



*COMMUNITY FACILITY CASE STUDY: PAUL I. TERISAKI BUDOKAN, A
PROJECT DEVELOPED AND OPERATED BY THE LITTLE TOKYO SERVICE
CENTER CDC*

LOS ANGELES, CALIFORNIA

California Community Economic Development Association

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PAUL I. TERASAKI BUDOKAN: A COMMUNITY FACILITY CASE STUDY

1. Executive Summary:

The Paul I. Terasaki Budokan (Budokan), the culmination of a 30-year dream and development process, is one of the most ambitious projects undertaken by a community based nonprofit organization. It was developed by the Little Tokyo Service Center Community Development Corporation (LTSC CDC), a 501 C3 non-profit organization that has served residents of Little Tokyo for more than 40 years. Located two blocks from the Los Angeles Civic Center, this project is in the Little Tokyo community, one of only four remaining historic Japanese American communities in the country (along with San Francisco, San Jose, and the Sawtelle community in West Los Angeles). The \$33.8¹ million, 51,000 square foot recreational facility (24,000 SF for gym and terrace, and 27,000 SF for parking structure) was fully funded with no long-term debt will enhance the economy and culture of the Little Tokyo community for generations to come.

The facility will attract use through sports and cultural events and programs by the over 180,000 Japanese Americans in Southern California and by all residents in Little Tokyo. The facility supports Little Tokyo tourism in what has become the cultural center for all Japanese Americans, enriching affiliate facilities such as the Japanese American National Museum, Japanese American Community Cultural Center (including the theater, garden and plaza), the 442nd memorial and museum, and the many religious facilities in Little Tokyo. Most importantly, the project enhances the economic viability of Little Tokyo. The facility is a stabilizing, economic generator for the over 450 small businesses fighting the economic pressures of gentrification, currently pricing out many legacy family-owned businesses operating in the community, many for over 100 years.

This case study is intended for community-based organizations involved in real estate development, including affordable housing, commercial retail and office, community facility, and industrial spaces. Community Facilities represent a niche of real estate development that includes childcare centers, senior service centers, and community and recreational facilities. Primary users typically operate programs and services to meet essential community needs, which do not generate significant cash flow and therefore do not allow projects to carry significant debt. Most are high-use facilities where revenue generated is allocated to cover sizeable operating expenses. For the Budokan, extensive market research and planning has enhanced the facility's prospects for success.

The development process for the Budokan entailed a significant fundraising effort from public and private sector sources. The project is adjacent to the civic center in downtown Los Angeles, in the rapidly gentrifying community of Little Tokyo, where real estate costs have increased significantly in recent years. This \$33.8 million-dollar, debt-free project therefore required significant public and private sector support, coupled with an extraordinarily strong development team and experienced development partners.

The public and private sector partnership is evident in the breakdown of the projects cost. Of the total project costs, 27.6% (or \$9.6 million) came from public sector funding sources, 26.2% (or \$9.08 million) from New Market Tax Credit investors, and 46.2% (or \$16 million) from corporate foundation and individual donations.

¹ The actual fundraising effort surpassed the goal by raising a total of \$34.6M (to date), which paid off short term debt with the remaining supporting operational expenses (see financing details).

The project was sponsored and developed by the LTSC CDC, a non-profit community development organization with a rich history of community and social services for the residents and community of Little Tokyo. As a community developer, LTSC CDC preserves and strengthens Little Tokyo's physical, cultural, and social assets through real estate development, community planning, small-business assistance, and community organizing. LTSC CDC also collaborates with other organizations across the Los Angeles region to develop community-driven, service-enriched affordable housing. To date, LTSC CDC has partnered with over 15 community-based organizations (CBOs) to develop 25 projects with more than 950 units of community-driven, service-enriched affordable housing and more than 130,000 square feet of nonprofit community space and community-oriented retail.² With this direct experience and highly trained professional staff, LTSC CDC became the natural conduit to take on the developer role for the Budokan project.

2. Background:

The word "Budokan" means "hall of martial arts" in Japanese. The best known and famous is the "Nippon Budokan" located in Tokyo, Japan. While built primarily for martial arts tournaments, it became a multi-functional sports and entertainment venue which hosts judo, kendo, and karate tournaments, as well as a world-renowned concert venue. Inspired by the Budokan in Japan, the Terasaki Budokan is a flexible event venue for sports, arts, and community gatherings on a smaller scale. It incorporates traditional Japanese values, traditions, and customs, as well as the Japanese American experience, which will differentiate the Budokan from other recreation and entertainment venues in the market.³

As this case study points out, the development process and development issues are the same as encountered in most community development projects. This case study will show how basic development elements must be addressed, and most importantly, are part of the foundation for successful projects. Key elements are addressed in this case study and represent issues common to all community development projects. These include:

1. Development of a Sound Project Concept
2. Community Support
3. Political Support
4. Identification of a Site
5. Local (Organizational) Development Expertise
6. Initial Fundraising
7. Strong Technical Partnerships and Support
8. Understanding of the Development Process
9. Financial Modeling
10. Project Fundraising/Financing
11. Management of Construction Process
12. Incorporation of Sound Facility/Program Management

Community development projects, especially those generated by grassroots efforts, will typically take significant time and effort and are highly dependent on volunteers, donations, and grants. Public and private partnerships are key in generating support, which translates into grants and donations. Proper use of these resources and partnerships must be driven by a core of competent, experienced professionals who are also supported by seasoned experienced board members and committed volunteer community

² Ibid, Ishimatsu

³ Business Plan, "Budokan of Los Angeles Together We Can Build" April, 2015

professionals. The ‘bottom-line’ is that a project of this magnitude (size and cost) could only be accomplished through a shared community vision and community support, driven by a team with expertise and a commitment to succeed.

The following is a timeline for the development of the Paul I. Terasaki Budokan, which highlights the level of community engagement and community and political support needed to maintain momentum toward the success of this monumental community effort. Patience, tenacity, strength, and professionalism are clearly evidenced.



Figure 1: Downtown Los Angeles and Little Tokyo

3. Timeline of key events:

1970

- Site: The original concept of a gym for Little Tokyo is originally planned as part of the Japanese American Community Cultural Center (JACCC), but the plans are changed after artist Isamu Noguchi partners and develops Noguchi Plaza on the proposed gym site.
- The JACCC includes the James Irvine Japanese Garden, the Aratani Theater, and the Isamu Noguchi Plaza. The Center is developed and completed in the early 1980s (1980 for the Center and 1983 for the Theater and Plaza).

1979

- LTSC: The Little Tokyo Service Center is incorporated in 1979 and begins programs providing essential social and community services to the residents of Little Tokyo. LTSC obtains a small grant to determine interest in a recreational facility in Little Tokyo.

1994

- In 1994 Bill Watanabe, Executive Director of the Little Tokyo Service Center and one of the organization’s founders, focuses on the need to build a gym in Little Tokyo, “not only for the

advantages of a gym for sports and fitness, but because the attraction of sports would bring many people, especially youth and young families, to come to Little Tokyo. (They) will also support the local businesses and community non-profits.”⁴

- LTSC: After a Community Redevelopment Agency (CRA-LA) community planning charrette for Little Tokyo, LTSC begins the effort to move forward on the "gymnasium" project.
- Community Support: 1994 CRA-LA community meeting becomes the starting point for community support for a gymnasium in Little Tokyo. In response to plans for economic development of the area, a clear message from young families is voiced at the meeting—a gym would bring them back to Little Tokyo on a regular basis.⁵
- LTSC incorporates LTSC Community Development Corporation (LTSC CDC) to focus on community redevelopment, affordable housing, and the revitalization of Little Tokyo.

