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A study of land use alternatives for Disneyland periphery property

Economics Research Associates



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September 16, 1960

A STUDY OF LAND USE ALTERNATIVES
FOR DISNEYLAND PERIPHERY PROPERTY

Prepared for
Disneyland, Inc.
Anaheim, California

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Section I

INTRODUCTION

Disneyland, Inc., controls approximately 133 acres of land in the Disneyland Periphery Area. These properties range in size from 5.8 acres to 19.8 acres and are either owned in fee or under long-term lease to Disney interests (see Table I and Figure 1). The present use of these properties include a light manufacturing operation, a major hotel operation (on property leased by Disneyland, Inc., to the Disneyland Hotel), and several agricultural operations (orange growing). One property is under negotiation for lease development of a golf complex. At present only one of the Disney parcels (5.8 acres) is completely without use of any kind.

The managements of Disneyland, Inc., WED Enterprises, and Walt Disney Productions have studied these properties for several years in an effort to arrive at a policy and program of coordinated periphery property development. The need for such a program has been accentuated by the rapid rate of uncoordinated commercial development in the area, the rapid encirclement of Disneyland, and the rise in market value of the properties held by Disneyland. For these and other reasons, in April, 1960, Economics Research Associates studied and reported on the economics of a golf recreation center to be located on Disneyland periphery property.^{1/} Subsequently, on June 9, 1960, ERA was authorized to study alternative uses for Disney-controlled periphery property. This report presents the findings of this research program.

Objectives of the Study

The objective of this research study is to evaluate land use alternatives for Disney-controlled property in the Disneyland area. Specific objectives of the research include:

1. An analysis of the general characteristics and future land use plans which affect possible land uses in the Disneyland area.

^{1/} The proposed location of the golf recreation center is shown in Figure 1. The center is still under active consideration and this report assumes that the project will develop as it is now planned.

Table I

DISNEY-CONTROLLED PROPERTY IN THE
DISNEYLAND PERIPHERY AREA

<u>Parcel Number</u> ^{1/}	<u>Number of Acres</u>	<u>Ownership</u>	<u>Present Use</u>
1	5.8	Fee	Not in use
2	5.8	Fee	Auxiliary parking
3	16.1	Lease, no option or first refusal	Katella entrance and parking
4	9.6	Lease, purchase option	Orange grove
5	18.2	Lease, right of first refusal	Groves and parking
6	19.4	Fee	Groves and parking
7 ^{2/}	9.8	Fee	Groves
8 ^{2/}	19.8	Fee	Groves
9	19.4	Fee	Pony farm
10	<u>9.4</u>	Lease, purchase option	Trailer manufacturing
Total	133.3 ^{3/}		

1/ Parcel numbers correspond with numbers on Figure 1.

2/ These two parcels are proposed for golf course development.

3/ Excludes approximately 30 acres under long-term lease to the Disneyland Hotel.

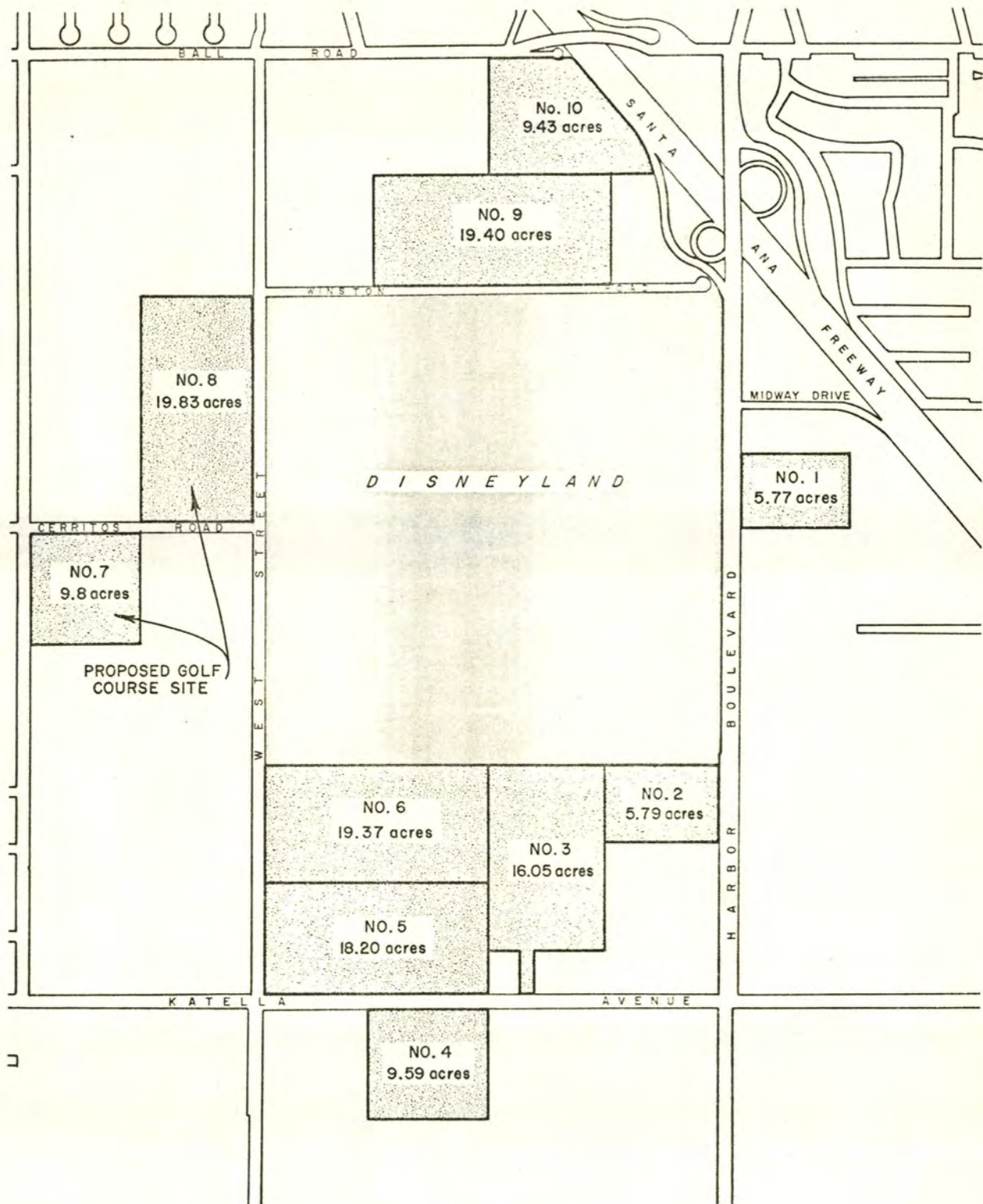


Figure 1

MAP OF DISNEY-CONTROLLED PROPERTY
IN THE DISNEYLAND PERIPHERY AREA

2. An analysis of present development in the Disneyland area.
3. A detailed analysis of those land uses which, after preliminary review, appear to be most favorable for Disney-controlled property.

This research study is limited to consideration of alternative uses of Disney-controlled property and considers other properties in the area only as they affect the Disney property.

Study Method

The findings of this report are based on information obtained by Economics Research Associates from a number of sources, including:

1. The managements of Disneyland, Inc., WED Enterprises, and Walt Disney Productions.
2. Previous studies of the Disneyland Periphery Area and studies for projects proposed for that area.
3. Officials of the City of Anaheim and Orange County.
4. Individuals and organizations familiar with the various types of development under consideration in this study.
5. Owners of property in the Disneyland Periphery Area.

This report first considers the general characteristics of the Disneyland area which are significant to land use evaluations (Section II). In Section III, selection criteria are applied to disqualify unpromising land use proposals and select those proposals to be evaluated in detail. Sections IV, V, and VI are detailed evaluations of specific land uses. Finally, Section VII presents the summary and conclusions of this report.

Work on this project was performed by Neal Marlett under the direction of Harrison A. Price. ERA staff members William S. Lund and Robert L. Lorimer rendered valuable assistance throughout the project.

Section II

GENERAL CHARACTERISTICS OF THE AREA

The general economic environment of the Disneyland area is an important consideration in the evaluation of potential land use in the area. The Disneyland area and its parent community, Anaheim, are beneficiaries of the rapid economic growth of Orange County. In addition to the county-wide growth pattern, the Disneyland show is stimulating to the economy of Anaheim, and, more specifically, the Disneyland Periphery Area. This section of the report endeavors to present data which will provide a basis for evaluating the economic influences at work in the area.

Local Non-Park Economic Setting

Orange County provides an extremely favorable setting for the Disneyland area. The population of Orange County has increased from 347,800 in 1955 to 715,000 in 1960, an average growth rate of 15.5 per cent per year. This extremely high rate of growth is expected to decline in the future but the absolute population growth per year will continue to increase. This is shown in the following table:

<u>Year</u>	<u>Population</u> ^{1/}	<u>Five Year Population Increase</u>	
		<u>Number</u>	<u>Average Annual Rate of Growth</u>
1955	347,800	--	--
1960	715,000	367,200	15.5%
1965	1,100,000	385,000	9.0%
1970	1,530,000	530,000	6.8%
1975	2,000,000	470,000	5.6%

^{1/} Population forecasts from "Orange County: Its Economic Growth, 1940 - 1980," Stanford Research Institute.

