



# **AFRICAN AMERICAN** **CULTURAL CENTER**

## **Preliminary Institutional Business Plan**

July 30, 2019

Presented by Lord Cultural Resources



# TABLE OF CONTENTS

1. OVERVIEW
2. KEY OPERATING ASSUMPTIONS
3. ORGANIZATIONAL & HR MODEL
4. ATTENDANCE PROJECTIONS
5. FINANCIAL PROJECTIONS - EXPENSES
6. FINANCIAL PROJECTIONS - REVENUES
7. CAPITAL COSTS (A FIRST APPROACH...)

# PROCESS

**PHASE 1:**  
Community  
Engagement



**PHASE 2:**  
Business Plan



**PHASE 3:**  
Capital Cost  
and  
Projections

- Vision Workshop
- Contextual Analysis
- Best Practice Research and Market Analyses

- Assumptions
- Order of Magnitude Capital Cost Estimate
- Operating Revenue and Expense Projections

# 1. OVERVIEW

This Institutional Business Plan projects that AACCC will...

- Have an Operating Budget per year of around \$2.2M
- Require 17 FTEs to operate, supported by volunteers
- Be visited by around 60,000 people per year
- Be able to generate a third of its revenue through earned revenue sources. The remaining 66% will need to be covered by external sources, including contributions, donations and sponsors

Note: All projections in this study are for an assumed facility of 40,000 sqf. Changes to the size of the facility will result in changes to all other parameters.



## **2. KEY OPERATING ASSUMPTIONS**



# DRAFT MISSION STATEMENT

*Our mission is to celebrate, cultivate, and advance the enrichment of the heritage and culture of the Black/African American community in Long Beach and beyond.*



# KEY OPERATING ASSUMPTIONS

- More than a “museum”— a “cultural center” with a variety of programs and offerings
- “Mission driven” institution but an emphasis on financial sustainability and some revenue generating efforts. Lean HR structure and support from volunteers.
- The exhibits and programs should focus on the African experience in Africa, America and in Long Beach. They should also honor African Americans who have made contributions to the arts, sciences and society. Exhibits should also display African and African American Arts, Crafts and Music.



# KEY OPERATING ASSUMPTIONS

## Target Audience

- The Southern California region with an emphasis on the greater Long Beach community
- This cultural center could serve as a central location for strengthening the community as a whole, *educating, creating, entertaining, celebrating, reflecting*, as well as an economic generator and cultural destination for people of all ages, cultures, and backgrounds
- Potential partners include LBUSD, Long Beach City College, CSULB, Long Beach Public Library, and other regional cultural and city organizations



# KEY OPERATING ASSUMPTIONS

## Potential Visitor Services or Roles

- Cultural programs and activities for learning and enjoyment
- Preserving and communicating the diverse history of Long Beach
- A platform to expand civic engagement, a safe haven
- A “connector” to other initiatives and institutions
- A “convener”—place to hang out (including Food & Beverage if space & geographic location permit)

# KEY OPERATING ASSUMPTIONS

## Potential Types of Cultural Programs

- Permanent exhibitions
- Temporary exhibitions
- Performances
- Dance classes
- Cooking classes
- Workshops and Lectures
- School field trips & teacher training
- Professional training/certification
- Research lab
- Space for artists – revenue stream
- Sports & entertainment
- Other



# KEY OPERATING ASSUMPTIONS

## Facility

- A target size of approx. 40,000 sqf (gross)
- FLEXIBLE
- Including performance space
- Including a resource center
- Including an exhibition/expo space
- Indoor + outdoor spaces

# AFRICAN AMERICAN BENCHMARKS

Institution	Opened	Size	Board Size	Staff Size	Yearly Attendance	Admission Cost	Annual Operating Budget
Beacon	2015	84,377 square feet	N/A	N/A	N/A	Free	N/A
CAAM	1977	44,000 square feet	6	14	N/A	Free	\$3.5 million
August Wilson	2009	65,000 square feet	9	27	75,000	Free	\$2.3 million
IAAM	2021	33,500 square feet	33	8	N/A	TBD	N/A



# KEY OPERATING ASSUMPTIONS

## Willingness to pay

- The majority of the people would be willing to pay up to \$10 for entry
- Many would like for it to have an annual membership
- Sponsored admission strategy — e.g., free once per week/month or for visitor type (seniors, students, etc.)



