

SECOND REPORT

Sustainability Committee of the
Japanese Garden Advisory Council

SEATTLE JAPANESE GARDEN
THE OPTIMAL OPERATING MODEL STUDY
COMMENTS & RECOMMENDATIONS

May 13, 2014

TRANSMITTAL

Attached for JGAC's consideration, review, possible modification and ultimate approval is the Second Report of your Japanese Garden Sustainability Committee.

The Sustainability Committee, instigated by Christopher Williams, Acting Superintendent of Seattle Parks and Recreation, was formed to consider two matters: (1) future capital projects and enhancements to operations, and (2) the optimal operating model for managing the Seattle Japanese Garden going forward.

This Report addresses item (2), the "Seattle Japanese Garden Optimal Operating Model Study" dated April 17, 2014 with an Addendum dated May 6, 2014. The Study was prepared by ConsultEcon, Inc., Boston.

The Committee unanimously concurs with the core recommendation of this Study that the "*best potential*" for enhanced outcomes and benefits to sustain the Seattle Japanese Garden is under the Non-Profit Management model.

In every performance area, ConsultEcon rates the **Non-Profit Management** model as having the "*Best Potential*" for enhanced outcomes.

For all of the foregoing reasons, the Sustainability Committee unanimously recommends to the Japanese Garden Advisory Council, to ARC and to the Seattle Department of Parks and Recreation:

- 1) that all volunteer supporters of the Seattle Japanese Garden coalesce into a single, non-profit entity.**
- 2) that the Japanese Garden Society of Seattle be recognized as the ONLY existing 501(c)(3) support group solely dedicated to the support of the Seattle Japanese Garden.**
- 3) that the Japanese Garden Society of Seattle be nominated as the best non-profit candidate to lead the transition of the Seattle Japanese Garden to a single, freestanding non-profit model of management and operations.**

The Sustainability Committee welcomes the Advisory Council's input. Per the Acting Superintendent's direction, upon the Advisory Council's acceptance of the Committee's Report, the Report will then be submitted to him at the Department of Parks and Recreation.

Respectfully submitted,

Steve Garber

For the Japanese Garden Sustainability Committee

Japanese Garden Sustainability Committee

Second Report

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- The Process
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- The Sustainability Committee’s Initial Report summary
- The ConsultEcon Optimal Operating Model Executive Summary

Table VI -2
(Combined Draft and Final Study Versions)

Seattle Japanese Garden Alternative Management Models – Potential Outcomes/Impacts

Alternative	(DRAFT) Existing ARC Partnership (current model) ^{1/}	(FINAL) Improved ARC Partnership ^{1/}	Non-Profit Management
<i>Attendance Impacts</i>	Stable, with potential for attendance erosion over time.	Improvements in attendance possible with more resources dedicated to marketing via JGAC, on-site manager that can assist in program coordination and managing programming sub-contracts.	Enhanced attendance potential due to increased marketing, programming, public visibility.
<i>Earned Revenue</i>	Stable, with potential for erosion in earned revenue without improved marketing, programming, retail.	Improvements in earned revenue possible through improved attendance, additional programming, a membership program and additional improvements to retail.	Best potential for enhanced earned revenue associated with upside potential in attendance, likely garden enhancements via a capital campaign, improvements in retail, additional on-site and outreach programming, membership program.
<i>Contributed Revenue (fundraising)</i>	Stable with potential for erosion in contributed revenues. Those passionate about the Japanese Garden will continue to support the Garden, however, continued organizational complexity and no non-profit with the garden as its singular focus will limit upside potential.	To improve potential would require ARC to make the Japanese Garden a priority in their portfolio of community assets and add additional dedicated fundraising staffing. Improved potential via a JGAC led annual fund drive and enhanced marketing and cultural programming which help to create a case for support.	Best upside potential due to a cohesive vision, mission and management, strong case for support, and single organization focus on fundraising.
<i>Operating Expenses</i>	Stable, continued subsidy by the City. Limited funding for programming, marketing and development functions.	Additional subsidy by the City required to enhance programming, site based coordination, and support marketing and development functions. Requires additional ARC/JGAC funding for marketing, development, events and programming.	Reduced operating expense for the City. Burden for majority of operating expenses shifted to non-profit organization. City may support capital projects and emergency repairs. Modest continued support from the City coupled with enhanced revenue potential of non-profit could result in funding of operating expenses to support high level Japanese Garden operations.

<p><i>Capital Projects</i></p>	<p>City responsible for leading capital improvements with support from JGAC/ARC, JGS, Unit 86. City capital project management costs are high as compared to private sector projects. Major fundraising for capital projects challenging as donors are more likely to give to a non-profit than a municipality.</p>	<p>City responsible for leading capital improvements with support from JGAC/ARC, JGS, Unit 86. City capital project management costs are high as compared to private sector projects. Major fundraising for capital projects challenging as donors are more likely to give to a non-profit than a municipality. ARC has capacity to raise funds; however, Japanese Garden is an anomaly in the ARC portfolio of recreation centers, and recreation and lifelong learning programs. Enhanced potential under the ARC partnership would require ARC making the Japanese Garden a priority in its portfolio. Even then, the fundraising potential for capital projects would be less than in a non-profit model.</p>	<p>Capital project fundraising by a high-level non-profit board and advisory board dedicated solely to the Japanese Garden.</p>
<p><i>Economic Impacts</i></p>	<p>Status quo with possible erosion.</p>	<p>Improved impacts with the potential for enhanced attendance and spending opportunities at the garden.</p>	<p>Greatest potential to improve economic impacts with re-positioning of the Garden as a premier Seattle cultural tourism attraction, enhanced marketing and programming, leading to improved attendance, incremental increase in operating budget, etc.</p>
<p><i>Community Impacts</i></p>	<p>Status quo with possible erosion due to continued complexity of multiple entities assuming some responsibility for garden operation. No single organization as "public face" of garden.</p>	<p>Improved impacts with streamlined management of the garden at Parks, and enhanced programmatic offerings.</p>	<p>Substantial potential to improve community impacts with unification of garden management under an organization with a singular focus and mission. Enhance programming, improved partnership and collaborative potential, greater synergy with local organizations and attractions.</p>
<p><i>Footnotes</i></p>	<p>Source: ConsultEcon, Inc. 1/ Assumes that management of the Japanese Garden within Parks and Recreation will be consolidated under NRU in 2014. Also assumes one ARC Stewardship and Events Coordinator indirectly reporting to JGAC and directly reporting to ARC.</p>	<p>Source: ConsultEcon, Inc. 1/ Assumes that management of the Japanese Garden within Parks and Recreation will be consolidated under NRU in 2014. Also assumes one ARC Stewardship and Events Coordinator indirectly reporting to JGAC and directly reporting to ARC.</p>	<p>(Note: no change from DRAFT to FINAL in Non-Profit column) (Note: no change in ARC Partnership Footnote from DRAFT to FINAL.)</p>

**Seattle Japanese Garden Alternative Management Models
Potential Outcomes/Impacts
SUSTAINABILITY COMMITTEE OBSERVATIONS & COMMENTS**

ConsultEcon recommends on page 85 of the Study that *"A suggested 'optimal' long term strategy to improve financial sustainability and enhance the public benefit (is) for Parks and Recreation to enter into an operating agreement with a qualified non-profit 501(c) organization to assume management and operations of the Seattle Japanese Garden, including:*

- *Visitor services*
- *Programing and events*
- *Fundraising and marketing*
- *And basic garden and building maintenance."*

ConsultEcon's reasoning for this recommendation includes the following advantages that the **Non-Profit Management** model would have over either the **Existing ARC Partnership** model or the **Improved ARC Partnership** model:

- Enhanced fundraising potential
- Greater earned revenue potential
- More effective, flexible, efficient and responsive governance
- Enhanced opportunities for programming and creative collaborations
- The ability to directly receive and manage large donations and endowment funds

This Committee concurs with the core recommendation of this Study that the "best potential" for enhanced outcomes and benefits to sustain the Seattle Japanese Garden is under the **Non-Profit Management** model.

