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DEVELOPING A PLAN FOR THE STABLE OPERATION OF
THE U.S. HOCKEY HALL OF FAME



FINAL REPORT

MRI Project No. 4699-N

June 25, 1979

For

MINNESOTA DEPARTMENT OF ECONOMIC DEVELOPMENT
480 Cedar Street
St. Paul, Minnesota 55101

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THE U.S. HOCKEY HALL OF FAME

(2B) FINAL REPORT /

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Star Division

MRI Project No. 4699-N

(3) June 25, 1979

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For

(1)
MINNESOTA DEPARTMENT OF ECONOMIC DEVELOPMENT,
480 Cedar Street
St. Paul, Minnesota 55101

Attention: Ms. Jean Laubach
Area and Community
Development Director

Sports

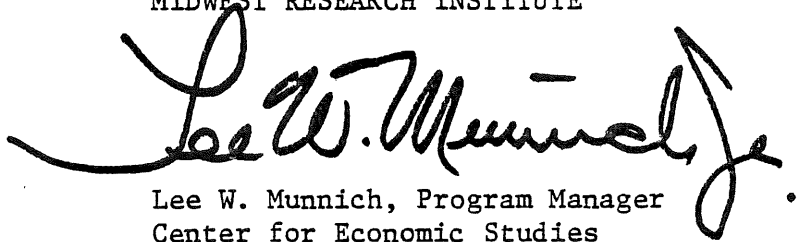
PREFACE

MRI is pleased to submit this final report of our study to the Minnesota Department of Economic Development, the U.S. Hockey Hall of Fame, and the Iron Range Resources and Rehabilitation Board. Mr. Jim Harrington was the principal researcher on this project.

In the absence of extensive secondary material sources, personal and telephone interviewing were relied upon to provide much of the raw material from which this report was fashioned. It is not possible to report accurately the subtleties and shades of meaning which are part of any conversation; we have merely attempted to distill the essence of all conversations held.


The purpose of the second half of the project was to develop optional plans for bringing about the stable operation of the U.S. Hockey Hall of Fame. We think we have developed reasonable plans for reaching this goal. Any plan that is chosen will involve making significant changes in the present operation. This report discusses several directions which future efforts could take and details our reasons for choosing these directions.

Center for Economic Studies
MIDWEST RESEARCH INSTITUTE



Lee W. Munnich, Program Manager
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EXECUTIVE SUMMARY

Each year since it began operation the United States Hockey Hall of Fame has incurred expenses greater than its revenues. The annual shortfall has been made up with monies obtained through grants and private contributions. It is unlikely that this source of funds will continue to supply the annual revenue needs, however, because the level of grants and contributions has been steadily declining.

The loss situation has been due to three factors: inadequate traffic, ineffective marketing, and limited exhibit appeal. The Hall of Fame is located too far from its major markets. Traffic to the region is inadequate for the Hall's purposes under the best of circumstances, and traffic is likely to diminish further in up and down spurts as a result of the gasoline supply situation. Marketing has not been emphasized at the United States Hockey Hall of Fame; as a result, marketing talent has not been secured. The appeal of the exhibits at the Hockey Hall of Fame is to the hockey devotee. Wide popular appeal is lacking because of the esoteric nature of the displays. As a result, many visitors are disappointed. At best these visitors simply do not return; at worst they tell others not to attend.

Revitalization of the U.S. Hockey Hall of Fame requires either of two things: (1) a dramatic (about 10 times as many visitors) increase in paying patronage, or (2) a guaranteed source of external subsidy funds.

To bring about an increase in patronage, it is almost certain that changes will be required--a move to a higher traffic location, a change in the displays to make them more entertaining and dynamic, a more basic treatment of the game of hockey, and better use of marketing skills and techniques.

Increased subsidy would mean government involvement in the operations of the Hall. Because the track record of the Hall has been disappointing, it is unlikely that massive private support can be rallied. At the present time, it appears that the Iron Range Resources and Rehabilitation

Board (IRRRB) is the only organization whose interests match those of the Hall and whose financial situation is capable of sustaining the expenses which will be incurred by the Hockey Hall of Fame.

The IRRRB is developing an interpretive program on the Iron Range. Hockey is a part of Range history; therefore, the interpretation of the role that hockey has played on the Range is appropriate to the IRRRB's efforts. The IRRRB also has a more immediate interest in the performance of the USHHF. Because of its location, the USHHF is likely to receive visitors as they enter the region. If these visitors are disappointed by the exhibits at the Hall, they may not visit the Interpretive Center at Chisholm. Therefore, if the USHHF remains in Eveleth, the IRRRB has a valid interest in operating and refurbishing it. If the USHHF and the IRRRB cannot reach an agreement, however, it would be in IRRRB's best interests to have as little association with the USHHF as possible.

To move to a higher traffic area almost certainly would mean moving to the Twin Cities area. The advantage of locating the USHHF in the Twin Cities would be that, because of the larger number of residents and the larger number of hockey fans, there would be a larger base from which to draw the necessary number of visitors.

Even at a Twin Cities location it would be necessary to tailor the programs to the needs of the market. At present the USHHF lacks the capital and the talent to accomplish such a move. A joint venture appears to be the best way to carry this out. The organization and the people with whom a joint venture would be undertaken must possess tourist attraction marketing and design skills as well as a proved track record. They should also have land and capital to contribute.

Either major option--subsidy or move--would mean a loss of some control over the Hall of Fame by the present board. No investor, private or public, could be expected to undertake an investment of the size that will be needed without having a say in the form which the investment will take. The

experience of the National Football Foundation, which established the College Football Hall of Fame, demonstrates that some loss of control is not always bad.

The subsidy option would require that large capital improvements be made, that a private subscription subsidy be developed, and that a major IRRRB subsidy commitment be obtained. It would be necessary, also, to change the focus of the exhibits in order to attract more visitors; the development of exhibits that interpret the role of hockey in Range history should attract more residents from the region, at least.

The development of a subscription subsidy would involve development of a series of exhibits and programs that could be presented at major arenas around the country. Subscription forms could be distributed through these programs. These subscriptions could be maintained through newsletters, special tokens and gifts, and the preparation of mailing lists.

Even with these major changes it is likely that tourist visitation rates would increase substantially. All indications are that the number may grow to about 20,000 to 30,000 annually, with local residents accounting for 5,000 to 10,000 of these visitors. These are very small numbers in comparison with the total investment.

It is not certain that the IRRRB would be willing to underwrite such a program, since it is likely that a continuing subsidy would be required in addition to the large initial commitment. Ultimate withdrawal of IRRRB support would seriously handicap the U.S. Hockey Hall of Fame and its situation would probably worsen.

If the Hall management intends to promote the game of hockey and honor the enshrinees, it may be necessary for them to ask themselves if these goals are adequately achieved by presenting the story to 30,000 or fewer people annually. Is it not more desirable to get broader exposure than this?

The option of moving to the Twin Cities would require that approval of the USHHF board be obtained, that arrangements be made to retire current debt, that a building be constructed, that a partner be found, that a capital contribution be assembled. Market data would have to be assembled on Twin City residents and on tourists to the area. Exhibits would have to be developed that would appeal to both groups.

Valleyfair, Inc. has expressed an interest in discussing a joint venture arrangement. Land is already owned and available. The Valleyfair marketing department has assembled statistics on Twin Cities residents and tourists. The Valleyfair creative department has experience in designing exhibits and programs for identified markets. Valleyfair, Inc. has an organizational structure capable of raising the capital needed to construct a building.

If neither of these two options can be negotiated, the only remaining option appears to be to close the USHHF and sell the exhibits to raise money to retire current debt. This alternative appears necessary in light of the financial profile presented by the current operations. Earned income has barely exceeded \$30,000 in each of the past three years. Expenses have been about \$70,000 in that period and are increasing; building costs in particular have been rising. Contributions and grants, which have made up the shortfall, have declined from \$135,000 in 1974 to \$25,000 in 1978. These trends are expected to continue. Summer attendance has dropped from 13,000 in 1973 to 7,500 in 1978. Attendance is not likely to generate the needed revenues.

SUMMARY OF RECOMMENDATIONS

Our recommendations follow in order of our preference.

1. Move the U.S. Hockey Hall of Fame to the Twin Cities to achieve a better traffic position. A dynamic approach applying modern amusement technology should be used to broaden appeal. A more balanced focus between the Hall elements--basics of hockey, the role which significant American figures have played in the evolution of the sport, and the stories of the players themselves--should be achieved.
2. Contact Valleyfair officials and initiate negotiations for a joint venture on the building of a new U.S. Hockey Hall of Fame. This recommendation is based on an assessment of the relative strengths of the two organizations and their respective interests. Informal conversations have been held with Valleyfair officials, who have indicated their interest in such a venture.
3. Seek the support of the Iron Range Resources and Rehabilitation Board and remain at the present location. A continuing commitment from the IRRRB would be required. Substantial capital improvements should be made. An outreach program should be initiated. A large portion (1/3 to 1/2) of the U.S. Hockey Hall of Fame should be devoted to the interpretation of the role of hockey on the Range. This recommendation is based on an assessment of the resources of the two organizations, the common nature of the challenges which face them, and the mutuality of their interests. The needs and desires of the two organizations are not as complementary as those under the first alternative, hence the positioning of this recommendation.
4. Close down the U.S. Hockey Hall of Fame, liquidate its holdings, retire its debts, and find an alternate use for the building. Possible uses would be: as office space, as a community center, or to house a regional tourist attraction which could be included within the scope of IRRRB programs. This recommendation is based on a review of the current financial profile of the U.S. Hockey Hall of Fame.

PROJECT HISTORY

This study to assess the United States Hockey Hall of Fame was conceived about two years ago in the summer of 1977, when it became apparent that difficulties were facing the U.S. Hockey Hall of Fame (USHHF) which, if uncorrected, would lead to very serious problems. Representatives of the USHHF approached the Governor of Minnesota to discuss the possibility of obtaining state assistance. The Governor referred the matter to the Minnesota Department of Economic Development, where it was decided that a feasibility study would be required before assistance on the scale requested was granted. In mid-February of 1979, Midwest Research Institute received the authorization to begin work on this project from the Department of Economic Development.