# **3. ORGANIZATIONAL MODEL & STAFFING**

# AACC ORGANIZATIONAL MODEL

## FTE\* Levels Projected

- Based on benchmarks\*\* from comparables, for a facility of 40,000 sqf and a dynamic program, approximately 17 FTEs would be required
- An additional pool of 100+ volunteers is recommended to supplement staffing functions, especially to help facilitate events and activities

\* FTE stands for Full Time Equivalent = 40hr per week employee

\*\* Comparables have on average 2,381 sqf for every FTE that they employ

# AACC ORGANIZATIONAL MODEL

## Functional Areas

Lean and versatile HR structure, supported by a volunteer network

## Key Roles Recommended (TBD)

- Director
- Programming Coordinator
- Exhibitions Curator
- Collections Manager
- Marketing and/or Development Specialist (s)
- IT/AV Specialist
- Facilities Manager - operations, maintenance, security, grounds, etc.

# ORGANIZATIONAL MODEL

## Visitor Centricity

- Functions planned with the Visitor Experience in mind.
- The different functions work together in an iterative way to ensure that the visitor receives a consistent and “user-friendly” experience from beginning to end.
- Interdisciplinary teams rather than separate departments are recommended.



# AACC STAFFING SUMMARY

Staffing Costs				
		Year 1	Year 2	Year 3
Average Salary as per benchmarks	\$56,000	100%	103%	106%
Estimated FTEs required	17	\$952,000	\$980,560	\$1,009,120
<b>TOTAL</b>		<b>\$952,000</b>	<b>\$980,561</b>	<b>\$1,009,121</b>
Average Benefits (28%)		\$266,560	\$274,557	\$282,554
<b>Total Salaries, Wages and Benefits</b>		<b>\$1,218,560</b>	<b>\$1,255,118</b>	<b>\$1,291,675</b>



# **4. ATTENDANCE PROJECTIONS**

# AACC ATTENDANCE PROJECTIONS

AACC Attendance Projections	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
<b>Projected Total Attendance (rounded)</b>				<b>62,000</b>	<b>57,000</b>	<b>60,000</b>
<b>Attendance by Main Segment</b>						
Long Beach Residents	70%	80%	80%	43,400	45,600	48,000
Non Residents	30%	20%	20%	18,600	11,400	12,000
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>62,000</b>	<b>57,000</b>	<b>60,000</b>
<b>Attendance by Ticket Category</b>						
Adult (25-61)	35%	35%	35%	21,700	19,950	21,000
Senior (62+)	20%	20%	20%	12,400	11,400	12,000
Youth (13-24)	20%	20%	20%	12,400	11,400	12,000
Child (6-12)	10%	10%	10%	6,200	5,700	6,000
School Groups (unpaid, per person)	15%	15%	15%	9,300	8,550	9,000
<b>Total Attendance</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>62,000</b>	<b>57,000</b>	<b>60,000</b>

# AACC ATTENDANCE PROJECTIONS

## Attendance Considerations

- Year 3 after opening is considered “Steady State”, when operations stabilize, and so does attendance
- Attendance projections are very hard to estimate without detailed information on the size of the facility, the location and the programs on offer, among other things. For this reason, we have preferred to be on the conservative side and project **60,000 visitors by Year 3**. An optimistic projection would be on the 100,000+ visitors range, based on benchmarks
- If AACC is able to outperform this projection the financials are likely to improve (although note that more visitors also require more personnel)