Between the original Draft Report and the Final Study, ConsultEcon expanded the description and comparison of the ARC Partnership from the **Existing ARC Partnership** model to the **Improved ARC Partnership** model. The Table VI-2 on pages 1-2 above show these changes side by side. This committee was pleased to see this additional information because, at least for the short term, this is the model that will likely operate the garden until a **Non-Profit Management** model can be implemented.

However, this committee has strong reservations that either the **Existing ARC Partnership** model or the **Improved ARC Partnership** model would provide the stewardship necessary to develop the Seattle Japanese Garden to its best potential if continued for any length of time and, therefore, makes the following observations and comments to support that position.

- 1) Although the heading and the descriptions from the Draft to the Final version for the ARC Partnership model changed considerably, the Table VI-2 footnote 1/ *Assuming consolidation of JG management within Parks and the addition of 1 ARC Coordinator* did not change at all. Therefore, the **Existing ARC Partnership** model of the Draft and the **Improved ARC Partnership** model of the Final Study have the very same baseline assumptions but have two very different projected outcomes.

This Committee also notes that, although the consolidation of management under the single Parks department of NRU is a welcome improvement, the baseline assumptions regarding other staffing changes do not actually represent an increase of Parks or ARC staff with responsibility for the Japanese Garden. Rather they are a revision and repurposing of existing staff positions. This baseline restructuring is a very modest improvement at best.

- 2) The **Improved ARC Partnership** model, even with consolidated management and staffing, will continue to be afflicted with inherent management inefficiencies and continuous staff turnover typical of a large municipal entity like Parks.

This Committee notes that these inefficiencies and high turnover have had significant detrimental effects on the Japanese Garden and its volunteers in the past and questions how the limited improvements in management structure as described in footnote 1/ will mitigate these existing and widely recognized management and operational problems.

- 3) In all areas, the rating of "*improved potential*" of the **Improved ARC Partnership** model in the FINAL Study over the "*stable with potential for erosion*" rating of the **Existing ARC Partnership** model in the DRAFT Report relies on significant increases in staffing, financial support and focus for the Japanese Garden within Parks/ARC beyond the baseline improvements of footnote 1/.

All acknowledge that the Japanese Garden is, by physical size, budget, and attendance, an insignificant portion of both Parks and ARC, as well as an anomaly by function within the world of ARC responsibilities. Given this circumstance and in view of the 34 year history of the Japanese Garden within Parks, this Committee reasonably questions if Parks' proposed increases in commitment, funding and focus is truly sustainable.

- 4) The Final Study states on page 62, "*Future capacity building at the Japanese Garden through the **Improved ARC Partnership** Model should include*":
- a. Increased financial commitment resulting in increased revenues,
 - b. Additional full time development, marketing and programming staff and a full time executive director as well as a substantially larger operating budget to support these staff to achieve higher revenues,
 - c. Future capital improvements to enhance the visitor experience and earned revenue potential, as well as growth in the organizational capacity over time.

This Committee questions if Parks is assuming all of this future capacity building will happen inside of Parks and ARC under the **Improved ARC Partnership** model. How will these increases be paid for without a corresponding increase in participation by the various other support groups to provide the additional programming, events and fundraising efforts to generate revenue required to cover these additional operating expenses?

This Committee also questions why these support groups would be motivated to work harder when they will have even less control over the processes and outcomes than they currently have and that few to none of their past frustrations rising from the fractured management structure of the Garden have been addressed. The current model drives good volunteers away. It's just too hard to accomplish even simple tasks.

- 5) The Final Study states on page vi of the Executive Summary and again on page 38: "*The most substantial barrier to future sustainability of the garden as noted was the overall lack of singular leadership for the garden stemming from an overly complex partnership structure, and the large number of organizations involved with their own goals and agendas.*" (Underline by Committee)

In both the **Existing ARC Partnership** model and the **Improved ARC Partnership** model, Parks/ARC relies completely upon that same multi-organizational structure of separate and various Japanese Garden support groups described as a "*barrier*" above.

This committee notes that this organization structure is a problem for everyone working with the Japanese Garden, including Parks and ARC as evidenced by the attached Organization Chart drafted by Lisa Chen of Parks.

This Committee questions how maintaining that "*overly complex partnership structure*" could possibly benefit the sustainability of the Japanese Garden.

- 6) The Final Study states over a dozen times that the "*best potential*" outcomes would be achieved if the organization managing the garden had a "*single focus*" and/or "*single purpose*" dedicated to the Japanese Garden.

This Committee notes that both the **Existing ARC Partnership** model and the **Improved ARC Partnership** model in no way reflect this important "single focus" recommendation and contemplates no future change to incorporate this "single focus" recommendation.

- 7) Seattle Parks and Recreation Department is widely regarded among the Stakeholders as having "*exceeded at capital maintenance*" of the Japanese Garden and achieved some success with "*one of its overarching goals to provide Access to all Parks facilities.*"

However, this Committee is concerned that "access" and "maintenance" alone do not support the garden as the Japanese cultural and horticultural icon it should be. The historical significance of the Seattle Japanese Garden together with its world class reputation as one of few authentic Japanese Gardens outside of Japan require highly specialized maintenance, focus and attention.

This Committee notes that traditionally all of the activities which enhance the Japanese quality of the garden have come from the support community. Parks staff do not have the knowledge, experience, specialized training or focus on things Japanese to initiate, sustain or build upon either the cultural or the horticultural aspects of the garden or to ensure that the garden serve the cultural role that it should within the greater Seattle community.

This Committee is very concerned that these cultural aspects of the garden will continue to suffer under the **Improved ARC Partnership** model as it has under the **Existing ARC Partnership** model. Maintaining the current fractured support organization structure not only limits the Garden's potential future revenues, but also threatens its very reputation. Moreover, if the Garden is not truly and clearly Japanese, it will not continue to be sustainable as the unique jewel that it is.

- 8) On page vi in the last bullet of the Executive Summary and on page 62, the Final Study says: "*A non-profit organization can directly receive and manage endowment funds to benefit operations and capital projects, and a public agency typically can not.*"

This Committee notes that any **ARC Partnership** model would place an inherent limitation on the fundraising ability of the Japanese Garden and its support groups. The public seldom contributes to municipalities; the public contributes to free standing institutions with clear priorities. Those institutions are usually non-profits. The Arboretum with its fractured, tripartite management structure has suffered just this kind of limitation with its Master Plan fundraising efforts. Arboretum consultants advised them 20 years ago that the Arboretum would never raise significant capital without unified non-profit management. Unfortunately, those predictions have been borne out over the past 20 years as the Arboretum has raised only about 15% of its total capital fundraising goal.

SUSTAINABILITY COMMITTEE
CONCLUSIONS AND RECOMMENDATIONS

This Committee unanimously agrees with and supports the core conclusion of the Seattle Japanese Garden Optimal Operating Model Study by ConsultEcon that in every performance area, the Non-Profit Management model has the “*Best Potential*” for enhanced outcomes for the Seattle Japanese Garden.

