Emerging Trends

Over the past five years, the trend in planned communities has been to include or build less expensive amenities, requiring less maintenance as well—parks instead of golf courses, for example. Pay-for-play and right-to-use golf courses also have become popular. While more people are playing golf and the game’s demographics are very favorable, fewer people are willing to pay $20,000 and up for the privilege. (See “The Business of Golf,” page 45.)

“We’re seeing a trend toward semi-private or public golf courses within planned communities, simply to spread the costs of the club among a greater number of users,” observes Reagan. “That is the most burning trend.”

Judy Thompson, with the National Golf Foundation in Jupiter, Florida, agrees. “The trend is toward building public or semi-private courses. This is true for all golf courses, not just those in golf course communities.” In semi-private clubs, you have to be a member but not a resident of the community to play.

“In the last couple of years, we have seen a considerable drop-off in golf-related real estate developments,” continues Thompson. According to NGF’s estimates, over 50 percent of all golf courses built in the 1980s were part of a golf course community. In the early 1990s, the figure dropped to about 25 percent. (See “Golf Course Development Activity,” page 47.)

Increasingly, clubs depend on nonresident members and the general public for survival, although they normally restrict the time of day or season in which nonmembers may use the facilities. Harbour Ridge, an 814-unit, primary-and-secondary-home community in Stuart, Florida, created a special membership category for nonresidents who may use the course all year except for the three winter months, called 90-days according to Les Boese, vice president of design and planning with Harbour Ridge. During the winter months, the nonresident members may still use the dining room, pool, tennis courts, and other facilities.

Allowing the public to use private courses helps a developer get projects approved. “If you factor in some public play at the golf course,” notes Hyatt, “it builds community support for the project.” One of the drawbacks of allowing public use at private clubs, however, is that part of what a developer is selling in the community is exclusivity. Thus, if a developer is selling high-priced memberships, it generally will want to exclude the public.

One increasingly common technique is for a developer to donate land to a golf course developer that builds, owns, and maintains the course. In exchange, the developer builds houses or develops lots around the course, establishing a market for it. With a golf course as part of the development, the lots or homes can be sold at a premium. In addition, the developer avoids the burden of developing and disposing of the course.

For example, at Chapel Hill, a 900-acre golf course community outside Atlanta, the Chapel Hill Development Corporation gave land and money to the Patten Seed Company, a golf course developer, for building a golf course, which Patten Seed owns and operates. Chapel Hill Development built houses around it. The relationship has been mutually beneficial: Chapel Hill Development avoids the hassle and financial burden of building and operating a course and benefits from the increase in property values, while the Patten Seed Company receives a generous subsidy and a ready market for its course.

“The term is the key word,” notes Doug Coats, president of Chapel Hill Development. “We know how to build communities, but we don’t know much about building golf courses.”

Lenders like the arrangement too. It reduces their exposure. Operating a golf course can be a continuing liability, especially in the early stages of a development.

Yielding control to a profit-oriented golf operator carries some risk. For example, if the course owner skips maintenance to cut costs, the appeal of the project, and thus home sales, may suffer.

“Donating land to a golf course operator is nothing new,” remarks Leininger, although the practice has become more common. “What is new is developer donation of land to a city for the creation of a golf course.” Such donations are usually contingent on the developer’s obtaining approval for a certain number of golf course frontage lots. In Oklahoma, a landowner donated 180 acres to the city of Owasso, just outside of Tulsa, with the stipulation that the city would construct a golf course on the land. The golf course was completed in August 1993, and the landowner, which owns 600 acres around the course, has been selling frontage lots to developers.

Donation of land alone may be insufficient to entice a golf operator to build and operate a golf course. "Most golf course operators would say free land is not enough. They will also ask for a contribution to cover 50 to 60 percent of the development costs," predicts Leininger. According to Rocky Roquemore, the golf course architect who designed the Chapel Hill course, “Golf courses are living breathing entities that require a lot of money and care to keep alive.” And while golf is a great tool for selling real estate, except in underserved markets it may not be a great investment on its own.

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Rediscovering Urban Entertainment

David Nasaw, a professor of history at the City University of New York, provides a fascinating account of the origins of urban entertainment in Going Out: The Rise and Fall of Public Amusements (New York: HarperCollins, 1993). At the turn of the last century, he writes, unprecedented innovation transformed the image of the city from a gritty, industrial place to a place of “glamour and glitter, fun and sociability.” In the 25 years between 1895 and 1920, the grand movie palaces, in-town amusement parks, baseball parks, nickelodeons, nickelodeons, vaudeville halls, photographic parlors, penny arcades, world’s fair midways, and other amusements that transformed urban life in America were invented.

