

Willoughby Arts Complex Financial Feasibility Assessment

Prepared for:
The pARTnership

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Executive Summary

The pARTnership contracted with McDowell Group to assess the financial feasibility of the proposed Willoughby Arts Complex (WAC). The community arts facility will contain two new theaters: one for use by Perseverance Theatre with a maximum of 199 seats and a second theater for community use with a maximum of 300 seats. The complex will incorporate and upgrade the existing Juneau Arts and Culture Center (JACC) and will include an array of spaces that support the theaters, enhance the experience for clientele, and augment revenue generation potential.

McDowell Group completed a Market Demand Assessment in August 2015 based on review of prior planning efforts and extensive interviews with user groups, facilities managers, and others involved in performing and visual arts. This Financial Feasibility Assessment builds on that initial analysis and includes estimated capital costs, revenues, operating costs, and strategies to enhance financial performance. MRV Architects (MRV) and cost estimators HMS, Inc. (HMS) developed construction cost estimates and contributed to facility operating expense estimates. Key findings are summarized below.

Facility Construction Costs

The arts complex is estimated to be approximately 45,000 sq. ft., which includes 35,000 sq. ft. of new construction and 10,000 sq. ft. of renovated space. Construction costs total \$25 million, including \$19 million in construction and renovation costs and \$6 million for indirect costs.

Estimated Facility Construction Costs

Area	Estimated Sq. Ft.	Estimated Construction Cost	Comments
Perseverance Theatre components	7,630	\$3,471,055	Theater, control room, dressing rooms, costume shop, rehearsal space, and storage
Community Theater components	6,370	\$3,368,525	Theater, green room, and dressing rooms
Shared support components	6,790	\$3,814,150	Lobby, reception, concessions, kitchen, café, small theater, dressing room, and scene shop
Meeting and program space	11,105	\$1,743,830	JACC, gallery, retail, offices, meeting rooms, and sound studio
Building support	5,734	\$3,453,641	Restrooms, janitorial, mechanical, electrical, and storage
Walls, shafts, misc. (6%)	2,258	\$652,750	
General circulation (18%)	5,469	\$2,130,416	
Subtotal	45,356	\$18,634,367	Includes New and Existing Spaces
Indirect costs (34% of estimated construction costs)		\$6,335,685	Design, permitting, furnishings, and contingency
Total Project Cost		\$24,970,052	

Source: MRV Architects and HMS.

Construction estimates are based on comparable Alaska construction. Estimated costs are inflated slightly to account for construction in fall 2016. Six million dollars is anticipated for indirect costs (34 percent of the construction budget), including design, administrative costs, project management, furnishings, and contingency. The project is anticipated to be managed independent of the City and Borough of Juneau (CBJ). If this assumption changes, indirect costs will need to increase to reflect CBJ’s cost structure.

Total Capital Costs

It is not practical for the WAC to provide surface or constructed parking on the site. MRV worked with CBJ staff to determine parking requirements associated with new construction and displaced parking, as well as reductions associated with the downtown district location and evening usage. Per CBJ ordinance 49.40.210 (d), exemption (5), the one-time Fee-in-Lieu payment will be approximately \$800,000. As shown in the table below, total capital costs are estimated at \$26 million, including parking.

Estimated Total Capital Costs

Area	Estimated Cost	Comments
Estimate facility construction	\$24,970,052	Includes JACC renovation
Fee-in-Lieu parking	\$800,000	One-time fee, per CBJ exemption
Total Estimated Cost	\$25,770,052	

Source: MRV Architects and HMS.

Financial Projections

McDowell Group’s approach to feasibility studies is conservative on revenue generation and reflects reasonable expenses. This approach provides the pARTnership a realistic assessment for potential financial performance. Each revenue and expense category is examined in detail in the body of the report. Additionally, the Business Plan Considerations section includes strategies for the pARTnership to optimize facility usage and revenue.

Annual Cash Flow

The WAC is anticipated to have a net operating loss of approximately \$160,000 in Year 1, a loss of \$125,000 in Year 2, and a loss of \$75,000 by Year 3.

As shown in the table below, estimated earned income by Year 3 is \$368,000. The two largest revenue components are community theater rental and rental of the renovated space at the JACC. Contributions by Perseverance Theatre and Juneau Arts and Humanities Council (JAHC) for offices, designated facility spaces, and shared spaces total \$170,000, raising estimated annual revenue to \$538,000.

Annual operating expenses total \$612,000. The largest components are payroll and heat, at \$264,000 and \$137,000 respectively. The expense budget reflects four full-time facility personnel and part-time events staff as needed.

Cash Flow Analysis, Year 3 and Beyond

Year 3	
Earned Revenue	Estimate
Community theater rental	\$100,000
Ticketing	\$12,000
Facility rental	\$105,000
Rental equipment and services	\$28,000
Warming kitchen rental	\$16,000
Office leases	\$45,000
Retail space net	\$27,000
Gallery space net	\$5,000
Café lease	\$15,000
Concessions/alcohol sales net	\$15,000
Total Earned Revenue	\$368,000
Perseverance Theatre and JAH Contributions	\$170,000
Total Estimated Revenue	\$538,000
Expenses	Estimate
Payroll/benefits	\$264,000
Heat	137,000
Electric	35,000
Sewer/water	4,000
Trash	12,000
Telephone	7,000
Shipping/postage	1,000
Supplies	25,000
Repairs/maintenance	20,000
Insurance	20,000
Equipment	12,000
Marketing/advertising	15,000
Capital replacement	25,000
Miscellaneous	35,000
Total Estimated Expenses	\$612,000
Net Income/Loss	(\$74,000)

Five-Year Pro Forma Cash Flow Analysis

This analysis indicates that the WAC will transition from an initial deficit of approximately \$160,000 to a deficit of \$75,000 by the third year of operations. Assumptions factored into the cash flow analysis include:

- Year 1 revenues are projected to be 75 percent of fully normalized revenues; Year 2 at 85 percent, and fully normalized at 100 percent in Year 3.
- The only change in expenses is an increase in repairs and maintenance from \$10,000 in Year 1 to \$15,000 in Year 2 and to \$20,000 in Year 3.
- Projections do not include any loan or interest payments.

- Revenues and expenses are not adjusted for inflation.

Pro Forma Cash Flow Analysis

	Year 1	Year 2	Year 3	Year 4	Year 5
Net profit/loss	(\$160,000)	(\$125,000)	(\$75,000)	(\$75,000)	(\$75,000)

Note: Estimates are rounded to the closest \$5,000.

Even with McDowell Group’s conservative estimates, the financial outlook for the WAC is much stronger than the financial performance of community centers in other Alaska locations. Contributing factors include:

- Demonstrated experience by JAHc in running the JACC in an efficient manner.
- Anticipated operation of the facility by a private, non-profit entity, rather than a municipality (which typically has a higher cost structure for wages, benefits, and indirect expenses).
- Synergies between JAHc, Perseverance Theatre, and other arts organizations are expected to result in frequent facility usage and revenue generation.
- The facility includes multiple revenue generating aspects and increased revenue is expected from the renovated JACC.
- New construction and efficient systems will help control utility costs.

Illustrating how these factors contribute to operating deficits in other Alaska community facilities, the table below shows annual operating deficits ranging from \$694,000 in Valdez to \$207,000 in Wrangell. These four facilities are the primary location for performing arts and community events in their respective communities; financial details are summarized in the appendices. For a local reference, Centennial Hall in Juneau had a \$600,000 operating deficit in 2014.

It is important to recognize these facilities also generate significant economic activity from meetings and conventions. Juneau attracted 31 meetings and \$2.7 million in economic impacts from meetings and conventions in 2014. Ketchikan averaged \$1.5 million annually from meetings and conventions in the past decade.

Annual Operating Deficits, 2014

	Deficit
Valdez Convention and Civic Center	\$694,000
Harrigan Hall, Sitka	\$414,000
Ted Ferry Civic Center, Ketchikan	\$314,000
Nolan Center, Wrangell	\$207,000

Source: Various city budget documents.

Business Plan Considerations

There are a number of ways for the WAC to enhance operational efficiencies, facility use, financial performance, and the customer experience.

Facility Construction and Management

- Ensure that construction is managed by the pARTnership, rather than the CBJ engineering department, given the higher municipal overhead cost structure.
- Operate the WAC as a non-profit, rather than a municipal entity, for cost savings in employee salaries and benefits.
- Increase the facility operations team to include a facility manager, administrative assistant, janitor/maintenance, marketing/ticketing manager, and part-time events staff.

Facility Design

- The warming kitchen should be located with convenient access to both newly constructed and renovated aspects of the WAC.
- The black box theater space should be accessible by the public as well as back of the house functions.
- New gallery spaces should be dedicated for gallery use, have high ceilings, big white walls, and professional lighting.
- Considerable storage space will be needed for the two theaters, as well as for tables, chairs, and other equipment needed for meetings and banquets.
- Rental office spaces can be located on an upper floor. They should be adjacent to the break room, meeting rooms, and other shared office functions. Offices should also be accessible from outside the building after hours.
- Café seating should be near windows and offer a waterfront view, if possible.

Financial Performance

There are a number of options available to the WAC to close the projected financial gap. Careful consideration is warranted as changes in the rate structure can affect the financial health of facility users, Perseverance Theatre, JAHC, the pARTnership, and community patrons.

- The project team factored in a three-year period to achieve normalized revenues for the community theater. Achieving the high-case for community theater rental income immediately results in a \$43,000 improvement to net income in Year 1, a \$33,000 improvement in Year 2, and an \$18,000 increase in subsequent years.
- Community theater rental rates used in the feasibility study mirror high school auditorium rates. A 10 percent increase could yield another \$10,000 in rental income if demand remains strong.
- Rental income from the renovated JACC was projected to increase from \$77,000 to \$85,000 based on modest increases in utilization. A 10 percent rate increase could yield another \$8,500 in rental income.
- The JACC currently offers a 10 percent discount to non-profits and affiliated groups. Eliminating the discount would add \$11,500 in net income. Alternatively, the WAC could offer the discount on weeknight rentals only, ensuring the facility generates full rental rates for weekends and other premium dates.
- The project team's computations for contributions made by Perseverance Theatre and JAHC reflected an average cost of \$13.50 per sq. ft. and the project team's assessment of exclusive and shared

spaces. Actual negotiations regarding contributions may include other variables and rates, potentially increasing the contributions.

