

DURHAM SPORTS TOURISM FACILITIES

# Feasibility Study & Strategic Plan

JANUARY 2021



PREPARED FOR:

**DURHAM SPORTS COMMISSION**  
DURHAM, NC

# EXECUTIVE SUMMARY

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## Scope of Work

In September of 2020, Sports Facilities Advisory, LLC (SFA) was engaged by the Durham Sports Commission (DSC) to complete a feasibility analysis related to the development of new indoor and outdoor sports tourism assets focused on driving new visitor spending to the area by establishing itself as a regional destination for large-scale tournaments and events as well as improving the community's recreation needs. SFA's engagement consisted of the following steps:

- Project Kick-Off Call
- Existing Data Review & Market Analysis
- Current Durham Facility Analysis
- Competitive Facility Analysis
- SWOT Analysis
- Financial Projection (Pro Forma), Cost of Project, & Facility Recommendation
- Economic Impact Projections
- Feasibility Study & Strategic Plan
- Action Plan

This feasibility report provides an overview of the process used for the analysis, results of the pro forma and economic impact analysis, and recommendations for next steps.

## Definitions of Success

During the business development planning session, SFA facilitated an exercise with members of the DSC (Project Team) to determine the definitions of success for new indoor and outdoor sports tourism facilities in Durham. As a result of that exercise, it was determined that new sports tourism assets must meet the below criteria to be deemed successful:

1. **Create a significant driver of economic impact**, that expands the existing tourism industry by generating new room nights as well as spending from non-local visitors who would not be in Durham but for events held at the facilities.
2. **Expanded opportunities for participation for people of all ages throughout the community**, improving access to high quality sports and recreation amenities from a time, cost, and location perspective.
3. **Create an operationally self-sustaining business model** that limits annual ongoing subsidies.

## Facility Features

After conversations with the Project Team and conducting the market/potential sites tour, SFA understands the City has not identified a current site for the development of a new indoor and outdoor sports complex. As a result, SFA has not made recommendations for facility assets based on site location, but has recommended the indoor and outdoor sports assets that best meet the definitions of success set forth by the Project Team, market opportunity, research, and analysis.

SFA has created a facility program and opinion of cost option for both the indoor and the outdoor complex that have the ability to provide high-quality programming through the development of premier sports tourism assets that could establish itself as a regional destination through hosting sports tourism tournaments and events. It should be noted that SFA's recommendation is that both of the complexes are developed simultaneously as this would create up-front cost and operational efficiencies.

The indoor complex facility program includes over 55 acres of space, containing 12 full-size synthetic turf fields. The total complex will include:

- Primary Sports & Events Area
  - Track Configuration
    - 200-meter hydraulically banked track
    - Sprinting lanes
    - Horizontal runways
    - Throwing areas
    - Landing areas
  - Court Configuration
    - 12 temporary full-size basketball/12 temporary full-size volleyball courts
  - Seating
    - 5,000 seats
- Auxiliary Gym Area
  - 4 full-size basketball/4 full-size volleyball courts
- 8,600 SF Warm-Up, Training, Athlete Management Area
- 10,000 Family Entertainment/Adventure Area
- 38,400 SF of flex and support space

The outdoor complex facility program includes 37.5 acres of space, containing eight baseball/softball synthetic turf fields and four synthetic turf multi-purpose fields. The total complex will include:

- Baseball/Softball fields
  - Four 400' baseball/softball fields that can accommodate
    - Four regulation baseball/softball fields
    - Four full-size multi-purpose fields
    - Eight 225' youth baseball/softball fields
  - Four 300' baseball/softball fields that can accommodate
    - four regulation baseball/softball fields
    - four youth multi-purpose fields
  - Four Full-Size multi-purpose fields
- A primary support structure with a kitchen and café, restrooms, conference space, etc.
- Two secondary support structures
- A maintenance support structure

### Facility Development Opinion of Cost

As detailed in the full financial forecast documents, the following tables demonstrate a summary of the projected cost of development for each complex.

