

Summary of:

# Space Base California Project Review

Location:

Lompoc, California

PFAID:

**11-662**

Version:

03

Prepared for:

City of Lompoc

Prepared by:

Pro Forma Advisors LLC

Date:

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THIS SUMMARY IS PRESENTED UNDER THE GENERAL LIMITED CONDITIONS OF THE SUBMITTED REPORT.



Los Angeles

United Kingdom

Shanghai



**Pro Forma**  
Advisors LLC

[www.ProFormaAdvisors.com](http://www.ProFormaAdvisors.com)

## What We Do

- Consultancy focused on assessment of large-scale, leisure-oriented real estate projects.
- Services include market analysis, concept / business model development, financial feasibility, program right-sizing, economic impacts.
- Experience spans the globe including top worldwide entertainment brands, developers, owners, operators, investors, cultural institutions, non-profits, government entities, and sovereign Indian Tribes.

## Who We Are

- Founded in 2008 by principals with Economics Research Associates (ERA). ERA was the original land-use economics consulting firm, founded by Walt Disney's and associate, Harrison "Buzz" Price in 1958.
- We continue to use the industry standard methodology to analysis the market potential of leisure projects, based on available markets, proven penetration rates, and actual benchmark performance.



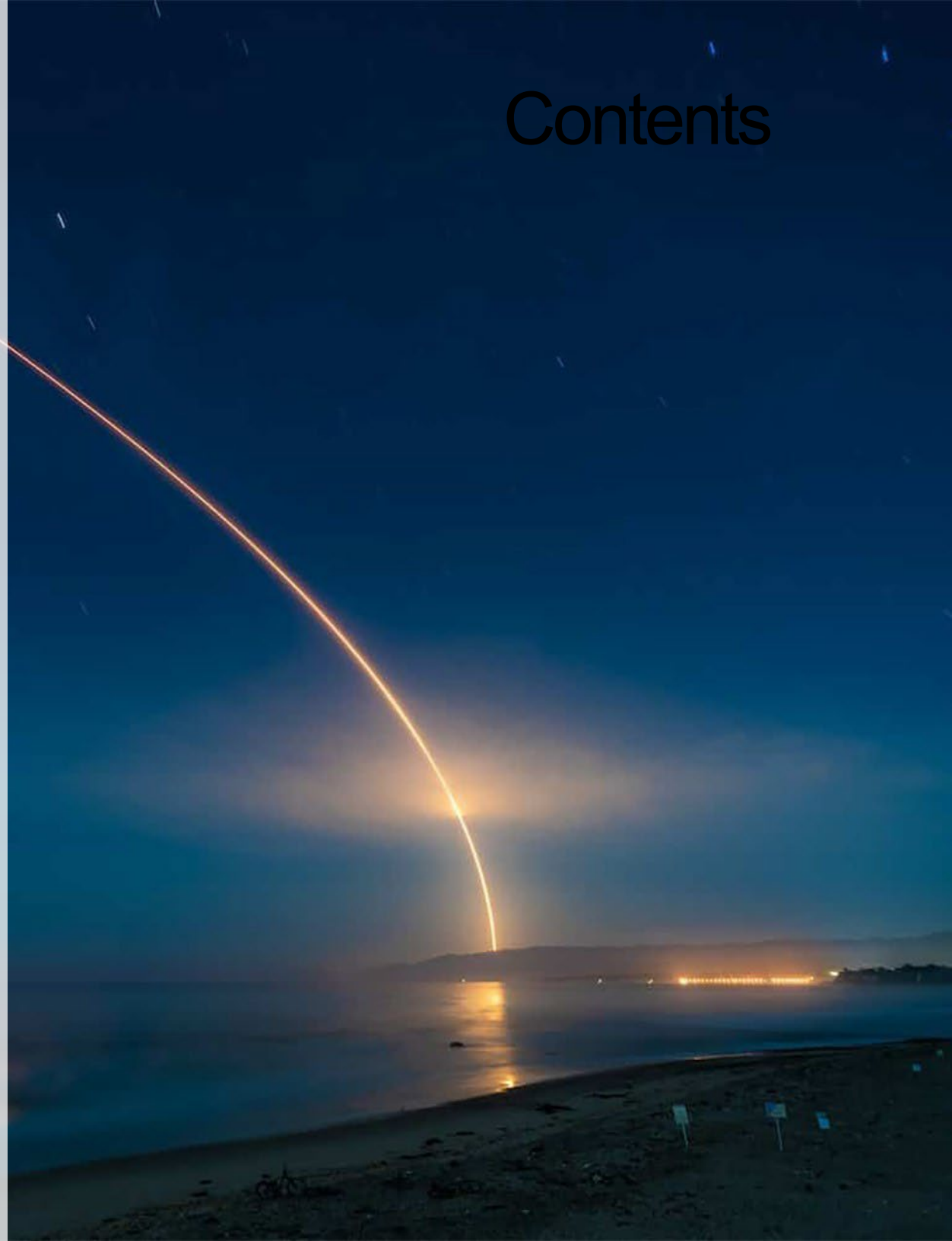


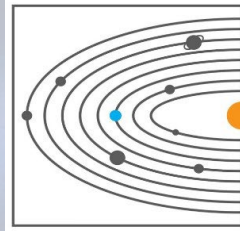
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## Engagement

- Pale Blue Dot Ventures (the Developer) has submitted plans and projections for a space-themed attraction in Lompoc.
- Initial plans and projections reviewed by real estate advisory firm Keyser Marston (April 2023), but no opinions and conclusions on key attraction projections due to KMA's limited experience with attraction industry.
- Pro Forma Advisors LLC engage in October 2023 to provide additional opinions on attraction financial assumptions.

# Contents





## Attraction

- Ticketed Entry
- Guest rides, shows, exhibits activities
- Food & Beverage, Merchandise

## Attraction Hotel

- Special access to attraction included
- Unique themed rooms
- Additional special amenities
- Not general market room rental due to restrictions

## Space Camp

- Multi-day curated program
- Accommodations suited for youth groups
- Organized school groups and non-school camps

## Events

- Dedicated event space (as well as rental of attraction/camp/hotel)
