



**CEDAR BAYOU WATER PARK and AQUATIC CENTER**  
**Feasibility Study**  
**Executive Summary**  
**December 10, 2016**

**INTRODUCTION**

The Cedar Bayou Parks, LLC project is unique in the US. The combination of the large water park with a multi-purpose competitive aquatic center is a model that has proven itself in Canada and other parts of the world, most visibly in the repurposing of the 2000 Olympic Aquatic Center in Sydney, Australia and several projects in Canada over the last several years. The Aquatic Center and Water Park, partnered with an onsite attached hotel provide synergies that make each element more attractive and profitable than each element as a stand-alone facility.

The Aquatic Center will be the premier event and training center in the Midwest, with greater event capacity than the leading University or public aquatic centers in the region. The Aquatic Center also has the amenities to provide a full range of community based aquatic programming, including recreation, fitness, learn to swim, adult swimming, triathlon training, aquatic therapy, special needs programming, and water safety and educational programming.

The indoor Water Park in Phase 1 will be the largest indoor water park in the State and in the two to three hour travel radius. The addition of the outdoor Water Park in Phase 2 will make Cedar Bayou the most complete destination water park in the region. The Aquatic Center will draw many out of town guests for events as well as daily users that will become customers of the Water Park. The Water Park provides an added attraction for the Aquatic Center when bidding and hosting events as well as a strong marketing push for the advantages of learning to swim and partaking of the other aquatic and fitness programs offered at the Aquatic Center.

The onsite hotel (150 rooms in Phase 1 with another 150 rooms in Phase 2) will further enhance the Aquatic Center as a great event facility and will support and attract visitors from outside Cedar Rapids to the Water Park, making Cedar Bayou truly a destination site.

The Isaac Sports Group, LLC, has conducted a feasibility study, including the analysis of needs, goals, and objectives and the development the program and business model. The

details of the Study include the program, design, management, and financial models and analysis needed to determine the feasibility and return on investment of the project. While the actual Cedar Bayou Park design is still in initial conceptual stages, there is enough detail to estimate project costs and operating costs and revenue to determine that the project is a very viable and unique project that can be a game changer for Cedar Rapids and the broader region and can be financially viable in the long term and generate return on investment for investors and partners.

## **NEEDS, GOALS, and OBJECTIVES**

### Aquatic Center

The demand for space for all aspects of aquatic programs far exceeds current space and facilities in Cedar Rapids and the region. The limited space also has prevented the development of new programs and enhancements of existing programs to keep up with new trends in aquatic fitness, training, and recreation and to provide more opportunities for youth and adults in Cedar Rapids and the region.

#### Events:

The demand for training space and accessible event capacity for large competitive aquatic events is very strong in Cedar Rapids and throughout the State of Iowa and the region. Although the University of Iowa Natatorium is only 40 minutes away, the facility is often not available and deck space and seating do not support the largest meets that the Cedar Bayou Aquatic Center will be able to support.

- Design supports the largest number of competitors of any Aquatic Center in the Midwest
- Host major USA Swimming local, state, regional, zone, and national championships on a regular basis
  - Reasonably expect 25 event weekend per year
  - Generate approximately \$415,000 in revenue for the Park by Year 3 of operation plus significant revenue for hosting organizations
  - Meetings with USA Swimming event staff, Central Zone Development Director indicate support the this event schedule and their input was included into the Aquatic Center designs and amenities to support these events
- Local, Regional, and State High School competition
- YMCA Championships
- NCAA Division 2 and Division 3 championships as well as key mid-major conferences and collegiate invitationals
- Special Olympics and Paralympics
- Diving, Water Polo, and Synchronized Swimming Events

#### Training:

- Provides 25 yard and 50 meter training lanes and diving facilities to support multiple high school, collegiate, and club team programs in the area

- Additional training programs
  - US Masters Swimming
  - Special Needs
  - Triathlon
  - Diving
  - Water Polo
  - Synchronized Swimming
- Winter and Summer entry level Recreation Swimming and Diving teams

#### Fitness, Safety, and Educational Programming

- Full range of aquatic fitness incorporating new trends and broadening the participant base
- Full range of learn to swim programs for toddlers through seniors
- Senior programs
- Special needs
- Aquatic Therapy and Rehab potentially in conjunction with local health care provider(s)
- Lifeguard, Water Safety, First Aid, CPR, AED certification and training