1995-2000:

- Over five years, LTSC CDC looks at over fifteen different sites in Little Tokyo and unsuccessfully tries to secure four of the sites. Sites include:
 1. 1st Street North (the Geffen Museum, Japanese American National Museum, and Go for Broke Memorial organizations oppose this site for the project)
 2. Mangrove Site at First and Alameda (held for private development)
 3. Current Office Depot site (LTSC CDC pushed CRA-LA to take the site by eminent domain but was unsuccessful. The site is now under construction for the Metro Rail Regional Connector project)
 4. Joe's parking lot on the same block as LTSC offices (Owner sold the property to major condo developer)
 5. Site where AVA apartments is now located (LTSC CDC tried to purchase from a Japanese corporation but was unsuccessful. Today, this is a high-end condo/apartment development)

1999:

- Community Fundraising: San-tai-San tournament – 1999-2009 – a community three-on-three basketball tournament, a collaboration with JACCC during Children’s Day, is established to bring families to Little Tokyo and build awareness of the project. Over 150 youth participate each year.

2000:

- Site: LTSC CDC feels the only viable site is 1st Street North and a major rally for the project is held.

⁴ Nakayama, Takeshi, Nichi Bei Weekly Contributor January 1, 2021

⁵ Nakaoka, Susan, “Cultivating a Cultural Home Space: The Case of Little Tokyo’s Budokan of Los Angeles Project” aapi nexus, Vol 10, #2 (Fall 2012), page 27.



Figure 2: Dean Matsubayashi, Executive Director of LTSC (Left) and Bill Watanabe, Founding Director with an early design of the Budokan

2001

- Political: Los Angeles City Councilwoman Jan Perry initiates a series of public meetings, and hundreds show up to support the project.

2003

- Community/Site: The 1st Street North site is adjacent to the Japanese American National Museum, Go for Broke Memorial, and the Geffen Contemporary Museum. The three institutions raised significant opposition.
- Site: A potential site owned by St. Vibiana Cathedral becomes the focus for the project site and the project gains essential support from the local City Council Person, Jan Perry.

2004

- Local Government: City of Los Angeles announces a new LAPD Headquarters, which includes police parking at the St. Vibiana site.
- LTSC CDC: LTSC CDC and City enter negotiations to place the gym on top of the parking structure.

2008

- Local Government: A Memorandum of Understanding between the City and LTSC CDC is signed, authorizing the development of the almost one-acre (43,000 SF) St. Vibiana site, ending a 14-year search for a site.
- LTSC CDC: A full time project manager is engaged, and project team is formed.

2009

- The Little Tokyo Recreation Center is renamed the Budokan of Los Angeles.
- Community Fundraising: LTSC CDC coordinates the BoLA-thon (2009 – Current). A youth bowling tournament is created to raise funds and bring awareness to the project. Event is held in Las Vegas alongside the Hollywood Dodger Invitational Youth Basketball tournament. Over 230 teams participate in this annual tournament, mostly from the Los Angeles area.
- Community Fundraising: The project garners support from over eight major southern California Japanese American youth basketball organizations, representing more than 500 teams.
- Community Fundraising: Other third-party events, including dances and golf tournaments, are

held to raise funds.

2010

- Local Government: The Ground Lease/Development Agreement is negotiated for the site, with LTSC CDC receiving a 25-year lease with a 25-year renewal option.
- Grant Public Sector: City of LA – Prop K (6th cycle) for \$250,000 – 2010 City of Los Angeles Councilwoman, Jan Perry was instrumental in getting this grant. Proposition K (Prop K) created a citywide assessment district which will generate twenty-five million dollars (\$25,000,000) each year in funds for the acquisition, improvement, construction, and maintenance of City parks, recreation facilities, and other projects through an annual real property tax assessment on City residents over a 30-year period. Funding is intended for capital improvements and maintenance.

2011

- LTSC CDC: Initiates the formal capital campaign. The initial phase of the campaign is to raise 50% of the campaign’s goal of \$22 million.
- Grants Private Foundations: The Aratani Foundation grants \$1 million to “kick-off” the fundraising campaign.
- Local Government: On May 17, 2011, City Council approves a long-term ground lease with LTSC.

2013

- Technical Assistance: CCEDA meets with LTSC CDC to discuss potential capital investment, which could be achieved with New Market Tax Credits (NMTCs). CCEDA continued to provide updated estimates on equity generation based on changes in the development costs. Based on information to date, the \$23.5 million project would generate approximately \$5.1 million in NMTC equity. The fundraising goal also matched this projected cost.
- Technical Assistance: CCEDA introduces US Bank to the project. US Bank is one of the largest buyers of NMTCs and provides aid and introductions to potential New Market Credit providers. Later, and most importantly, US Bank introduces LTSC CDC to a consultant with expertise on large NMTC projects.

2014

- Grant Public Sector: County of Los Angeles – Prop A for \$1,000,000 – 2014. LA County Supervisor Gloria Molina is instrumental in supporting this grant. Proposition A is a sales tax with a portion of funding to improve transportation related infrastructure.
- Grant Public Sector: State of California – Prop 84 for \$5,000,000. The Proposition 84 Statewide Park Development and Community Revitalization Program supports the development of the recreation center and construction of a rooftop garden park with a walking track, playground, performance space, community garden, reading and bamboo groves, and kiosk with photovoltaic shade roof.

2015

- LTSC CDC hits its initial goal of reaching 50% of the campaign goal through public sources and individual donors. \$12.7 million has been fundraised to date. The project budget remains an estimated \$23.5 million.
- Grant Public Sector: City of Los Angeles Proposition K (8th cycle) for \$1,300,000. A second Proposition K funding grant for parks and recreational facilities is approved.

2015-2018

- The project, due to rising costs, goes through numerous design changes. The overall project cost and campaign had also increased. At the end, the final campaign goal is \$33.8 million which included construction costs, financing costs (primarily due to the use of New Markets Tax Credits – see following sections) soft costs and an endowment that is required by a major donor.

2016

- Community Fundraising: Major donor (individuals, foundations and corporate) fundraising begins in coordination with extensive grassroots fundraising.
- Community Fundraising: Straight Outta of Little Tokyo (SOLT) 2016-2019 – a group of Sansei and Yonsei Japanese Americans organize an “old school” music event, while combines food and an Obon-like atmosphere to help raise funds for the Budokan project. The coordinating group agrees to continue putting on the event at the Budokan to help raise funds for operations.

2017:

- Grant Private Foundation: LTSC announces a transformative gift through the Terasaki Foundation for \$3.5 million and for the facility to be named the Paul I. Terasaki Budokan.
- LTSC holds a major groundbreaking ceremony, in anticipation of closing on its NMTCs and starting construction.

2018

- Grants Public Sector County of LA – Proposition A for \$650,000 -2018. Hilda Solis, County of Los Angeles Supervisor, helps to secure this grant. Proposition A is a sales tax with a portion of funding to improve transportation related infrastructure.
- Financing: LTSC CDC finally closes on its NMTC financing for the project, after dealing with legal hurdles with the State of California - Parks and Recreation, which last for 6 months.
- Construction begins in April.



