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# 1. introduction

Webb Management Services, Inc. is a management consulting practice for the development and operation of arts facilities. We work for government, schools, developers and arts organizations on facility feasibility, business planning and strategic planning. The practice was founded in 1997 and we just started our 300<sup>th</sup> assignment. We have done a series of studies in the Denver area, including feasibility work that led to new facilities in Lone Tree and Parker.

We have been hired in Stapleton to investigate the feasibility of developing new cultural facilities there. This is an idea that has been developing for some time, through the leadership of the Stapleton Master Community Association. In fact, that concept has advanced to the point of naming a set of facilities located at the old Stapleton Airport Control Tower, an iconic site within the community.

For purposes of this work, we are setting aside presumptions about what is needed and where facilities might be located in order to first establish the need for any size, type and form of cultural facilities. This we do by looking at potential demand for facilities (on the part of audiences and users), the current supply of facilities, and how the development of new facilities might serve the broader goals of the community.

At the end of this report we will address, in broad terms, how the location of new cultural facilities at the Control Tower site might strengthen or weaken the case for cultural facilities. Then, if there is some consensus around the direction of our work, we will proceed to the second phase, in which we develop a preliminary business plan for recommended facilities, considering how they might be programmed, operated and sustained. We would like to take the opportunity to thank all of the people who have participated in the study to date. A list of those interviewed is attached as Appendix A.

## 2. study context

Our key reference point as we begin the study is the 1995 Stapleton Development Plan, referred to as the “Green Book.” It is the plan developed by the City of Denver, the Stapleton Redevelopment Board and the Citizens Advisory Board that is to guide the 30-40 year effort converting the Stapleton International Airport site into a planned community within the City of Denver.

The social aspects of community are an important part of the plan. And under that heading is the stated need for culture as a function and service to be provided as a part of the Stapleton redevelopment project. The plan does not specifically identify a cultural facility as a public facility to be funded, but it does establish the importance of culture and cultural facilities as a means to create a sense of community, the development of an economic base, and the enhancement of training and education opportunities.

This, we believe, provides the basis to consider the idea of cultural facilities that serve Stapleton and the surrounding neighborhoods. The test of feasibility goes beyond the simple issues of supply and demand to the larger issue of how a community-oriented cultural center might build community, attract businesses and workers, and provide new teaching and training programs.

## 3. forces and trends

### 3.1 Arts Audiences

In order to predict audiences and their response to current, improved or new facilities, we must first understand their general characteristics and patterns of participation. Here are the basic facts about arts audiences.

- \* Only a small percentage of adults attend professional performing arts events each year. This ranges by discipline - from 2.5% for opera and 7% for ballet and other dance to 15% going to a classical music or jazz performance and 23% going to art museums and galleries. (Source: SPPA 2008)
- \* Over the last 20 years, participation within traditional arts disciplines has remained relatively flat. More specifically, a decline in levels of participation (percentages of adults attending various types of events) has been mitigated only by increases in the total adult population.
- \* Participation in the traditional performing and visual arts amongst adults under the age of 40 has been on the decline for over 20 years. We will discuss how and why this is happening in the following sections.
- \* Educational attainment is by far the best predictor of arts attendance. The propensity to attend arts events among those who have completed college is at least three times greater than for those who have finished only high school; with each advanced level of education there is an increased probability of arts attendance.
- \* Income and age also matter, but not nearly as much; those with higher incomes and those who are over 45 are more likely to attend.
- \* Race is not a predictor of whether a person is likely to attend the arts, but is a predictor of the genre of art likely to be attended.
- \* A large proportion of adults also participate in the arts. One-third of adults took music lessons or classes at some point in their lives and 18% took some sort of visual arts class. More adults take visual art or music classes than other types of lessons or classes.

Now let's look at some of the more important and recent trends in consumption of the arts and how audiences choose to participate:

*Less Time and Less Planning:* We are all busier today and are less likely to make a significant investment of our precious time into any activity, especially when we are asked to make that commitment well in advance of the event. We live in a world of shortened planning horizons, meaning a decline of advance commitment. This has led to the propitious decline in subscription ticketing, as individuals are less willing to commit early and more likely to keep their options open until the last moment. This also means that there are more consumers now who are willing to pay more later - the perceived premium of flexibility and the "on-demand" lifestyle.

