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ATTENDANCE PROJECTIONS
AND OPERATING ECONOMICS
FOR A PROPOSED
JAPANESE CULTURAL CENTER
IN GILROY, CALIFORNIA

Prepared for:

Educational Development
Organization of California

August 1, 1988

Prepared by:

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SECTION 1

INTRODUCTION

Sugimura/Takamoto Associates is providing the planning and design input for a proposed Japanese Cultural Center in Gilroy, California. The Center is being developed by the Educational Development Organization of California, a non-profit educational institution with the purpose of deepening mutual understanding between countries and peoples. The village proposed for the site in Gilroy is modeled on the Fukuoka Historical Village in Japan. The Center is an educational facility and historical village where events are held to showcase the diverse cultures of many countries. The philosophy behind the teaching and events that occur at the village is participatory learning. One can experience and experiment at the many pavilions, touch the objects on display, as well as create handiworks, weave textiles, make traditional paper, and form and fire pottery.

The proposed Cultural Center is to be located on 20 acres in the foothills of Gilroy, part of a larger 100 acre site. The heart of the Center is the Japanese Village consisting of traditional temple compounds, restaurants, arts and crafts display areas, koi ponds, martial arts "dojo's", and a Japanese garden. The central plaza will host traditional festivals, markets, and performances and dances that enliven the culture and pageantry of the Japanese people. The temple structure will house multi-purpose functions and activities, special exhibits, meetings and conferences.

Before proceeding further with physical planning, Sugimura/Takamoto Associates requested that Harrison Price Company conduct a market study to project attendance and potential gross revenue collections at the Cultural Center. The following report presents the results of the study, divided into six sections. Following this Introduction, Section 2 provides an Executive Summary. A statistical and demographic analysis of the market area and Japanese visitation and immigration to the United States

is the subject of Section 3, while Section 4 provides an overview of a survey of comparable centers and cultural facilities in the United States and abroad. Section 5 derives projected attendance and design day planning factors for the project. The final Section 6 presents a financial operating pro forma for a stabilized year of operation at the cultural center.

SECTION 2

EXECUTIVE SUMMARY

The site selected for the Japanese Cultural Center is in Gilroy, California approximately 70 miles south of the City of San Francisco in Santa Clara County. The site is approximately 1 to 2 hour driving time from the major concentrations of population in the Bay area and 30 minutes to 1 hour driving time from the concentration of Japanese population in Santa Clara County.

The market available to the proposed attraction in 1987 is estimated to be 2.7 million residents living within a 50 mile radius of the site. Japanese Americans living within this market total 31,636 persons; within a 100 mile radius of the site, there are 77,409 Japanese American residents.

Temporary Japanese business people living in the region are estimated at 26,000. Estimated 1988 Japanese tourism to the region numbers approximately 223, 800 visitors.

A survey of comparable cultural centers around the world yields the following conclusions:

- The Japanese American Cultural Center in downtown Los Angeles is the most successful Japanese cultural center in the United States. Annual attendance is approximately 126,000 persons divided as follows:
 - 45% Japanese living in Los Angeles County
 - 45 % other Los Angeles County residents
 - 10% other Southern California residents

According to management, there is virtually no tourist visitation to the JACC. Management speculates that Japanese tourists visiting the United States are more interested in American attractions than Japanese themed attractions.

- Other Japanese cultural centers surveyed derive from 95 to 98 percent of attendance from residents living within a day's trip of the attraction.
- Commercial "foreign" cultural centers in the United States and Japan, such as the Nagasaki Holland Village in Fukuoka and Solvang in California, achieve substantially higher attendance volume than the JCC's, ranging from 1 to 2 million visitors annually. Tourist support for these attractions ranges from 25 to 50 percent of total attendance.
- Admission fees at the Japanese and historical villages surveyed range from no fee to \$9.50. Commercial attractions charge admission fees as high as \$20.
- The program envisioned for the proposed JCC most closely resembles the non commercial projects investigated. Should the owners of the Center change the program elements, a substantially higher attendance volume would likely result.

The most likely scenario model based on experience at the Japanese American Cultural Center in Los Angeles results in projected annual attendance at the Japanese Cultural Center in Gilroy ranging from 83,700 to 106,100 visitors in opening year 1990. Sources of attendance are estimated as follows:

| | |
|---|---------|
| Non-Japanese population living within a 50 mile radius (0.8% x 2,824,700) | 22,600 |
| Temporary Japanese and Permanent Japanese-Americans living in a 100 mile radius (48.7% x 108,183) | 52,700 |
| Non -Japanese Tourists to the Bay area | 8,400 |
| SUB-TOTAL | 83,700 |
| Japanese Tourists (10% x 223,800) | 22,400 |
| TOTAL | 106,100 |

The low end scenario assumes minimum promotion in Japan; the high end assumes significant promotional effort in Japan through airline and tourist agencies. Assuming a 3 percent average annual growth rate in attendance, stabilized fourth year attendance is projected to range from 94,500 to 119,300 visitors.

Design day attendance is 610 to 770 persons, with a peak on-site of 305 to 385 persons, suggesting space requirements of approximately 22,000 square feet of building area at 56 square feet per visitor. The proposed Center at 60,000 square feet of building provides more than ample space for the design day attendance.

The parking requirement for this attendance projection is 128 cars (if all visitors arrive by auto) and 10 buses (if all visitors arrive by bus). Most likely, the parking requirements will fall somewhere between these requirements, depending on the school and tour group business generated by the proposed JCC. Employee parking, assuming 20 to 25 workers and 2.0 person per car will add another 10 to 13 spaces to parking requirements. Assuming a 141 car surface parking lot, 1.13 acres will be required at 125 cars per acre; 10 buses will require approximately 8,100 square feet, assuming 54 buses can be accommodated on 1 acre of land.

Average daily traffic increase on the streets surrounding the Center is expected to be a maximum of 257 cars, assuming all visitors arrive by car. If all visitors arrive by bus on the peak day of the year, average daily traffic would increase by 20 buses. The likely peak average daily traffic increase will be somewhere between these extremes.

Gross revenue generated by the proposed Center will derive from visitor expenditures on admissions, food and beverage service, and merchandise. For purposes of this analysis, the following per capitas have been assumed (for a more detailed explanation of derivation of per capitas, see Section 6)

| | |
|-----------------|---------|
| Admissions | \$4.03 |
| Food & Beverage | \$2.50 |
| Merchandise | \$4.00 |
| Total | \$10.53 |

Resultant gross revenue based on projected stabilized year attendance of 94,500 to 119,300 visitors ranges from \$995,085 to \$1,247,229.

Operating expenses including cost of goods sold, general and administrative, marketing and promotion, insurance, maintenance and repairs, special events, utilities, labor and miscellaneous range from \$719,000 to \$868,800. Resultant net revenue before debt service, depreciation, and taxes ranges from \$16,000 to \$52,800.

Section 3

DEMOGRAPHIC CHARACTERISTICS OF THE MARKET AREA AND JAPANESE IMMIGRATION AND VISITATION TO THE UNITED STATES

The principal determinant of visitation to the proposed Japanese Cultural Center is the size and ethnic composition of the market area serving the Center. Another major source of patronage is Japanese nationals visiting or living in the area on a short term basis. The following section provides an analysis of these two sources of potential attendance at the Center.

