

The Emeryville Arts and Cultural Center

Business Plan 2009-2014



Completed by:
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INTRODUCTION

Museum Management Consultants, Inc. (MMC) was retained by the City of Emeryville to develop a *Business Plan*, including a three-year budget for operating the Emeryville Arts and Cultural Center (Art Center) once it opens in 2011.

Project Background

The Art Center is conceived of as a gathering place for educational, aesthetic, and intellectual experiences through participation in and appreciation of the visual and performing arts. Housed in the former United Stamping Company building adjacent to City Hall, this 30,000 square foot one-story warehouse is in the heart of Emeryville's historic Park Avenue District. The Art Center will include gallery space, a flexible theater space with retractable seating to allow for various uses, a multipurpose space, a café, a gift shop, and administrative offices for staff of the Art Center, Celebration of the Arts, and Emeryville Historical Society. The Art Center's mission is:

The Emeryville Arts and Cultural Center inspires artistic expression and advances cultural literacy.

The Art Center honors Emeryville's rich, diverse, and creative heritage through active community engagement and hands-on participation in the visual and performing arts.

Planning for the Art Center has involved a wide range of stakeholders, including City of Emeryville staff, Emeryville Redevelopment Agency members, community leaders, museum and performing arts professionals, and prospective donors. The result of their efforts is a two-year, pre-opening *Strategic Plan*. The ideas presented in the *Strategic Plan* were tested with potential Art Center audiences in a series of focus groups in March and April 2009, and with the philanthropic community as part of the *Fundraising Feasibility Study* scheduled to conclude early Summer 2009.

Subsequent to the acquisition of the site, over \$5 million has been raised for the project, including \$3 million appropriated by the City of Emeryville and \$2 million from Pixar Animation Studios. The Redevelopment Agency is leading the planning process until a private nonprofit organization can be established to raise additional funds and to operate the Art Center. It is expected that a Founding Board of Directors will be in place and an Executive Director will be hired by the end of 2009. Currently the Redevelopment Agency is supporting capital costs and major renovations, but by law

is precluded from providing operating funds. The Art Center expects to receive revenue from contributed, earned, governmental, and investment sources.

When the Art Center planning process began, it was projected that a permanent endowment fund would be raised, along with the remaining capital, to complete the project and support operations. A \$5 million goal was discussed, with the thought that at a 5% rate of return, the endowment would result in annual interest income of approximately \$250,000 when fully funded. This amount would represent approximately 28% of operating expenses (based on the 2011 budget) and, along with other sources of income, would support excellence in programming. Although the effort to fund an endowment will be undertaken as a component to the capital campaign, the current economic climate suggests that a \$5 million goal may be unachievable at this time. Instead, it may be necessary

Figure 1
Art Center Fundraising Goal

Art Center Cost	Dollar Amount
Capital Costs	\$11,513,609
Ramp Up Costs	\$1,209,000
Operating Reserve	\$1,300,000
Fundraising Goal Subtotal:	\$14,022,609
Less Amount Raised to Date:	\$5,483,600
Fundraising Goal:	\$8,539,009

to establish the endowment as a long-term goal and set another short-term goal of raising a \$1.3 million in cash reserves to be used during the first three years of operations. These reserve funds would replace the projected investment income until such time as it is possible to build an appropriate endowment.

The total amount that will need to be raised to complete the Art Center, including “ramp up” costs and the cash reserve described above, is approximately \$8.5 million (see Figure 1). These figures are discussed in detail in the sections that follow.

Methodology

MMC has developed projections of potential revenues and operating expenses based on the following:

- The size of the facility, the operating assumptions, and proposed programs;
- The *City of Emeryville Arts and Cultural Center Benchmark Study (Benchmark Study)*, produced by MMC for the Redevelopment Agency in November 2008, which highlights four art centers of similar size and scope in the United States;
- Data collected from small theaters in the Bay Area regarding occupancy and rental rates;
- Data collected from a number of hotels in Emeryville regarding event rental space;

- Data from the American Association of Museums' *2006 Museum Financial Information (MFI)* and Theatre Communication Group's *Theatre Facts 2007 (Theatre Facts)*;
- Salary information from the Center for Nonprofit Management's *2008 Northern California Compensation and Benefits Survey* and California Association of Museums' *2008 California Museums Financial and Salary Survey*; and
- MMC's experience with hundreds of nonprofit cultural organizations.

This *Business Plan* summarizes the capital cost estimates, “ramp up” costs expected prior to opening (through September 2011), operations for October through December 2011 and the first three full calendar years of operations, (2012 – 2014). Without an existing programmatic and donor base, the Art Center will need to initiate both arts programming and fundraising activity in the years prior to opening to build a market for exhibitions, performances, and other educational activities, and to create visibility while funds are being raised to complete the Art Center. The budgets for calendar years 2012-2014 have been modified to account for a 3% inflation factor and for heightened levels of activity at the Art Center once programming and events have taken root.

This *Business Plan* develops the budget from two directions. The first approach is “top down” using the *MFI* financials for art museums and *Theatre Facts* data for performing arts organizations to pattern the makeup of the Art Center financial projections on industry averages. Although *Theatre Facts* provides relevant data, it represents theaters that produce their own performances, which, at least initially, will not be the case at the Art Center. There are significant differences in income and expense between producing and presenting theater organizations, so this data is referenced only when these variables can be controlled. Due to a lack of industry data for art centers and presenting theaters, as well as a lack of small art centers with both visual and performing arts components, MMC has relied most on data from peer group institutions in the visual and performing arts and information solicited from local organizations on specific topics.

The second approach to the budget is “bottom up,” using as much data as possible developed from the City of Emeryville, strategic planning task force participants, salary surveys, and other sources to establish the size of personnel costs and, therefore, the budget. This approach required MMC to make assumptions about the staffing requirements for the Art Center, and then, since personnel costs (salary plus benefits) in cultural organizations usually constitute about half the cost of operations, doubling the personnel costs to arrive at an overall expense budget. The resulting Art Center budget is \$897,000, or approximately \$30 per square foot. We then calculated the other

(non-personnel) expenses using various industry averages. Finally, once the total operating costs were projected, we estimated the sources of income to cover those costs, again using industry averages.

The income and expense projections are based upon what is known today about the Art Center using assumptions that are detailed in the notes that follow the budget. The budget will need to be reviewed and updated periodically as the unknowns become known as the project and the economy evolve, and certainly once the Art Center is open and operating. It should be noted that this *Business Plan* projects the minimum costs that MMC believes are necessary to support offerings of the highest quality. Without exception, stakeholders and potential donors, as well as the general public in focus groups, have consistently indicated that the Art Center must be a top quality operation. Many people have gone so far as to say that if the programs of the Art Center cannot be “excellent,” the Art Center should not be built at this time. Striving for excellence will require hard work from a small staff on the artistic presentations, and will also require aggressive fundraising efforts and the development of earned income streams to fund outstanding visual and performing arts offerings.

Since personnel accounts for approximately half of operating costs in cultural organizations, particular attention has been paid to estimating the number and type of staff required to effectively and efficiently operate the Art Center. A recommended organizational chart for the Art Center is included in Appendix A. Salary ranges have been suggested based on statewide standards reported in the *California Museums Survey* and Northern California nonprofit salaries in the *Northern California Compensation and Benefits Survey*. Appendix B indicates proposed staffing for the Art Center once it is fully operational.

MMC advocates for a continuous process of planning, execution, and evaluation. With regard to the financial performance of the Art Center, this means careful budgeting and thoughtful review of performance to assure that funders are receiving value for their investment. The Art Center will be an educational institution as well as an entertainment venue, and there are evaluative processes that can be used to measure its cultural contributions. Some of these measures are qualitative, such as surveying visitors and program participants concerning their satisfaction with their experiences and the educational programs being offered. Other measures are quantitative, including the number and demographics of visitors; the amount of earned income and public and private support being raised

annually; and of course, the financial bottom line that will show the relationship between income and expenses.

While the Art Center is not expected to open until 2011, current planning must, as noted above, take into account the economic climate in 2009 and its impact on funding. As a result of these conditions, the Art Center will need to develop significant earned income streams to maintain quality. The bottom line effect of the economic and financial environment is that the Art Center must deliver genuine educational and cultural value and run efficiently. Fundamental to overcoming the potential financial issue of funding operations at a high level is the building of an endowment and/or interim reserve funds for operations and establishing an aggressive annual fundraising campaign.