*The Demand for More Stimulation:* All consumers, and particularly younger ones, are acclimated to multi-sensory engagement. They are watching, hearing and reading simultaneously (so they believe). This does mean that they have higher satisfaction thresholds and expectations for immediate rewards from the experience.

*The Demand for Convenience:* Audiences are also seeking convenience, as in all aspects of life. There is less tolerance for the event with built-in hardships, whether that means an uncomfortable seat, poor concessions service or bad traffic on the way home. This suggests a low threshold for opting out and the never-ending search for attractive and convenient alternatives. This pushes facilities and presenters towards a higher level of customer service, but also an attempt to influence other factors that affect the experience, from parking to the after-show drink.

*The Importance of Interpretation-rich Experiences:* A generation ago, there was little concern for how audiences responded to the work. And if there was, it was likely to direct audiences towards a prescribed interpretation of what they saw, heard or felt. That has now changed. First, we have determined that the quality of experience for audiences is dramatically improved by properly preparing them for the experience with information and context, then, more importantly, by providing them the opportunity to process and share their experience with others. Secondly, we must now accept that audiences are less willing to accept someone else's interpretation of an experience, alternatively wishing (often demanding) to develop and provide their own interpretation of the experience – ultimately seeing themselves as co-authors of meaning.

*The Diffusion of Cultural Tastes:* Because of advances in information and communication technologies, people are now interested in a much broader array of programs. We now have cheap access to more cultural output and the ability to pick and choose as we like. We are less loyal to the artists we knew before and less prone to follow the tastes of others (at least not for long). This means both a fragmentation and diversification of tastes, both narrowing and broadening at the same time. A generation ago, I might have been a fan of music and painting from the Romantic period. Now I like the early work of Prog-Rockers Genesis and the Strawbs, pre-Columbian folk art, Mozart's choral works, and the graphic novels of R. Crumb. Related to this is the abandonment of old boundaries and behaviors on the part of audiences. Fifty years ago, there was a snobbishness of traditional arts audience and a sense that preferences and appearances were representative of social standing. Now, I am an omnivore – I might go to expressionist art show opening one night and a county music performance the next, with little regard for how these choices reflect on me as a person.

*The Paradox of Choice:* All consumers are now faced with an extraordinary range of choices - whether that relates to food, cars or culture. And with our hyperactive, consumption-based economy, consumers are constantly being bombarded with those choices and exhortations to buy. For many consumers, there are simply too many choices being thrown at them, and they often shut down and make no choice at all. Thus, consumers are hungry for filters and enablers, people and services that will help them get past the paralysis brought on by too many choices. Word-of-mouth is the strongest version of this, a piece of one-on-one advice from a credible source. But people are looking for other filters and influencers – in fact curators who can help them make these decisions.

*Risk Versus Reward:* Because of the cost (time and money) of participating and all of the other choices available, audiences are generally less willing to take risks, and more willing to pay large sums for a guaranteed "home run" experience. This is evidenced by the blockbuster phenomenon and super-premium price points on Broadway. It is also consistent with a pervasive trend towards "trading up" and the rise of VIP culture, where there is an attempt to create an illusion of exclusivity, status and prestige.

The challenge is the more everything becomes accessible, the more some people want to be separate – which suggests demand for value-added, premium arts experiences.

*The Social Experience:* Research suggests that what is drawing audiences to the arts today is the opportunity for a social experience, as opposed to the more traditional attraction of intellectual stimulation associated with the performance. The good news is that this is a clear competitive advantage – the shared social experience not available to those at home, no matter the quality of their technology. The challenge is that presenters and facilities must deliver much more than what is on the stage – creating an environment in which the social elements of the experience are fully enjoyed. People construct all sorts of social groups around arts experiences – from co-workers, college alumni groups, church groups, families and friends. We are thus in the business of creating social experiences for these different kinds of groups, a part of which is art.