In accordance with the contract, MRI personnel travelled to Eveleth to discuss the project with USHHF personnel and local officials. Additional interviews were conducted by telephone. A trip was made to Cincinnati, Ohio, to meet with management of the College Football Hall of Fame, an organization which is said to represent the current state of the art in sports museums. A second trip to Eveleth was made after the interim report had been prepared. Intensive research then followed from which this final report evolved.

GENERAL INFORMATION ABOUT THE
UNITED STATES HOCKEY HALL OF FAME

The U.S. Hockey Hall of Fame was dedicated on June 21, 1973. The building is located on U.S. Highway 53, the north-south highway that is the main route between Duluth and the Iron Range cities of Virginia, Hibbing and Eveleth. The Hall began originally as a community project under the guidance of D. Kelly Campbell, a mining executive who, inspired by the Ski Hall of Fame built at his native Ishpeming, Michigan, initiated a campaign to establish a United States Hockey Hall of Fame.

The Amateur Hockey Association of the United States endorsed the idea. The United States Steel Corporation donated the land for the building. An exhibition game for the purpose of raising funds was played by the Minnesota North Stars and the St. Louis Blues. Fund raising drives were carried out in nearby communities. The Economic Development Administration made a grant of \$666,400 to the City of Eveleth for the construction of the facility. The National Hockey League contributed \$100,000. Through this cooperative effort between individuals, corporations, and government the Hockey Hall of Fame became a reality.

The building was designed by Tom Beers of Design and Planning Associates of Indianapolis, Indiana, who also did some of the design work at the Professional Football Hall of Fame in Canton, Ohio. The first floor features the Great Hall, which contains 25 enshrinement pylons of the charter enshrinees, general display area, theater, souvenir shop, cloak room, rest rooms, director's office, and service rooms. The mezzanine floor contains a library, lounge and receiving room. On the second floor is a major display area devoted to high school, college, amateur, international, and professional hockey. The displays are devoted to the origins of hockey and to general information about player personnel, hockey equipment, skates, and teams that figured in the early development of American Hockey.

Hockey is a popular sport on the Iron Range. The miners began playing hockey in the 1890's. The museum was built in Eveleth--which is about sixty miles north of Duluth--instead of one of the larger cities that have had a long history of association with hockey because Eveleth, a city of 6,000, has sent eleven players to the National Hockey League and has produced many players who have played college and amateur hockey. An Evelethian player, Cal Cossalter, was on the University of Minnesota Hockey Team in 1974, the first time the NCAA championship was won with a team made up entirely of non-Canadians. Eveleth teams have won the Minnesota High School Hockey Tournament many times. Eveleth is often called the "amateur hockey capital of the U.S.A."

Present Status of the U.S. Hockey Hall of Fame

The United States Hockey Hall of Fame has been losing money annually since it opened its doors and is expected to continue to do so unless radical changes are made.

Figure 1 shows that the shortfall between available income and operating expenses has been about \$30,000 annually. If debt service is factored in, the shortfall actually has been about \$60,000 annually.* The hatched area shows the annual shortfall. No payments have been made on debt principal to date. Interest had been accrued until the spring of 1979, when a fund raising effort was launched to obtain funds to bring interest payments up to date.

Table 1 shows the financial status of the U.S. Hockey Hall of Fame. The Hall's financial records (unaudited) on which this table is based appear in Appendix A.

Overall, the Hall has been able to obtain enough money to meet the debts it has incurred, with the exception of payback of principal on borrowings from local banks. Long-term trends, however, are alarming.

*Based on a five-year annual repayment schedule at a 10 percent interest rate on a principal amount of \$105,000 (actual annual payment \$27,699).

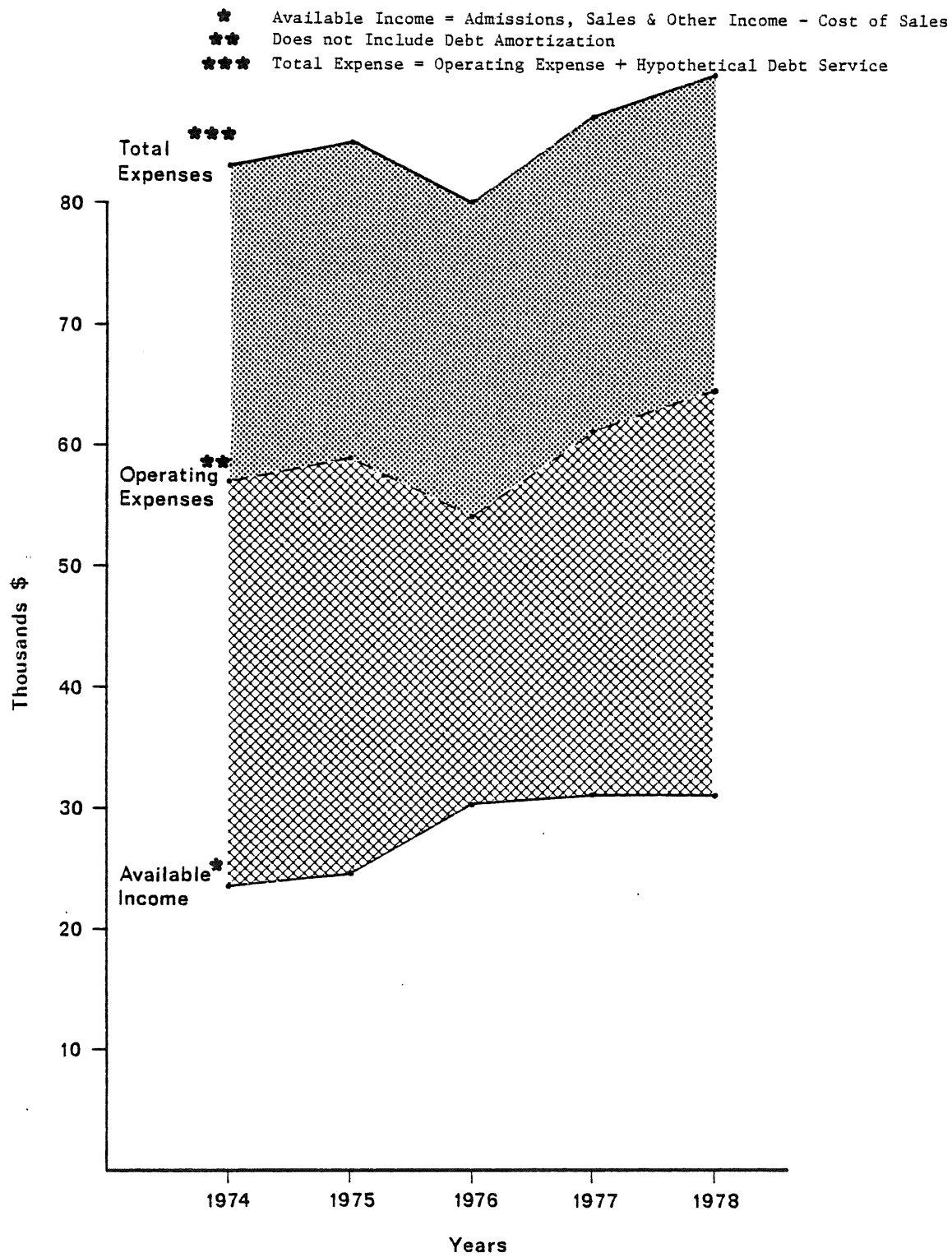


Figure 1. Available Income and Expenses--The Past Five Years

Table 1. Hockey Hall of Fame--Annual Income
and Expenses, 1974 through 1978

	1974		1975		1976		1977		1978	
	(000)	Percent	(000)	Percent	(000)	Percent	(000)	Percent	(000)	Percent
REVENUE										
Admissions	\$ 18.6	12	\$ 19.0	21	\$ 18.0	25	\$ 16.9	22	\$ 14.5	26
Sales (Gross Profits)	5.0	3	5.3	6	5.6	8	5.8	8	6.2	11
Enshrinement Day	--	--	--	--	6.1	9	7.7	10	7.0	13
Subtotal Earned Income	23.6	15	24.3	28	29.7	42	30.4	40	27.7	50
Private Contributions	54.3	34	67.0	73	41.1	57	20.0	26	15.4	28
Government Grants	80.9	51	--	--	--	--	24.9	33	10.1	18
Other	0.1	*	0.6	1	0.7	1	0.6	1	2.3	4
TOTAL	\$158.9	100%	\$ 91.9	100%	\$ 71.5	100%	\$ 75.9	100%	\$ 55.5	100%
DEPRECIATION										
Salaries, Insurance, Payroll Tax	\$ 21.8	31	\$ 24.2	37	\$ 18.5	27	\$ 19.6	28	\$ 20.4	28
Utilities	10.8	15	11.3	17	11.8	17	13.5	19	15.5	21
Depreciation	12.7	18	13.3	20	14.0	21	15.3	22	15.6	21
Insurance/Building	1.6	2	1.8	3	1.5	2	3.6	5	4.5	6
Maintenance	2.8	4	2.0	3	1.3	2	1.8	3	4.0	5
Subtotal Building Costs	27.9	38	28.4	43	28.6	42	34.0	49	39.6	53
Advertising & Promotion	1.6	2	1.1	2	2.2	3	1.6	2	1.3	2
Office, Telephone, and Miscellaneous	6.0	8	5.7	9	4.9	7	4.9	7	3.2	4
Interest	13.8	19	6.3	10	13.3	20	9.2	13	8.8	12
TOTAL	\$ 71.1	100%	\$ 65.7	100%	\$ 67.5	100%	\$ 69.5	100%	\$ 73.3	100%
Increase(Decrease) in Equity	\$ 87.7		\$ 26.1		\$ 4.1		\$ 6.3		(\$ 17.7)	

* Less than 0.5%

NOTE: Totals are affected by rounding.