In 1869, New York City playhouses and theaters drew 25,000 daily attendees; by 1910, the city’s theater seating capacity approached 2 million. In 1912, San Francisco underwent a similar transformation, building on the growth of the West Coast, five playhouses, 11 vaudeville halls, and 69 moving picture theaters with more than half a million weekly attendees. In 1909, Brooklyn’s Coney Island amusement park welcomed more than 200 million visitors. In 1909 equates to about 20 percent more than the number of visitors to Disney’s Orlando and Anaheim theme parks in 1989.

Fiscal forces produced this period of urban entrepreneurship, technological innovation, and financial risk taking. Entertainment projects interested civic leaders concerned with the drudgery of industrial cities as well as nascent movie-making companies seeking to build “brand loyal” markets. The work week shrank from a draconian 72 hours. Five-week work weeks made the Sunday Sabbath into a two-day weekend gained favor. Rising disposable incomes provided markets for entertainment as a feature of urban life. Many new technologies—from Edison’s Kinetoscope to the phonograph—initially were so expensive that their use was limited to public venues. Even when these leisure activities became features of the urban home, motion picture companies and other leisure-time entrepreneurs increasingly elaborated entertainment complexes to draw people downtown or to city beaches and festival parks.

In many respects, the same kinds of forces are shaping UECs. For example, a motivated political and civic leadership views today’s UEC projects as a means of revitalizing downtown retail and cultural areas and as a strategy to reassert the region into the city for shopping, eating, and recreating. Entertainment companies, some of which get their start in the heyday of the “Great White Way,” have developed a range of new technologies and products that can best be deployed in concentrated population centers. Some new entrants in the themed entertainment market perceive UECs as an opportunity to develop brand name recognition and penetrate markets still outside the influence of the industry’s dominant players. Like their 1920s counterparts, UEC developers are a generation or two ahead of the settings and mix of uses that will ultimately characterize their locales.

New Fundamentals at Play

There are, however, some fundamental differences between UECs and the public amusements of the earlier era.

Decentralization. One hundred years ago, centralization—with a fivefold increase in the urban population in the United States between 1870 and 1920—led entrepreneurs to invent new kinds of public attractions. Now decentralization has produced demand for entertainment hubs. UECs have been conceived in a period of urban population decline. They play to a broad regional audience. Most UECs are being planned to draw at least 60 percent of their visitor base from the regional day-trip market.

In the 1970s, the greenfield sites, strong employment bases, and tax advantages of suburbs began attracting corporate headquarters and office centers, and many now see these complexes as a potent force for city revitalization. Times Square at 34th Street and Seventh Avenue in New York exemplifies an urban entertainment district that fell on bad times and now has big plans for theater restorations on combination with other redevelopment.

Movie Rides

In the 1970s, Doug Treadwell, special effects wizard for Blackboarder, 2001: A Space Odyssey, Close Encounters of the Third Kind, and other Hollywood spectacles, envisioned combining a 3D film with a flight simulator to create movie rides. He patented concept synthesizes the audio and visual elements of a film with the motion of a hydraulic motion system to which viewers’ seats are attached. Treadwell’s first commercial movie ride, Tour of the Universe, was introduced at Toronto’s CN Tower in 1985, and it quickly spread in popularity.

In 1990, Treadwell’s RideMotion Corporation created Back to the Future—the Ride for MCA/Universal Studios. The ride experience activated by movie credits and the public uses an 80-foot IMAX™ and REFLEX™ dome and 12 eight-seat Delcameras to take visitors on a heart-thumping ride through time and space. Treadwell seeks to push the technology in every American city. He has thus marketed the simulation theater into a 15-seat module that can fit into a 30-by-30-foot space that is less than 15 feet high. Such an IMAX™ REFLEX™ theater opened in new locations to market Back to the Future in 1993 at the Luxor Las Vegas.

This year, RideMotion merged with Insa Corporation to create a new generation of attractions designed to interest coach passengers of their own. Bernard Phillips, vice president of RideMotion Corporation, sees these attractions serving as the magnets for UECs.

In the refurbishment of the New Amsterdam Theater for a presentation of Beauty and the Beast, the first of a series of Broadway productions by the company.