*The Role of Media:* We now see the lower consumption of traditional media and the reduced role it plays in driving arts participation. There is a fragmentation of the media and the absence of the critical voice to help audiences make purchase decisions. At the same time, there is a proliferation of personal communications technologies and online Word-of-Mouth tools, including Facebook and the like. These tools are critically important as a means for consumers to spread word of mouth in a viral way. And they are even more important for the cultural suppliers to build a community of friends and supporters in a world where consumer loyalty is largely a thing of the past.

*Everyone's an Artist:* There has been a rise in self-directed, home-based living arts participation, including everyday creativity like gardening, writing, crafting, photography, film production, cooking, and decorating through fashion, home décor, and art collection. Also, consumers are demanding more intense, "hands-on" arts experiences. This is evidenced by higher rates of personal and 'amateur' participation in community theatre groups, choirs, dance and movement classes, art and music classes and more.

### **Nonprofit Arts Organizations**

There are also significant changes occurring on the supply side, specifically around the health and sustainability of nonprofit arts organizations. Specifically:

*Baumol and Bowen:* These two NYU economists published "The Economic Dilemma of the Performing Arts" in 1965, positing that the lack of productivity gains in the creation of art, plus the inevitability of cost increases, would essentially force all organizations to raise more contributed income every year. Though there have been marginal improvements in the administration of buildings and organizations, there is ample evidence of this cost squeeze, and increasing pressure on all arts organizations to raise more money to sustain operations. Even if an organization matches its prior year revenue targets and buys only what it bought the year before, the annual funding requirement will increase, year after year after year. As a more tangible example, think of how technology has allowed the corporate sector to keep staffing levels lower than they were pre-2008, even as the economy continues to improve. Contrast this with the creation of symphonic music, where the same time and energy is invested in the rehearsal and performance of a Brahms Symphony as was the case one hundred and fifty years ago.

*Supply Issues:* According to the 2012 Arts Index report by Americans for the Arts, as of 2010 there are 113,000 arts and culture nonprofit organizations in the United States. The number of arts nonprofits has increased 49% in the past decade (76,000 to 113,000). This increase is greater than any other category of nonprofit organizations in the United States.

*The Political Environment:* It is also safe to say that we are now operating in a political environment in which direct support of the arts is controversial, difficult to justify with so many other priorities, and more often seen as an inappropriate role for government. The Tea-Party movement is no longer on the front page, but its influence is substantial.

*Private Sector Funding:* On the private side, we have a fully developed philanthropic sector lead by skilled marketers, technologists and communicators, raising the bar for arts fundraisers and bringing new competition for sectors like the environment. In addition, the new generation of funders are much more pro-active and engaged in their causes, expecting to be given the ability to direct the organization and the use of their funds in a much more personal (and often intrusive) manner.

### **Responding to a Changing Environment**

So how should cultural facilities respond to these changes in audiences and users?

*From Friday Night Lights to Community Living Rooms:* The old image of the theater - where the lights come on at 7PM on a Friday night so that fancy people wearing formal attire can attend a performance - is gone. The new image is that of a community living room - a place that is always open and always active - with informal programming and an atmosphere that is buzzing and welcoming. New spaces have enlarged lobbies where high quality food and drink are available for sale over longer periods of time. These spaces are informal but physically attractive in the ways they are designed and animated. They are warm and inspirational, rather than cold and institutional. And they facilitate and promote the interaction of artists and audiences.

*Program Affects Place:* A place becomes known for the programs it hosts, which means that places with strong curatorial instincts have the ability to become associated with the quality and types of programming that goes on there, such that ultimately consumers can be drawn there without any knowledge of the program or performers, solving for them the paradox of choice. On the other hand, facilities that present and rent for all types of activities at all levels of quality risk a loss of identity and create apprehension on the part of consumers uncertain of what they will experience in that place. All of which is to say - make programming choices that build and maintain a desirable and consistent image of the facility.

*Facilitating Active Participation:* Facilities and their users must support a culture of more active participation in the arts and arts experiences, including audience engagement before, during, and after the experience. This suggests open rehearsals, hands-on training and even invitations to formally document an experience, elevating the patron to the role of critic. Buildings must also provide more opportunities for everyone in the community to express creativity - whether that means joining a choir, learning to paint, or volunteering to build sets.