This Committee notes further that the Final Study states the 2013 annual gate and special event revenues of the Garden (not including the Garden Party) are about \$320,000. (Final Study, Table II-8, page 14, subtracting \$35,000 for the Garden Party.)

The Final Study states further that Direct Operating Expenses for 2013 were \$338,000. (Final Study, Table II-9, page 15.)

Assuming in-kind services from Parks would continue for the time being at their current level, a non-profit organization comprised of and led by the Garden’s current volunteers could reasonably expect to operate on a near breakeven basis before any fundraising efforts of their own.

The combined reserves of the three support organizations are in the vicinity of \$250,000. This seed money gives a non-profit organization substantial flexibility to invest in capital projects, build future capacity, cover any operating shortfalls, initiate fundraising efforts, and build programs and staff, as circumstances may dictate and opportunities arise.

Financially, a non-profit organization comprised of existing volunteers, if it were willing to continue to dedicate a significant amount of time and talent, could manage and operate the Seattle Japanese Garden beginning tomorrow. Or, more realistically, beginning Opening Day, 2015.

For all of the foregoing reasons, the Sustainability Committee unanimously recommends to the Japanese Garden Advisory Council, to ARC and to the Seattle Department of Parks and Recreation:

- 1) that all volunteer supporters of the Seattle Japanese Garden coalesce into a single, non-profit entity.**
- 2) that the Japanese Garden Society of Seattle be recognized as the ONLY existing 501(c)(3) support group solely dedicated to the support of the Seattle Japanese Garden.**
- 3) that the Japanese Garden Society of Seattle be nominated as the best non-profit candidate to lead the transition of the Seattle Japanese Garden to a single, freestanding non-profit model of management and operations.**

The Japanese Garden Society of Seattle enhanced by present members of Unit 86 and the JGAC has or can readily acquire all of the characteristics ConsultEcon recommends as necessary for a successful non-profit entity. The volunteers who work in the garden now essentially run the cultural aspects of the Seattle Japanese Garden. Existing volunteers could constitute a board of the Japanese Garden Society who could fulfill all of the requirements set out by ConsultEcon, even before recruiting additional outside members.

ConsultEcon Minimum Qualifying Non-Profit Characteristics
Applied to the Japanese Garden Society

- JGS believes that it either has or can reasonably be expected to acquire all of the characteristics for a qualifying nonprofit recommended by the ConsultEcon study within the current calendar year.
- JGS is and has been a registered Non-Profit Corporation in good standing in the State of Washington since 1985. It received recognition by IRS as a 501(c)(3) Exempt Organization in December 1985 and has remained in good standing as such to this date. It is currently registered with the Washington Secretary of State as a Charitable Organization.
- JGS currently has Bylaws and Articles of Incorporation. JGS plans to assess and revise these governing documents as soon as an expanded Board of Directors is formed.
- JGS currently has a mission statement. JGS plans to assess and revise its mission and vision statements in light of the larger charge to the organization regarding management of the SJG.
- JGS will immediately seek to expand its Board of Directors as recommended by the ConsultEcon study. However, JGS wants to think about the optimal number of Directors best suited to the management duties described in the ConsultEcon study, particularly in the early years. The JGS Board of Directors may be more of a working board than an oversight board in the early years.
- Current JGS officers' qualifications regarding "expertise and experience to guide the management of a high-profile visitor attraction and cultural resource" are significant and include a long history of involvement with the Seattle Japanese Garden.

JAPANESE GARDEN SUSTAINABILITY COMMITTEE

ANCILLARY DOCUMENTS

Report to JGAC

May 13, 2014

Second Report to the Japanese Garden Advisory Council

The Process

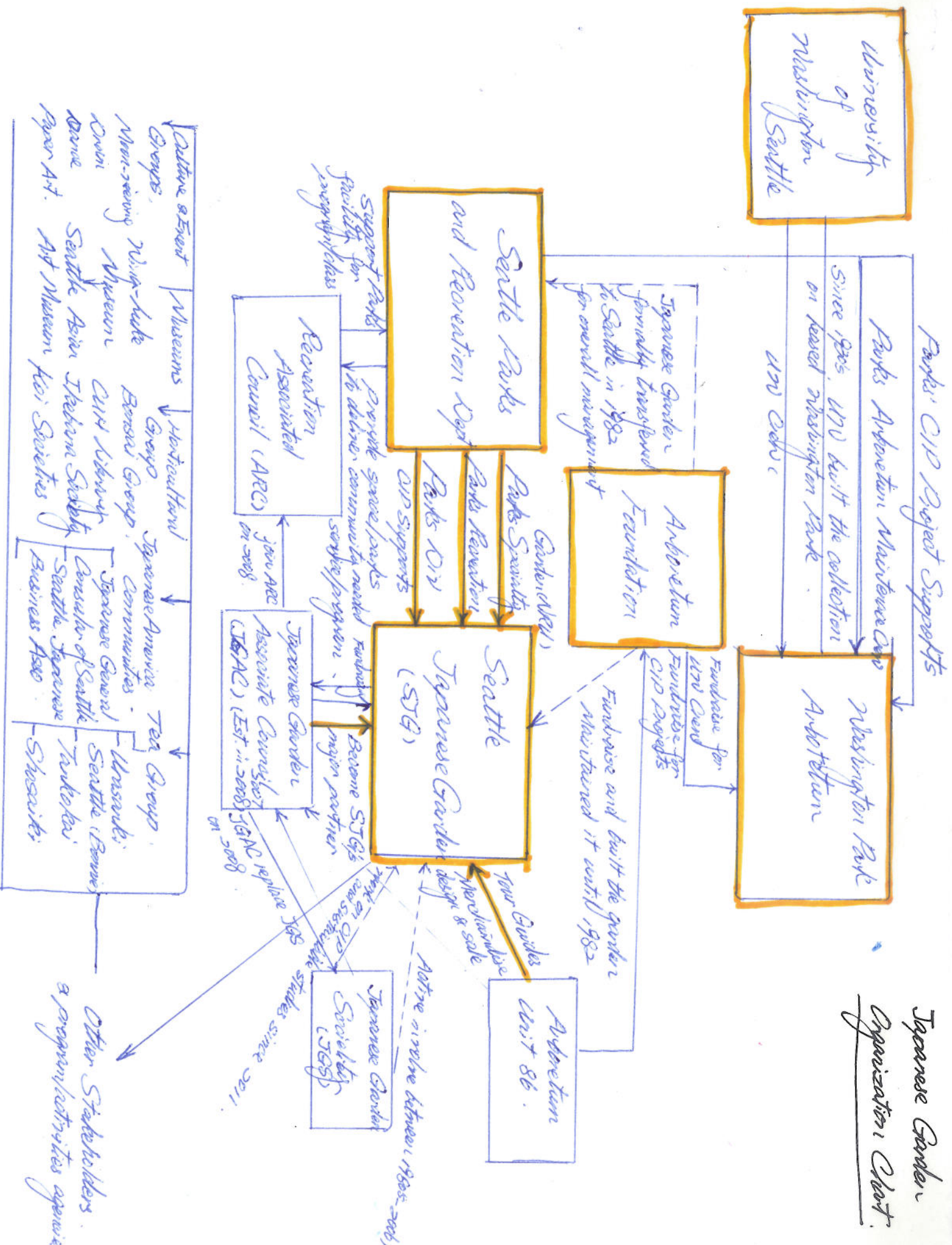
How did we get to this point?