- Using the high-rate scenario for office space and other leases results in another \$5,000 in earned income.
- The WAC could incorporate a surcharge on community theater tickets. A \$1 fee per ticket could add approximately \$15,000 to net income.
- Adjustments could also be made to retail and gallery consignment rates, or to rental rates for the warming kitchen, meeting rooms, and equipment.
- The WAC has several opportunities to reduce expenses, directly increasing net income. Eliminating benefits could save \$44,000; a 10 percent savings in heat and electric nets \$17,000; and a 10 percent savings in other expenses increases net income by \$21,000. Combined, these categories represent more than \$80,000 in potential savings.

Fundraising

The JAHC has contributed an average of \$35,000 annually to the JACC from fundraising in recent years. The most significant source of funds are proceeds from one day of the Wearable Arts event. The project team did not incorporate fund raising into the earned income estimate, recognizing that fundraising efforts may need to be redirected to cover the JAHC's shared space contributions. However, Wearable Arts illustrates the potential revenue generation from a well-planned, well-attended event.

Food and Beverage Considerations

Food and beverage priorities are upgrading the service kitchen and ensuring that facility users retain the option of serving alcoholic beverages.

- Policies and rates will need to be developed concerning non-professional use of the kitchen.
- The WAC will also need to purchase, and establish rates for, additional service wear such as tablecloths, chafing dishes, plates, cups, silverware, serving utensils, buffet carts, and mobile beverage carts.
- Kitchen and catering equipment rental can generate additional revenue, but also requires inventory management and equipment storage.
- The kitchen also provides an opportunity for rental income by entrepreneurs not associated with a WAC event, but seeking a kitchen approved for commercial use.

An onsite café is included in the construction cost estimates. It represents an additional amenity for WAC patrons, tenants, and performers, as well as some operational risk for the facility.

- Lease rates will need to reflect traffic and potential sales to attract a tenant.
- Allowing the café operator to have exclusive access (or an initial option) on alcohol or concession sales increases the viability of the café. At the same time, it also limits choices for facility renters.
- There will be a number of issues to negotiate such as lease length, buildout expense, operating hours, utilities, and other policies. The WAC will need to have detailed policies for how the café and outside caterers interact to avoid conflict.

- The pARTnership needs to consider the implications of a café tenant failing and the space sitting unoccupied for long periods of time.

The project team incorporated three small concession areas into construction cost estimates to accommodate sales of light snacks and beverages.

- Several alternatives are discussed in the body of the report including having this service operated by the WAC, by the café, or by caterers.
- While projections for net income to the WAC are similar, each approach presents very different implications in terms of facility management.

In summary, there are many variables that will affect the financial performance of the facility. If market demand is strong enough to support the high-case scenarios and strategies outlined above, the WAC could realize an additional \$70,000 in net income in a normalized year (not including Wearable Arts or other fundraising).

Introduction and Methodology

The pARTnership contracted with McDowell Group to assess the financial feasibility of the proposed Willoughby Arts Complex (WAC). As envisioned, the facility will incorporate and upgrade the existing Juneau Arts and Culture Center (JACC). The expanded community arts facility will contain two new theaters: one for use by Perseverance Theatre with a maximum of 199 seats and a second theater for community use with a maximum of 300 seats. Additional spaces include gallery, retail, meeting/classroom, rehearsal areas, a black box theater, and food/beverage service areas.

The WAC will be built, owned, and operated by the pARTnership on land leased from the City and Borough of Juneau (CBJ). Development of the WAC will augment the growing downtown arts district, which includes the State Library, Archive and Museum (SLAM) building currently under construction, the recently opened Walter Soboleff Building, and KTOO's upgraded studio and meeting spaces. The proximity between facilities presents new opportunities for synergies between arts organizations and increased visitation by arts patrons to the district.

In August 2015, McDowell Group completed a Market Demand Assessment for the WAC. The project team reviewed relevant documents and conducted extensive interviews with user groups, facilities managers, and others involved in performing and visual arts. The information was synthesized into low-case and high-case estimates for usage of the WAC community theater and other spaces. Findings from the initial report are summarized in this document.

The Financial Feasibility Assessment builds on the Market Demand Assessment and includes estimated capital costs, revenues, operating costs, and strategies to enhance financial performance. Data from Perseverance Theatre, Juneau Arts and Humanities Council (JAHC), and a wide array of similar facilities was reviewed. The project team drew on this information, prior research and consulting experience, as well as extensive experience in facility operations to develop reasonable estimates of potential WAC revenues and expenses. MRV Architects (working in conjunction with cost estimators HMS, Inc.) developed estimated capital costs and contributed to estimated facility operating expenses.

Multiple information sources were used to develop estimates of revenue and expenses for the WAC. The project team conducted interviews and reviewed information from a wide array of sources, including the entities listed below. Financial information for several facilities is summarized in the appendices (noted with an asterisk).

- Centennial Hall, Juneau
- Harrigan Hall, Sitka*
- Juneau Arts and Humanities Council
- Juneau Community Schools
- Morris Thompson Cultural and Visitors Center, Fairbanks*
- Nolan Center, Wrangell*
- Perseverance Theatre
- Seattle Repertory Theatre
- Several real estate and food and beverage professionals

- Ted Ferry Civic Center, Ketchikan*
- Valdez Convention and Civic Center*

Additionally, the project team reviewed a number of relevant documents and data sources including the sources listed below:

Alaska Fuel Price Reports, Department of Commerce, Community, and Economic Development.

A.R.T. Authentic, Responsive, Targeted, Community Engagement. Kounkuey Design Initiative. June 2015.

Assessment of a Kenai Conference Center. McDowell Group. May 2015.

Feasibility Study of a New Convention Center and Performing Arts Center. Conventions, Sports & Leisure. June 2012.

Harrigan Centennial Hall, A Renewed Cultural Hub for Sitka! McCool Carlson Green. April 2015.

Interviewee List and Notes. The pARTnership. 2014.

Interviews with Community Leaders Concerning the Willoughby Arts Complex. Walter (Bud) Carpeneti, Honorary Chair of WAC Capital Campaign Committee. August 2014.

Juneau Arts and Culture Center Performing Arts and Culture Center. Juneau Arts and Humanities Council. June 2012.

Juneau Arts Organization Work Session – Background Information for Juneau’s Performing Arts Center. Sheinberg Associates/Amy Skilbred. February 2005.

Juneau Performing Arts Center Feasibility Study. AMS Planning and Research. August 2007.

Juneau Performing Arts Center Frequently Asked Questions. Posted on CBJ website.

Juneau Performing Arts Center Needs Assessment. McDowell Group. June 2002.

KTOO Studio 360 Planning Level Needs Assessment. Prepared for KTOO. Sheinberg Associates. November 2012.

Space Program, pARTnership Project. Theatre Projects Consultants. June 2014.

National Weather Service data.

WAC Project Update. The pARTnership. January 2015.

Willoughby Arts Center Conceptual Programming and Construction Estimates. MRV Architects. February 2013.

Estimated Capital Costs

McDowell Group worked with MRV Architects (MRV) and cost estimators HMS, Inc. to develop facility size and construction cost estimates. A copy of MRV's memo and spreadsheet showing details for each space are included in the appendices. Additionally, MRV developed an illustration showing how the building footprint fits into the existing space between Centennial Hall and the Juneau Arts & Culture Center (JACC). This document is also included in the appendices.

MRV worked with the City and Borough of Juneau (CBJ) to determine parking requirements, exemptions, and financial implications for the proposed facility. A copy of MRV's memo concerning parking is included in the appendices.

Estimated Facility Size and Construction Costs

MRV developed a plan for WAC spaces and associated construction costs based on extensive review of prior planning documents and several work sessions with McDowell Group, Perseverance Theatre, and Juneau Arts and Humanities Council (JAHC). The arts complex is estimated to be approximately 45,000 sq. ft., including 35,000 sq. ft. of new construction and 11,000 sq. ft. of renovated space at the JACC. The table below provides an overview of the major facility components and estimated construction costs.

Estimated Facility Construction Costs

Area	Estimated Sq. Ft.	Estimated Construction Cost	Comments
Perseverance Theatre components	7,630	\$3,471,055	Theater, control room, dressing rooms, costume shop, rehearsal space, and storage
Community Theater components	6,370	\$3,368,525	Theater, green room, and dressing rooms
Shared support components	6,790	\$3,814,150	Lobby, reception, concessions, kitchen, café, small theater, dressing room, and scene shop
Meeting and program space	11,105	\$1,743,830	JACC, gallery, retail, offices, meeting rooms, and sound studio
Building support	5,734	\$3,453,641	Restrooms, janitorial, mechanical, electrical, and storage
Walls, shafts, misc. (6%)	2,258	\$652,750	
General circulation (18%)	5,469	\$2,130,416	
Subtotal	45,356	\$18,634,367	Includes New and Existing Spaces
Indirect costs (34% of estimated construction costs)		\$6,335,685	Design, permitting, furnishings, and contingency
Total Project Cost		\$24,970,052	

Source: MRV Architects and HMS.

Estimated capital costs for the WAC are \$25 million, which includes \$19 million in construction and renovation costs and \$6 million for indirect costs. Construction estimates are based on knowledge of the Alaska construction market and vary throughout the facility, depending on the type of space. Costs are inflated slightly to account for construction in fall 2016. The construction estimate also includes indirect project costs such as design, administrative costs, project management, furnishings, and contingency (estimated at 34 percent of construction costs).

Total Capital Costs

All parties recognize it is not practical for the WAC to provide surface or constructed parking on the site. MRV worked with CBJ to determine parking requirements associated with the new construction, reductions associated with the downtown district location and evening usage, displaced parking, and Fee-in-Lieu of parking, per CBJ ordinance 49.40.210 (d), exemption (5). The one-time Fee-in-Lieu payment will be approximately \$800,000, based on a total of 94 spaces at \$8,500 each. As shown in the table below, total capital costs for the WAC are estimated at \$26 million, including parking.

Area	Estimated Cost	Comments
Estimate facility construction	\$24,970,052	Includes JACC renovation
Fee-in-Lieu parking	\$800,000	One-time fee, per CBJ exemption
Total Estimated Cost	\$25,770,052	

Source: MRV Architects and HMS.

WAC Revenue Potential

Revenue estimates were based on analysis of current JACC revenue sources and project team estimates for revenue generated from new space. Estimates were compared with other facilities, including Centennial Hall, Ted Ferry Civic Center, Harrigan Hall, Valdez Convention and Civic Center, Seattle Repertory Theatre, and several privately owned businesses in Juneau. Additionally, the project team reviewed information in previously conducted feasibility studies for performing arts facilities in Juneau and other locations.