The population of the Anaheim - Garden Grove Statistical Area is also growing rapidly, although its growth rate has declined from the phenomenal rate (23.2 per cent annually) which boomed its population from 26, 620 in 1950 to 215, 000 in 1960. The following table indicates the projected growth of the Anaheim - Garden Grove Statistical Area:

<u>Year</u>	<u>Population</u>	<u>5 Year Population Increase</u>
1960	215, 000	--
1965	280, 000	65, 000
1970	335, 000	55, 000
1975	390, 000	65, 000

The Anaheim - Garden Grove Statistical Area is, and will continue to be, the most densely populated area of Orange County. Present density of 4, 000 persons per square mile will increase to 6, 500 in 1970. The adjoining Santa Ana - Orange Area is the second most densely populated area. These two areas alone house 50 per cent of the Orange County population; by 1970 that ratio will decline to 38 per cent. However, rapid growth is projected for two other adjoining statistical areas (Buena Park - Cypress, and Fullerton - La Habra). These four closely related areas will have a 1970 population of 935, 000 or 61 per cent of the projected 1970 population.

As a further indication of the Orange County centrality of the Disneyland area, the computed weighted center of population gravity for Orange County is located in east Garden Grove (three miles due south of Disneyland -- see Figure 2). Projected population changes will move this weighted center to approximately midway between Garden Grove and Santa Ana.

The data cited above indicates that the Disneyland area is strategically well located with respect to existing and projected Orange County population distribution.



Figure 2

GEOGRAPHICAL CENTER OF ORANGE COUNTY
(POPULATION WEIGHTED)

The income characteristic of Orange County residents is an important consideration. In 1958, the disposable income per family was \$5,600, considerably less than the average of \$6,500 for Los Angeles County and \$6,400 for California. However, income levels have been rising (relative to income levels in other California counties), and by 1970 - 1975 should approach a parity with income levels in other areas of the state.

Transportation in Orange County is almost exclusively by motor vehicle, most of which is by private automobile. Therefore, a consideration of the transportation system of Orange County is actually an analysis of the freeway, arterial, and road system of the county. The recently revised Master Plan for Arterial Highways, Orange County, is shown in Figure 3. The figure illustrates the accessibility of the Disneyland area by freeways and arterial roads. It can be seen that the south Anaheim area is projected as the fulcrum point for the distribution of traffic within the county.

A still more significant measure of Disneyland accessibility is a driving time map. The contours shown in Figure 4 illustrate the area within 15, 30 and 45 minutes of Disneyland. The 1960 population and number of families with incomes over \$5,000 located within these driving time contours are shown in the following table:

<u>Driving Time Zone</u>	<u>Population (thousands)</u>	<u>Families with Annual Incomes Over \$5,000 (thousands)</u>
0 - 15 minutes	314.6	55.0
15 - 30 minutes	965.2	164.2
30 - 45 minutes	1,526.5	284.2
Less than:		
30 minutes	1,279.8	219.2
45 minutes	2,806.3	503.4



Figure 3

MASTER PLAN OF ARTERIAL HIGHWAYS
ORANGE COUNTY

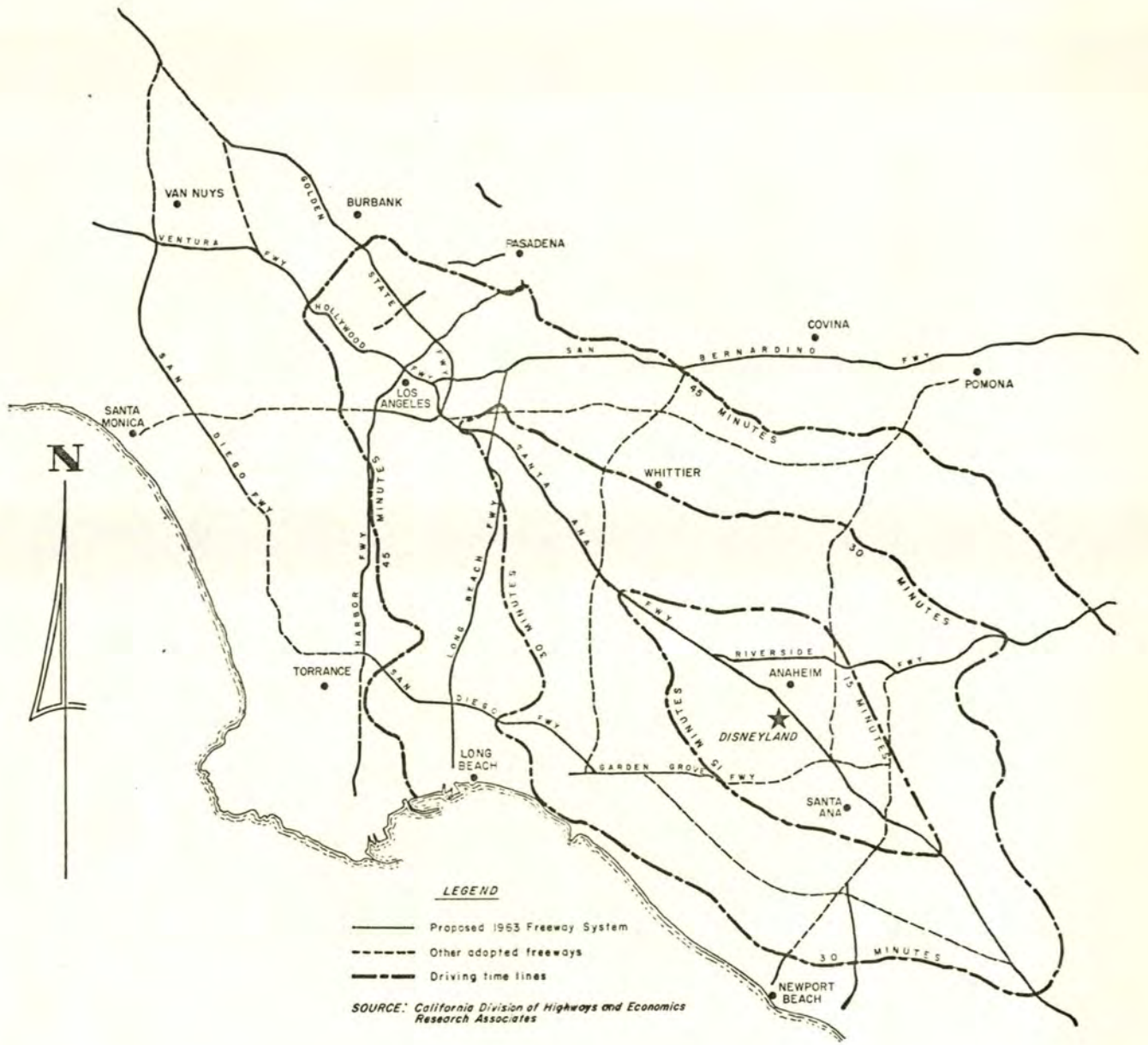


Figure 4

DRIVING TIME MAP

Disneyland-Generated Economic Activity

The construction of Disneyland in 1955 resulted in significant changes in the pattern of economic activity in Orange County. Indeed, the growth pattern described in the previous paragraphs was given its greatest single stimulus by the opening of Disneyland. As a result of Disneyland, millions of people discovered that Orange County is pleasant, friendly and accessible.

The economic effect of Disneyland-generated expenditures is at best difficult to trace. It has been stated by Disneyland officials that of the total expenditures by Disneyland-bound tourists, only seven per cent terminates at the park. The remaining 93 per cent is spent at motels, hotels, restaurants, and service stations -- or becomes the disposable income of persons employed in the park and is thus returned to the community.