Demographic Shifts. Theme park attendance over the next decade is expected to be substantially diminished by the aging of the baby boomer generation. In fact, baby boomers are reaching the empty nest stage at the same time that the so-called generation X cohort, or baby busters, is becoming "something else." Both the boomers and the Xers will provide market support for sophisticated forms of entertainment that are conveniently located in urban settings. One of the challenges is to develop new programming for UECs that are these two groups have widely different tastes and disposable incomes. UECs generally will not function like family-driven theme parks. But families will continue to represent an essential segment of demand, especially in consolidated metropolitan areas (CMAs) characterized by younger households.
UECs Defined

Interestingly, it has been development companies, rather than the entertainment giants, who are taking the lead in defining these new projects. With experience in mixed-use development or urban market development, these companies have a sophisticated understanding of programming mixed-function operations, urban design, creative finance, and public/private ventures. But because of the lack of any examples of a fully functioning UEC, there is considerable uncertainty as to what is likely to work programmatically and operationally.

Hybrid. Neither a miniature theme park nor an enhanced festival market, the UEC is a hybrid development product that contains features of both. The developers, entertainment companies, and retailers responsible for entertainment-enhanced projects like the Forum Shops at Caesars in Las Vegas; Cocowalk in Miami; Reston Town Center in Reston, Virginia; Underground Atlanta; and Church Street Station in Orlando share a view of what the UEC must be: a blend of retail, food and beverage, and entertainment options that can achieve a higher performance profile than these first-generation festival marketplaces or themed retail projects in terms of both market capture and per-capita expenses.

Integrating operations can be difficult. Retailers, for example, consider gate fares anathema while entertainment companies consider them a necessity. How such operational dilemmas are resolved depends largely on the program mix and who the partners in the project are.

Coupled Operations. Segregation of a UEC's management by function—retail, food and beverage, and entertainment—is generally unacceptable. The more integrated the operations are, the better the experience for the patrons and the more assured the success of the UEC. UECs will likely couple operations in one of two ways:

- through individual management entities for the various functions under contract to an owner/operator, which is likely to be a partnership of at least two of the entities; or
- through a master operator using lease agreements.

Under the second approach—the "tenancing" approach—the entertainment function could consist of a number of leasing arrangements for particular venues or a master lease to a single company responsible for overall entertainment operations. Which arrangement is better depends in part on the UEC program mix. If the UEC program is based on the offerings of a single signature entertainment company like Sony or Time Warner, the master operator approach would be the better one. If the UEC combines a mix of products operated by various companies, like Live from Xanadu, a San Diego UEC scheduled to open in fall 1995 (see "A Sately Pleasure Dome" in Urban Land, April 1994), with an Iwerks Cinetropolis, an RKO/Mann theater complex, and a mix of food and beverage outlets, the multiparty partnership approach is preferred.

Bundled Retail. In the effort to differentiate UECs from regional malls and festival marketplaces, an innovative concept has emerged: bundled retail. This term was originated by MRA International to describe the aggregation of specialty and off-price stores in the context of a retail category or theme, which sometimes involves the creation of joint operating or piggy-back franchise agreements. This is the strategic aggregation of a number of signature retailers or product category stores around a high-impact merchandising theme. A sophisticated analysis of market segments in the UEC region is needed to identify merchandising categories that a developer/operator can combine to create "bundles" that will attract traffic to the overall segment.

The city of Hartford has adopted a repositioning strategy centered on a UEC that combines bundled retail, adult- and family-oriented entertainment, educational facilities, performing arts spaces, and a children's film center. The theme revolves around two of Connecticut's enduring personalities, Mark Twain and P.T. Barnum. The retail bundle, developed by MRA, focuses on children's apparel, shoes, educational games, play and sports equipment, computers, books, records, and related merchandise to draw on the high growth of households with children in the regional market.

Bundled retail is a key concept in UECs under development in Chicago, Seattle, San Diego, and Boston by the Thomas J. Himmel & Company in partnership with Himmel & Company Inc. The developers are working in collaboration with entertainment companies, retailers, and restaurateurs to create what will probably be the first fully integrated UECs in which entertainment, food and beverage, sports and recreation, and retail uses come together in a setting that supports a total, integrated visitor experience.

The Gordon Company has combined bundled retail with sports-oriented entertainment to create its Sportsplex concept. The first such project, under development in Scottsdale, Arizona, is a 600,000-square-foot complex including a 10,000-seat stadium and a series of themed sports environments featuring signature sports retailers and equipment manufacturers. Sports celebrity appearances, special demonstrations, and a variety of participatory sports events will be programmed to make Sportsplex a destination that draws visitors not only from the region but from far enough away to require overnight stays.