#### Recreation

- Recreation programs that complement Water Park elements
- Organized Programs
  - Scuba, kayak, paddle board, and other rec classes
  - Organized youth activities
- Open programs
  - Fun and leisure family oriented elements and programs

#### Water Park

Park incorporates all the latest aquatic recreation elements while still providing programs that can support and work well with the Aquatic Center programs and utilize Water Park spaces during school days and during slow times, such as:

- Aquatic fitness resistance walking in lazy river
- Learn to swim programs utilizing fun Water Park elements as program incentives
- Admission and activities coordinated with event competitors and their families

#### Hotel-Phase 1

- 150 rooms
  - 120 standard 2-queen or king rooms
  - 18 family suites
  - 12 full suites
- National franchise
- Connected to facility to Water Park to maximize benefit to both Water Park and hotel

## **DESIGN CONCEPTS**

### Aquatic Center

- 96,000 square feet
- Main Pool: 73 m x 25m
  - 10 x 50 meter lanes
  - 30 x 25 yard lanes
  - Deep water for fast pool
  - 2 x 1m and 2 x 3m diving boards
  - Elevated Seating for 2,000 (some seating collapsible to maximize space flexibility)
  - Deck seating for 800 to 1,000 competitors
  - Full timing system and color video scoreboard
- Teaching/Fitness Pool
  - 75' x 45'
  - 6 x 7' 25 yard lanes
  - Ramp and stair access
  - Warm water (86-87 degrees) for learn to swim, fitness, therapy, seniors, and special needs
- Amenities for all users
  - General locker rooms
  - Youth and children's changing areas
  - Family and handicap accessible changing areas
  - Meeting spaces
  - Food court to support events and Water Park overflow
  - Training and workout rooms
  - Offices
  - Ample storage
- A purpose built aquatic therapy pool is not in the initial design but can be added based on capital and operating support from a health care provider partner.

### Water Park

Designs incorporate full range of features, activities and elements unique to the region. The nearest water parks that combine the features in the Cedar Bayou water park are four to five hours away in Kansas City, Minneapolis, and Wisconsin Dells.

- Surf machine
- Wave pool
- Lazy river
- Tallest slide tower in the Midwest
- Latest in aquatic water park entertainment features
- Swim up Bar-liquor sales
- Pro/Gift Shop
- Food concessions
- Specific changing areas
- Party spaces

## PROJECT COST PROJECTIONS

Initial cost projections are based on broad conceptual design and spaces. These initial cost projections are based on square footage or per room costs and are drawn from recent comparable construction projects and projections from local and national industry experts. These costs represent all hard and soft costs, including design/engineering fees, equipment, site-prep, etc. An 8 percent contingency is also included on the hard costs.

Aquatic Center	\$30,643,000	\$319/sq foot
Water Park	\$28,359,000	\$365/sq foot
<u>Hotel-Phase 1</u>	<u>\$18,000,000</u>	<u>\$120,000/ room</u>
PHASE ONE TOTAL	\$77,002,000	

NOTE: Many Indoor Water Park/Hotel complexes calculate total cost of water park and hotel per room. The Cedar Bayou Indoor Water Park and Hotel (not including the Aquatic Center) totals \$46,359,000 in construction costs which averages \$306,060/room, which is in the middle of the range for comparable facilities.

## FINANCIAL PROJECTIONS

The financial projections for the Aquatic Center, Water Park, and Hotel are based on local and national market research, quantification of demand in the local and regional market, commitments from potential user groups and organizations, and best practices from other facilities. Projections of participants and revenue for the largest revenue elements are supported by analysis of existing programs in the region, current market rates and costs, and demographic analysis of potential participants. Specific analysis of learn to swim, membership, events, and training revenue are included in the study supporting the revenue and cost projections. Event projections factor in information and data from USA Swimming and its member organizations. Water Park projections are based on industry wide standards and research provided by the World Waterpark Association and professional providers in the water park industry, with local demographics and regional facilities factored into the projections.

The demographics and central location of Cedar Rapids also strongly enhance Cedar Bayou's potential. Cedar Rapids population of 130,000 and Linn County's overall population of 220,000 provide a more than ample population base to support daily programs at the Aquatic Center and local visitors to the Water Park. The location of Cedar Rapids within easy driving distance of Chicago, Des Moines, Minneapolis, St. Louis and multiple states makes the location ideal for hosting regional swim meets and attracting destination visitors to the Water Park. The population of over 1,000,000 people within a 60-mile radius of Cedar Rapids support the joint water park and hotel visitor plan and the population of over 25,000,000 within a four and a half hour drive provides added destination potential for Aquatic Center events and the Water Park.