Facilities commonly require a ramp-up period before reaching full revenue potential. The table below represents potential revenue after the facility has normalized operations in Year 3. Revenues do not include individual JAHC or Perseverance Theatre program revenues.

Earned Revenue Summary

Revenues are estimated for 10 categories with high-case, mid-case, and low-case estimates. The mid-case estimate was used when projecting pro forma financial estimates. Following this summary table is a detailed analysis of each revenue category. Total annual earned revenues are estimated to be \$368,000 in the mid-case scenario.

Potential Earned Revenue Summary

Revenue	Low-Case	Mid-Case	High-Case
Community theater rental	\$88,000	\$100,000	\$118,000
Ticketing	\$10,000	\$12,000	\$15,000
Facility rental	\$96,000	\$105,000	\$112,000
Rental equipment and services	\$21,000	\$28,000	\$35,000
Warming kitchen	\$14,000	\$16,000	\$18,000
Office leases	\$40,000	\$45,000	\$50,000
Retail space net	\$21,000	\$27,000	\$35,000
Gallery space net	\$4,000	\$5,000	\$6,000
Café lease	\$13,000	\$15,000	\$17,000
Concessions/alcohol sales net	\$10,000	\$15,000	\$20,000
Total Revenues	\$317,000	\$368,000	\$426,000

Note: Revenue summary represents normalized operations in Year 3.

Perseverance Theatre and JAHC Space Contribution

In addition to earned revenue shown in the table above, Perseverance Theatre and the JAHC are expected to contribute to the facility based on their exclusive and shared spaces. The combined contributions total \$170,000. The rate of \$13.50 per sq. ft. used in the computations below is derived from dividing the overall facility operating expenses (\$612,000) by the total facility size (45,356 sq. ft.).

PERSEVERANCE THEATRE

Perseverance Theatre will have exclusive use of approximately 8,630 sq. ft. and share half of the lobby and box office space (1,620 sq. ft.) for a total of 10,250 sq. ft. At \$13.50 per sq. ft., Perseverance Theatre would contribute approximately \$140,000 annually.

JAHC

JAHC will have exclusive use of 620 sq. ft. of office space and share half of the lobby and box office (1,620) for a total of 2,240 sq. ft. At \$13.50 per sq. ft., JAHC would contribute \$30,000 annually.

Perseverance Theatre and JAHC Contributions

Perseverance Theatre and JAHC Contributions	
Perseverance Theatre	
Exclusive use	8,630 sq. ft.
Shared use	1,620 sq. ft.
Total	10,250 sq. ft.
Total Perseverance Theatre	\$138,375
JAHC	
Exclusive use	620 sq. ft.
Shared use	1,620 sq. ft.
Total	2,240 sq. ft.
Total JAHC	\$30,240

Community Theater Revenue

The Community Theater, and associated revenue discussion below, is exclusive of the theater that will be used by Perseverance Theatre.

Community Theater Demand

The Market Demand Assessment projected that WAC community theater usage would range from 135 days (low-case) to 175 days (high-case) per year. The high-case scenario assumes 110 percent of usage days predicted by user groups in interviews; the low-case scenario assumes 85 percent.

- In the low-case scenario, the 135 user days are composed of 75 performance days (50 weekend days and 25 week days) and 60 additional days (rehearsal and set-up). In this scenario, the theater would be used 37 percent of the days in a year.
- In the high-case scenario, the 175 user days are broken down into 100 performance days (65 weekend days and 35 week days) and 75 additional days. In this scenario, the theater would be used 48 percent of the days in a year.
- “Weekends” are considered to be Fridays and Saturdays, when demand is highest. “Week days” are Sundays through Thursdays. “Additional days” refer to rehearsal and set-up days.

Community Theater Demand Estimates, Annual Basis

	Low-Case	High-Case
Theater Demand		
Number of performance days	75	100
Weekends	50	65
Week days	25	35
Number of additional days	60	75
Total Number Of Usage Days	135	175
Percentage Usage	37%	48%

Source: Willoughby Arts Complex Market Demand Assessment, McDowell Group, 2015.

Rates

The rates used for financial projections are \$150 per hour for performance days and \$58 per hour for rehearsal days. These rates mirror the current rates for the Juneau Douglas High School (JDHS) auditorium. Although a smaller facility, the new theater will be high quality, dedicated to the performing arts, and have amenities not available at JDHS such as better evening event parking and the ability to provide alcohol at events. (Additional information on the rate structure for Centennial Hall and other Juneau facilities is available in the Market Demand Assessment.)

Community Theater Revenue Potential

The following table uses the estimated performance and rehearsal days from the Market Demand Assessment. An average of 6 rental hours was used in the model; actual use may be higher or lower based on the type of event. Performance day revenue potential ranges from \$67,500 to \$93,600 and rehearsal day revenue estimates range from \$21,880 to \$24,708. Total annual theater revenues are estimated to range from \$88,380 to \$118,308. For purposes of the pro forma cash flow analysis, the mid-point estimate was rounded to \$100,000.

Community Theater Revenue

Low-Case		High-Case	
Performance Days	75	Performance Days	104
Hourly Rate	\$150	Hourly Rate	\$150
Avg. Hours	6	Avg. Hours	6
Revenue	\$67,500	Revenue	\$93,600
Rehearsal Days	60	Rehearsal Days	71
Hourly Rate	\$58	Hourly Rate	\$58
Avg. Hours	6	Avg. Hours	6
Revenue	\$20,880	Revenue	\$24,708
Total Revenue	\$88,380	Total Revenue	\$118,308
	135	Total Days	175
Average: High-Case And Low-Case Revenue		\$103,344	

Source: Willoughby Arts Complex Market Demand Assessment, McDowell Group, 2015 and McDowell Group estimates.

Factors that might influence theater revenue towards the low-case scenario include:

- Inability by some groups to pay rates comparable to, or higher than, the high school rental rates.
- Scheduling conflicts.
- Local economic conditions and population levels may constrain demand.

Factors that might influence theater revenue towards the high-case scenario include:

- Current groups increasing their number of performances as a result of the new, high-quality venue.
- New performance groups formed as a result of the new venue, a vibrant arts community, and other factors.
- Potential users that were not identified in our interview process.
- The potential for some small amount of additional revenue from “dark days.”
- High-quality customer service.

Ticket Sales Revenue

There is potential for the WAC to generate revenue from ticket sales. Currently, JAHC manages ticket sales for community events and Perseverance Theatre through a licensed system called Vendini. This generates a small amount of revenue for JAHC. Tickets can be sold in person or online. Hearthside Books, Rainy Retreat, and organizations such as Juneau Jazz and Classics, and Juneau Symphony sell tickets through the JAHC Vendini license. The fee arrangement is nominal, but somewhat complex. A fee of \$0.35 is paid to Vendini whether the ticket is sold online or in person. Groups that wish to sell their own tickets also pay JAHC a fee of \$10 for setup and \$0.03 per ticket. Online sales of tickets through Vendini incur fees based on ticket price and generally range from \$1.50 to \$3.50. Tickets sold through JAHC are also charged a fee to offset credit card charges of 4 to 5 percent. Transferring this function from the JAHC to the WAC could generate \$12,000 in annual revenue.

Ticket Sales Revenue

	Net Income
Low-Case	\$10,000
Mid-Case	\$12,000
High-Case	\$15,000

Source: McDowell Group estimate.

Facility Rental

Current Facility Rental Revenue

An analysis of 2013 and 2014 rentals by size, type, and revenue revealed that the majority of JACC facility rental revenue comes from the main hall and almost 25 percent from full-facility rentals (for purposes of this analysis, full-facility rental refers to the hall, kitchen, and gallery space). There were an average of 35 full-facility rentals annually for 2013 and 2014 generating approximately \$23,000 each year.

As shown in the table below, the JACC averaged 210 hall rentals per year for 2013 and 2014. The table below shows the average number of rentals, duration, and revenue generated during that period.

JACC Hall Rental, 2013 and 2014 Averages

Type of Rental	# of Rentals	% of Rentals	Revenue	% of Rev.
Multiple days (avg. 5 days each)	6	2%	\$12,500	16%
Long days (10-24 hrs.)	27	13%	\$15,900	21%
Full days (5 -9 hrs.)	54	26%	\$22,700	29%
Half days (4 hrs.)	41	20%	\$11,800	15%
Less than 4 hrs.	82	39%	\$14,200	18%
Total	210		\$77,100	

Source: JACC. Due to rounding, some columns do not total 100 percent.

Facility Rental Revenue Potential

Following is a brief discussion of the types of WAC rentals and potential revenues once the JACC space is renovated. A summary of facility revenue is presented in the table on the following page.

FULL-FACILITY AND HALL RENTAL

Full-facility rental revenue has been fairly stable over the last few years, averaging \$23,000. An increase in revenue is expected considering the facility upgrades and additional capacity. Potential revenue from full-facility rentals could range from \$23,000 to \$27,000, with a mid-case revenue scenario of \$25,000.

As part of WAC development, the hall will be renovated, including the addition of a sprinkler system (increasing legal occupancy from 300 to 400 people), relocating and building new bathrooms, and a general makeover of the space. The current kitchen (at 110 sq. ft.) is inadequate. A new warming kitchen (450 sq. ft.) is planned. An increase in facility rentals is anticipated due to higher occupancy limits, a refurbished interior, and a professional warming kitchen.

Based on user group interviews conducted for the demand estimate portion of this study, the hall is expected to lose five to seven events annually to the community theater. All factors considered, facility rentals could increase by as much as 15 percent. Hall rental is anticipated to generate between \$80,000 and \$90,000 annually, with mid-case revenue scenario of \$85,000.

MEETING/CLASSROOM SPACE RENTAL

The JACC occasionally rents meeting and other space. Revenues average \$1,000 a year. Plans include a 200 sq. ft. meeting room and a 350 sq. ft. seminar/classroom capable of holding up to 24 people. The seminar/classroom would include a kitchenette and modern audio-visual equipment. Both rooms would be available for rent. Meeting space revenue is expected to range from \$2,000 to \$4,000, with a mid-case estimate of \$3,000.

FOYER/LOBBY RENTAL

Lobby rental, based on a rate of \$150 per event and an estimated 10 to 20 events annually, is expected to generate \$1,500 to \$3,000 with a mid-case scenario of \$2,200. Policies will need to be established to address lobby events and the potential interaction with café operations, especially if events are catered by other operations.