This *Business Plan* has been prepared for internal use by the Redevelopment Agency as they develop the Art Center and approach potential donors. The findings reflect analysis of primary and secondary sources of information. MMC has utilized sources that are deemed to be reliable, but cannot guarantee their accuracy. Moreover, estimates and analysis regarding the Art Center are based on trends and assumptions and, therefore, there will likely be differences between the estimated results and actual results because events and circumstances frequently do not occur as expected, and those differences could be significant. MMC has no obligation, unless subsequently engaged, to update this *Business Plan* or revise the analysis as presented due to events or conditions occurring after the final adoption of this *Business Plan* by the Redevelopment Agency.

PEER GROUP ART CENTERS

The Art Center being developed in Emeryville is not unique in scope, but its small size, combined with its breadth of programming in both the visual and performing arts, makes it challenging to find existing organizations in Northern California with which to compare it. Without art center industry data and financial statistics to draw from, MMC looked to the operations of four community based visual art centers around the United States, each with a strong art gallery component and a facility of approximately 30,000 square feet in size. This research was conducted to establish a broader context for Art Center operations and organizational structure.

MMC initially researched this group of comparable art centers for the *Benchmark Study* submitted to the City of Emeryville in November 2008. The group was established before the strategic planning process had fully developed a vision for the Art Center. The vision for the Art Center was in the formative stages and included a community-based art center with a gallery at the center of its operations, as well as educational and other outreach programs. As such, each of the four art centers in the *Benchmark Study* has a prominent exhibition space and offers art classes and other ancillary programming. See Figure 2 for an overview of this group.

The organizations in this peer group are not exact matches for the Art Center, but their operations are comparable, with one exception. These art centers all provide classes for a fee, while the Art Center in Emeryville instead will offer theater and other live performances for a fee. The associated

Figure 2
Peer Group Statistics

Art Center	Facility Size (Gross) in Square Feet	Exhibition Space as Percentage of Total Space	Annual Attendance	Operating Expenses*	Cost per Square Foot	Cost Per Visitor	Full-time Staff	Full-Time Staff per 10,000 Square Feet
Armory Center for the Arts <i>Pasadena, California</i>	26,000	35%	100,000	\$2,200,000	\$85	\$22	15	6
Hyde Park Art Center <i>Chicago, Illinois</i>	32,000	30%	52,000	\$1,800,000	\$56	\$35	11	3
Richmond Art Center <i>Richmond, California</i>	25,000	40%	50,000	\$481,000	\$19	\$10	3	1
Salt Lake Art Center <i>Salt Lake City, Utah</i>	30,000	50%	18,000	\$966,000	\$32	\$54	10	3
Average:	28,250	39%	55,000	\$1,361,750	\$48	\$30	10	3
Emeryville Art Center	30,000	30%	35,000	\$897,000	\$30	\$26	6	2

* Based on IRS Form 990s and audited financial statements for the 2007 calendar year.

income and expenses are likely different, yet the comparison between the Art Center and the peer group art centers is highly instructive. Each of these organizations resides in or near a major U.S. city, offers a variety of dynamic arts programming, and is an active gathering place for its community; these are all goals of the Art Center as well.

Note that although most of the data in budgets presented in this plan are reported in 2011 dollars to approximate the cost of operations in the Art Center's opening year, the peer group data in this section is presented in 2007 dollars, since the organizations were reporting on current operations. Therefore, to make appropriate comparisons, the peer group data needs to be inflated by approximately 10% to project operating results three or four years into the future.

Application to Emeryville

According to the data in Figure 2, the average gross interior space for the peer group is 28,250 square feet, which is similar to the size of the Art Center at 30,000 square feet. By selecting organizations of similar size and scope, MMC believes the averages calculated from the peer group data are instructive for planning the Art Center's operations. The average operating cost per square foot among the peer group is \$48. In order to keep operations lean in the formative years, the Art Center will have limited full-time staff and limited expenses. As such, the estimated cost per square foot is estimated to be \$30. As the organization grows, it is expected that the operating budget will expand in kind and the cost per square foot will more closely align with the peer group data.

With these figures in mind, MMC estimates that the 30,000 square foot Art Center will have an overall annual operating budget of approximately \$897,000 in 2011.¹ The budget is explained in further detail in the following sections.

¹ The operating budget of \$897,000 is based on a full calendar year of operations in 2011, although the Art Center will be fully operational for only three months of that year (October – December 2011). As such, the actual operating budget in 2011 will be \$224,250 (see page 16). For planning purposes, this plan refers to the baseline 2011 operating budget of \$897,000.

Income and Expenses

Figures 3 and 4 detail the sources of income and expenses among the peer group organizations.

Figure 3
Peer Group Income by Source

Art Center	Contributed Income	Earned Income	Government Support	Investment Income
Armory Center for the Arts	44%	34%	7%	15%
Hyde Park Art Center	52%	44%	3%	1%
Richmond Art Center	34%	55%	11%	0%
Salt Lake Art Center	70%	8%	18%	4%
Peer Group Average:	50%	35%	10%	5%

Figure 4
Peer Groups Expenses by Source

Art Center	Personnel	Admin & Development	Facility	Program Services	Marketing & PR
Armory Center for the Arts	72%	8%	11%	4%	5%
Hyde Park Art Center	37%	9%	25%	21%	8%
Richmond Art Center	44%	20%	1%	28%	7%
Salt Lake Art Center	50%	8%	11%	28%	3%
Peer Group Average:	51%	11%	12%	20%	6%

The following observations can be made about income and expenses from the peer group data:

- Personnel costs range from 37% to 72% among the four art centers, with an average of 51%. This figure is similar to the industry data on museums, performing arts, and other nonprofit organizations, which suggests that on average personnel should constitute approximately half of the Art Center's expense budget.
- The peer group's revenues from contributed sources are between 34% and 70% of total income, with an average of 50%. According to museum statistics reported in *MFI*, this figure is similar to the mean percentage of contributed revenue received by art museums (46%) responding to their survey.
- Average earned income (including class revenues, gift shop sales, café revenues, and other paid programming) is 35% among the peer group. In the peer group, this figure is lowered, and contributed income is slightly inflated, because of the Salt Lake Art Center's very high contributed revenue (70%). Removing their data brings the contributed and earned income

figures closer together for the remaining peers, which will likely be the case in Emeryville. The Art Center will not have class revenue, while these peer group organizations do, but will have earned income opportunities associated with theater rentals, as well as food and beverage sales; these sources push earned income higher for the average performing arts organization when compared to the average visual arts organization.

- Revenues from governmental sources among the peer groups art centers are relatively low at 10% of revenues. Government support among arts organizations tends to be low, relative to other sources of income. For example, the *MFI* reports that art museums receive 14% of their funding from government sources. Considering this, the peer group average appears to provide a workable guideline for the Art Center.
- Investment income averages 5% among the peer group organizations. Only a few of the organizations have endowments or any financial safety net. This lack of investment income is one of the perpetual causes of financial stress in small arts organizations. For the Art Center to reach its full potential, it will be critical to develop a source of investment income to support operations, as noted earlier in this plan.

CRITICAL FINANCIAL CONSIDERATIONS

Data presented in the previous section highlights the importance of three critical financial considerations to the long-term viability of the Art Center. Each of the following financial considerations will require a hardworking, experienced Executive Director, as well as a self-perpetuating Board of Directors, who will together bear the responsibility for achieving the projected results:

- The ability of the Art Center to raise earned and contributed income to support exhibitions, performances, and educational programs;
- The ability of Art Center stakeholders to ultimately raise a significant endowment to help support operations at a level approximating 25% to 30% of the expense budget; and
- The aggressive management of personnel and other costs.

Earned and Contributed Income

Together, earned and contributed revenue initially will be the expected source of almost 90% of the overall Art Center income, since the budget omits significant investment income. It is assumed that contributed income will constitute approximately 46% of the 2011 Art Center budget, or \$417,000, and earned income 42% (\$380,000). The timeline laid out in the *Strategic Plan* calls for the Art Center to open in October 2011, and most of the time between now and then will be spent raising capital funds and renovating the facility. The Executive Director will be expected to spend most of his/her time before opening raising the capital, as well as reserve operating funds. At the same time, the *Strategic Plan* calls for a Director of Development to be hired in September 2010, a year before opening. It will be the Director of Development's responsibility to build a membership and donor base, work with the Executive Director to build a Board of Directors that has the financial capacity to personally contribute to or raise funds for the Art Center ("give or get"), and build support and loyalty among potential visitors and donors.