Figure 3: Eric Nakano, Current Executive Director of LTSC at the Groundbreaking Ceremony

June 2020

- LTSC CDC officially completes its \$34.6 million capital campaign. All subsequent funds raised will go towards operations, programming, and the endowment.

August 2020

- LTSC CDC receives the Certificate of Occupancy. The Grand Opening is delayed due to the pandemic; however, a virtual opening was conducted.

March 2020 – Present

- The pandemic shuts down the start of scheduled use for the facility. During this period staff has maintained contact with key potential clientele; however, the lack of income has resulted in significant economic disruption.
- NBA: National Basketball Association (NBA) discovers the Budokan. With Staples Center located one mile away, teams in town scheduled to play the Los Angeles Lakers and Clippers begin using the facility for practices. Additionally, individual players utilize the advanced, state of the art video technology on site (the same system used in all NBA arenas).

4. Little Tokyo Service Center (LTSC) and the LTSC Community Development Corporation (CDC)

Little Tokyo is among the oldest neighborhoods in Los Angeles and is the largest of four remaining “Japantowns” in the United States. Throughout its history, the neighborhood has survived waves of displacement that threatened its very existence. Those included the forced removal and incarceration of people of Japanese descent during World War II.⁶ Japanese internment during WWII changed Little Tokyo forever, with only one third of its community remaining after the war.⁷ Urban Renewal and Redevelopment resulted in waves of development and demolition of whole tracts of housing, businesses, churches, and temples from the 1950s through 1970s. Today, what remains of Little Tokyo is roughly nine square blocks. The neighborhood continues to serve as a cultural center for Japanese Americans across Southern California and is home to a diverse, low-income residential base.⁸ Economic pressures from gentrification are now gripping the neighborhood, as more than 500 units of market rate condos and apartments have been developed in the heart of Little Tokyo.

Founded in 1979, LTSC is a social service center and community development corporation whose services reach over 18,000 people per year. LTSC is the primary bilingual Japanese social service provider in Southern California, and provides a diverse array of services in five languages to low-income individuals and families in Los Angeles.⁹ LTSC was originally established to help ease the transition for Issei—Japanese-speaking, first-generation immigrants—for whom limited English proficiency made day-to-day life difficult.

Through a strong history of community engagement, borne from the constant battles against the economic pressures of racism, redevelopment, and gentrification, LTSC continued to expand its wide range of social services to a diverse community of Asians and Pacific Islanders in Los Angeles County, including programming for seniors, youth mentorship, childcare, advocacy for the cultural and historic preservation

⁶ Ishimatsu Josh, Matsubayashi, Dean, “Sustainable Little Tokyo: Resisting Gentrification and Displacement Through Holistic Community Engagement and Development”, <https://www.frbsf.org/community-development/publications/community-development-investment-review/2017/september/sustainable-little-tokyo-resisting-gentrification-and-displacement-through-holistic-community-engagement-and-development/>, September 12, 2017

⁷ Simpson, Kelly, “Three Waves of Little Tokyo Redevelopment”, <https://www.kcet.org/shows/departures/three-waves-of-little-tokyo-redevelopment>, July 31, 2012

⁸ Op. Cit, Ishimatsu

⁹ Ibid, Ishimatsu

of Little Tokyo. To support this growing sense of direction, in 1994 LTSC incorporated the LTSC Community Development Corporation, expanding its ability to empower community control Little Tokyo through the provisions of resources and support to residents and small businesses and crucially, through the development of affordable housing and community facilities.

As a community developer, LTSC CDC preserves and strengthens Little Tokyo's physical, cultural, and social assets through real estate development, community planning, small-business assistance, and community organizing. LTSC CDC also collaborates with other organizations across the Los Angeles region to develop community-driven, service-enriched affordable housing. To date, LTSC CDC has partnered with over 15 community-based organizations (CBOs) to develop 25 projects with more than 950 units of community-driven, service-enriched affordable housing and more than 130,000 square feet of nonprofit community space and community-oriented retail.¹⁰ With this direct experience and highly trained professional staff, LTSC CDC became the natural conduit to take on the developer role for the Budokan project.

In 1996, LTSC formed an entity called the Little Tokyo Community Gymnasium, as a separate entity and separate board. The idea was that this entity would spearhead the campaign and fundraising effort to building the gym. The board, at the time, felt it was better to keep the campaign funds separate from LTSC.

Once LTSC CDC received site control, the project moved under LTSC CDC for fundraising purposes, as LTSC CDC has a strong track record with funders (public, foundations, and corporate). With Board approval, the project became a project of LTSC CDC. LTSC CDC would be responsible for overseeing the fundraising effort, building, and operating the facility.

5. CCEDA

For over 40 years, the California Community Economic Development Association (CCEDA) has provided support and technical assistance to community development, non-profit organizations focused on economic development strategies and project development in areas of real estate development, business assistance and lending activities. CCEDA employs a team of staff and consultants with experience in development and finance and provides extensive training and direct technical assistance. Community economic development organizations and the communities they serve relies on strong partnerships, innovation, tenacity, and most importantly technical competence. CCEDA continues to support community-based efforts by providing essential technical support, ensuring long term project and community economic viability.

Beyond the preparation of this case study, CCEDA has supported LTSC CDC on various projects (past CCEDA staff has served on various LTSC CDC Boards and its Project Review Committee) and was actively involved in assisting this project with the utilization of New Market Tax Credits, which leveraged \$9.07 million in investment equity to this project.

6. Paul I. Terasaki Budokan

Called one of “six projects that will shape downtown’s districts in 2012” [by the LA Downtown News](#), the Budokan will feature “basketball, volleyball, martial arts, special events, tournaments, and

¹⁰ Ibid, Ishimatsu

programming for all ages.”¹¹

[Paul I. Terasaki Budokan] is a multi-purpose sports and activities center that will serve as the community’s “Home Court for All” by connecting youth and seniors alike, with the rich history and culture of Little Tokyo. From neighborhoods throughout Southern California, children and youth will come together for fun and recreation as well as to connect with the historic gateway and cultural center for Japanese Americans in Los Angeles. Little Tokyo is “home” to Japanese Americans throughout Southern California—one of only four historic Japantowns¹ remaining in the United States.¹²

“More than just a gymnasium, the Budokan will promote Japanese cultural arts, particularly the martial arts like aikido, kendo, judo, and karate. The Budokan will also be a home court for all, where sports and martial arts will serve as a vehicle to help build community, to uplift individuals and families, and provide future generations with a much-needed stake in our community.”¹³

Vision: To create a dynamic venue with magnetic programming that will attract people from the north, south, east, and west, not only to the Budokan, but also to Little Tokyo itself. For Japanese Americans as well as for visitors of all ethnicities and ages, it will be:¹⁴

- A Place for Community: the Budokan will be a unique gathering place that will enhance the quality of life for locals and commuters alike through its diverse, intergenerational programming.
- A Place for Opportunity: Recreation and sports facilities in Los Angeles are at a premium with access severely limited by scheduling problems and high costs. The Budokan will fill a huge void for sports programs and activities both locally and regionally.
- A Place for the Future: For some, coming to Little Tokyo will be a nostalgic journey to times gone by, but for most young people, it may be a provocative encounter with an unknown past that can help to connect their sense of identity to ageless legacies of Issei, Nisei, and others.