- In the spring of 2011, Superintendent Christopher Williams approached Steve Alley, Chair of JGAC to inquire if the members of JGAC would be interested in becoming a freestanding entity like the Zoo and the Aquarium. JGAC replied to the Superintendent in June 2011 stating that it accepted the Superintendent's offer. A copy of Steve Alley's letter on behalf of JGAC is attached.
- At approximately the same time, the Japanese Garden Society received a bequest of \$257,000. That got Steve Garber, President of the JGS, an invitation from the Superintendent to meet to discuss use of the bequest. At a January 2012 meeting, Steve informed the Superintendent that JGS desired to support the effort to manage and operate the Japanese Garden as the Superintendent had proposed.
- Superintendent Williams stated that in order for such a transition to occur, there would need to be a study considering the Optimal Operating Model for managing the Garden, and that all interested parties would need to be involved.
- As a consequence, JGAC formed the Japanese Garden Sustainability Committee comprised of two representatives each from JGAC, Unit 86 and the Japanese Garden Society and a representative from Parks.

Second Report to the Japanese Garden Advisory Council

- The Committee is charged with two tasks:
 - Consider operating, program and capital needs of the Seattle Japanese Garden with a focus on the Garden's physical and financial sustainability
 - Participate in a study to determine the Optimal Operating Model for the Seattle Japanese Garden
- The committee spent five months on its first charge creating the Initial Report , *Planning for the Future of the Seattle Japanese Garden*, concerning operating, capital and program needs for the Japanese Garden. A copy of the text of the Initial Report is attached.
 - As contemplated in the Committee's Initial Report, a Pond Study has been completed. Moreover, with help from many quarters, a significant portion of the Pond Project was completed during the winter of 2013-14, the results of which we're all enjoying this spring.
- The next agreed upon task was an Optimal Operating Model study. For this purpose, the consultants ConsultEcon out of Boston were hired in the fall of 2013 by Parks with the Sustainability Committee's concurrence and began their work in early 2014. After four month's work, ConsultEcon submitted its Study dated April 17, 2014 with an Addendum dated May 6, 2014.

Japanese Garden Organizer Chart





June 14, 2011

Mr. Christopher Williams
Acting Superintendent
Seattle Parks and Recreation
100 Dexter Ave N.
Seattle, WA 98109

Dear Mr. Williams:

On behalf of the entire Japanese Garden Advisory Council, I would like to express my appreciation to you and your staff for your continued stewardship and support of one of the city's greatest horticultural treasures, the Seattle Japanese Garden.

The fiscal challenges that Seattle and other governments face today are unprecedented. The Council stands together with Parks as your partner committed to maintaining the 51-year investment of time and resources in the Garden, maintaining this asset for the continued benefit to the public.

In light of current circumstances, the Japanese Garden Advisory Council formally requests the opportunity to negotiate with Parks on a Partnership Agreement. Under this new agreement, the Council would take on additional operational and financial responsibilities of the Garden with goals of maintaining sustainability, expanding programming and operations, and securing new sources of outside funding.

The Council foresees that this agreement would be in the spirit of others that Parks has negotiated with the Woodland Park Zoological Society, Seattle Aquarium Society, Green Lake Small Craft Center Council and Mt. Baker Rowing and Sailing Center Council, for example.

The Council approved a motion on Tuesday, June 14 endorsing this request and looks forward to initiating negotiations with Parks.

Sincerely,

Stephen C. Alley
Chair, Japanese Garden Advisory Council

CC Bill Keller



Japanese Garden Advisory Council
c/o Associated Recreation Council
860 Terry Avenue North
Seattle, WA 98109



INITIAL REPORT

Sustainability Committee of the
Japanese Garden Advisory Council

PLANNING FOR THE FUTURE OF
THE SEATTLE JAPANESE GARDEN

October 3, 2012

Japanese Garden Sustainability Committee

Japanese Garden Advisory Council

Initial Report

BACKGROUND and CURRENT STATUS

The Seattle Japanese Garden is a 3.5 acre Seattle city park managed by Seattle Parks and Recreation and supported by several entities with a moderate degree of cooperation and focus.

The Seattle Japanese Garden (SJG) is part of Washington Park and the Washington Park Arboretum. Washington Park Arboretum is an entity operated cooperatively by the Arboretum Foundation, Seattle Parks, and the University of Washington under the umbrella of the Arboretum Botanical Garden Committee, an entity created by the Washington state legislature in the 1930s when the Arboretum was established.

As a practical matter, the University of Washington and the Arboretum Botanical Garden Committee have almost no involvement in the Japanese Garden with the one exception of the Miller Library at the UW's Center for Urban Horticulture which serves as the repository for certain of the Japanese Garden's artifacts.

One principal SJG support group is the Japanese Garden Advisory Council (JGAC). JGAC is a unit of the Associated Recreation Council (ARC), a broadly supported 501(c)(3) charitable organization. ARC partners with Seattle Parks and Recreation to provide community support for activities in a number of Seattle city parks including the Seattle Japanese Garden.

Another principal SJG support group is Unit 86 of the Arboretum Foundation. The cultural attributes of the Garden – the festivals, education – would hardly exist but for the members of Unit 86. While Unit 86 provides volunteers for a number of activities in the Japanese Garden, its largest effort is to train and provide guides for tours of the garden.

As to paid staff, SJG has two full time Parks gardeners plus seasonal help; three part time cashiers; and a half time Parks person plus a half time ARC person both of whom provide administrative services and support for various activities and events. Parks Shops provides approximately 1,500 hours of annual maintenance as needed. Unit 86 has no paid employees. JGAC, Unit 86 and others provide thousands of volunteer hours to the Garden annually.

An additional support organization, the Japanese Garden Society (JGS), an independent 501(c)(3) organization established in 1985, is a predecessor of the JGAC. JGS has been largely dormant since about 2004, although it is still in existence.

In 2011, the Japanese Garden Society received a \$257,000 unrestricted bequest from its one time volunteer Barbara Williams. In accordance with its bylaws, JGS will use this money in support of the Seattle Japanese Garden. JGS is committed to making a lasting difference to the future of the Seattle Japanese Garden with this bequest.

To that end, on January 23, 2012, President of the Japanese Garden Society, Steve Garber, met at the invitation of and with Seattle Parks Acting Superintendent Christopher Williams and members of his Department. At that meeting, Christopher Williams proposed and Steve Garber agreed as follows (as reported in the notes of that meeting):

- Christopher Williams does not support using the Barbara Williams Bequest only for Seattle Japanese Garden operations.
- Christopher Williams does support using the Barbara Williams Bequest for capital improvements to the Seattle Japanese Garden and requested Parks Division Director Dan Johnson to provide a list of potential capital project ideas.
- Christopher Williams would support a feasibility study to determine the optimal operating model for the Seattle Japanese Garden.

PARTICIPANTS

Subsequent to the January meeting, JGAC formed this Sustainability Committee (the Committee) whose six members include two from JGAC, two from JGS and two from Unit 86 who are as follows:

- Steve Garber, President, JGS and Chair of this Committee
- Karen Lightfeldt, Vice President, JGS
- Christopher Ezzell, Member, JGAC
- Bruce Robb, Member JGAC
- Myrna Aavedal, President, Unit 86
- Mary Ann Cahill, Member, Unit 86

In fact, various of those on this Committee are members of two and sometimes all three of these organizations, but the above list indicates their representation on this Committee.

Collectively and cumulatively, the Committee members have been involved with the Japanese Garden for some number of decades and in a number of capacities. All serve as unpaid volunteers in this and any other role they currently hold with regard to the Japanese Garden.

