

DEVELOPING A FAMILY ENTERTAINMENT CENTER BUDGET IN 2013

Be Realistic or Be Disappointed

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Too often, people start planning a family entertainment facility (herein referred to as FEC) with little or no realistic information concerning the costs involved. In today's current economic environment it is even more important to be realistic. The FEC industry is doing well in most locations, regardless of the overall economic picture. Those who did their homework, worked with professionals and sought assistance when they needed it, are succeeding.

What is disturbing is the large numbers of people we hear from that have no realistic concept as to what it costs to develop a facility or as to what the rewards of doing things correctly. We constantly hear from people that think they have realistic projected budgets under \$100,000.00 for projects that conservatively will cost \$500,000.00 to several million dollars. This is, because they have not obtained any realistic information prior to establishing their concepts and budgets. Unfortunately there are no good reference books in the library to our knowledge that can realistically prepare newcomers for the enormity of their FEC projects. Also a lot of the construction costs presented in many web page presentations are horribly out of date. Do not use information that doesn't come from firms actively designing FECs.

Land costs for facilities can range from several thousand dollars an acre to more than \$50.00 per square foot. The cost of constructing pre-engineered buildings can easily exceed \$75.00 a square foot before equipping them with attractions. Larger pre-engineered buildings will see the costs exceed \$100.00 a square foot prior to the cost of attractions. If your project building is being designed as a custom building by a local or national architect, these costs may rise dramatically. These prices are for the basic building, not including build-outs for offices and attractions.

Leasing floor space in existing malls may range from \$15.00 to well over \$20.00 per square foot. Leasing stand-alone buildings can range upwards from \$2.50 a square foot to more than \$20.00. The lower range for buildings represents those bad locations or in poor physical condition.

When leasing space beware of the fine print, you will often be held responsible for common area costs, parking lot maintenance, snow removal and other costs you did not anticipate. Work with a real estate professional representing your interests to be certain your rights are protected.

In many cases a more expensive site may actually prove to be far more profitable; don't skimp in the selection of your site. Remember, people don't want their trip to an FEC to become an expedition. Ease of finding your site is major requirement. Check out the neighborhood. Will your site be in an attractive well-lit location or in a rundown industrial park or neighborhood that will drive customers away rather than attract them? Remember, a large portion of your guests will be mothers bringing their children to your site. Don't scare them away before they even reach your facility.

Your site should be well lit from the point of access, in the parking lot and throughout your entire facility. Failure to do so will result in many potential guests being turned away. Also, remember that you are responsible for your guests' safety. This includes your being responsible for security in your parking lot as well as within your building or in and around your outdoor attractions.

We are strong proponents of individuals being intimately involved in the preparation of the business plan for their proposed project. If you are not aware of the information and assumptions involved in

the structure of your business plan, how could you expect a banker or private investor to have any confidence in you or your plan if you don't know the assumptions and data presented? If you employ a consultant to prepare your business plan, work closely with him/her to assure your own knowledge of the process and the results.

Developing one's own business plan can easily take hundreds of hours or more. While this is often performed as "sweat-equity", it still is a cost that should be considered. Don't forget the costs of design professionals, marketers, lawyers and other business consultants that you may require in order to have your house in order when beginning, building and operating your project.

A large number of outdoor family entertainment centers include miniature golf, concession go-karts, bumper boats and relatively small buildings containing arcade/snack bar/office facilities. In every case, the size and magnitude of the attractions should match the realistic target market. While it may be wise to anticipate growth in your projected revenues, it is foolish to overextend yourself at the onset. Plan ahead, but be certain that you are realistic in establishing your goals and projected expenditures. Once you've spent your money, the commitment has been made

Attractions to be included within a facility have a wide range of costs. Many of these costs can be mitigated by purchasing used equipment, rides or attractions, renting or leasing equipment and other steps that may reduce the total initial fiscal impact, but they all have ongoing costs that must be considered. Make certain the attractions match your target market. Used equipment, unless specifically warranted by the original manufacturer does not carry the Warranty that a new product purchased from the manufacturer does.

There are a number of formats for establishing and equipping arcade and redemption game rooms that range from outright purchase to lease/purchase, leasing, renting or revenue sharing. While each has its advantages and disadvantages, they all result in either up front costs or ongoing expenses. Proper planning in establishing the financing format, selection of specific equipment and developing a sound ongoing operational plan can result in significant revenues. There are firms that will also create leasing arrangements for go-karts and other large cost attractions.

Snack bar or casual food services can range from less than \$30,000 to more than \$200,000. They can be self-developed or developed in conjunction with equipment manufacturers, franchisers, food vendors or by restaurant consultants. Sometimes the planned magnitude of the food services may dictate the approach used. In all situations, however, there are up front and ongoing costs involved. Care should be taken in planning food operations. If the site you plan to develop isn't a natural location for a restaurant, don't expect a fun center to create the volume of traffic required for success. What I'm trying to say is know your market potential before getting carried away. Most FECs do not generate average stays that result in a high food demand. A good practice would be to keep it simple until actual experience and customer requests define the need for expanded facilities and menus.