The financial projections are management based, taking into account all of the large and small costs actually involved in managing and operating safe and cost effective facilities. The Aquatic Center and Water Park also include annual accrual for the long term Cash Reserve Fund to support future replacement, updates, capital maintenance, and other long

term expenses. Hotel expenses are based on number of rooms and have been provided by local hotel management groups. Hotel expenses include both management and hotel franchise fees.

#### WATER PARK AND AQUATIC CENTER PROFIT & LOSS

NOTE: 5-year annual P & L statement follow:

**CEDAR BAYOU WATER PARK & AQUATIC CENTER**  
**Profit & Loss Summary Pre-Open to Year Five**

December 10, 2016

<b>EXPENSES</b>	<b>Pre-Open Yr</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>OPERATIONAL EXPENSES</b>	<b>\$ 731,150</b>	<b>\$ 4,104,897</b>	<b>\$ 4,325,568</b>	<b>\$ 4,485,219</b>	<b>\$ 4,651,788</b>	<b>\$ 4,865,744</b>
Aquatics Center Utilities	\$ -	\$ 514,000	\$ 529,420	\$ 545,303	\$ 561,662	\$ 578,512
Aquatics Center Maintenance	\$ -	\$ 73,000	\$ 76,800	\$ 80,875	\$ 85,249	\$ 129,950
Indoor Water Park Utilities	\$ -	\$ 650,300	\$ 669,809	\$ 689,903	\$ 710,600	\$ 731,918
Indoor Water Park Maintenance	\$ -	\$ 130,000	\$ 143,000	\$ 157,300	\$ 173,030	\$ 190,333
Outdoor Grounds & Facilities Utilities	\$ -	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255
Equipment and Supplies	\$ 13,000	\$ 30,500	\$ 31,720	\$ 32,989	\$ 34,308	\$ 35,681
Overall CB Complex Staff	\$ 510,400	\$ 1,097,990	\$ 1,156,730	\$ 1,199,619	\$ 1,244,224	\$ 1,290,612
Aquatic Center Staff	\$ 111,750	\$ 472,882	\$ 501,871	\$ 521,506	\$ 541,926	\$ 563,163
Indoor Water Park Staff	\$ 71,000	\$ 734,120	\$ 782,741	\$ 813,471	\$ 845,429	\$ 878,667
General Office Expenses (includes expenses)	\$ 25,000	\$ 292,105	\$ 323,177	\$ 333,645	\$ 344,432	\$ 355,653
Miscellaneous	\$ -	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
<b>PROGRAM EXPENSES</b>	<b>\$ 8,500</b>	<b>\$ 296,562</b>	<b>\$ 336,250</b>	<b>\$ 375,988</b>	<b>\$ 400,281</b>	<b>\$ 417,814</b>
Community and Educational Programs	\$ -	\$ 23,200	\$ 25,580	\$ 27,210	\$ 28,463	\$ 29,773
Fitness and Therapy	\$ 3,000	\$ 34,900	\$ 39,113	\$ 41,786	\$ 43,669	\$ 45,644
Aquatic Programs and In-House Teams	\$ 2,000	\$ 50,869	\$ 56,964	\$ 60,847	\$ 63,598	\$ 66,482
Learn to Swim	\$ 3,500	\$ 126,468	\$ 149,002	\$ 177,734	\$ 194,200	\$ 203,526
Camps and Clinics	\$ -	\$ 51,125	\$ 55,591	\$ 58,411	\$ 60,352	\$ 62,388
Program Scholarships and Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	\$ -	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
<b>PROPERTY TAXES</b>	<b>\$ -</b>	<b>\$ 392,958</b>	<b>\$ 392,958</b>	<b>\$ 392,958</b>	<b>\$ 392,958</b>	<b>\$ 392,958</b>
<b>INSURANCE</b>	<b>\$ -</b>	<b>\$ 400,000</b>	<b>\$ 412,000</b>	<b>\$ 424,360</b>	<b>\$ 437,091</b>	<b>\$ 450,204</b>
<b>LAND LEASE PAYMENT</b>	<b>\$ -</b>	<b>\$ 150,000</b>	<b>\$ 150,000</b>	<b>\$ 150,000</b>	<b>\$ 150,000</b>	<b>\$ 150,000</b>
<b>DEBT SERVICE-Operational Line of Credit</b>	<b>\$ -</b>	<b>\$ 152,000</b>	<b>\$ 152,000</b>	<b>\$ 152,000</b>	<b>\$ 152,000</b>	<b>\$ -</b>
<b>DEBT SERVICE-Project Capital Debt</b>	<b>\$ -</b>	<b>\$ 3,003,775</b>	<b>\$ 3,003,775</b>	<b>\$ 3,003,775</b>	<b>\$ 3,003,775</b>	<b>\$ 3,003,775</b>
<b>TOTAL EXPENSES</b>	<b>\$ 739,650</b>	<b>\$ 8,500,191</b>	<b>\$ 8,772,550</b>	<b>\$ 8,984,301</b>	<b>\$ 9,187,893</b>	<b>\$ 9,280,495</b>