In addition, Peggy Garber, Treasurer of JGS, has functioned as the Recorder of the Sustainability Committee meetings, and her Meeting Notes document the work of this Committee and support the findings and conclusions of this report.

As suggested in the January Meeting Notes referenced above, Dan Johnson, Director of the Parks Division of Seattle Parks and Recreation, has participated in the Committee's proceedings representing Parks. Dan's participation is greatly appreciated.

As a starting point, the Committee used the Capital Projects List compiled by Parks Horticulturalist Lisa Chen and JGAC Member Jack Rafn (a copy of which is attached to this report). The Committee is exceedingly grateful for the thought given to and the detail provided in this document.

Other Parks participants in the Committee's activities have included:

- Michael Shiosaki, Director, Planning and Development
- Andy Sheffer, Senior Project Coordinator, Planning and Development
- Sue DeNure, Japanese Garden Senior Gardener
- Lisa Chen, Park Horticulturalist

The work of this committee was greatly enhanced by the contributions and cooperation of each of these participants. That said, this report and the conclusions and priorities herein are the Committee's and Committee's alone. Any errors, omission or misstatements are the Committee's.

MATTERS OF SUSTAINABILITY

The Committee took its cue from Christopher Williams and focused on sustainability (hence the Committee's name). To begin our work, we agreed that sustainability needs to have both current and future components.

Essentially, we functioned as a long range planning committee focusing on two goals:

- Enhancements of infrastructure to best assure the Garden's quality, Japanese authenticity and overall longevity.
- Improvements of functional and operational activities to enhance the public knowledge and experience of the Garden and monetary contributions to the Garden with the goal of increasing patronage and revenue to the point of producing a self-sustaining income stream sufficient to cover operational expenses as well as capital outlays.

The Committee did not base its deliberations on the availability of funds, but rather on the needs of the garden and the potential benefits that could be achieved. To that end, the Committee identified 35 projects, areas and tasks arrayed in the following categories:

- Maintenance of grounds and infrastructure
- Improvements of existing facilities
- Operations
- Future projects

The Committee's inquiries were broadly stated:

- What do we have?
- What kind of shape is it in?
- Who's doing what?
- Who's paying for what?
- What ought we be doing?
- What are our priorities?
- How can we take all of this into account and create a plan to make the garden more sustainable for the near term and into the future?

For our purposes, we agreed that sustainability required meeting the needs of the present while anticipating the needs of the future and providing avenues for those who follow us to meet their own needs.

Put another way, our focus was on the future while remaining mindful that we could hardly ignore the present lest those issues become greater problems in the future.

PRELIMINARY STUDIES

Committee members participated during this year with various Parks personnel in a number of studies, typically of the Walkabout variety during which notes were taken. The Committee also relied on various studies completed in recent years, some of which Committee members participated in. These include:

- A March 2012 Capital Projects Walkabout focused on the Chen/Rafn capital projects list.
- An acoustical engineer who took sound readings in the Garden to measure the impact of noise from Lake Washington Boulevard.
- A Walkabout report conducted by Marc Keane regarding the roji.
- A separate Pond Assessment Walkabout with John Fulford of Turnstone Construction.

- Several assessments of the condition and quality of the Machiai including an estimate for replacing the roof.
- Inquiries and investigations regarding repaving Lake Washington Boulevard.

PRIORITIES

We prioritized the 35 matters we addressed into Low, Medium, High and Very High priorities, looking at both present conditions and future needs. We arrived at four Very High priorities which are (in alphabetical order):

- Noise abatement on Lake Washington Boulevard – cost estimate \$140,000.
- Publicity, marketing and branding the garden to increase awareness, attendance and thus revenue – cost not yet determined.
- Remediation of the pond bank, particularly around the two islands – cost estimate for the restoration to be produced as part of a study described under Next Steps below.
- Signage and the presentation of the Entry Gatehouse and adjacent grounds – cost of study not yet determined; cost of signage should be modest.

The Committee realizes that none of these items exist in a vacuum.

For example, while we consider remediating pond bank erosion as a Very High priority and removing the sediment from the pond as only a Medium priority, the sensible approach is to drain the pond only once and do both projects at the same time. Other future efforts will almost certainly combine tasks of varying priorities in the pragmatic interest of efficiency and to minimize costs.

In a similar manner as the ponds projects, various related projects are grouped on pages six and seven of the Projects Matrix that they may be considered together.

This Committee attempted to look into the future at what we ought to be doing going forward to assure the best physical and financial health of the Seattle Japanese Garden. Once we have established priorities, we can determine timelines and then look to where we can find financing to do what we agree we ought to be doing.

Without priorities how can we plan? With sustainability as a goal, priorities are the end product of this report.

NEXT STEPS

The Committee intends to support the pond assessment. Andy Sheffer of Parks has worked with Turnstone Construction with regard to a proposed study of the pond project. Turnstone has submitted a proposal (a copy of which is attached) to do this work this autumn for \$6,825.

The Committee expects that another next step will be the study and determination of an Optimal Operating Model. The Committee anticipates that completion of all but the most immediate tasks described in this report and the attached Project Analysis Matrix will follow from (rather than precede) the findings and recommendations of that study. The cost of this will be borne equally by the Japanese Garden Society and Parks.

JAPANESE GARDEN SOCIETY COMMITMENTS

The Committee recommends that an engineering and habitat study of the pond be undertaken to determine how best to go forward with the pond restoration and preservation.

The Japanese Garden Society has informed the Committee that the JGS is ready to commit an amount in the range of \$10-20,000 to

immediate needs as identified in the Matrix, specifically to include this pond study.

The Japanese Garden Society notes that it does not expect to be the sole financial source for anything of any significant cost. Specifically and most immediately, JGS has informed this Committee that JGS will commit to pay up to one-half the cost of the pond restoration study.

The Japanese Garden Society, as it agreed with Christopher Williams, will commit another \$10-15,000 as its half of the cost of a study of the Optimal Operating Model as soon as a consultant agreeable to both Parks and JGS can be chosen. This Committee expects that study to commence before year end.

The Japanese Garden Society informs this Committee that JGS will commit the balance of its funds to various projects once the Optimal Operating Model study has been completed and accepted, and, it is anticipated, in accordance with the findings and recommendations of that study. JGS has no self-imposed deadline for disbursing all its funds.

A FINAL WORD

The Committee and all its members thank the Advisory Council and Parks for the opportunity to embark on this task. We are grateful for both the remarkable talent residing in Seattle Parks and the generous cooperation of all the people named in this report.

Finally, as always and speaking for each member of this Committee, we do love the Seattle Japanese Garden.

Attachments: Project Analysis Matrix
 Chen-Rafn Capital Projects list
 Turnstone Construction pond restoration proposal

Seattle Japanese Garden Optimal Operating Model Study

**Prepared by:
ConsultEcon, Inc.**

**Prepared for:
Seattle Department of Parks and Recreation**

April 17, 2014

EXECUTIVE SUMMARY

The purpose of this study was to evaluate the Seattle Japanese Garden's current operating model (the Associated Recreation Council partnership) and a non-profit management model, and to identify an optimal operating model for the garden. An "optimal" model is defined as one that will provide the garden with the greatest chance for short-term and long-term financial sustainability and at the same time ensures the greatest public benefit. This study included: reviewing the existing ARC partnership model and operations of the garden; reviewing the characteristics of resident and visitor markets; reviewing the experience of comparable Japanese Gardens; soliciting input from stakeholders about the efficacy of the current model; and completing an operations analysis for an alternative operating model.

