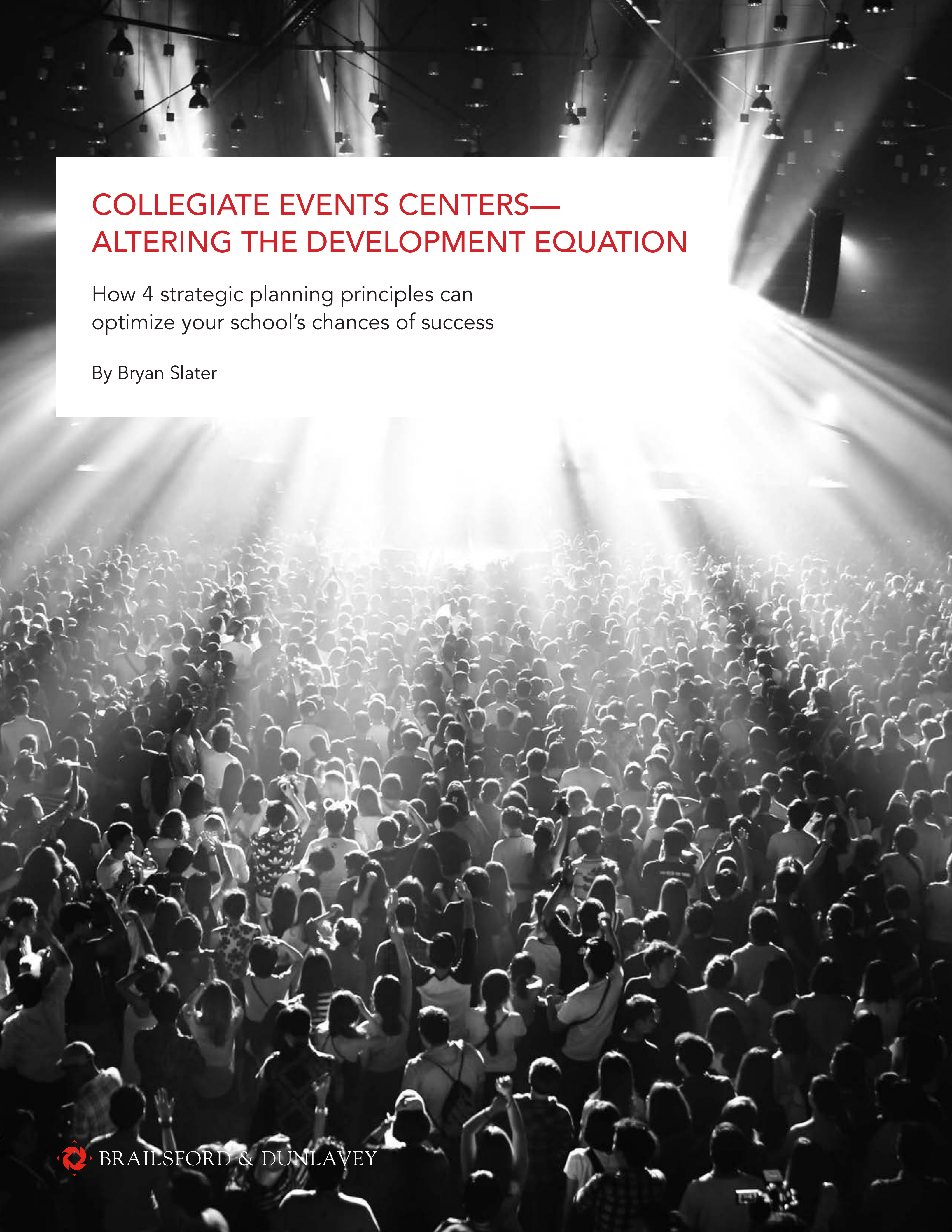
COLLEGIATE EVENTS CENTERS—ALTERING THE DEVELOPMENT EQUATION

How 4 strategic planning principles can optimize your school's chances of success