*Control of the Experience:* Cultural norms of behavior around performances must change. Audiences (particularly younger ones) must be given more opportunities to decide how they would like to experience a performance, without disturbing those around them. Expecting younger patrons to give up all control of their experience of coming to a performance will only drive them away.

*Don't Custom Build:* We must accept the notion that arts organizations will come and go given their fragile balance sheets and the competitive pressures they face. Facilities should be able to accommodate multiple users at once or successive users in quick order so as not to be dragged down by any one user facing a dark future.

*Cost Structure:* The future of facilities that serve the nonprofit sector depends on their ability to provide ongoing affordable access to nonprofit users, and arrangements that motivate efficient use of space and the maximization of revenues for both user and facility. Facility management organizations must be lean and nimble in their staffing, and embracing of technologies that drive operating efficiencies and economies.

*Community Engagement:* Fundamentally, performing arts facilities must become deeply engaged and connected to the life of their communities. They cannot be seen as palaces or temples of the arts, but rather the literal or figurative center of the community. Whatever an arts facility can and should do to connect with life of the community should be done – whether that means hosting community meetings or acting as emergency response centers. In order to survive, performing arts facilities must make themselves indispensable to the future of their communities, in ways that are understood and embraced by all.



# 4. the market for new facilities

## 4.1 Definition and Characteristics

What may sound like an easy definition is actually a complicated issue for community arts centers. In a fundamental sense, the market for new arts facilities in Stapleton is Stapleton – who are the people that live in this area, and what are the needs of this group that we might respond to with new facilities? But the practical reality is that Stapleton is not a separate community – nor does it wish to be. It is part of the City of Denver, and new facilities in this part of the city are likely to draw audiences, renters and program participants from the larger area. Those closer are likely to engage more in the life of the Center, but the larger market area is important.

The other definitional challenge is that Stapleton is changing and growing rapidly towards an expected build-out of 40,000 people by 2022. So we must develop a plan for new facilities that can succeed when they open (say 3 to 5 years from now), but can also respond to growth and changes in the community over the next 30 years.

Attached to this report (the second part of Appendix B) is the February 2012 Population Trends presentation given by State Demographer Elizabeth Garner. Here are some key highlights:

- \* The North Front Range was the fastest growing area in the State from 2000 to 2010 and has reached a total population of 552,455.
- \* In Denver, the younger population component is growing slower than the component 65 years and older.
- \* In 2010, the population of the 2 Stapleton Census Tracts was 13,948. Of that total, 3,275 were in two jails within that same area.
- \* The Stapleton population is dominated by the 20-40 year-olds (30% of the total), with another 21% under the age of 10.
- \* Educational attainment for Stapleton (and particularly Stapleton West), is very high, with large cohorts having achieved bachelor's and graduate degrees.
- \* Stapleton's median household income is over \$100,000, as compared to a median of \$45,000 for Denver.
- \* Stapleton is less racially diverse than Denver and the State of Colorado.
- \* For the future, the Front Range will continue as the most populous area of the State, with Denver to reach a total population of 750,000 by 2030.
- \* After decades of having a non-normal age distribution, the aging baby-boomers will bring that distribution back to a normal shape by 2030. The impact of aging boomers will be felt more dramatically in the Front Range.

According to the demographer, the point to all of this for Stapleton is that those in the 65+ age cohort will soon be considering housing options here, which should influence the development of future housing and public amenities.

The first part of Appendix B is a second set of demographic highlights purchased from Nielsen Claritas. These profiles tend to be more conservative than locally generated reports, and it seems to include the prison population, but there are still several highlights worth noting:

- \* The report suggests substantial growth in the empty nester and retiree population in Stapleton by 2018.
- \* Median household income will continue to grow through 2018.
- \* The young population component of Stapleton will remain high through 2018.

Our view is that this demographic profile makes clear both the opportunity for audience development and active arts education programs, but also the challenge of the limited diversity of Stapleton that new cultural facilities and programs can help to address.