# **5. FINANCIAL PROJECTIONS - EXPENSES**

# AACC FINANCIAL PROJECTIONS

## Main Revenue and Expense Categories

Table summarizes the main revenue and expense categories observed in comparable institutions and their average weight:

### REVENUES

- Admissions (15%)
- Rentals & Events (15%)
- Food Service Concession (5%)
- Retail Concession (5%)
- Program Revenue (5%)
- Public Contributions (20%)
- Private Contributions (20%)
- Sponsorships (15%)

### EXPENSES

- Salaries, Wages & Benefits (40%)
- Occupancy & Maintenance (18%)
- Programs (17%)
- Exhibitions & Conservation (15%)
- Marketing & Development (5%)
- General & Administrative (5%)

# AACC MAIN EXPENSE CATEGORIES

## Staffing Costs: Salaries, Wages and Benefits

- Staffing Costs are the largest single operating cost category. Usually between 45%-55% of total operating costs
- Therefore, any savings in this area have the largest impact on the financial model. Having a lean and versatile HR structure and support from a pool of volunteers will be key
- Average salary per FTE = \$56,000 as per benchmarks.
- Average benefits projected at 28% over salary.

# AACC MAIN EXPENSE CATEGORIES

## Cultural and Educational Programming Costs

- Highly variable depending on the actual activities carried out at AACC. It is not possible to estimate these accurately at present without having a “Program Plan” in place. Estimates based on benchmarks
- Costs may include: materials, facilitator fees (in the case of workshops or training sessions), artist fees (in the case of performances), purchase of licenses and software, etc.

# MAIN EXPENSE CATEGORIES

## Occupancy and Maintenance Costs

- Building related costs tend to be the second largest operating cost, at around 20% or more of the budget
- The larger the facility the costlier it will be to maintain (environmental standards, renovations, electricity) and to control (security, cleaning, information staff). **Rightsizing** will be key to the project
- Occupancy costs can be projected using a \$/sqf ratio from comparables



# AACC MAIN EXPENSE CATEGORIES

## Exhibition Costs

- Temporary exhibitions: rental fees (if any), graphic design, transportation, installation and dismount, etc
- Permanent exhibitions: exhibition maintenance, conservation of artefacts, rotation of displays, etc
- Highly variable depending on the actual exhibitions calendar of AACC (for example, number of exhibitions on show per year and type).

# SUMMARY EXPENSES & BREAK EVEN

Summary of Attendance, Operating Revenue and Expense Projections	Year 1	Year 2	Year 3	Year 1 %	Year 2 %	Year 3 %
<b>Projected Operating Expenses</b>						
Salaries, Wages, Benefits	\$1,218,560	\$1,255,118	\$1,291,675	56.8%	57.1%	57.0%
Occupancy	\$340,000	\$340,000	\$340,000	15.8%	15.5%	15.0%
Exhibitions	\$55,000	\$80,000	\$80,000	2.6%	3.6%	3.5%
Public and Educational Programs	\$130,200	\$106,875	\$120,000	6.1%	4.9%	5.3%
Collections Care	\$2,000	\$2,000	\$2,000	0.1%	0.1%	0.1%
General and Administrative	\$170,598	\$163,165	\$167,918	8.0%	7.4%	7.4%
Marketing	\$105,400	\$127,680	\$139,200	4.9%	5.8%	6.1%
Retail Cost of Goods Sold	\$23,870	\$23,513	\$26,400	1.1%	1.1%	1.2%
Contingency	\$100,000	\$100,000	\$100,000	4.7%	4.5%	4.4%
<b>Total Expenses</b>	<b>\$2,145,628</b>	<b>\$2,198,351</b>	<b>\$2,267,193</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Amount Required from External and Private Sources to Break Even on Operations Each Year</b>	<b>(\$1,470,978)</b>	<b>(\$1,470,876)</b>	<b>(\$1,445,293)</b>	<b>-69.5%</b>	<b>-68.7%</b>	<b>-66.4%</b>