The project changed multiple times through its 30-year history as seen by the numerous name changes to best describe the project. Some of these changes include:

1. Little Tokyo Community Gymnasium
2. Little Tokyo Recreation Center
3. Little Tokyo Sports Center
4. Budokan of Los Angeles
5. Paul I. Terasaki Budokan

¹¹ Benfield, Kaid, “**Preserving a sense of place in LA's Little Tokyo**”, Posted April 9, 2012, at 1:27PM <https://kaidbenfieldarchive.com/20120409-preserving-a-sense-of-place-in-la-s-little-tokyo.html>

¹² Op. Cit., Business Plan

¹³ Matsubayashi, Dean: Speech at the groundbreaking ceremony, August 2017

¹⁴ Op. Cit., Business Plan



Figure 4: Budokan, Little Tokyo

As noted in the Business Plan, the main feature of Budokan is the ground level 14,500 square foot indoor gymnasium that contains two regulation high school basketball courts (84' x 50') and that can be converted into an NBA/NCAA-sized championship center court (94' x 50') and can be used for international play. The gymnasium will also be used for volleyball, martial arts, exhibition space and other events. The Los Angeles Lakers have donated the wooden floor installed at the Staples Center during Kobe-Shaq championship years. The NBA-approved glass backboards were also donated by the Lakers; however, the costs of refurbishment precluded their use and LTSC installed all new floors and backboards. The gymnasium is equipped with the latest sports video monitoring and playback system designed to enhance performance. This equipment was donated by Second Spectrum, which equips all the NBA arenas with the same video monitoring and playback system.

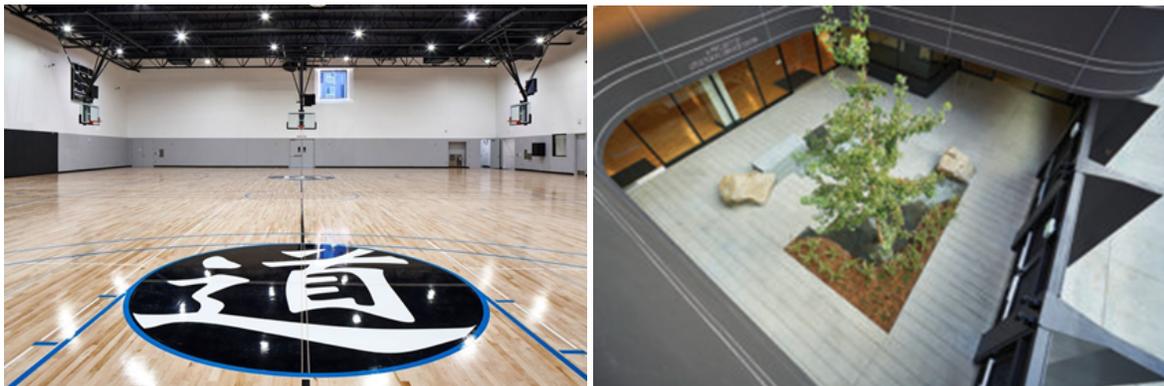


Figure 5: Gymnasium and Interior Courtyard

Other amenities on the gymnasium level includes a community room, restrooms, a kitchenette, conference room), and the management office. The community room provides space for a variety of activities such as yoga, tai chi, Zumba, social dancing, senior wellness program and after-school activities. On the outdoor terrace, there is an indoor observation space over-looking the gym, and a terrace with a community garden and children's playground.

The Budokan's other main feature is an 18,000 square-foot outdoor plaza with capacity to hold 500 people in various formats (assembly, banquet, concert, casual use) for special events such as receptions, musical concerts, fundraising events, and community events. This elevated terrace is landscaped and designed to create a sense of retreat from the streets below. Included is a community garden; children's playground; a jogging/walking path; areas for self-directed tai chi, yoga, and meditation; and performance space. Also included is a reading grove with benches located outside, in front of the gymnasium. It is a small serene and enclosed area, which is called the atrium.

1. Site Total: 38,880 SF
2. Building (ground, terrace, roof level gross area): 24,445 SF
3. Gymnasium: 14,506 SF, 2 basketball courts (84' x 50'), 4 volleyball courts
4. Gym Seating: 800 seated, banquet style, 1,500 standing
5. Community Room: Large: 919 SF, 90 people seated and 120 standing)
6. Smaller Community Rooms: 422 and 432 SF
7. Lobby: 1,593 SF
8. Plaza Garden / Event Space: 4,330 SF, 250 standing and seated; 275 seated in auditorium style
9. Stage: 719 SF
10. Children's Playground (on Terrace Level): 892 SF, 10-30 children, depending on equipment
11. Terrace (plaza and street-facing): 6,562 SF, 150 people standing
12. Community Garden footprint: 472 SF
13. P-1 Parking (gross w/o drive ramp): 27,243 SF, 61 spaces and 17 compact spaces
14. "Jogging track" or "Walking Path": 1,039 feet

5. Fundraising:

The fundraising strategy has evolved over time and was based on an initial capital campaign feasibility study conducted by Netzel Associates back 2005/06. The results of the study indicated that LTSC would have to look at a wide array of funding sources and not just rely on large individual donors. LTSC would focus on a few key individual donors to launch the campaign and would focus on solidifying large public grants to fund the first half of the campaign.

This first half of the campaign is the silent phase, as it is optimal to solidify 50% of the campaign goal in before publicizing your campaign. Most donors begin to take your project seriously and are more inclined to support it if there is substantial funding in place. The second half of the campaign includes outreach to foundations and corporations since most foundations will require organizations to raise the first 50% of the goal before submitting a request.

The second half of the campaign also focuses on major donors (donations of \$10,000 and above) and entails a large-scale community campaign (donations below \$10,000). The community campaign consists of tapping donors in the JA community through a banner campaign (getting donors to support individuals who have contributions in sports) and a children's wall (\$250 naming opportunity for children under 18). Community fundraising events will also bring awareness and funding to the project.

“The fundraising goal and the 50% amount raised was a moving target. After site control in 2011, the goal was to raise \$22M and subsequently increased: 2015 - \$23.5MM, 2017 - \$27.8MM, 2018- 33.8MM (after closing on the New Markets Tax Credits).¹⁵ This increase in costs is anticipated and due to refinement of the construction costs, scope of work, and requirements by funding sources; in this case, the New Markets Tax Credit investor.

7. Planned Programming:

Four major lines of business revenue are identified to support the Budokan and ensure its long-term sustainability. These include:

1. Sports Use of the Gymnasium: the Budokan’s two regulation sized courts, along with a Championship court overlaid on the two side-by-side courts, will be an appealing venue for multiple sports users. Charging gym fees competitive with comparable facilities will yield significant income for the facility. This line of business is at the heart of, and consistent with, the Budokan’s mission.
2. Downtown Event Venue: As one of the few outdoor event venues in Downtown L.A., the Budokan’s outdoor plaza and terrace (modified from the originally planned rooftop park) will offer a unique and appealing space for rental by a wide variety of users for parties, weddings, corporate events, and social gatherings. The outdoor plaza and other venues such as the mezzanine terrace, gym, and community rooms offer other potential revenue-generating event and meeting spaces as well.
3. Parking: A 27,000 square foot subterranean parking garage below the Budokan facility with 61 parking spaces is included in the development. LTSC CDC has contracted with Perfect Parking, a local parking operator to assist with its parking operation. The revenue generated through parking will go towards supporting operations of the facility.
4. Building Investment Fund: As part of the overall Capital Campaign goal, \$2 million from the Campaign will be set aside for a Building Fund which will be a quasi-endowment fund to support operations. Annual returns from this Fund will help subsidize facility operations.
5. LTSC Programming: Includes scheduling of sports leagues, summer camps and classes for senior citizens. LTSC also plans to host its own fundraising events.¹⁶



¹⁵ Ito, Scott, Project Development Director Terasaki Budokan, Draft Comments, 4/18/2021

¹⁶ Lee, Ryan, Director Terasaki Budokan Draft Comments, 5/5/2021

8. Initial Development Process:

To move the idea for a regional recreation facility forward, the LTSC CDC project team defined the preliminary project concept and sought financing sources for the pre-development phase. In this phase, LTSC CDC refined the design concept and raised funds for initial design renderings. Much of LTSC CDC's staff time was paid in-kind, with small grants and donations also supporting this effort. LTSC CDC's affordable housing and commercial development experience and its experienced development staff anchored the initial phase of this project.

