

Waveyard expands, looks for site in Dubai

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A massive adventure resort in Mesa may become the fountainhead of a global entertainment empire, with negotiations under way to build a similar project in the Middle Eastern emirate of Dubai.

Richard Mladick and Jerry Hug, founders and partners of Scottsdale-based Waveyard Development LLC, told *The Republic* Thursday they will travel to the United Arab Emirates in a few weeks to pursue a project much like the one they aim to build in Mesa.

"The project is exactly what they (Dubai's rulers) are looking for," said Dominique Terral, a Dubai-based managing partner with Swiss Private Capital Group, which Terral said is helping finance the Mesa and Dubai ventures.

"We do not anticipate any problem whatsoever" with the Dubai project, Terral said. "Waveyard is something that does not exist any place on the world. People are always after something different and something new."

Terral said two other countries also may be interested in Waveyard-style resorts.

But Hug and Mladick promised the Mesa venue would be the first in the world.

"We do not envision a scenario where we would open in the Middle East ahead of Mesa," Mladick said.

Terral said the Dubai project likely would cost more than \$1 billion.

Meanwhile, the price tag on Waveyard's Mesa development has tripled from the initial estimate and now stands at \$750 million.

While part of the increase sprang from higher construction costs, Mladick said it's mostly because "several of the components in the project have gotten larger."

That, he said, is a direct result of a feasibility study conducted after Mesa voters approved the project last fall. A public vote was necessary because the city will sell Riverview Golf Course and four softball fields to accommodate the project near the intersection of Loops 101 and 202.

Thursday's interview with *The Republic* was the first major update offered by Hug and Mladick since the election. They kept a low profile, they said, because of the complexity of planning and financing the innovative project.

Two events over the next few months will propel Waveyard toward reality, Mladick and Hug said.



- A mammoth site plan will be filed with the city detailing everything from drainage to the design of the whitewater rafting river, deep scuba lagoon, a surfing pool and other upscale amenities expected to draw visitors from an entertainment-starved Valley and around the world.

- By about the turn of the year, Waveyard and its financial backers will meet with Mesa officials to prove that financing is in place. Only when Mesa is satisfied that the backing is solid will Waveyard take possession of the property and begin turning dirt.

"We're in a fortunate position" with regard to financing, Hug said, "in that we have a project . . . that has been able to attract large-scale financial sponsors."

"We are in the latter stages of a process that began about four months ago to go out and get this project financed," he said.

Mesa Mayor Scott Smith, who has a business and accounting background, said financing is the key factor.

"There's no telling whether something like this will fly," Smith said. "We're in interesting times, especially as it relates to financing real estate and other projects."

Mladick said while he and Hug were confident they had a good plan before last year's election, the feasibility study said they had been aiming too low.

"We were actually under-sized and under-programmed on some of the amenities," he said.

So now, the planned four-star resort hotel has grown from 400 to 600 rooms, with 400 rooms for families and 200 for business travelers. A conference center will cover 50,000 square feet instead of 30,000, and an indoor water park will be 138,000 square feet instead of 80,000.

Further, instead of 200,000 feet of boutique retail space, there will be 300,000. There will be a 3,000-seat amphitheatre for top-flight live entertainment, and surface parking will be replaced by parking structures.

Smith said those enhancements may bolster Waveyard's chances of success in rocky financial times.

"It seems that they have actually expanded and enhanced the project overall, . . . the feeling being that to make it more special hopefully makes it easier to finance," Smith said. "Rather than paring it down they seem to be using a strategy in hopes that will make it more special and more unique."

One element that has been downsized is housing. Only about 100 units are now planned, instead of the several hundred initially proposed, because of the depressed market.

But another economic downer - energy prices - may actually work in Waveyard's favor, Hug and Mladick said, because the Valley's 4 million residents may be more likely to stay close to home for their fun.

Since the November election, Hug and Mladick have stitched together a design and advisory team that includes experts on theme park design, the hotel industry, civil engineering, finance and construction. Matt Salmon, a former U.S. representative from Arizona and gubernatorial candidate in 2002, remains on the advisory board.

The company's engineers have 15 patents pending for wave-generation and other water-oriented technology, Mladick said. A newly created Waveyard subsidiary, Liquid Evolution, will sell some of those systems to smaller amusement parks around the world.

Mladick and Hug have briefed Smith, City Council members and top key city staffers over the past few days.

Councilman Dave Richins, in whose district Waveyard would be built, said, "I'm glad they're exceeding expectations and they're exceeding what they originally planned. I just hope they build it."

Councilman Dennis Kavanaugh said he was leery of Waveyard before last year's election but after meeting with Hug and Mladick, "My skepticism has waned substantially."