# **6. FINANCIAL PROJECTIONS - REVENUES**

# MAIN EARNED REVENUE CATEGORIES

## Admission Fees

- “Perceived value”

### LOW ADMISSION FEES - PROS

- Wide access for all income levels
- Perception of ownership, public venue, cultural rights
- Repeat visitation is encouraged

### LOW ADMISSION FEES - CONS

- Low perception of value and respect towards the experience
- Overcrowding
- Low potential for revenue generation from admissions

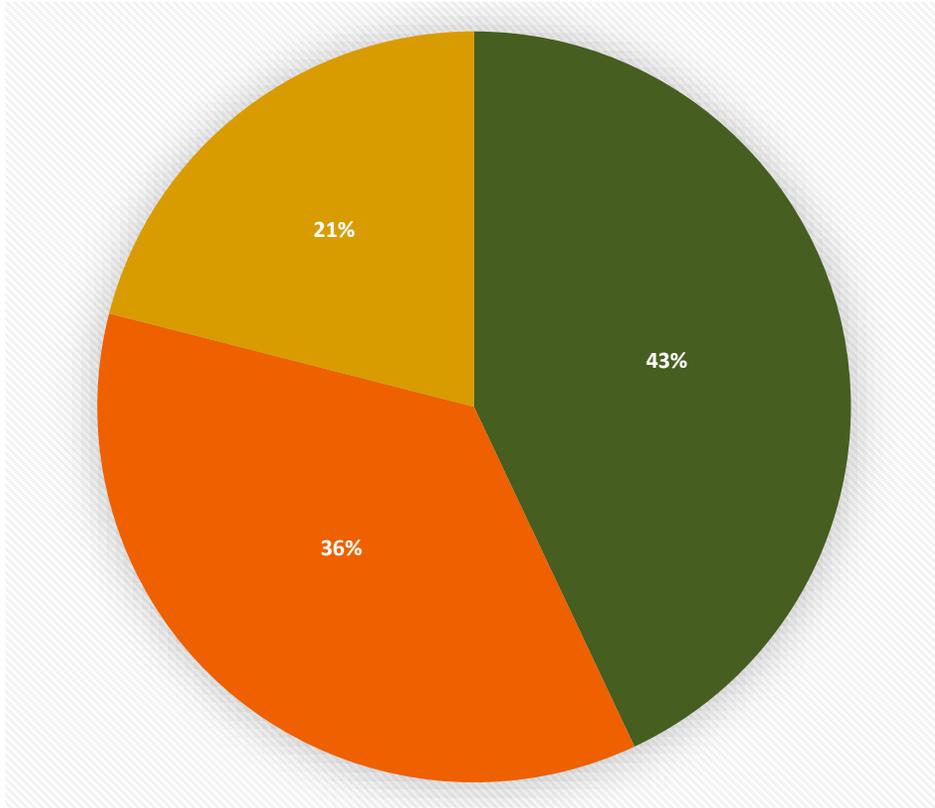
### HIGH ADMISSION FEES - PROS

- High potential for revenue generation from admissions
- High perception of value and respect towards the experience
- Control of overcrowding

### HIGH ADMISSION FEES - CONS

- Barrier to access by low income groups
- Lack of ownership, limitation of cultural access
- Competing options may be more appealing at high price ranges

# AFRICAN AMERICAN BENCHMARKS



According to last comprehensive survey of Association of African American Museums, the average sources of operating income for African American Museums is:

- 43% private/endowment
- 36% earned
- 21% from government sources.