Due to the challenge of raising funds for a new organization during an economic downturn, it will be all the more important to ensure that earned income opportunities abound. It is likely that the gallery will be free to the public (except perhaps in the case of exceptional exhibitions), similar to the four organizations in the art center peer group, but the stakeholders involved in the Art Center

planning process integrated a number of possible other earned income sources into the overall plan. For example, the shop and café, theater rental, special event space rental, and fee-for-service educational programming are all expected sources of earned revenue.

Raising an Endowment

As noted previously, the Art Center will be a donor-funded project. A *Fundraising Feasibility Study* is currently underway, and one of the ideas being tested is establishing a \$5 million endowment. The typical endowment spins off approximately 5% of the corpus in annual investment income. This figure allows for the principal to keep pace with inflation, so long as the investment return averages above 5% annually, and it means that a significant amount needs to be raised before the investment income becomes a meaningful percentage of the overall operating budget.

However, the recent financial downturn has made the fundraising environment more challenging and endowment funds are likely to spin off significantly less income under current circumstances. Raising an endowment remains a priority, but fundraising for it may not be completed until some time after the Art Center is open. At the same time, establishing a financial safety net is imperative. The current economy has revealed the vulnerability of many small nonprofit organizations around the United States. Small nonprofits that do not have a financial safety net can be wiped out with an unexpected drop in donations or an unpopular performance. In order to establish a safety net, until the endowment is raised, the Art Center should set a goal of raising at least \$1.3 million during the pre-opening fundraising campaign to be held in a reserve fund to be administered by the Board of Directors. This money should be used only when necessary during the first three years of operations to fill funding gaps, either in earned or contributed income, so staffing levels can remain in tact and programming can be maintained at a high level.

Expense Management

The Art Center Steering Committee and all of those involved with the planning process have stressed the importance of developing an organization known for excellence and breadth in programming. While these characteristics are more than admirable goals, they do add to operating costs. Although it goes without saying, in the current financial conditions it will be critical for the Art Center to carefully manage its expense budget, especially in the first few years of operations.

The largest single expense is personnel, so controlling the head count will be essential in the short-term.

CAPITAL COSTS

Preliminary project cost estimates were developed by Oliver & Company; the Redevelopment Agency added these estimates to its overall project development budget in April 2009 (see Appendix C). The estimates are based on the Art Center concept developed through the strategic planning process, which was then converted into conceptual renderings and floor plans to be used in the *Fundraising Feasibility Study* and focus groups conducted by MMC. The Redevelopment Agency's project budget estimates \$1.3 million in soft costs and \$9.5 million in construction costs, with another \$709,000 in FF&E and other costs. Total development costs are estimated to be \$11.5 million, with \$5.5 million already raised to fund the project. Based on these figures, the resulting funding gap for capital costs is \$6 million.²

² This funding gap is for capital costs only. Adding in ramp up costs (\$1.2 million) and the operating reserve goal (\$1.3 million), the pre-opening funding need is \$8.5 million (see Figure 1 on page 2).

RAMP UP COSTS

“Ramp up” expenses are those expenditures that will be incurred prior to the opening of the Art Center above and beyond construction costs. The estimated need for this type of funding is \$1,209,000 (see Figure 5 for details). Some of these costs may properly be classified as capital costs to be added to the asset value of the construction, but because they represent an immediate need for cash that will have to be raised as part of the project budget; they are illustrated separately in this plan.

**Figure 5
Art Center Ramp Up Costs**

Ramp Up Activity	2009	2010	2011 (Jan. – Sept.)
Search for Executive Director	\$45,000		
Capital Campaign Consultant ³	\$36,000	\$72,000	\$36,000
Executive Director Salary & Benefits ⁴		\$160,000	\$160,000
Development Director Salary & Benefits ⁵		\$35,000	\$100,000
Program Staff Salary & Benefits ⁶			\$140,000
Allowance for interim Office Operations (temporary staff, rent, supplies, etc.) ⁷		\$60,000	\$40,000
Professional Services (legal, accounting, etc.)	\$10,000	\$5,000	\$5,000
Store Inventory (initial stocking)			\$50,000
Program Costs		\$25,000	\$50,000
Marketing and Public Relations ⁸		\$50,000	\$75,000
Opening Activities and Events ⁷			\$25,000
Other	\$6,000	\$12,000	\$12,000
Annual Totals:	\$97,000	\$419,000	\$693,000
Total Ramp Up Costs: (not including interest income on funds raised in advance)			\$1,209,000

³ Capital Campaign Consultant starts 7/1/09

⁴ Executive Director starts 1/1/10

⁵ Development Director starts 9/1/10

⁶ Artistic Director (\$55,000) starts 1/1/11, Store Manager (\$35,000) starts 7/1/11, Assistant (\$32,500) starts 7/1/11, Facilities Rental Manager (\$50,000) starts 7/1/11

⁷ Reduces in 2011 with hiring of Assistant 7/1/11.

⁸ It is anticipated that in addition to these direct expenditures, other expenses associated with Marketing and Public Relations and Opening Activities and Events will be underwritten by outside sponsorships

2011 INCOME AND EXPENSE BUDGET

The following baseline budget includes operations for a full calendar year, although the Art Center will be open only during the final quarter (October – December) of 2011. The budget is derived from personnel costs, data from peer group art centers, and *MFI* statistics on the profile of the typical art museum’s income and expenses. The full year budget is presented below for reference, as the following 2012-2014 budgets build upon this foundation.

Figure 6
Emeryville Arts and Cultural Center
Baseline Budget 2011*

Revenue		
Contributed Income	\$417,000	46%
Earned Income	\$380,000	42%
Government Grants/In-Kind	\$100,000	11%
Investment Income	\$0	0%
Total Income:		
	\$897,000	100%
 Expenses		
Personnel	\$471,000	53%
Administration and Development	\$104,000	12%
Facility	\$120,000	13%
Program Services	\$120,000	13%
Marketing and Public Relations	\$55,000	6%
Other	\$27,000	3%
Total Expenses:		
	\$897,000	100%
Revenue Less Expenses:		\$0

* Percentages may not appear to add to 100 due to rounding.

Figure 7
Emeryville Arts and Cultural Center
Income by Source 2011

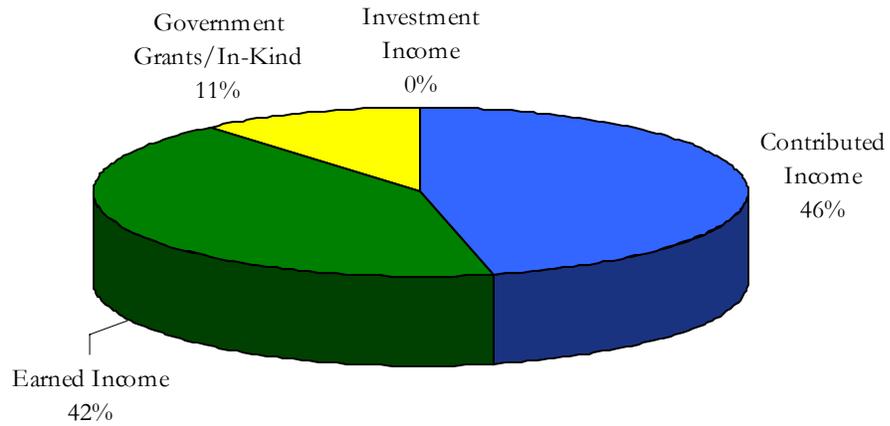
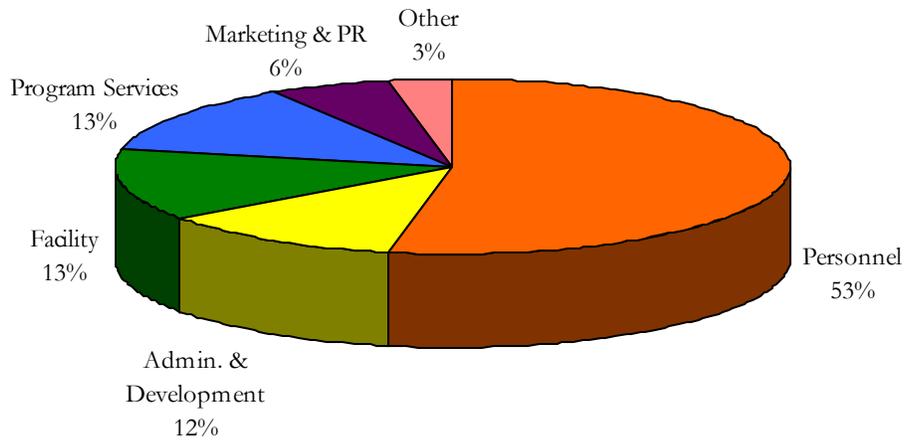


Figure 8
Emeryville Arts and Cultural Center
Expenses by Source 2011



2011 - 2014 OPERATING BUDGETS

The operating budgets presented below include the first three and a quarter years of Art Center operations. The abbreviated 2011 budget is one quarter of the full year operating budget of \$897,000 shown in the previous section. Other costs incurred during 2011, prior to opening, are covered in the *Ramp Up Costs* section of this report. The 2012-2014 budgets are based on extending the 2011 budget with a 3% inflation rate, compounded annually. It is assumed that the programmatic activities of the Art Center will build over the first three years of operations within the established budget parameters, stabilizing in 2013 and 2014.