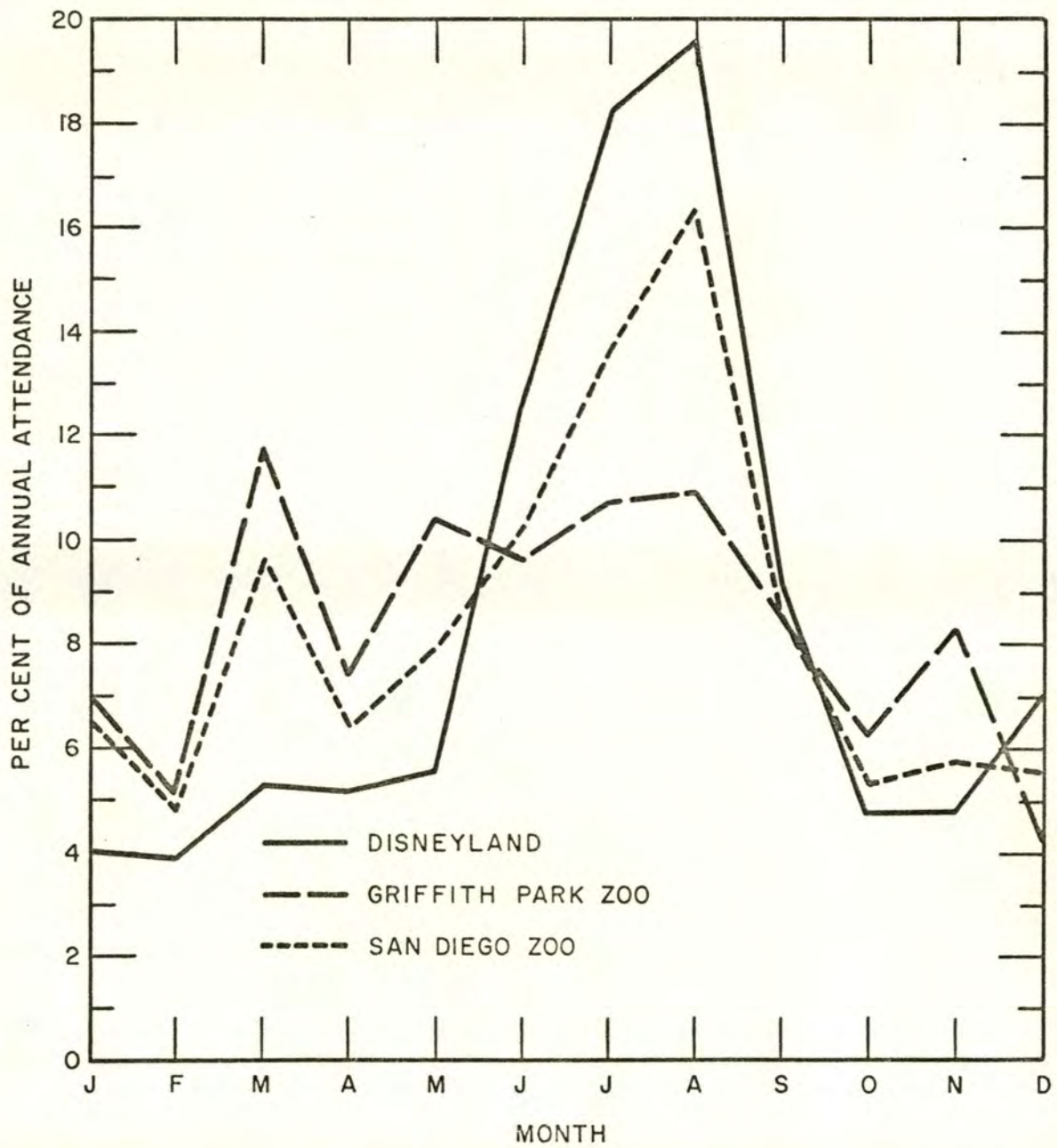
Difficult as it is to measure the exact economic impact of Disneyland, the outward indications of economic stimulus can be readily measured in terms of visitor attendance and expenditures.

Disneyland Attendance

Annual attendance at Disneyland has risen from 3.75 million in 1956 (the first full year of operations) to 5.05 million in 1959. Indications are that attendance in 1960 will be about the same or somewhat less than last year. It has been projected that attendance will increase to 5.9 million by 1964.

Attendance Seasonality

Attendance patterns at Disneyland follow a typical pattern for Southern California outdoor attractions (see Figure 5). Of the annual attendance, 59.5 per cent occurs in the four months, June through September, while the remaining 40.5 per cent is divided among the other eight months.



SOURCE: Disneyland, Inc., Stanford Research Institute, and Economics Research Associates

Figure 5

MONTHLY ATTENDANCE AT DISNEYLAND
AND OTHER MAJOR SOUTHERN
CALIFORNIA ATTRACTIONS

Tourist Attendance

Numerous surveys have been conducted to determine the residence of Disneyland visitors. Based on data compiled by Dr. Arthur Highman, the following breakdown of annual attendance is indicated:

<u>Area of Residence</u>	<u>Per Cent of Annual Attendance</u>		
	<u>Full Year</u>	<u>Summer</u> ^{1/}	<u>Balance of Year</u>
Southern California	58.2%	32.7%	25.5%
Northern California and Out-of-State	<u>41.8</u>	<u>26.8</u>	<u>15.0</u>
Total	<u>100.0%</u>	<u>59.5%</u>	<u>40.5%</u>

The table indicates that approximately 42 per cent of Disneyland visitors, or 2.1 million persons, are tourists from outside the Disneyland regional trading area (Southern California). Further data compiled by Dr. Highman indicates that approximately 55-60 per cent of these tourists stay with friends or relations during the visit to Southern California. The remaining 840,000 - 945,000 tourists stay in hotels, motels and tourist apartments.

The data in the following table indicates the attendance in each of those categories (assuming annual attendance of 5 million):

<u>Category</u>	<u>Thousands of Visitors</u>		
	<u>Full Year</u>	<u>Summer</u>	<u>Balance of Year</u>
Southern California Residents	2,910	1,635	1,275
Tourists Staying with Friends and Relatives	1,149	737	412
Tourists Staying in Hotels, Motels and Apartments	<u>941</u>	<u>603</u>	<u>338</u>
Total	<u>5,000</u>	<u>2,975</u>	<u>2,025</u>

1/ June, July, August, and September.

Income of Visitors

The following table presents the income characteristics of local visitors to Disneyland:

<u>Family Income</u>	<u>Per Cent of Non-Tourist Visitors</u>	<u>Cumulative Per Cent</u>
0 - \$1,999	4.34	4.34
\$2,000 - \$2,999	3.67	8.01
\$3,000 - \$3,999	4.01	12.02
\$4,000 - \$4,999	11.85	23.87
\$5,000 - \$6,999	30.22	54.09
\$7,000 - \$9,999	25.54	79.63
\$10,000 and over	<u>20.37</u>	100.00
Total	100.00	--

Approximately three-fourths of non-tourist visitors have annual incomes above \$5,000. The income characteristics of tourist visitors are not known; however, a relatively low proportion of low income families are able to afford vacation trips in a given year, thus it would be expected that tourists generally have higher-than-average incomes.

Present Development and Land Use in the Disneyland Area

The development of land in the Disneyland area has been, and continues to be, one of the most dramatic undertakings in real estate history. That the development is continuing at a rapid pace is illustrated by the transformation this year of an orange grove (on Katella Avenue) into two new motels -- the whole process requiring approximately two months.

The present development of the area falls into five categories:

1. Accommodations
2. Restaurants
3. Recreational Facilities
4. Service Stations
5. General Commercial

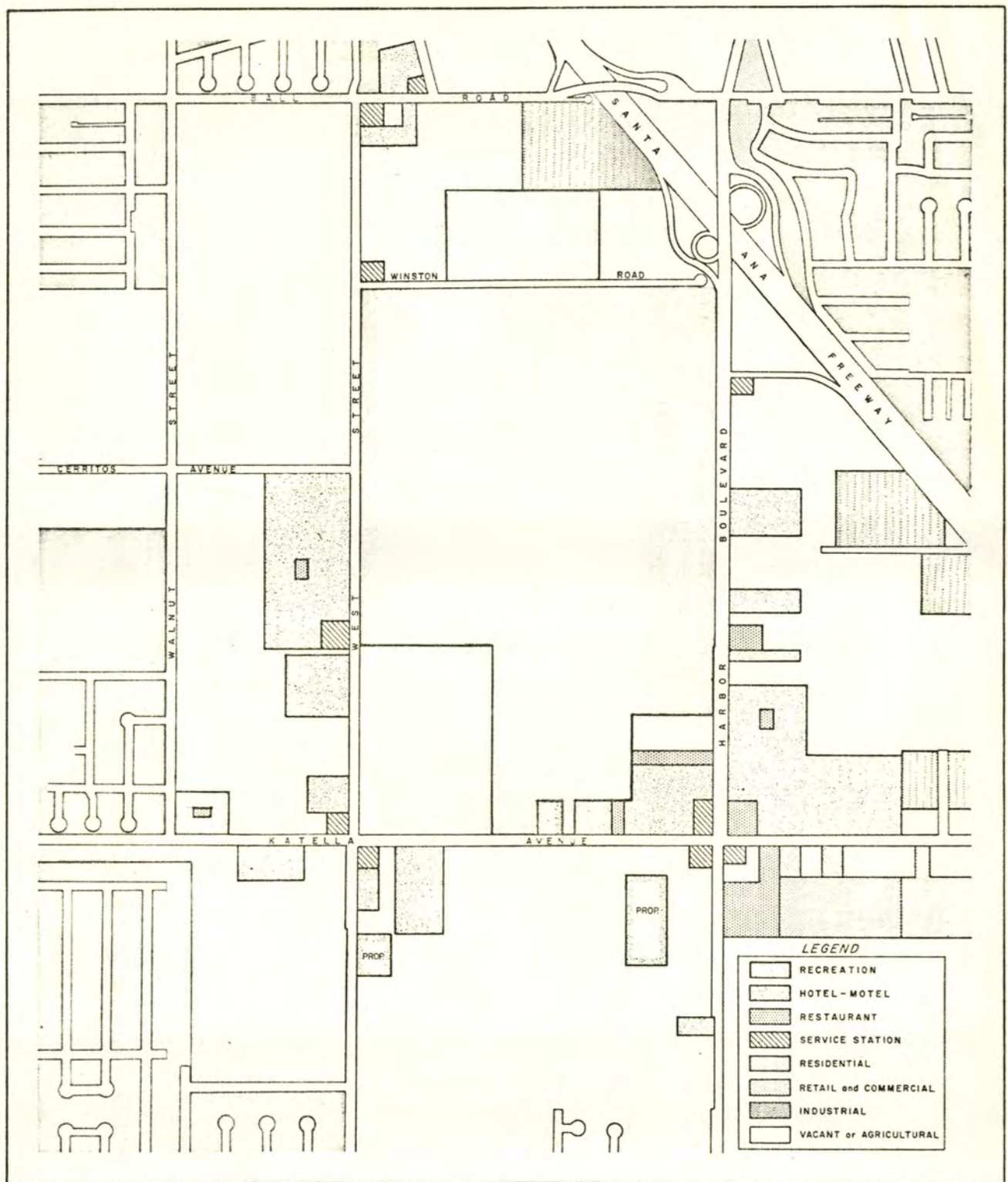
These development categories are illustrated in Figure 6, "Present Land Use in the Disneyland Area." The dominance of motel development in the area is apparent from this information. The reduction in the amount of undeveloped land in the area is also apparent -- the lack of large undeveloped frontages is particularly significant. At present only three large areas are left undeveloped in the immediate periphery area. (Eighty acres west of the park, 57 acres to the north of the park, and 110-130 acres south of the park.)