The initial design enabled the team to estimate project costs and helped to determine site parameters – in this case, adjusting the design to meet potential site opportunities. The preliminary design and architectural work were conducted through a generous local architect (see next) who volunteered much of his time to design multiple iterations of the project to fit potential sites. Once a community and government-supported site was finally identified, a lease agreement with the City of Los Angeles was negotiated to grant LTSC CDC control of the site.

Ground Lease: The ground lease is for 25 years and stipulates that fair market value of the property is \$6,851,075, with a fair market lease rate of \$34,250. In lieu of the lease payments, LTSC has agreed to provide “recreational services” equal to 5,000 hours per year (approximately 15 hours per day).¹⁷ Actual daily use includes weekends and holidays, especially for special events (tournaments). The ground lease is a particularly important component of overall feasibility. Development costs (fundraising) would need to be increased if the land were purchased. In addition, the project would not be able to encumber lease payments equal to \$34,250 per month without requiring significant monthly subsidies (through continual fundraising).

9. Design/Architectural Approach:

Mr. Hayahiko Takase, a well-known local architect, developed the initial project design. Born in Tokyo on April 22, 1930, Takase was sent to Los Angeles in 1964 from Kajima Corporation in Japan to establish Kajima International, Inc. In 1977 he left Kajima and established his own firm, Takase Associates. In Little Tokyo, he designed many of the most iconic buildings in Little Tokyo including the Kajima Building and the New Otani Hotel and Gardens, as well as Higashi Hongwanji Buddhist Temple, Little Tokyo Plaza, Sho Tokyo Community Parking, and the Miyako Hotel.¹⁸

“I believe this facility is really needed for Little Tokyo and the Japanese community,” Takase said in a 2009 interview with *The Rafu Shimpō*. “It started a long time ago, maybe 20 or 25 years ago when the CRA (Community Redevelopment Agency) decided to build the JACCC (Japanese American Cultural & Community Center). At that time the plan included a main building, theater, and gym but it was very small, one-basketball court ... Since then, we have been trying to build this sports facility.”¹⁹

Mr. Takase designed many important features for the Budokan which have been retained in the final design. He developed and redesigned the project to fit the myriad of potential sites. Prior to construction,

¹⁷ Lease Agreement Between the City of Los Angeles and the LTSC Community Development Corporation, 6/3/2011. Article 3.1 and 5.

¹⁸ Rafu Shimpō Newspaper Article, “HAYAHIKO TAKASE, 88; LITTLE TOKYO ARCHITECT”, January 2019

¹⁹ Ibid

due to his retirement, Mr. Takase passed on the design duties to Gruen Associates (Mr. Craig Biggi). The design continued to change based on the changing sites. Major modifications included incorporating two full-sized basketball courts instead of the original plans for three. Sadly, Mr. Takase passed away in 2019 and was not able to see the Budokan in its finished state; however, his legacy lives on through the final design of the Budokan.²⁰

The design team also includes public art, including a mural project initiated through LTSC CDC. The art piece will provide an additional cultural component to the overall look of the facility. Through a community selection process, LTSC chose local artist Kent Yoshimura to design the mural. His artwork, titled “To Catch the Moon”, was chosen because it best represented Little Tokyo and who the facility was designed to serve.

10. Financial Structuring:

The project development cost estimates continue to be a moving target, which is expected as the project becomes realistic, and more information is ascertained. The Budokan project began with a cost estimate of \$23.5 million and ended with a cost of \$33.8 million, which included substantial design changes and use of New Markets Tax Credits. This refining process reflects the following main events:

1. Initial Concept: Usually a best guess based on community input and the preliminary project team.
2. Preliminary Architectural Design: Sketch drawings including key space needs and uses. This enables more accurate cost estimation.
3. Site: Identification of the project site and its effect on design, including zoning and building code restrictions.
4. Preliminary Plans and Specifications: Finalized plans, which better support the project team and advance community input.
5. Third Party Reports: Consultants hired for soil, environmental, traffic, and other necessary studies. Appraisals and title searches are also completed.
6. Final Architectural and Engineering Plans: Final version supplied to contractors (bids) and local governmental permits. Each may affect the budget.
7. Financing: Costs will change due to requirements by lenders, public, and private sector funders and others which can include debt providers.
8. Start of Construction: The project budget is finalized.
9. Changes, over-runs, and other unforeseen events: Hopefully all these events can be financed through budgeted contingencies. Final development costs are realized.

Table I Project Cost Summary

PROJECT COST SUMMARY		
Construction Costs	\$ 20,640,870	All hard costs plus general conditions and requirements.
Other Construction Cost and Fees	\$ 5,727,980	All soft costs plus reserves and bridge loan costs.
New Markets Tax Credits Fees/Closing Costs	\$ 2,463,150	NMTC related expenses (legal) and CDE expenses.
Other Costs	\$ 5,820,372	Other non-eligible costs expended prior to 2016.
Total Development Cost	\$ 34,652,372	Actual total development costs with NMTC fees and expenses
Not Including NMTC Fees	\$ 32,189,222	Development costs less NMTC expenses.
NMTC Total Development Cost	\$ 28,832,000	NMTC "basis" (no pre-2016 costs)

²⁰ Ito, Scott comments, draft: 5/5/2021

Budget Uses:

Construction Costs include the cost for the building at \$10.5 million with the cost of subterranean parking at \$3.5 million. Site preparation was \$1.5 million, with remaining costs including general requirements and conditions, insurance, and a 12% contingency.

Other Construction Costs and Fees include architectural costs at \$1.7 million, fees and permits (\$309,000), inspections (\$258,000), bridge loan (\$316,000), insurance (\$309,000), replacement reserves (\$300,000), and developer fees at \$1.1 million. The developer fee line item is for LTSC CDC, however approximately \$1 million was invested back to the project.

Other Costs includes items prior to 2016, separated from the project budget and used to determine the equity generated using New Markets Tax Credits (NMTCs) (further discussions on NMTCs included in the following sections). These costs include many predevelopment expenses, mostly for architectural work, soils, environmental studies, and expenses related to the capital campaign.