Expenditures have increased from \$71,000 in 1974 to \$73,000 in 1978. Total revenue from all sources has decreased substantially, from \$159,000 in 1974 to \$56,000 in 1978. Admissions have decreased each year since 1975-- from \$19,000 in 1975 to \$14,500 in 1978. Gross profit from sales has increased a total of 24 percent over five years, from \$5,000 in 1974 to \$6,200 in 1978. The importance of profits from sales to the Hall's financial picture has increased; these profits accounted for 11 percent of total revenue in 1978.

A separate line item was assigned to Enshrinement Day activities in 1976, although formal enshrinement activities had been initiated earlier. It is reported that enshrinement activities were begun in 1974 and were also held in 1975, but it is unclear how these revenues were treated for accounting purposes in those years. From the table it is apparent that enshrinement revenues have become slightly more important to the Hall; they have risen from 9 percent of revenues in 1976 to 13 percent in revenues in 1978.

These three items--admissions, sales (gross profit), and enshrinement activities--constitute earned income. Earned income is an important indicator for a sports museum, since it represents money which can be used unconditionally. It also acts as an indicator of the degree to which consumer needs are being satisfied by Hall programs and souvenirs.

Contributors and government grant officers are usually sensitive to the changes in earned income. Figures for both private contributions and government grants shown in Table 1 follow this general rule.

Private contributions rose in 1975, to a high of \$67,000--presumably in response to what was interpreted as an auspicious beginning. From the 1975 high, private contributions have dropped steadily to \$ 15,000 in 1978. Government grants have also declined dramatically from a high of \$81,000 in 1974 to \$10,000 in 1978. Figure 2 graphically illustrates the trend in contributions and grants. A fund raising effort was launched in the spring of 1979 to obtain money to pay off the interest on the outstanding debt.

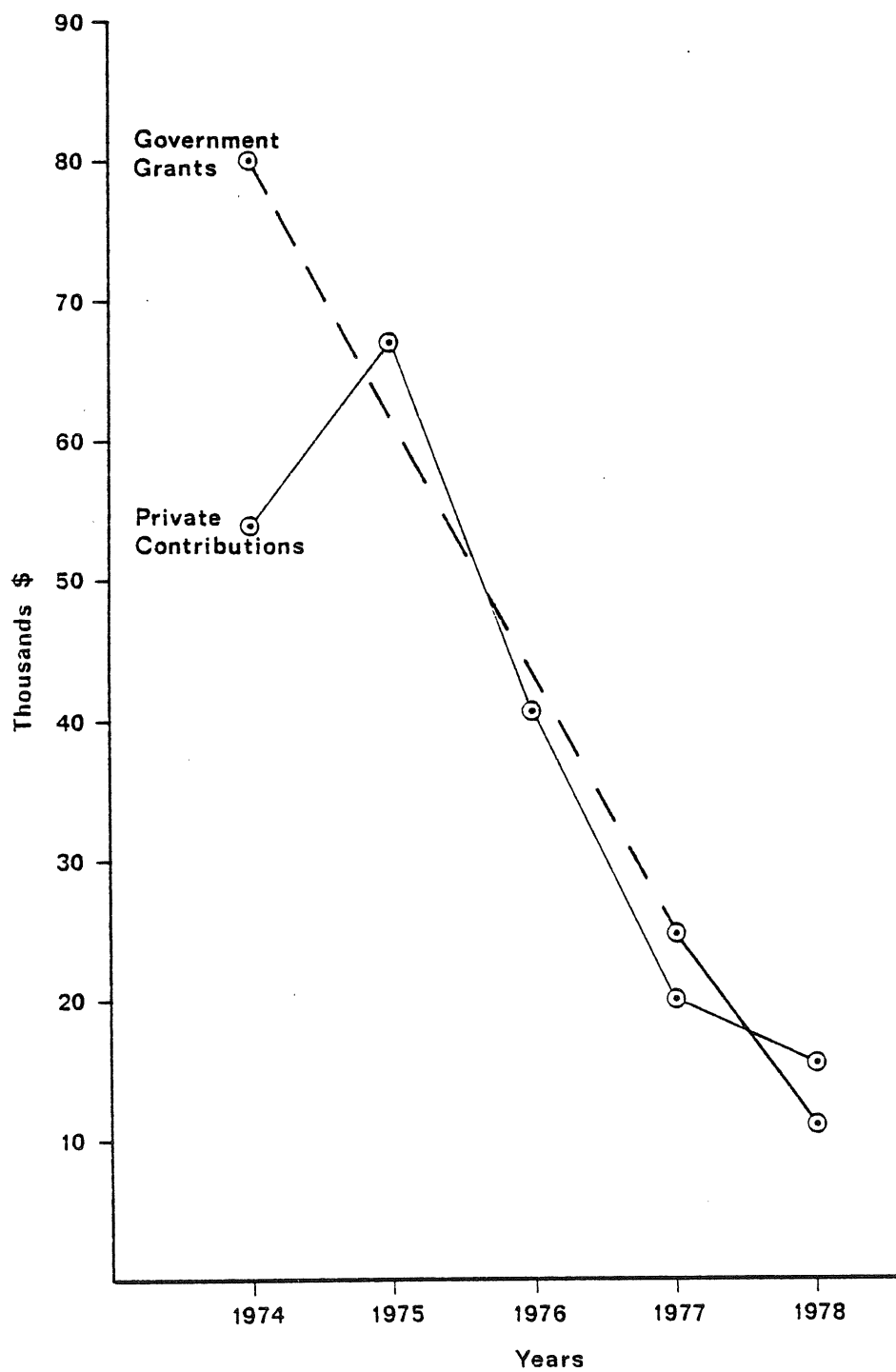


Figure 2. Trends in Contributions and Grants--
The Past Five Years

Other income, which consists of rents and interest, has risen from 1974, but has contributed little to the overall picture except in 1978 when, in supplementing earned income, it brought that item up to the level of the previous year.

In sum, the two most important things to note about revenues are that earned income has levelled off, indicating that there are operating difficulties, and that contributions and grants have declined substantially in response to those difficulties.

On the expenditures side of the ledger there are also disquieting trends. Employee costs--salaries, insurance, and payroll taxes--have remained relatively stable; the 1974 level is \$21,800 in comparison with \$20,400 in 1978. This reflects the low commitment by Hall administrators to promotion and program development. Building costs have risen steadily. These costs accounted for 39 percent of total expenditures in 1974; in 1978 they accounted for 53 percent of total expenditures. The cost of all items has risen and this trend is expected to continue, especially as the building ages and repairs need to be made.

The advertising and promotion budget has been insignificant--2 to 3 percent of the total expenditures each year. This item in combination with the stable rate in employee costs bespeaks the lack of emphasis given to marketing. As part of the tourist industry, where image is a large part of attraction success, this has been a major error made by those associated with the Hockey Hall of Fame.

Four conclusions can be drawn from these figures:

1. Earned income is insufficient to support operations and, although remaining somewhat stable, is actually losing ground as a result of inflation. The situation is not improving and gas supply shortages are expected to accelerate the current downward trend.

2. Public and private contributions, responding to the trend in earned income, are not likely to be a fruitful source of income in the future.
3. Staff expenditures and promotional expenditures have been inadequate to carry out the present program, even if all other factors at the site had been favorable during the past six years of operation.
4. Building costs will continue to rise, putting more pressure on those involved to increase attendance at the site.

The financial loss situation has been due primarily to three factors: inadequate traffic, ineffective marketing, and lack of popular appeal.

FACTORS AFFECTING THE HOCKEY HALL OF FAME

Traffic

According to industry sources, paid admissions are the single most critical factor in the success of an amusement attraction. The general appeal of the attraction can be evaluated by examining the attendance figures. Table 2 shows the attendance pattern experienced by the USHHF for the summer period over six years. Attendance has decreased at a compound average yearly rate of 10.31 percent. During this time there were three periods in which large drops occurred: 1973-1974, 1975-1976, and 1977-1978. The drop between 1973 and 1974 is most likely due to the gasoline shortage during that period. The 1975-1976 change might be accounted for by the exceptionally dry summer of 1976 when burning bans limited the amount of traffic in the state and national forests. The change in the 1977-1978 period is not attributable to reduced traffic. It may be that the USHHF was feeling the effects of the spread of negative impressions gained in preceeding years. What is evident from these figures is that attendance is subject to influence by forces outside the control of the USHHF.

Table 2. Summer Attendance at the U.S. Hockey Hall of Fame

<u>Year</u>	<u>Period Covered</u>	<u>Attendance*</u>	<u>Attendance Decrease</u>
1973	6/22 - 9/3	12,968	
1974	6/22 - 9/4	11,557	(1,411)
1975	6/22 - 9/4	11,202	(355)
1976	6/22 - 9/9	9,249	(1,953)
1977	6/22 - 9/8	8,822	(427)
1978	6/22 - 9/7	7,526	(1,296)

*The attendance reporting period varied slightly from year to year. The starting date was June 22 each year, but the concluding date ranged from September 3 to the 9th, which represents 8 percent of the total reporting days.

Initial projections of feasibility for the USHHF were based on traffic counts past the site and projected traffic increases as a result of Voyageurs National Park. Traffic count figures past the site are misleading because they reflect the high incidence of long-distance commuting on the Range. Residents frequently trip 5 or 6 permanent counters on their way to and from work or shopping.

The projected increase for Voyageurs National Park has not occurred because of conflict over the Park. This conflict is expected to continue as environmentally imposed development restrictions are enforced. An example of what Eveleth can expect in the future is presently taking place in the Boundary Waters Canoe Area. The current experience of BWCA resort owners is indicative of the loss of traffic associated with restrictions placed on the use of motors and motorized recreation vehicles (snowmobiles, trail bikes, etc.).