USES OF FUNDS – INDOOR COMPLEX	
Land Cost	TBD
Hard Cost	\$34,890,361
Field and Sport Equipment Cost	\$9,313,411
Furniture, Fixtures, and Equipment	\$2,520,730
Soft Costs Construction	\$6,599,684
Soft Costs Operations	\$1,053,773
Working Capital Reserve	TBD
<b>Total Uses of Funds</b>	<b>\$54,377,960</b>

USES OF FUNDS – OUTDOOR COMPLEX	
Land Cost	TBD
Hard Cost	\$10,337,418
Field and Sport Equipment Cost	\$17,186,224
Furniture, Fixtures, and Equipment	\$713,213
Soft Costs Construction	\$2,746,999
Soft Costs Operations	\$816,920
Working Capital Reserve	TBD
<b>Total Uses of Funds</b>	<b>\$31,800,774</b>

The opinion of cost is based on the cost of developing similar projects throughout the country and adjusted to reflect current market conditions and costs specific to development in the state of North Carolina.

### Summary of Financial Performance

The following tables summarize the forecasted revenues, cost of goods sold, and operating expenses through the first five years of operations for each complex. The details of each model's financial performance breakdown have been provided in the full financial forecast documents.

#### Indoor Complex

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Total Revenue</b>	\$2,563,205	\$2,908,945	\$3,301,531	\$3,423,571	\$3,651,335
<b>Total Cost of Goods Sold</b>	\$745,803	\$863,290	\$984,313	\$1,031,208	\$1,099,248
<b>Gross Margin</b>	\$1,817,402	\$2,045,655	\$2,317,218	\$2,392,364	\$2,552,087
<b>Total Operating Expenses</b>	\$1,747,509	\$1,797,119	\$1,871,754	\$1,926,484	\$1,981,729
<b>EBITDA</b>	<b>\$69,892</b>	<b>\$248,536</b>	<b>\$445,464</b>	<b>\$465,880</b>	<b>\$570,359</b>

#### Outdoor Complex

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Total Revenue</b>	\$889,038	\$1,007,434	\$1,200,436	\$1,375,466	\$1,437,437
<b>Total Cost of Goods Sold</b>	\$295,252	\$339,919	\$393,103	\$458,420	\$468,662
<b>Gross Margin</b>	\$593,786	\$667,515	\$807,333	\$917,046	\$968,775
<b>Total Operating Expenses</b>	\$992,059	\$1,019,222	\$1,059,489	\$1,106,157	\$1,135,895
<b>EBITDA</b>	<b>(\$398,273)</b>	<b>(\$351,707)</b>	<b>(\$252,156)</b>	<b>(\$189,111)</b>	<b>(\$167,121)</b>

#### Both Complexes

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Total Revenue</b>	\$3,452,243	\$3,916,380	\$4,501,967	\$4,799,037	\$5,088,772
<b>Total Cost of Goods Sold</b>	\$1,041,055	\$1,203,210	\$1,377,416	\$1,489,628	\$1,567,910
<b>Gross Margin</b>	\$2,411,187	\$2,713,170	\$3,124,551	\$3,309,409	\$3,520,862
<b>Total Operating Expenses</b>	\$2,739,568	\$2,816,341	\$2,931,243	\$3,032,641	\$3,117,624
<b>EBITDA</b>	<b>(\$328,380)</b>	<b>(\$103,171)</b>	<b>\$193,308</b>	<b>\$276,768</b>	<b>\$403,238</b>



### Summary of Economic Impact

As detailed in the pro forma documents, the following tables demonstrate a summary of the economic impact for each scenario that SFA analyzed. For the purposes of this study, economic impact is defined as new direct spending by visitors coming to Durham from more than 90 minutes away to participate in tournaments and events held at the facility. SFA's economic impact projections do not include any assumptions for visitors extending their stay beyond the event and do not include any indirect or induced spending projections.

#### Economic Impact - Indoor Complex

	Year 1	Year 2	Year 3	Year 4	Year 5
Direct Spending	\$13,081,791	\$16,589,822	\$18,562,388	\$18,786,794	\$19,813,921
Indirect Spending	\$0	\$0	\$0	\$0	\$0
<b>Total Economic Impact</b>	<b>\$13,081,791</b>	<b>\$16,589,822</b>	<b>\$18,562,388</b>	<b>\$18,786,794</b>	<b>\$19,813,921</b>