Budget Sources:

The Budokan project completed construction with all costs paid through the following sources:

Table II Project Funding Sources

Funding Sources		Endowment / Capital Campaign	
Public Sector Sources	Total	HHS-OCS	\$ 300,000
Prop K (6th Cycle)	\$ 250,000	Leadership Gifts	\$ 450,000
Prop K (8th Cycle)	\$ 1,300,000	Foundations	
Prop 84	\$ 5,000,000	Lakers Youth Foundation	\$ 25,000
Prop A (County - Molina)	\$ 1,000,000	Individuals (Major Donors)	\$ 2,267,412
Prop A (County - Solis)	\$ 1,500,000	Legacy Gift / LTSC	\$ 1,000,000
Urban Greening Grant	\$ 500,000	Corporate Sponsorship	\$ 100,000
Private Foundations/Other		Community Gifts	\$ 650,000
WM Keck	\$ 500,000	Event Fundraising	\$ 572,581
Weingart	\$ 500,000	Unidentified Funding Source	\$ 455,378
Parsons	\$ 250,000	TOTAL	\$ 5,820,371
LA 84	\$ 125,000		
Ahmanson	\$ 500,000		
Rose Hills	\$ 250,000		
Eisner	\$ 250,000		
Project Reinvest	\$ 500,000		
Neighborworks (Strategic Invest	\$ 100,000		
Individuals (Major Donors)	\$ 1,732,588		
Individuals (Terasaki Family Found)	\$ 3,500,000		
Individuals (Aratani Foundation)	\$ 1,000,000		
Community Gifts	\$ 350,000		
Toyota Raffle	\$ 180,000		
Unidentified Source	\$ 470,202		
New Market Tax Credit	\$ 9,074,210		
TOTAL	\$ 28,832,000		
Endowment and Capital Campaign	\$ 5,820,371		
TOTAL	\$ 34,652,371		
		Summary: Sources of Funds by Major Caagories	
		Total Public Sector Funds	\$ 9,550,000 28%
		Total Major Foundations	\$ 7,475,000 22%
		Total Individual Donors	\$ 2,732,790 8%
		New Market Tax Credit Equity	\$ 9,074,210 26%
		Endowment/Capital Camp.	\$ 5,820,371 17%
		TOTAL	\$ 34,652,371

Public sector grant sources totaled \$9.55 million or 28% of the total cost, while the \$7.475 million or 22% was generated by foundation grants. Equity generated by the NMTCs provided 26% of the budget (see discussion below) and fundraising through the endowment capital campaign generated 17% of the funding. \$2.73 million was generated through individual donors. A bridge loan from Genesis LA and the Weingart Foundation, was used to bridge portions of late funded grants and was fully repaid before the end of construction.

New Markets Tax Credits

Fortunately, the project is located in a New Markets Tax Credit (NMTC) eligible zone. The NMTC program, administered through the US Department of Treasury, allocates tax credits for commercial projects. The credits are allocated annually to Certified Development Entities (CDE), which are typically loan funds and financial institutions. Credits are allocated through a very competitive process. These CDEs in turn allocate credits to eligible community projects. Each CDE determines its priorities but generally seeks projects with economic and social impact. For a substantial project such as the Budokan, three CDEs allocated their credits to this project: The Opportunity Fund, Genesis (through the LA Development Fund), and MBS Urban initiatives (McCormack, Baron, Salazar).

Credits are allocated to projects based on “eligible development costs”, which are mostly hard cost expenses. The credits are typically sold to corporate investors and investment funds, which will take direct corporate tax credits over a five-year period. The investor will leave the project in 7 years (2-year compliance period) while their “return” is generated through tax savings (after the 7-year period, their investment remains in the project). For nominal exit fees, LTSC CDC (Budokan) will retain full ownership of the project.

The investor will pay \$0.25 to \$0.35 per \$1 dollar of credits. This price is based on market conditions and demand for tax credits. For the Budokan, there was an eligible basis of \$28,832,000 and the tax credits were sold to US Bank for \$.31, resulting in project investment equity of \$9,074,210, covering 26% of the development costs (see Table I and III). Generally speaking, the corporate investor will have \$28.8 million in tax credits (over a 5-year period) at a cost of \$9 million funded today.

Table III Project Impacts from New Markets Tax Credits (NMTCs)

PROJECT IMPACT FROM NMTC'S		
NMTC Equity Generated From Eligible Basis	\$ 9,074,210	Investor purchase price (purchase of NMTC)
Purchase Price Per NMTC	\$ 0.315	Investor paid 31 cents per NMTC dollar
Total Development Cost less Equity Investment	\$ 25,578,162	
% of Total Development Costs From Equity	26%	Investor equity covers 26% of the total development cost.
NMTC Purchase Price less NMTC Expenses	\$ 6,611,060	Net funds for the project
Total Development Costs less Net Equity	\$ 28,041,312	
% of Total Development Cost from Net Equity	19%	Actual investor equity on total costs (less NMTC expenses)

Although \$9.074 million was generated through NMTCs, there were substantial NMTC related fees and expenses added to the budget. For the Budokan, NMTC fees were \$2.462 million, resulting in a net project benefit of \$6.611 million (19% of project costs).

This has been a major criticism of the NMTC program: it is un-useable for projects with less than \$4 million of eligible basis (\$4 million of eligible basis in a project would be a project with total development costs of approximately \$5.5 – 6.0 million). NMTC expenses do not decrease based on a

smaller amount of NMTCs. In other words, the expenses are mostly fixed, so the dollars generated for small projects will be exceedingly small once the amount needed for NMTC expenses are paid.

For Budokan, the added funds clearly shortened the development timeline, which would have been extended for continued fundraising.

CCEDA's Participation: CCEDA conducted several training sessions specific to the use NMTCs in community based commercial real estate projects. CCEDA introduced LTSC CDC staff to the regional manager for US Bank focused on NMTC investments (as well as all tax credits). Maria Bustria-Glickman, SVP, has actively participated in CCEDA training sessions and provided updates to CCEDA staff on program nuance. US Bank, which purchases almost 50% of all credits in the nation, is the largest investor in tax credits and is aware of which CDE has available credits (if they themselves did not receive an award).

CCEDA staff ran several proformas to estimate the dollars generated by NMTCs based on various costs. US Bank also assisted in identifying one a regional NMTC consultant, Paul Breckenridge (Breckenridge Consulting) who was instrumental in structuring and closing the NMTC transaction.

11. Construction:

While there were no major problems with the construction of the facility; however, like all construction projects, there were a couple minor delays:

Demolition Delay: A three-month delay was caused by the demolition of an existing building on the south side of the project site. The building was on a "0" lot line, causing the need to delicately hand-chip away the parts near the neighbor's building to not cause any damage.

Certificate of Occupancy: The project was nearing completion by the scheduled date in March 2020, when the COVID 19 pandemic hit. Fortunately, the Budokan project was considered a public works project and construction was able to continue during the pandemic, but construction was delayed due to City inspections. The project finally obtained its Certificate of Occupancy in August 2020.

12. Operations:

The pandemic has currently delayed full use of the Budokan by 13 months, and with recent vaccination progress, appears full use will not be granted until August 2021. Even with approval to fully operate, actual full use may not be realized in 2021. Staff has continued to stay in contact with potential users. Currently, professional teams in town to play the Los Angeles Lakers or Clippers are utilizing the facility for practice (teams stay locally and play at the Staples Center one mile away). As a result, staff continues to proceed based on its original business plan.

The following operational plan is a summary from LTSC CDC's "Budokan of Los Angeles Business Plan", April 2015. Updated information is provided by the LTSC CDC staff.

The gymnasium will be open seven days a week from 7:00AM to 10:00PM from Monday through Friday and 9:00AM to 10:00PM on the weekends. Due to the costs of air conditioning, lighting, and other utilities, and the need for additional staffing, the projections for the hours of operation are based on conservative estimates. Hours will be expanded accordingly. Sponsored senior programs, workshops, and activities; police and other civic center employee basketball leagues; and charter school usage are also possibilities.

