specific facilities are required and what are their physical characteristics; what support or auxiliary facilities are required [e.g. services, administration, maintenance, etc.]; what utilities are needed

[power, water, telecommunications, wastewater management, etc.]; what transportation facilities will be required [roads, parking lots, loading/unloading areas, etc.]; what operational features are needed [loading/unloading, setup times, flexibility of seating arrangements, etc.]?

- How much will the project cost to build? What are the costs associated with site development, including roads and utilities; what are the costs for buildings and structures, furniture, furnishings, and equipment; what are the related "soft" costs, including design, management, financing, etc.?
- How will the project operate and how will it perform economically? How many people will be required to operate the facility; what are the operations and maintenance costs; what are the costs of acquiring necessary goods and services; what are the marketing costs; what kind of return on investment will be provided?
- How will the project be developed, from an organizational and management perspective? What are the roles and responsibilities of the various entities involved?

To develop the necessary information to answer these questions, a series of tasks will need to be performed in the following five areas:

1. *Market Definition*
2. *Project Concept*
3. *Site Concept*
4. *Master Plan*
5. *Economics/Finance*

These tasks are detailed in the following paragraphs.

1. *Market Definition*

Review socioeconomic characteristics and tourism and recreational patterns in the market area.

Analyze population and transportation system characteristics influencing potential attendance for the regional market, persons living outside the region, and tourists visiting the area. Factors to be analyzed include: seasonality, income and expenditure patterns, activity preferences, and travel party composition.

Evaluate potentially complementary or competitive venues to determine market response. Visit other attractions in nearby regions to gain insight as to successful concepts and marketing approaches.

Project potential attendance on the basis of market penetration rates

2. Project Concept

Develop comprehensive project concept, identifying major themes and elements, describing how they respond to the overall market objectives of the development

3. Site Concept

Evaluate specific sites for the facilities taking into account natural features [e.g. topography, hydrology, etc.], accessibility requirements [e.g. proximity to existing and future airports, highways, and other forms of transportation], marketing factors [e.g. visibility from the regional highway], and environmental considerations [e.g. surrounding land uses, potential environmental impacts]. Select a site.

For existing sites, document property holdings and any limitations on usage such as rights-of-way, zoning restrictions, height limitations, etc.

Investigate and document the location and characteristics of major utilities to serve the site [e.g. power, water, sanitary sewer, telecommunications, etc.]. Develop engineering concepts for service connections.

Review current government plans for road improvements and design basis including traffic projections and mode split. Develop conceptual designs for major road access to the site, including highway interchange[s], service roads, etc.

4. Master Plan

Considering the market analysis information, develop planning parameters to include: seasonality of visitation, peak-season visitation, guest arrival and departure patterns, and modes of transportation utilized, facility capacity requirements for various types of activities (e.g. sport events, pop concerts, exhibitions, etc.) and support facilities requirements.

Develop an overall land area requirements program, facilities program [type, and area of buildings, public areas, roads, etc.], and calculate utilities and services demands.

Prepare a site plan of the project and associated areas indicating, to scale, the size and location of principal buildings, public areas, operations and maintenance areas, parking, etc. On the basis of this site layout, prepare engineering and design information including: site grading requirements (if needed), storm drainage concepts,

utilities concepts, and landscaping plan. Develop illustrative materials to indicate the physical character of specific areas within the project.

Develop a preliminary organization plan for the operation of the project indicating the number and type of people required, functional areas of work, reporting relationships, etc.

Prepare a preliminary estimate of the capital cost of the project based on data collected from site surveys, architect's designs and outline specifications, space allocations, and other criteria. Upon approval by the Owner, the preliminary estimate will be utilized as the approved budget for the purposes of cost control until definitive estimates are prepared according to the contract package sequence required for construction.

Prepare a preliminary master schedule for performing all major aspects of the work and services such as: site work, architectural, engineering, and interior designs, building construction, procurement of works and equipment, installation of furniture, furnishings, equipment and special systems, and testing and commissioning.

5. Economics and Finance

Prepare projections of potential income to the project on the basis of analysis of market characteristics, spending behavior, visitation potential, anticipated guest composition, facility sizing, types of events and pricing policies. These projections are made for a 10-year period, to reflect growth of attendance and visitor spending.

Project the cost of operations including labor and materials. Investigate the implications of local labor laws and employment conditions to accurately reflect labor costs.

Prepare a 10-year cash flow projection, taking into account expected revenues and expenses, development costs, financing, tax treatment and other factors as a basis for estimating project value as well as rates of return for investors.

GOVERNMENTAL COORDINATION

In addition to the technical work described in the preceding sections, it will also be necessary to coordinate the design and development of the project with government entities and agencies, both at the local, regional, and, possibly, national levels. Areas of coordination and discussion, relating to the *PDP* effort include:

- Location, design characteristics, and schedule of regional highways and infrastructure improvements.