It is also important to note the dynamic nature of the market. The large number of younger kids today that will soon translate into a large group of teenagers that will become a large number of young adults and then families, as well as seniors. Therefore, new cultural facilities must be flexible enough to program to a shifting population base over an extended period of time.

#### 4.2 Community Survey

Of more direct assistance is the survey administered to community residents in October, asking specific questions about cultural activity and the interest in the idea of new community arts facilities. The survey was administered electronically, issued to 15,000 unique email addresses by the MCA. Approximately 1,100 surveys were completed. A report summarizing the survey is attached as Appendix C. Key findings include:

- \* Some respondents already participate in MCA-presented cultural programs, but not a majority.
- \* Most respondents are culturally active. The largest group (44%) attends 2-4 cultural events in Denver each year.
- \* The biggest barrier to more participation to more cultural events is distance.
- \* There is strong agreement with the idea that Stapleton would benefit from more cultural programs.
- \* The disciplines most desired in the community are theatre, music and dance.
- \* There is support for the idea of developing special event and meeting facilities in Stapleton.
- \* There is stronger support for the idea that there is a need for a community gathering space.

All in all, current community residents would seem to be strongly in favor of new cultural and community programs in a Stapleton-based center.

## 5. uses and users

Over the course of our needs assessment, we reached out to local artists and organizations to see who might need and want access to new facilities in Stapleton, what specific facilities are in demand, and how they would propose to use new facilities. We'll look first at local groups and then at the larger region.

### 5.1 Local Groups

*Master Community Association:* The first and most important local group that would use new Stapleton facilities is the Master Community Association (MCA). This a competent and enthusiastic team already engaged in programming a range of cultural events in the community – mostly outdoors.

For the MCA, we see the need for better outdoor performance space with better infrastructure, small indoor performance space at which theatre, dance, music, films and speakers might be presented, and a range of classrooms for arts education and other community gatherings. In fact, the organization is well-positioned to drive this project towards completion and then take on the central role of programmer and operator of these community facilities.

*Theater West:* This is a producing children's theatre company, school and camp program that is commercially run. The organization is based in Denver but has expressed an interest in moving to Stapleton facilities. They'd like to use a 300-seat theater, dance studio, music room, shop facilities and other support facilities. Theater West would be an active partner in animating new facilities, though the nature of their use is very intensive and they would be better served as a nonprofit.

*Aurora Symphony:* This community symphony was founded in 1978 and became a 501c3 in 1996. They perform at the Vista Peak Academy in East Aurora and the Gateway Center for the Performing Arts. They are enthusiastic about bringing programs to a new facility in Stapleton. Though their desired capacity is a reasonable 200 to 300 seats, they would require a large stage and significant acoustical volume.

*Denver School of the Arts:* This arts magnet school is in its 20<sup>th</sup> year, the last 10 at their current location just to the east of Stapleton. The school is a huge success and running at full capacity, with a coming school district bond program to fund additional facilities on that site. Nevertheless, the School Principal is enthusiastic about the prospect of new facilities in Stapleton and imagines seeking access to any gallery spaces available for student exhibitions, rehearsal facilities beyond what they currently have, and the possibility of internships for students in areas such as technical theater.

*Visual Arts:* There are several local groups, including the Small Hands Art Studio and Art Framing of Stapleton that are interested in curating shows and running teaching programs in new community facilities. There seems also to be an active community of amateur painters who might be both students and teachers for a range of visual arts programs.

## 5.2 The Needs of Regional Organizations

In 2008, Artspace did a study for the City of Denver's Office of Cultural Affairs, surveying the needs of Arts Organizations in the area. Following are some of the key insights from that study as it relates to facility needs:

