

THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION
Department of Park and Planning, Montgomery County, Maryland
9500 Brunett Avenue • Silver Spring, Maryland 20901



July 11, 2003

MEMORANDUM

TO: The Montgomery County Planning Board
FROM: Jerry Bush, Administrative Supervisor *JB*
SUBJECT: Proposed Indoor Baseball Training Facility – Demand Analysis

This memo presents my assessment of the June 6, 2003 research report prepared by Woelfel Research, Inc. and submitted by Montgomery Lane, LLC (Proposer) regarding public interest in the proposed indoor baseball training facility in Cabin John Regional Park.

We asked for and were anticipating the results of a "market analysis" that:

- assessed the local area demographics.
- calculated the local demand for such a facility based on national and local user patterns for such activities.
- calculated the unmet demand based on the number of facilities currently operating in the area versus the total potential demand.
- factored in location of the facility and distances that users were likely to travel to use the facility.
- applied the results to the proposed operating schedule and proposed fees with a clear link to the previous pro forma submitted for the project.

attached, for example, is a table of contents from a market analysis performed for the renovation of the Cabin John Ice Rink that illustrates the type of information and level of detail we would have expected in support of this proposed facility.

The research report (Report) received from the Proposer did none of the above and could be characterized as more of an opinion survey or expression of interest than a market analysis. We would have expected a more scientific and detailed approach to how this facility will be used. The current as well as unmet demand based on a sound demand analysis, as opposed to the current as well as unmet demand based on a sound demand analysis, as opposed to people and groups definitely/probably/might do as expressed in an opinion survey.

In addition, there were several specific shortcomings with their Report.

- The sampling size for this research is very small calling into question the statistical accuracy of the results. Also, with such a small total sampling, the significance of various charts throughout the Report is, at the very least, misleading due to the number of respondents in each category that feed into those charts.

For instance, one chart (Potential Usage by Day of Week – Page 15 of the Report) illustrates that 50% of the MC High Schools that definitely/probably/might use the facility would use it on weekdays and 50% would use it weekdays and weekends. In each case, the 50% represents one response. Another chart (Average Amount Spent Annually at Other Facilities – Page 24 of the Report) shows the average High School expenditure at \$450/year at similar facilities. This average represents one response.

- Of the various user groups that are projected to use this facility, several were excluded from the interviews. Those not interviewed included corporate users (basketball), the Montgomery County Department of Recreation (day camps), non-profit organizations (various activities), and Georgetown University (baseball).

- The results of the report do not connect back to the financial projections presented in the Proposer's development proposal. For instance, though the report indicates that selected groups would use the facility during certain times and days of the week, there is no attempt to translate that expression of interest into an operational schedule that demonstrates that all the "demand" can be met without competing priorities for time and that their assumption of 100% occupancy rate for many activities and time slots is supported by the data.

As a result, there is no clear indication if the projected interest in this facility, as stated in the Report, supports or ties to the financial projections in the development proposal.

- The distance people would have to travel to use this facility would normally be a key consideration in performing a market analysis, but it was not a factor in the Proposer's research. In past customer surveys, we have found location to be a very strong, if not the primary determining, factor in why people use certain facilities. While distance traveled may or may not be a severe limiting factor in how well the indoor baseball facility will be used, not dealing with the issue as part of this research represents a significant oversight in the methodology of the study and further calls into question the accuracy of the Report.

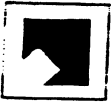
Even if one were to take this Report at face value, the results are hardly compelling. Of the ten high school coaches interviewed, only two said they would definitely/probably use this facility. Only 40% of the leagues, which would be considered a strong user base of support for this facility, would definitely/probably use the facility. And of the 75% of individuals interviewed for this Report who said they would definitely/probably use the facility, their use would be largely one-dimensional as the batting cages and batting/hitting practice were, far and away, the activities in which they would be most likely to participate.

I've attached a copy of my March 26, 2003 memo regarding this proposed facility. The comments in that memo were directed at the Proposer's March 17, 2003 development proposal and remain valid today, as their proposal stands as submitted back in March. The

general thrust of my comments in that memo remain valid, as well, with respect to June 6th Report from the Proposer. The information submitted by the Proposer in support of this proposed venture remains lacking in several respects and does not adequately defend the supposed merits of their proposal.