- Focus on enhanced launch viewing but additional events as opportunity
- Catering & hotel packages

## Summary of Findings

- FINANCIAL FIGURES AND PROJECT ESTIMATES PROVIDED BY PALE BLUE DOT VENTURES IN THE REVIEW CANNOT BE PUBLICLY DISCLOSED, PER DIRECTION OF PALE BLUE DOT VENTURES UNDER MUTUAL AGREEMENT (MOU SECTION 3.F).



## Attraction Concept

- Concept and program has been developed but is not finalized. The submitted plan was used to review the Project. Adjustments can be made to address specific issues with corresponding adjustments to capital budgets and operational if required.
- With respect to attraction content and scale, the Project is most similar to space attractions.
  - Much smaller size, fewer attractions, less THRC, and subjectively less Attraction Value offer than theme and amusement parks
  - Slightly smaller than many high profile space attractions/visitor centers (e.g. Kennedy Space Center, Johnson Space Center). While Launch Viewing is unique and authentic, the benchmarks offer unique access to authentic NASA space program elements (e.g. tour of launch facilities, mission control, etc) and historic assets (e.g. Space Shuttle, Saturn V boosters)
  - The Mission Statement and focus on real space/science/education and limited use of fictional stories, Intellectual Property (e.g. Star Wars) and reliance on pure entertainment rides skews the Project as educational and topical, and not generic amusement.
  - In our opinion, the Project benchmarks, with respect to Length of Stay (approximately 1-3 hours), Pricing, market penetration, and financial performance, have more in common with comparable space attractions than theme parks. Most major space attractions offer genuine NASA facility tours in addition to the visitor centers. This may also limit the length of stay for a guests, the distance they would travel, and the amount they would pay for the attraction. Major changes to the attraction program would need to be reflected in the cost budgets.



### Attraction Attendance

- The Developer used an alternative methodology based on a survey to Project attendance to the attraction. The range of attendance predicted by our methodology and selected benchmarks was approximately 65 to 75 percent of the Developer projection. The gap is caused by differing assumptions on definition of likely markets/qualification filters and penetration rates.
- Most of the difference is found in the projected attendance of local (day trip) and school group visitors.