Each category of development is discussed in detail in the following paragraphs.

Accommodations

The hotel-motel development in the Disneyland area is, despite some shortcomings from the Disneyland point of view, one of the finest in the country. All of the facilities are relatively new, are modern in appearance, and are well maintained. Two major motel-hotels with a total of 481 rooms and 33 smaller motels with a total of 1,181 rooms are located within the Disneyland periphery area (see Table II). The combined total of 1,662 rooms have a capacity of 6,648 guests.

In addition there are several motels outside the immediate periphery area which are close enough to serve overflow tourist requirements.



SOURCE: Economics Research Associates

Figure 6

PRESENT LAND USE IN THE DISNEYLAND AREA

Table II

OVERNIGHT ACCOMMODATIONS IN THE DISNEYLAND AREA

<u>Accommodations</u>	<u>Rooms</u>	<u>Capacity</u>
<u>Motor Hotels</u>		
Disneyland Hotel	306	
The Charterhouse	<u>175</u>	
Total Hotel Accommodations		481 1,924
<u>Motels</u>		
Alamo Motor Lodge	20	
Alpine	30	
Candy Cane	53	
Carousel	16	
Desert Inn	21	
Eden Roc	23	
Fantasy	75	
Flamingo	41	
Heidi	31	
Jack and Jill	20	
Lamplighter	24	
Magic Star	33	
Kona Kai	21	
Musketeer	36	
Peter Pan	20	
Princess	24	
Pyramid	22	
Rudimar	24	
Saga	99	
Samoa	38	
Sands	24	
Sandy's	42	
Skyview	18	
Stardust	26	
Travelodge	38	
Tropicana	34	
Viking	33	
Waikiki	58	
Wanderlust	20	
Whaler's Inn	44	
Unnamed (newly completed)	32	
Unnamed (under construction)	45	
Unnamed (under construction)	<u>96</u>	
Total Motels (existing or under construction)		<u>1,181</u> <u>4,724</u>
Combined Total		<u>1,662</u> <u>6,648</u>
<u>Motels Planned</u>	<u>Number of Motels</u>	
Zoning variance approved	3	
Zoning variance pending approval	1	
<u>1/</u>		

1/ In addition, a large motor hotel to be located at West Street and Ball Road is in the promotion stage.

Restaurants

There are 11 restaurants in the Disneyland area ^{1/} which range in class from a fine gourmet to a drive-in restaurant serving hamburgers and milk shakes. Of the total sit-down restaurant capacity of 1,990 ^{1/}, 994, or 50 per cent, is in the hotel restaurants, 540 (27 per cent) is in the night club class, and 362 (18 per cent) is in the family class. The remaining 5 per cent is in the 94 seat Wonderbowl Restaurant. Table III presents a tabulation of the restaurant development in the area.

Recreational Facilities

Aside from Disneyland, the only recreational facilities operating in the area are two bowling alleys with a total of 72 lanes. The Wonderbowl facility, located on Katella Avenue one block east of West Street, has a total of 48 lanes while the Freeway Bowl, located at the Katella Avenue - Santa Ana Freeway interchange, has 24 lanes.

In addition, a golf recreation center to be located in the area is under active consideration, and an ice skating rink is under construction.

Service Stations

Nine automobile service stations are presently located in the periphery area. Their locations are plotted in Figure 6. In addition, two more sites have been approved by the Anaheim City Council.

^{1/} This figure excludes the table-service restaurant capacity within Disneyland, which is estimated at approximately 500 seats.

Table III

RESTAURANT FACILITIES IN THE DISNEYLAND AREA

	<u>Seating Capacity</u>
<u>Hotel Dining Facilities</u>	
Gourmet Dining Room	120
Gourmet Coffee Shop	324
Cocktail Bar (with dining)	200
Charterhouse Dining Room	200
Rib Room (Charterhouse)	<u>150</u>
Total Hotel Facilities	994
<u>Night Club Restaurants</u>	
Domino	75
Lancer's	50
Harris	<u>415</u>
Total Night Club Restaurant Facilities	540
<u>Family Restaurants</u>	
Chalet Pancake House	250
Stan's Restaurant (and bar)	<u>112</u>
Total Family Restaurant Facilities	362
<u>Other Restaurant Facilities</u>	
Disneyland Waiter Service Restaurant Capacity ^{1/}	500
Wonderbowl Restaurant and Bar	<u>94</u>
Total Other Restaurant Facilities	<u>594</u>
Total Restaurant Facilities	<u><u>2,490</u></u>

^{1/} Cafeteria and refreshment stands are not considered in this total; of the 500 capacity, 300 is in the Red Wagon facility.

Retail Facilities

There are very few retail facilities in the Disneyland area. Aside from the shops within the park itself, the only significant concentration of retail outlets is in the arcade of the Disneyland Hotel (10,000 square feet). The following is a tabulation of the shops in the hotel arcade:

Hawaiian Apparel Shop
Liquor and Sundries
Gift and Accessory Shop
Men's Shop
Toy Shop
Children's Shop
Latin Imports Shop
Camera Shop

The only other retail facility in the area is a liquor store at Harbor Boulevard and Katella Avenue.

The closest convenience goods shopping center is located at the intersection of Harbor Boulevard and Orangewood Avenue. A larger, more comprehensive retail concentration is located west of Disneyland at the intersection of Ball Road and Brookhurst Avenue. The closest regional shopping facilities are in downtown Anaheim.

A recent development of interest in the general south - Anaheim area is the opening of a large membership discount house on Los Angeles Street one half mile west of Disneyland. This development follows the Palley's discount store (located on Katella Avenue just west of the Santa Ana Freeway) and will, in turn, be followed by the opening of a White Front store on Harbor Boulevard one mile south of Disneyland.

Service Facilities

The largest concentration of service facilities, located at the Disneyland Hotel, consists of a barber shop, an airline ticket counter, a car rental agency, and an industrial realtor. The only

other existing service facilities in the area are a beauty salon and a real estate brokerage located on Harbor Boulevard at Katella Avenue.

Other service facilities are located at Harbor Boulevard and Ball Road (barber shop and beauty salon) and at the retail centers mentioned in the previous subsection.

Future Development Plans

Several additional developments are in the promotional and planning stages at this time.

The several owners of 60 acres located to the northwest of Disneyland (between West Street, Walnut Street, Ball Road, and Cerritos Avenue) have granted an option to lease their property to a group of hotel promoters.

In a similar grouping of landowners, the Tietz Construction Company has obtained control of substantial acreage in the quarter-section just south of Katella Avenue between Harbor Boulevard and West Street. Two new motels are presently under construction in this area and zone variances have been requested to allow the construction of three additional motels.

Approximately 25 acres adjacent to and controlled by the owners of Wonderbowl and the Wanderlust Motel are also being promoted for development but no firm plans have been made known.