The rooftop garden, outdoor terrace, and community rooms will be accessible seven days a week from 9:00AM to 6:00PM during Pacific Standard Time(PST) and from 7:00AM to 10:00 PM during Pacific Daylight Time (PDT). Hours will be extended for special events.

Budokan and LTSC will provide programming and will have priority in scheduling. Additional programming will be provided by third parties, such as Japanese American and Asian American basketball and volleyball leagues for practices and games; martial arts providers looking for dojo space; and other community partners in need of program space. The rooftop space will be available for special events. All scheduling, tracking, as well as website development and social media will be done with the use of latest software and applications. Technical support, accounting assistance, and property management expertise will be provided by LTSC.

Staffing includes the following:

1. Budokan Director (1 FTE)
2. Assistant Director / Marketing, Facility Rental and Scheduling Manager (1 FTE)
3. Administrative Assistants (1 FTE)
4. Programs and Social Media Coordinator (PT)
5. Events Assistant (PT)

LTSC's Property Management Department will provide support for maintenance and upkeep of the facility. It will also subcontract as necessary for security, janitorial, and other needs.

LTSC staff has already reached out to many sports leagues and organizations and has secured letters of interest from potential users. Budokan staff is in place and tasked with actively marketing Budokan and securing firm commitments/contracts for use starting in Year One (with pandemic clearances) with potential renewal for subsequent years. Total start-up expenses are projected as follows:

Total Personnel Costs, plus 25% taxes and benefits are \$200,000. These start-up costs, including personnel costs, will be covered by LTSC general operating funds. The goal for Budokan staff will be to secure at least \$160,000 in commitments/contracts for sports usage. LTSC has already completed "pre-marketing" with local sports organizations. Contracts for event will be more difficult to secure in the initial year due to the nature of the event business, which will require building relationships with event coordinators.

The LTSC Project Team has developed a ten-year forecast of the Budokan's revenue and operating expenses to demonstrate its sustainability. While the Budokan will operate with only a modest surplus in Year One, it will continue to build its operating surplus, which will gradually grow over the ten-year period. (Please see Appendix I)

The Budokan's operating budget was developed in 2015 and continues to be adjusted, especially as the pandemic has substantially altered plans. During the pandemic, significantly less income was generated while operating expenses continue; however, staff continued to move forward, adjusting its fundraising goals. Current administrative and operating costs are projected to be \$519,162 in Year One. Revenue is projected to be \$536,370, resulting in a slight surplus of \$17,208 in the first year of operations. Thereafter, no losses are projected for Years Two through Ten, with an average surplus of \$48,591 per year. Gym users are assumed to be primarily from the Japanese American or Asian sports leagues and organizations, as well as martial arts organizations. Demand for gymnasiums is high, constant, and year-round for youth and adult league games and tournaments.

Income:

1. Event revenue for Year One is projected to be \$98,550 (49% of a conservatively estimated \$189,100) potential event revenue. In addition to the regular rental rate, there will also be a nonprofit rental rate, 30-40% less than the regular rate. This will help meet the Budokan's mission of operating as a community facility.
2. Sports: Sports use revenue is estimated at \$262,320 annually - \$244,320 for league games and tournaments
3. Budokan Programs: \$18,000 for summer weekday sports/summer camps, league use.
4. Rental fees will include use of the outdoor plaza and terrace, including the ground floor entrance and elevator, lighting and power, facility sound system, and use of 200 chairs and tables. A conservative revenue goal of \$94,050 has been set for Year One.
5. Building Investment Fund Revenue: The capital campaign will include raising funds for a \$2 million Building Investment Fund to help subsidize ongoing facility operations. The \$2 million will be invested into a quasi-endowment fund to provide ongoing financial returns to help cover operating expenses. Based on meetings with financial investment advisors, an annual return of 3 – 3.5% is estimated, while employing a conservative income strategy across a diversified investment portfolio. Based upon a 3.5% annual return, the year one return provides a \$70,000 cash subsidy for facility operations. To grow the Fund's income potential, 75% of annual positive net cash flow will be annually reinvested into the Building Investment Fund. Based on cash flow projections in the 10-Year Income Projection, these contributions will total just shy of \$150,000 by the end of Year Ten.
6. Fundraising events and campaigns: Fundraising events and campaigns will be held to supplement fee-based revenue. Based upon analysis of potential fees, an additional \$50,000 will need to be raised. Fundraising events and campaigns will ultimately be the responsibility of the LTSC Board of Directors. Budokan staff, in partnership with LTSC Development staff, will implement these events and campaigns, which will serve not only to generate additional income but will provide a means to maintain community connections and visibility.
7. Parking: Perfect Parking Company was hired to manage the parking and will split the net income generated from 61 available spaces.

Potential fundraising strategies, inclusive of both events and campaigns, include but are not limited to the following:

1. Budokan 3-on-3 Tournament: a generous donor has offered to underwrite expenses for an annual 3-on-3 basketball tournament at the Budokan. Based on analysis from other organizations that have hosted similar basketball tournaments, the projected revenue will be about \$20,000 per year.
2. Annual BoLA-thon (Bowling Tournament) and Golf Tournament: The Budokan capital campaign team has sponsored BoLA-thons for the past six years to raise funds for the capital campaign as well as awareness for the project. The event is held in conjunction with the annual Hollywood Dodgers Las Vegas Invitational (youth basketball tournament) which attracts upwards of 2,000 participants and their families. Each year, LTSC's BoLA-thon attracts 60 golfers and 300 bowlers to take part to raise about \$10,000 annually. These events will continue beyond the conclusion of the capital campaign. "Straight Outta Little Tokyo (SOLT), a musical fundraiser, will also continue.
3. Annual Operating Fund Campaign: An annual solicitation will be conducted, targeted primarily at individual donors. Timing will be coordinated with LTSC so that the campaign will not conflict with LTSC's annual campaign. Anticipated revenue is \$10,000-\$15,000 annually.

Expenses

Personnel Costs: The staffing plan consists of four full time staff, totaling \$168,735 including payroll taxes, workers compensation, and benefits. Total Personnel Costs, plus approximately 25% taxes and benefits are \$213,735.

Facility Operating Expenses: Estimates for facility expenses, such as maintenance, landscaping/grounds, supplies, gym floor maintenance, are based on LTSC's experience managing facilities, as well as estimates received from large commercial facility management companies and general contractors. The following are assumptions for estimates for facility expense items:

- **Janitorial:** Janitorial service is estimated at \$15/hour, which is compliant with the City of Los Angeles' living wage requirement, for a total of \$33,600 annually. Hours will vary based on scheduled uses with additional fees tied to special events.
- **Security Services:** Security services will be provided during all hours that the Budokan is open for use. This is estimated at 52 weeks, 105 hours per week. Security services are assumed at \$15/hour, again compliant with the City of Los Angeles' living wage requirement, for a total of \$120,000 annually. Additional security requested for event rental users will be charged at cost to the event customers.
- **Utilities:** Photovoltaic panels will be built into the facility, offsetting some amount of electricity expense. The building is built to LEED Gold standards (Building Design and Construction), ensuring good energy efficiency and water conservation. \$1.50 per square foot utility costs are assumed, based on the square footage for all interior spaces in the facility (40,726 square feet), for a total of \$75,900 annually.
- **Insurance:** Insurance is estimated to be \$30,000 annually, based on discussions with insurance companies that work with LTSC and are familiar with the project.
- **Marketing and Outreach:** Ongoing website development and maintenance, social media maintenance, collateral materials, and other costs associated with promoting Budokan. Estimated at \$7,500 (included in office expenses).
- **Reserves:** Annual deposits into the Building Reserves are based on 3% of stabilized gross revenue, or \$16,724 annually. The Reserve will be capitalized with \$100,000 after construction.
- **Debt Service:** No debt service.
- **Property Management:** Includes physical management of the structures and outdoor areas such as landscaping, electrical, plumbing, roof, walls, and appliances. Management will maintain relationships with contractors and repair companies, assist with budgeting capital expenditures, and monitor the quality of all repairs and maintenance. Estimated at \$30,000 (\$2,400 monthly) to LTSC Property Management.