Garden Description and Existing Conditions

The Seattle Japanese Garden is a 3.5-acre formal garden designed and constructed under the supervision of world-renowned Japanese garden designer Juki Iida in 1960. The garden was designated as a Seattle Historic Landmark in 2008 and is considered one of the top twenty-five Japanese Gardens in North America. Facilities on the site include a shared parking area accommodating 88 vehicles; a gatehouse (1,170 square feet completed in 2009) including an admissions office, staff office, community room/meeting space that can accommodate 45 (around 25 seated), gardener's quarters, restrooms, and storage garage. There is also a 430 square foot tea house that was built in 1981.

Governance/Management and Existing Operating Characteristics

The Japanese Garden is currently operated by the City of Seattle Department of Parks and Recreation with associated support through a complex public-private partnership that has evolved organically over time and currently involves the active involvement of a number of organizations including: a primary partner, the Associated Recreation Council (ARC) and Japanese Garden Advisory Committee (JGAC); Unit 86 – a friends group of the Seattle Japanese Garden that is part of the Arboretum Foundation membership communities and mainly provides garden tours as the volunteer guides; and the Japanese Garden Society – a non – profit support group that currently is maintaining a bequest on behalf of the garden.

Two organizations maintain official financial and operating records for the garden (Parks and ARC), and several of the other collaborating organizations maintain their own financial records (Unit 86 and the Japanese Garden Society). Approximately 85% of the financial resources to maintain the Garden come from Parks with the balance from partner organizations

Attendance and Membership

In 2013, there were nearly 58,000 visits to the garden, of which, 83% were paid general admissions, 11% were annual pass admissions, and the balance were other free or discounted admissions. The garden is open seasonally and peak months for attendance include May, July,

August and October with each of those months representing about 14% of the year's total attendance.

There were a total of 6,400 annual pass admissions, based on 1,053 passes sold. Average revenue per pass sold was \$29. The annual pass program allows for unlimited entry to the garden, however there are no additional benefits, and the three major special event days (1st Viewing, Moon Viewing and Children's Day) are excluded.

Revenues

Earned revenues at the garden include: admissions, annual pass sales, paid programming (tea programs), and limited retail sales. Contributed revenues come from an annual fundraiser and misc. donations from the various support groups. The single largest source of revenue is admissions, accounting for more than 73% of total revenues in 2013, followed by revenue from the annual Garden Party staged by the Japanese Garden Advisory Council. In 2013, the Garden generated \$357,000 in total (earned and contributed) revenues.

Operating Expenses

The City of Seattle Parks and Recreation Department has 'Access' as one of its three primary overarching goals, and as such, funds the garden operations and maintenance program to achieve that goal. The City of Seattle Department of Parks and Recreation is responsible for horticultural and grounds maintenance of the garden, facility management, as well as the daily operation of the gatehouse for visitor services including admissions and program scheduling and sales of merchandise for Unit 86. Parks provides limited information and programming about the garden on the City's inweb: Seattle Japanese Garden page. In addition to having a core gardening, admissions and management staff directly assigned to the Japanese Garden, the garden benefits from other support services on an annual basis from throughout Parks. In total, Parks carries a \$323,000 to \$338,000 annual operating budget for the garden from year to year. In addition to \$338,000 in direct support, Parks provided an estimated \$163,000 to \$194,000 in additional facility and garden maintenance support annually, for a total estimated annual budget of \$501,000 to \$532,000 for buildings and grounds and basic visitor services.

Programming, marketing, and fundraising are in a sense, "outsourced" and provided by volunteer led organizations including JGAC and Unit 86. Under a Park and ARC/JGAC agreement, the revenue from Monday's admission (less cashiers salary) funds ARC staff who are responsible for coordinating and conducting 7 to 8 events at the garden each year. The JGAC also provides support for basic fundraising and marketing. ARC/JGAC have also assisted by partially funding the cost of specialized contract labor for annual pine pruning and other miscellaneous capital improvements. Unit 86 provides tour guide services as well as handles merchandizing for retail sales. An additional \$70,000 in operating expenses from these two organizations combined suggests that the garden is being operated for under \$600,000 annually. This includes paid staffing ranging from 7 to just under 8 FTE and 2,200 volunteer hours from Unit 86.

Resident and Tourist Market Characteristics

The resident population most proximate to the Garden is growing, is affluent, and has demographic characteristics that are supportive of attendance to a cultural attraction such as the Japanese Garden. In addition, the tourism market in Seattle continues to grow, providing a growing base of potential visitors to the garden. For its small size and limited season, the Japanese Garden does well in attracting visits (nearly 58,000 per year) as compared to larger and perhaps more visible area attractions. This is in spite of offering limited programming, a minimal amount of marketing (including limited wayfinding signage to the site and on site), and basic visitor services.

By comparison, the Asian Art Museum and Volunteer Park Conservatory each attract 80,000 +/- visits.

Experience of Comparable Japanese Garden Projects

To inform the analysis of potential future garden operations, the characteristics of five “free-standing” Japanese gardens were summarized that illustrate a range of operating characteristics. Findings from a review of the experience of comparable projects suggest the following:

- ◆ Best practice is for gardens and organizations of this type to have mission and vision statements, as well as core values. For Japanese gardens, those that emphasize cultural connectivity and have more broad missions, also tend to have broader interest to a wider audience. Strong mission and forward-looking vision statements can positively impact fundraising, programming, and visitation. *The Seattle Japanese Garden should develop a strong culturally focused mission statement along with a set of core values that help to define the goals of the garden as well as programming boundaries and opportunities.*
- ◆ Two of the gardens reviewed had migrated from city management, and one operated in partnership with a city¹. For those located on city land, the organizations lease the land from the City. While all of the profiled gardens are operated by an independent nonprofit organization, several receive in-kind support from the municipalities on whose land they are located including staffing, emergency repair services, and rent at no cost. Operating a garden as an independent non-profit entity on city owned land does not preclude the city from being able to tout the attraction as an asset and marketing tool for the city. Generally, while Japanese gardens can operate under municipal management, those that provide the most diverse programming, and have both the highest earned and contributed revenues tend to be operated by independent

¹ Several municipally operated Japanese Gardens were reviewed, however, it was determined that these gardens did not provide good comparable insights as they were either operated very differently due to location e.g. Japanese Tea Garden in San Francisco or context – gardens within gardens such as Nitobe at the University of British Columbia’s Botanical Garden in Vancouver.

non-profit organizations². *The Seattle Japanese Garden could achieve higher contributed and earned revenues and implement a more robust program offering through partnership with one well established non-profit entity whose singular focus is the Japanese Garden and whose professional staff, leadership and fundraising board has substantial capacity to generate contributed revenue, and facilitate high level community, city, state, international, corporate, and garden industry relationships.*

