

Staying in the Sw

On March 4, two CEOs locked horns in a bidding war in U.S. District Court in Denver over ownership of Colorado's Ocean Journey. The nonprofit, \$93 million aquarium near downtown Denver had filed for Chapter 11 bankruptcy with \$63 million of debt—and both Bob Masterson and Tilman Fertitta wanted to buy it.



Masterson, president of Orlando-based Ripley Entertainment, which owns aquariums in Myrtle Beach, South Carolina, and Gatlinburg, Tennessee, had announced a bid of \$4.5 million for the aquarium's assets and operation—but didn't want to assume any of the debt.

On the day the bankruptcy court heard Ripley's bid, Tilman Fertitta, president, chairman, and CEO of Landry's Restaurants Inc., showed up with a \$4.6 million bid. The Houston-based company, which owns and operates 280 restaurants, including Rainforest Cafes, Joe's Crab Shacks, and Landry's Seafood

Houses, was hot off the recent opening of its \$34 million Downtown Aquarium in Houston. Masterson countered with \$4.7 million; Fertitta bid \$4.8 million.

The two CEOs raised the stakes in \$100,000 increments until Fertitta hit \$13.6 million. Masterson quit, and Fertitta became the owner of his second aquarium in less than a month. The aquarium will get a new name—Downtown Aquarium in Denver—and renovations that will include a restaurant.

Afterward, Masterson admitted he had made a mistake bidding as high as he did for the aquarium. "Even at the number I went up to in the end, that would have been a bad decision for me," he said. "We spent a lot of time

there in Denver and visiting the aquarium, and we did a lot of indepth work. The \$4.5 million we put in was not a low-ball number; it was a real number."

Does this mean aquariums are over-valued, both financially and in their impact on community development?

The darlings of development

For more than 10 years, aquariums were the darlings of urban developers, but the bankruptcy of Ocean Journey and the struggles of other nonprofit, government-supported aquariums from Camden, New Jersey, to Long Beach, California, may have soured cities on building giant fish tanks. The notion that aquari-

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Why aquariums succeed—or fail.

By Eric Minton



Eric Minton

Although it failed under its original ownership, Colorado's Ocean Journey was bought this March by a Houston company that expects to renovate and reopen the aquarium—with a new name and a new mix of attractions.

ums can lift a city's redevelopment on its shoulders has proven to be a myth, but like most myths it is rooted in truth.

The New England Aquarium in Boston opened in 1969 as the first of a new generation of stand-alone aquariums featuring large tanks and galleries with themes. After Baltimore opened the National Aquarium in 1981 as an anchor to the Inner Harbor redevelopment, and the Monterey Bay Aquarium in California opened in 1984 and revitalized the former fishing village into a trendy tourism town, aquariums seemed to be the miracle worker that would deliver community revitalization projects.

One such community was Chattanooga,

Tennessee, where the \$45 million Tennessee Aquarium opened on May 1, 1992. An instant and ongoing hit, drawing around one million visitors per year, it seemed to spur Chattanooga's downtown development and became a model for other mid-size cities. However, many developers failed to heed the true lessons of Chattanooga's success—which included major investments in surrounding facilities.

More lessons were available in Tampa, where the \$84 million Florida Aquarium opened on March 31, 1995, at the city's port. As in Baltimore, Tampa saw the aquarium as a linchpin for tourism and retail development of the port area. A year later, the city of Tampa took over ownership of the debt-rid-

den aquarium, which had opened before it could live up to its own marketing. Today, attendance has leveled off at around 600,000, and the area's promised redevelopment is finally coming to fruition.

Colorado's Ocean Journey became the first aquarium to announce its closing. That happened in March 2002, less than three years after it opened. Some last-minute fund-raising provided enough operational cash to get the aquarium into bankruptcy. Now it is about to become the first aquarium to pass from a nonprofit venture into a privately owned, for-profit enterprise.

Denver's experience may have sobered many other communities and finally burst the

Strictly Business

The top-drawing aquarium in North America in 2001 was Ripley's Aquarium of the Smokies in Gatlinburg, Tennessee. It pulled just under two million visitors.

Ripley Entertainment, known for its Odditoriums and Record Book museums, opened its first aquarium in Myrtle Beach, South Carolina, in 1997. That facility, Ripley's Aquarium, immediately became a benchmark for aquarium exhibits. Both the Gatlinburg and Myrtle Beach aquariums are accredited by the American Zoo and Aquarium Association.

Unlike most aquariums, Ripley facilities were built and operate as for profit ventures. Bob Masterson, president of Ripley Entertainment, provides some pointers on how to succeed with an aquarium.