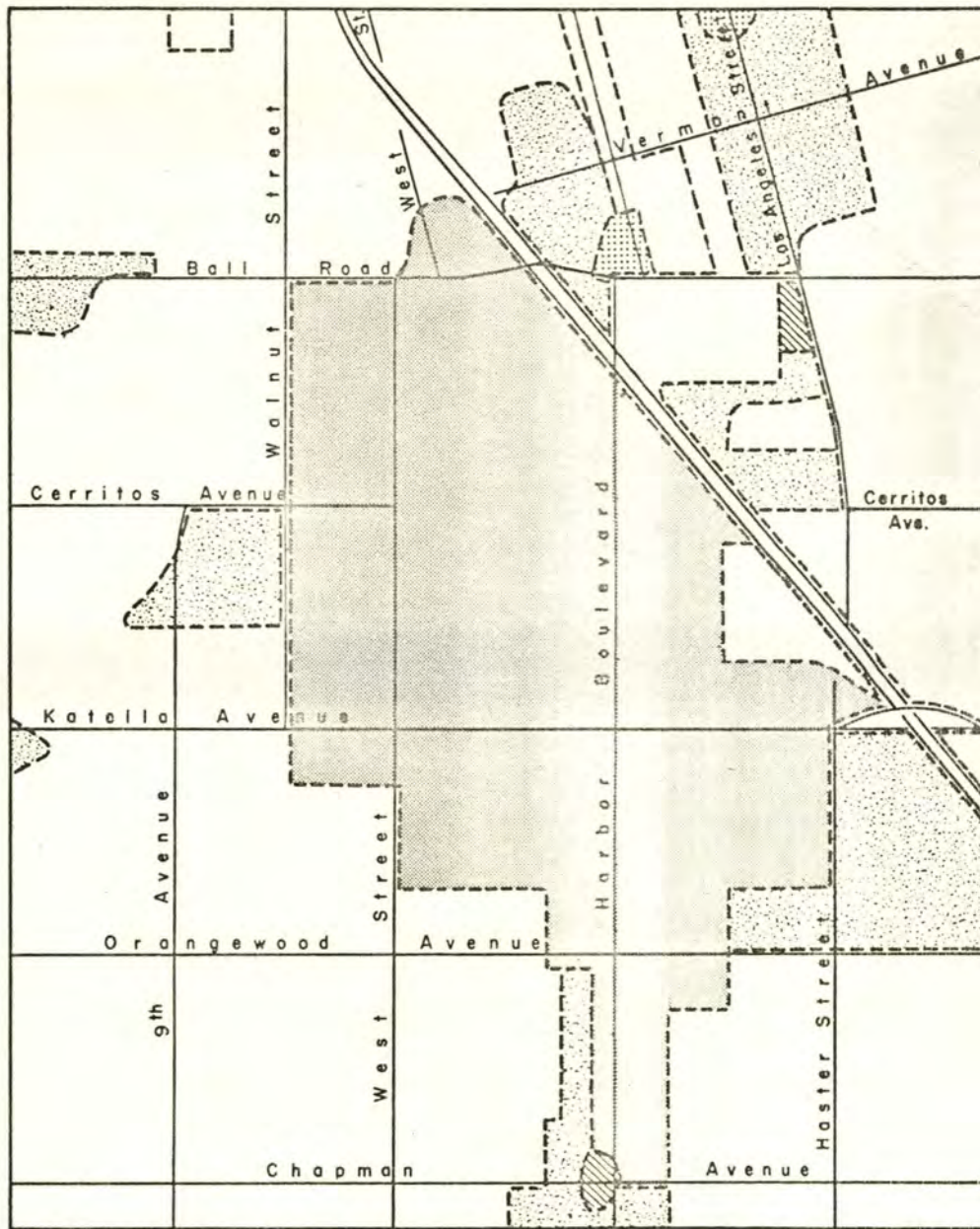
Other promoters have talked of constructing an auditorium in the area but as of this date none of these plans have been confirmed or formalized, and all previous variances for this use have expired.







Zoning and Projected Land Use

Zoning in the Disneyland area is accomplished by a system of zone variances. The basic zoning for the periphery area is R-A (residential-agricultural). Landowners desiring to use property for purposes other than residential or agricultural must petition the City of Anaheim for a zone variance.

The City of Anaheim has had the foresight to engage reputable consultants to study the question of land use planning. One result of these studies has been the preparation of a master zoning plan for Anaheim. The plan has not been adopted but does offer concrete evidence of future land use planning and is referred to by city officials during zoning consideration. It calls for the creation of a Commercial-Recreation zone to include Disneyland and a substantial area around Disneyland. The proposed zoning plan for the Disneyland vicinity is shown in Figure 7. A total of 1.48 square miles, or 950 acres, is included in the proposed C-R zone. Approximately 35 per cent of this land has already been developed to land uses other than agricultural.

The attitude of the community of Anaheim and its city government is very important to any consideration of land use, and every evidence points to the establishment of a significant commercial-recreational land use concentration in the Disneyland periphery area.



-  COMMERCIAL RECREATION
-  INDUSTRIAL
-  MEDIUM DENSITY RESIDENTIAL (apartments)
-  NEIGHBORHOOD COMMERCIAL
-  HIGHWAY RELATED COMMERCIAL
-  LOW DENSITY RESIDENTIAL

SOURCE: City of Anaheim and Economics Research Associates

Figure 7

PROPOSED MASTER ZONING PLAN FOR
THE CITY OF ANAHEIM

Section III

PRELIMINARY EVALUATION OF ALTERNATIVE LAND USE

During the past three to four years, numerous suggestions for the use of Disneyland periphery property have been made by many parties. A substantial part of the work of this study is to formulate criteria for the evaluation of these various proposals. Such standards should eliminate a large number of these suggestions and allow for more detailed study of those plans which meet the criteria. This section describes the lines of thought used to screen proposed land use.

The Disney Philosophy of Operation

The name "Disney" has for years signified the finest in family entertainment. This connotation is strongly manifested in the unique character of Disneyland and its continual improvement program. To reinforce this public image the Disney organization follows a philosophy of operation which might be summarized as follows:

Disney will attempt to offer the public the finest entertainment and recreation -- anything less will be ultimately unprofitable to the Disney organization.

Land Use Planning Criteria

The Disneyland Park, representing an investment of approximately \$30 million, is the finest family entertainment park in the world. Further development of Disneyland periphery property either by Disney or by Disney lessees should be based on one primary motivation: to preserve or increase the value of the present Disneyland investment. This motive, and the management philosophy cited earlier, suggests the following criteria for the evaluation of alternative land use:

1. Expansion space should be provided for future development of the Disneyland Park.

2. Proposed developments should be complimentary to the Disneyland Park.
3. Proposed developments should tend to focus attention on the Disneyland area as a prime recreation-entertainment area.
4. Proposed developments should be of first class size, scope and character.
5. Proposed developments must generate an adequate return on investment.

Disqualified Land Uses

On the basis of the above criteria, the following land uses which have been proposed for consideration over the past years are eliminated from further consideration:

Camping Facilities

The use of periphery lands for camping is not considered economically feasible due to low income potential.

Lodging

Aside from contractual restrictions placed upon it, Disneyland, Inc., does not have a logical basis for entering this field of endeavor. High room capacity, and low occupancy rates obtained by most motels in the area on a full year basis (approximately 55 per cent for all but the best motels), and the impending motel developments to the south of the park, suggest that this field of activity is inappropriate.

Personal Service

This field of development is most appropriately tied in with motel and hotel development. By itself, significant and important developmental opportunities in this field are unlikely.

Retail Facilities

Operation of single, free standing retail outlets -- or a conventional planned shopping center -- is not considered complementary to the Disneyland development. However, retail facilities as an integral part of a larger thematic development could very well meet established criteria.

Sports Facilities

In general, the development of individual sports facilities are considered outside the Disneyland scope of interest, except large facilities with good revenue potentials such as 3 par golf, bowling, or ice skating. In this regard, it is significant that existing or planned developments fulfill these types of activity adequately. In addition to neighboring bowling establishments, construction of an ice rink on Katella east of Harbor was begun in late August, and a 3 par golf course is in the planning stage.

Sports Arena

This report concludes that the market support for an Anaheim arena continues to be inadequate at this time.

In the following sections, the outlook for several developments which may meet the foregoing criteria are treated in detail. These are:

1. Auditorium and Convention Facilities
2. Restaurant Development
3. The "California Living" Theme Development

Section IV

THE OUTLOOK FOR AUDITORIUM FACILITIES IN THE DISNEYLAND AREA

For a number of years, an auditorium complex has been suggested as a project for Disneyland periphery property. Disneyland, Inc., has made several studies of the auditorium proposal, including two formal studies prepared by Stanford Research Institute in 1954. These studies indicated that while there are numerous advantages to be derived from an auditorium operation in this area, it is unlikely that such a facility could be established on a self-sustaining and profitable basis. For these reasons, and the higher priorities assigned to other Disneyland activities, the auditorium proposal was dropped from active consideration.

In the intervening time, several developers have announced private plans to construct auditoriums in the area, but these plans have been dropped when it became apparent that private capital could not undertake the project and secure its financing and the City of Anaheim was not willing to lend any type of financial assistance.

Thus, at this time the auditorium proposal is at an impasse: private developers are unable to project a profitable operation and the public agencies (City of Anaheim and County of Orange) are at this time unwilling to underwrite such a project.

Nevertheless, from the point of view of the Disneyland interests, two facts remain:

1. Orange County, and more specifically the "sub-central city" area of Anaheim, Garden Grove, Orange, and Santa Ana, will require and will be able to support an auditorium facility within the next ten years.
2. Population distribution, freeway plans, existing development, and the Disneyland center of interest are compelling reasons for the ultimate location of such a facility in the Disneyland area.
3. Representatives of Anaheim and the County have expressed an interest in exploring devices and methods for sharing the risk of such a development.

This section of the report presents a review of the auditorium proposal and explores possible avenues for the promotion of such a facility.