- In some cases, governmental incentives and assistance may be made available to the project through negotiation. These include: provision of infrastructure and land, financial incentives such as tax holidays, and training programs for employees.

NEXT STEPS

Once the *PDP* is complete, sufficient information is available for the owners to make informed decisions about the overall feasibility of the project including, equity and debt requirements, likely return on investment, and the project development timeframe. In most cases, before a final *PDP* is prepared, discussions with potential equity partners and financial institutions can be initiated, potential operators can be identified and, if timely, operations agreements can be negotiated and signed. The regulatory process, including any environmental reviews that may be necessary, can be initiated.

DESIGN DEVELOPMENT

The next sequential step - *Design Development* - involves the realization of the necessary construction documents to build the project. Typically, for new sports and performance venues, a first phase of development is undertaken which includes one or more major buildings with retail and food services components, and necessary infrastructure. For renovation projects, the needed work may be entirely focused on interior improvements (e.g. seating, lighting, systems improvements, etc.) or a more extensive, phased development program, involving new structures may be planned. In either case, the project is organized as design packages according to the scale and required expertise of the project, and construction documents are prepared. A key function of the Project Manager during this stage of the project is to ensure that the design represents a realistic vision of the project budget. In addition, since the project involves special operations expertise, it is often valuable to involve operators in the design of the facilities in order to ensure compatibility with current industry practices and operational procedures. Upon completion of the *Design Development* phase, final budgets are prepared and construction packages created. Prior to construction, contractors are pre-qualified to ensure their capability to participate in the project. Bids are obtained and recommendations made to the owner as to award. Upon award, construction is managed to ensure the project is realized: on time, and on budget.

FINANCE

The order-of-magnitude investment of sports and performance venues can range from relatively modest budgets of \$10 to \$25 million for a small project to more extensive investment programs in excess of \$500 million. Because each project is responsive to the particular market and socioeconomic conditions of the areas where it is sited, the scale of investment must be carefully evaluated.

The key ingredients for an event venue project, from a financial point of view are:

- Land
- Equity
- Debt

Many event venues have been developed as part of urban redevelopment projects. Because an event venue can make considerable economic contributions in the way of jobs, taxes, tourism and off-site expenditures, it has sometimes been the case that in order to attract the necessary investment to launch a project, governmental authorities have provided land at no or low cost to the project developers as a key inducement to attracting the project.

Because an event venue derives its revenues – either directly or indirectly - almost entirely from the visitors who attend, the need for equity and debt to carry the project from the early PDP work through design and construction is essential. The key to understanding these requirements and meeting them is having a realistic financial plan, including a cashflow projection which will support the technical work and avoid unproductive “trial and error” spurts of effort which, inevitably, can only add cost to the project.

OPERATIONS

One of the key reasons that some event venues are profitable while others in the same region are not is operator experience and competence. The need for seasoned operations experience in developing a successful sports and performance venue cannot be overstated.

Basically, a new project can acquire operator experience in two ways:

- First, an experienced operator can become involved in the project or,
- Second, the project developer can create an internal operations organization with the help of experienced consultants.

In the United States, the first approach – the involvement of an experienced operator – can bring not only name recognition to the project, but also certain intellectual properties and links to other useful parts of the entertainment industry including merchandising, music, videos, etc.¹ The second approach – creating an internal organization – also has its advantages in that the project developer retains the value-added of the operator experience and is in greater control of the specific approach to the local market. .

¹ In other parts of the world, such as Europe and Asia, there do not exist major operators who have multiple venues under their management, therefore the second approach is the most viable.

Because of the appetite worldwide for commercial visitor attractions and quality visitor and entertainment experiences, and given the limited number of new projects which major operators are willing to consider, for many locations the more logical operator choice may be to create an organization. Because the structure of the event industry is constantly evolving and changing, each new project will require a unique approach be taken to achieve the needed operations expertise.

PARSONS

Parsons Corporation is one of the world's largest engineering and construction organizations. Founded in 1944, Parsons provides a wide range of services to government and private industry in the United States and throughout the world through its operating subsidiaries. Operating in 50 States and 80 foreign countries with a professional and technical staff of more than 11,000 employees, Parsons is a full-service planning, engineering and construction organization. Our track record includes work with more than 2,400 Clients and on 8,000 projects worldwide.

Please direct your inquiries to:

Gordon L. Linden
Manager Project Development Services
2101 Webster ST. Suite 700
Oakland, CA 94612
USA

Phone (510) 273 3631
FAX (510) 835 4355
Email gordon.linden@parsons.com