Location is important, Masterson says. Because the average length of stay at aquariums is 90 minutes to two hours, an aquarium's ability to draw from long distances is limited. "This notion of 'if we build it here they will come' has not proven to be true," he says. "There has to be something else happening in the area." Both Gatlinburg and Myrtle Beach are tourist attractions; their aquariums aren't their only draw.

Water is a big factor, too—and not just inside the building. The Myrtle Beach aquarium is located in a retail and entertainment complex called Broadway on the Beach, and the beaches on the Atlantic Ocean are an ever-present element for all visitors to the city. The aquarium in Gatlinburg sits on the Pigeon River, which is visible from the aquarium. Colorado's Ocean Journey may stand next to a branch of the Platte River, but "when you're in the aquarium, it's not visible," Masterson notes.

"Most aquariums have overspent and underdeveloped," he adds, and many have oversized debts. "We build them as big as anybody, with more entertainment value, and we do it for less than half the price," Masterson notes. Ripley buys its own pumps and filtration systems, and it handles construction on matters that contractors consider high-risk (and high-priced) jobs, such as laying foundations with the underground piping. Ripley also fixes costs up front on such things as lease payments, land, and taxes, and keeps a tight rein on administrative facilities.

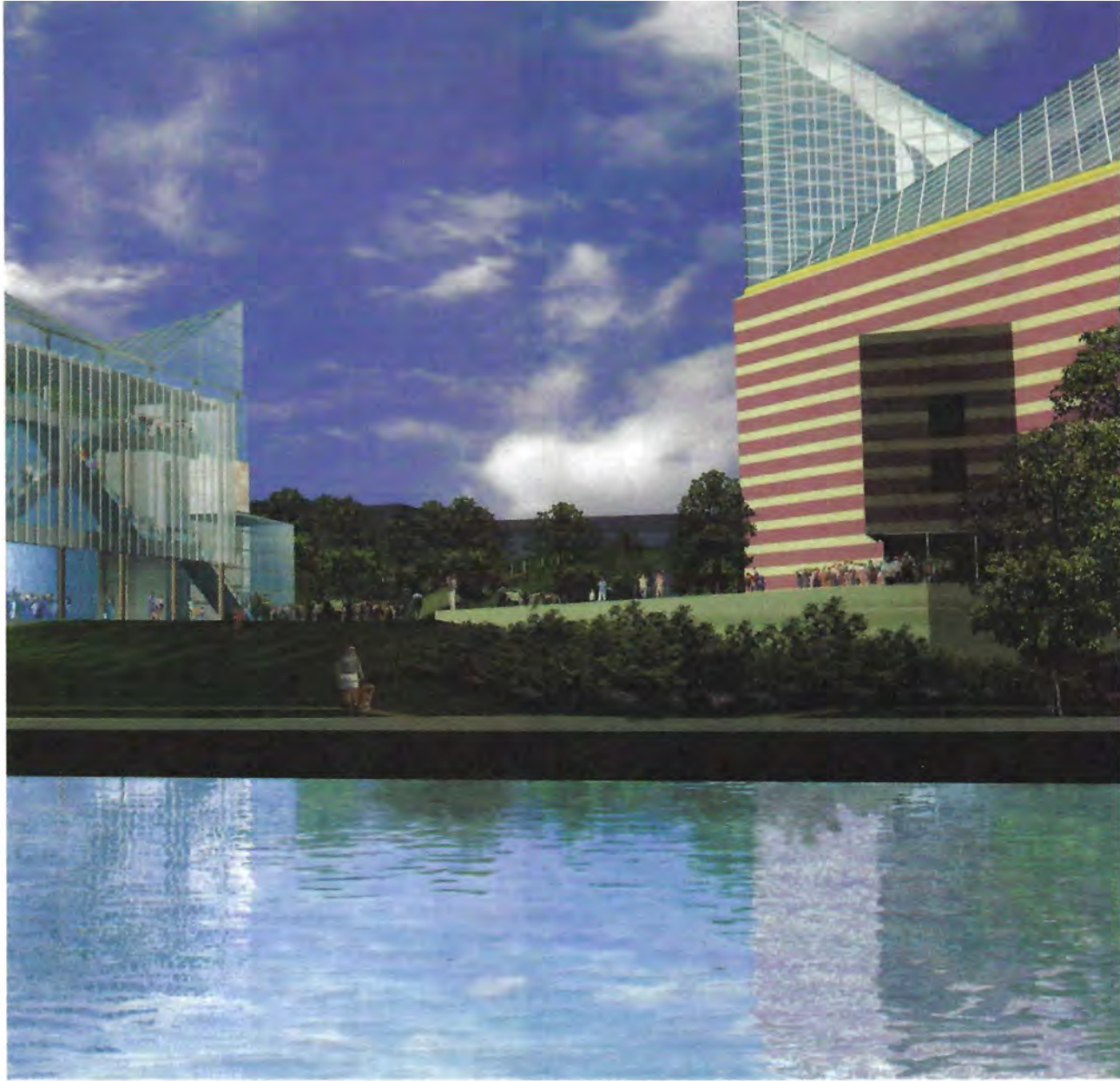
Masterson estimated Denver's aquarium has a 25,000-square-foot administration building plus offices in the aquarium itself, whereas Gatlinburg devotes only 2,500 square feet to administration. Ripley employees don't get their own rest rooms; they use the public rest rooms, which gives them a chance to keep an eye out for cleanliness. Beyond these tangible cost controls, Masterson believes commercial firms have a business mind-set that nonprofits lack. "We know how much to spend, what the business will return; we know our margins. Nonprofits will tell you they do the same thing, but they don't. What they consider a necessary evil we consider essential to stay in business."