Facilities Considered for an Anaheim Auditorium

Three types of facilities are evaluated in this section of the report. They are:

1. An arena. This facility would have a 210' x 100' floor as a playing area, 5,000 - 7,000 permanent seats, and 2,000 - 3,000 temporary seats.
2. An exhibition hall. This facility would have perhaps between 50,000 and 100,000 square feet of exhibition space. Several smaller meeting rooms would also be included.
3. A theater. Two types of theaters were considered: first, a 2,000 seat facility for the staging of operas, light operas, concerts, and plays; and second, a small, intimate 800 - 1,200 seat theater for staging plays by local amateur and professional groups, holding meetings, and other local uses.

The Outlook for an Arena

The type of events normally staged in arenas are:

1. Sporting events, such as boxing, basketball, tennis, track and wrestling.
2. Circuses and rodeos.
3. Consumer shows (Home Show, Sportsmen's Show, etc.).
4. Trade shows (such as the shows staged in connection with conventions).
5. Entertainment shows (ice shows, pops concerts).

The earlier study by Stanford Research Institute in 1954 indicated that arena utilization of 271 event-days could be expected. In view of the extremely rapid growth of Orange County, it is likely that changes have occurred in the demand for arena facilities. The facility studied in 1954 would have paid out its projected cost in 26 years. Based on current rental schedules and current operating expense factors, it is estimated that an arena must schedule 135 event-days to cover operating expenses (excludes depreciation, interest and principal payments). Approximately 210 event-days are required to cover operating expenses plus depreciation. ^{1/} If the arena were to be paid out in ten years, a utilization factor greater than 100 per cent would be required. If the facility were occupied 100 per cent of the time, it would take 19 years to pay out the investment, assuming 50 per cent debt capital. The relatively low profitability of an arena suggests that such a project may be undertaken only with benefit of some form of public assistance or financial participation.

The Outlook for an Exhibition Hall

An exhibition hall is the second form of auditorium facility which is especially designed to accommodate consumer and trade shows. In addition, an exhibition hall may be used for exhibits staged in conjunction with the various conventions.

An important consideration for an exhibition hall is its size. Nearly all consumer and trade shows require at least 50,000 square feet of exhibit space -- approximately 61 per cent of all these shows require 200,000 square feet. This contrasts sharply with the requirements for exhibit space in connection with conventions. Few conventions require more than 50,000 square feet of exhibit space; the smaller conventions (less than 1,000 delegates) which the Disneyland area presently attracts have even smaller space requirements.

The above mentioned factors are sufficient to eliminate this type of facility from further consideration at this time. A final negative factor affecting an exhibition hall for the peripheral property is the fact that the Disneyland Hotel is currently taking steps to provide additional facilities on its property for convention exhibits.

^{1/} Depreciation computed on a \$3.8 million investment depreciated over 33 years.

The Outlook for a Theater in the Disneyland Area

Two concepts of theater design are considered herein: first, a 2,000 seat theater capable of staging light operas, concerts and stage plays is considered as a possible periphery project. With 2,000 seats, such a theater would be slightly smaller than the 2,600 seat Philharmonic Auditorium in Los Angeles but would be of sufficient size for the production of most musical stage plays, ballets, concerts and symphonies. Such a facility would cost an estimated \$1,010,400, which is composed of the following costs:

Theater building (24,000 sq. ft. @ \$35)	\$840,000
Parking (3.5 persons/car; 300 sq. ft./car, \$0.40/sq. ft.)	68,500
Landscape (20,000 sq. ft. @ \$0.50)	10,000
Contingency (10%)	<u>91,900</u>
Total	\$1,010,400

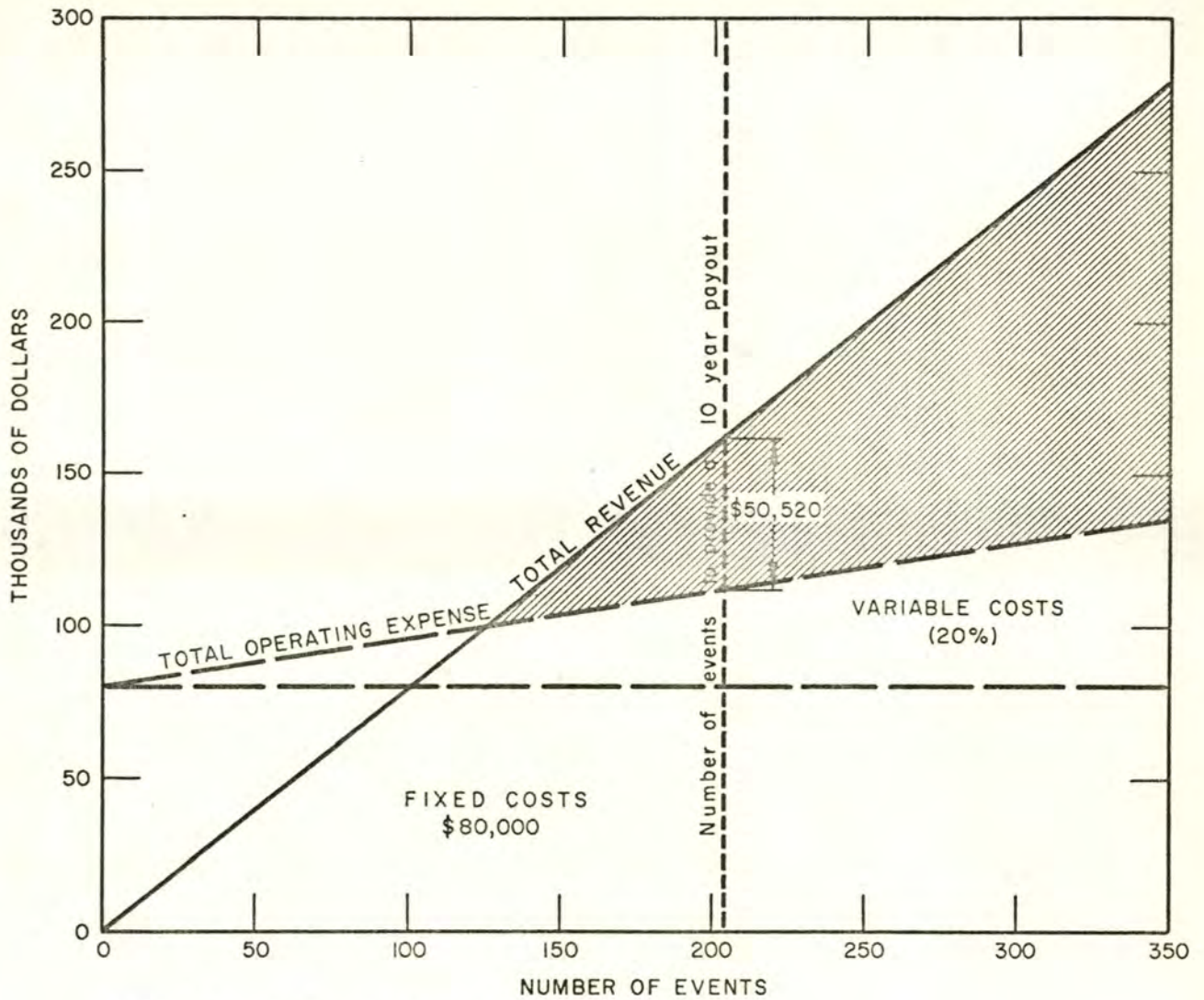
Although a detailed market analysis for this type of facility was not performed, a useful indication of theater utilization and profitability was obtained from other studies on the subject. The following factors generally apply to a theater of the size under consideration:

1. Revenue per event (to the theater operator) will average approximately \$800.
2. Variable expense will average 20 per cent of revenue (\$160) and variable profit will average 80 per cent of revenue (\$640).
3. Fixed expenses will be approximately \$80,000 annually.

From these factors the following conclusions are reached: ^{1/}

1. An estimated 125 event-days have to be booked annually in a 2,000 seat theater if the facility is to cover operating expenses (\$80,000 fixed expense divided by \$640 variable profit).

^{1/} See Figure 8.



SOURCE: Economics Research Associates

Figure 8

APPROXIMATE RELATIONSHIP OF UTILIZATION
TO PROFITABILITY FOR A 2,000
SEAT THEATER

2. In order to cover operating expenses and generate an operating profit which will provide a ten-year investment payout ^{1/} (\$50,520), a total of 204 events must be scheduled.

A second, smaller concept of theater design was also investigated. This theater would have from 800 to 1,200 seats. By use of modern, low-cost design and construction techniques, it is estimated that construction costs can be limited to approximately \$500,000. Based on fixed operating expenses of \$32,000, a gross rental and concession revenue of \$400 per event-day (1,000 seat theater), and a variable expense factor of 20 per cent of gross revenue, the breakeven utilization would be 100 days. The utilization required to effect a ten-year payout of investment (based on the same factors used to compute payout for the larger theater) would be 177 days.

While it is uncertain that breakeven utilization can be attained, there have been recent developments which suggest that the theater habits of the Orange County population are maturing. Professional theater productions staged in Fullerton and Tustin (particularly the latter) during the summer of 1960 met with encouraging success. However, both enterprises failed due to inadequate financial backing and certain management errors.