DISCOUNTS

JACC provides discounted rentals for non-profits and affiliated groups. Rental discounts have averaged 10 percent of rental revenue for the last five years. Estimated revenues below have been reduced by 10 percent to allow for discounts.

After discounts, facility rental space revenue potential is estimated between \$96,000 and \$112,000 with a mid-case of \$105,000.

Potential Facility Revenue

	Low-Case	Mid-Case	High-Case
Full-facility rental revenue	\$23,000	\$25,000	\$27,000
Hall rental revenue	\$80,000	\$85,000	\$90,000
Meeting/classroom space rentals	\$2,000	\$3,000	\$4,000
Lobby/foyer rental	\$1,500	\$2,200	\$3,000
Total Potential Facility Revenue	\$106,500	\$115,200	\$124,000
10% discount	(\$10,650)	(\$11,500)	(\$12,400)
WAC Potential Facility Revenue	\$96,000	\$105,000	\$112,000

Source: JACC and McDowell Group estimates. Figures have been rounded.

Rental Equipment and Services Revenue

Current Revenue

Rental equipment includes tables, chairs, dividers, coat racks, tent, tablecloths, some glassware, lights, and easels. Service revenues have been minor, such as reimbursing the JACC for postage or extra garbage service. In recent years, revenue generated from equipment rental and services ranged from \$20,000 to \$30,000, with a mid-point of \$25,000.

Revenue Potential

Modest increases are projected due to increased facility usage. Estimated revenue ranges from \$21,000 to \$35,000, with a mid-point of \$28,000.

Potential Rental Equipment and Services Revenue

	Low-Case	Mid-Case	High-Case
Current facility rental revenue	\$20,000	\$25,000	\$30,000
Potential increase	5%	10%	15%
WAC Potential Facility Revenue	\$21,000	\$28,000	\$35,000

Source: JACC and McDowell Group estimates. Figures have been rounded.

Warming Kitchen Rental

The JACC's current kitchen is very small, not well appointed, and severely limiting to caterers and event hosts. The warming kitchen will be 450 sq. ft. and outfitted with professional equipment, including sinks, dishwasher,

refrigeration, stove tops, warming ovens, and preparation areas. The kitchen should be adjacent to the hall, closest to the primary users of the kitchen. However, there will likely be other events elsewhere in the facility (lobby, meeting rooms, etc.) that will utilize the kitchen.

WAC management will need to make many decisions related to kitchen policies and fees, such as whether to allow non-professional use of the kitchen. Facilities around the state have a variety of policies. Some allow non-professional use (potlucks) and some do not. For example, Centennial Hall and Valdez Convention and Civic Center only allow professional use of their kitchen. They do allow, on a case-by-case basis, renters to bring food made at an approved commercial facility into the rental spaces, but do not allow for potluck events. The Ted Ferry Civic Center allows potluck use of its kitchens with a liability waiver and for a fee. For the revenue projections below, the project team assumed that the kitchen will be used by the general public as well as professional caterers, and available for potluck use.

Kitchen Rental Rates and Revenue Potential

Centennial Hall charges a fee of 8 percent for catered food and beverage sales. Non-professionals may be approved for bringing food into the facility (such as commercial prepared snack trays or sandwiches) but there is no use of the kitchen or serving equipment. There is a fee of \$60 per day for bringing in food. The Ted Ferry Civic Center charges \$150 per day for full kitchen use (included free with full facility rental) and \$50 for potluck use of the kitchen, and \$25 per day for food that is dropped off. Valdez charges a fee of 10 percent of the gross catering bill (food and alcohol).

WAC kitchen rental rates should be high enough to cover energy, supplies, and other expenses; replacement costs and maintenance for equipment; and generate some additional revenue for the facility. Rental kitchens tend to suffer from heavy use. Regular maintenance and occasional equipment replacement is the norm, especially if used by non-professionals. Based on comparable facility rates, and food and beverage experience, the project team utilized \$150 per day, in the financial projections, for full facility rental. Full facility users would also pay 5 percent of gross food and beverage sales (based on a catering invoice) or a minimum of \$150. Potluck users would pay a \$75 fee.

Based on current facility rentals and kitchen demand, kitchen revenue is estimated between \$14,000 and \$18,000, with a mid-case of \$16,000.

Warming Kitchen Rates and Potential Revenue Mid-Case

	Daily Rate	Est. Annual Rentals	Est. Annual Revenue
Full facility rental	5% of gross sales	10	\$2,500
Other space rental, full kitchen use	\$150	85	\$13,000
Potluck kitchen use	\$75	15	\$1,125
Total Kitchen Rental Revenue			\$16,625

Source: JACC and McDowell Group estimates.

Office Space and Other Lease Revenue

Current Space Rental Revenues

The JACC currently has two primary sources of office space rental revenue. Studio A is leased for \$500 per month (800 sq. ft. located on the second floor). In addition to rent, the studio provides the facility with in-kind use of a professional sound system and set-up for events. Juneau Jazz and Classics rents a first floor office for \$450 per month (approximately 250 sq. ft.).

The JACC also currently receives revenue from food truck space rental. Two trucks rent space for roughly five months of the year. The spaces rent for \$150 per month, plus an additional fee for utilities and other services.

Revenue Potential

EXISTING OFFICE SPACE REVENUE

The low-case scenario includes existing tenant rents (Studio A and Juneau Jazz and Classics), which generate \$11,400 annually. Food truck space rents are approximately \$1,500. The mid-case scenario increases rents by 8 percent, generating \$12,300 annually. The high-case scenario has increased rents 15 percent annually to \$13,100.

NEW OFFICE SPACE RENTAL REVENUES

The WAC will include six office rental spaces of 120 sq. ft. each. These offices are in addition to office space planned for Perseverance Theatre and JAHG staff. Priority for the rentals will likely be affiliated arts groups and organizations. Ideally, the offices will be located adjacent to a shared space for a copier and break room. The offices will need to be fully accessible from outside the building, with the remainder of the facility secure after hours.

Based on interviews conducted with Juneau realtors, a fixed rental rate is recommended rather than a per sq. ft. rate for these small premium offices. The offices should rent in the range of \$395 to \$495 per month. Based on these rates, the table below shows low-case annual revenue of \$28,400 to a high-case of \$35,600. Using the mid-case of \$450 month would generate \$32,400 annually. Rent should include heat, and electricity but not telephone, internet, or janitorial. One parking space per office should also be provided.

The estimated range of total potential revenue from WAC office rental is between \$40,000 and \$50,000, with a mid-case of \$45,000.

Potential Annual Office Rental Revenue

	Low-Case	Mid-Case	High-Case
Current JACC Rentals	\$11,400	\$12,300	\$13,100
New WAC Offices	\$28,400	\$32,400	\$35,600
Total Potential WAC Office Rent	\$39,800	\$44,700	\$48,700

Source: JACC and McDowell Group estimates. Figures have been rounded.

Retail Sales

Current Revenue

Currently, the JACC utilizes the hallway near the main entrance for retail display and sales. The 820 sq. ft. space is appealing and captures virtually everyone entering the building. Merchandise is a combination of consignment and JACC inventory. Recent net revenue from retail sales have ranged from \$20,000 to \$30,000 annually.

Revenue Potential

There is potential to increase retail space in the expanded facility. Increased display spaces, coupled with an increase in building traffic, should result in higher sales. With a conservative increase of 5 to 15 percent, net retail revenue potential is expected to range from \$21,000 to \$35,000, with a mid-case of \$27,000.

Potential Retail Net Revenue

	Low-Case	Mid-Case	High-Case
Current JACC retail revenue	\$20,000	\$25,000	\$30,000
Potential increase	5%	8%	15%
WAC Potential Retail Net Revenue	\$21,000	\$27,000	\$34,500

Source: JACC and McDowell Group estimates. Figures have been rounded.

Gallery Sales

Current Gallery Net Revenue

The current galley space is approximately 500 sq. ft. Gallery sales over the last five years have averaged between \$14,000 and \$15,000 with net profit ranging from \$4,000 to \$6,000 after the artists and other expenses are paid.

Revenue Potential

The current plan increases the gallery space to 575 sq. ft. with the space dividable into two 285 sq. ft. spaces located in the new portion of the facility. The opportunity to provide smaller gallery spaces may result in increased interest from artists with smaller volumes of work. This configuration would also allow two simultaneous shows offering greater variety to patrons, and perhaps increasing overall visitation to the facility. The table below shows an increase of 5 percent in the low-case to 15 percent in the high-case scenario, potentially generating revenues of \$4,200 to \$5,800 with a mid-case of \$5,000.

Potential Gallery Sales Net Revenue

	Low-Case	Mid-Case	High-Case
Current JACC Gallery Net	\$4,000	\$4,500	\$5,000
Potential increase	5%	10%	15%
New WAC Gallery Net	\$4,200	\$5,000	\$5,800

Source: JACC and McDowell Group estimates. Figures have been rounded.

Café Lease

Currently, the facility plan includes a 450 sq. ft. space for a café kitchen and assumes use of 250 sq. ft. of the lobby for seating. Depending on table size and arrangement this will seat 25-40 people.

Revenue Potential

Restaurant lease rates in downtown Juneau range from \$1.50 to \$4.00 per sq. ft. Because of relatively limited foot traffic, the project team utilized a modest rate of \$1.75 per sq. ft. in the projections. At this rate, the café space would generate \$15,000 in annual revenue for the facility. The low-case is estimated at \$13,000 and the high-case at \$17,000.

Potential Café Lease Revenue

	Low-Case	Mid-Case	High-Case
Per sq. ft./month	\$1.50	\$1.75	\$2.00
Monthly Revenue	\$1,050	\$1,200	\$1,400
Annual Revenue	\$12,600	\$14,700	\$16,800

Source: McDowell Group estimates. Figures have been rounded.

Concessions/Alcohol Sales

Discussion of Alternatives

Arts organizations and other potential WAC users expressed strong interest in enhancing food and beverage capabilities in the existing and new spaces, noting the importance of alcoholic beverages at events. The facility, as currently envisioned, includes three 100 sq. ft. concession stands in the community theater lobby. The stands are suitable for serving beer, wine, soft drinks, coffee, and light snacks. Further, incorporating them into facility design reduces some of the time and cost involved in event set-up and break down.