**INCOME**

<b>FACILITY REVENUE</b>	<b>\$ 225,000</b>	<b>\$ 13,055,919</b>	<b>\$ 14,995,485</b>	<b>\$ 15,626,428</b>	<b>\$ 16,238,689</b>	<b>\$ 16,877,110</b>
Educational, Camp and Clinic Program Rentals	\$ -	\$ 60,000	\$ 63,750	\$ 66,050	\$ 67,603	\$ 69,233
Aquatic Training and Club Use	\$ -	\$ 511,500	\$ 533,775	\$ 552,444	\$ 570,296	\$ 588,747
Sports Performance and Conditioning Programs	\$ -	\$ 15,000	\$ 15,600	\$ 15,918	\$ 16,246	\$ 16,583
Events						
Aquatic	\$ -	\$ 380,662	\$ 456,365	\$ 506,430	\$ 521,623	\$ 538,969
Sales	\$ -	\$ 4,603,600	\$ 5,412,600	\$ 5,630,968	\$ 5,856,710	\$ 6,091,507
Memberships & Admissions	\$ 225,000	\$ 7,320,158	\$ 8,348,395	\$ 8,689,618	\$ 9,041,213	\$ 9,407,072
Facility Sponsorships/Advertising/Contributions	\$ -	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
School District Operating Subsidy	\$ -	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>PROGRAM REVENUE</b>	<b>\$ -</b>	<b>\$ 677,900</b>	<b>\$ 785,035</b>	<b>\$ 895,838</b>	<b>\$ 961,222</b>	<b>\$ 1,005,534</b>
Community and Educational Programs	\$ -	\$ 30,000	\$ 34,500	\$ 37,260	\$ 39,123	\$ 41,079
Fitness and Therapy	\$ -	\$ 70,000	\$ 80,500	\$ 86,940	\$ 91,287	\$ 95,851
Learn to Swim	\$ -	\$ 349,000	\$ 415,800	\$ 501,864	\$ 550,550	\$ 577,328
Camps and Clinics	\$ -	\$ 125,000	\$ 136,250	\$ 143,150	\$ 147,808	\$ 152,698
Aquatic In-House Team/Training Programs	\$ -	\$ 93,900	\$ 107,985	\$ 116,624	\$ 122,455	\$ 128,578
Program Sponsorships/Advertising/Contributions	\$ -	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL INCOME</b>	<b>\$ 225,000</b>	<b>\$ 13,733,819</b>	<b>\$ 15,780,520</b>	<b>\$ 16,522,266</b>	<b>\$ 17,199,912</b>	<b>\$ 17,882,644</b>
<b>NET OPERATING REVENUE (DEFICIT)</b>	<b>\$ (514,650)</b>	<b>\$ 5,233,628</b>	<b>\$ 7,007,969</b>	<b>\$ 7,537,965</b>	<b>\$ 8,012,019</b>	<b>\$ 8,602,150</b>

