NEVADA STATE BANK
THE DOOR TO YOUR FUTURE

COMMERCIAL REAL ESTATE
QUARTERLY

FOURTH QUARTER 2013 | ISSUE 1

nevadasmallbusiness.com

Follow us on

Wet 'n' Wild: Riding the Wave to Success

When Wet 'n' Wild® Las Vegas opened on Memorial Day weekend 2013, a vision that began in 2009 was finally realized. Scott Bulloch, Principal and CFO of SPB Partners, recently agreed to share the story of how his group brought the project from concept to reality with the aid of community partners, including Nevada State Bank.

Bulloch and his brother, Roger, are co-founders of SPB Partners, a private equity firm with two other partners in Southern California. They own several companies in Nevada and California and have small stakes in other businesses.

"In late 2009 and early 2010 we had capital we wanted to put to work, but had a tough time finding investments that made sense," said Bulloch. "We didn't want to invest in real estate because the market was so bad, and there weren't many businesses that were growing; in fact, most of them were contracting." Being not only businessmen, but also family-focused people, the Bulloch brothers decided it was time to look "outside the box."

"We noticed there wasn't much available in Las Vegas for family entertainment," Bulloch said. "So we started kicking around the idea of a water park as an investment opportunity. We met with a number of industry experts, and discovered that Las Vegas was the largest market in North America without a water park. We had done start-ups before, but not of this magnitude. However, we knew that the old Wet 'n' Wild, which closed in 2004, had performed well, and we thought it would be a good, solid investment."

The partners needed two things to begin their project: land and financing. "In 2010, most land owners thought their land was worth what they paid for it in 2006 at the peak of the market, so buying a parcel from a private owner wouldn't work," Bulloch explained. "We eventually developed a unique alignment with Howard Hughes Corporation and Clark County." Hughes owned a 25-acre parcel on the west side of Fort Apache, just north of Warm Springs, which had been designated as a community park.

With approval of the county commission, the parcel was split into a 10-acre park fronting Fort Apache, 11.2 acres for the water park behind it, and about 5 acres for parking. The Bullochs agreed to lease the 11.2 acre parcel from Hughes with an option to buy.

Financing the project with local banks wasn't as easy as finding the land. "The water park was a bit tricky to underwrite," Bulloch explained. "First of all, it's a single-purpose asset. In other words, it would be hard to repurpose if it failed. Second, the economy was in a downturn and lenders weren't making many new loans. Finally, we didn't own the land." Because of these risks, the group knew that they would have to put up a great deal of equity. At the end of the financing process, the partners put in $22 million in equity for the $31 million project.

They borrowed $9 million from Nevada State Bank as a construction loan that eventually rolled into a permanent loan. As the owner of the land, Hughes paid for all off-sites, utilities and other improvements.

A SMART CASH TOOL FOR YOUR BUSINESS,

CLEVERLY DISGUISED AS A CREDIT CARD.[1]

25,000
BONUS POINTS[2]
or
$250
CASH BONUS[2]

Nevada State Bank Cards for Business

Visit: nsbank.com/BusinessCards

MEMBER FDIC EQUAL HOUSING LENDER

1. Credit Cards are subject to credit approval. Certain terms, conditions and restrictions apply. **2. Promotional Bonus 25,000 points or $250 Cash** - Earn 25,000 rewards points or $250 cash bonus when your business spends $2,500 in the first 90 days of account opening (cash advances, balance transfers, and quasi cash amounts do not qualify toward $2,500 spend). One bonus payment is allowed per business, not per account or per card. Offer applies to new accounts only. Limited time offer.

"We found that other banks weren't as committed to lending as Nevada State Bank, and some of them were not as well capitalized. The bank saw the vision and really jumped onboard," said Bulloch. "Nevada State Bank understands this community. They're here, they're our neighbors. They were able to see that the community would probably respond to this project. We had the right partners, our numbers were right in line with the rest of the industry, and we had some figures on performance from the previous park. We had meetings with the entire executive team of the bank, all the way up to [President] Dallas Haun."

The original plan presented to the bank was for a smaller park called "Splash Canyon," but in Q2 2012, the Bullochs started discussions with an Australia-based entertainment company called Village Road Show. In addition to producing movies and developing theme parks, it owned the rights to the Wet 'n' Wild brand, and owned water parks in Australia, Phoenix and Hawaii. Village Road Show agreed to a partnership, eventually becoming the controlling partner with 51% ownership and assuming day-to-day management of the park.

The project provided more than 200 jobs for local young people, and over 300 other jobs, including construction and mechanical positions. "At a time where employment is hard to come by and many families are struggling, I am grateful for the chance to have made a difference in the lives of the individuals who worked for the water park this past 2013 season," stated Bulloch.

By the time Wet 'n' Wild Las Vegas park closed for the season after Labor Day, it had beat income predictions for its first season, according to Bulloch. "We didn't expect to sell as many season passes as we did, and that drove performance higher than we originally expected." Bulloch said the partnership now expects to exercise their option to purchase the leased land from Hughes in the next few months, and they have an option to buy another 15 acres west of their parcel, which they plan to develop in the future. "Now that we have a season under our belt and the management team has been proven, the next step is to expand our attractions and eventually buy the other parcel of land," said Bulloch.

"What makes me most proud is seeing the dream my brother and I had, to create a water park, become reality," said Bulloch. "We saw an inspirational leap in more wholesome, family-orientated entertainment in the Las Vegas Valley. This summer, as I was walking through the park, what I saw assured me that this park really does make a difference. A little girl said to her mom, 'Thanks, Mommy, for taking me to Wet 'n' Wild. I've had so much fun this summer!' Nothing beats the joy I see in the faces of children who are enjoying the water park and quality family time."

Bulloch praised the team at Nevada State Bank for helping him bring his dream to reality. "I used to think all banks were the same, but not anymore," he stated. "Nevada State Bank has really set the standard."

Would you prefer to receive this newsletter via email? **Sign up** at nsbank.com/CRE

nevadasmallbusiness.com

Follow us on

A SMART CASH TOOL FOR YOUR BUSINESS,

CLEVERLY DISGUISED AS A CREDIT CARD.[1]

25,000
BONUS POINTS[2]
or
$250
CASH BONUS[2]

Nevada State Bank Cards for Business

Visit: nsbank.com/BusinessCards

MEMBER FDIC EQUAL HOUSING LENDER

1. Credit Cards are subject to credit approval. Certain terms, conditions and restrictions apply. **2. Promotional Bonus 25,000 points or $250 Cash** - Earn 25,000 rewards points or $250 cash bonus when your business spends $2,500 in the first 90 days of account opening (cash advances, balance transfers, and quasi cash amounts do not qualify toward $2,500 spend). One bonus payment is allowed per business, not per account or per card. Offer applies to new accounts only. Limited time offer.