

Prepared for:

Visit St Petersburg/Clearwater

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Evaluation of Capital Projects Funding Program Submittals

The Museum of the American Arts and Crafts Movement St. Petersburg



PROJECT DESCRIPTION

The American Craftsman Museum, Inc. (applicant or ACM) is requesting TDT funding for the construction of a five story, 137,000 square foot Museum of the American Arts and Crafts Movement (MAACM) in downtown St. Petersburg. The application states the museum is currently under construction. The primary goal of the museum is to promote an understanding of the American Arts and Crafts movement through the acquisition, conservation, preservation, exhibition and interpretation of the decorative and fine arts associated with this movement. The building will house the world-class collection of art objects of the Two Red Roses Foundation. The museum will also include a children’s education center, an auditorium, a working graphic studio, library, museum store, a café, and destination restaurant.

FINANCIAL ANALYSIS

Site Ownership

The project address is 355 4th Street North, St. Petersburg, Florida and the application included evidence of ownership by the sponsor. The application indicates the proposed facility will be owned and operated by a not-for-profit organization.

Development Cost

The total project budget for the construction of MAACM is \$70 million (\$69,996,324). Gilbane Building Company (GBC)

provided the project budget in the application. GBC is an international construction company with 50 offices worldwide and 1,000 projects currently.

Funding Request

The American Craftsman Museum, Inc. is requesting \$4 million for three years, totaling \$12 million. The funding request represents a Category D (capital funding/debt service other) use as defined in the Capital Projects Funding Program Guidelines and requires the applicant to provide matching funding. The proposal meets the test with private funds equating to 4.8 times the request.

Funding Plan

It is unclear how the \$58m in non-County funds will be funded. The applicant provided a letter from a Morgan Stanley representative regarding Rudolfo Ciccarello stating his accounts “...are more than sufficient to administer the \$63 million construction budget.” It is unclear what “administer” means. It might be assumed Mr. Ciccarello is donating the funds philanthropically, but the application does not make that definitive statement. In the applicant’s response to clarify the funding question, a letter was provided from Tax Advisory Services LLS indicating “... the ACM has sufficient funds available for the match and the first year construction costs in excess of \$20m in liquid assets.” The applicant states there is no planned debt funding and the applicant’s investment in the project is supported by the more than \$16

million that has been spent in land acquisition, a parking garage and architectural and consultant fees.

Operating Proformas

A ten-year operating proforma was provided. The proforma assumed 150,000 in attendance in the first year and 40 full-time staff. Revenue in the first year is expected to be \$6.2 million increasing three percent per year to \$7.7 million in year 10. Expenses are estimated at \$6 million in year one increasing to \$6.6 in year 10. Net income is estimated to be \$249,000 in year one increasing to \$1 million by year 10.

The feasibility and economic impact analysis included in the application did not include comparable operating proformas to support the projections.

Business Plan

A business plan was provided and states that the mission of MAACM is to promote an understanding of the American Arts and Crafts movement and the works of art produced between 1900 and 1930 through the acquisition, conservation, preservation, exhibition, and interpretation of the decorative and fine arts. The plan further states that the presence of the museum in Pinellas County will make a significant and lasting impact on the local community and will reinforce the area as an appealing tourist destination. The plan also discusses curatorial roles and responsibilities, education roles and responsibilities, and staffing structures. The museum will be owned and operated as a 501(c)(3) non-profit.

FACILITY PLAN

Architectural Drawing and Plans

Construction documents and project renderings were included in the submittal provided by Alfonso Architects.

Shovel Ready

The applicant states that the Museum of the American Arts and Crafts Movement is currently under construction and the parking garage construction is complete. The project appears to be shovel ready dependent upon confirmation of the source of matching funds.

ECONOMIC IMPACT

Feasibility Study

The feasibility analysis was originally completed by Mr. Wayne Atherholt as an independent consultant to MAACM. Mr. Atherholt now works for the City of St. Petersburg in the Office of Cultural Affairs and was a past Director of the Dali, Chihuly Collection, Morean Arts Center and other cultural venues.