Batting cages in many areas are very seasonal in their heavy usage. Care should be taken when developing projected revenues for a given site. Should you decide to develop a batting cage facility you should be aware that there are two basic systems available and that each has its supporters. These are the pitching arm machines and the wheel systems. Batting Cages can easily cost \$200,000 or more when multiple bays and multiple pitching machines are planned. At the same time, don't believe all the revenue projections that are bandied around, most existing facilities are not doing that well.

For most locations, a family road course concession go-kart track would be the first choice, as they have the broadest target market and better serve a total family entertainment center environment. When the market is large enough and your budget and available space permits, additional specialty tracks can be added to the site mix to further increase revenues. These can include “adult” slick road courses, high-banked ovals or tri-ovals, rookie tracks and kiddie tracks.

Concession go-kart tracks can be assumed to cost in the range of \$300 to \$440 dollars per foot, depending on their length (this includes grading, paving, barrier system, lighting, pit facilities and canopy and perimeter fencing. Karts can run from slightly over \$4,000.00 to more than \$6,000 each for gasoline powered karts and spare parts (depending on the type, style and horsepower) and from \$7,000 to more than \$10,000 for battery powered karts, including chargers pit charging equipment and spare parts. Rookie tracks and kiddie tracks would have lower costs.

Electric bumper boats are become the accepted standard because of their clean operation and environmentally friendly design. Bumper boat ponds will cost from \$150,000 and up when equipped with 8 or more boats, fiberglass liners, water filtration and treatment equipment, safety fencing and lighting.

Miniature golf courses can range from small budget courses (costing \$100,000 to \$250,000) to major adventure golf facilities in the multi-million dollar range. The more common price range for family entertainment center golf courses in today’s stressed market are ranging from \$250,000 to \$600,000, other than in heavy tourism areas where the sky is the limit.

There are a number of smaller outdoor attractions can be added to the primary mix that cost in the area of \$25,000 to more than \$100,000. These include WaterWars, various bounce attractions, ropes courses, climbing walls, shooting galleries, mazes, carousels and other flat rides and various other small attractions.

Indoor attractions can include bumper cars, miniature lane bowling, soft play, laser tag, laser mazes, arcade games, miniature golf courses, flat rides, inflatables, trains, mini-coasters and related attractions. None of these attractions are inexpensive (other than inflatables), with individual elements costing up to \$200,000 and more. Indoor go-karts are also popular but the costs will be much higher.

If you are planning inflatables, be aware of liability insurance costs due to their safety record, the need for safe flooring surfaces around tall units and the relatively small target market.

In establishing budgets, don’t forget the cost of your land, or rental, the costs for insurance, marketing, salaries, utilities and related costs that have a strong impact on your bottom line. Also, don’t forget including start-up and operating capital to carry you until the revenue flow is established as well as debt service costs until your loans are repaid.

The above are a few of the issues you actually will face when you get serious. Ignore them or their implications and you are starting into uncharted waters with your anchor dragging. Avoid being sunk before you really get moving.

If you are still interested in proceeding, take heed of the above, read up as much as you can (remembering that not all writers know any more about the industry than you do). If possible attend

some of the established industry trade shows and seminar programs. It is also worthwhile to visit existing facilities and talking to existing owners to get some of their views on the industry.

We have been working with other FEC clients for more than 29 years, most of them from the very early stages of their progress from concept to reaching their dreams. In some cases we've been able to redirect overall concepts, while in others helping people avoid having their dreams turning into nightmares as a result of false premises.

Give us a call to see if we can help you avoid missteps and mistakes before they happen. When determining start up costs and ongoing cash demands, all of the above elements must be taken into consideration. We offer a long and proven history of successfully assisting clients in achieving their dreams. If we can be of assistance, please call.

Peter is a registered Professional Engineer in a number of states. He founded the firm in 1984. It provides consulting services to the family entertainment center industry. To Date the firm has completed more than 435 projects spanning 43 states, Angola, Brunei, Canada (Alberta, British Columbia, Ontario and Quebec), Cuba (Guantanamo Bay), Kazakhstan, Mexico, Puerto Rico, Saudi Arabia and Vietnam.. Services range from preliminary site evaluations, feasibility studies, business plans, concept development, master planning, design and construction engineering services for projects that include concession go-kart tracks, miniature golf courses, complete indoor and outdoor family entertainment centers and theme parks. These services apply to new facilities as well as renovation or expansion of existing facilities. Mr. Olesen has written many magazine articles on the industry and has made presentations at numerous industry seminars. For more information on the firm and the services it offers, see their web page at www.fecd designers.com, contact them at peteolesen@yahoo.com or telephone at 847-561-7013.

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