Figure 9
Emeryville Arts and Cultural Center
Budget 2011-2014

Revenue	2011 (Oct. - Dec.)	% of Total*	2012	% of Total*	2013	% of Total*	2014	% of Total*
Contributed Income	\$104,250	46%	\$429,510	46%	\$442,395	44%	\$455,667	41%
Earned Income	\$95,000	42%	\$391,400	42%	\$403,142	40%	\$415,236	38%
Government Grants/In-Kind	\$25,000	11%	\$103,000	11%	\$106,090	11%	\$109,273	10%
Investment Income**	\$0	0%	\$0	0%	\$50,000	5%	\$125,000	11%
Total Income:	\$224,250	100%	\$923,910	100%	\$1,001,627	100%	\$1,105,176	100%
Expenses	2011 (Oct. - Dec.)	% of Total*	2012	% of Total*	2013	% of Total*	2014	% of Total*
Personnel	\$117,750	53%	\$485,130	53%	\$499,684	52%	\$514,674	51%
Administration and Development	\$26,000	12%	\$106,620	12%	\$109,819	11%	\$113,113	11%
Facility	\$30,000	13%	\$123,100	13%	\$126,793	13%	\$130,597	13%
Program Services	\$30,000	13%	\$125,347	14%	\$142,744	15%	\$156,828	16%
Marketing and Public Relations	\$13,750	6%	\$56,650	6%	\$58,350	6%	\$60,100	6%
Other	\$6,750	3%	\$27,063	3%	\$28,644	3%	\$29,504	3%
Total Expenses:	\$224,250	100%	\$923,910	100%	\$966,033	100%	\$1,004,816	100%
Revenue Less Expenses:	\$0		\$0		\$35,594		\$100,360	

* Percentages may not appear to add to 100 due to rounding.

** Based on \$1 million raised by 2013 and \$2.5 million raised by 2014 and assuming a 5% return.

BUDGET ASSUMPTIONS

The preceding budgets are based on a number of assumptions developed during the Art Center strategic planning process. While these parameters have been the subject of considerable thought and discussion, much of the planning has been conceptual, and therefore, how operations will play out once the Art Center opens is still in question. At the same time, the current economic crisis lends a new level of uncertainty to the accuracy of any revenue estimates. The following assumptions have been adopted until more concrete information is available. At that time, the assumptions can be restated and the resulting financial projections modified accordingly. As noted throughout this *Business Plan*, it is anticipated that one of the major responsibilities of the Art Center's Board of Directors will be to actively fundraise for the Art Center. Their support will be critical not only on a personal basis, but also in soliciting funds from governmental and private sources during a time when funding is more competitive than ever.

Following are the assumptions that support the financial data in this *Business Plan*. Note that all income and expense estimates are based on 2011 dollars and a full-year operating budget of \$897,000. As stated previously, actual operating expenses in 2011 will be one quarter of this total budget, or \$224,250.

GENERAL OPERATING ASSUMPTIONS

Planning for the Art Center

- Capital fundraising commences with the hiring of fundraising counsel in June 2009 and is completed by July 2010. The target is to cover project costs, ramp up costs, and the operating reserve, or approximately \$8.5 million
- The Art Center will open by October 2011

Preparing the Art Center for Opening

- Planning and building the structure
- Establishing the 501(c)(3)
- Populating the Board of Directors
- Hiring the Executive Director
- Fitting out the Art Center with furniture and equipment
- Making arrangements for opening receptions and other activities
- Program pre-planning prior to the Art Center opening

Grand Opening

The Art Center opening is projected for October 2011 to coincide with the 25th Anniversary of the Emeryville Celebration of the Arts. Events will be planned for donors, community leaders, and the surrounding community.

Attendance

No market research has been undertaken to estimate the potential attendance at the Art Center, but from data on comparable art centers, MMC has “guestimated” that approximately 40,000 to 50,000 people will visit during the first year of operations, and following the pattern of many new cultural organizations, attendance can be expected to drop to 30,000 to 40,000 and stabilize at that level within several years. Attendance in and of itself has a limited effect on the Art Center income budget because there will be no entrance fee to visit the facility. However, the more people who utilize the Art Center, the higher earned income streams such as shop sales will be, and it is also likely that higher contributed income, such as membership dues, will result. Attendance is also important as one measure of the success of the Art Center in delivering added value to the community. Target audiences include Emeryville residents, those who work in Emeryville but live elsewhere, and the regional community. It is worth noting that attendance is a function of the exhibition and performance schedules, as well as other public program offerings; great programs draw great crowds.

Operating Hours

The Art Center’s proposed operating hours are:

Art Center Hours	
Monday:	Closed
Tuesday – Thursday:	10:00 a.m. to 5:00 p.m.
Friday – Saturday:	10:00 a.m. to 8:00 p.m.
Sunday:	10:00 a.m. to 5:00 p.m.

During regular operating hours, the gallery and common areas will be open and free to the public, but the theater will be available only during performances. The Art Center will be available during the day and after-hours for special events and for rentals for artistic, social, and business events. The practice of keeping the Art Center open until 8:00 p.m. on Fridays and Saturdays will require

staff to stagger their work schedules so that supervisory personnel can be present throughout the time the Art Center is open to the general public and while being rented after hours.

ASSUMPTIONS ABOUT REVENUES

Contributed Income and Government Grants/In-Kind Support

Contributed income includes Board member contributions, membership, major gifts, corporate gifts, foundation grants, bequests, and special fundraising events. Government support comes in the form of grants from local, state, and federal agencies. Governmental income might also come through the provision of in-kind services such as utilities, routine maintenance, security, and janitorial by the City of Emeryville. Instead of estimating the amount of money that must be raised from each of these sources, this plan regards contributed and government revenues as the total amount of income that will be required to fill the gap between earned income and total expenses. Based on the earned income estimates below (totaling 42% of revenues), the Art Center's projected revenues from contributed and government sources totals 57% of the overall budget in 2011. This is in line with the four peer group art centers which averaged 60% in revenues from contributed and government sources combined. The largest source of funding in this category is expected to be the Board of Directors, who will be expected to "give or get" an agreed upon amount to the Art Center each year. As such, developing a Board with the ability to contribute and/or raise significant funds will be essential to the Art Center's ongoing operations.

Reserve Fund

Due to the current economic environment, plans to build an endowment for the Art Center have been delayed until after opening the facility in 2011. In its place, the fundraising campaign should incorporate a goal for a reserve fund of \$1.3 million. This figure represents half of the initial operating budget for three years. The reserve fund will serve as a substitute safety net during the first three years of operations. The fund will be held and administered by the Board of Directors. Utilization of the reserves is not included in the operating budget since the goal is to establish a self-sufficient organization that only relies on reserves when absolutely necessary. In the event that the Art Center reaches its financial goals in the early years of operation, whatever is left in this reserve fund could be converted to a restricted endowment by the Board of Directors.

Earned Income

Estimated earned income for the Art Center is projected at 42% of total revenues. This includes revenues from special exhibitions; education and public programs; rentals of office space, event space, and theater space; catering; and gift shop (see Figure 10). It is slightly higher than the peer group average of 35% from earned revenue, but that figure includes the Salt Lake Art Center, which receives only 8% of revenues from earned sources.

By excluding the Salt Lake Art Center, the average earned income is 44% for the peer group.