POPULATION IN THE RESIDENT MARKET AREA

The premier model for the subject development is the Japanese American Cultural Center located in Los Angeles, California. The Los Angeles Center will be probed in detail in Section 4, but specifics of its market area are presented here to explain the derivation of the market area for the proposed Center in Gilroy. The Los Angeles Center currently draws 90 percent of its annual attendance from residents living within a twenty five mile radius of the facility which is located in downtown Los Angeles, part of the Little Tokyo Redevelopment Plan. This geographic area is considered the Primary Market Area for the JACC. Of this 90 percent, half comes from Japanese residents living in the nearby Los Angeles communities of Montebello, West Los Angeles, Gardena, and Monterey Park. The remainder of the 90 percent comes from other communities within the aforementioned 25 mile perimeter. The remaining 10 percent of total annual attendees reside in other southern California communities stretching as far south as San Diego (120 miles) and as far north as San Luis Obispo County (160 miles). According to the Center's managements, out of state and foreign tourism (including Japanese) is negligible at the Center.

The conclusion drawn from this ethic mix of attendance is that Japanese support of the Los Angeles Center is **critical** to its success.

Market Area Populations in the Gilroy Area

HPC examined three market areas for the proposed Center in Gilroy and compared population and ethnic composition in each. The results of this analysis are presented on **Table 1** which shows 1980 total population and residents of Japanese ethnicity in a 25, 50 and 100 mile radius of the Gilroy site. To summarize **Table 1**, market area populations in comparison with Los Angeles County in 1980 are as follows:

| | Total Population <u>1980</u> | Japanese Population <u>1980</u> | Estimated Total Population <u>1987</u> |
|--------------------|---|--|---|
| 25 Mile Radius | 411,984 | 5,590 | 508,736 |
| 50 Mile Radius | 2,382,247 | 31,636 | 2,697,880 |
| 100 Mile Radius | 6,578,065 | 77,409 | 7,455,867 |
| Los Angeles County | 7,477,503 | 116,543 | 8,265,060 |

Most Japanese living in the 50 mile radius reside in Santa Clara County. As shown, to approach the magnitude of both population and Japanese residents in Los Angeles County one must travel more 100 miles from the Gilroy site.

Obviously there is a problem of underestimation when dealing with 1980 census statistics. Unfortunately, the only reliable source of data for United States residents of Japanese origin by small area in the United States is provided by the United States Census of Population. Updates of Japanese immigration and visitation for the United States as a whole is provided by the Immigration and Naturalization Service and is the subject of the following subsection.

Table 1

**TOTAL POPULATION AND POPULATION OF JAPANESE
ORIGIN RESIDING WITHIN THE MARKET AREAS OF
THE PROPOSED
JAPANESE CULTURAL CENTER
IN GILROY
1980 and 1987**

| | <u>Total Population</u> | | <u>Japanese Population 1980</u> | <u>Japanese Population As A Percentage of Total 1980</u> |
|--------------------------------------|-------------------------|-------------|---|--|
| | <u>1980</u> | <u>1987</u> | | |
| Primary Market (25 Miles Radius) | 411,984 | 508,736 | 5,590 | 1.36% |
| Secondary Market (50 Mile Radius) | 2,382,247 | 2,697,880 | 31,636 | 1.33% |
| Tertiary Market (100 Mile Radius) | 6,578,065 | 7,455,867 | 77,409 | 1.18% |

Source: Urban Decision Systems and Harrison Price Company.

Japanese Immigration and Visitation to the United States

Japanese Resident Market

To draw a more precise estimate of the Japanese population in the designated market areas, and to explore other sources of patronage to the proposed Center, i.e., Japanese tourists, a history of Japanese immigration and visitation to the United States was conducted, results of which are presented in **Tables 2** through **5**. **Table 2** presents a history of Japanese immigration to the United States from 1891 to 1986; **Table 3** details non-immigrant admissions from Japan from 1975 through 1986; **Table 4** analyzes Japanese non-immigrants by selected class of admission in 1986; and **Table 5** indicates Japanese non-immigrants admitted to the United States by port of entry in 1986.

Data from **Table 2** shows that over the 167 year period from 1820 to 1986, a total of 440,563 Japanese immigrated to the United States. In the 66 years from 1921 through 1986, total Japanese immigration was 200,987, or an average annual increase of 3,045 Japanese immigrants per year. Most recently, in the 1981 through 1986 period, immigration of Japanese totaled 25,404 persons, a rate of 4,234 persons per year.

To update the 1980 census, the 25,404 new Japanese residents are added to the 1980 census population statistic of 700,974 Japanese citizens in the U.S., to determine an estimated 1986 Japanese population in the U.S. of 726,378 persons. Average annual growth of this sector of population in the nation in the 1980s is 0.6 percent. Applying this rate of growth to the Gilroy Market Area populations discussed above yields the following 1987 estimated Japanese resident population:

| | 1980 Japanese Estimated Population | 1987 Japanese Population |
|-----------------|---|---|
| 25 Mile Radius | 5,590 | 5,829 |
| 50 Mile Radius | 31,636 | 32,990 |
| 100 Mile Radius | 77,409 | 80,722 |

Table 2
JAPANESE IMMIGRATION TO THE
UNITED STATES
1891-1986

| <u>Year</u> | <u>Number of Immigrants</u> |
|------------------------------------|---------------------------------|
| 1891-1900 | 25,942 |
| 1901-1910 | 129,797 |
| 1911-1920 | 83,837 |
| 1921-1930 | 33,462 |
| 1931-1940 | 1,948 |
| 1941-1950 | 1,555 |
| 1951-1960 | 46,250 |
| 1961-1970 | 39,988 |
| 1971-1980 | 49,775 |
| 1981 | 3,896 |
| 1982 | 3,903 |
| 1983 | 4,092 |
| 1984 | 4,517 |
| 1985 | 4,552 |
| 1986 | 4,444 |
| TOTAL 167 Years (1891-1986) | 440,563 |
| TOTAL 1921-1986 | 200,987 |
| TOTAL 1981-1986 | 25,404 |

Source: Immigration and Naturalization Service "Statistical Abstract, 1985-86",
and
Harrison Price Company.

Table 3

**NONIMMIGRANTS¹ ADMITTED
FROM JAPAN BY SELECTED
CLASS OF ADMISSION**

| <u>Year</u> | <u>Number of Nonimmigrants</u> | | <u>Total</u> |
|-------------|----------------------------------|--------------------------|--------------|
| | <u>Visitors for Pleasure</u> | <u>Other Reasons</u> | |
| 1975 | 643,000 | 149,000 | 792,000 |
| 1978 | 706,000 | 168,000 | 874,000 |
| 1981 | 1,155,000 | 217,000 | 1,372,000 |
| 1984 | 1,203,000 | 237,000 | 1,440,000 |
| 1986 | 1,381,000 | 300,000 | 1,681,000 |

Average Annual Growth (1975-1986)

| | |
|-----------------------|-------------|
| Visitors for Pleasure | 7.2% |
| Other Reasons | 6.5% |
| Total | 7.1% |

¹ A nonimmigrant is a foreign person visiting the United States with no residency intention.