**Fund Accrual and Payouts: Option #1**

Accrue \$6M for Phase Two Water Park construction by Year Two

<b>CASH RESERVE FUND CONTRIBUTION</b>	<b>\$ 400,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,884,491</b>	<b>\$ 2,003,005</b>	<b>\$ 2,150,537</b>
Cash reserve percentage of Net Operating Revenue		8%	21%	25%	25%
<b>CASH RESERVE FUND CUMMULATIVE ACCRUAL</b>	<b>\$ 400,000</b>	<b>\$ 1,900,000</b>	<b>\$ 3,784,491</b>	<b>\$ 5,787,496</b>	<b>\$ 7,938,033</b>
<b>PHASE TWO CAPITAL FUND CONTRIBUTION</b>	<b>\$ 4,000,000</b>	<b>\$ 2,000,000</b>			
<b>PHASE TWO PROJECT CAPITAL CUMMULATIVE ACCRUAL</b>	<b>\$ 4,000,000</b>	<b>\$ 6,000,000</b>			
<b>INVESTOR DIVIDEND PAYOUT</b>	<b>\$ 733,628</b>	<b>\$ 3,407,969</b>	<b>\$ 5,553,474</b>	<b>\$ 5,909,014</b>	<b>\$ 6,351,612</b>
Dividend Payout percentage of Net Operating Revenue		14%	49%	75%	75%
<b>TOTAL FUND ACCRUAL AND PAYOUTS</b>	<b>\$ 5,133,628</b>	<b>\$ 6,907,969</b>	<b>\$ 7,437,965</b>	<b>\$ 7,912,019</b>	<b>\$ 8,502,150</b>
<b>NET OPERATING REVENUE (DEFICIT) AFTER ACCRUAL AND PAYOUTS</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>

### Program Net Revenue

A summary of the profit/loss and profit margin for each key program in the Aquatic Center was also developed. The overall profit margin on the revenue generating programs in the Aquatic Center is 57%. These programs include the following:

- Community Education Programs 26% profit margin
- Fitness and Therapy programs 51%
- Learn to Swim 64%
- Camp and Clinic Programs 59%
- Winter Rec Swim Team 48%
- Summer Rec Swim Team 38%
- Masters & Triathlon Team 48%

### Capital Reserve Fund

- Supports long term equipment replacement and capital maintenance
- Creates operating and capital reserve for expansion, new programs, growth, and an operational safety net
- Annual Capital Reserve Fund contribution is targeted at 25% of operating profit by Year 3
- Budget projections for Capital Reserve Fund Contributions:

Year 1 contribution	\$ 400,000	8%
Year 2	\$1,500,000	21%
Year 3	\$1,884,491	25%
Year 4	\$2,003,005	25%
Year 5	\$2,150,537	25%
<b>TOTAL ACCRUAL BY YEAR FIVE:</b>		<b>\$7,938,033</b>

- Target for Year 10 is \$12,000,000
  - Assumes that replacement and capital replacement expenses will begin to reduce fund beginning in Year 5 or 6

### Investor Dividend Payouts

- Target payout of 75% of operational profit by Year 3
- Budget projections for Investor Dividend Payouts

Year 1 payout	\$ 733,628	14%
Year 2	\$ 3,407,969	49%
Year 3	\$ 5,553,474	75%
Year 4	\$ 5,909,014	75%
Year 5	\$ 6,351,612	75%
<b>TOTAL PAYOUT BY YEAR FIVE:</b>		<b>\$22,914,117</b>

### Annual Profit & Loss

After the Capital Fund Reserve, Phase Two Capital Accrual, and Investor Dividend payouts the annual P & L shows a remaining surplus of \$100,000 each year. This serves as an operational buffer.



## HOTEL FINANCIALS

The hotel calculations of expenses and revenue are based on discussions with local and regional hotel management companies and a recent Cedar Rapids Lodging Analysis undertaken by Young Strategies for the Cedar Rapids Area Convention & Visitors Bureau. Using current market occupancy and rate averages broken out by the day of the week and month of the year we were able to estimate the impact of the Water Park and Aquatic Center events on hotel averages and develop projections for the Phase 1 hotel. Based on the rooms generated by events and water park visitors, the weighted mix of regular rooms and suites, and the market positioning of a national chain franchise property, the hotel projections were above the Cedar Rapids averages. Hotel revenue calculations are based on the following assumptions:

- Average occupancy rate increases from city wide average of 60% to 70%
- Average effective daily rate for room at Cedar Bayou hotel is \$125, up from the Cedar Rapids average of \$87
- Average total revenue per available room (RevPAR) projects to \$91, up from Cedar Rapids average of \$52

These projections are validated by USA Swimming research on swim meet hotel use and costing and the rate structure favorably positions Cedar Bayou compared to competing event venues in terms of hotel access and cost, providing another important advantage to attracting events to the Cedar Bayou Aquatic Center.