County Financial Support for Auditorium Development

In an interview with an Orange County official ^{2/}, it was learned that:

1. The County of Orange is interested in auditorium development within the county.
2. The County will not consider financing auditorium development until 1965 at the earliest and more likely not until 1970.
3. If the County does decide to use public funds for an auditorium development, Santa Ana will probably be chosen as the site to avoid an intra-county argument.

^{1/} Based on 20-year straight-line depreciation, 52 per cent income tax, and total project cost of \$1,010,400. Formula: Operating Profit x 20 = Project Cost.

^{2/} Frank G. Michelena, Deputy to William J. Phillips, Supervisor, Third District.

From these statements, it is concluded that the County cannot be expected to lend financial support to an auditorium development in the Disneyland area.

City of Anaheim Financial Support

During the course of this study, the ERA research staff, along with officials of Disneyland, Inc., met with officials of the Anaheim city government to discuss the Disneyland periphery situation. In relation to the question of auditorium development, the Anaheim officials agreed that an auditorium development would be beneficial to business in the Disneyland area and to the City of Anaheim. An interest was expressed in exploring methods by which municipal and private interests might effectively and equitably join forces to promote the development of an Anaheim-Disneyland auditorium. This report concludes that in view of the increasing market support and the potential advantage to be derived from such a development, such study of a more detailed nature is warranted.

Summary

The outlook for auditorium facilities is summarized as follows:

1. It is unlikely that adequate utilization can be generated to justify private financing of an arena or an exhibition hall.
2. The outlook for a theater facility is more promising and warrants further study.

In view of these findings, the outlook for comprehensive, multi-purpose auditorium development in the Disneyland area is contingent upon creation of a plan for cooperative development by the several parties which stand to benefit from such operation.

Section V

THE OUTLOOK FOR RESTAURANT DEVELOPMENT IN THE PERIPHERY AREA

Regardless of extensive existing restaurant facilities, it is the conclusion of this research that there is an unfilled need for additional family restaurant operations in the Disneyland area. This section presents data which will be useful in measuring and evaluating the potential for such additional development.

Disneyland-Generated Market Support

Five million people attend Disneyland annually. Of these 2.91 million are residents of Southern California, 1.15 million are tourists who are staying with friends or relatives in Southern California, and 0.94 million are tourists who are staying at hotels, motels and apartments. The restaurant demand posed by these visitors is stated as follows:

	<u>Visitors to Disneyland (millions)</u>		
	<u>Southern Californians</u>	<u>Tourists</u> <u>Guests of Residents</u>	<u>Staying in Hotel or Motel</u>
Number	2.91	1.15	0.94
Potential Per Capita for Meals ^{1/}	\$2.00	\$2.00	\$3.50
Indicated Demand (millions)	\$5.82	\$2.30	\$3.29
Total Disneyland-Generated Market Support (millions)	<u>\$11.41</u>		

1/ Includes lunch and dinner potential for Southern Californians and their guests and three-meal potential (breakfast, lunch and dinner) for tourists staying in hotels or motels.

Local Market Support

The Orange County - southeast Los Angeles County population provides substantial market support for restaurant development in the Disneyland area. These combined areas contain more than two million people and are among the fastest growing areas in the Los Angeles Metropolitan Area. It is significant that the Disneyland complex is located adjacent to the most promising of the potential subcentral cities. Its centrality to this population is accentuated by the fact that there is a concentration of 1,280,000 persons living within 30 minutes driving time.

Existing Restaurant Facilities

The data presented in Table III, page 13, indicates that there is substantial restaurant capacity in the Disneyland periphery area. In addition, the restaurants, cafeterias, and refreshment stands within Disneyland itself provide a portion of the food service requirements of Disneyland visitors. However, it is significant that food sales within Disneyland are approximately \$0.90 per capita, or \$4.8 million annually. Thus, only 42 per cent of the Disneyland-generated restaurant potential is being captured by the in-park restaurant facilities, while 58 per cent, or \$6.6 million, of that potential is served by restaurants in the area or Knott's Berry Farm, or are not served and thus become lost potential.

The several restaurants in the Disneyland area do a substantial volume of business, although it is estimated that the family type facilities (362 seats) do an annual volume of only \$380,000. In addition, the more expensive Gourmet at the Disneyland Hotel does a food volume of approximately \$1,000,000 annually.^{1/} The remaining restaurants in the area are of the night club class and have an estimated food volume of approximately \$550,000 annually. In addition, new restaurant facilities in the Charterhouse motor hotel can be expected to obtain food sales of at least \$500,000 annually.

Grouping all of the restaurant business together, a total of \$6,850,000 of the \$11,410,000 potential is being tapped in the area. That there is restaurant business generated by the Disneyland show but not satisfied is emphasized by the tremendous growth of Knott's Berry Farm since the

^{1/} Approximately the same volume (\$1,000,000) is done in beverage sales at the Gourmet.

opening of the park. The restaurant business lost by the Disneyland area to Knott's is factored as follows:

Knott's estimated 1959 restaurant sales	\$6,000,000
Knott's attendance	3,500,000
Knott's per capita restaurant sales	\$1.71
Number of Disneyland visitors who visit Knott's on same day ^{1/}	900,000
Estimated restaurant sales lost to Knott's	<u>\$1,539,000</u>

This \$1.5 million of restaurant sales lost to Knott's is part of the total potential of \$4.5 million (\$11.4 minus \$6.9) generated by Disneyland. Factored on the basis of \$70 sales per square foot, this potential is sufficient to support approximately 64,000 square feet of restaurant development. Furthermore, this potential ignores the effect of local patronage.

In view of this unsaturated market demand, it appears that this field deserves active investigation and promotion. It is indeed possible for the Disneyland area to become one of the primary restaurant centers of the west.

^{1/} This is 18 per cent of Disneyland attendance (source: Dr. Arthur Highman). It is significant that these people go to Knott's primarily to obtain the fine food Knott's is reputed to serve.

Section VI

THE OUTLOOK FOR A CONTINUING EXPOSITION OF THE CALIFORNIA WAY OF LIFE

The California way of life is a phrase which is familiar throughout the world. It refers to the composite experience in urban living of the millions of people residing in California. The phrase generally has a connotation of an outdoor orientation and informality. It has been proposed that a unique display, show and merchandising development be created on this theme. The following sections of the report endeavor to present data which will be useful in evaluating the project as it is presently conceived.

Project Concept

The California Living project is conceived as a continuing exhibition of the primary ingredients which comprise and epitomize the California way of life. It is a show, an idea mart, and a merchandise mart on themes and products related to the home and leisure pursuits, combined in a comprehensive and integrated exhibition and display. It will offer its visitors landscaping, decorating and architectural ideas and materials, and products. Through elements of quality and atmosphere, family restaurants are planned in the project as a major attraction with substantial patronage drawing power. The key phases of the project are envisioned as follows: ^{1/}

1. California Homes. A series of display homes and gardens depicting the various modes of home design, furnishing and landscaping which are found in California. This installation consists of eight to twelve homes staged in their appropriate environment (i.e., mountain home in a mountain setting). Landscaping and furnishings would be blended with each motif or setting.
2. California Recreation. The various ways in which Californians spend their leisure hours will be portrayed as it relates to the home. Swimming pools will be presented within the model home setting; skin diving gear in the beach house display area; skis and snow togs in the mountain home setting, and so on.

^{1/} Based on a concept expressed by Ed Ettinger of Disneyland, Inc.

3. California Dining. Dining out is one of the strong modes of urban living in California. A section of the California Living project will be devoted to a group of fine family restaurants, each designed on a theme to match the type of food served. Dioramas and other techniques will be used to augment the theme atmosphere of each restaurant.
4. California Arts and Crafts. A section of the project will be devoted to a display area for selling the products of the practical arts and crafts which contribute to the architectural and decorative identity of California living. Such a display will provide a natural enlargement of the ideas touched upon in the integrated home displays.
5. Multi-Purpose Auditorium.^{1/} A small, multi-purpose 1,000-1,500 seat auditorium and exhibit hall will be constructed for use in staging exhibits and shows which relate to the California Living theme. During the off-season months, the auditorium will provide facilities for trade shows, consumer shows, and small conventions.

In addition to these project elements, it has been further suggested that the scope of this project be expanded to include expositions of foreign design motifs as they apply to California living. This element of the project would broaden the scope and interest of the show and lend flexibility in changing and freshening merchandise and display presentations offered.

Certain elements of this project are similar to elements of other existing and proposed Disney projects. For example, the home show art-for-living aspect of the project is close to concepts proposed for the City of the Arts. The international theme is also found in the City of the Arts.

^{1/} The auditorium is omitted from cost and profitability projections. More detailed data on auditorium operations are given in Section IV. Higher auditorium utilization can be expected if it is part of the California Living project due to activities generated by that project.

Furthermore, the development of institutional values inherent in this project is similar to one major area of activity in Disneyland. Any evaluation must therefore consider the effect of this project on Disneyland and the pending City of the Arts project. In the former case, the projects should be complementary and supplementary. In the latter case, one or the other of these projects should prevail as it is unlikely that a market for both can be sustained.

The degree to which this project will be successful depends on the relationship of attendance, per capita spending, revenue, and expense for given levels of investment. These relationships are analyzed in the following subsections.