Attachments

THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION
Department of Park and Planning, Montgomery County, Maryland
9500 Brunett Avenue • Silver Spring, Maryland 20901



March 26, 2003

MEMORANDUM

TO: Terry Brooks, Special Program Coordinator
FROM: Jerry Bush, Administrative Supervisor 
SUBJECT: Proposed Indoor Baseball Training Facility

Per your request, this memorandum provides my assessment of the proposal by Montgomery Lane to build and operate an indoor baseball training facility in the Cabin John Regional Park athletic area. Throughout this process, my involvement has been to evaluate and comment on the viability of the proposal from a variety of perspectives, but primarily with respect to the operational and programmatic aspects of such a venture, including whether the projected revenues and expenditures appeared reasonable and achievable. In general, I can state the following.

In size, building type, maintenance requirements, building utilities, etc., such a facility would be most like our indoor tennis facility at Cabin John. Our experience has shown that this type of facility is fairly cost effective to maintain and operate. With an operation that is heavily dependent on rental income as its source of revenue, this bodes well for maintaining a positive bottom line. Even so, their combined (Montgomery Lane and BCC Baseball) projected operating costs (minus debt service, taxes, and roof escrow) of about \$186K/year appear to be greatly understated, perhaps by a quarter to a half.

Programatically, this proposed facility is unlike any other indoor facility in our park system. From that standpoint, it makes it somewhat difficult to evaluate the demand for such a facility and hence its revenue potential. However, based on the size of the facility and its general programmatic theme, I have felt all along that it would generate about \$500-\$600K per year (current dollars). Therefore, their projected revenues of around \$475K are "in the ball park", but they are questionably adequate given my comments above on projected costs.

Generally, their program assumptions with respect to peak use periods and seasons, types of programs, user groups that the facility may accommodate, and other such aspects of the program appear reasonable. Proposed fees also appear reasonable on average, though there is no clear explanation of the reasons behind the wide range of fees or the different charges per user type and time block.

Unfortunately, these few general comments and qualified opinions are indicative of the amount and specificity of the information we have received from Montgomery Lane regarding this proposed public-private venture. Despite numerous attempts on the part of staff to clarify various aspects of this proposal, the information contained in the proposal remains insufficient, contradictory, and confusing. For example:

- Since no staffing plan has been forthcoming, despite the requirement to submit one, it is impossible to evaluate if the facility will receive proper coverage, thus limiting our ability to render an informed opinion about projected staff costs.
- Until just recently, it was difficult to determine whether Montgomery Lane as the tenant, or BCC Baseball as the lessee, would be responsible for interior building maintenance (custodial, systems maintenance, ongoing repairs, etc.). Though Montgomery Lane just recently declared that BCC would assume this responsibility, there is still no clear idea if and where BCC is reflecting such costs in their pro forma.
- It is difficult to determine how the facility will function operationally. Without fully understanding the landlord-tenant relationship between Montgomery Lane and BCC, I cannot determine who will actually be managing the facility, how revenue will flow or be accounted for, who is responsible for scheduling and programming the facility, and other key operational matters. While one can make assumptions as to this relationship, it should be clearly outlined in the proposal.
- Program schedules and revenue assumptions appear in several different places in the proposal and in several different formats. The inconsistency in the way the information is presented makes it difficult to tie revenue projections to program schedules and to determine if there is overlap or unnecessary gaps in the program schedule. Often, considerable staff time has been spent merely trying to interpret the meaning and intent of the information contained in the proposal.
- With the exception of the batting cages, revenue projections appear to assume full usage of the facility throughout most of the program schedule. Normally, this would be an overly optimistic and unlikely scenario. Nonetheless, there is insufficient data in their proposal to explain or support such an assumption.
- In general, the revenue projections in the proposal are listed with insufficient explanation to support the numbers. For instance, batting cage projections are based on 40% capacity, but there is no supporting information as to the fees to be charged, users per hour, etc.

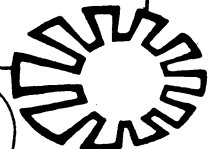
The above listed examples are not all inclusive of the difficulties I ran into in evaluating this proposal. The very fact that the information remains incomplete and confusing not only makes it difficult to render an informed opinion, but it calls to question the thought that has been given to this proposal and the overall accuracy and credibility of the information.

While the idea of such a facility, particularly with its currently proposed size and features, is intriguing, I cannot recommend with any certainty or level of comfort that this is a viable venture that deserves Planning Board approval at this time.

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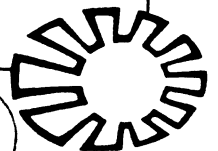


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