Summary of Hotel 5-year annual P & L Statement follows:

**CEDAR BAYOU HOTEL PHASE ONE**  
**Profit & Loss Summary Pre-Open to Year Five**

November 15, 2016

<b>EXPENSES</b>	<b>Pre-Open Yr</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>HOTEL EXPENSES</b>	<b>\$ -</b>	<b>\$ 3,823,948</b>	<b>\$ 3,906,073</b>	<b>\$ 3,990,662</b>	<b>\$ 4,077,788</b>	<b>\$ 4,167,528</b>
Hotel Expenses based on number of rooms	\$ -	\$ 2,737,500	\$ 2,819,625	\$ 2,904,214	\$ 2,991,340	\$ 3,081,080
Miscellaneous	\$ -	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
PROPERTY TAXES	\$ -	\$ 120,042	\$ 120,042	\$ 120,042	\$ 120,042	\$ 120,042
DEBT SERVICE-Project Capital Debt	\$ -	\$ 916,406	\$ 916,406	\$ 916,406	\$ 916,406	\$ 916,406
<b>TOTAL EXPENSES</b>	<b>\$ -</b>	<b>\$ 3,823,948</b>	<b>\$ 3,906,073</b>	<b>\$ 3,990,662</b>	<b>\$ 4,077,788</b>	<b>\$ 4,167,528</b>
<b>INCOME</b>						
<b>HOTEL REVENUE</b>	<b>\$ -</b>	<b>\$ 4,921,344</b>	<b>\$ 5,437,938</b>	<b>\$ 5,705,415</b>	<b>\$ 5,986,089</b>	<b>\$ 6,280,613</b>
Hotel Room Revenue	\$ -	\$ 4,496,344	\$ 4,995,938	\$ 5,245,735	\$ 5,508,022	\$ 5,783,423
Food and Beverage Revenue	\$ -	\$ 425,000	\$ 442,000	\$ 459,680	\$ 478,067	\$ 497,190
<b>TOTAL INCOME</b>	<b>\$ -</b>	<b>\$ 4,921,344</b>	<b>\$ 5,437,938</b>	<b>\$ 5,705,415</b>	<b>\$ 5,986,089</b>	<b>\$ 6,280,613</b>
<b>NET OPERATING REVENUE (DEFICIT) BEFORE FEES</b>	<b>\$ -</b>	<b>\$ 1,097,396</b>	<b>\$ 1,531,865</b>	<b>\$ 1,714,753</b>	<b>\$ 1,908,301</b>	<b>\$ 2,113,084</b>
Hotel Management Companyt Fee (3% of gross revenue)	\$ -	\$ 147,640	\$ 163,138	\$ 171,162	\$ 179,583	\$ 188,418
Hotel Franchise Fee (12% of gross revenue)	\$ -	\$ 590,561	\$ 652,553	\$ 684,650	\$ 718,331	\$ 753,674
<b>NET OPERATING REVENUE (DEFICIT) AFTER FEES</b>	<b>\$ -</b>	<b>\$ 359,195</b>	<b>\$ 716,174</b>	<b>\$ 858,941</b>	<b>\$ 1,010,387</b>	<b>\$ 1,170,992</b>
<b>Fund Accrual and Payouts: Hotel Phase One</b>						
<b>CASH RESERVE FUND CONTRIBUTION</b>	<b>\$ -</b>	<b>\$ 107,426</b>	<b>\$ 128,841</b>	<b>\$ 151,558</b>	<b>\$ 175,649</b>	
Cash reserve percentage of Net Operating Revenue		0%	15%	15%	15%	15%
<b>CASH RESERVE FUND CUMMULATIVE ACCRUAL</b>	<b>\$ -</b>	<b>\$ 107,426</b>	<b>\$ 236,267</b>	<b>\$ 387,825</b>	<b>\$ 563,474</b>	
<b>INVESTOR DIVIDEND PAYOUT</b>	<b>\$ -</b>	<b>\$ 558,748</b>	<b>\$ 680,100</b>	<b>\$ 808,829</b>	<b>\$ 945,344</b>	
Dividend Payout percentage of Net Operating Revenue		0%	36%	40%	42%	45%
<b>TOTAL FUND ACCRUAL AND PAYOUTS</b>	<b>\$ -</b>	<b>\$ 666,174</b>	<b>\$ 808,941</b>	<b>\$ 960,387</b>	<b>\$ 1,120,992</b>	
<b>NET OPERATING REVENUE (DEFICIT) AFTER ACCRUAL AND PAYOUTS</b>	<b>\$ -</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>