By Bryan Slater



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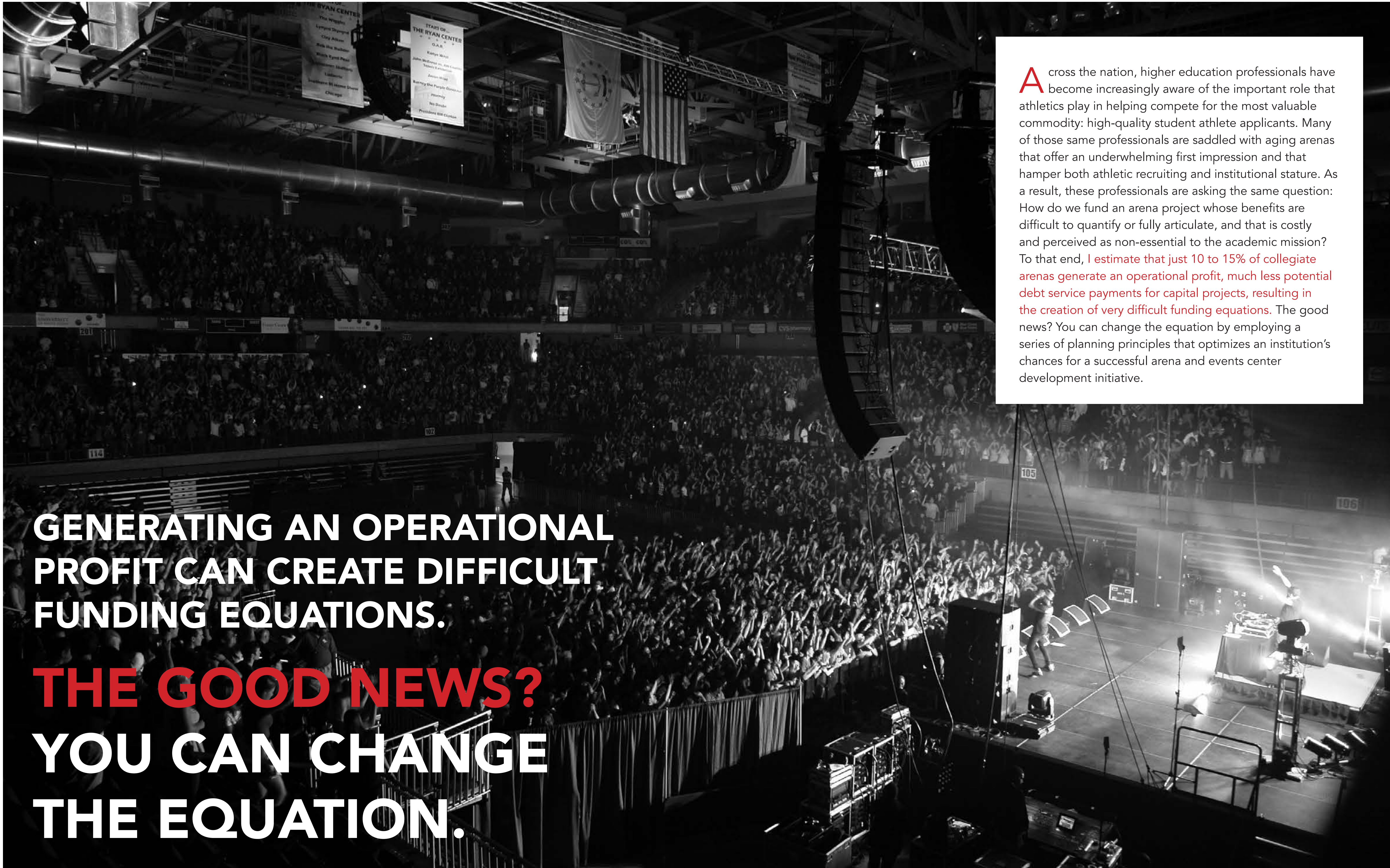

GENERATING AN OPERATIONAL PROFIT CAN CREATE DIFFICULT FUNDING EQUATIONS.

THE GOOD NEWS? YOU CAN CHANGE THE EQUATION.

Across the nation, higher education professionals have become increasingly aware of the important role that athletics play in helping compete for the most valuable commodity: high-quality student athlete applicants. Many of those same professionals are saddled with aging arenas that offer an underwhelming first impression and that hamper both athletic recruiting and institutional stature. As a result, these professionals are asking the same question: How do we fund an arena project whose benefits are difficult to quantify or fully articulate, and that is costly and perceived as non-essential to the academic mission? To that end, I estimate that just 10 to 15% of collegiate arenas generate an operational profit, much less potential debt service payments for capital projects, resulting in the creation of very difficult funding equations. The good news? You can change the equation by employing a series of planning principles that optimizes an institution's chances for a successful arena and events center development initiative.

IDENTIFY PROJECT OBJECTIVES AND STICK TO THEM—EVERY SQ FT COUNTS

At the outset of any arena planning process, project objectives must be clearly articulated in a visioning session and continuously referenced thereafter to develop the most responsive, efficient project concept (every square foot counts!).

There are four typical objectives associated with strategic projects, which are listed below from most to least common:

1. Provide an improved environment for the athletics program that fosters strong student-athlete recruitment;
2. Reposition the university's institutional stature and potentially facilitate a conference re-alignment;
3. Provide a new venue for commencement; and
4. Capitalize on a financial opportunity associated with the local/regional entertainment marketplace.

The first objective—developing a venue that provides an engaging atmosphere for the athletics program—is the primary reason collegiate arena projects begin to percolate. The environment sets the stage for a chain of events that have occurred at many institutions: the environment assists with recruiting, which results in improved team performance, and triggers a series of outcomes that benefit the institutional brand (See Figure 1).

The most notable examples of this chain of events occurred at Gonzaga University with the introduction of the 6,000-seat McCarthey Center in 2004, and most recently at Grand Canyon University with the 5,000-seat GCU Arena in 2014. Each venue was designed with Planning Principle #1 in mind; in fact, Grand Canyon's athletics program became so successful it necessitated an expansion to 7,000 seats to accommodate demand. What a good problem to have!