Source: Immigration and Naturalization Service, "Statistical Yearbook, 1985-86" and Harrison Price Company.

Table 4

**JAPANESE NONIMMIGRANTS
ADMITTED TO THE UNITED STATES
BY SELECTED PORT OF ENTRY**

1986

| <u>Port of Entry</u> | <u>Number of Immigrants</u> | <u>Percent of Total</u> |
|----------------------|-----------------------------|-------------------------|
| Agana | 327,230 | 19.2% |
| Boston | 2,036 | 0.1 |
| Chicago | 42,157 | 2.5 |
| Dallas | 3,757 | 0.2 |
| Honolulu | 696,235 | 40.9 |
| Houston | 1,731 | 0.1 |
| Los Angeles | 214,130 | 12.6 |
| Miami | 12,016 | 0.7 |
| Nassau | 2,112 | 0.1 |
| New York | 144,800 | 8.5 |
| San Francisco | 137,726 | 8.1 |
| San Juan | 773 | -- |
| Seattle | 73,577 | 4.3 |
| Washington | 6,543 | 0.4 |
| Other | <u>39,187</u> | <u>2.3</u> |
| TOTAL | 1,704,010 | 100.0% |

Source: Immigrant and Naturalization Service, "Statistical Abstract, 1985-86" and Harrison Price Company.

Table 5
JAPANESE NONIMMIGRANTS ADMITTED
TO THE UNITED STATES BY
SELECTED CLASS OF ADMISSION
1986

| <u>Class of Administration</u> | <u>Number of Nonimmigrants</u> |
|--|------------------------------------|
| Foreign Government Officials | 5,487 |
| Temporary Visitors for Business | 212,826 |
| Temporary Visitors for Pleasure | 1,378,889 |
| Transit Aliens | 10,229 |
| Treaty Traders and Investors | 40,748 |
| Students | 22,057 |
| Spouses and Children of Students | 1,267 |
| Temporary Workers and Trainers | 3,551 |
| Spouses and Children of Temps | 650 |
| International Representatives | 1,058 |
| Representatives of Japanese Media | 4,009 |
| Exchange Visitors | 7,165 |
| Spouses and Children of Exchange Visitors | 4,859 |
| Finances of U.S. Citizens | 206 |
| Children of Financees | 14 |
| Intracompany Transferees | 6,433 |
| Spouses and Children of Intracompany Transferees | 4,464 |
| NATO Officials | 94 |
| Unknown | 4 |
| TOTAL | 1,704,010 |

Source: Immigration and Naturalization Service, "Statistical Abstract, 1985-86", and Harrison Price Company.

Japanese Tourist Market

Non-immigrant Japanese are another source of potential patronage to the proposed JCC. Non-immigrants are defined by the INS as foreign persons visiting the United States with no residency intention. They may be tourists, pleasure visitors, business or diplomatic visitors, etc. **Table 3** shows the trend in this level of visitation from 1975 through 1986. In the 12 years studied, non-immigrant Japanese visitation to the United States more than doubled, increasing from 792,000 in 1975 to a significant 1,681,000 Japanese persons in 1986. (Current estimates for Japanese visitation to the U.S. total 2.6 million persons, reflecting the favorable exchange between the dollar and the Yen and indicating a growth of 62.5 percent in the past year.) Pleasure visitation accounted for approximately 62 percent of the total increase in the 1975 to 1986 period, and 82 percent of the total Japanese non-immigrants visiting the United States in 1986.

The port of entry of these visitors is detailed **Table 4**, which indicates that approximately 137,700 Japanese visitors entered the country through San Francisco in 1986. It can be assumed the majority of these people stayed at least 2 days or more in the region, making them available to patronize the proposed JCC.

An analysis of the reason for visiting the United States by Japanese non-immigrants is provided on **Table 5**. By far the largest class of visitors (approximately 81 percent) is "temporary visitors for pleasure". However, the remainder of visitors are in the United States for an extended, though temporary, stay. This portion of visitors totals approximately 325,200 Japanese persons in the United States in 1986 on a temporary basis. Assuming the port of entry ratio presented on **Table 4** holds true for temporary business and other visitors, 8 percent of the 325,200 Japanese would be in the Bay Area, or an additional 26,000 Japanese temporarily living in the region at any one time.

Section 4

SURVEY OF COMPARABLE CULTURAL CENTERS

A study of cultural centers throughout the world provides an indication of the character of diverse programs, facilities and attendance levels achieved. The following Section presents the results of a survey conducted for the purposes of this study.

SUMMARY, SURVEY OF COMPARABLES

A summary of the survey of comparables is shown on **Table 6**. Annual attendance at the the eight projects surveyed ranges from a low of 126,000 persons per year at the Japanese American Cultural Center in Los Angeles to a high of 2,000,000 visitors per year at Solvang. Adult admission fee ranges from no admission charge at the San Francisco Japanese Cultural Center and Solvang to a high of \$20 at the Nagasaki Holland Village in Japan. Each of the projects surveyed is discussed in the following paragraphs.

Survey of Japanese Cultural Centers

The Fukuoka Historical Village in Fukuoka, Japan and five Japanese Cultural Centers in California were surveyed. Five of the Centers surveyed serve the Japanese community primarily, while the largest and most prominent in the United States serves both Japanese and other market area residents. Each Center is discussed briefly in the following paragraphs.

Fukuoka Historical Village

The cultural village of Ito no Sato is an educational attraction designed to showcase the history and culture of Japan and is the model for the proposed Center in Gilroy. The complex opened on April 20, 1986 and currently achieves attendance of 182,684 visitors per annum. Admission fee is 500 Yen, or approximately \$4.60, with a Ninja Show extra at \$2.00 to \$3.00. Per capita admission revenue is \$5.78, while food and merchandise per capita is \$5.74, indicating a total per capita of \$11.52. The complex is housed on about six acres.

Table 6
SURVEY OF COMPARABLE ATTRACTIONS

| <u>Attraction/Location</u> | <u>Opening Date</u> | <u>Admission Fee (\$Adult)</u> | <u>Estiamted Annual Attendance</u> |
|--|-------------------------|---|--|
| Fukuoka Historical Village Fukuoka, Japan | 1986 | \$4.00 | 182,684 |
| JACC Los Angeles, CA | 1980 | --- Theater Ticket Prices \$8-\$30 | 126,062 |
| San Francisco JCC San Francisco, CA | 1987 | Free | 7,000 |
| Nagasaki Holland Village Nagasaki, Japan | 1983 | \$20.00 | 1,800,000 |
| Solvang Solvang, CA | Early 1890's | Free | 2,000,000 |
| Polynesian Cultural Center Oahu, Hawaii | 1963 | \$25.00 | 1,029,000 |
| Old Strubridge Village Strubridge, MA | 1946 | \$9.50 | 500,000 |
| Crossroads Village & Huckleberry Railroad - Flint, Michigan | 1976 | \$5.95 | 150,000 |

Source: Harrison Price Company.

The village includes a scale model of the historic Fukuoka Castle Town , replicas of the merchants homes and farm houses which existed in earlier times in Fukuoka, and a Ninja village (for live shows). Additionally, two authentic buildings, each over 2,000 years old, are available for touring; one is a raised floor food storage facility, and the other a typical living quarters building. Another attraction is a display case that houses the three story high Yama-gasa symbol which is carried between two long poles by several men in parades and festivals through the streets of the village.