### Hotel Capital Reserve Fund

- Supports long term equipment replacement and capital maintenance
- Creates operating and capital reserve for expansion, new programs, growth, and an operational safety net
- Annual Capital Reserve Fund contribution is targeted at 25% of operating profit by Year 3
- Budget projections for Capital Reserve Fund Contributions:

Year 1 contribution	\$	0	0%
Year 2	\$	107,426	15%
Year 3	\$	128,841	15%
Year 4	\$	151,558	15%
Year 5	\$	175,649	15%
TOTAL ACCRUAL BY YEAR FIVE:		\$563,474	

- Target for Year 10 is \$1,000,000
  - Assumes that replacement and capital replacement expenses will begin to reduce fund beginning in Year 5 or 6

### Hotel Investor Dividend Payouts

- Budget projections for Investor Dividend Payouts

Year 1 payout	\$	0	0%
Year 2	\$	558,748	36%
Year 3	\$	680,100	40%
Year 4	\$	808,829	42%
Year 5	\$	1,120,992	45%
TOTAL PAYOUT BY YEAR FIVE:		\$ 3,168,669	

### **AQUATIC CENTER and WATER PARK MANAGEMENT and STAFFING**

A critical component to the success and viability of the Aquatic Center and the Water Park will be the business oriented and entrepreneurial approach to management of the Park and Aquatic Center. The financial projections have included a robust management and staffing structure providing the professional staffing needed to meet facility program, attendance, event, and revenue goals. Salary levels have been established to draw top management, program, and event staff to support the activities of the facility. Budget funding has also been provided to support marketing, registration systems, IT and communications, and other key services needed to run a professional and profitable business. A tentative organizational chart is attached to this report.

### **HOTEL MANAGEMENT**

Hotel management will be outsourced to a hotel management firm that is yet to be determined.

### **ECONOMIC IMPACT**

The Bayou Park Complex provides significant economic benefits to Cedar Rapids and the surrounding area. This impact includes job creation, event driven sports tourism, water

park tourism, and significant daily users of the Aquatic Center and its programs from outside Cedar Rapids.

#### Job Creation-Water Park and Aquatic Center

- Construction: 50-60 Full Time Equivalent jobs over 16-18 months
- Permanent jobs:
  - 11 Management positions
  - 60-85 part-time lifeguard jobs
  - 30-40 instructor and counselor part-time positions
  - Additional maintenance and custodial services
  - Approximately \$13,500,000 in salaries and wages generated by the Water Park and Aquatic Center over the first five years of operation

#### Aquatic Center Event Economic Impact

The current event model generates an annual average of \$4,450,000 in direct spend and an overall economic impact of \$7,150,000 by Year 3 (NOTE: overall economic impact is calculated by multiplying direct spend by 1.6 to account for money staying in the area and recirculating). The events generate approximately 16,900 hotel room nights by Year 3.

#### Water Park Economic Impact

Water Park visitors and overnight guests will also generate significant tourism economic impact for the City and region. Direct spend will be approximately \$6,000,000 per year with an overall economic impact of \$9,600,000

#### **SUMMARY**

ISG has completed the Feasibility study of Phase One of the Cedar Bayou project, including the aquatic center, indoor waterpark, and the Phase One 50% of hotel rooms. The analysis indicates an overall operating and financial model that can be sustainable and generate the revenue and profits needed to support investor dividends, debt service, and the long term cash reserve and maintenance needs of the overall complex and all its elements. The initial operating years will also provide the needed funding and operating support to move quickly to Phase Two and Phase Three of the project, including the outdoor waterpark, expansion of the hotel, and ultimately a field house and conference center on the site.

The combination of the waterpark, competitive multi-purpose aquatic center, and the hotel on site is a combination of facilities unique in the US but found to be successful in Canada and other locations around the world. The combination of the waterpark and competitive aquatic events sustains a strong year round demand for hotel rooms, especially on weekends and holidays. The waterpark features and the aquatic center community programs, including learn to swim, fitness, seniors, and all levels of competitive programs offer great synergy, benefitting the participation and revenue both facilities.

*ISG is a Preferred Professional Provider of the USA Swimming Facilities Department.*