These data lead to the conclusion that the extra-regional traffic needed to provide visitors to the USHHF is inadequate under the best of circumstances because of Eveleth's geographic location. The traffic that does arrive is subject to many outside forces such as bad weather, high unemployment rates, or gasoline shortages. Traffic is expected to decline in the near term because of the current gasoline supply situation.

Marketing

Marketing efforts at the USHHF have been inadequate--although (as noted above) the Hall is at a disadvantage because of its location. Some television coverage has been obtained. Some promotions have been attempted. Some signage has been installed. In general, though, marketing efforts have suffered from a lack of funds, a lack of skills, and a position against commercialism on the part of the management.

The perceived lack of funds for promotional purposes should be obvious when one considers the shortfall that has occurred between annual revenues and expenses. This alone does not explain the problem with marketing because money was available on opening day in the form of grants and contributions which could have been used for marketing.

Marketing skills and orientation have been absent at the Hall, primarily because the purpose of the founders has been to maintain a "purist" approach to promotion, exhibit design, marketing strategy, and the selection and induction processes. The board is well suited to fulfilling the duties of selection and induction. Most board members are hockey enthusiasts with extensive knowledge of the game and those who have played, coached, and contributed to it. The executive director, Mr. Roger Godin; the President, Mr. Don Clark; and the Chairman of the Board, Mr. D. Kelly Campbell, are knowledgeable about hockey. They have amassed the statistical data essential to the proper selection of qualified inductees. Through their efforts the "purist" orientation of the U.S. Hockey Hall of Fame has been maintained, perhaps too well. For in this strength can be found the seeds of many of the U.S. Hockey Hall of Fame's weaknesses.

A controversy has long raged between persons associated with halls of fame about the proper role of the halls of fame: The "purists" maintain that they must be shrines. The "commercialists" maintain that above all else they must make money. The answer is that they must fill both functions. They exist to honor great persons associated with a sport or a calling, but they depend on paying audiences. They cannot be operated in such a glossy and glaring way that they denigrate those enshrined. Neither can they be operated in a vacuum divorced from marketing realities; they need money to carry out their mission and programs.

When management chooses to view its hall of fame solely as a shrine--as the USHFF has chosen to do--it downplays marketing because it does not see marketing as essential to the achievement of its purposes. As a result, "marketing errors" have been made.

Of the three major marketing mistakes which have been made, the most important was a mismatch between the location of the Hall and the target market. The target market selected by Hall designers are those hockey fans who are familiar with the role of American players in hockey. These people are a very small part of the population. In order to reach this market effectively, one must go to places where they congregate, primarily, professional and college hockey games.

Eveleth serves essentially two markets. During the summer months tourists pass by on their way to recreational destinations. As a rule they have three characteristics in common--they are pursuing outdoor recreational experiences, virtually all of them have arrived at the site by motor vehicle, and they are predominantly Minnesotans. A very small percentage of them are hockey enthusiasts. As a result, most of the people who stop at the USHHF are ill-matched to the displays that are offered and therefore tend to be disappointed by their experience. They expect either to be informed about something in which they have an interest or to be entertained. Many visitors expectations are unmet. There are those occasional hockey enthusiasts who rave about the exhibits. This tends to indicate that the exhibits are acceptable for the target market. But target market members seldom see these exhibits.

The second market which Eveleth actually serves consists of the residents of the Range. For about eight months of the year these are the only people who are willing to travel to the site. Winter limits the movement of most tourists to the area. The Hall founders have done little to promote the Hall among area residents. In fact, area residents are not seen as a market. This has been another serious marketing error committed by Hall administration.

As a result of these first two marketing errors--locating improperly in relation to the target market and excluding those that constitute the geographical market--the third major marketing error, exhibit design was made.

Appeal

For the purpose of assessing the appeal of the USHHF and its exhibits, it is useful to use a mining analogy. In mining, each mineral is most often associated with a particular geological formation. In the same way the people who live in or visit a particular location have a collective personality that can be associated with geographical "formations." Those who attempt to develop services to satisfy the people who come to an area must satisfy the collective personality of the market. A method which is appropriate at one place will be inappropriate in another place--as shaft mining would be inappropriate for taconite ore.

At the most basic level both market elements have a common interest. Range residents and tourists want to be entertained and amused when they are using their leisure time. Therefore, the first requirement for an amusement facility is that any exhibits should have an entertainment or recreational nature. Movies, computer games, video games, and action exhibits meet this criterion.

In general, people are naturally curious about their surroundings. Consequently, the substance of any exhibits should either be related to the geographical location of the amusement facility or include anything within the scope of the subject treated. A Hockey Hall of Fame located at Eveleth should deal with both the role of hockey on the Range and the peripheral activities associated with hockey. The former meets the needs of the Range residents, the latter meets the needs of those who have stopped at the Hall by choice because the subject treated is hockey.

A closer look at the design of the exhibits at the USHHF shows that, for the most part, only a hockey enthusiast can truly enjoy the exhibits at the USHHF. The appeal to others is limited for three reasons.

A major problem is that the exhibits are static and lavish with information. A visitor must read or examine exhibits closely to obtain any benefit from them,

or he must listen to a recorded message. There is very little that requires active participation by the visitor. A hockey enthusiast may take the time required because the subject is one he enjoys. But recreation experts say that, although people on vacation want to experience something new and different, they want it to be easy and fun to do. There are an increasing number of white collar workers in the country. Many of them work with facts and figures daily, and they want their play to be different from their work. In addition, television has had an influence on the way in which Americans use their recreation time.

A second problem occurs because the figures in any hall of fame are the key attraction. Items owned or used by these people are interesting only if one knows about the life of the person honored. The average tourist does not know about the persons honored by the USHHF. This is largely due to the limited influence of Americans in the NHL. The professional hockey figures that are most well known to the American people are Canadians. The "Bobby Hull's" and the "Bobby Orr's" are not found in the USHHF. In a hall of fame honoring American hockey players it will be necessary not only to present a biography of the enshrinee but also to explain why he was important to the game.

Lastly, hockey is a regional game. It is a game played in a crescent shaped area extending from Minnesota and the Dakotas in the West to Massachusetts and New England in the East. It is also played in pockets represented by large metropolitan areas such as Los Angeles and Atlanta. Many visitors will be unfamiliar with the game. In order for the experience to be positive for them, the information they receive about the game of hockey and the players must be imparted in an entertaining manner by the movies, displays, and exhibits at the Hall. This information must be very basic. It must demystify the game.

REVITALIZATION

Revitalization of the USHHF will require either of two things: a sizable increase in paying patronage, or a source of external subsidy funds.

Attendance Required

As noted earlier in this report, the USHHF has operating expenses of about \$65,000 per year and earned income of about \$30,000 per year with a summer attendance of about 7,500 people.* Debt service requirements bring total operating expenses to about \$90,000. It would take a total of 37,500 summer visitors paying \$2 per person to generate break-even revenues at the USHHF as it is currently operated. This does not include the costs of capital improvements and promotion, which would be needed to attract more visitors. Table 3 shows the baseline situation.

Table 3. Break-Even Attendance at Hall of Fame
Using Current Operating Expenses

	<u>Summer Visitation</u>	<u>Income Generated at \$2/Person</u>	<u>Other Income**</u>	<u>Total Income</u>	<u>Present Expenses</u>
Present	7,500	\$15,000	\$15,000	\$30,000	\$90,000
Needed	37,500	\$75,000	\$15,000	\$90,000	\$90,000

It is estimated that, at a minimum, \$500,000 in capital improvements will be required. This amount can either be borrowed or received through a grant. Annual payments on this amount over 10 years at 9.87 percent will cost \$81,000 per year. An advertising budget of at least \$20,000 should be included, and \$20,000 must be provided for an additional executive level employee in charge of marketing. The required summer attendance has now jumped to 98,000 and this is still a bare bones budget.

*Based on 1978 financial and attendance data supplied by the USHHF.

**Other income includes rentals, interest and winter visitation.

Projection 1 in Table 4 shows this situation. Projection 2 shows attendance required if the \$500,000 amount for capital improvements is obtained through a grant which eliminates the \$81,000 annual loan repayment.

Table 4. Attendance Required to Support Essential
Operating Improvements at the USHHF

	<u>Summer Visitation</u>	<u>Income Generated at \$2/Person</u>	<u>Other Income</u>	<u>Total Income</u>	<u>Expenses</u>
Projection 1	98,000	\$196,000	\$15,000	\$211,000	\$211,000
Projection 2	57,500	\$115,000	\$15,000	\$130,000	\$130,000

In the first instance attendance increases over 1200 percent must be registered. In the second instance an increase of nearly 700 percent over the present 7,500 visitors is required.

Attendance Expected

The College Football Hall of Fame (CFHF) projects an annual attendance of 350,000 for their first year of operation; the Pro-Football Hall of Fame (PFHF) now records an attendance of 250,000 a year. About 22,000 cars a day pass the College Football Hall of Fame--about 8,000,000 cars a year. About 23 cars must pass by CFHF for each visitor recorded.

There are two ways to calculate the number of tourist cars passing by the site each year. The first involves taking the annual average daily traffic rate and subtracting the average daily traffic rate for January, which will have the lowest tourist component. This should also be the time of least travel activity by Range residents. Discounting the annual rate of 6,500 by 4,800 in January we arrive at a figure of 1,700 cars per day.* We have chosen to multiply this average daily rate by 270 days to represent a total of 459,000 tourist cars in the area during the year.

The second method for calculating tourist traffic is to take the difference between the average daily traffic count for the tourist months of May through

*Based on Traffic Count Statistics, 1978, Minnesota Department of Transportation.

September and the month of January, multiply the difference by the number of days in the month and add the products. Using this method we arrive at a figure of 463,000 annual tourist cars. Rounding to 460,000 tourist cars per year, we find (applying the CFHF rates) that we might expect 20,000 visitors to the USHHF under optimum conditions (Table 5). If 10,000 Range residents visited, the expected total annual attendance would be 30,000.