	Qualified Market 2026	Market Penetration Rate Forecast			PFA Attendance Projection Differential
		Low	Medium	High	
<b>Resident Market</b>					
Primary A	215,000	Assumption from benchmark analysis			(66%)
Primary B	358,000				
Secondary A	423,000				
School Groups	(Included)				
Secondary B	953,000				(94%)
<b>Subtotal</b>	<b>1,949,000</b>				
<b>Visitor Market</b>					
Primary Overnight	1,351,000	Assumption from benchmark analysis			33%
Secondary Overnight	1,405,000				
<b>Total</b>					(25-35%)





## Attraction Revenue

- The Developers projections of Admission revenue (per guest) are much higher than averages from our identified benchmarks. than both theme park and space attraction benchmarks. As noted, our opinion that the content and length of stay is more comparable to space attractions and may be difficult to attain.
- If these premiums are not attained or discounting/pricing strategies are used to increase attendance, total Project revenue targets may not be reached.
- Relative to the the identified benchmarks, additional spending in the attraction is high in absolute terms (although reasonable as a ratio to admission per capita revenue). Our assumption of a shorter length of stay limits potential spending on Food & Beverage and Merchandise in the attraction.

## Attraction Capital Budget

- Pro Forma is not a cost estimation firm, but has reviewed the development cost budget. We do not have a specific opinion if the current program can be built for the Developer provided budget.
- However, the ratio of capital investment per expected annual attendee is at the high end of the attraction industry range. Many for-profit attractions are less than the Developer ratio and correlates to the expected revenue/profit per attendee. Theme park's are equal to or higher than the Developer ratio per expected attendee. However, overall theme park investment levels in absolute terms are 5 to 10 times the Project, which is needed to create scale of a theme park product.



## Space Camp Attendance

- Space camps are highly popular in markets where they are available.
- Southern California school camp programs provide a generally large market and demand source.
- Based on a limited review of comparable camps, the overall attendance is believed to be obtainable and supportable in the physical programmed space (dedicated class rooms and dormitories).

## Space Camp Revenue

- The Developer-projected revenue per camper is higher than averages estimated by Pro Forma Advisors at selected benchmarks. Many school-focused camps are non-profit, and limited by school budgets and family incomes of a broader market.

## Space Camp Operating Margins

- Many competitive school camps are non-profit operations with relative high operational expenses and limited operating surplus. The Developer has modeled the camp with a moderate operating surplus which may be difficult to attain due to downward revenue pressure and higher operating expenses.



## Operating Margins

- The Developer financial model uses operating margins based on theme park benchmarks. In our opinion, space attraction or Family Entertainment Centers are more representative of expected margins for Project. These average lower than typical theme park margins.
- However, because of the Developers revenue assumptions applied to the operating margin assumptions, the operating expenses, in absolute terms, are more similar to our benchmarks. The Developer modeled expense levels (in absolute terms) are believed to be in a reasonable range.
- The attraction industry is skewed toward to the fixed investment of attraction development. As such, a critical element of the business model is capital re-investment in new attractions to help drive repeat visitation. The presented model allocates reinvestment in attractions at a level below typical theme park averages of 6-10 percent. In our opinion, allocations for capital reinvestment do not need to be at theme park levels but may need to be slightly higher than currently modeled.



## Investor Risk

- Because of business model of attractions is skewed toward the fixed cost of the initial investment (and limited variable cost of goods), target operating margins are higher than most product oriented businesses.
- Revenue targets are based on a return on capital, and are well above target operating expenses. As such, even if revenue targets are not attained, attraction revenue is higher than operating expenses.
- If revenue targets are not attained, this means investors do not meet expected return on investment, but operations generally continue as long as there is an operating surplus.
- If debt financing is used and interest payment obligations are not met, it is still more optimal for creditors to continue operations than halt operations, even though ownership and management may change hands.
- Adjustments made based on Pro Forma Advisors comments would likely lower the presented economic returns but still project an operating surplus. While this is risk to investors, it limits the risk of operations being halted.