# AACC FINANCIAL PROJECTIONS

## Funding Structure: Types and Expectations

- Contributed Revenue / Private? → Pursue
- Earned Revenue? → Pursue
- Sponsorships? → Pursue
- Program related Grants? → Pursue
- Government subsidy? → Unlikely
- Endowment Revenue? → Unlikely



# MAIN EARNED REVENUE CATEGORIES

## Admission Fees (tentative)

- General Admission: \$10
- Discounted Admission: \$6
- Annual Membership: \$40

## Events and Rental Fees

- Museums and cultural institutions offer spaces for hire, like lobby, café, events space, amphitheatre, even exhibition galleries
- Revenue is usually projected based on a \$/sqf fee for a rental period of half a day or full day (times # of rentals), as per benchmarks

# AACC SUMMARY OF REVENUES

Summary of Attendance, Operating Revenue and Expense Projections	Year 1	Year 2	Year 3	Year 1 %	Year 2 %	Year 3 %
Annual Attendance	62,000	57,000	60,000			
<b>Projected Operating Revenues</b>						
Admissions	\$382,850	\$351,975	\$370,500	17.8%	16.0%	16.3%
Retail Sales	\$43,400	\$42,750	\$48,000	2.0%	1.9%	2.1%
Venue Rental, Catering Commission, Café (net)	\$120,000	\$140,000	\$160,000	5.6%	6.4%	7.1%
Membership	\$20,000	\$40,000	\$50,400	0.9%	1.8%	2.2%
Educational and Public Programs	\$43,400	\$42,750	\$48,000	2.0%	1.9%	2.1%
Fundraising Event (net)	\$30,000	\$50,000	\$60,000	1.4%	2.3%	2.6%
Other Earned Income	\$15,000	\$20,000	\$25,000	0.7%	0.9%	1.1%
Program Grants (Target)	\$20,000	\$40,000	\$60,000	0.9%	1.8%	2.6%
<b>Total Revenue Projected</b>	<b>\$674,650</b>	<b>\$727,475</b>	<b>\$821,900</b>	<b>30.5%</b>	<b>31.3%</b>	<b>33.6%</b>

