

A Guide to Planning & Developing

**Theme Parks
& Commercial Visitor Attractions**

Prepared for

Triconsult

Prepared by

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BACKGROUND

Since the opening of Disneyland in California in 1955, a number of large scale recreation and leisure-oriented projects featuring themed rides, entertainment, restaurants and retail facilities have been developed in the United States and in other countries around the world. With increasing interest in and demand for high quality tourist attractions and leisure-time facilities, several trends in the planning and development of facilities have emerged. First, competition among projects has increased, creating needs for more carefully planned and creatively designed projects. Second, because of the significant financial commitments required to carry out a major project, more experienced overall management of planning, design, construction, and operations is essential. Finally, because the financing, development, and operation of large projects inevitably involves a wide range of companies and people -often on an international scale - there is a growing need for a Project Development team capable of effectively managing this complexity, from the creative stage through construction, getting the job done - on time and on budget.

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 theme park 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 theme park 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. 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 Triconsult of Vienna, Austria 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 A Theme Park?

As any visitor can attest, theme parks and leisure developments are 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 themed attraction developments, various motives can be cited:

- Creating an identity or an image for a large real estate development or holding.
- 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 theme park project is one that meets and achieves established economic performance criteria. Entertainment value notwithstanding, a theme park 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 theme parks. 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 urban entertainment centers 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 urban entertainment center 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 theme park 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 lodging, 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 rides, attractions, entertainment, food/beverage services, and merchandise outlets are to be provided; what particular themes or imagery will the project contain?
- How does the theme park 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.]?
- 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, rides and attractions, 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 attractions 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.

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 regional highway 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, entertainment facility capacity requirements 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, 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, attraction content 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 large scale theme parks, a first phase of development is undertaken which includes the rides and attractions, retail, entertainment, and food services components, and necessary infrastructure. The project is then 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 theme parks and visitor attractions can range from relatively modest budgets of \$50 to \$60 million for a regional park 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.

Often, new proposed projects are compared to the major parks in Florida and California. Because these comparisons usually focus on the high levels of investment at these major parks, it is relevant to note that with relatively few exceptions, many of the larger existing theme parks in the United States and Europe have been developed incrementally, with investments phased over many years. For example, the first Six Flags theme park was developed in Texas with the relatively modest budget of \$7million; the replacement costs of the park, in today's costs, would be in excess of \$300 to \$400 million or more.

The key ingredients for a theme park projects, from a financial point of view are:

- Land
- Equity
- Debt

A large-scale theme park will require a substantial amount of land ranging from perhaps a minimum of eighty to upwards of several hundred acres. For this reason, most theme parks have been developed in suburban or rural locations where land prices have been, at the early stages of the project, relatively low. Because a theme park 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 park, governmental authorities have provided land at no or low cost to the project developers as a key inducement to attracting the project.

Because the theme park derives its revenues 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 hotels and resorts 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 theme park cannot be overstated.

Basically, a new theme park 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.

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. 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 intellectual property which the park promotes. With the latter approach, local cultural and historical themes may be utilized which may have greater appeal to residents of the region.

Because of the appetite worldwide for theme parks 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 entertainment 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.

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