There are several options available to the pARTnership for servicing events including:

- Operating the concessions and alcohol sales directly.
- Allowing the entity leasing the café to have exclusive usage or a first option on providing the service.
- Allowing facility renters to contract with the caterer of their choice.

Each option brings a different set of implications concerning facility management, revenue, customer service, and choices available to WAC users. Under any scenario, there is some inherent operational risk for the vendor in ensuring that sales for small events are sufficient to recoup the cost of labor, products, supplies, and overhead. Importantly, alcohol can only be served by entities holding a liquor license. Additionally, servers and supervisors must meet State of Alaska training requirements, including Techniques of Alcohol Management certification (TAM).

Revenue, management, and service implications are briefly described below for each scenario.

WAC OPERATES ALCOHOL SALES AND SMALL CONCESSIONS

The WAC may be able to acquire a license to sell beer and wine directly. This approach necessitates hiring and training service staff. The Seattle Repertory Theatre nets \$100,000 annually from alcohol sales by owning its own license; it has 220,000 theater patrons annually. (In contrast, ticket sales for both theaters combined are estimated between 20,000 and 30,000 annually.)

The table below shows estimated annual net profit of WAC-managed alcohol and concession sales. Overall, the project team estimates a modest profit of \$17,600 in the mid-case scenario. Likely, events with higher attendance will be profitable and events with lower attendance will not.

The advantage of this approach is consistently available concessions for facility patrons and another source of revenue for the WAC. The downside is increased facility management effort in exchange for potentially modest revenues. Further, it limits choices available to facility renters and potentially alters the WAC's relationship with the business community.

Potential Alcohol and Concession Sales

	Low-Case	Mid-Case	High-Case
Estimated Patrons			
Perseverance Theatre	10,000	12,500	15,000
Community Theater	7,500	11,250	15,000
Total Sales	17,500	23,750	30,000
Alcohol Sales			
Percentage of patrons that make a purchase	0.33	0.33	0.33
Total patrons making a purchase	5,775	7,838	9,900
Avg. drinks per person	1	1.5	2
Total Drinks Sold	5,775	11,756	19,800
Average drink price \$5.50	\$5.50	\$5.50	\$5.50
Total Sales	\$31,763	\$64,659	\$108,900
Net Proceeds to WAC	20%	20%	20%
Net income	\$6,353	\$12,932	\$21,780
Snacks And Non-Alcoholic Beverages			
Percentage of patrons that make a purchase	0.33	0.33	0.33
Total patrons that make a purchase	5,775	7,838	9,900
Average price	\$3.00	\$3.00	\$3.00
Total Sales	\$17,325	\$23,513	\$29,700
Net Proceeds to WAC	20%	20%	20%
Net income	\$3,465	\$4,703	\$5,940
Total Net Income Alcohol/Snacks/Other	\$9,818	\$17,634	\$27,720

Source: JACC, Perseverance Theatre, and McDowell Group estimates. Figures have been rounded.

CONCESSIONS BECOME PART OF CAFÉ LEASE

Concessions and alcohol sales could be operated by the entity leasing the café. Recognizing this provides an additional revenue center for the café operator, the WAC could generate a higher lease rate or charge a fee on a per event basis.

Advantages of this approach include consistency in service level and increased appeal of leasing the WAC café. The downside is reduced choice for facility renters and a potential revenue drain for the café for some smaller events. Increased revenue potential is expected to range from \$10,000 to \$20,000 annually.

CONCESSIONS OPEN TO CATERERS

The WAC could charge a nominal fee to caterers to operate the concessions. This approach preserves the greatest amount of choice for facility renters, although some events may be challenged to find a licensed vendor willing to commit to the staff time and expense for smaller events.

Combined, Perseverance Theatre and the community theater are expected to have an average of 250 performance days annually. Not all events will be suitable for alcohol sales or concessions; further there is some anticipated overlap in events. A modest rental fee of \$100 for the concession area and 150 rental days is expected to yield \$15,000 in WAC revenue.

Revenue Potential

While each scenario has different management and service implications for the WAC and facility patrons, the projected net income was not significantly different. The project team estimated \$15,000 in net earned income in the mid-case scenario related to concessions and alcoholic beverage sales.

Estimated WAC Expenses

The initial step in estimating WAC expenses included a thorough review of JACC financials, including development of a two-year average calculating cost per sq. ft. These figures were then adjusted to reflect the expanded WAC facility. Expenses for comparable facilities were reviewed as well as several privately owned buildings in Juneau. The project team’s analysis, and a summary of expenses by major category, are provided below.

Payroll and Benefits

Comparable Facility Staffing

Review of comparable facilities revealed a need to increase from three full-time positions at the JACC to five positions to address WAC staffing needs. The three facilities operated by local government also reflected higher expenses for payroll and benefits. (Note: JACC payroll does not reflect the current manager’s salary; that expense is covered by JAHG.)

Comparable Facility Payroll and Staff Positions

	Valdez Convention and Civic Center	Ted Ferry Civic Center	Harrigan Hall	Morris Thompson Center	JACC
Square Footage	23,000	7,393	7,385	38,720	10,878
Payroll/Benefits	\$536,000	\$301,000	\$357,000	\$205,000	\$85,000
Number of staff positions					
Facility manager (FT)	1	1	1	1	1
Assistant facility manager (FT)			1	1	1
Assistant facility manager (PT)			1		
Technician/Lights	1		1		
Maintenance		1			
Admin (FT)		1			1
Admin (PT)	1		1		
Events (FT)	2	2			
Total Staff	5	5	5	2	3

Note: JACC does not include a facility manager salary.

Staffing and Payroll Estimate

The WAC will likely require a full-time facility manager, administrative assistant, and a janitorial/maintenance position. A half-time ticketing position could be combined with facility marketing to create one full-time position. Event staff would work as needed for specific events (benefits may not be required for these positions). Estimated payroll and benefits (20 percent) for these positions is \$264,000. (Note: Perseverance Theatre’s staffing needs are not reflected in the WAC facility estimates.)

Payroll and Benefits

	Salary	20% Benefits	Total
Facility manager FT	\$65,000	\$13,000	\$78,000
Marketing/ticketing FT	\$55,000	\$11,000	\$66,000
Janitorial/maintenance FT	\$45,000	\$9,000	\$54,000
Administrative FT	\$35,000	\$7,000	\$42,000
Events staff PT	\$20,000	\$4,000	\$24,000
Total Payroll and Benefits	\$220,000	\$44,000	\$264,000

Non-Payroll Expense Estimates

The following table shows non-payroll operating expense per sq. ft. for comparable facilities. Some adjustments have been made, as each facility has some expenses related to specific programming needs that are unique to that facility. In general, expenses are higher for public facilities and larger facilities benefit from economies of scale. Rates for the Morris Thompson Cultural and Visitor Center and the Valdez Convention and Civic Center have been adjusted to reflect climate and heating oil consumption differences. Adjustments were made based on Southeast temperatures and the price of heating oil in Juneau versus Fairbanks and Valdez in 2014.

Comparable Facility Annual Non-Payroll Expenses

	Sq. Ft.	\$ per Sq. Ft.
Public Facilities		
Ted Ferry Civic Center	7,300	\$16.85
Nolan Center	20,300	\$12.00
Valdez Convention and Civic Center	23,000	\$11.75
Centennial Hall	40,000	\$11.10
Harrigan Hall	18,000	\$6.30
Private Facilities		
Morris Thompson Cultural and Visitor Center	38,720	\$8.50
JACC	10,878	\$8.25

Note: Figures have been rounded.

Utilities

The most significant non-payroll expenditure is typically utilities, primarily heat and electric. A review of comparable facilities shows combined heat and electric expense ranging from \$5.50 per sq. ft. for the Valdez Convention and Civic Center to a low of \$1.97 for the JACC. The JACC is a CBJ-owned property and benefits from CBJ bulk oil prices. Centennial Hall (\$2.75) is all electric and benefits from Juneau's relatively low hydroelectric rates. The Morris Thompson Cultural and Visitor Center uses steam for heat.

Comparable Facility Electric and Heating Expenses per Sq. Ft.

	Valdez Convention and Civic Center	Ted Ferry Civic Center	Harrigan Hall	Morris Thompson Center	Centennial Hall	JACC
Heat	\$2.55		\$1.50	\$1.88		\$1.47
Electric	\$2.94		\$1.32	\$1.03	\$2.75	\$0.50
Combined	\$5.49	\$3.62	\$2.82	\$2.91	\$2.75	\$1.97

Note: Nolan Center utilities information was unavailable.

HEAT

Currently, the JACC spends approximately \$1.47 per sq. ft. for heating oil at the CBJ bulk rate. Recognizing the significantly increased heating oil consumption for the new HVAC system, as well as uncertainty about the WAC's ability to access the CBJ bulk rate in the future, the cost per sq. ft. has been estimated at \$3.00 per sq. ft. for both old and new spaces combined. The heating oil budget is estimated at \$137,000.

ELECTRIC

The JACC currently spends approximately \$0.50 per sq. ft. annually for electricity. This rate is anticipated to increase to \$0.75 per sq. ft. based on new HVAC system requirements. The electric budget estimated at \$35,000 annually.

WATER AND SEWER

The WAC budget for water and sewer is estimated at \$4,000. Centennial Hall currently spends \$3,700 annually for water and sewer.

TRASH

The annual budget for trash removal is estimated at \$12,000; the current JACC budget is \$2,900.

TELEPHONE

WAC will need to add a number of new lines to accommodate Perseverance Theatre staff and the box office. The annual budget for telephone is estimated at \$7,000 (an increase of \$1,000 from the current JACC budget).

Other Expenses

SUPPLIES

Supplies expense was increased from the current JACC budget of \$6,800 to \$25,000 to accommodate a larger facility and more activity.

SHIPPING/POSTAGE

The shipping and postage budget is estimated at \$1,000 annually.

INSURANCE

With the assistance of Shattuck and Grummett, facility and liability insurance was estimated at \$20,000 annually.

MARKETING

To attract users and meet revenue projections, the WAC will need to engage in a coordinated marketing effort which will include staff time as well as advertising, an online presence, and printed collateral materials. Based on expenditures for comparable facilities and project team experience, marketing expense is estimated at \$15,000 annually.

MAINTENANCE AND REPAIRS

Currently, JACC maintenance is managed by CBJ. It is unclear at this time what arrangements will be made to care for new and old areas of the facility. Maintenance issues are expected to be minor in the new section for the first few years. Maintenance and repairs are estimated at \$10,000 in Year 1, increasing to \$20,000 annually in Year 3.