Several shops and restaurants are available to visitors including a Woolworth type dime store, a soy sauce store, a souvenir shop, an antique shop, and a tea and sweet shop.

An area is designated for crafts where a visitor may buy or make an item. Crafts available include cloth dying, umbrella making, Hakata weaving, wood carving, paper making, earthen ware, Hakata Doll making, bamboo crafts, weaving, and spinning tops.

Annual operating budget is estimated at \$1.2 million. Annual attendance is estimated to be almost 95% Japanese persons living within a 100 mile radius of the village, divided by distance as follows:

| <u>Distance</u> | <u>Annual Attendance</u> | |
|-----------------|----------------------------|------------------------|
| | <u>Percent of Visitors</u> | <u>No. of Visitors</u> |
| 25 Mile Radius | 57.0 percent of visitors | 104,300 persons |
| 50 Mile Radius | 28.5 percent of visitors | 52,200 persons |
| 100 Mile Radius | 9.5 percent of visitors | 17,400 persons |

The Japanese American Cultural Center (JACC)

Located in Little Tokyo in downtown Los Angeles, the JACC opened in 1980 at a cost of \$12 million. The Center is part of the City of Los Angeles Little Tokyo Redevelopment Area. Funds for development were raised from the following sources:

| | |
|---|-----------------------|
| Donations from local Japanese population | \$2.0 Million |
| HUD Funds | 3.0 Million |
| Raised in Japan | 4.0 Million |
| Donations from Japanese Companies in U.S. | 0.5 Million |
| Misc. Sources (U.S. Co., other) | <u>2.5 Million</u> |
| TOTAL | \$12.0 Million |

The City of Los Angeles donated the land for the project. The current market value of the complex is estimated at \$16.0 million.

The JACC consists of a 6- story office building of 48,000 square feet which houses a 10,000 volume library, an 8,000 square foot gallery, and various Japanese service organizations and companies. The complex also includes an 840-seat , 38,000 square foot theater, and an 8,000 square foot Japanese Garden. The theater sponsors local artists and is also rented out for Kabuki, Noh, Avante Garde Theater, ballet, Ga Ga Ku music and other major cultural events. There is a one acre plaza in front of the complex which is used for outdoor events and performances.

Attendance at the JACC was approximately 126,000 persons in the last fiscal year. (The total is underestimated since visitors to the Garden are not counted.) Attendance is broken down as follows:

| <u>Program</u> | <u>Attendance</u> | <u>Number of Events</u> |
|--------------------|-------------------|--------------------------------|
| Theater Events | 54,796 | 64 events, 101 performances |
| Visual Arts | 33,195 | 15 Exhibits |
| Library | 16,906 | |
| Plaza Events | 5,235 | 13 Events |
| Conferences | 11,900 | 386 Rentals |
| Education Programs | <u>4,030</u> | 6 Programs |
| TOTAL | 126,062 | |

Attendance by school groups is included in the total. Management could not quantify school group attendance.

The Center operates on a \$1.8 million annual budget which is covered 70 percent by pledges, grants donations and memberships (i.e., unearned income) and 30 percent by theater rentals and ticket revenues.

Recalling data on residency of attendees from **Section 3**, ninety percent of attendees to events reside within a 30 mile radius of the Center. Of that ninety percent, fifty percent is estimated to be Japanese persons living in the surrounding communities of Monterey Park, Montebello, Gardena, and West Los Angeles. The remainder of the ninety percent is estimated to be mixed races living in Los Angeles County. The remaining ten percent is estimated to reside in other Southern California regions stretching as far north as San Luis Obispo County and as far South as San Diego County. According to management, tourists account for less than 1 percent of visitation. Dividing the estimated annual attendance into residence of visitors yields the following distribution:

| <u>S o u r c e</u> | <u>A t t e n d a n c e</u> |
|---|----------------------------|
| Japanese American Residents Living Within 15 Miles | 56,700 Persons |
| Non Japanese Living Within 30 Miles (Los Angeles Co.) | 56,700 Persons |
| Other So. Calif Residents | <u>12,600 Persons</u> |
| TOTAL | 126,000 Persons |

Corresponding market area penetration rates assuming a 1980 Japanese population in Los Angeles County of 116,543 persons and total population of 7,477,503 are 48.7 percent penetration of Japanese population, and 0.8 percent penetration of total resident non-Japanese population.

San Francisco Japanese Cultural Center

The San Francisco Japanese Cultural Center opened in 1987 in its main building, while construction continues on the second half of the project. The Center is located adjacent to the Japanese Trade Center in the Japan Town section of San Francisco, at 1840 Sutter Street. When complete, the Center will consist of a two story 14,000 square foot community center building housing a community hall/gymnasium, a

gallery with space for silk screen, graphics and ceramics; and office space for social agencies serving the Japanese population in the region. Some of the agencies that will be leasing space upon completion of the project are the Japantown Art Media Workshop; a Japanese newcomer service, Nobiru Kai; and the Theater Yugen (the only theater in the U.S. performing Noh drama) .

The total development cost of the project is estimated at \$3.0 million. The land was donated by the San Francisco Redevelopment Agency. HUD funds provided \$500,000 for the project while the remaining \$2.5 million was raised from local residents, businesses and Japanese corporations.

The operating budget for the complex when complete is estimated to be \$150,000 per annum. It is anticipated that operating costs will be covered by lease revenue and fund raisers. The Center estimates that it will serve 7,000 people unduplicated annually.

Gardena Valley Japanese Cultural Institute

Located in Gardena in southern Los Angeles County, this community center opened its 13,000 square foot, two story facility in 1978. Estimated development cost was \$1.0 million which was entirely raised from Japanese residents in the neighborhood. The Center functions as a community amenity hosting senior citizen lunch programs, language classes, arts and crafts activities and various other local functions. Annual operating budget is estimated at \$200,000 which is raised every year from donations and fund raisers. The Director estimates that 95 percent of users of the facility are Japanese who reside in the South Bay area of Los Angeles.

Venice Japanese Community Center

This community facility opened its doors in 1970 for an estimated development cost of \$400,000, all of which was raised from the local community. The Center consists of one single story structure with 6 classrooms, a gymnasium and a kitchen. Activities conducted in the Center include classes in the martial arts, Judo, Akido, two language schools, a senior nutritional program, club meetings, calligraphy classes, and volleyball tournaments. The Director estimates that visitors to the Center are 85 to 90 percent Japanese.

Vista Japanese Center

Further south in San Diego County is the Vista Japanese Center, a small facility opened in 1978 which houses a 200 seat auditorium and 3 classrooms. The Director could not recall the development cost but stated that the funds to build the facility were raised from the local community. Users from of the facility are all local Japanese residents.

The annual budget of the Center was not available. The director stated, however, that operating funds are raised each year from a Bingo tournament and rental fees charged for the use of the auditorium.

Conclusion--Japanese Cultural Centers

An analysis of the Japanese Cultural Centers surveyed shows that they are supported primarily by Japanese, with a range of those surveyed of 50 to 100 percent Japanese patronage. This observation suggests that any Japanese themed attraction in the United States must rely heavily on its resident Japanese population for support.