Still, Masterson applauds Chattanooga's Tennessee Aquarium. "What made Chattanooga successful is they picked a unique theme—largest freshwater aquarium in the country—and they didn't overspend to build it. They ran the process like a for profit from the beginning." Ripley has had a front-row seat to Chattanooga's success. Although the Aquarium of the Smokies overlaps the Tennessee Aquarium's market, the latter saw little drop in attendance even when the former was drawing two million.



Photos by Richard Bryant





Groundbreaking is expected to occur this summer for a 60,000-square-foot, \$30 million expansion to Chattanooga's Tennessee Aquarium (above left). Nearby is a six-story IMAX theater (below left).

aquarium-as-catalyst myth, but even that experience offers valuable lessons in what works and what doesn't.

Grasp the market

"We had a phrase around here: 'Don't be Disneyland.' We wanted it to be the real us," says Ann Coulter, executive vice-president of the RiverCity Company, the public-private corporation formed in 1986 to create and develop Chattanooga's Tennessee River Park master plan. Before moving to RiverCity three years ago, Coulter spent five years as the head of the Chattanooga-Hamilton County Regional Planning Agency, and in 1992 was head of the city's Office of Economic and Community Development. In the embryonic

years of the Tennessee Aquarium's development, Coulter was a private consultant heavily involved in the riverfront development.

One theme keeps recurring in conversations with Coulter and other officials involved in Chattanooga's redevelopment plan: community involvement. From the start, city leaders and planners conducted public hearings and visited numerous social and community groups at each step of the plan. "Community groups, church groups; anywhere they could get two or more people together," says Bill Sudderth, president of the RiverCity Company from 1987 to 1996 and now president of Chattanooga Land Company, a private development firm.

The plan's centerpiece was 22 miles of de-

velopment along the Tennessee River, and the first piece of the plan to be completed was River Park, a playground and picnic area. That happened in 1989. In the mid-1980s, when the idea of an aquarium first emerged, that, too, made the rounds of community meetings.

"The concept of an aquarium got reinforced not by a consultant who said, 'That's what you need.' It got reinforced by a community that said, 'It worked in other cities; maybe if unique it could work here,'" Sudderth recalls.

"That's the reason it's a freshwater exhibit," Coulter says. The Tennessee Aquarium was the first, and is still the largest, freshwater aquarium in the world, with galleries tracing the Tennessee River from the Appalachian

Opened before it was fully stocked, Tampa's Florida Aquarium struggled financially until the city bought and repackaged the facility and nearby land. Now the aquarium seems to be on a growth curve.



Courtesy: Florida Aquarium

Mountains to the Mississippi Delta. "People said, 'Do you think people are going to come see bass and catfish?'" says Sudderth. But people did. The large Tennessee River Gallery with huge catfish swimming around bridge pilings became an iconic exhibit for both the general public and the world's aquarists.

"The community was involved in setting the agenda and creating the vision," Coulter says. "As portions of those visions were implemented, the community held (the developers') feet to the fire as far as consistency, quality, cooperation, and continuing to contribute to the community."

Baltimore and Monterey may have been attracting one million-plus visitors, and 10 million people live within a two-hour drive of Chattanooga, but the Tennessee Aquarium's business plan forecast a modest 600,000 in annual attendance. That forecast dictated the operation's budget, which in turn dictated capital costs.