EQUIPMENT

JACC equipment expenditures are approximately \$4,800 annually. Estimated expenses for the WAC are increased to \$12,000, given increased facility size and usage.

CAPITAL REPLACEMENT FUND

It will be prudent for the WAC to maintain a capital replacement fund for repair or replacement of the roof or major systems such as lighting, sound system, or HVAC. Annual expense is estimated at \$25,000; any unexpended funds would be expected to carry forward for use in the following year.

MISCELLANEOUS

This category includes professional and technical services such as snow removal, landscaping, security, IT, and other facility expenses. Expenses are estimated at \$35,000 annually.

Summary of Estimated Expenses

Total expenditures are estimated to be \$612,000 annually after facility operations have normalized in Year 3. Non-payroll expenditures total \$348,000. The average non-payroll cost per sq. ft. of \$7.70 falls between Harrigan Hall (\$6.30 per sq. ft.) and JACC (\$8.25 per sq. ft.).

Estimated Expenses Summary

Expenses	Estimate
Payroll/benefits	\$264,000
Heat	137,000
Electric	35,000
Sewer/water	4,000
Trash	12,000
Telephone	7,000
Shipping/postage	1,000
Supplies	25,000
Repairs/maintenance	20,000
Insurance	20,000
Equipment	12,000
Marketing/advertising	15,000
Capital replacement	25,000
Miscellaneous	35,000
Total Estimated Expenses	\$612,000

Pro Forma Potential Cash Flow Analysis

Estimated Annual Net Income/Loss

Based on the revenue and expense estimates described in the previous sections, and assuming operations normalize in Year 3, the WAC is anticipated to experience a net operating loss of approximately \$74,000 annually. (The following section of this document, Business Plan Considerations, includes strategies to optimize facility usage and revenue and close the financial gap.)

Cash Flow Analysis, Year 3 and Beyond

	Year 3
Earned Revenue	Estimate
Community theater rental	\$100,000
Ticketing	\$12,000
Facility rental	\$105,000
Rental equipment and services	\$28,000
Warming kitchen rental	\$16,000
Office leases	\$45,000
Retail space net	\$27,000
Gallery space net	\$5,000
Café lease	\$15,000
Concessions/alcohol sales net	\$15,000
Total Earned Revenue	\$368,000
Perseverance Theatre and JAHC Contributions	\$170,000
Total Estimated Revenue	\$538,000
Expenses	Estimate
Payroll/benefits	\$264,000
Heat	137,000
Electric	35,000
Sewer/water	4,000
Trash	12,000
Telephone	7,000
Shipping/postage	1,000
Supplies	25,000
Repairs/maintenance	20,000
Insurance	20,000
Equipment	12,000
Marketing/advertising	15,000
Capital replacement	25,000
Miscellaneous	35,000
Total Estimated Expenses	\$612,000
Net Income/Loss	(\$74,000)

Five-Year Pro Forma Cash Flow Analysis

This analysis indicates the WAC will have an operating deficit of approximately \$160,000 in the initial year of operations, improving to a deficit of \$75,000 by the third year of operations. Assumptions factored into the cash flow analysis for the initial five years include:

- Year 1 revenues are projected to be 75 percent of fully normalized revenues; Year 2 at 85 percent, and fully normalized in Year 3.
- The only change in expenses is an increase in repairs and maintenance from \$10,000 in Year 1 to \$15,000 in Year 2 and to \$20,000 in Year 3.
- Projections do not include any potential loan or interest payments.
- Revenues and expenses are not adjusted for inflation.

Pro Forma Cash Flow Analysis

	Year 1	Year 2	Year 3	Year 4	Year 5
Net profit/loss	(\$160,000)	(\$125,000)	(\$75,000)	(\$75,000)	(\$75,000)

Note: Estimates are rounded to the closest \$5,000.

Business Plan Considerations

The following section includes a number of recommendations and considerations to optimize operational efficiencies, facility use, financial performance, and service level for facility renters and patrons.

Facility Construction and Management

- Construction management cost will be much lower if managed by the pARTnership rather than the CBJ engineering department, given the higher municipal overhead cost structure.
- Similarly, operation of the WAC as a non-profit entity (rather than a municipal entity) provides cost savings in employee salaries and benefits. However, the relationship with CBJ currently offers some cost advantages (such as discounted fuel) which should be preserved where possible.
- The facility operations team is expected to include the equivalent of four full-time staff and part-time event staff as needed. Full-time staff positions include a facility manager, administrative assistance, janitorial/maintenance, and marketing/ticketing.

Facility Design

- The warming kitchen should be located with convenient access to both newly constructed and renovated aspects of the WAC. The flat floor area in the current JACC will likely have greater use of the warming kitchen for conferences, banquets, receptions, and other events.
- The black box theater space provides flexibility for rehearsal, performance, and event space rentals. Given the variety of potential uses, the space should be accessible by the public and available for back of the house functions.
- Visual artists hope the new gallery spaces will be dedicated for gallery use and have high ceilings, big white walls, and professional lighting. An option of having natural light in the gallery may be appealing for some users. Artists will likely look to the WAC for display cases, monitors, projectors, and other commonly used equipment.
- Considerable storage space will be needed to support the two theaters as well as meeting and banquet equipment.
- Rental office spaces can be located on a second floor. They should be adjacent to the break room, meeting rooms, and other shared office functions. Offices should also be accessible from outside the building after hours.
- Café seating should be near windows and offer a waterfront view if possible.

Financial Performance

The pARTnership will want to carefully consider each of the revenue options below, as changes in the rate structure can affect the financial health of facility users, Perseverance Theatre, JAHC, the pARTnership, and community patrons.

LARGER SOURCES OF EARNED INCOME

The largest sources of earned income are the new community theater and rental of the renovated main hall.

- The project team factored in a three-year period to achieve normalized revenues for the community theater. It is possible for the WAC to accelerate this ramp-up period.
- The mid-case of \$100,000 was used in the pro forma rather than the high-case estimate of \$118,000. Achieving the high-case for community theater rental income immediately results in a \$43,000 improvement to the net income in the initial year, a \$33,000 improvement in the second year, and an \$18,000 increase in subsequent years.
- Community theater rental rates used in the feasibility study mirror the JDHS auditorium rates. Although several potential facility users expressed price sensitivity, the investment warrants consideration of increased rates. A 10 percent increase could yield another \$10,000 in rental income if demand remains strong.
- Rental income from the JACC hall was projected to increase from \$77,000 to \$85,000 based on modest increases in utilization. Given the investment in facility upgrades, the market may respond favorably to an increase in rental rates. A 10 percent increase could yield another \$8,500 in rental income.
- The JACC currently offers a 10 percent discount to non-profits and affiliated groups; this discount was carried into the revenue projections. Eliminating the discount would restore \$11,500 in net income. A variation on this approach would be to offer the discount on weeknight rentals only, ensuring the facility generates full rental rates for weekends and other premium dates.

The project team's computations for contributions made by Perseverance Theatre and JAHC to WAC income reflected an average cost of \$13.50 per sq. ft. and the project team's assessment of exclusive and shared spaces.

- Actual negotiations regarding contributions may include other variables and rates, potentially increasing the contributions.

SMALLER SOURCES OF EARNED INCOME

All other sources of income are estimated to generate approximately \$160,000, with office leases as the largest single component.

- Using the high-rate scenario for office space and other leases reflects another \$5,000 in earned income. The pARTnership is cautioned that the current office rental market is flat. State and municipal budget constraints, coupled with ongoing efforts to reduce the state's need for leased space, add downward pressure. In this market, the WAC should seek longer-term leases with top-quality organizations that complement the anchor tenants and facility purpose.
- The WAC could incorporate a surcharge on community theater tickets. A \$1 fee per ticket could add \$15,000 to the net income.
- Adjustments could also be made to retail and gallery consignment rates, or to rental rates for the warming kitchen, meeting rooms, and equipment.
- No revenue was projected for the scene shop, black box theater, or other small spaces. (A small amount of revenue was projected for meeting/classroom rentals and lobby/foyer rentals.)

POTENTIAL FOR EXPENSE REDUCTION

The two largest expense categories are payroll and utilities. Savings on WAC expenses falls directly to net income.

- Benefits, estimated at 20 percent of payroll, total \$44,000. The pARTnership may choose not to pay benefits to WAC employees; the JACC does not offer benefits now.
- Expense for heating and electric total \$172,000. A 10 percent savings results in an increase to net income of \$17,200.
- The remaining expenses are estimated at \$211,000. Saving an average of 10 percent in these smaller categories increases net income by \$21,100.

Fundraising

The JACC has averaged \$35,000 in fundraising revenue over the last five years. The most significant source of funds are proceeds from one day of Wearable Arts. The project team did not incorporate fundraising into the earned income estimate, recognizing that fundraising efforts may need to be redirected to cover the JAHc's shared space contributions. However, Wearable Arts illustrates what revenue generation potential is possible from a well-planned, well-attended event.

Food and Beverage Considerations

WARMING KITCHEN

Upgrading the inadequate kitchen facilities is essential. The 450 sq. ft. warming kitchen will significantly improve the food service options for WAC patrons and is expected to generate approximately \$16,000 annually. Policies and rates will need to be developed concerning non-professional use of the kitchen.

The WAC will need to purchase and establish rates for service wear such as tablecloths, chafing dishes, plates, cups, silverware, serving utensils, buffet carts, and mobile beverage carts. The JACC currently offers some items. Kitchen and catering equipment rental can generate additional revenue, but requires inventory management and equipment storage.

The kitchen also provides an opportunity for rental income by entrepreneurs not associated with a WAC event, but seeking a kitchen approved for commercial use. Priority for rentals should be for WAC events.

CAFÉ

The café concept represents an additional amenity for WAC patrons, tenants and performers, as well as some operational risk for the facility. The pARTnership will need to consider the implications of a café tenant failing and the space sitting unoccupied for long periods of time.

Lease rates will need to reflect traffic and potential sales to attract a tenant. The project team estimated \$15,000 in annual lease income from the café. Capital costs for the 450 sq. ft. space are estimated at \$340,000 plus \$115,000 in indirect costs. Allowing the café operator to have exclusive access (or an initial option) on alcohol or concession sales increases the viability of the café. At the same time, it also limits choices for facility renters.