Table 5. Estimated Visitation at the College Football and Hockey Halls of Fame

	<u>Average Daily Traffic Count</u>	<u>Cars per Year</u>	<u>Cars per Visitor</u>	<u>Annual Visitation (Expected)</u>
Kings Island	22,000*	8,030,000	23	350,000
Eveleth	1,700**	460,000	23	20,000

*SOURCE: Paul Ritter, Executive Director of the College Football Hall of Fame.
**SOURCE: Minnesota Department of Transportation, Traffic Flow Map 1978.

In Table 3 we saw that 37,500 visitors would be required with no changes in operation simply to break even. In Table 4 we saw that 57,500 visitors would be required in order to increase the present spending level by \$20,000 a year on promotion, \$20,000 a year for a marketing person, and repay the current debt. Annually, 98,000 visitors would be required to finance \$500,000 in capital improvement loans. Table 5 shows that 20,000 visitors is about what can be expected if we apply College Football Hall of Fame Figures. Additional visitation might be generated by Range residents, up to 10,000. It should be noted that these figures are optimum, since CFHF reputedly has the most advanced concept in sports museums. Top potential at the present site is probably 20,000 visitors or less per year.

Subsidy Required

As a result of this analysis we find that a stable source of external subsidy funds will be required. Table 6 shows the amount of subsidy funds which might be required at optimal attendance levels.

Table 6. Estimated Subsidy Required by the USHHF to Support Present Facility

	<u>Summer Visitation</u>	<u>Income Generated at \$2/Person</u>	<u>Other Income</u>	<u>Subsidy</u>	<u>Expenses</u>
Projection 3	20,000	40,000	15,000	75,000	130,000*
Projection 4	20,000	40,000	15,000	156,000	211,000**

*This figure represents present expenses, allowance for debt service, \$20,000 promotional costs and \$20,000 for a marketing executive.

**In addition to Projection 3, includes debt service on \$500,000 of \$81,000 per year.

The subsidy required if a \$500,000 grant is made is \$75,000 per year. The subsidy required if a \$500,000 loan is obtained will be \$156,000 per year. The subsidy can only be obtained, as we see it, through subscriptions or through the IRRRB. Table 6 also assumes a capital improvement of \$500,000. If the IRRRB makes this grant, it is likely to be reluctant to supply the entire subsidy. It is expected that a subscription program will be needed.

Possible Ways to Increase Patronage

To obtain an increase in patronage of the Hall it will almost certainly be necessary to move to a location with more traffic and change the displays to make them more entertaining. Better promotional efforts and program design are also important.

If large scale expenditures must be made at Eveleth for small attendance gains it perhaps makes more sense to locate where traffic counts are more favorable. Valleyfair in Shakopee has been identified as one alternative location. Table 7 applies the College Football Hall of Fame statistics to give an idea of what level of attendance might be expected there. A figure of \$3 per visitor which corresponds with admission at the CFHF, is used in calculating potential income.

Table 7. Potential Income from Admissions at Valleyfair

	<u>Traffic Count</u>	<u>Cars per Year</u>	<u>Cars per Visitor</u>	<u>Annual Visitation (Expected)</u>	<u>Expected Income at \$3/Person</u>
Valleyfair	11,000*	4,000,000	23	175,000	\$525,000

*This figure obtained from Minnesota Department of Transportation, Traffic Flow Map 1974.

A change must be made in the displays in order to increase patronage at either location. Americans who have contributed to the development of hockey in the United States are well known to comparatively few people--the hockey enthusiasts. In order to establish a broader base, the U.S. Hockey Hall of Fame must also attract those who are seeking a recreational experience. Several techniques that could be used are described below; others might be developed.

1. A cartoon explanation of the evolution of hockey and the present-day rules could be shown. An original cartoon may be made for \$2,500 to \$3,000 per minute or \$75,000 for a 25-minute feature.
2. The Peter Puck series originated by Scotty Connal is still used by the CBC in Canada. The original series is available; a new Peter Puck campaign is to be launched this fall. The cost of this would have to be negotiated with Brian McFarland at the CBC in Toronto. Mr. McFarland has expressed an interest in discussing use of these rights with the USHFF.
3. Behind the scenes activities are interesting to visitors. Some areas that could be treated are coaches, ice making, setting up television coverage, arena management, equipment design and testing, and the long struggle from the bantam leagues to the pros.
4. Video games and computer games may be exciting to some visitors. These are examples of technology which are commercially available but not in common use in American homes. Manufacturers may be willing to donate samples in order to generate greater demand for their product.

All of these ideas are priced in the capital improvement plans in a later section of this report.

Better promotion and media coverage will help increase patronage. As a nonprofit organization, the USHHF is limited in the amount it can spend on advertising. It is not limited in the number of speaker's programs it can have or the number of newspaper articles that can be written about its activities. Speaker's programs that publicize the achievements of American hockey players could help to get the U.S. Hockey Hall of Fame into "the public eye." Creativity and resourcefulness will be the most important qualities required by those who carry out the promotional aspects of the new U.S. Hockey Hall of Fame.

Effects of Increased Subsidies

As we have already seen, a subsidy arrangement will be required at the present location. Government involvement is indicated because private contributions, donations and subscriptions are not likely to be forthcoming at the Eveleth location. Local contributors have probably been solicited to the maximum already as a result of the past operating shortfalls of the USHHF. The USHHF has not made an impressive track record, and it is likely that those who have given are ready to cut their losses.

The only other way to raise large amounts of money from private contributors is through subscriptions. As a rule, the further an entity is from the donors, the smaller the amount that can be expected from them and the more that must be given in return for the subscription. It is proposed that a subscription effort be mounted at professional and college hockey arenas around the country. An exhibition booth could be set up describing the Hall, explaining its mission, and distributing subscription applications. In exchange for the subscription, a newsletter could be produced and some kind of token gift distributed for large amounts. Subscription pricing would need to be determined, but for later calculation purposes MRI assumed that \$15 would be a fair request and that costs of up to \$5 per contributor would be incurred to produce and distribute newsletters and maintain the mailing lists. The subscription activity would allow the USHHF to either match the grants of the IRRRB or contribute to the facility at Valleyfair.

Of the governmental units with authority in the Eveleth area, only the IRRRB is likely to take an interest or is financially capable of sustaining the expenses of the USHHF. IRRRB members have indicated an interest in opening negotiations with the USHHF about such an arrangement. The IRRRB has an interpretive program which it manages on the Range. As such, it is a logical organization to work with the USHHF. The IRRRB should benefit if those who visit any attraction in the region are satisfied with the experience. Conversely, if visitors to the USHHF are disappointed they may be deterred from attending other similar attractions in the area--such as the Interpretive Center, which has an active, exciting program that tries to involve the entire family.

There are some practical considerations. The IRRRB, like other private investors in the region, has been disappointed in the performance of the USHHF. Realistic plans specifying actions to be taken will have to be worked out showing where the visitors will come from, who they will be, how they will be reached, how they will be entertained, and who will perform the work that needs to be done.

The development of detailed plans and the hiring of a marketing person to carry them out will require money--which may need to be obtained from the IRRRB. As noted earlier, we feel that a minimum grant of \$500,000 will be required to upgrade the present facility. An annual subsidy of about \$75,000 will be needed to keep the USHHF solvent.

POSSIBLE EFFECTS OF CHANGES IN OPERATION

Loss of Autonomy

Either major option--a move or a subsidy--would mean some loss of control over the USHHF by its current board. The loss of some control does not have to be unpleasant. The arrangement between the National Football Foundation and the College Football Hall of Fame is fair and equitable. All parties are pleased with the arrangement.

A move to the Twin Cities would involve substantial redesign of the exhibits, the addition of electronic equipment and audiovisual materials, the hiring of skilled staff, and the construction of a new building. All of these expenses could run to between three and six million dollars, based on the expenses incurred by the College Football Hall of Fame.* The 33,000 square foot CFHF building cost a total of \$6,000,000--\$3,000,000 in cash with an additional \$3,000,000 represented by account entries on the books of sister companies that were not charged back. These costs consisted of such services as architectural, decorating, and design talent; graphic design and marketing assistance; and general administrative overhead.

We do not believe that the USHHF can generate enough capital for such an extensive project on its own. A partner will have to be sought. The IRRRB will not want to be involved in a Twin Cities project. Valleyfair personnel have indicated a willingness to discuss a joint venture. If the Valleyfair organization did contribute the required time, talent, and money, they would surely want to control how these resources were used.

The IRRRB, if it becomes involved in a subsidy arrangement at Eveleth, is expected to demand some control. In the face of the substantial expenditures which it would be required to make, it cannot be expected to supply the money without some control over the way in which it is spent. This position has been indicated by spokespersons from the IRRRB. It is anticipated that a mutually satisfactory subsidy arrangement could be reached with the IRRRB.

*SOURCE: Paul Ritter and Jack Wyant of the CFHF.

Eveleth Location with Subsidy

The subsidy would most likely maintain the operation as it presently exists, but at a moderately higher level. The marketing focus would still be on the tourist traffic, except that the present trends of declining attendance may be reversed through broadening the appeal of the exhibits. Even with broader appeal the expected annual volume is expected to be only around 20,000 visitors with a maximum attendance of about 30,000. This figure compares with 31,000 visitors at the Tower-Sudan mine and 80,000 at the IRRRB Interpretive Center during its first full year of operation. The Interpretive Center has a much broader appeal and has benefited so far from significant regional attendance.

In order to assess the extent of the subsidy necessary a five-year projected income and expense statement has been prepared. Three assumptions have been made for the purposes of these projections.

1. A \$500,000 capital improvement grant has been assumed. Table 8 shows the capital equipment items and their cost.
2. In order to obtain IRRRB support, we assumed that a private funding source will be developed. Since local funding sources are most likely nearly exhausted, it is proposed that a travelling exhibit be designed for use at hockey arenas around the country. These exhibits could distribute subscription applications which required a \$15 fee. In exchange for this fee a newsletter published from 4 to 6 times yearly could be sent, and perhaps some sort of token or medal could be given for larger contributions. This newsletter could be geared to the hockey enthusiast and should contain player statistics and human interest stories that are not generally available elsewhere. Mr. Roger Godin and Mr. Don Clark collect such player statistics. There would be an incentive for USHHF to prepare a professional newsletter so that annual renewals were forthcoming.