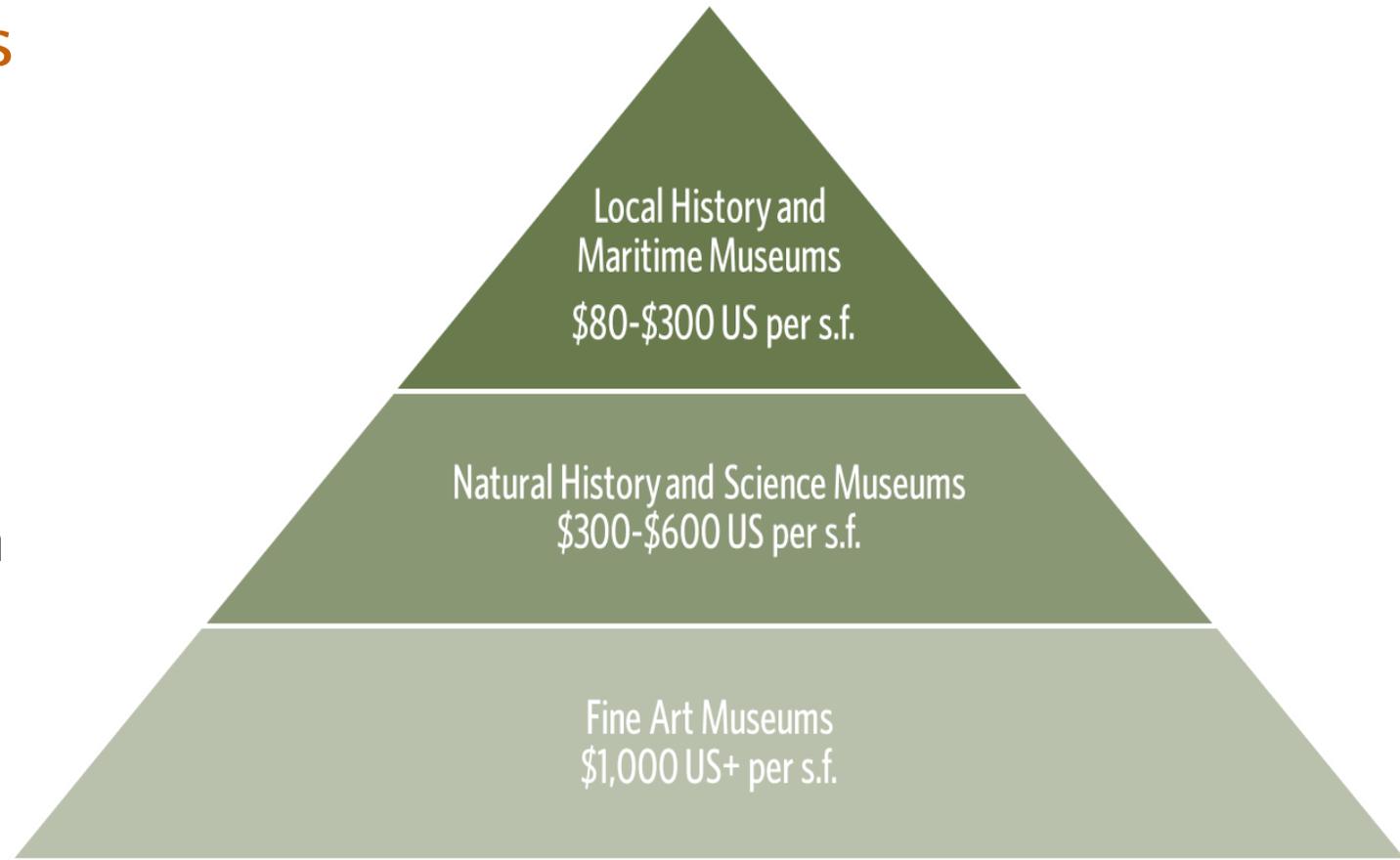


# 7. CAPITAL COSTS (A FIRST APPROACH)

# CAPITAL COSTS

## Construction Cost Ranges

Local museums and cultural centers are in the lower end of the range, as they don't require such strict environmental standards or iconic buildings as Art Museums, nor the high tech required by Science Centers



Source: *Manual of Museum Planning*. Lord, Lord & Martin, 2012



# CAPITAL COSTS

## Cost Distribution

- Hard construction costs amount to approximately 65% of the capital costs of building projects in North America
- Soft costs include design and consulting fees, feasibility studies, ramp-up costs and any non-construction costs
- “Starchitects” can increase construction costs by approximately 50%.

# CAPITAL COSTS

## AACC Capital Costs High Level Estimate Scenarios

Size of the Facility	Construction Costs Low \$95/sqf + 35%	Construction Costs Avge \$226/sqf + 35%	Construction Costs High \$357/sqf + 35%
20,000 sqf	\$2.9M	\$6.9M	\$11.0M
40,000 sqf	\$5.8M	\$13.9M	\$22.2M



**BRINGING IT ALL  
TOGETHER**

# OVERVIEW

## This Institutional Plan projects that AACC will...

- Have an Operating Budget per year of around \$2.2M
- Require 17 FTEs to operate, supported by volunteers
- Be visited by around 60,000 people per year
- Be able to generate a third of its revenue through earned revenue sources. The remaining 66% will need to be covered by external sources, including contributions, donations and sponsors
- AACC Capital Costs High Level Estimate Scenarios:  
20,000 to 40,000 sf, will cost \$11-22.2 Mil\*

Note: All projections in this Study are for an assumed facility of 40,000 sqf. Changes to the size of the facility will result in changes to all other parameters.

\* Using the RSMMeans historical cost index



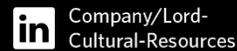
# NEXT STEPS

- Institutional Foundation documents – CA public benefit corporation and IRS exemption (501c3)
- Fundraising and communications strategy and implementation
- Content/program strategy and ongoing community engagement



# THANK YOU

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