Figure 10
Sources of Earned Income

Source	Revenue
Admission Fee	\$10,000
Education/Public Programs	\$9,000
Office Rent	\$12,000
Event Rentals	\$36,000
Theater Rentals	\$142,000
Café	\$66,000
Catering and Concessions	nominal
Gift Shop	\$105,000
Total Earned Income:	\$380,000

Admission Fee

The four peer group art centers, all have a gallery component and offer free admission to their gallery spaces; they charge a fee for other programs, such as art classes. Many of the directors of these organizations highlighted the importance of keeping admission free to make their art center an integral part of the community in which they reside. In the focus groups conducted by MMC for the Art Center project, participants encouraged the Art Center planners to institute free admission for the same reasons. Furthermore, the annual Celebration of the Arts exhibition, which is the closest comparable event existing in Emeryville today, is free to the public; donations are requested, but not required. Admission fees should be attached to special exhibitions at the Art Center when appropriate, but it is recommended that an overall admission fee should not be used. It is possible that in the case of a particularly expensive art exhibition, a special admission fee to the exhibition might be charged to defray costs. For planning purposes, this plan assumes one special exhibition of this type per year, a ticket charge of \$5 and 2,000 visitors, totaling \$10,000 per year.

Education/Public Programs

The Art Center will be a dynamic venue offering exhibitions and performances, as well as lectures, demonstrations, readings, film screenings, and other educational and public events. At this stage in the planning, MMC assumes that whatever programs are ultimately delivered, costs will be at least covered by fees, grants, or sponsorships. According to *MFI* data, the median income from programs and education is 1.9% of a museum's operating budget. Using a slightly more

conservative estimate of 1% for the Art Center, this translates to \$9,000 in the initial year of operations.

Office Rent

Both Celebration of the Arts and the Emeryville Historical Society are expected to rent space in the Art Center. By charging each organization \$500 per month, annual rents should bring in \$12,000 to the Art Center annually.

Event Rentals

Multiple spaces within the Art Center will be available for rent, including the theater, galleries, multipurpose space, and courtyard. (The theater is discussed separately below.) There are a number of hotels in Emeryville that provide spaces for meetings or social events, and the Art Center should be an attractive alternative venue for such events. Informal discussions with Woodfin Suites, Four Points by Sheraton, and Hilton Garden Inn in Emeryville indicate that event space for 50 to 100 people is available for half days or whole days ranging from approximately \$450 to \$1,250, including tax and service charges. Food service is in addition to the basic room rental fee.

The Art Center staff is projected to include a Facility Rentals/Marketing Manager whose principal responsibility it will be to develop revenue from rentals. The Art Center will need to develop a rental schedule that is competitive with other local venues, which might call for fees ranging from \$450 to \$1,250 (half day, full day for commercial and social rentals, less for nonprofit rentals). For the purposes of this plan it is assumed that at least a portion of the Art Center will be rented 40 days per year at an average rental of \$850, producing a projected revenue stream from rentals of \$34,000 annually. In addition to the rental fee, the Art Center will add a \$1 per person “Arts Fee” to the basic rental fee. Assuming 40 events with an average of 50 people attending would produce \$2,000 in additional income.

Theater Rentals

The Art Center theater will be a small, 4,000 to 5,000 square foot “black box” with retractable seating for up to 150; this facility will be offered for rent for performances and other programming. An artistic director on staff will program the space, inviting performers and performance groups to utilize it. At some point in the future, the theater may become the home to one or more resident

performance companies, but it will begin as a forum for presentations by outside groups and performers.

According to Theatre Bay Area, a regional organization serving theaters and theater companies, the San Francisco Bay Area is the third largest theater center in the country with more than 400 companies in 11 counties. In addition, the Bay Area is home to the third largest community of Equity (union) actors. Discussions with local East Bay theater leaders indicate a high level of demand for theater space with a particular shortage of spaces for dance performances (i.e. with a sprung floor). Based on the East Bay market, the Art Center can expect to charge from approximately \$400 to \$600 per night for individual weekday nights, to \$1,500 or more for a three-night weekend, and \$2,200 or more for a full weekly rate. In addition, income can be derived by providing theater services ranging from lighting and sound technicians to box office personnel. These figures are based on interviews with theater professionals at The Ashby Stage (Shotgun Players) in Berkeley, The Julia Morgan Young People's Performing Arts Center in Berkeley, The Smith Center for the Fine and Performing Arts (Ohlone College) in Fremont, and The Knight State Theatre (Leshner Center) in Walnut Creek.

Ticket sale revenue will go directly to the producing organization, but the Art Center will benefit from a \$1 "Arts Fee" surcharge on all tickets. Assuming that the theater will be rented an average of 40 weekends at \$1,500 (not including support services provided) per year plus one other weekday event (\$600, not including support services provided) for 50 weeks, the Art Center would receive gross revenues of approximately \$102,000 annually from theater rentals, including approximately \$12,000 from the "Arts Fee" ticket surcharge. Assuming the Art Center will be asked to provide technical support, security, and other services for approximately 75% of rentals, this would add another \$40,000 (\$400 per night for 3 night weekend rental for 30 weeks is \$36,000, plus \$100 for weekday rental for 37.5 weeks is \$3,750) to earned revenues.

Café

The Art Center will lease a 1,000 to 1,500 square foot space within its facility for use as a café, which is expected to serve light fare for lunch, and perhaps dinner, including alcoholic beverages. It will be open during after-hours performances to provide intermission snacks and will be accessible from the street, so its hours need not be the same as those of the Art Center. Although there is a popular

café across the street from the Art Center and others in the neighborhood, consensus among planning and focus group participants indicates there is a strong demand for more restaurants and cafés in the area. With access from the street and independent operation, the café is expected to become a destination not only for Art Center visitors, but also for those who live and work in the area. Based on a 1,500 square foot space and a rate estimate of \$3 per square foot⁹, the Art Center would receive \$54,000 per year in rental income from the café. The Art Center will not operate the café, nor will it share in the overall profits. However, MMC recommends that the Art Center strike a deal with the café operator to receive \$1 per drink served during performances in the theater, since this revenue is potentially substantial. For example, if attendance at performances is approximately 12,000 during the first year of operations, this would produce an additional \$12,000 for the Art Center.

Catering and Concessions

In addition to the café, the Art Center will house a small catering kitchen that will allow for flexibility in event catering. Many cultural organizations with catering facilities have developed a revenue source by identifying authorized catering firms that have an “exclusive” at the facility. In the case of the Art Center, this might be the operator of the café, or other independent caterers. This practice will allow the Art Center to control the quality of the food service at events and work with a limited number of vendors who have been identified as capable and honest. The caterer pays for this designation. For example the typical financial arrangement might call for the caterer to pay the facility 10% of the catering bill. The potential income is relatively small.

Gift Shop

The Gift Shop is expected to be approximately 500 square feet in size and will sell items ranging from postcards to exhibition catalogues to artwork by local artists, as well as logo wear and other items related to specific exhibitions or performances. The Art Center will operate the Gift Shop; it will be merchandised and staffed by a Gift Shop Manager, who will organize a corps of volunteers to work shifts as needed. According to the *MSA Retail Industry Report*, median net sales per square foot in 23 reporting small art museums is \$93. With a shop size of 500 square feet, the Art Center could expect to have net sales (gross sales less returns) of \$93,000. In addition, the Art Center will receive a cut from the sale of art from exhibitions and in the store. The typical gallery split is 40% to

⁹ Based on *Retail Space Available, October 2008* from the City of Emeryville.

the gallery, 60% to the artist, but the Art Center might support the local artist community by shifting to a 30%/70% split. The Art Center's proceeds on art sales are estimated conservatively at \$12,000. Together, the gift shop and art sales are projected to bring in \$105,000 annually.

Investment Income

The first goal of the Art Center's fundraising campaign is to raise funds to cover the costs of planning, building, furnishing, and equipping the facility. While there is well-founded concern about how the Art Center operations will be funded in the long-term, establishing an endowment that will provide investment income for annual operations must be placed in priority after raising funds for the building and its contents. As described in the Contributed Income and Government Grants/In-Kind Support section, reserve operating funds will substitute for investment income in the short-term while the Art Center gains its footing and until endowment funds can be raised. For this reason, the Art Center's opening year budget calls for no investment income.