Survey of Other Cultural Centers

To provide a better idea of the market support and facility characteristics of ethnic cultural centers, Harrison Price Company investigated three well known projects in detail. These attractions include the Nagasaki Holland Village in Japan, Solvang in Southern California, and the Polynesian Cultural Center in Hawaii. Each is discussed below.

Nagasaki Holland Village

Established in 1983 with the purpose to promote health, culture and education between Japan and Holland, the Nagasaki Holland Village is a restoration of the man-made island of Dejima which was created in 1630 to serve as a Nagasaki port . For nearly two centuries of Japan's isolation, Holland was the only Western country to be permitted to trade with Japan. The Dejima recreation is a 1/15 scale miniature of the original 13,098 square meter Dejima island comprised of trading houses, storehouses,

guard posts, vegetable and flower gardens, cow pastures, chicken runs, all the scenery of daily life.

The total area of the attraction is approximately 100,000 square meters (25 square miles) and is comprised of three villages (Williamstad, Hoorn and Blaemendam), offering a multitude of shops, restaurants and museums. The main attractions include the windmills and the "Prince William" sailing boat, which is reputed to be the largest wooden boat ever constructed in the 17th century. The cost of the boat is estimated at approximately \$12 million.

When first opened in 1983, the Dutch Village attracted 380,000 persons. In 1987, attendance was 1.8 million persons. Entrance fee, or "Holland Village Passport," is \$20 for adults, \$12 for Junior and Senior High school students. Total revenue in 1987 is estimated at 8 billion Yen, or U.S. \$60 million, indicating a per capita expenditure of \$33. (As comparison, Walt Disney World achieves per capitas of just over \$30, while Tokyo Disneyland achieves per capitas of \$50).

Visitation to the Dutch Village is primarily from residents living within a two hour drive comprising 74 percent of the 1.8 million persons. Visitors from other locations in Japan make up the balance of attendance, with only a small (undisclosed) percent of attendance coming from foreign tourists. The combined resident market for the attraction is 8.7 million persons. Approximately 13.2 million tourists visit the province annually. With annual attendance of 1.8 million persons, a resident market penetration rate of approximately 15 percent is indicated, while tourist market penetration is approximately 3.5 percent.

The village employs a total of 750 employees, 550 full time and 200 part time. About half of these workers are from the local population.

Solvang

The city of Solvang, founded in the early 1900s by a group of Danish educators from the Midwest, was incorporated in 1984 as a community of 3,500 people, still mainly of Danish heritage. Its distinctive architectural tradition -- a re-creation of 16th century rural Denmark -- was first given impetus during the early 1950s when the first of the city's quintet of Danish windmills was built.

The area's principal existing attractions consist of a Danish themed village, Pea Soup Andersen's in nearby Buellton, and the Santa Ynez Valley wineries.

Village of Solvang

The Danish-theme Village of Solvang proper, offers wide selection of motels, shops, and restaurants catering to principally non-local visitors. In addition to its permanent attractions, the city hosts two major festivals each year. The first is the Solvang Theaterfest running from June through mid-September in a 700 seat outdoor amphitheater, which attracts an estimated 50,000 people. The second is the Danish Days celebration held on the third weekend of September, featuring a parade, a variety of live entertainment, aebleskiver breakfasts, and other activities. The city is also the site of the historic Mission Santa Inez, drawing some 100,000 visitors annually.

Pea Soup Andersen

This attraction began years ago as a tiny roadside cafe in Buellton featuring an old family recipe for split pea soup and has since evolved into a large restaurant/shop/motel complex reportedly serving some 4 million customers annually. Travelers on U.S. Highway 101 between Los Angeles and San Francisco have been making a stop at Andersen's a regular part of their itinerary for several decades; most, however, are simply passing through and do not visit Solvang or other attractions in the Valley.

Santa Ynez Valley Wineries

Some 20 different establishments are now found in the area, most of which offer visitor tours and tasting rooms. The Firestone winery alone draws some 50,000 visitors per year.

Collectively, these and other attractions serve as visitor population that is unofficially estimated at between 1.5 and 2.0 million annually. It is estimated that half of all visitors originate in Southern California, with 25 percent coming from Los Angeles County alone, a distance of approximately 100 miles. The remainder of the visitors to Solvang travel more than 100 miles.

Polynesian Cultural Center, Oahu, Hawaii

Another example of a ethnic attraction is the Polynesian Cultural Center in Hawaii. Located approximately 40 minutes' drive time from Honolulu, the Center was opened in 1963 to promote the cultural heritage of the Polynesian Islands to visitors in the Hawaiian Islands. The original site of 12 acres was expanded to 42 acres in 1975. It features seven villages, each themed to a Polynesian culture and offering participatory crafts and dancing lessons. Included in the attraction is a variety of eating and show facilities, including a 1,200 seat buffet restaurant and a 2,800 seat amphitheater. Three different admission packages are offered:

| | <u>Explorer Day Admission</u> | <u>Voyager Day & Night Dinner Admission</u> | <u>Ambassador (Complete Plus Private Guide)</u> |
|-----------------------------------|-----------------------------------|---|---|
| Children (5-11) | \$10 | \$15 | \$40 |
| Adult (12 plus) | \$25 | \$37 | \$62 |
| Children Under 5 Admitted Free | | | |

PCC management reports that the majority of visitors are tourists to Oahu and that 60 percent of all visitors purchase the "complete" package, which indicates that the PCC has a very high revenue per capita. Despite the relatively high admission charges, the PCC is among Hawaii's most visited attractions, with annual attendance as follows:

| <u>Year</u> | <u>Attendance</u> |
|-------------|-------------------|
| 1979 | 1,100,000 |
| 1980 | 986,000 |
| 1982 | 950,000 |
| 1983 | 900,000 |
| 1986 | 1,029,000 |

With a primary market area of 4.88 million persons (combined Oahu residents and overnight visitors to Oahu), this attraction achieves an impressive 21 percent penetration of its available market.

Survey of Historical Villages

As a final point of investigation, two historical villages in the United States were studied; Old Sturbridge Village in Sturbridge, Massachusetts, and Crossroad Village and Huckleberry Railroad in Genesee County, Michigan. Each is discussed in the following paragraph.

Old Sturbridge Village

Life on the eastern seaboard in the early 19th century is the subject of the 200 acre historical village of Old Sturbridge, a non-profit educational institution. The complex, opened in 1946, consists of 40 restored buildings, each showing a component of daily life 160 years ago. There is a general store, a Freedman's farm, a grist mill, saw mill, and carding mill among other restored buildings. A visitor is free to wander through the complex and learn about early American history from the interpreters provided in each building.

Admission to the village is \$9.50 for adults, \$4.75 for youths 6 to 16; children under the age of six are admitted free. An outreach program offers school groups admittance for \$3.75 per capita, and groups of 20 or more are admitted for \$8.50 per capita. The village is open 7 days a week all year round from 9 A.M. to 5 P.M.

Attendance is approximately 500,000 persons per year of which 100,000 are children in school groups. Management does not know the residence of its visitors. The education program is similar to the program proposed at the Japanese Cultural Center; children can participate in "hands on" activities such as hearth cooking and crafts, weaving, theorum painting, etc.