Capital improvements for this effort in addition to expenses associated with staffing the program and moving the exhibits from one arena to another are included in Table 8. These expenses are calculated only for 2 years in the belief that arena solicitation of subscriptions would be self-sustaining after that time and would be eliminated after the third year. By the fourth year a mailing list should be developed and less costly methods, such as mail solicitation, could be used. If

Table 8. USHHF Capital Equipment Budget

1. Building maintenance (includes boiler replacement)		\$ 50,000
2. Statue or distinctive feature		50,000*
3. Video games and programs (8 sets; 4 videocassette recorders; 4 video game units)		10,000
4. Computer equipment and programs		100,000
5. Cartoon clip or series		75,000**
6. Action displays		60,000
7. Video or film footage		75,000***
8. Van and exhibits for promotional purposes:		
a. Van	\$35,000****	
b. Video equipment	5,000	
c. Exhibit replicas	25,000	
d. Books	5,000	
e. Computer equipment and programming	<u>10,000</u>	
	\$80,000	<u>100,000</u>
Total Capital Expenditures		\$ 500,000

There will be an extraordinary operating expense for at least a two-year period to keep the van on the road. A commitment for these expenses may be required before the program begins

Operating Expenses per Year

2 staff @ \$1,000/month	\$24,000	
Per diem expenses @ \$25	18,250	
Fuel @ \$1.00 per gallon, 100,000 miles per year, 10 miles per gallon	10,000	
Insurance	<u>2,000</u>	
	54,250	<u>108,500</u>
Total Advance Commitment Required		\$ 608,500

*This is a retail cost--the Iguana at the Minnesota Science Museum was completed in 4 years by a student for \$10,000. It was a gift to the museum.

**This represents a retail cost. This might be donated.

***Retail cost, may be donated.

****Retail cost, a good used van may be available at low cost due to the fuel situation.

the subscription promotion proved to be self-sustaining and, in fact, generated surplus revenue, it could be continued. This idea is based on the Golf Mobile used by the PGA Golf Hall of Fame in Pinehurst, NC. It could be modified for the USHHF so that instead of a converted mobile unit, a team of two persons could set up a display at arenas around the country. A mobile unit conversion may be unsuitable for use in northern cities on very cold nights because few persons would stand in line to get into a hockey mobile when the temperature or wind chill is below zero. However, fans are always looking for something to do between periods and before a game. If the displays were set up in an arena for a week at a time, perhaps 2 or 3 games (and the attendance that represents) would be played in the arena before it was time to move the exhibits.

3. We estimated that 20,000 persons would be attracted the first summer of the new operation and that this would increase to a maximum of 30,000 annually.
4. Visitors who come during the winter months and rental income are included in other income. In the fifth year an admission increase is calculated from \$2.00 to \$2.50.

Even with the estimated subscriptions--the Hall will have to raise \$290,000 through subscriptions--the commitment required by the IRRRB would be approximately \$818,500 over a five-year period. This includes the investment of \$500,000 in capital improvements, \$108,500 in advance commitments to subscription solicitation operating expenses, and \$210,000 in operating subsidies (Table 9). It is likely that a continuing subsidy would be needed beyond five years should any of these goals fail to be reached. If, for instance, attendance remains at 20,000 and subscriptions never go above 5,000, the IRRRB would be faced with the decision of whether to supply the additional \$175,000 in required subsidies for the five-year period. Each year after that, an additional \$85,000 subsidy would be required. The program proposed if the Hall remains at Eveleth is an ambitious one.

It is certainly possible, although not certain, that such a major underwriting will occur. The increase in attendance is marginal in proportion to the investment required. This money could perhaps be more profitably

Table 9. Projected Revenues and Expenses for the USHHF Located at Eveleth, Minnesota

	<u>First Year</u>	<u>Second Year</u>	<u>Third Year</u>	<u>Fourth Year</u>	<u>Fifth Year</u>	<u>Sixth Year</u>
	(thousands)					
REVENUES						
Attendance ⁽¹⁾	40	50	60	60	75	75
Other Income ⁽²⁾	15	15	15	15	20	20
Subscriptions ⁽³⁾	<u>0</u>	<u>50</u>	<u>65</u>	<u>80</u>	<u>95</u>	<u>100</u>
Total HHF Income	55	115	140	155	190	195
Extraordinary Income ⁽⁴⁾	0	0	0	35	0	0
IRRRB Subsidy ⁽⁵⁾	<u>85</u>	<u>35</u>	<u>80</u>	<u>0</u>	<u>10</u>	<u>0</u>
Total Revenues	140	150	220	190	200	195
EXPENSES						
Morgage ⁽⁶⁾	28	28	28	28	28	0
Utilities						
Phone	2	2	2	2	2	2
Electricity \$20/day	7	7	7	7	7	7
HVAC	8	8	8	8	8	8
7% Annual Increase		2	8	12	18	24
Employee Expenses						
Office staff, 1 @	5	5	5	5	5	5
Building Staff, 1 @ \$6,000/yr	6	6	6	6	6	6
Mgmt. Staff, 2 @ \$20,000/yr	40	40	40	40	40	40
Payroll Taxes/Insurance	2	2	2	2	2	2
7% Annual Increase		4	10	15	19	25
Additional Employees		4	8	8	8	8
Promotion ⁽⁷⁾	20	20	20	20	20	20
Subscription Solicitation Expenses ⁽⁸⁾			54	15	15	10
Building Insurance Depreciation ⁽⁹⁾	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>
Total Expenditures	140	150	220	190	200	180

- (1) Based on increases from 20,000 in the 1st year to 30,000 in the 3rd through 6th years. The admission fee is raised from \$2.00 to \$2.50 in the 5th and 6th years.
- (2) Other Income includes rents, interests and winter visitation. This item is expected to remain constant until the 5th year when it increases to \$20,000.
- (3) Subscriptions are expected to have an impact beginning in the 2nd year. The income figures are based on 5,000; 6,500; 8,000; 9,500; and 10,000 subscribers respectively for the 2nd through 6th years. A subscription fee of \$15 is assumed and costs of managing the subscription effort estimated at \$5 per subscriber.
- (4) Sale of van and equipment.
- (5) Extraordinary income in 4th year allowed Hall to show earnings of \$5,000.
- (6) \$105,000 principal at 10% interest, five years, annual payments of \$27,700. No payment is required in the sixth year.
- (7) An adequate line item must be included for promotion.
- (8) These costs are paid during years 1 and 2 from IRRRB allocations, in the 3rd year they are paid by the USHHF. It is assumed that the van is sold and a mail solicitation system implemented in the 4th year. This item drops to \$10,000 in the 6th year.
- (9) Depreciation is calculated on a building value of \$500,000 and a useful life of 30 years, straight line.

employed elsewhere. However, this is a political decision that must be reached between representatives of the USHHF and the IRRRB.

We also question whether it is in the USHHF's interest to remain at Eveleth if its administrators truly wish to honor the great Americans who have played the game and promote a better understanding of the game of hockey. A much larger audience is needed to carry out this objective.

Ultimately, it appears that continuing IRRRB support will be needed to maintain the operation. If IRRRB withdraws its support, the USHHF will likely find itself back in its present situation, relying on contributions to cover operating shortfalls, in which case its demise has simply been postponed. A better solution might be to move to the Twin Cities--more specifically, to negotiate with Valleyfair.

Effects of a Move to the Twin Cities

The principal reason for moving to the Twin Cities is to increase the traffic needed to sustain a sports shrine. St. Paul is the seat of government for Minnesota. Minneapolis has an international airport. There are also a large number of hockey fans in the Twin Cities. Each year large numbers of travellers visit Minneapolis and St. Paul or pass through the metropolitan area, and tourists are the mainstay of a sports museum's financial success. With a population of 2 million, the metro area also represents a significant local market which requires such services as meeting facilities. Properly tapped, this local market could provide the base needed for survival during the winter months when tourism is reduced, provided that proper planning were done initially to develop this market.

The move to Valleyfair makes sense for several reasons.

1. The resources and talents of the two organizations are complementary. Valleyfair personnel are skilled in marketing recreation and amusement services. A USHHF could be added to their present efforts with a minimum of cost. The collective knowledge of those now associated with the USHHF would provide the factual substance for the exhibits.

2. Minneapolis is a major population center with a large hockey fan base.
3. Speaker's programs and meetings could be held during the winter months both to promote the USHHF and to provide revenues and work for Valleyfair personnel during their off-season.
4. Valleyfair has an organizational structure capable of raising the capital for the new USHHF and has the experience and talent necessary to plan, build and manage the facility.

Estimates of investment required at Valleyfair are much more difficult to make. Some costs could be eliminated. Valleyfair already owns land which can be used to support the facility, and there are creative and marketing staff within its present organization who could complete the necessary marketing research and design work before construction is begun.

We have already seen that annually approximately 175,000 visitors could be expected, based on CFHF data. This translates into \$525,000 of gross income at \$3.00 per person. Additional revenues should be available from speaker's programs, group sales, and meeting sales.

The creative people at Valleyfair could, no doubt, price and design the exhibits needed with the assistance and approval of the USHHF board. The necessary capital equipment items discussed for the Eveleth location and the concepts discussed for that option would apply for Valleyfair also.

Table 10 shows the projected capital budget required at Shakopee and the sources of funds. This table shows that cash in the amount of \$4,000,000 is anticipated for the building. We believe this would allow ample funds for distinctive architecture, unique exhibits, and the finest design services. The U.S. Hockey Hall of Fame, Inc., could be expected to provide \$280,000, which represents about 5 percent of the total funds. Valleyfair, Inc., would contribute \$720,000. In addition, each partner would provide other professional services in the form of time and talent from within the organization. USHHF would be required to contribute \$100,000 equivalent; Valleyfair, Inc., \$900,000.