ASSUMPTIONS ABOUT EXPENSES

Personnel

As stated previously, personnel costs (salaries and benefits) constitute approximately half of a nonprofit organization's overall budget. This is reflected in the peer group, in which personnel is 51% of overall expenses. The same is true in art museums reporting in *MFI* (49%), and theaters reporting in *Theatre Facts* (53%). As a new organization, the Art Center's personnel costs as a percentage of budget can be expected to be slightly higher than average until programmatic expenses catch up within a few years of opening. The Art Center's initial needs will require six full-time staff:

- Executive Director
- Director of Development
- Artistic Director
- Facility Rentals/Marketing Manager
- Store Manager
- Administrative/Membership Assistant/Volunteer Coordinator

See Appendix A for the proposed organizational chart. MMC estimates the salaries and benefits for these positions will total approximately \$471,000 in 2011 dollars, or 53% of the annual operating budget. This number includes approximately \$383,000 in direct compensation and \$88,000 in benefits and insurance costs. See Appendix B for detailed salary estimates in the staffing plan.

Administration and Development

Expenses included in Administration and Development are all non-personnel costs associated with the general management of the Art Center, fundraising, information technology, and retail spaces. The peer group dedicates 11% of its expenses to this category.

According to *MFI* and *Theatre Facts*, art museums spend 7% (median) of their budgets and theaters spend 4% of their budgets on fundraising. Along the same lines, CharityNavigator.org lists the median fundraising efficiency calculation as \$0.10; in other words, an organization can expect to spend 10 cents to raise one dollar. Considering that the Art Center hopes to raise \$517,000 through contributed and government funds, they can expect to spend approximately \$52,000 on fundraising. These fundraising costs total 6% of the overall Art Center budget in 2001. This is slightly less than the median rate of \$0.10, but is in line with industry fundraising cost estimates listed above.

In addition to fundraising costs, this category includes Art Center Gift Shop expenses of \$47,000 for inventory (based on net sales of \$93,000) and \$5,000 to cover technology and other miscellaneous administrative expenses. Altogether, total administrative and fundraising expenses are estimated at \$104,000, which represents 12% of the operating budget.

Facility

Facility costs include building operations and maintenance, as well as security. The Art Center will not incur any monthly rental fees, as the City will continue to own the building and allow the Art Center to operate it at minimal or no cost. On average, the peer group institutions spend 12% of their budgets on facility costs. MMC estimates these expenses to be approximately \$120,000, or 13% of the Art Center operating budget in 2011.

Building Operations and Maintenance

As defined by the American Association of Museums (AAM) in their *MFI* survey, building maintenance expenses include the “cost of building maintenance and repair (non-capital), including maintenance of HVAC equipment, elevators, exterior building, painting, carpentry, plumbing, roofing, flooring, etc., but excluding exterior grounds and exhibit maintenance.”¹⁰ By contrast, AAM defines building operations expenses as, “the ‘base’ costs of annual, day-to-day operation and

¹⁰ American Association of Museums, *2006 Museum Financial Information*, p. 84.

upkeep of the building. Includes the costs associated with janitorial/custodial services, including salaries and benefits of staff engaged in this work, utilities and insurance.”¹¹

In order to estimate the Art Center’s expenses in *building maintenance*, MMC looked to the median expense per square foot for museums responding to the *MFI* survey with interior space between 22,001 and 65,000 square feet. This number is \$1.09 per square foot (adjusted to 2011 dollars), or 3% of the overall budget. Excluding the café space (1,500 square feet) because it will be operated and maintained by the lessee, this translates to approximately \$31,000 (based on \$1.09 per square foot for 28,500 square feet) or \$27,000 (based on 3% of the operating budget) annually. Since maintenance costs should be low in the initial years of operation, this plan assumes \$25,000 for maintenance.

Using the same approach, *building operations* expenses are estimated to be \$70,000 per year. This number is calculated in the same way as building maintenance. Based on figures reported in *MFI*, the median building operations costs per square foot for museums with interior space similar to the Art Center is \$3.77 per square foot (in 2011 dollars), which translates to \$107,000 per year for 28,500 square feet of space. Alternatively, these museums spend 9% of their overall budget on building operations, which is \$81,000 for the Art Center. The discrepancy is due to the presence of larger facilities within the 22,001 to 65,000 square foot range. Since the Art Center is toward the lower end of this range, MMC estimates that building operations will cost \$80,000 per year. This figure includes utilities costs, but it is expected that the building will be equipped with solar panels and other energy efficient features to minimize the utility costs. As such, MMC has decreased overall building operations expenses by \$10,000, resulting in total costs of \$70,000 per year.

The building operations estimates include \$25,000 in insurance costs. Because the building and its contents will be owned by the City, the insurance and expenses should be relatively low. The insurance needs of the 501(c)(3) operating the Art Center will primarily be directors and officers liability, general and non-owned auto liability, property insurance on tangible assets owned by the 501(c)(3), not including the building or original equipment, and on valuable fine art that will be on display, as well as workers’ compensation insurance.

¹¹ American Association of Museums, p. 84-85.

Depreciation

Depreciation expense will be calculated only on the tangible assets belonging to the 501(c)(3) since the building and the original equipment will be owned by the City and leased to the 501(c)(3). This expense should be nominal.

Security

The Art Center will require an alarm system and security personnel during operating hours and evening events; theater security will be covered under performance costs. According to AAM's statistics in *MFI*, the median amount spent on security among all responding museums is 2.7% of total expenses. This data should be used with caution, as it includes museums of varying size. In fact, according to *MFI*, only 51% of responding museums have a security budget. *MFI* reports that museums of similar size to the Art Center spend 3% of their budget on security, although it seems likely that smaller museums with smaller budgets are less likely to provide security in the first place. Using the higher 3% figure, the Art Center could expect to spend at least \$25,000 in the first year of operations on security.

Program Services

Program services include all non-staff costs associated with the artistic activities taking place at the Art Center. There are three basic types of artistic offerings at the Art Center: 1) exhibitions of visual arts, 2) performances in the theater, and 3) educational programs including lectures, artists in residence, classes, etc. The Art Center can expect to incur approximately \$120,000 in initial program services costs (13% of total expenses in 2011).

Exhibitions

The non-staff costs associated with presenting art in the exhibition galleries include contract labor (curatorial services, installation staff, graphic art for labels, etc.), marketing, and security. In addition, there are materials consumed in the installation, printing, advertising, and other direct expenses. It is anticipated that the Art Center will mount five or six exhibitions per year in addition to devoting the galleries to Celebration of the Arts for several months. Each of these exhibitions will need to be budgeted accurately, and it is anticipated that sponsors will be found to support at least the direct costs of each exhibit. Exhibition costs will vary, with certain exhibitions exceeding estimates and others far below cost estimates, but in general this plan assumes a cost of \$11,500 per

exhibition. This includes expenses related to exhibition rental, installation, special insurance, and publicity, among others. Based on six exhibitions per year, exhibition costs will be \$69,000.

Performances

Since the Art Center initially will not be producing theatrical works, there is little or no cost associated with the operation of the theater except for technical, security, and janitorial services provided to those renting the theater, and those costs are paid by the renters. MMC estimates that services provided to renters by part-time contract workers will be revenue neutral, costing \$40,000 per year.

Education Programs

These types of programs, which could be offered on a stand-alone basis or to supplement visual arts exhibitions and/or performances, should also be revenue neutral. The expenses should be matched by fees for service paid by the participants or sponsors. The expected income from education programs stated earlier is \$9,000, so it can be expected that expenses will be \$9,000 as well.

Marketing and Public Relations

MMC recommends that 6% of the Art Center budget be allocated for marketing and public relations. This is similar to data reported in *MFI*, which says that the median allocation for marketing in art museums, as well as in museums with budgets between \$750,001 and \$3 million, is 5%. On average the peer group spends 6% of their budgets on marketing and public relations.

For the Art Center, 6% translates to approximately \$55,000 in the first year of operations and will include an annual contract with a professional marketing and public relations firm, the cost of media advertising, and other printed materials. Small arts organizations often sacrifice their marketing budgets in an effort to focus on programs, but it will be necessary for the Art Center to dedicate resources to building awareness about this new organization and the activities taking place inside.