- ◆ All of the profiled gardens offer a membership program, as opposed to an annual pass. Generally, there are two motivations for becoming a member. One is philanthropic, to generally support the good work and mission of the organization. Those gardens that have broader missions with a cultural emphasis have an opportunity to attract a greater number of members. The market rate for a family membership at profiled gardens is typically \$75, whereas the dual/family annual pass rate at the Seattle Japanese Garden is only \$30. The membership programs at the profiled gardens offer a range of benefits while the annual pass at the Seattle Japanese Garden is limited to unlimited admission. *Along with developing mission and vision statements and core values, the Seattle Japanese Garden has the opportunity to develop an industry standard membership program that can generate additional revenue for the garden, along with a host of other benefits.*
- ◆ In general, the stronger the potential for earned revenue, the less reliant an organization tends to be on “contributed” revenues or other sources of support e.g. municipal. The facilities profiled cover between 53% and 76% of their total operating expenses through earned revenues including admissions, program fees, facility rentals, membership, and retail revenues. The Seattle Japanese Garden, covering an estimated 53% of its operating expenses, ranks at the bottom of the list, tied with Shofuso. *The current ARC partnership model is a limiting factor for the Seattle Japanese Garden in terms of its earned revenue potential. The success of the Portland Japanese Garden (with no food sales in the garden or facility rentals, but a strong programmatic and collaborative focus, strong marketing and a stand-out garden product), suggests that there is upside for the Seattle Japanese Garden. Specific areas of opportunity for earned revenue include enhanced attendance and admissions revenue, memberships, program fees and facility rentals as appropriate.*
- ◆ Most of the gardens profiled have some capacity to generate sizeable annual revenues through contributions (including private and corporate gifts). The capacity of an organization to raise annual contributed revenue from a variety of sources is an important success (and financial sustainability) factor for projects of this type. Developing a strong contributed revenue profile requires an organization to have: a full time and professional development and marketing staff; a fundraising board with high level connections (and often an advisory board that can elevate the status of the organization such that it can attract national/international attention); and a strong

² One example of a municipally operated Japanese Garden that is financially sustainable is the Japanese Tea Garden in Golden Gate Park. It should be noted however, that financial sustainability in this case is a result of the Tea Garden’s prime location within Golden Gate Park, strong attendance and admissions revenue.

mission statement that is broad enough to appeal to a wide variety of audiences outside of the area in which the garden is located. *Although the potential exists given the characteristics of the Seattle Market, the Seattle Japanese Garden, as currently structured through the ARC partnership, does not have the designated development and marketing infrastructure to support strong contributed revenues. Achieving higher levels of contributed revenue through the existing partnership would require additional full time development, marketing and programming staff as well as a substantially larger operating budget to support these staff.* In general, the annual operating expenses for the Seattle Japanese Garden are somewhat lower than the average of profiled gardens in terms of the total operating expenses and operating expenses per acre. This is also true of staffing in that the Garden is understaffed compared to profiled gardens given its current operating profile, and substantially understaffed, when considering the goal of elevating the earned and contributed revenue profiles of the garden. *Developing capacity in visitor services, programming, development and marketing at the Seattle Japanese Garden will require additional professional staff and operating expense.*

- ◆ Active programming is an important way for Japanese gardens to improve their relevance to a broad audience, engage the community, fulfill mission, generate revenue and a strong case for philanthropic support. *The Seattle Japanese Garden has strong potential to enhance programming both on and off-site and to reach new audiences and strengthen its ties to the local and greater Seattle community.*
- ◆ The review of comparable projects suggests that through the current ARC partnership, the Japanese Garden horticultural resource has been managed well, and the garden has served as a good resource for the community to enjoy. The comparable projects also highlight that through the ARC partnership model, the Seattle Japanese Garden has not been able to realize its potential for generating revenue and expanding its programming reach, and thus community impact. With continued thoughtful planning, the Seattle Japanese Garden has substantial upside potential and can be a positive City and statewide signature asset for current and future generations to enjoy for years to come.

Stakeholder Feedback

Meetings with individuals representing eleven stakeholder groups associated with some aspect of garden operations were held. Representatives were asked both what worked well with the existing ARC partnership model, as well as what did not work so well. On balance, there was more noted that did not work well with the current ARC partnership model, than worked well.

There was acknowledgement among these stakeholders that a shared collective passion for the garden, in spite of the organizational complexity, allowed the garden to survive, but not flourish. Further, it was noted that visitors tend to enjoy their experience and that the garden is generally well maintained by Parks. It was noted that overall what worked well with the current model, was Parks maintenance of the grounds and living collection as well as the gatehouse.

The most substantial barrier to future sustainability of the garden as noted was the overall lack of singular leadership for the garden stemming from an overly complex partnership structure, and the large number of organizations involved with their own goals and agendas. This was noted as having a number of negative outcomes which do not allow the garden to leverage its strengths, and tend to exacerbate its weaknesses. In addition, it was noted that under the current ARC Partnership model there are limited resources for fundraising, marketing and programming, continuing outreach to communities, and fundraising for long-term, large capital improvement and renovation projects.

Evaluation of Operating Models

This evaluation focused on understanding the operating implications of a non-profit management model and an improved ARC Partnership model.

More and more visitor attractions across the country are employing a public-private partnership approach to attraction management and operations. In this approach, a non-profit operator, typically focuses on the management of visitor experience, fundraising and marketing, programming and events, retail and other ancillary operations such as food service and facility rentals. Often, a non-profit operator also takes on responsibility for buildings and grounds, however, this is typically a strength and asset that a municipality can bring to the partnership. The experience of privatization projects and new public-private partnerships across the country, (and locally with the aquarium in Seattle and Zoo) demonstrate that:

- ◆ There is enhanced fundraising potential through non-profit management, as donors are more likely to give to a non-profit organization than a government entity. This often translates into higher annual contributed revenues, corporate memberships, grants and other gifts.
- ◆ Earned revenue potential is typically greater through non-profit management via increased attendance, retail, programming, rentals and other sources, as a specialized non-profit organization solely dedicated to the success of the organization brings greater focus and specialized skills to the organization, as opposed to being part of a larger entity, and one of many assets for which a municipality must provide stewardship.
- ◆ Transaction speed under non-profit management is typically greater as there are fewer “layers” of governance/management to navigate, and more flexible policies that allow greater latitude or strategic decision-making. This allows the organization to capitalize on opportunities and respond quickly to challenges.
- ◆ There are enhanced opportunities for programming and creative collaborations through non-profit management as the organization has greater flexibility to pursue collaborations and a singular focused mission of which public education is typically a key component.
- ◆ A non-profit organization can directly receive and manage endowment funds to benefit operations and capital projects, and a public agency typically can not.

Public-private partnerships range along a continuum of shared operational responsibilities; from entirely public run with minimal private sector support, to an entirely private operation, without any government agency responsibility for operations (several Japanese Gardens have some level of public support, typically non-cash.) How the responsibilities for various line items in operating budgets would be divided under a new management model for the Seattle Japanese Garden, would be subject to additional planning and development.

Overall, the earned as well as the contributed revenue potential of operating the garden under a new non-profit model is substantially higher than operation under an ARC Partnership model. However, achieving higher revenues requires additional operating expense. In this analysis, an additional \$379,000 in operating expenses including 4 FTE staff in development/marketing and programming as well as 1FTE executive director are included in the non-profit management model. The analysis in the report illustrates “early year” potential for operation of the garden under a non-profit management model. That is, with future capital improvements in the garden that enhance the visitor experience and earned revenue potential as well as growth in the organizational capacity of the non-profit over time, the operating results will likely be stronger.

Under an alternative non-profit management model, the City’s contribution/share of total operating expenses for the Seattle Japanese Garden could be reduced commensurate with the capacity of the non-profit partner. Reducing the need for the City’s contribution toward total operating expenses would be contingent on increasing support (both operating and capital) from either ARC or an alternative non-profit partner organization. In addition, while the City’s share of expenses might decrease, the City could benefit from an elevated profile of the Seattle Japanese Garden as a premier visitor attraction and cultural center in the State. Data in **Table 1** describe the two alternative management models, and data in **Table 2** summarize the potential future outcomes and impacts of operating the garden under these models.