Several professional restaurateurs were interviewed for the project to gather feedback on catering needs and food-related lease rates. The pARTnership is cautioned that there is a high degree of skepticism that current and anticipated traffic is sufficient to support the café. **Comments from Juneau restaurant owners, managers, and caterers included the following:**

That area is not well trafficked, my gut says I am skeptical about a café being successful.

Unless there is an event I don't think there are enough people down there.

Restaurants in the interior of a building have a hard time making it more than one with street exposure.

I don't get why people would come to the café except for events.

I would not lease that space.

If you have a strong product, you might be able to get people in there outside of events.

Maybe a Heritage coffee style place. Sandwiches, desserts, and coffee might work.

You would have to have a beer and wine license.

I would want a short lease so we could get out if it did not work out.

I would be interested in being considered for the lease.

Lease rates would have to be low for me to even consider that location.

There will be many negotiated aspects of the café lease, such as lease length, buildout expense, operating hours, utilities, and other policies. The WAC will need to develop detailed policies for how the café and outside caterers interact related to food and alcohol sales to avoid conflict.

CONCESSIONS AND ALCOHOLIC BEVERAGES

The project team incorporated three small concession areas into the facility cost estimates to accommodate sales of light snacks and beverages. Perseverance Theatre patrons are accustomed to this amenity and it provides a source of earned income. Potential facility renters emphasized the importance of offering alcoholic beverages for certain events. Several alternatives are discussed throughout the report including having this service operated by the WAC, by the café, or by caterers. While projections for net income to the WAC are similar, each approach presents very different implications in terms of facility management.

Appendix A: Comparable Facilities

Interviews were conducted with several comparable facility managers to gather information on facility revenues and expenses. While none of the facilities are exactly like the WAC, they are reflective of the current operating environment in Alaska. The Ted Ferry Civic Center is the only standalone facility. The other facilities include a range of functions including meeting space, museum, visitor center, performance space, and a movie theater.

Nolan Center (Wrangell)

Facility Size and Layout

The Nolan Center totals 20,300 sq. ft., with 8,500 sq. ft. designated for the museum, 8,856 sq. ft. to the civic center, and 1,000 sq. ft. to the visitor center. The civic center includes a conference hall (4,000 sq. ft.) that seats up to 368 people; a smaller meeting room (860 sq. ft.) that seats up to 38 and can be separated into two smaller rooms; and a small theater that seats 24 people.

Nolan Center Facility Space Estimates

	Square Feet
Civic Center	8,856
Large conference hall	4,000
Small conference room (convertible into 2 rooms)	860
Kitchen	285
Storage building	2,200
Museum	8,505
Museum gift shop	1,074
Conservation lab	594
Total Facility	20,323

Note: Facility details are not inclusive of all spaces.

Rental Rates

Rental rates for the large conference room (4,000 sq. ft.) vary according to the amount of space used in the center, group size, the amount of time the center is in use, and what amenities are required. Depending on these factors, the room rents for \$250 to \$550. The kitchen rents for an additional \$125 to \$225. A full day in the meeting room costs \$200, as does the small theater, or the lobby on its own. Other rates for partial days and various room combinations are also available. As additional amenities and services are used (such as the sound system, table linens, or chair set up) rental costs increase. Other areas available for rent include the lobby, museum, kitchen, and visitor center.

Onsite Amenities

The Nolan Center has a warming kitchen that can be used for serving food prepared off-site. The visitor center has fixed exhibits and promotional displays. It is jointly staffed by employees of the civic center and employees

of the U.S. Forest Service, under a cooperative agreement. The museum space includes a gallery, a conservation lab, offices for museum staff, and storage for museum supplies and artifacts. The museum has permanent exhibits and installs a new changing exhibit about once a year. An additional storage building was constructed after the Nolan Center was completed, as staff determined storage space in the civic center was inadequate. The single-story storage building is 2,200 sq. ft., and is used for portable seating, tables and chairs, risers, and other equipment and furniture.

In addition to hosting conferences and other commercial events, the civic center is also used for community activities and serves as the local movie theater.

Revenue and Expenses

REVENUE

Total annual revenue for the multi-use facility was approximately \$400,000 for FY13 and \$420,000 for FY14. The most significant sources of operational revenues for the Nolan Center come from the City of Wrangell and the Nolan Endowment (\$162,000 in FY13 and FY14). The endowment derives from a \$5 million donation by Jim and Elsie Nolan. Three million of the donation was dedicated to building the center. The remaining portion of the donation (over \$2 million) was retained in a trust to pay operating expenses. Wells Fargo Bank manages the trust. Nolan Endowment funding was reduced to \$100,000 in FY15 in order to sustain the fund.

Museum revenue from admissions and retail sales totaled \$84,000 in FY13 and \$95,000 in FY14. Other funding sources include the Friends of the Museum and another small memorial fund. The civic center generated \$20,000 in 2013 and \$25,000 in 2014 from events and conference rental fees and equipment rentals. Rental fees generated between 60 and 63 percent of revenues in each year.

Nolan Center Revenues and Transfers

	FY13 Actual	FY14 Estimated	FY15 Approved
Museum Revenue	\$84,078	\$95,000	\$97,500
Civic Center	19,684	25,000	21,000
Nolan Endowment	162,000	162,000	100,000
Revenue from State	16,203	15,600	16,110
Friends of the Museum	3,000	3,000	3,000
Other	8,075	8,000	8,000
Total	\$240,270	\$258,100	\$245,000

Source: City of Wrangell.

EXPENSES

The Nolan Center budget for all departments was \$471,000 in FY13 and \$465,000 in FY14. Civic center specific expenditures were \$166,000 in FY13 and \$173,000 in FY14. Personnel-related expenses (salaries, wages, and employer expenses) in FY13 and FY14 accounted for just over half of civic center expenditures. Advertising and publishing expenditures for the Center totaled \$11,000 in FY13 and \$16,000 in FY14.

Nolan Center Expenditures

Expense Category	FY13 Actual	FY14 Estimated	FY15 Approved
Museum	\$222,310	\$218,359	\$231,036
Wages and salaries	\$58,291	\$61,100	\$60,000
Casual labor	19,878	18,180	24,000
Employer expenses	38,077	40,050	42,930
Gift store inventory	35,614	30,000	30,000
Materials and supplies	1,520	3,000	3,000
Allocated building expense	57,337	59,079	61,706
Other	11,592	6,950	9,400
Civic Center	\$165,790	\$172,819	\$185,356
Wages and salaries	\$46,644	\$48,300	\$50,900
Casual labor	4,227	4,790	8,000
Employer expenses	36,787	34,970	32,200
Travel and training	2,785	1,500	6,350
Materials and supplies	5,828	6,400	6,400
Advertising and publishing expense	10,587	16,000	18,000
Allocated building expense	57,231	59,079	61,706
Other	1,699	1,780	1,800
Theater Department	\$83,263	\$73,842	\$83,927
Wages and salaries	\$20,129	\$18,400	\$20,000
Film expense	30,142	24,000	25,000
Concessions expense	19,777	15,000	20,000
Allocated building expense	4,828	7,542	7,877
Other	8,387	8,900	11,050
Total Expenditures	\$471,363	\$465,020	\$500,319

Note: Numbers may not sum due to rounding.

DEFICIT

Even with significant funding from a dedicated endowment (\$162,000), the facility deficit in FY13 for all operations was \$230,000 and \$207,000 for FY14. The City decided in FY15 in order to preserve the Nolan Endowment the annual transfer was reduced from \$162,000 to \$100,000. This will likely push the total facility deficit close to \$300,000 for FY15. The deficit is funded by the City.

Departmental expenses for the civic center were \$166,000 in FY13 offset by \$20,000 in revenue resulting in a deficit of approximately \$146,000. The FY14 deficit was \$148,000. However, if the civic center portion of the facility was standalone, expenses would likely be higher.

Valdez Convention and Civic Center

Facility Size and Layout

The Valdez Convention and Civic Center encompasses 23,000 sq. ft. of available meeting space. It is comprised of a sizeable theater that seats 487 with sloped theater-style seating, green room, lobby and concession, modern lighting and sound equipment, dressing rooms, and a Steinway piano. The theater is used as a community movie theater as well as for performances.

A 6,464 sq. ft. ballroom can be segmented into three separate rooms for flexible meeting arrangements; a main hallway that can house exhibits or trade show booths, a professional kitchen for catering; and separate conference rooms for smaller groups. Approximately 500 people can be seated theater-style in the ballroom or 400 people in banquet seating using a combination of oval and rectangular tables.

Valdez Convention and Civic Center Facility Space Estimates

	Square Feet
3 ballrooms	6,464
2 ballrooms	4,352
1 ballroom	2,176
Conference room	1,166
Theater/mezzanine	3,600
Lobby	924
Museum	8,505
Main hall	1,209
Parking spaces	198
Total Facility	23,000

Rental Rates

The entire facility rents for a daily commercial group rate of \$1,200. Local residents receive a 10 percent discount off the standard fee schedule and nonprofits receive 25 percent off.

Onsite Amenities

Both the theater and the ballrooms are equipped with full theatrical lighting and quality sound systems. The theater is also equipped with digital cinema, including Dolby 3D. The ballroom can be divided into three separate soundproof rooms, each with their own independent sound capabilities. The facility can provide chairs, tables, portable staging and dance floor, lecterns, and other decorative equipment. The facility also has a kitchen for catering.

Revenues and Expenses

REVENUES

Valdez Convention and Civic Center revenues average approximately \$220,000 in the past four years. These revenues rely heavily on a movie program and related concession sales which accounted for two-thirds of 2014 revenue. In 2014, facility rentals fees were estimated to be 30 percent of revenues (\$59,000).

Valdez Convention and Civic Center Revenue

	Revenue
2011	\$223,247
2012	241,425
2013	227,306
2014	197,500
2015 (Council Approved)	225,000

Source: City of Valdez.

EXPENSES

The annual operating budget for the center was \$893,000 in 2014. Payroll and related expenses comprise the greatest portion of the budget at \$530,000 (59 percent). Electricity and heat combined were 21 percent of the budget. Advertising and promotions expenditures were \$3,500 in 2014.

