

# **BUSINESS PLAN FOR RPCC ARENA EXPANSION**

## **FEBRUARY 14, 2007**

### **INTRODUCTION**

The original Rushmore Plaza Civic Center was approved in 1972 and construction was completed in 1977. What was originally conceived as a necessary replacement for the condemned City Auditorium grew into a 10,000 seat Arena, 1,799 seat Theatre and a 16,000 sq. ft. Convention space. The initial push from the Community came from a need to not only replace the outgrown and condemned Auditorium, but also a desire to host the State A Boys Basket ball Tournament (in rotation with Sioux Falls). The community grew and the need for a larger community center and economic development tool was acknowledged. On June 21, 1977 Elvis Pressley performed as the Grand Opening Ceremony. As the use and benefit of the facility increased, major additions occurred in 1986 for an additional 14,000 sq. ft. tradeshow/convention space and a Food Court addition. Dressing rooms, commissary and staging buildings were also added as demand for the facility increased.

What was once envisioned to be an alternating site for the State Basketball Tournament, and local Theatre productions has grown into a facility that annually hosts over 800 events, over 1,300 event days and over 1,000,000 customers. Guests of the Rushmore Plaza Civic Center have been treated to events that included United States Presidents, world renowned performing artists, national sporting teams and Broadway productions. Well over a majority of the events at the facility are governmental, non-profit and educational events. The Rushmore Plaza Civic Center was and continues to be the Community Center for Rapid City and much of the Black Hills.

What the Rushmore Plaza Civic Center contributes to our region is exemplified by the potential closing of Ellsworth AFB. After months of work, by thousand of volunteers, the base closing commission met at the Rushmore Plaza Civic Center with 6,000 determined supporters in attendance. In the end the Rushmore Plaza Civic Center played an integral part in the saving of the EAFB.

## **INCREASED DEMAND ON FACILITY USE**

The growth of our community and the corresponding growth in the use of the Rushmore Plaza Civic Center justifies another expansion of the facility. After thirty years of dedicated service, the demand for the facility has grown well beyond the current capacity. Rushmore Plaza Civic Center staff regularly is forced to turn away new events and expansion of existing events. A number of Rapid City's largest events are forced to limit growth or make due with less than adequate space. Two examples are the Black Hills Stock Show and Rodeo and the Lakota Nations Invitational Tournament. The Black Hills Stock Show and Rodeo has been at or beyond capacity for several years. The waiting list for new vendors and events grow every year. The Rodeo has been nominated and won the Best Large Indoor Rodeo award many times. It has also been broadcast on National television several times. The Lakota Nation Invitational Tournament has been featured in Sports Illustrated but, due to lack of space and the resulting struggle to book high school gyms for consolation rounds, was forced in 2007 to decrease the Tournament length by twenty per-cent (20%). That event fills the Rushmore Plaza Civic Center with not only basketball events but also hand games, wrestling, boxing, knowledge bowl, art shows and more. The tournament features twenty eight (28) teams and tens of thousands of fans and participants form all over our region. The attendees come from all over the region to attend the event, stay in our hotels, eat in our restaurants, shop at our retailers and enjoy our wonderful community.

## **BUSINESS AND COMMUNITY SERVICE OPPORTUNITIES**

The purpose of the proposed expansion is to increase facility size to meet the communities increased demand for use and events. The proposed arena will be capable of providing room for expansion of existing events and will be the catalyst that will attract new events. The CVB and Chamber of Commerce have verified the need for additional convention and trade show space. Community non-profits have expressed the need for more space to grow existing events and to reduce the problems created by limited space and conflicting scheduling demands. The sports community continues to demand more professional and semi-professional events.

The new arena will facilitate accommodation of the increased demand for non-profit and community based use as well as provide a venue to attract profitable professional sporting events. Profits from commercial events offset the break even or loss incurred from the majority of the community and non-profit events held at Rushmore Plaza Civic Center.