Signature Entertainment. Signature forms of entertainment are being programmed into UECs, following the lead of companies like Disney and MCA/Universal, which have been applying, in novel ways, the widely recognized characters, celebrities, creative products, and venues that are part of their "portfolios" for their retail, food and beverage, and entertainment offerings.

Companies like Sony, Time Warner, and Viacom own rights to a vast collection of musical artists, film properties, sports products and celebrity

Coming Attractions, Baltimore

Baltimore's Inner Harbor already offers a heavy dose of urban entertainment from the House Company's Harborplace festival marketplace to major league baseball at an equivocal and science museum. Now a new second generation of entertainment-oriented projects underway should elevate Baltimore to the ranks of a top-tier entertainment mecca.

Sports Center USA is scheduled to open in 1995. Its array of simulator rides, interactive and virtual reality experiences, and electronic linkups with live action sporting events will immerse visitors in exciting sporting events from auto racing to sky diving. The attractions include ride simulations developed by Doug Trumbull's "Movie Dikes" feature film and a 500-seat stadium multi-screen adventure film, "A World of Sports," with simulators offering zero-gravity, free-fall sensations for experiencing sports like ski jumping and aerial acrobatics; virtual reality simulation of activities like racing, golf and marathons; and audio-visual and computer programs for presentations of sporting events covered by ABC's Wide World of Sports; and a 1,000-seat Fantasy Camp gymnasium showcasing a variety of events. Sports Center president John J. O'Dea says the center will offer people the opportunity to participate in activities through simulations that they would not ordinarily attempt in real life.

Also coming to Baltimore in October 1995 is the House Company's $100 million Columbus Center, a state-of-the-art research and education center of marine biology and marine archaeology being developed by a team of companies including the House Company, Beacon & Company, Savannah Development, the Henson Company, and the private non-profit Cleveland Development, Inc. In addition, work is proceeding on expanding the city's Fish Market neighborhood, and a variety of other projects are in the discussion stage. Baltimore seems poised to take the future of urban entertainment.
ties, animated characters, entertainment technologies, and consumer products. With these portfolios, they are well positioned to create signature-based UEC complexes. These companies have invested heavily in the development of synergy strategies as a basic tool for capitalizing on their diverse products and talent pools. In the UEC, they have an ideal vehicle for achieving synergy. A UEC could combine clubs that feature the names of their musical celebrities, simulator rides that feature their film products and characters, signature-based merchandise, food and beverage outlets that feature their characters, audience participation studios for playing their brand name games and filming their show games, and demonstration areas for their new consumer and business products.

The signature products of different firms can be combined into a single UEC. Through collaboration and cross licensing, the O'Dea Group based in Baltimore will be developing Sports Center USA in Baltimore's Inner Harbor. The 136,000-square-foot center will create a rich mix of sports entertainment (see feature box) provided by a number of entertainment companies with unique film, television, and event-based franchises.

Theming UECs. Three different approaches to theming each have their proponents and detractors. They are:

- scripted themes;
- theming enhanced environments; and
- multitheming.

Scripting employs the storyboard approach used in theme park design to create unique settings—related to a place, a fantasy, or characters. Some entertainment-based developers have used this route. The Forum Shops at Caesar's use scenographies and special effects to create the illusion of being in ancient Rome. A more subtle use of architectural motifs, scenographies, and props places visitors to Universal CityWalk in Universal City, California, in a setting reminiscent of some of Los Angeles' architecturally distinctive areas. Niketown celebrates sports and Olympic Hall of Fame that seems to be part museum and part arena.

Theme enhancement concentrates on ambiance related to a locale, historic period, or type of activity rather than on a strong theme. The Rosae Company has used this approach effectively in its festival marketplace. Through subtle touches, the visitor to Farmall Hall in Boston experiences a consistent and distinctive sense of history, the visitor to Harborplace in Baltimore a sense of the marketplace, and the visitor to Bayside in Miami a sense of the nautilus. The Rosae Company is venturing into UEC development with a major project in Atlantic City, where it likely will build on its experience in theme enhancement.