Lambert Advisory reviewed the feasibility study to determine if the analysis fairly reflected the performance projections. Based on a cursory review of their qualifications listed on their website, Lambert Advisory has experience completing feasibility and economic impact analyses for both public and private clients, although a museum was not listed among their clients.

The feasibility study financial projections assume a stabilized attendance of 150,000, which is similar to that realized at the Morean/Chihuly Complex and St. Petersburg Museum of Fine Arts.

Room Night Impact

Lambert estimates that the annual room night demand related to the MAACM would be 17,100 room nights. Lambert utilized information received from the Dali Museum related to percent of visitors that came from out of the area as a benchmark for the MAACM estimates. Dali assumes 50% of all visitors are from out of the area and Lambert assumes 40%, which is reasonable. The percent of overnight visitors utilizing hotels obtained from Visit St. Petersburg Clearwater (VSPC) and average number of people per room appears to be estimated by Lambert. The room night impact was calculated as follows:

	Total Visitors	150,000
x	Percent Overnight	40%
=	Overnight Visitors	60,000
x	Percent Staying in Hotel	57%
=	Visitor Demand	34,200
x	Average Persons per Room	2
=	Annual Room Night Demand	17,100

The Capital Projects Funding Program Guidelines states that generated hotel room nights are an important factor when

considering funding requests. The following summarizes the applicants funding request, estimated incremental hotel room nights and estimated TDT collections to be generated due to the new facility. As a way of comparing estimated TDT collections of the various applicants, the 2016 St. Petersburg/Clearwater market average daily rate (ADR) of \$146 was utilized as supplied by Research Data Services, Inc.

Annual Incremental Room Nights	17,100
ADR	\$146
Annual TDT Collections	\$149,800
Annual Funding Request (3 years)	\$4,000,000
Total Funding Request	\$12m

Tourism Development Tax

According to the Pinellas County Tax Collector, the City of St. Petersburg represented approximately 13.1% of the total Tourism Development Tax collected in the County in calendar year 2016. The applicant’s \$4,000,000 annual funding request for three years would represent 7.8% of the 2016 collections annually for three years.

Economic Impact

Lambert estimated the facility would generate \$7.1 million in economic impact annually, with \$3.3 million in direct spending and \$3.8m in indirect and induced spending. The direct spending equates to \$194 per room night or \$22 per

attendee, both of which are reasonable. These impacts are incremental since the facility doesn't exist.

Marketing/Media

The application states the marketing budget is estimated to be \$614,000, of which 80% or \$491,000 will be targeted for in-state and out-of-state tourists. Marketing dollars are to be used to advertise in national travel and tourist markets in print, social media, radio and television campaign. Specifically mentioned print coverage in New York Times, San Francisco Chronicle, Washington Times and internet coverage on Travel Industry Today.

Duplication of Facilities

The applicant states that the museum and the collection will be the only one of its kind in the country. Although the county offers additional museums, the facility is not viewed as duplication of other area museums, but rather adding to the arts and cultural offerings for visitors.

Summary

- The facility is owned by American Craftsman Museum, Inc.
- Development cost is estimated to total \$69,996,324
- Funding request is \$12 million over three years or \$4 million per year; \$11.1 million NPV
- Applicant states the Museum of the American Arts and Crafts Movement is currently under construction and the parking garage construction is complete
- Applicant estimated incremental 17,100 room nights would be produced annually
- City of St. Petersburg represented 13.1% of County's total TDT collections in 2016; \$4 million annual ask represents 7.8% of 2016 collections
- Annual media value was not provided; application indicates marketing budget of \$614,000
- Lambert estimated facility would generate \$7.1 million in total economic impact
- Not viewed as duplication of other area museums, but rather adding to the arts and cultural offerings for visitors.



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