Project Attendance

The attendance experience of the garden and trade shows staged in this area over the years serves as valuable background data for the evaluation of this project.

Attendance at the two garden displays operated by Los Angeles County indicates a significant growth trend for this type of attraction.

<u>Year</u>	<u>Los Angeles County Arboretum</u>	<u>Descanso Gardens</u>
1955	46,400	--
1956	69,300	--
1957	141,300	100,000
1958	303,400	205,000
1959	366,100	280,000

It is significant that the doubling of attendance at the arboretum in 1958 resulted from the introduction of residential garden displays presented in conjunction with Sunset Magazine.

Attendance at the Los Angeles Home Show is reported as follows:

<u>Year</u>	<u>Home Show Attendance</u>
1955	163,200
1956	144,300
1957	126,100
1958	128,500
1959	190,100
1960	146,100

Although these attendance figures are approximately half the levels reported in the press, a reliable source states that they are grossly exaggerated, that Home Show attendance is less than 100,000, and that its attendance is nearly twice that of the other consumer shows (Do-It-Yourself Show, Sportsmen's Show, etc.).

The significance of the divergent trends indicated by the above data is that favorable public attention is accruing to well done permanent displays in this field. The public is less interested in highly commercialized product fairs such as the typical consumer shows.

Based on these factors, and a beneficial interrelationship with and exposure to Disneyland crowds, it is estimated that this project has an attendance potential of from 1,000,000 to 2,000,000 visitors annually.

Project Revenue

The revenue of this project is derived from four primary sources; first, admission charges; second, institutional advertising leases; third, lease income from merchandise and services; and fourth, lease income from restaurant and refreshment sales.

Admission charges to \$1.50 are projected with an average per capita admission of \$1.00. Institutional lease revenue is computed on the basis of 25,000 square feet of exhibit space per 1,000,000 visitors and an average lease rate of \$10.00 per square foot. This results in institutional lease income of \$0.25 per capita. Lease revenue from merchandise sales is based on per capita sales of \$2.00 and an average percentage lease of six per cent. Restaurant lease income is based on per capita sales of \$2.00 and an eight per cent lease rate. Total revenue derived from these four sources is computed at attendance levels of 1.0 million, 1.5 million, and 2.0 million (see Table IV). Total project revenues at these levels are \$1,530,000, \$2,345,000, and \$3,060,000, respectively.

Project Expense and Operating Profit

Expense factors used to compute the project expense and operating profit are based on expense projections originally developed for the City of the Arts project. Average expenses for the shopping center and institutional exhibit phases of that project are estimated at 32 per cent of gross revenue. In Table IV, this expense factor and its component factors are applied to the operating profits at the three attendance levels, resulting in operating profits of \$1,040,400, \$1,560,600, and \$2,080,800, respectively.

Allowable Level of Investment

For purposes of this report, the maximum level of investment for this project is that level which, in view of the projected operating profit, allows a five year return of investment. Based on a ten year composite depreciation rate and a 52 per cent income tax rate, the allowable project investment (for a five-year payout) is 3.243 times the operating profit.^{1/} The allowable levels of investment for the California Living project which meets these conditions are as follows:

	<u>Annual Attendance Level</u>		
	<u>1,000,000</u>	<u>1,500,000</u>	<u>2,000,000</u>
Operating Profit	\$1,040,400	\$1,560,600	\$2,080,800
Allowable Investment	\$3,374,000	\$5,059,000	\$6,748,000

^{1/} Appendix A shows the derivation of this formula.

Table IV

PRO FORMA PROJECTION OF REVENUE,
EXPENSE, AND OPERATING PROFIT

	Annual Attendance Levels		
	1, 000, 000	1, 500, 000	2, 000, 000
I. REVENUE			
Admissions @ \$1.00 Average	\$1, 000, 000	\$1, 500, 000	\$2, 000, 000
Institutional Leases .25 sq. ft./attendee; \$10/sq. ft. lease	250, 000	375, 000	500, 000
Merchandise Lease @ \$2.00 per capita, 6% lease	120, 000	180, 000	240, 000
Restaurant Lease @ \$2.00 per capita, 8% lease	160, 000	240, 000	320, 000
Total Revenue	\$1, 530, 000	\$2, 295, 000	\$3, 060, 000
II. OPERATING EXPENSES			
Labor @15%	\$ 229, 500	\$ 344, 250	\$ 459, 000
Materials & Supplies @ 3	45, 900	68, 850	91, 800
Advertising @ 3	45, 900	68, 850	91, 800
Insurance @ 2	30, 600	45, 900	61, 200
Property Taxes @ 6	91, 800	137, 700	183, 600
Other Expenses @ 3	45, 900	68, 850	91, 800
Total Operating Expense @ <u>32%</u>	\$ 489, 600	\$ 734, 400	\$ 979, 200
III. OPERATING PROFIT <u>68%</u>	\$1, 040, 400	\$1, 560, 600	\$2, 080, 800

Source: Economics Research Associates

Project Cost Magnitude

At present the California Living project is not sufficiently defined to allow specifically derived cost estimates. However, a preliminary and generalized treatment of design, construction, and land costs is shown in Table V. This data approximates facility sizes, landscape and setting costs, and hypothetical land costs, and indicates that a project investment of from \$6,070,000 to \$7,839,000 will provide sufficient funds for this project as it is presently conceived. These estimates fall within the range of allowable project investment described in the previous paragraph.

Table V

HYPOTHETICAL PROJECT COST ESTIMATE

	Annual Attendance Levels	
	1,000,000	2,000,000
Restaurant Facilities - Sales/sq. ft. = \$80; construction cost/sq. ft. = \$20; 4:1 sales to construction cost ^{1/}	\$500,000	\$750,000
Sales Display Facilities - Sales/sq. ft. = \$60; construction cost/sq. ft. = \$15; 4:1 sales to construction cost ^{1/}	500,000	750,000
Exhibition Facilities - Construction cost (\$15/sq. ft.)	375,000	562,500
Model Home Displays - Equivalent to 30 homes @ \$50,000 per home	1,500,000	1,500,000
Settings and Landscapes -	1,000,000	1,000,000
Walks, Divider Strips, Service Areas - 80,000 sq. ft. @ \$0.50	40,000	40,000
Parking - 7.5 acres/million attendance ^{2/} \$0.50/sq. ft. construction cost	163,350	245,025
Land - 40 acres @ \$30,000/acre ^{3/}	1,200,000	1,200,000
Total Construction and Land Cost	\$5,278,350	\$6,047,525
Add Design and Contingency Allowance (15%)	791,750	907,130
TOTAL PROJECT COST	\$6,070,100	\$6,954,655

^{1/} Sales figures are given in Table IV.

^{2/} Approximate values derived for the City of the Arts project (see Table X of the report, "Economic Feasibility of the City of the Arts," Economics Research Associates, August, 1959).

^{3/} Hypothetical value.

Section VII

SUMMARY AND CONCLUSIONS

The findings of this research study are summarized as follows:

1. The economic activity of the Disneyland area, both local and Disneyland-generated, is extremely conducive to further development of commercial, recreational, and entertainment attractions.
2. The operating philosophy of the Disney organization suggests certain criteria for the preliminary screening of possible land uses which in turn suggest three proposed land use concepts for further evaluation at this time. They are:
 - a. Auditorium and convention facilities.
 - b. Restaurant development.
 - c. The "California Living" thematic development.
3. The outlook for a privately financed auditorium development is not favorable (with the possible exception of theater development). Successful promotion of a comprehensive, multi-purpose auditorium facility is contingent upon formulation of a joint support program to draw upon the assistance of the several interested parties (public agencies, property owners and Disneyland, Inc.).
4. The unsatisfied restaurant potential presently generated by Disneyland is equivalent to a requirement for 64,000 square feet of restaurant development. In view of the additional support available from the rapidly growing local economy, it is apparent that the Disneyland area has the potential of becoming a major restaurant center.
5. The projected profitability of the proposed California Living thematic development indicates the following relationship

between levels of attendance and the maximum level of project investment to provide a five-year payout:

<u>Annual Attendance</u>	<u>Allowable Investment</u>
1, 000, 000	\$3, 374, 000
1, 500, 000	\$5, 059, 000
2, 000, 000	\$6, 748, 000

The conclusions of this report are stated as follows:

1. Further promotional and study effort are indicated with respect to the auditorium proposal.
2. An immediate opportunity for substantial restaurant development exists and should be investigated in detail.
3. Steps should be taken to clarify the California Living thematic project, determine the compatibility of the project with the existing Disneyland project, and determine required construction budgets.

Appendix A

FORMULA FOR DETERMINING ALLOWABLE
INVESTMENT TO YIELD A FIVE-YEAR PAYOUT

P = operating profit

I = project investment

D = depreciation = I/10

52% = tax rate

Formula:

$$I/5 = (P - D) - .52(P - D) + D$$

$$.20I = .48(P - D) + D$$

$$.20I = .48P - .48D + D$$

$$.20I = .48P + .52D$$

$$D = .10I$$

$$.20I = .48P + .52(.10I)$$

$$.20I - .052I = .48P$$

$$.148I = .48P$$

$$I = .48P/.148$$

$$I = 3.243P$$