The \$45 million raised to build the facility came largely through private funds, and the aquarium opened debt free. Because almost 1.5 million people visited in the first year, the aquarium was operating in the black from the start, generating enough money to mount further marketing campaigns.

Now the Tennessee Aquarium is the crown jewel in a downtown district that includes other museums, a new minor league ballpark, an Imax theater, multiplex cinemas, and more than a dozen restaurants. However, both Coulter and Sudderth say that while the aquarium was the first major installation of the Tennessee River Park master plan, it was not the only

factor in downtown renewal.

Sudderth says RiverCity could not even get a soft-drink concession on the aquarium grounds for two months, and recalls taking the aquarium plans and the attendance forecast to developers who were unconvinced of the aquarium's long-term impact. But a few years later, the developers finally saw the light.

RiverCity included a 41-unit apartment block and visitors center. Two restaurants had opened, and in 1994 the Bijou cineplex opened downtown. A Residence Inn hotel began operating later that year, "the first hotel to be built downtown in forever," Sudderth says. More important to the downtown development than the aquarium was the Walnut Street Bridge, a Tennessee River span renovated as an Edwardian-style pedestrian bridge that opened one year after the aquarium.

"That ranks with the Bijou as a local amenity," Coulter says. "Visitors love it, but we did it for us."

"What I don't see other places do is put as much time and money and thought and creativity into developing the area around the aquarium to make it a destination for (local citizens), a destination for visitors, and a destination for developers," Sudderth says. In keeping with such a vision, the Tennessee Aquarium made an important financial sacrifice. The original design for the aquarium included two restaurants—typically considered a necessary revenue source.

But Chattanooga thought differently. It gambled that visitors would eat at city restaurants instead of the aquarium. "Stroud (Stroud Watson, founder and director of the Planning

and Design Center) said if we don't use those (dining opportunities) to build up the neighborhood, the aquarium would be like a Wal-Mart; people would park there, visit only the aquarium, then leave." Sudderth recalls. Now the only revenue source in the aquarium—aside from ticket sales—is the gift shop.

"In a lot of planning for aquariums," Sudderth says, looking at post-Chattanooga examples, "the neighborhood gets second shift. I think people keep coming back to ours not just because they have a great aquarium experience but because they can come back and go to a movie, they can go to a baseball game, they can go to an Imax, they can go to 15 different restaurants, they can walk on the river walk."

Attain critical mass

"We've been called the 'lonely aquarium,'" says Sue Ellen Richardson, director of marketing and public relations for the Florida Aquarium. "And yet we're on a beautiful waterfront."

The Florida Aquarium committed the sin of being ahead of its time. The city joined with the port and the Coca Cola Company to donate land for the aquarium along a stretch

Resources

On the web. For more on the Tennessee Aquarium, see www.tennesseeaquarium.org. For the Florida Aquarium, see www.flaquarium.org. For Colorado's Ocean Journey, go to www.oceanjourney.org. Ripley's Aquarium in Myrtle Beach is described at www.ripleysaquarium.com. Ripley's Aquarium of the Smokies is at www.ripleysaquariumofthesmokies.com.

of bay shore now called Channelside, where the aquarium and cruise terminals would anchor a retail and entertainment district. A 1992 bond issue raised \$84 million to finance the aquarium's construction and operation; two local families, the port, and the city agreed to cover shortfalls, says Ron Ibarra, chief accountant of the city of Tampa.

The aquarium opened three years later, before it was fully completed and stocked. People flocked there—700,000 in the first four months, Ibarra says. But the public didn't like what it saw, and first-year attendance topped out at 960,000, well under the 1.6 million projected. By year two attendance dropped off even more. "Don't have a grand opening unless it's going to be grand," Richardson says.

"We were overpriced compared to other activities in the area, and if you charge too much and they don't see fish, you're going to be slammed," he adds. Just a year after opening, the aquarium faced closure, even with the local families and port fulfilling their pledges.

So the city issued a \$100 million bond to buy the aquarium and \$6 million worth of Coca Cola property. At the time, Ibarra thought the city was making a mistake: "It was scary. I used to be one of the most negative critics." Now he feels the city made the right move. "It just takes patience," he says. "It's starting to mesh together."

The new cruise ship terminals are operating, and the promised retail and entertainment development has just recently opened. The city has sold five acres of land for a housing development and sold a portion of the \$6 million Coca Cola property for \$6.5 million, evidence of the former warehouse district's new-found land value. Last year a new trolley line opened linking Channelside with Ybor City to the north and the Convention Center and hockey arena to the west.