Table 10. Capital Requirements at Shakopee,
Minnesota, and Sources of Funds

Capital Requirements

Building	35,000 square feet	\$2,500,000
Improvements/Exhibits		1,500,000
Front-End Costs and Contingency		<u>1,000,000</u>
Total Requirements		\$5,000,000

Sources of Funds

Mortgage	75% of building value	\$3,000,000
Joint Venture Contributions		
U.S. Hockey Hall of Fame, Inc.		280,000
Valleyfair, Inc.		720,000
In-House Services (design, engineering, marketing)		
U.S. Hockey Hall of Fame, Inc.		100,000
Valleyfair, Inc.		<u>900,000</u>
Total Funds		\$5,000,000

Table 11 shows a five-year projection of revenues and expenses. Revenues would be derived from three sources: admissions, room sales, and subscriptions. Admissions have been calculated as a percentage of projected attendance at Valleyfair. The two case studies presented fall on either side of the attendance projection based on traffic past the site. (The worst case is 150,000 and the most likely case is 200,000; the traffic count projection is 175,000.) Room sales and food and beverage service could account for much higher revenues in time. We have chosen to be conservative for this projection because we have not studied the room sales market in the Twin Cities. We believe this figure represents a fair estimate.

Subscriptions would play a major role in the revenue picture of the USHHF. At \$400,000, the subscription revenues represent 35 percent of total revenues* in the first year. This item is important because it reaches the avid hockey fan and provides an excellent promotional tool, in addition to generating revenue. The capital expenditures and operating costs associated with the subscription effort at Eveleth also apply at Valleyfair.

On the expenses side, the items are self-explanatory. The building mortgage is calculated at \$3,000,000, 10 percent annual interest, with quarterly payments over a 30-year mortgage period. Utilities are estimated in what we believe to be a reasonable manner. These figures may be high, yet we know that an office phone system would need to be installed to facilitate promotional activities, arrange special events and speaker's programs, and make room and banquet sales. There would be high electricity use to power computers and videoscopes, light exhibits, and run projectors. Heating and cooling to a comfortable range would be required to attract visitors. A 7 percent annual increase is budgeted to account for rate hikes.

*In order to simplify the projections of revenues only some very simple increases were used. Using the current attendance figure of 10,000,000, the capture rate at the park has remained constant at 20 percent while the base attendance reached the projected level of 1,500,000, where it was held constant. No increase in room sales, admission rates, or subscription fees were assumed. This is a conservative approach designed to allow play in the revenue budget. In reality there are likely to be increases in these items which would increase revenues accordingly.

Table 11. Projected Revenue and Expense Statement for
U.S. Hockey Hall of Fame at Shakopee, Minnesota

	<u>First Year</u>	<u>Second Year</u>	<u>Third Year</u>	<u>Fourth Year</u>	<u>Fifth Year</u>
REVENUE	(thousands)				
Worst Case					
Admissions ⁽¹⁾	450	450	675	675	675
Room Sales ⁽²⁾	92	92	92	92	92
Subscriptions ⁽³⁾	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total	642	642	867	867	867
Most Likely Case					
Admissions ⁽⁴⁾	600	600	900	900	900
Room Sales ⁽⁵⁾	153	153	153	153	153
Subscriptions ⁽⁶⁾	<u>400</u>	<u>400</u>	<u>400</u>	<u>400</u>	<u>400</u>
Total Revenue	1,153	1,153	1,453	1,453	1,453
EXPENSES					
Building Mortgage ⁽⁷⁾	316	316	316	316	316
Utilities					
Phone @ \$1,000 per month	12	12	12	12	12
HVAC @\$2/sq ft/yr	66	66	66	66	66
Electricity @ \$200 per day	73	73	73	73	73
7% Annual Increase		11	22	34	46
Wages and Salaries					
Office Staff, 5 @ \$9,000/yr	45	45	45	45	45
Building Staff, 8 @ \$7,000/yr	56	56	56	56	56
Conference Staff, 5 @ \$10,000/yr	50	50	50	50	50
Managerial, 2 @ \$40,000/yr	80	80	80	80	80
Payroll Taxes/Insurance	80	80	80	80	80
7% Annual Increase		22	46	72	100
Promotion	100	100	100	100	100
Depreciation (Straight Line) ⁽⁸⁾	167	167	167	167	167
U.S. Hockey Hall of Fame, Inc. Guarantee	<u>75</u>	<u>75</u>	<u>75</u>	<u>75</u>	<u>75</u>
Total Expenses	1,120	1,153	1,188	1,226	1,266
Increase (Decrease) in Equity ⁽⁹⁾	33	0	265	227	187

(1) 15% of Park attendance (estimated at 1,000,000 first 2 years, then 1,500,000 in 3rd through 5th years), \$3 fee per person.

(2) Booking 3 meetings per week, 150 people per meeting, 34 week winter season, average \$6.00 per person (\$2.50 admission plus \$3.50 net food and beverage service).

(3) 10,000 at net of \$10 each (\$15 subscription fee less \$5 servicing costs).

(4) 20% of Park attendance (estimated at 1,000,000 first 2 years, then 1,500,000 in 3rd through 5th years), \$3 fee per person.

(5) Booking 3 meetings per week, 250 people per meeting, 34 week winter season, average \$6.00 per person (\$2.50 admission plus \$3.50 net food and beverage service).

(6) 20,000 at net of \$20 each (\$25 subscription fee less \$5 servicing costs)

(7) \$3,000,000 principal, 10% annual interest rate, 30 year repayment period, quarterly payments.

(8) \$5,000,000 building value, 30 year life, straight line depreciation.

(9) Based on Likely Case Revenues above.

Wages appear reasonable in relation to the work to be performed. We have assumed a standard crew of 20, which would remain constant through the five-year projection period. This crew may be smaller in the early years and higher in the later years of the period. The crew size could also fluctuate seasonally because of the nature of the amusement industry.

Promotion has been estimated at a high level to allow ample room for market development. This figure may be lower.

Depreciation is calculated on a building life of 30 years, using the straight-line method.

An annual royalty payment of \$75,000 to the U.S. Hockey Hall of Fame is assumed. These royalties will most likely be used to provide player scholarships, conduct the outreach program, or do research into important hockey-related issues.

Table 11 shows that there is surplus revenue in every year but one; in the second year the facility would break even. This is projected even though annual increases have been factored into the expense items, and conservative increases have been assumed in revenue items.

Admissions have been calculated to attain a level of 200,000 in the first year of operation. We believe this figure is realistic. We would anticipate that the facility would open in late August or early September. In this way the staff would have a chance to debug the unit and develop room sales. Planning and promotional adjustments could be made during the winter of the first year so that the operation could be ready to operate at full capacity in the spring. It will take at least 2 years to plan the facility, and by that time the attendance at Valleyfair should far exceed the attendance of 1,000,000 used for our projection purposes.

In sum, we feel that a realistic projection has been made of the USHHF's potential if located at Valleyfair. Although a conservative method was used in these projections, a high likelihood of success is indicated.

Close the USHHF and Seek Building Reuse

In the event that the Board of the USHHF decides that it does not want to pursue either alternative recommended above or if negotiations with both the IRRRB and Valleyfair fold, the USHHF should cease operations, liquidate its holdings, retire its debts and seek an alternate use for the building.

Based on the financial profile established in the beginning of this report, it is apparent that it is only a matter of time before the Hall folds. Attendance is dropping, contributions and grants are dropping and expenses are rising. When it becomes apparent that the trends will not reverse, the Hall should cut its losses.

The building is well located in relation to Eveleth and Virginia. Remodeling could turn the building into a fine office building or a community center. A reuse analysis, which is beyond the scope of this report, should be conducted so that the mistakes which preceeded the Hall's development are not repeated.

APPENDIX A

United States Hockey Hall of Fame, Inc.
Financial Statements
March 31, 1978

APPENDIX A

UNITED STATES HOCKEY HALL OF FAME, INC.
FINANCIAL STATEMENTS
MARCH 31st, 1978

Auditor's Report	Page 1
Statement of Condition	2
Statement of Revenues, Expenses & Equity	3
Notes to Financial Statements	4
Statement of Operating Expenses	5

W. STANLEY ANDERSON, PUBLIC ACCOUNTANT
121 CHESTNUT
VIRGINIA, MINNESOTA 55792

July 28th, 1978

The Board of Directors
United States Hockey Hall of Fame
Eveleth, Minnesota 55734

Gentlemen:

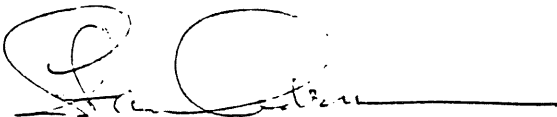
I have examined the Balance Sheet and the Statement of Revenues,
Expenses & Equity of the

UNITED STATES HOCKEY HALL OF FAME, INC.

as of March 31st, 1978. My examination was prepared from the
books and records of the United States Hockey Hall of Fame, Inc.,
and was not made in accordance with generally accepted auditing
procedures.

I therefore, can express no opinion as to whether the accompanying
statements fairly present the financial condition of the corporation
because my examination did not include tests of the accounting records,
nor did it include all the generally accepted auditing procedures.

Sincerely yours,

A handwritten signature in dark ink, appearing to read 'W. Stanley Anderson', with a long horizontal line extending to the right.