Valdez Convention and Civic Center Operating Budgets

Budget Items	2014 Amended	2015 Approved
Salaries & Benefits		
Salaries & Wages	\$263,338	\$244,344
Overtime	16,898	12,936
Temporary Salaries	49,753	49,753
Benefits	199,884	229,293
Total Salaries & Benefits	\$529,873	\$536,326
Capital/Equipment Outlays	\$21,699	\$3,600
Non-personnel Operation Outlays		
Reproduction & Copying	\$1,625	\$3,080
Movie Rental/Freight	53,890	54,000
Clothing	500	500
Dues & Subscriptions	565	560
Contractual Services	28,750	20,750
Professional Fees & Services	1,129	1,137
Communications & Postage	8,225	8,525
Advertising & Promotion	3,500	2,000
Electricity	108,000	108,000
Heating	82,000	83,000
Travel & Transportation	2,350	2,700
Office Supplies	950	1,155

Building & Ground Maintenance	1,200	-
Operating Supplies	15,095	14,400
Parts & Supplies-Equipment	1,450	950
Concession Supplies	31,500	31,500
Training	500	1,000
Total Non-personnel Outlays	\$362,928	\$336,857
Total Capital & Operating Outlays	\$892,801	\$873,183

Source: City of Valdez.

DEFICIT

The facility operated at a deficit of \$694,000 in 2014. It unclear how much of this significant deficit is related to meeting and conference operations. However, it is likely without the movie theater operation the meeting and convention operation would operate at a significant loss. The deficit is funded by the City of Valdez.

Ted Ferry Civic Center (Ketchikan)

Facility Size and Layout

The main ballroom of Ted Ferry Civic Center offers 4,263 sq. ft. of event space. The room may be partitioned into three separate meeting spaces as well by using sound-insulating partitions. Other space within the center includes a 1,584 sq. ft. stage, 773 sq. ft. kitchen, a lobby, storage room, restrooms, and additional 673 sq. ft. conference room. These spaces provide capacity for up to 550 people theater-style, while each bay provides space for 84 to 120 people depending on seating arrangements.

Ted Ferry Civic Center Facility Space Estimates

	Square Feet
Ballroom (convertible into 3 rooms)	4,263
Stage	1,584
Kitchen	773
Conference room	673
Total Facility Space	7,293

Note: Facility details are not inclusive of all spaces.

Rental Rates

The entire facility rents for \$520 for a partial (1-4 hour day), \$650 for 4 to 8 hours, \$812 for 8 to 12 hours, and \$975 for 12 to 16 hours. Rates for the full ballroom range from \$384 to \$720 per day depending on the amount of time in use. Rates are also available for individual bays of the ballroom or for the conference room. These individual room rates range from \$95 to \$270 per day depending on length of time and specific space used.

Onsite Amenities

Amenities include internet DSL connection, AV equipment, teleconference capabilities, a commercial kitchen, trade show and vendor booth pipes and drapes, a stage and platforms, and an oak dance floor.

Revenue and Expenses

REVENUE

The most significant sources of operational revenues come from room rentals, with additional revenue generated from equipment rentals and a coffee service.

Ted Ferry Civic Center Revenue

	2013	2014
Room Rental	\$66,216	\$54,051
Personnel Services	9,565	7,604
Catering Equipment	17,842	11,899
Coffee Service	10,705	5,705
Office Equipment Rental	11,326	11,183
Payroll related transfers	19,511	20,000
Other	20,628	20,623
Total	\$136,280	\$111,064

Source: Ted Ferry Civic Center.

EXPENSES

The Ted Ferry Civic Center has an operations budget of approximately \$425,000 for FY2015. Salaries/wages and benefits account for approximately 70 percent of total expenditures. Utilities and energy costs are the next largest expense, accounting for approximately 16 percent of operational costs combined.

Ted Ferry Civic Center Expenses

	2013	2014
Wages and salaries	\$171,805	\$162,270
Benefits	122,148	138,832
General supplies	10,206	11,410
Energy Costs	30,798	26,446
Contractual Services	32,157	12,799
Utilities	44,819	42,881
Machinery and Equipment	270	12,713
Insurance premiums and claims	4,105	6,492
Advertising and publishing	1,205	2,711
Travel and education	1,197	1,350
Other	5,581	7,209
Total Expenditures	\$424,291	\$425,116

Note: Numbers may not sum due to rounding.

Source: Ted Ferry Civic Center.

DEFICIT

The facility operated at a deficit of \$288,000 in 2013 and \$314,000 in 2014. The deficit is funded by the City of Ketchikan.

Harrigan Centennial Hall (Sitka)

Facility Size and Layout

The Harrigan Centennial Hall is an 18,000 sq. ft. civic, convention, and visitor center on the waterfront in downtown Sitka. The nonprofit Sitka Historical Society (SHS) operates the Isabel Miller Museum within the building. In the summer, the Baranof Arts and Crafts Association operates an art gallery in the building. Maximum capacity in the auditorium is 700 (for receptions).

Other facilities in the Centennial Hall include an auditorium, meeting rooms and a kitchen. A visitor information desk is also located in the facility. Conference and meeting spaces include meeting rooms and additional workspace. After the 2015-2016 renovation is complete, the facility will have an increase of 3,000 sq. ft. of meeting space and the kitchen size will almost double. The facility will increase from approximately 20,000 sq. ft. to 30,000.

Harrigan Centennial Hall Meeting Space

	Square Feet
Auditorium	4,340
Meeting room (convertible into 2 rooms)	1,718
Small meeting rooms (3 rooms total)	560/234/248
Kitchen	285
Total Meeting/Conference Space	7,385

Note: Facility details are not inclusive of all building spaces.

Rental Rates

Rental rates vary according to the amount of time the convention center is in use and the contracted amenities. The building rents for \$1,200 to commercial groups, \$875 for conventions (includes audio/video equipment), and \$700 for general use. Individual room rates range from \$50 to \$375.

Onsite Amenities

The facility offers wireless internet, teleconference capabilities, and multimedia projectors. Catering is supported by a full kitchen onsite.

Operational Finances and Revenue Sources

REVENUES

Actual revenues from room and equipment rental were \$48,000 in 2013 and \$56,000 in 2014.

Harrigan Centennial Hall Revenue

	Room Rental
2013 Actual	\$48,240
2014 Budget	\$56,000

Source: City of Sitka.

EXPENSES

Approximately 76 percent of Harrigan Hall's 2014 budget expenditures were for salaries, wages, and benefits; another 11 percent of expenditures were for electric and heating expenses. Renovations are estimated to reduce heat and electric expenses by 40 percent.

Harrigan Centennial Hall Expenses

	2013 Actual	2014 Actual
Wages and salaries	\$185,000	\$180,000
Benefits	153,750	177,000
Electric	20,300	23,700
Heating Fuel	25,600	27,000
Telephone	6,600	6,600
Insurance	16,700	7,000
Supplies	3,900	3,900
Repairs and maintenance	3,800	1,400
Building repair and maintenance	14,150	32,400
Data processing	7,700	7,300
Contractual services	9,000	--
Tools and small equipment	3,100	--
Other	900	3,800
Total Expenditures	\$450,450	\$470,100

Source: City of Sitka. Figures have been rounded.

DEFICIT

The facility operated at a deficit of \$402,000 in 2013 and \$414,000 in 2014.

Morris Thompson Cultural and Visitor Center

The Morris Thompson Cultural and Visitor Center is a unique facility that houses six organizations. The facility is owned and operated by a separate 501(c)3 organization governed by a 10-member board of directors made up of representatives of its partner/occupant organizations. Each partner pays for a share of building operating costs based on its share of the building. The facility houses the following entities:

- **Alaska Public Lands Information Center (APLIC)**, a division of the National Park Service, a governmental agency (occupying 38 percent of the total building with approximately four full-time and three part-time employees).
- **Alaska Geographic Store** located in the APLIC's space with one full-time employee.
- **Tanana Chiefs Conference (Cultural Programs Department)**, a regional tribal non-profit organization representing 42 tribes in Interior Alaska (occupying 34 percent of the total building with two full-time employees).
- **Denakkanaaga**, a non-profit organization occupying TCC's space with approximately four full-time employees.

- **Fairbanks Convention and Visitors Bureau (FCVB)** is a non-profit community organization occupying 29 percent of the total building with approximately 15 full-time employees.
- **Morris Thompson Cultural and Visitors Center** administrative office with two full-time employees.

Planning for the facility began in 2000 with ground-breaking in May 2007. The Phase I exhibits opened to the public in October 2009. The MTCVC occupies a two-story building adjacent to Griffin Park along the Tanana River. There is adequate parking and room for tour buses to access the facility. The 38,720 sq. ft. facility features 10,000 sq. ft. of administrative space, 9,000 sq. ft. of exhibit space and a 2,400 sq. ft. theater that seats 100 people.

The center rents a number of different spaces in the facility including the lobby (capacity of 125 for a sit-down dinner and 359 for casual events), the exhibit gallery (capacity of 40 people, seated), classroom (seats 25 to 40 depending on set-up), conference room (professional space for 18), and the Elders Hall (capacity of 20 people). Rental revenue was approximately \$13,000 in 2010.

Operational Finances and Revenue Sources

The Morris Thompson Center operates at or near breakeven.

REVENUES

Revenue comes primarily from tenant lease payments with a small amount of additional space rental income. Revenues are estimated to be around \$765,000 for 2014.

Morris Thompson Cultural and Visitor Center Revenue

	Revenue
2014 Estimate	\$765,000

Source: Morris Thompson Cultural and Visitor Center.

EXPENSES

Approximately 27 percent of the Morris Thompson Center FY 2014 budget expenditures were for salaries, wages, and benefits. Another 23 percent of expenditures were for electric and heating combined.

Morris Thompson Cultural and Visitor Center Expenses, FY14

Expenses	Amount
Wages/Benefits	\$205,000
Swan Admin Fee	4,000
Property Taxes	88,000
Electricity	92,000
Heat	83,000
Water & Sewer	7,000
Insurance	24,000
Bank Fees	1,000
Bookkeeping	12,000
Dues/Subscriptions	4,000
Education	300
Equipment Rental	2,000
Equipment/Furnishings	1,000
Facility Supplies	9,000
Garbage removal	4,000
Holiday lights	1,000
IT Support	4,000
Janitorial	89,000
Landscaping	6,000
Maintenance	15,000
Exhibit Maintenance	8,000
Marketing	8,000
Meetings	4,000
Misc.	1,000
Office Supplies	400
Phones	11,000
Postage/Freight	300
Printing	100
Security	45,000
Snow removal	6,000
Periodic Maintenance	30,000
Total Expenses	\$765,000

Source: Morris Thompson Cultural and Visitor Center.

Appendix B: Facility Parking, Size, and Construction Cost Estimates

This section includes the following documents from MRV Architects:

- Parking Analysis
- Cost Estimates
- WAC Footprint