"The Channelside area is becoming what it was envisioned, the gem of Tampa," Richardson says. "They're still filling it, and we just celebrated our eighth birthday."

Others say the aquarium made a marketing mistake *and* a development mistake in opening before it was completed. "That 1.6 million (attendance projection) presumed all the development would be done. None of that was done," says Jeff Swanagan, executive director of the Florida Aquarium for four years before taking the same job at the \$200 million Georgia Aquarium, currently in development in Atlanta. If Ybor were closer to the harbor, "that tourism package would have been stronger," he says.

Eight years later, the trolley line allows for

that tourism package. Besides, Swanagan says, the aquarium had nowhere to go but up: "I was fortunate to have a great staff and a community that said, 'We're going to help you. We built this thing; we're not going to drain it and have a big fish fry. We're going to fix it.'" Swanagan lowered the admission price, added exhibits, and targeted the city's primary tourism market—visiting friends and families—by improving the aquarium's appeal to local residents.

Although drawing only 580,000 visitors in 2002, a post-9/11 drop from 620,000 in 2001, the Florida Aquarium seems to be on a growth curve and has met its \$10 million annual operations budget for the past four years. Swanagan advocates the Chattanooga policy of setting conservative attendance projections. If the Florida Aquarium founders projected 900,000 visitors instead of 1.6 million, he says, "then a million would have exceeded expectations; but even a million would not have been enough to pay a \$7 million debt service."

Start out debt-free

People like aquariums. The real question is, will the visitors come back? In Denver, they didn't. Ocean Journey opened in June 1999, and the first-year attendance of 1.4 million surpassed the founders' projection of 1.3 million. The aquarium's business plan forecast 1.3 million for each of the first three years, and 1.1 million annually after that. But in year two, only 742,000 people visited. As a result, the aquarium defaulted on its \$57 million in bonds as it headed toward a \$6.8 million shortfall in its operations budget.

Observers cite several missteps, aside from inflated projections. Masterson of Ripley Entertainment believes Ocean Journey overbuilt, devoting too much space to administration and failing to narrow the exhibit's focus. Ocean Journey traced the fauna of rivers from mountains to the sea, but it used two rivers: the Colorado River, obviously, and the Indonesian River, not so obviously.

"That gave them the right to have tigers," Masterson says of the aquarium's peculiar decision to devote a large portion of its exhibit space to two Sumatran tigers. "It never sunk in with the public. That's intellectual arrogance; it isn't driven by a business model."

The aquarium is located next to the 20-year-old Children's Museum and abuts the property of Six Flags Elitch Gardens. Sports stadiums and arenas are located nearby, and bikeways and light rail service the whole area. Nevertheless, Ocean Journey marketed itself

in isolation. "They marketed themselves reasonably well, but did it as a stand-alone facility and not necessarily as part of an experience where you could do a number of things in one place," says Ellen Ittelson, director of planning services for the Community Planning and Development Agency of the city and county of Denver.

With Ocean Journey's annual attendance projections totaling almost half of Denver's metropolitan population of 2.5 million, the founders obviously expected tourism to make up a large portion of the numbers. As Ittelson points out, Ocean Journey's attendance even last year was comparable to that of other aquariums across the country. However, it was nowhere near enough to cover the operations budget and pay down \$63 million in debt. Even when the aquarium drew 1.4 million visitors, it could not pay the debt service.

The huge debt, and a lack of desire, kept the city at bay. Denver Mayor Wellington Webb declined to use public tax dollars to save a private venture that carried a big debt, particularly while the city was making its own budget adjustments resulting from the slowing economy. In fact, the city repossessed land surrounding the aquarium as collateral for an outstanding \$7 million loan to the aquarium. "A lot of people could see this coming," says Ittelson, "and Ocean Journey wasn't recognizing or dealing with it; it was kind of like waiting for a train wreck."

Landry's Restaurant will be able to run the aquarium without that debt, although the company plans to invest \$15 million in renovations on top of the \$13.6 million purchase price. But with a greater emphasis on dining and banqueting facilities, the new Downtown Aquarium is better positioned to tap into Denver's convention business, and not just its tourists.

Ittelson is glad the city will keep its aquarium. "It's a terrific facility," she says. "From our perspective, as a component of our entertainment and cultural venues grouped along the river in the Central Platte Valley, it's a great addition." If Landry's concept succeeds, the facility could even mesh better with its neighbors' operations, and could in turn spur more development in the vicinity.

On its own, she admitted, an aquarium would not be high on Denver's wish list, nor would it be an economic spur in its own right. "If we cared about the water, we wouldn't live here," she says.

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