There are three shops in the complex including the New England Book Store, The Grant Store which sells souvenirs and penny candy, and a gift shop.

Crossroads Village and Huckleberry Railroad

This attraction is a recreated village of the late 1800s featuring a steam-operated excursion railroad. The complex was opened in 1976 as the official Bicentennial project of Genesee County. Since that time, it has grown to include 25 buildings depicting

daily life in the 19th century. There is an opera house which offers free entertainment, a general store, blacksmith, working print shops, an antique store, quilt mill, steam lumber mill, and various demonstration of crafts.

The summer operating season runs from one week prior to Memorial day through Labor Day. A major holiday lighting display was instituted in 1984 and is open to the public on weekends between Thanksgiving and New Years. The complex is open 10A.M. to 5:30P.M Monday through Friday, 11 A.M. through 6:30 P.M., Saturday and Sunday. Train excursions leave hourly from 11A.M. to 4 P.M. on weekdays, 1 P.M. to 5 P.M. on weekends.

Admission fee is \$5.95 for adults, \$4.95 for seniors aged 60 and older, \$3.95 for children 4 through 12, and free for children under 4. Annual attendance is approximately 150,000 visitors. Management cannot estimate the origin of its visitors.

CONCLUSIONS--SURVEY OF COMPARABLES

The following conclusions merge from the survey of comparables:

- The Japanese cultural centers surveyed achieve attendance ranging from a few thousand visitors per year to approximately 183,000 annual attendance at the Historical Village of Ito no Sato.
- The highest attendance achieved by a Japanese Cultural Center in the United States is 126,000 persons at the Japanese American Cultural Center in Los Angeles.
- Japanese Cultural Centers admissions fees range from no gate to \$4.00 (500 Yen).
- Japanese Cultural Centers derive from 95 to 98 percent of attendance from residents living within a one day trip of the attraction.
- Japanese Cultural Centers are heavily attended by Japanese, anywhere from 50 to 100 percent at the centers surveyed.

- Commercial ethnic Cultural Centers in the United States and Japan achieve substantially higher attendance volumes than the JCC's, ranging from 1 to 2 million visitors annually.
- Admission fees at the commercial attractions surveyed were substantial with prices as high as \$20.
- Tourist support for these attractions ranges from 25 to 50 percent of attendance.
- Historically themed villages in the United States surveyed for this study achieve attendance of between 150,000 and 500,000 persons annually. There is strong evidence to suggest that to achieve a level of half a million visitors annually requires a build-up over many years of operation, as evidenced by Old Sturbridge Village, opened in 1946.
- Entrance fees for historically themed villages in the United States range from \$5.95 and \$9.50 at the attractions surveyed.

Section 5

PROJECTED ATTENDANCE AND DESIGN DAY AT THE PROPOSED JAPANESE VILLAGE IN GILROY

The following Section presents an analysis of projected attendance and design day planning factors for the proposed Japanese Village in Gilroy. A 1990 opening year is assumed.

BACKGROUND DEMOGRAPHICS AND MARKET AREA PENETRATION RATES

Attendance at the proposed project can be projected by applying a penetration rate to the sectors of population expected to frequent the facility. The following subsections describe the background demographics and market penetrations adopted to project visitation to the proposed Japanese Village.

Background Demographics

Table 7 presents 1987 total and Japanese market area population projected to 1990 and 1992. As indicated, Primary Market Area population (a 25 mile radius around the site) is expected to reach 546,200 in opening year 1990, increasing some 37,464 persons from its 1987 level of 508,736. Secondary Market Area population, a 50 mile radius around the Gilroy site, is expected to grow from approximately 2.7 million persons in 1987 to more than 2.8 million in 1990, indicating an increase of approximately 127,000 persons in the three year period. The population increase in the Tertiary Market Area (100 mile radius from the site) is expected to be approximately 350,000 persons in the 1987 to 1990 period, increasing from 7,455,867 in 1987 to 7,805,400 in 1990.

Other sectors of population expected to frequent the Village are persons of Japanese origin in the market areas and Japanese temporary residents and tourists in the region. Based on historical rates of growth in Japanese immigration 110 new Japanese are expected in the Primary Market Area by 1990, bringing the Japanese

Table 7

PROJECTED POPULATION IN THE
AVAILABLE MARKET AREAS FOR
THE PROPOSED JAPANESE CULTURAL CENTER
IN GILROY
1987-1992

| <u>TOTAL POPULATION</u> | <u>1987</u> | <u>1990</u> | <u>1992</u> | <u>Average Annual Growth 1987-1992</u> |
|--------------------------------|-------------|-------------|-------------|--|
| 25 Mile Radius - PMA | 508,736 | 546,200 | 571,133 | 2.4% |
| 50 Mile Radius - SMA | 2,697,880 | 2,824,700 | 2,909,165 | 1.5% |
| 100 Mile Radius - TMA | 7,455,867 | 7,805,400 | 8,038,397 | 1.5% |
| <u>JAPANESE POPULATION</u> | | | | |
| 25 Mile Radius - PMA | 5,829 | 5,939 | --- | 0.6% |
| 50 Mile Radius - SMA | 32,990 | 33,587 | --- | 0.6% |
| 100 Mile Radius - TMA | 80,722 | 82,183 | --- | 0.6% |

Source: Urban Decision Systems and Harrison Price Company.

resident population to 5,939. In the Secondary Market Area an expected 33,587 Japanese residents are expected by 1990, an increase of approximately 600 Japanese from 1987. In the Tertiary Market Area, the Japanese population is expected to reach 82,183 persons by 1990, increasing 1,461 persons from the 1987 level.

Japanese pleasure visitors are projected to total 233,700 persons in the region by 1990 based on the current high level of Japanese tourism to the United States discussed in **Section 3**. Japanese temporarily living in the region is expected to be approximately 26,000 persons in 1990.

Projected Market Area Penetration Rates

In HPC's opinion, the most applicable model for the proposed attraction in Northern California is the Japanese American Cultural Center in Los Angeles. It is important to note that if the program proposed were expanded and made more commercial (such as the Nagasaki Dutch Village), projected attendance could increase.

The following text table recalls the market area penetration rates for the JACC center:

| | <u>JACC/Los Angeles</u> |
|---|--------------------------------|
| Primary Market Area (25 Mile Radius) | 0.8% |
| Secondary Market Area (50 Mile Radius) | --- |
| Tertiary Market Area (100 Mile Radius) | --- |
| Japanese Population (25 Miles) | 48.5% |

Adopting these market area penetration rates yields a projected annual attendance range for the proposed Japanese Village in Gilroy of approximately 83,700 to 106,100 persons in opening year 1990. The derivation of the projected range is explained in the following paragraphs.

JACC Model

As described in **Section 4**, the Center currently derives 90 percent of its 126,000 annual attendance from people living in Los Angeles, approximately 25 miles from the site. Of this 90 percent, or 113,400 persons, half are Japanese living in Los Angeles County, and half are persons of other races living in the county. The remaining 10 percent are tourists living more than 100 miles from the site.