W. Stanley Anderson
Public Accountant

STATEMENT OF CONDITION

AS OF MARCH 31st, 1978-77-76-75-74

<u>ASSETS</u>	<u>1978</u>	<u>1977</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>
CURRENT					
Cash	\$ 3,368	\$ 4,504	\$ 4,370	\$ 1,308	\$ 2,821
Inventory at Cost	3,022	3,371	3,567	3,319	4,401
Total Current Assets	<u>6,390</u>	<u>7,875</u>	<u>7,937</u>	<u>4,627</u>	<u>7,222</u>
PROPERTY, PLANT & EQUIPMENT					
AT COST	312,868	305,172	280,416	266,749	253,305
Less: Accumulated Depreciation	<u>70,924</u>	<u>55,281</u>	<u>40,022</u>	<u>26,002</u>	<u>12,665</u>
	<u>241,944</u>	<u>249,891</u>	<u>240,394</u>	<u>240,747</u>	<u>240,640</u>
OTHER-Unexpired Insurance	<u>857</u>	<u>857</u>	--	--	--
Total Assets	\$ <u>249,191</u>	\$ <u>258,623</u>	\$ <u>248,331</u>	\$ <u>245,374</u>	\$ <u>247,862</u>
<u>LIABILITIES</u>					
CURRENT					
Accounts Payable	\$ 5,214	\$ 5,820	\$ 7,721	\$ 9,409	\$ 2,611
Accrued Interest Payable(Note 2)	21,797	12,977	6,788	2,588	4,635
Accrued Payroll Taxes Payable	289	230	496	334	326
Accrued Sales Taxes Payable	40	48	42	12	12
Total Current Liabilities	\$ <u>27,340</u>	\$ <u>19,075</u>	\$ <u>15,047</u>	\$ <u>12,343</u>	\$ <u>7,584</u>
LONG TERM DEBT					
(Note 1)	103,999	103,999	103,999	106,529	139,863
OTHER	<u>9,714</u>	<u>9,714</u>	<u>9,714</u>	<u>10,984</u>	<u>10,984</u>
Total Liabilities	\$ <u>141,053</u>	<u>132,788</u>	<u>128,760</u>	<u>129,856</u>	<u>158,431</u>
<u>NET WORTH</u>					
Owners' Equity	\$ <u>108,138</u>	\$ <u>125,835</u>	\$ <u>119,571</u>	\$ <u>115,518</u>	\$ <u>89,431</u>
Total Liabilities & Net Worth	\$ <u>249,191</u>	\$ <u>258,623</u>	\$ <u>248,331</u>	\$ <u>245,374</u>	\$ <u>247,862</u>

(UNAUDITED)

UNITED STATES HOUSE OF REPRESENTATIVES
STATEMENT OF REVENUES, EXPENSES and EQUITY
FOR THE YEARS ENDING MARCH 31st, 1978-77-76-75-74

	1978		1977		1976		1975		1974	
		%Sales		%Sales		%Sales		%Sales		%Sales
<u>OPERATING REVENUES</u>										
Sales	10,939	33.7	10,545	30.0	11,209	31.7	11,338	37.3	9,934	34.8
Admissions	14,498	44.6	16,879	48.1	18,032	51.0	19,023	62.7	18,613	65.2
Enshrinement Day	7,035	21.7	7,702	21.9	6,100	17.3	--	--	--	--
Total	32,472	100.0	35,126	100.0	34,341	100.0	30,361	100.0	28,547	100.0
<u>COST OF SALES</u>										
Purchases	4,364	13.4	4,589	13.0	5,818	16.5	5,126	16.9	9,358	32.8
Inventory Change	349	1.1	163	0.5	(248)	(0.7)	926	3.0	(4,401)	(15.4)
Cost of Sales	4,713	14.5	4,752	13.5	5,570	15.8	6,052	19.9	4,957	17.4
GROSS PROFIT/Sales	27,759	85.5	30,374	86.5	29,771	84.2	24,309	80.1	23,590	82.6
<u>OPERATING EXPENSES</u>										
(Schedule 1)	64,512	198.7	60,361	171.8	54,241	157.9	59,475	195.9	57,432	201.1
NET OPERATING PROFIT(LOSS)	(36,753)	(113.2)	(29,987)	(85.3)	(24,470)	(73.7)	(35,166)	(115.8)	(33,842)	(118.5)
<u>OTHER INCOME</u>										
Rental Income	2,100		350		600		570		105	
Interest Income	249		255		127		--		--	
	2,349		605		727		570		105	
<u>OTHER EXPENSE</u>										
Interest Expense	(8,820)		(9,189)		(13,338)		(6,349)		(13,826)	
EXCESS:OTHER EXPENSE OVER OTHER INCOME	(6,471)		(8,584)		(12,611)		(5,779)		(13,721)	
NET PROFIT(LOSS)	(43,224)		(38,571)		(37,081)		(40,945)		(47,472)	
<u>NON-BUSINESS REVENUE</u>										
Contributions	15,417		19,978		41,134		67,032		54,265	
Gov't Grants	10,110		24,857		--		--		80,861	
Total	25,527		44,835		41,134		67,032		135,126	
INCREASE IN EQUITY	(17,697)		6,264		4,053		26,087		17,654	
BEGINNING EQUITY	125,835		119,571		115,518		89,431		1,777	
ENDING EQUITY	108,138		125,835		119,571		115,518		89,431	

UNITED STATES HOCKEY HALL OF FAME, INC.
 NOTES TO FINANCIAL STATEMENTS
MARCH 31st, 1978

1.

The Long-Term debt consists of the following:

Note: Miners National Bank, Eveleth, Mn	\$ 27,000.00
Note: First N-W National Bank, Eveleth, Mn	<u>76,999.33</u>
Total	\$ <u>103,999.33</u>

2. Accrued interest consists of the following:

Miners National Bank: \$27,000 (7%)

Accrued 11/20/75-3/31/78	\$ 4,551.34
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First N-W National Bank: \$76,999.33 (9%)

Accrued 10/22/75-3/31/78	<u>17,245.58</u>
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Total	*** \$ <u>21,797.32</u>
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It is again suggested that some provision be made in the immediate future to bring the accrued interest to a current status.

UNITED STATES HOCKEY HALL OF FAME, INC.
STATEMENT OF OPERATING EXPENSES
FOR THE YEARS ENDED MARCH 31st, 1978-77-76-75-74

OPERATING EXPENSES	1978	% Sales	1977	% Sales	1976	% Sales	1975	% Sales	1974	% Sales
Salaries	\$18,062	55.6	\$16,965	48.3	\$17,199	48.7	\$22,609	74.4	\$20,504	71.8
Office Supplies	1,786	5.5	3,693	10.5	3,756	10.6	3,976	13.1	4,163	14.6
Audit Fees	--	--	--	--	--	--	270	.9	500	1.8
Telephone	1,452	4.5	1,182	3.4	908	2.8	1,445	4.8	1,342	4.7
Utilities	15,462	47.6	13,538	38.5	11,785	33.4	11,257	37.0	10,828	37.9
Travel & Promotion	304	0.9	578	1.6	783	2.2	1,147	3.8	1,609	5.6
Maintenance	3,987	12.3	1,822	5.2	1,273	3.6	1,973	6.5	2,786	9.8
Insurance/Building	4,500	13.9	3,577	10.2	1,535	4.3	1,839	6.1	1,628	5.7
Payroll Taxes	1,116	3.4	1,006	2.9	1,341	3.7	1,622	5.3	1,306	4.6
Advertising	1,007	3.1	1,068	3.0	1,454	4.0	--	--	--	--
Rent	--	--	--	--	187	0.5	--	--	--	--
Health Insurance	1,189	3.7	1,673	4.8	--	--	--	--	--	--
Depreciation	15,643	48.2	15,259	43.4	14,020	44.1	13,337	44.0	12,665	44.6
Total	<u>64,512</u>	<u>198.7</u>	<u>60,361</u>	<u>171.8</u>	<u>54,241</u>	<u>157.9</u>	<u>59,475</u>	<u>195.9</u>	<u>57,432</u>	<u>201.1</u>

(UNAUDITED)

APPENDIX B

Interviews

Interviews

- Roger Godin
Executive Director, United States
Hockey Hall of Fame, Eveleth
- D. Kelly Campbell
Manager, Oglebay Norton Company, Chairman
of the Board and Secretary, U.S. Hockey
Hall of Fame, Inc., Eveleth
- Charles Sickel
Manager, Minnesota Power and Light,
Treasurer, U.S. Hockey Hall of Fame,
Eveleth
- Mac Karpen
Owner, Karpen's Golden Rule, member of
Project H Committee, Eveleth
- Louis Muhich
Registered pharmacist, President, Eveleth
Retail Merchants Association, Eveleth
- Gary Lamppa
Former Deputy Director, Iron Range Resources
and Rehabilitation Board, Eveleth
- Scott Asbach
Advertising Manager, Mesabi Daily News,
Virginia
- Pat McGauley
Director, Iron Range Resources and
Rehabilitation Board, Eveleth
- Mike Gentile
Staff Analyst, Iron Range Resources and
Rehabilitation Board, Eveleth
- David Paradeau
Marketing Manager, Valley Fair Amusement
Park, Minneapolis
- Jack Wyant
General Manager, College Football Hall
of Fame, King's Island, OH
- Paul Ritter
Executive Director, College Football Hall
of Fame, King's Island, OH
- Bob Gustafson
Recreational Economist, Midwest Research
Institute, Kansas City, MO
- Tom VonKuster
President, Thomas VonKuster & Associates,
Market Research Consultants, Minneapolis

Telephone interviews were held with other key people.

- Joseph Begich Minnesota House of Representatives,
Chairman, Iron Range Resources and
Rehabilitation Board, member of Project
H. Committee, Eveleth
- Stan Hubbard KSTP, Board Member, U.S. Hockey Hall of
Fame, St. Paul
- Don Collett Manager, World Golf Hall of Fame,
Pinehurst, NC
- Scotty Connal Director, Sports Broadcasts, NBC
Sports, New York City
- Brian McFarland Sports Caster for the Toronto Maple
Leafs, CBC, Toronto, Part owner of the
Peter Puck Cartoon Copyright and
trademark
- Jim Boyd Part owner of the Peter Puck cartoon
series copyright and trademark, New
York City
- Jack Driscoll Vice President, National Hockey League,
New York City
- Todd Driscoll Assistant Director, Minnesota Science
Museum, St. Paul