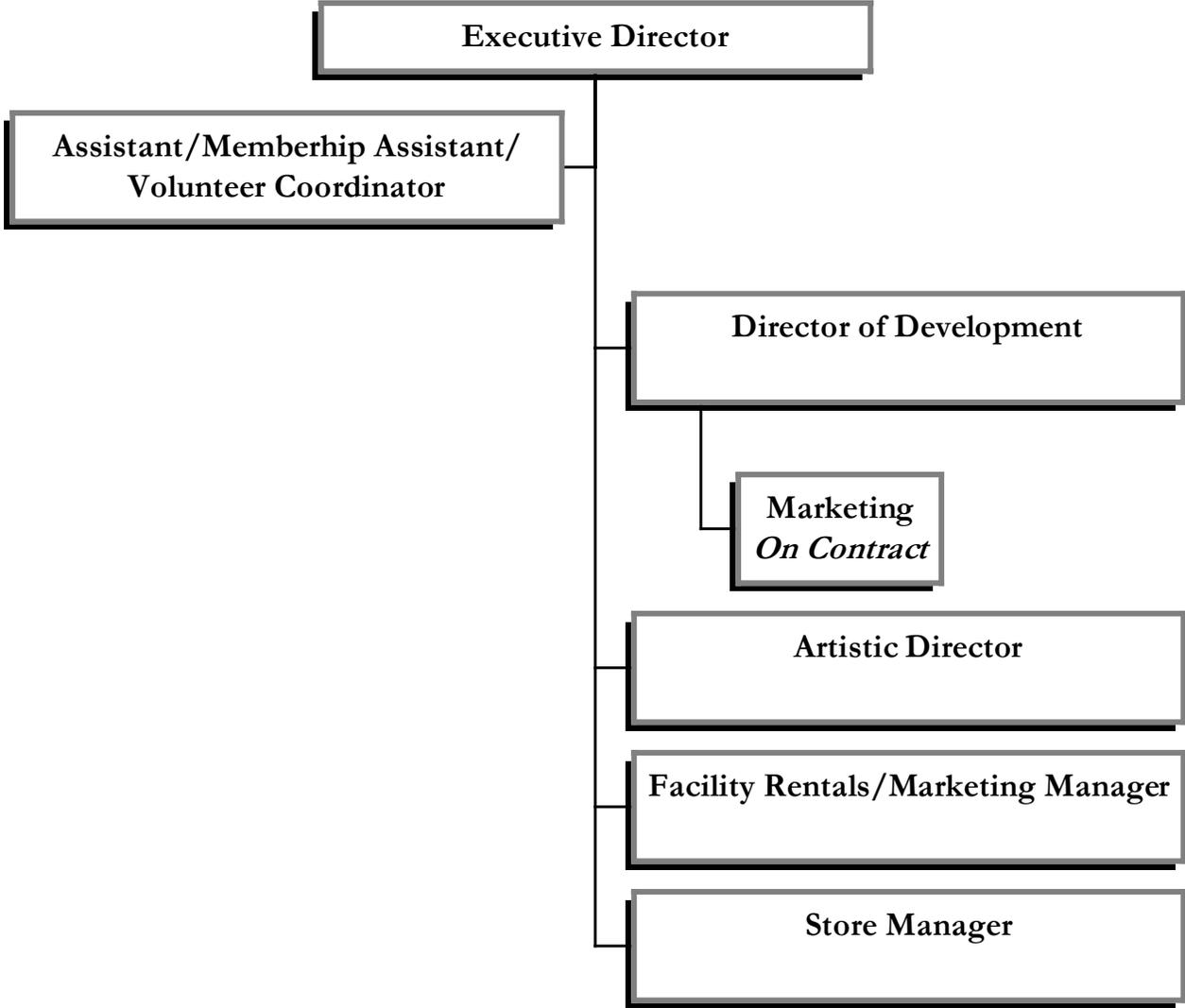
Other

This is a miscellaneous category for other costs not considered in the above categories. Three percent of the budget, or \$27,000 has been allocated as “other.”

APPENDICES

**APPENDIX A:
ORGANIZATIONAL CHART**

Emeryville Arts and Cultural Center Proposed Organizational Chart



APPENDIX B: STAFFING PLAN

**Emeryville Arts and Cultural Center
Staffing Plan and Salary Ranges (in 2011 Dollars)**

Position	Recommended Salary	MMC Estimates		California Association of Museums*			Center for Nonprofit Management*		
		Low End	High End	by Budget Size	Art Museums	All Musuems	by Budget Size	Alameda/ Contra Costa	Arts Organizations
Executive Director	\$130,000	\$100,000	\$150,000	\$83,867	\$113,886	\$98,345	\$142,055	\$118,326	\$109,428
Development Director	\$80,000	\$75,000	\$85,000	\$65,564	\$81,955	\$82,501	N/A	\$91,074	\$103,052
Artistic Director	\$55,000	\$50,000	\$60,000	\$38,639	\$43,658	\$63,151	\$87,415	\$87,653	\$101,860
Facility Rentals/Marketing Manger	\$50,000	\$40,000	\$60,000	\$36,843	\$70,962	\$64,238	N/A	\$64,334	\$67,755
Store Manager	\$35,000	\$30,000	\$40,000	\$36,366	\$38,639	\$41,524	\$36,366	\$36,366	\$36,366
Administrative/ Membership Assistant/ Volunteer Coordinator	\$32,500	\$30,000	\$35,000	\$32,153	\$42,775	\$39,688	\$36,082	\$37,531	N/A
Total Direct Compensation:	\$382,500	\$325,000	\$430,000	\$293,432	\$391,874	\$389,447	\$301,917	\$435,285	\$418,460
Benefits @ 23%:	\$87,975	\$74,750	\$98,900	\$67,489	\$90,131	\$89,573	\$69,441	\$100,115	\$96,246
Total Compensation & Benefits:	\$470,475	\$399,750	\$528,900	\$360,922	\$482,005	\$479,020	\$371,358	\$535,400	\$514,706

Sources: California Association of Museums, *2008 Financial and Salary Survey*, and Center for Nonprofit Management, *2008 Northern California Compensation and Benefits Survey*

* Median Statistics adjusted to 2011 dollars by assuming 3% inflation per year (compounded annually).

**APPENDIX C:
PROJECT COST ESTIMATES**

PROJECT DEVELOPMENT BUDGET

4060 Hollis Street - Emeryville Arts and Cultural Center			
Estimate Based on Scheme B - April 2009 estimate by Oliver & Company			
FUNDING SOURCES			
Shellmound Capital Fund	\$ 165,000	Fund 481	
2004A Shellmound Bond Funds (RDA)	\$ 3,555,600	Fund 466	
RDA CIP Funds	\$ 3,225,000	Fund 464	
Commitment of Pixar Funding	\$ 2,000,000		Agreed to in June 2008
EPA Funds Remediation	\$ 200,000	Available	
Subtotal Sources	\$ 9,145,600		
<i>Less Property Acquisition</i>	<i>\$ 3,662,000</i>		Property acquired in 4/06
TOTAL SOURCES AFTER ACQUISITION	\$ 5,483,600		
DEVELOPMENT COSTS			
	Cost	Assumption	Comments
SOFT COSTS			
Architect - Schematic Phase	\$ 42,600		Wong Logan Contract Amt
A&E (DD Phase) 10% hard costs	\$ 954,595	10%	Estimate by Wong Logan
Museum Management Consultants	\$ 110,800		MMC Contract Amount
Soils/Geotechnical/survey	\$ 30,000		Estimate by RDA staff
Construction Manager	\$ 84,000	\$7K/month - 12 months	Estimate by RDA staff
Soft Cost Contingency	\$ 36,660	3%	Estimate by RDA staff
Total Soft Costs	\$ 1,258,655	10.9%	Calculated % of TDC
HARD COSTS			
Construction Estimate	\$ 6,721,613		Estimate by Oliver & Company
Overhead	\$ 201,648	3.0%	Estimate by Oliver & Company
Fee	\$ 201,648	3.0%	Estimate by Oliver & Company
Subtotal	\$ 7,124,910		Estimate by Oliver & Company
Bonds	\$ 142,498	2.0%	Estimate by RDA staff
City Taxes @ 0.08%	\$ 5,700	0.08%	Estimate by Oliver & Company
Subtotal	\$ 7,273,108		
Construction Contingency	\$ 1,090,966	15.0%	Oliver included 10%
Design Contingency	\$ 727,311	10.0%	RDA staff estimate- due to use of schematic and not final design
Subtotal	\$ 9,091,385		
Escalation of Costs (7/10 construct start)	\$ 454,569	5.0%	Estimate by RDA staff
Total Construction Costs	\$ 9,545,954		