Multitheming—the creation of a number of distinctive environments to draw patrons through an entire UEC—is suited for large projects in which walking distances are marginal. At West Edmonton Mall, for example, the Triple Five Company of Edmonton and Santa Monica created a European themed street—Bock Bunneh Street restaurant complex, a tropical beach and wave pool, and an indoor lake with a full-size replica of Columbia's ship, the Queen Mary. And visitors find their way through the megamall. A joint venture of the city of Miami and the Miami Port Authority of Dade County is planning a UEC in Miami on the theme of a crossroads of Caribbean and Latin American cultures. It will replicate cultural icons, restaurants, and public spaces from Caribbean villages to provide guests with a UEC of the diversity of environments in the Caribbean basin, and it will include a four-story hotel. At the same time, this UEC will also preserve the vast majority of its location as public space, including additional enhanced parkland for citizens' enjoyment.

Lifts, not Anchors. A common question is: Where's the anchor? Indeed, the first generation of entertainment-enhanced retail projects appeared to be anchorless, or their anchor, like Gameworks or AMC cinemplex, was unusual. Most UECs will be neither anchorless nor specifically anchored. Instead, selected components will serve to "lift" (also a nautical term) the overall performance of the UEC. To design lifts into UECs, planners will have to understand the traffic generation, revenue multiplier, and trip duration extent effects of various components, which act jointly on a project's performance. Bundling strategies are based essentially on the idea of lifting performance through component integration.

Strategies for Developing UECs

Although they combine features of other development products, UECs are emerging as a product type in their own right, one that uses coupled operations, signature products and venues, retail bundling, and development lifts in novel ways. In the face of still considerable uncertainty about what a UEC is and what it will make it work, successful development of UECs is likely to hinge on three strategic factors:

- strategic partnering;
- multithemed financing; and
- multisite roll-out strategies.

Strategic Partnership. All UECs will require a working partnership between a developer and an entertainment company; sometimes other partners—sports franchises, cultural institutions, governments, retailers, or hospitality companies—will be required. Such partnerships are very difficult to establish and maintain. The operating methods, time frames, risk profiles, financial resources, and objectives of developers and entertainment companies are remarkably different. Even the largest development companies are dwarfed by entertainment companies. Even the most swiftly moving entertainment group will be exceedingly bureaucratic in the eyes of developers.

Given the inherent difficulties, most UECs that fail will do so as the result of unsuccessful partnering arrangements.

The challenge and the opportunity in a UEC is to combine the developer's ability to create real estate value with the entertainment partner's ability to create venues that can be "franchised." In a UEC, unlike in most other development projects, some of the components can have value beyond the particular project. This offers the partners the opportunity to greatly elevate returns on investment. For example, the bundled retail concept invented for a project in Cincinnati can be deployed in a number of markets; or signature clubs created for a project in San Francisco can be used by an entertainment company to penetrate the Atlanta market. Developers with operating projects in a number of widely dispersed metropolitan markets have the most to gain from partnerships with entertainment companies.

Multithreaded Financing. UECs can draw on four types of financing. First, because development often serves a public purpose, they sometimes can draw on public financing sources to leverage private debt and equity. Second, they have attracted the attention of a variety of entertainment-based investment funds. Third, entertainment company partners, with their strong credit ratings and relationships with financial institutions, can frequently secure financing for the venture portions of UECs. Often the venture, because of its distributable value, is more readily capitalized than the real estate. Finally, consumer products companies can provide or sponsor opportunities for UECs, which, like theme parks, will draw from a large market base and keep visitors on site for long periods of time.

A UEC's development strategy should leverage or tier these sources to optimize financing and to reduce the costs of capital. And for a UEC, capital costs represent only part of the total financing requirements. Developers also need to pay close attention to licensing agreements for the rights to software, including film libraries, signature characters and celebrity names, and specially designed venues, which contribute significant value to the development.

Multisite Roll-Out Strategies. The considerable capital costs and operational infrastructure involved in developing a particular UEC may mean that only if more than one are developed can costs be recovered. Developers are only beginning to think about roll-out strategies. Entertainment companies, by contrast, have always viewed UECs as a strategy for penetrating multiple markets. The next Disney may not be the developer of a giant theme park or megaresort, but the operator of ten strategically positioned UECs.

Cities and their amusement centers, writes David Nuss from the conclusion of Going Out, have always played an important societal role as "... centers of civility and public sociability," and today we need "a new generation of spectacular and accessible public amusements to do the same... to bring us together once again." The imminent launching of the next generation of urban entertainment centers—The City, atlantic City, Miami, Chicago, Seattle, and elsewhere—brings with it all the beginnings of another era of invention in public amusement and some additional peril.

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