Figure 1

BUILDING CAPACITY IS JUST A (DANGEROUS) NUMBER

Inevitably, the most-discussed issue at the outset of a planning process is the building's capacity; in reality, determining capacity is the most misunderstood and potentially hazardous planning decision.

Buildings that are too large can have disastrous financial and non-financial implications.

A more compact concept might result in a few lost concerts on an annual basis, but it will also provide the universally sought-after exciting game-day atmosphere for college/university athletic teams. Furthermore, modern ticketing allows for ticket prices to be adjusted according to demand, thereby minimizing any adverse impact on athletic tenants' gate receipts. Even the literal and figurative downsides of a smaller concept offer some "upside."

Capacity	6,000
Additional Seats	1,000
Additional Annual Debt Service:	$450,000
Additional Operating Expense for Larger Facility	$125,000
Lost Events	3
Lost Event Profit ($55,000 per event)	$165,000
Net Annual Position	*-$410,000*

Figure 2

Consider this cost-benefit analysis.

The 10 most recent collegiate events centers cost an average of $11,000 per seat in current dollars.

For a concept that should really be 5,000 seats, each additional 1,000 seats creates $11 million in incremental capital costs (See Figure 2). Even if donations fund 50% of the capital cost, incremental capital and operating costs ($575,000) are not nearly justified by the revenue associated with those concerts ($165,000) because the institution decided to develop a larger facility. A similar cost-benefit analysis was undertaken when my firm, Brailsford & Dunlavey, planned the University of Maryland-Baltimore County's new Event Center, which ultimately led to the development of a new 5,000-seat facility that realistically could have skewed considerably larger without such analysis. The moral of Planning Principle #2? Less is a lot more!

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THE VALUE OF PUBLIC AND PRIVATE ENGAGEMENTS THROUGHOUT

Unfortunately, there is no tried-and-true funding model for these projects. Further complicating matters is the fact that the funding lifeblood of municipal venue projects—transient occupancy taxes—is not an option for collegiate projects. In a challenging financial environment, schools are looking to external partnerships to complete the development equation. Arizona State University is perhaps the most notable example in this area; the school partnered with Catellus Development on the 330-acre Novus Innovation Corridor. The corridor is a mixed-use development that returns ground rent to ASU for the purpose of funding the athletics projects, including recently announced upgrades to the Wells Fargo Arena and the construction of a new 5,000-seat multi-purpose venue project.

While few situations are similar in scale and opportunity, engaging partners throughout your process may organically unearth opportunities.

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DON'T FORGET ABOUT WHAT BROUGHT YOU HERE

Those interested in pursuing collegiate arena projects often now refer to these projects as "events centers." The terminology shift is the appropriate lens through which these projects need to be viewed. This shift in thinking is personified by the HTC Center, opened in 2012 on the campus of Coastal Carolina University. Though CCU originally pursued an 8,000-seat arena that was also to serve as the home to a minor league hockey tenant, funding did not materialize. Instead, CCU moved forward with a multi-use project that includes a 3,500-seat arena, a recreation center, and a bookstore. The integration of other student uses and a 20-year naming rights partnership with HTC made the project development equation far easier.

The new facility includes ancillary uses far beyond just athletics and sports events, which is the mark of a true events center project.

Perhaps not coincidentally, CCU employed all three of the previously mentioned planning principles and, lo and behold, made a previously dead project come to life.

WHERE WE GO FROM HERE

Make no mistake, these projects are tough nuts to crack no matter how rigorously planned they are. However, by employing the four planning principles outlined above, the difficult development equation can be made incrementally easier and could be the difference between getting the project built or not. Successful development of these projects—while more trying and difficult than your average project—can have rewards commensurate with the incredible effort required to complete them.

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ABOUT THE AUTHOR

Bryan Slater is a Senior Project Manager in B&D's Southern California office and oversees the firm's west coast sports venues practice, B&D VENUES.

Throughout his tenure, Mr. Slater has focused exclusively on sports, recreation, and athletics planning engagements. Over this time, he has developed and refined many of B&D VENUES's current best practices for these type of engagements, including the development of a standardized approach to economic and fiscal benefit projections, premium seating demand forecasts, and long-term capital improvement planning. His portfolio of work includes NBA, NHL, MLB, and minor league baseball facilities, along with numerous engagements from "Power 5" collegiate athletic departments and municipal governments throughout the nation.

ABOUT B&D

Founded in 1993, Brailsford & Dunlavey is a program management and development advisory firm with comprehensive in-house planning capabilities, dedicated to serving educational institutions, public agencies, and non-profit clients. Acting as advisors, we shepherd an idea, make it a viable project, and oversee it through ribbon cutting and into operation. We are nationally recognized as a leader in the higher ed P3 market and were nominated for P3 Bulletin's 2017 Technical Advisor of the Year award.

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