The resultant calculations result in an 0.8 percent penetration of the 25 mile radius population and a 48.5 percent of the Japanese population in the 25 mile radius. For purposes of this analysis, it has been assumed that the Primary Market Area for the Japanese Village in Gilroy is a 50 mile radius around the site; further, it is expected that Japanese persons will travel substantially further to visit, so that the Primary Market for Japanese visitors is defined as a 100 mile radius around the site. The expected 1990 Japanese population in the 100 mile radius is expanded in this analysis to include 26,000 temporary Japanese residents in the region.

Adopting the JACC model, projected population from the two population groups is the following:

| | |
|--|--------|
| Non- Japanese living in a 50 mile radius of the site (includes school groups of all nationalities) (0.8% x 2,824,700) | 22,600 |
| Japanese living in a 100 mile radius of the site plus temporary Japanese residents (includes Japanese school groups) (48.7% x 108,183) | 52,700 |
| Total Resident Visitors | 75,300 |

At the JACC in Los Angeles, the resident attendance comprises 90 percent of total. To complete the JACC model, HPC has also assumed that the 75,300 annual attendance is 90 percent of total attendance including school groups. Expanding this resident attendance base by 10 percent to include non resident visitors indicates a total projected attendance of 83,700 persons.

The owner of the proposed Village states that he has close ties and business arrangements with Japan Airlines, Japanese Tour Companies, newspapers, radio and television firms in Japan. Because of these connections, a percentage of the touring Japanese in the Bay Area may be captured by the Center. Assuming a strong promotional effort in Japan, HPC is of the opinion that 10 percent of touring Japanese visitors in the Bay area may visit the center. This translates to approximately 22,400 additional visitors annually, assuming an estimated 223,700 persons from Japan visit the Bay Area annually.

Resultant projected visitation to the Japanese Cultural Center in Gilroy including resident visitors, tourists from the United States and Japanese tourists is 106,100 persons.

Conclusions-Reasons for Choosing the JACC Model

While other cultural centers surveyed showed significantly higher attendance and market area penetration rates than the JACC, HPC believes it to be the best model due to the reasons listed below:

- The Fukuoka Historical Village showcases Japanese culture to Japanese nationals. Likewise, the historical villages surveyed in Section 4 showcase American history in America. Taking the cultural attraction to a "foreign" country makes it less attractive than in its own land.
- In terms of mass audience interest, Americans tend to be fascinated with things from overseas, while showing less interest in cultures significantly different than their own, i.e., those with different alphabets and a different religious philosophies.
- The Gilroy site suffers from lack of proximity to the major population concentrations in the Bay area. Unlike the JACC and the Fukuoka Historical Village, most visitors will have to travel upwards of one hour to reach the proposed Village.

Thus, HPC projects annual visitation to the Gilroy Japan Cultural Center at a range of approximately 84,000 to 106,000 visitors per annum in opening year 1990, with the high end of the range contingent upon a strong and cost effective promotional program

with tourist related businesses in Japan. Assuming a 3 percent average annual growth rate in attendance, stabilized year attendance is estimated to range from 94,500 to 119,300 persons in 1994.

DESIGN DAY AND PARKING REQUIREMENTS

Area requirements to accommodate the visitors expected on site at one time are derived based on projected annual attendance, seasonality of the attraction, and average length of stay. **Tables 8 and 9** present analysis of design day attendance. (Design day attendance quantifies the daily attendance of the top 15 to 20 days of the year. The attraction must be able of accommodate this volume of visitors since it may account for as much as 20 to 30 percent of annual volume). **Table 8** describes seasonality at two cultural/educational attractions which have both a high percentage of school participation and seasonal peaking, while **Table 9** derives the design day requirements. Based on seasonality factors (Table 8) which indicate about 12 to 13 percent of total attendance occurs in the peak month at the two cultural institutions studied, the design day calculation indicates a requirement to accommodate 305 to 385 persons on site by 1990. Building and public space requirements at 56 square feet per person indicate a facility of approximately 17,000 to 21,600 square feet.

The proposed Japanese Cultural Center in Gilroy is to be contained on 20 acres, with a 60,000 square foot facility and a 30,000 square foot garden. These accommodations will liberally satisfy the design day attendance requirements.

Parking

Design day attendance of 305 to 385 persons on site at any one moment indicates the need for a 102 to 128 space parking lot if all visitors arrive by car, and a 8 to 10 space bus parking lot, if all visitors arrive by bus. A more likely scenario will be somewhere in between, depending on the number of school and tourist bus tours arranged by management of Japanese Cultural Center.

Table 8

SEASONALITY OF ATTENDANCE AT
THE TUCSON MUSEUM OF ART
IN TUCSON AND THE
MARYLAND SCIENCE CENTER
IN BALTIMORE

| | <u>Tucson Museum of Art</u> | <u>Maryland Science Center</u> |
|--------------|---------------------------------|--|
| January | 10.4% | 4.4% |
| February | 12.3 | 7.4 |
| March | 11.1 | 8.0 |
| April | 12.2 | 10.8 |
| May | 6.2 | 12.7 |
| June | 6.8 | 9.3 |
| July | 7.1 | 10.6 |
| August | 6.2 | 13.1 |
| September | 7.6 | 4.8 |
| October | 6.0 | 5.9 |
| November | 6.6 | 6.2 |
| December | <u>8.3</u> | <u>6.8</u> |
| Total | 100.0% | 100.0% |

Source: Harrison Price Company.

Table 9

DESIGN DAY ATTENDANCE
AT THE PROPOSED
GILROY JAPANESE CULTURAL CENTER

| | |
|--|------------------|
| Total Attendance Projection, 1990 X | 94,500 - 119,300 |
| 13% - Peak Month + | 12,285 - 15,509 |
| 4.43 Peak Week X | 2,773 - 3,500 |
| 22% Peak Day X | 610 - 770 |
| 50% On-Site at Any One Moment | 305 - 385 |
| Building Requirement @ 56 Sq.Ft. Per Person | 17,080 - 21,560 |

Source: Harrison Price Company.

The following text table presents the derivation of parking requirements:

| | |
|-----------------------------------|---------|
| Design Day Attendance | 305-385 |
| Assume 100 Percent Arrive by Car | |
| Average Number of Persons Per Car | 3.0 |
| Parking Requirement (all cars) | 102-128 |
| Assume 100 Percent Arrive by Bus | |
| Average Number of Persons Per Bus | 40.0 |
| Parking Requirement (all buses) | 8-10 |

Employee parking needs, assuming 20 to 25 workers plus 2.0 employees per car, adds another 10 to 13 spaces to the parking requirement, indicating a total parking lot requirement of 112 to 141 spaces.

Translating these estimates into increased traffic volume in the immediate area, the largest increase in car traffic at any one moment will be 128 automobiles, while the highest increase in bus traffic at any one moment is projected at 8 to 10 vehicles. Average daily traffic assuming all visitors arrive by car could be increased by 257 cars near the site (770 peak day divided by 3.0 persons per car), and 20 buses per day increased daily traffic assuming all visitors arrive by bus.

SECTION 6

FINANCIAL ANALYSIS

The following section presents an operating pro forma financial analysis for a stabilized year of operation at the proposed Japanese Cultural Center. All estimates are presented in 1988 constant dollars.