#### Economic Impact - Outdoor Complex

	Year 1	Year 2	Year 3	Year 4	Year 5
Direct Spending	\$9,418,739	\$11,058,524	\$12,573,261	\$15,303,091	\$15,303,091
Indirect Spending	\$0	\$0	\$0	\$0	\$0
<b>Total Economic Impact</b>	<b>\$9,418,739</b>	<b>\$11,058,524</b>	<b>\$12,573,261</b>	<b>\$15,303,091</b>	<b>\$15,303,091</b>

#### Economic Impact – Both Complexes

	Year 1	Year 2	Year 3	Year 4	Year 5
Direct Spending	\$22,500,530	\$27,648,346	\$31,135,649	\$34,089,884	\$35,117,011
Indirect Spending	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Economic Impact</b>	<b>\$22,500,530</b>	<b>\$27,648,346</b>	<b>\$31,135,649</b>	<b>\$34,089,884</b>	<b>\$35,117,011</b>

### Determination of Feasibility

As outlined by the Project Team, new sports tourism assets in Durham must be capable of achieving three definitions of success in order to be considered a feasible project. Those three success factors are re-stated below and the key findings for each is included.

- **Create a significant driver of economic impact**
  - SFA's analysis shows that the indoor complex will bring over 38,000 room nights per year and approximately \$19.8 million of new direct spending per year at maturity.
  - SFA's analysis shows that the outdoor complex will bring over 30,000 room nights per year and approximately \$15.3 million of new direct spending per year at maturity.
  - SFA's analysis shows that both complexes will bring over 69,000 room nights per year and approximately \$35.1 million of new direct spending per year at maturity.
  - It should be noted that every sports tourism facility that SFA has created projections for that has been built has exceeded its early-year economic impact projections and reached or exceed the mature-year total annual economic impact projection.
- **Expanded opportunities for participation for people of all ages throughout the community**
  - Given trends in the sports and recreation industry, current sports and recreation assets in the Durham area, and the impact of sport and activity on children and families in communities, SFA believes this complex will drive a sense of place and quality of life in the community.

- Both complexes will offer high-quality indoor and outdoor sports and recreation assets which will improve the community's recreation needs.
  - Additionally, both complexes will prevent residents from leaving Durham to participate in sports and recreation.
- **Create an operationally sustainable business model**
  - SFA's analysis shows that the indoor and outdoor sports complexes combined are able to achieve operational sustainability by year three of operations. EBITDA is projected to achieve a surplus of approximately \$568,000 by maturity in year five.
  - Based on SFA's analysis, the complexes are able to achieve operational sustainability for several reasons:
    - The complexes are recommended to be developed simultaneously and use third-party outsourced management.
      - As a result, this creates up-front cost and operational efficiencies to improve the financial performance of both complexes.
      - The operational efficiencies include shared expenses for the below overhead expenses:
      - Operating Expenses
        - a. Accounting Fees
        - b. Tournament Business Development
        - c. Legal Fees
        - d. Licenses/Permits
        - e. National Management & Marketing Service
        - f. National Management Travel
        - g. Travel and Education
      - Management Payroll
        - a. General Manager
        - b. Director Of Operations
        - c. Marketing & Promotions Manager
        - d. Food & Beverage Manager
        - e. Event Coordinator
        - f. Finance Manager/Bookkeeper
    - The local and sub-regional markets feature the most regular participants at the Complex and the demographic and socio-economic factors in these markets create mostly positive conditions as it relates to local programming for the development of the complexes.

In recognition of the information above, SFA deems the facility options analyzed through this scope of work to develop sports tourism facilities in Durham to be a **"Feasibility: Yes, If"** project, meaning that there are multiple key steps/factors that must be addressed before moving forward with the project. The top five steps/factors are:

1. A funding plan must be created to cover the cost of development and long-term financing costs.
2. Further exploration of creative funding sources and the development of strategic partnerships in the community.
3. A site that meets the requirements for size, access, and adjacency to support service providers must be selected and secured.
4. An operating structure must be created to ensure that top-tier management, marketing, and service initiatives are in place.
5. A long-term plan must be developed to cover long-term capital improvement/replace costs.

SFA believes that the combination of both complexes have the potential to accomplish the Project Team's goals if pursued. Both complexes represent SFA's recommendations for maximizing the opportunity for regional destination facilities as well as improving the community's recreation needs. If the five steps/factors above can be accomplished, SFA endorses the development of new sports tourism assets in Durham, NC.

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