Project Development Budget Continued

<u>ADDITIONAL FF&E</u>			
Site Furnishings	\$	15,000	
Theater equipment, stage curtain & tracks	\$	200,000	
Exhibition space furnishing	\$	50,000	
AV equipment	\$	30,000	
ticket booth	\$	25,000	
store fixtures and equipment	\$	10,000	
kiosks	\$	10,000	
window coverings	\$	5,000	
Subtotal Additional FF&E	\$	330,000	
<u>OTHER COSTS</u>			
Soil Remediation	\$	200,000	Being done spring 2009 with EPA funds.
Asbestos Abatement	\$	29,000	Estimate provided by Ninyo & Moore
Planning & Building Permits and Fees	\$	150,000	Estimate by RDA staff
Subtotal Other Costs	\$	379,000	
TOTAL DEVELOPMENT COSTS	\$	11,513,609	Does not include ramp-up costs or operating reserve
TOTAL FUNDING AVAILABLE	\$	5,483,600	
FUNDING GAP	\$	6,030,009	

PROJECT COST ESTIMATES BY OLIVER & COMPANY

	Emeryville Arts Center - Scheme B		Bid #09-06
	Emeryville, CA		
	Preliminary Budget Breakdown #1		
	Oliver & Company	First Floor	25,654 SF
	Bid Budget Breakdown #1		
	4060 Hollis Street		
	Emeryville, CA 94608		
	Marcy Wong & Donn Logan Archs. sheets B-1 Rev. 12/24/08, B-2 2/07/07, B-3 2/07/07 and B-4 2/07/07		
1	General Conditions		378,243
2	Blueprinting	Allowance	7,500
3	Project Summary	Ref.	0
4	Contract Consideration	w/ Gen. Cond.	0
5	Coordination & Meetings	w/ Gen. Cond.	0
6	Cutting & Patching	w/ Demolition	0
7	Payment, Modification & Completion	Ref.	0
8	Project Closeout Procedures		6,801
9	Field Engineering & Surveying	Allowance	7,500
10	Reference Standards	Ref.	0
11	Regulatory Requirements	Ref.	0
12	Permits, Fees & Notices	NIC - By Owner	0
13	Progress Photos		494
14	Submittals	w/ Gen. Cond.	0
15	Progress Schedules	Consultant	17,500
16	Design - Build Procedures	w/ Sub Bids	0
17	Quality Control Procedures	NIC - By Owner	0
18	Testing & Special Inspections	NIC - By Owner	0
19	Mock-ups	By Subs	0
20	Temporary Facilities & Controls	w/ Gen. Cond.	0
21	Construction Aids	w/ Gen. Cond.	0
22	Scaffolding		38,481
23	Hoisting	Allowance	42,071
24	Debris Chutes	Nor Required	0
25	Temp. Construction Standpipe		4,000
26	Pedestrian Protection		47,000
27	Final Janitorial Clean-up		9,235
28	Preconstruction Damage Survey	NIC	0
29	Soils Information	Reference	0
30	2 Building Removal	Shed & Dock	6,600
31	Selective Demolition		155,820
32	Off Site Demolition		7,296
33	Traffic Control	Allowance	10,000
34	Hazardous Material Removals	NIC - By Owner	0
35	Site Clearing	w/ Earthwork	0
36	Earthwork	Misc. Grading	10,000
37	Dust & Erosion Control		21,437
38	Asphalt Paving	Street Patching	14,450
39	Site Utilities	See Items Below	0
40	Storm Drainage	Allowance	12,500
41	Drainage Bio-Filter Boxes	Allowance	15,000
42	Water Service (Domes. & Irrig.)	Allowance	15,000
43	Underground Fire Service	Allowance	17,500
44	Sanitary Sewer Service	Allowance	10,000
45	Gas Service	By - PG&E	0
46	Electrical Service	By - PG&E	0
47	Underground Electrical Structures	w/ Electrical	0
48	Site Concrete		164,823
49	Site Concrete Reinforcing	w/ Site Concrete	0
50	Irrigation Systems	w/ Planting	0

51		Parking Bumpers	Existing	0
52		Pavement Markings & Signs	Existing	0
53		Site Furnishings	NIC	0
54		Bicycle Racks	Allow Ten	5,000
55		Landscape Planting	Allowance	35,102
56		Landscape Maintenance	w/ Planting	0
57		Tree Grates & Tree Guards	Street Trees	7,200
58		Termite Control	NIC	0
59	3	Concrete Reinforcing		85,323
60		Cast in Place Concrete		187,668
61		Floor Patch & Repair	Existing Floors	56,440
62		Rough Hardware Embeds	Allowance	7,500
63	4	Brick Masonry	Repairs to Existing	75,000
64	5	Miscellaneous Metals		25,000
65		Structural Steel	w/ Seismic	0
66		Loading Dock Canopy		13,500
67		Seismic Upgrades	Allow \$25.00/SF	641,350
68	6	Rough Carpentry		742,274
69		Finish Carpentry	Allow \$5.00 / SF	128,270
70		Casework		24,000
71		Plastic Laminated Counter Tops	w/ Casework	0
72		FRP Paneling	Catering Walls to 8'-0"	3,040
73	7	Dampproofing		0
74		Water Repellant Coating	Exterior Brick	9,648
75		Building Insulation		51,308
76		Firestopping	Allowance	13,635
77		Preformed Metal Roofing & Siding		117,640
78		Roofing		243,120
79		Sheet Metal & Flashings		64,135
80		Roof Hatches	Two Sets	3,596
81		Skylights	None Shown	0
82		Joint Sealants	Allowance	16,351
83		Self-Adhesive Sheet Waterproofing		1,855
84	8	Steel Doors & Frames	w/ Wood Doors	0
85		Wood Doors & Frames		35,145
86		Roll-up Doors		5,000
87		Access Doors & Panels	Allow Ten Each	3,069
88		Aluminum Storefront		235,635
89		Aluminum Windows		73,436
90		Ticket Booth Window		4,370
91		Finish Hardware		43,410
92		Glazing	Misc. Door Glass	3,500
93		Mirrors	Restrooms	788
94	9	Lath & Plaster		54,980
95		Gypsum Board Systems		141,406
96		Metal Stud Framing		121,492
97		Exterior Gypsum Sheathing	Behind Plaster	10,803
98		Tile Backer Board	w/ Drywall	0
99		Gypsum Shaft-Wall Assemblies	w/ Drywall	0
100		Ceramic Tile	Catering & Toilets	31,272
101		Acoustical Panels	Allowance	50,000
102		Resilient Flooring & Base		2,400
103		Carpet		11,068
104		Painting		106,116
105	10	Fire Extinguishers & Cabinets	Allow 16 Each	5,673
106		Bathroom Accessories		6,650
107		Toilet Partitions		8,850
108		Interior Signage & Graphics	Allowance	10,000
109		Exterior Signage & Graphics	Allowance	20,000
110		Lockers	NIC	0
111		Wall Louvers	w/ HVAC	0
112		Lock Boxes	Two	1,280
113	11	Food Service Equipment	Allowance	25,000
114		Theater Equipment	NIC	0
115		Theater Seating	165 ea. @ \$400.00	66,000
116		Stage Curtains & Tracks	NIC	0

117		Exhibition Space Furnishing & Equip.	NIC	0
118		Audio / Visual Equipment	NIC	0
119		Ticket Booth Equipment	NIC	0
120		Store Fixtures & Equipment	NIC	0
121		Dock Leveler & Bumpers		10,400
122		Kiosks	NIC	0
123	12	Window Coverings	NIC	0
124	13	Bus Shelter & Canopy	Allowance	30,000
125	15	Mechanical Gen. Provisions	See Items Below	0
126		Plumbing		218,059
127		Wet Pipe Fire Sprinklers		128,270
128		Heat, Vent & Air Conditioning		718,312
129		Electrical		962,025
130		Telephone System	By Vendor	0
131		Fire Alarm System	w/ Electrical	0
132				
133		Subtotal		6,721,613
134				
135		Overhead @ 3.00%	3.00%	201,648
136		Fee @ 3.00%	3.00%	201,648
137				
138		Subtotals		7,124,910
139				
140		Bonds	None	0
141				
142		Subtotal		7,124,910
143				
144		City Taxes @ 0.08%	0.08%	5,700
145				
146		Subtotal		7,130,610
147				
148		Contingency @ 10%	10.00%	713,061
149				
150		TOTAL		7,843,671
151				
152		This proposal excludes all cost for fees, permits, utility charges,		
153		bonds, special insurance, design, testing, special inspections, code		
154		upgrades not shown on the drawings or the handling or removal of		
155		contaminated or hazardous materials.		
156				