ESTIMATED PER CAPITA REVENUES AND NET REVENUE

Operating revenue at the proposed Village will derive from visitor expenditures on admissions, food and beverage service, and merchandise. The level of visitor spending achieved will depend primarily on length of stay and admission policy adopted by management, although the quality and appeal of food and merchandise offerings will also be influential. For purposes of this analysis, it is assumed that two types of admission packages will be offered. The first will allow the visitor admission to the Center and all shows and attractions including the Ninja show; the second will allow the visitor access to the Center only.

The data in **Table 10** provides a guideline for projecting price scale and revenues at the project. The adult ticket price must fit into the range of experience at major cultural village attractions in the United States. This analysis is predicated on a \$5.75 combined adult ticket price, and a \$4.00 single adult admission price. Assuming a 3.5 to 1 adult:child ratio, and that 10 percent of admissions are discounted tours and seniors, per capita admission revenue is \$4.03.

The following detailed fee schedule is recommended for the proposed Japanese Cultural Center in Gilroy :

| | <u>Combined Ticket</u> | <u>Center Only Ticket</u> |
|--------------------------------|----------------------------|-------------------------------|
| Adults | \$5.75 | \$4.00 |
| Children (5 to 17) | \$4.25 | \$3.00 |
| School Groups | \$2.00 | --- |
| Children Under 5 Admitted Free | --- | --- |

Table 10

**RANGE OF REVENUE PROJECTIONS
FOR PROPOSED JAPANESE CULTURAL CENTER
(Constant 1988 Dollars)**

| | <u>Low</u> | <u>High</u> |
|-------------------------------|----------------|----------------|
| Annual Attendance | 94,500 | 119,300 |
| Estimated Per Capita Revenues | | |
| Admissions ¹ | \$4.03 | \$4.03 |
| Food & Beverage | 2.50 | 2.50 |
| Merchandise | <u>4.00</u> | <u>4.00</u> |
| Total | \$10.53 | \$10.53 |
| Total Gross Revenues | | |
| Admissions | \$380,835 | \$480,779 |
| Food & Beverage | 236,250 | 289,250 |
| Merchandise | <u>378,000</u> | <u>477,200</u> |
| Total | \$995,085 | \$1,247,229 |

¹ Assumes net admissions will be 70% of the adult ticket price allowing for attendance mix; school; group and promotional discounts.

Source: Harrison Price Company.

Per capita expenditure for food at cultural attractions of this type ranges from \$2.50 to \$4.00, with the high end suggesting an attractive sit down restaurant serving quality food. The "fast food" service suggested for the JCC in Gilroy indicates a potential per capita at the low end of the range, \$2.50 as indicated on **Table 10**.

In general, facilities with several gift and merchandise shops achieve a per capita merchandise expenditure ranging from \$2.50 to \$5.00. Assuming a selection of quality merchandise is offered in the various shops at Japan Village, Gilroy, HPC projects a per capita of \$4.00 spent on merchandise.

When these per capita figures are multiplied by previous estimates of attendance volume, total gross annual revenues range from \$995,000 to \$1,247,229.

The cost of operating the proposed complex and resulting net income is estimated in **Table 11**, Net Revenue Before Debt Service, Taxes and Depreciation at the Proposed Japanese Cultural Center. As indicated, when the cost of food and merchandise goods sold is deducted from gross revenue using typical operating ratios reported by existing attractions in the United States (30 percent of food/beverage sales and 50 percent of merchandise sales), total net revenue ranges from an low of \$735,000 to a high of \$921,000.

Operating Expenses

Operating Expenses shown in **Table 11** have been projected using actual operating cost data from several cultural attractions in the United States.

The Gilroy experience may vary depending on number of days and hours open, hourly labor rates, success of co-op advertising programs, etc. The expense ratios derived in the pro forma are consistent with current industry experience. Assumptions used for each category are shown below. In all instances, percentages refer to a percent of Gross Revenue.

Table 11

NET REVENUE BEFORE DEBT SERVICE,
TAXES AND DEPRECIATION AT THE
PROPOSED JAPANESE CULTURAL CENTER

| | <u>Low</u> | <u>High</u> |
|--|----------------|----------------|
| Estimated Gross Revenue (\$000) | \$995 | \$1,247 |
| Less: Cost of Goods Sold | | |
| Food & Beverage ¹ | 71 | 87 |
| Merchandise ² | <u>189</u> | <u>239</u> |
| Total Net Revenue | \$735 | \$921 |
| Less: Operating Expenses (\$000) ³ | | |
| General & Administrative | \$100.0 | \$100.0 |
| Marketing & Promotion (8%) | 79.6 | 99.8 |
| Insurance (1.5%) | 14.9 | 18.7 |
| Maintenance & Repairs (4%) | 39.8 | 49.9 |
| Shows, Special Presentations | 25.0 | 25.0 |
| Utilities (2%) | 19.9 | 24.9 |
| Labor (20-25 FTE ⁴ X \$20,000) | 400.0 | 500.0 |
| Miscellaneous (4%) | <u>39.8</u> | <u>49.9</u> |
| Total Operating Expense | \$719.0 | \$868.2 |
| Net Revenue Before Debt, Depreciation and Taxes | \$16.0 | \$52.8 |

¹ Food and Beverage Cost = 30%.

² Merchandise Cost = 50%

³ All percentages refer to factors of Gross Revenue.

⁴ FTE means full time equivalent employment.

Source: Harrison Price Company.

| | |
|---|-----------------------|
| • General & Administrative | \$100,000 |
| • Marketing and Promotion | 8.0% |
| • Insurance | 1.5% |
| • Maintenance & Repairs | 4.0% |
| • An allowance for special show and presentations | \$25,000 |
| • Utilities | 2.0% |
| • Labor, 20 to 25 Full Time Equivalent Employees at \$20,000 | \$400,000- 500,000 |
| • Miscellaneous | 4.0% |

Using the cost factors defined above, HPC estimates low model operating costs of \$719,000 and high model costs of \$868,200. Low model operating expenses are equal to 72.3 percent of annual gross revenue, while high model operating expenses equal 69.6 percent of gross. As a comparison, the major mature commercial attractions in large markets have the most efficient operations, with costs running at approximately 65 percent of revenues.

Based on HPC's low and high end models, annual operating income before debt service, depreciation and taxes will range from \$16,000 to \$52,800.

GLOSSORY OF TERMS

| | |
|------------------------------|--|
| <u>Design Day Attendance</u> | The daily attendance of the top 15 to 20 days of the year. The attraction must be able to accommodate this volume of visitors since it may account for as much as 20 to 30 percent of annual volume. |
| <u>Japanese National</u> | A citizen of Japan with permanent residency in Japan. |
| <u>Non-Immigrant</u> | A foreign person visiting the United States for a specified period of time with no residency intention. |
| <u>Peak Day</u> | Any one of the 15 to 20 top attendance days of the year. |
| <u>Peak Month</u> | Any one of the top attendance months of the year. |
| <u>Peak Week</u> | Any one of the 5 highest attended weeks of the year. |
| <u>Per Capita</u> | The average expenditure on food, merchandise, or admission made by each visitor to an attraction. (Revenue divided by attendance). |
| <u>Stabilized Year</u> | The level of attendance achieved subsequent to opening year surge when an equilibrium is reached. Only modest growth is expected after stabilization. |