



BUSINESS

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Executive Q&A: Charles Heath trying new concept in waterparks

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Leah L. Jones - State Journal

Charles Heath, chief executive officer of Horizon Design Build Manage, has spent years building senior housing but now his Verona company is also converting business hotels into waterpark resorts.

VERONA - Charles Heath has built hundreds of housing units for seniors throughout the state.

Now his firm will focus on their grandchildren.

Horizon Design Build Manage is part of a \$1 billion plan to convert up to 20 hotels throughout the country into waterpark resorts.

Heath's company first built the Lodge at Cedar Creek in Wausau followed by the addition of a waterpark resort at the Country Springs Hotel in Waukesha.

The company's senior housing credits include All Saints Retirement Center, 8202 Highview Drive in Madison, and Prairie Oaks Senior Housing in Verona.

Heath, a La Follette High School graduate, discovered real estate development when he took a UW-Madison marketing course taught by James Graaskamp, a pioneer in the fields of real estate study, land appraisal and planning.

"It was Real Estate Process 550," Heath said. "I was absolutely hooked."

Graaskamp, a passionate teacher known for his devotion to students and intellectual oratory, died in 1988. On April 25, a dedication ceremony will be held to name the UW-Madison Center for Real Estate after Graaskamp. Heath and other friends and alumni played an instrumental role in raising nearly \$11 million for the center, which will be known as the James A. Graaskamp Center for Real Estate.

Q: What did James Graaskamp mean to you?

A: He was a large, 270-pound quadriplegic who was the most caring, thoughtful and dynamic professor you'd ever want to meet. People who have graduated from the program are still really, really well connected because we feel such an affinity towards this man. This guy was a phenomenal orator. This guy could just speak. An amazing man.

Q: What was it that grabbed you about Graaskamp?

A: The man mesmerized people. He was a lot like a Vince Lombardi. He was a man you loved to hate. He would work you so hard. I mean, I literally did more work in that one class than I did in four of my marketing classes. Easily. He'd throw the textbook at you and say he wanted it read in two weeks. It was a very difficult program, but he was there for his students.

Q: What is the philosophy behind your partnership with Wave Development of Milwaukee, Sage Hospitality Resources of Denver and Hexagon Investments in Denver and Milwaukee to convert business hotels in urban areas into waterpark resorts?

A: The whole concept is to take an existing hotel, where the people are. We don't compete against the Great Wolfs, we don't believe, because they're a destination-only-type program. ... (Our philosophy) is to simply let people come with an hour or half hour and not have to drive to the (Wisconsin) Dells or Sandusky (Ohio).

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Q: Is it a challenge to convert a facility into a waterpark and make it work economically?

A: It's all based on how big the hotel is and how big the market is. The program is putting heads in beds. You're doing two things. You're increasing your occupancy rate and your average daily room rate.

Q: Why was your company asked to take part in this venture?

A: We started out in the development business, got into the management business and then got into the construction business. So, now what we've done is we've melded that group together and we're now a design, build, manage business. We understand the design, we understand the construction. But we also understand the management of it and we also understand the ownership and development of it. We're owners ourselves so we understand what it means to do something on time and on budget.

Q: What makes a project, regardless of size, successful?

A: The key to real estate development is what happens in the front end. Most people, the first thing they do is they hire an architect and start drawing. Well, that's the worst thing you can do. ... We spend a lot of time with our clients up front really defining vision. ... We know the questions to ask, we ask them and then we are able to coordinate the process because it all comes down to time and money.

Q: Are we just hitting the tip of the iceberg when it comes to waterparks?

A: Initially when we got into it, we thought it was going to be a flash-in-the-pan deal. We no longer think that. You have a destination-type business (model) that's going to go to a number of other destinations around the country. You have our model and I think you're going to get into additional models.

Q: What kind of models?

A: I think you might get into more adult entertainment. You might expand on the spa. And a lot of the major (hotel chains) are looking at this.

Q: Is there a danger of saturation?

A: There's always that danger in any product you build. The key is how do you differentiate yourself from everybody else? ... There's always a risk, but the key is doing good product research and good client research. With this, we really see us at the forefront of the market.

Q: Could Madison see some of its hotels converted into waterpark resorts or are the resorts in the Wisconsin Dells area too close?

A: I think we're too close. The Dells has the mega-waterpark industry and then you've got two already in Milwaukee and more planned. You've got one in Rockford already. You've got one in Chicago and there are plans to build at least two or three mega ones. So it's going to be hard to support that product in Madison.

Q: How much can your company grow?

A: Our company has never been about growth. We've only grown when the business has been there and we think we can do it. We're not a growth-oriented company. We won't grow too fast and not be able to handle our current client. We just want to make sure we can do a good job for them.

Q: What makes your senior housing projects work?

A: Most of it's affordable senior housing and to us it's a socially minded development. Everybody wins. We can make a profit, our client is happy and they get some great housing and very good prices. The cities are happy because you provide something for the local seniors. They can actually remain in their communities. It's a good socially minded development. We see (the waterparks) the same way. This is all about families. We can now help the family unit out like we've helped the senior.

Q: What's going to be different in senior housing in the next 15 to 25 years?

A: The buildings are going to be able to be flexible with our client. As the client ages, the building will be able to age in place with them and offer them more services. We've looked at our designs that if they needed to be they could be turned into assisted living with very little change.

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TODAY'S PAGE ONE



CHARLES HEATH

Chief executive officer at Horizon Design Build Manage in Verona

Age: 49

Education: UW-Madison

Company founded: 1984

Employees: 70

Revenues: \$110 million

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