The proposed arena has the capability of use for basketball, hockey, wrestling, soccer, convention, concerts, trade shows and other uses. The design incorporates the seating, amenities and technical capacity to provide an NHL regulation sheet of ice. This presents the great opportunity to contract with professional and Tier 1 hockey events. The booking of a Rapid City Professional or Tier 1 Hockey team will provide a revenue source to fund the operation of the new arena. With the ice the Rushmore Plaza Civic Center will be able to provide professional or Tier 1 hockey as well as the many professional ice shows that are available in our competing facilities but not currently in Rapid City. Also the facility can team with the other facilities in town to bring in large regional youth hockey tournaments. The possibilities are only limited by imagination. Motorcycle racing on ice during the Rally and Broadway Play productions performed on ice are a couple of examples.

Finally, the need for additional leaseable space during the busiest times is uncontroverted. As with arenas all over the country, Rushmore Plaza Civic Center is busiest from fall through spring. There is only one weekend per week and that is when a majority of bookings are requested. Our saying here at the Rushmore Plaza Civic Center is "we work when other people play." From mid fall through late spring virtually every weekend is booked. With an additional space to seat from 5,000 to 6,700 or tradeshow/convention space of approximately 30,000 sq. ft. the Rushmore Plaza Civic Center can continue to provide the space and services our community needs and demands. Most importantly Rushmore Plaza Civic Center will have 365 more times each year to say yes to a new or improved event.

## **BUSINESS REVENUES AND EXPENSES**

The revenues and expenses are projected based on assumptions regarding use. The attraction of a professional or Tier 1 Hockey team would solidify the revenue. Revenues and expenses can be projected based on a comparison with other similar facilities in the region and the existing Rapid City Roosevelt Ice Arena. Projections are as follows:

***Please see the attached document***

## **SUMMARY**

The new arena is projected to generate revenues sufficient to cover the cost of operation, maintenance and deferred maintenance. Excess revenues will be allocated to overall facility deferred maintenance, facility upgrades to enhance ADA needs, promote the facility and continue to make up for break even or loss events resulting from non-profit and community uses.

## Projected Addition Expenses

Insurance	\$29,500
Repairs	\$26,500
Janitor, Chemicals, & Supplies	\$32,500
Electricity and Gas	\$148,500
Water	\$7,500
Marketing (non-reimbursed)	\$18,500
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	\$263,000
Labor (non-reimbursed)	\$220,000
Benefits	\$45,800
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<b>TOTAL</b>	<b>\$528,800</b>

## Projected Addition Revenues

New and Additional for Profit and large Non-Profit Events*	41
Average Net Revenue per event	\$16,090
Semi-Total	<hr/>
	\$659,690
New and Additional Smaller School and other Non-Profit Events **	28
Average Net Revenue per event	\$74
Semi-Total	<hr/>
	\$2,072
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<b>TOTAL</b>	<b>\$661,762</b>

## Projected Net Revenues

**\$132,962**

\* New and Additional Events for Profit and Large Non-Profit Events are to include events similar to the High School tournaments we do which include wrestling, basketball and volleyball. These would include Youth Hockey Tournaments, and State sanctioned events that we currently turn away because of a lack of date availability. Other events included would consist of concerts, comedians, national speakers, political rallies (such as the democrat and republican rallies), motorcycle racing on ice, new skating ice shows (such as Champions on Ice), additional ice productions (such as Broadway on Ice), additional trade shows (similar to Journal Garage Sale, Gem and Mineral Show, Country Fair, etc.) and demonstrations such as cooking and chef shows, and Counts Car Show, and finally the expansion of the large events we currently have out grown, such as the Black Hills Stock Show and Rodeo, the Lakota Nation's Invitational Tournament, and the Black Hills Home Builders Show.

\*\* New and Additional Smaller School and other Non-Profit Events would include additional High School basketball games (such as West River Tournament and the Pine Ridge vs. Red Cloud games), band events such as the All-State Chorus and Choir competition, religious events such as Acquire the Fire and Superchick, fund raising events such as the Chamber Annual Meeting, and community events such as the efforts to save EAFB.