Long-Term Revenue Generation Plans to Ensure Sustainability

1. **Seek users for off-peak hours:** Charter schools, local city and county departments, Los Angeles Police Department, and other potential users in the Downtown vicinity. This includes filming opportunities and professional sports training.
2. **Diversify revenue sources beyond Japanese American sports organizations:** Additional users could include schools, local government, private company, or even another non-profit agency that is looking for space to run programs.
3. **Expand other revenue generation services:** This may include food service (i.e., partnership with caterers, etc.), vending machines, arcade games, concessions during tournaments. American Sports Center in Anaheim indicated that 1/3 of their revenue comes from food service.
4. **Additional fundraising for Building Fund:** Strategies may include planned giving campaigns and

annual fund appeals. 75% of any operating surplus will be reinvested into the Building Fund each year.

5. Merchandising: The opportunity exists to explore the development of branded products (hats, t-shirts, sweatshirts, etc.) that can be an additional line of business revenue while promoting Budokan.

13. Key Issues and Lessons:

Political

- Ongoing Support: Political support is key in obtaining funding and support for site acquisition. For a project that spans decades, it becomes necessary to constantly establish new relationships with new policymakers, including city, county, and state elected officials. New policymakers may be more receptive and willing to access new or more resources for the project. You must remain active and diligent.

Community

- Opposition to First Street North Site: It was disheartening when community organizations opposed the use of the site for the project; however, with strong political support, an alternative site was secured. Patience, tenacity, and continued marketing with regional partners is the best solution to this issue.

Real Estate

- Site: The continued frustration of locating a site supported by political and community entities and organizations. Also, the frustration of losing key sites to for-profit developers that were exacerbating the gentrification of Little Tokyo. Patience and tenacity again prove to be the best remedy.

Financing

- Closing of City Bond Funds: Delays caused by bureaucratic processes, inaccurate interpretation of program funding intent and bureaucratic inflexibility. Political pressure can help solve some these types of issues.
- CDE NMTC Allocation: The last-minute disapproval of a substantial CDE NMTC allocation for the project while all along being told this would not be an issue. By having a strong and well-connected NMTC team (consultant and credit investor) a last-minute CDE provider was found.

Operations:

- COVID Pandemic Delay: This has caused pressure on the operational expenses as very little income is being generated. Marketing continues and hope for a quick recovery period is clear.

Appendix I: Budokan 10 Year Projected Cash Flow

PROJECTED CASH FLOW	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
REVENUE										
Sports Rental Income	262,320	262,320	288,552	288,552	288,552	317,407	317,407	317,407	349,148	349,148
Event Income	94,050	121,089	161,453	166,296	171,285	176,424	181,716	187,168	192,783	198,566
Investment Income (incl Op Res int)	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000
Parking Income	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000
Fundraising Income	40,000	41,200	42,436	43,709	45,020	46,371	47,762	49,195	50,671	52,191
TOTAL REVENUE	536,370	564,609	632,441	638,557	644,857	680,202	686,886	693,770	732,601	739,905
EXPENSES										
Administrative										
Dedicated Labor	-213,735	-220,147	-226,751	-233,554	-240,561	-247,777	-255,211	-262,867	-270,753	-278,876
Office Expenses	-17,597	-18,124	-18,668	-19,228	-19,805	-20,399	-21,011	-21,642	-22,291	-22,960
Property Management Fee	-12,000	-12,360	-12,731	-13,113	-13,506	-13,911	-14,329	-14,758	-15,201	-15,657
Auditing Expenses	-3,908	-4,026	-4,146	-4,271	-4,399	-4,531	-4,667	-4,807	-4,951	-5,100
Overhead Expenses	-12,092	-12,454	-12,828	-13,213	-13,609	-14,017	-14,438	-14,871	-15,317	-15,777
Utilities	-75,900	-78,177	-80,522	-82,938	-85,426	-87,989	-90,629	-93,347	-96,148	-99,032
Operating And Maintenance										
Janitor & Cleaning	-33,600	-34,608	-35,646	-36,716	-37,817	-38,952	-40,120	-41,324	-42,563	-43,840
Garbage & Trash Removal	-4,560	-4,697	-4,838	-4,983	-5,132	-5,286	-5,445	-5,608	-5,776	-5,950
Security Payroll/Contract	-42,120	-43,384	-44,685	-46,026	-47,406	-48,829	-50,293	-51,802	-53,356	-54,957
Grounds Contract	-15,310	-15,769	-16,242	-16,730	-17,232	-17,748	-18,281	-18,829	-19,394	-19,976
Repairs/Maintenance	-17,480	-18,004	-18,545	-19,101	-19,674	-20,264	-20,872	-21,498	-22,143	-22,807
Electrical Maintenance	-4,800	-4,944	-5,092	-5,245	-5,402	-5,565	-5,731	-5,903	-6,080	-6,263
Elevator Maintenance/Contract	-4,560	-4,697	-4,838	-4,983	-5,132	-5,286	-5,445	-5,608	-5,776	-5,950
Heating/Cooling Repairs & Maintenance	-15,000	-15,450	-15,914	-16,391	-16,883	-17,389	-17,911	-18,448	-19,002	-19,572
Fire Preventive/Maintenance	-8,000	-8,240	-8,487	-8,742	-9,004	-9,274	-9,552	-9,839	-10,134	-10,438
Misc - Operating & Maint Expense	-5,000	-5,150	-5,305	-5,464	-5,628	-5,796	-5,970	-6,149	-6,334	-6,524
Taxes and Insurance										
Real Estate Taxes/Assessments	-2,500	-2,575	-2,652	-2,732	-2,814	-2,898	-2,985	-3,075	-3,167	-3,262
LEEDS sustainability maintenance	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000
Property & Liability Insurance	-30,000	-30,900	-31,827	-32,782	-33,765	-34,778	-35,822	-36,896	-38,003	-39,143
Reserves	0	-16,170	-16,170	-16,170	-16,170	-16,170	-16,170	-16,170	-16,170	-16,170
TOTAL EXPENSES	-519,162	-550,876	-566,887	-583,379	-600,365	-617,861	-635,882	-654,443	-673,561	-693,253
NET OPERATING INCOME	17,208	13,733	65,553	55,178	44,492	62,341	51,004	39,327	59,040	46,652
Debt Service	0	0	0	0	0	0	0	0	0	0
CASH FLOW AFTER DEBT SERVICE	17,208	13,733	65,553	55,178	44,492	62,341	51,004	39,327	59,040	46,652

ASSUMPTIONS:	
Sports Income Inflation Rate:	10% every 3 years
Event Income Inflation Rate:	3.00%
Fundraising Income Inflation Rate:	3.00%
Operating Expense inflation Rate:	3.00%
Return on Investment:	3.50%