Table 1
Seattle Japanese Garden – Alternative Management Model Descriptions

Alternative:	Improved ARC Partnership Model ^{1/}	Non-Profit Management
Ownership of Land	City of Seattle	City of Seattle
Executive Management/Administration	NRU Management Team (Parks NRU Manager, Parks Horticulturalist) working with JGAC, Unit 86 officers, ARC staff, JGS Officers	Non Profit Executive Director and Board of Directors
Accounting/Financial Management	Parks NRU and ARC/ JGAC. Unit 86, JGS, Arboretum Foundation maintain additional records.	1- organization: non -profit
Programming		
<i>Guided Tours</i>	Unit 86 Volunteers	Non-profit (Unit 86 consolidated under non-profit). Volunteers and Paid Staff.
<i>Special Events e.g. Moon Viewing</i>	JGAC via 1 Staff = Stewardship and Events Coordinator	Non-profit, education/program staff and board.
<i>Teas, Ikebana, etc.</i>	Outsource	Outsource
Marketing	Primarily through JGAC (fundraising/website) with additional "marketing" via Unit 86 (website), Parks (website), Arboretum Foundation (website).	Non-profit and all other collateral, websites, etc. consolidated, funded and managed by non-profit.
Fundraising	Primarily through JGAC via annual fundraising event, with support from additional partners.	2 Non-profit professional development staff, board of 20+ members and advisory board.
Buildings and Grounds Maintenance	Parks	Non-profit with supplemental assistance for emergency maintenance and other capital projects assistance from Parks.
Visitor Services (Admissions)	Parks Department of Recreation provides supervision to Parks cashiers.	Non-profit staff.
Retail	Parks cashiers provide sales and tracking/administration for items designed and provided by Arboretum Foundation Unit 86.	Non-profit specialized staff.
Facility Rentals	Parks	Non-profit organization.

Source: City of Seattle Parks and Recreation and ConsultEcon, Inc.

1/ Assumes that management of the Japanese Garden within Parks and Recreation will be consolidated under NRU in 2014. Also assumes 1 ARC Stewardship and Events Coordinator indirectly reporting to JGAC and directly reporting to ARC.

Table 2
Seattle Japanese Garden Alternative Management Models – Potential Outcomes/Impacts

Alternative	Improved ARC Partnership ^{1/}	Non-Profit Management
Attendance Impacts	Improvements in attendance possible with more resources dedicated to marketing via JGAC, on-site manager that can assist in program coordination and managing programming sub-contracts.	Enhanced attendance potential due to increased marketing, programming, public visibility.
Earned Revenue	Improvements in earned revenue possible through improved attendance, additional programming, a membership program and additional improvements to retail.	Best potential for enhanced earned revenue associated with upside potential in attendance, likely garden enhancements via a capital campaign, improvements in retail, additional on-site and outreach programming, membership program.
Contributed Revenue (fundraising)	To improve potential would require ARC to make the Japanese Garden a priority in their portfolio of community assets and add additional dedicated fundraising staffing. Improved potential via a JGAC led annual fund drive and enhanced marketing and cultural programming which help to create a case for support.	Best upside potential due to a cohesive vision, mission and management, strong case for support, and single organization focus on fundraising.
Operating Expenses	Additional subsidy by the City required to enhance programming, site based coordination, and support marketing and development functions. Requires additional ARC/JGAC funding for marketing, development, events and programming.	Reduced operating expense for the City. Burden for majority of operating expenses shifted to non-profit organization. City may support capital projects and emergency repairs. Modest continued support from the City coupled with enhanced revenue potential of non-profit could result in funding of operating expenses to support high level Japanese Garden operations.
Capital Projects	City responsible for leading capital improvements with support from JGAC/ARC, JGS, Unit 86. City capital project management costs are high as compared to private sector projects. Major fundraising for capital projects challenging as donors are more likely to give to a non-profit than a municipality. ARC has capacity to raise funds, however, Japanese Garden is an anomaly in the ARC portfolio of recreation centers, and recreation and lifelong learning programs. Enhanced potential under the ARC partnership would require ARC making the Japanese Garden a priority in its portfolio. Even then, the fundraising potential for capital projects would be less than in a non-profit model.	Capital project fundraising by a high-level non-profit board and advisory board dedicated solely to the Japanese Garden.
Economic Impacts	Improved impacts with the potential for enhanced attendance and spending opportunities at the garden.	Greatest potential to improve economic impacts with re-positioning of the Garden as a premier Seattle cultural tourism attraction, enhanced marketing and programming, leading to improved attendance, incremental increase in operating budget, etc.
Community Impacts	Improved impacts with streamlined management of the garden at Parks, and enhanced programmatic offerings.	Substantial potential to improve community impacts with unification of garden management under an organization with a singular focus and mission. Enhance programming, improved partnership and collaborative potential, greater synergy with local organizations and attractions.

Source: ConsultEcon, Inc.

^{1/} Assumes that management of the Japanese Garden within Parks and Recreation will be consolidated under NRU in 2014. Also assumes 1 ARC Stewardship and Events Coordinator indirectly reporting to JGAC and directly reporting to ARC.

Recommendations and Non-Profit Partner Standards

To achieve optimal results and improve both revenue opportunities and enhance community impact, this study suggests that the garden migrate over time from a public operation with private support from volunteer and other organizations, to operation by a qualified non-profit partner with some support from the City. The key challenge is identifying a qualified non-profit organization. This will involve either “developing” a non-profit working with and utilizing the resources of the existing partner groups, or recruiting a yet to be identified non-profit as a potential partner. Continuing to operate the garden under the existing ARC partnership model limits the potential of the garden to realize its revenue potential as well as serve the greatest public benefit.

At a minimum, a qualified non-profit operating partner for the Seattle Japanese Garden should have the following characteristics:

- ◆ Active non-profit 501 (c)(3) status in good standing.
- ◆ Bylaws or charter.
- ◆ A mission and vision statement for the Seattle Japanese Garden that emphasizes both the importance of providing on-going stewardship of the garden, as well as developing the potential of the garden as a cultural resource for residents of and visitors to the City of Seattle.
- ◆ A board of directors comprised of a minimum of 20 members who represent a diverse cross section of individuals committed to the mission of the garden. This board should have the expertise and experience to guide the management of a high-profile visitor attraction and cultural resource.
- ◆ Diverse ethnic representation and in particular representation from Japanese and Japanese-American community members.
- ◆ Diverse geographic representation.
- ◆ A critical mass (majority) of board members with experience serving on non-profit boards with annual operating budgets of at least \$500,000, and a board chair and officers who have experience in an officer role at a high profile non-profit organization along with exceptional executive leadership experience and credentials. Ideally, the board chair will have experience in major gift (six and seven figure) and capital project fundraising.
- ◆ Demonstrated experience by the board of trustees in the following areas: fundraising (both annual giving and capital projects); marketing (including digital marketing); programming (content areas represented by the garden and potential cultural programming); retail and visitor services; facilitating Seattle based, domestic and international collaborations; legal; executive management and corporate connections.

- ◆ A critical mass (a majority) of board members who have the capacity to either make sizeable personal gifts to the garden and/or solicit gifts from individuals or corporations.
- ◆ Enough accrued assets to cover the anticipated operating cost of the garden for a minimum period of 10 years, as well as a minimum capital improvement commitment toward capital projects that would enhance the visitor experience.³

³ The viability of any 501 c 3 organization to assume total fiduciary responsibility for the Japanese Garden is a significant concern for Parks. The garden is aging and will require capital investments of several million dollars during the next 10 to 20 years. As the asset owner, Parks intends to achieve the goal of Access to the Japanese Garden, regardless of what entity operates it.