- \* Representatives of 356 organizations and creative businesses completed the survey. Of this total, 245 organizations and businesses expressed an interest in relocating to new space or renting space on a short-term or occasional basis.
- \* The data suggested that multi-function facilities would best serve many of these organizations.
- \* Facility developers are encouraged to provide shared-use spaces wherever possible to keep development costs low and improve the financial feasibility of the project.
- \* It was suggested that new multi-use facilities providing space for a number of organizations could become very energetic and eclectic destinations.
- \* There was also an overlap in the needs of individual artists with those of organizations and businesses, suggesting that they too might be a part of using and sharing multi-use facilities.
- \* Many of the interested organizations are small and relatively young, which confirms the need to support a set of organizations as opposed to individual groups with more customized needs.
- \* Interested organizations represent a wide variety of arts activities, including education/instruction (29%), music (25%), photography (22%), art galleries (20%) and painting and drawing (20%).
- \* For the groups interested in short-term or occasional rentals, 37% are interested in exhibit space, 34% in performance space, 27% in meeting space, 25% in rehearsal space, 25% in classrooms and 25% in a concert hall.

To confirm this demand, and with the help of City and SCFD staff, we issued a survey to all active Tier III organizations to update their demand for spaces. Results of the survey are attached as Appendix D.

Highlights include:

- \* Of the 23 organizations that completed the survey, 80% think that new arts and cultural facilities are needed in Stapleton and Northeast Denver.
- \* Seventy seven percent of respondents are interested in using new performance facilities. Most of them were looking for spaces with a capacity under 500 seats, but were also interested in a large working stage, good acoustics and ample public space.
- \* Thirty six percent of the groups are interested in using new exhibition space in Stapleton.
- \* Forty two percent of groups are interested in using new classrooms in Stapleton for various teaching programs.
- \* Sixty seven percent of groups are interested in using flexible meeting/event facilities in Stapleton, with an interest in additional catering facilities.
- \* Sixty two percent of groups are interested in utilizing new rehearsal, dance or music studios.
- \* Finally, 72% of groups are interested in shared services at these new facilities, including box office, accounting and so on.

# 6. existing facilities

## 6.1 Community Facilities

There are no purpose-built arts facilities in Stapleton, but several spaces that are being used for arts and cultural programs. They are:



*The MCA Community Room:* The meeting and classroom, with a capacity of 70, is used by MCA as home for the Active Minds Seminar, periodic free classes run by experts in areas ranging from global issues to history. There is a projector and sound, but no equipment or functionality as a performance or rehearsal space.

periodically for arts and cultural related programming. It does host MCA programs like "SNL...For Kids Only!" Again, there is no equipment or functionality as a performance or rehearsal space, nor sinks or ventilation for painting. The space does have an adjacent catering kitchen, which improves its utility as an event space.

*The Recreation Center Multipurpose Room:* Stapleton's Recreation Center includes a multipurpose room with a posted capacity of 127. According to staff, it is heavily used for meetings and private events, but only



*Stapleton Library Multipurpose Room:* Here again we have a multi-purpose room for about 100 people in the newly opened library. The space is to be rented out to individuals and groups and also hosts library programs. Again, there is no equipment or theatrical functionality.



*Outdoor Spaces:* Through the efforts of Stapleton MCA, outdoor programming has



arrived in Stapleton and has proven to be very popular despite only a limited investment in facilities. There have been outdoor theater events developed with the group from the Aurora Fox Theater, a series of live concerts, and an outdoor film series produced in partnership with Space Farmer Productions.



The largest venue for outdoor events has been the 29<sup>th</sup> Ave Town Green, which can accommodate as many as 3,000. But a series of other spaces, including a series of community pools, have also hosted events. Unlike most other communities we work in, the schools in and around Stapleton have limited spaces for arts performance, rehearsal and programs, and these spaces are not made available to community artists or arts organizations.



*The Aurora Fox Theater:* The one nearby facility worth describing is the Aurora Fox Theater, located in the old downtown of Aurora. This includes a 240-seat theater (originally a cinema) and a 72-seat studio theater, which was recently added and has a separate entrance. There is a small lobby, very tight backstage accommodations, and a series of challenges associated with the maintenance of an aging structure, but the theater is playing a critical role as home for Aurora's producing theatre company, as well as a series of other small producing theatre companies from the region who are able to rent space in the venue for

multi-week runs.

## 6.2 Cultural Facilities coming Northeast out of Denver

Appended to this report is a map showing all visual and performing arts facilities in Denver, intended to make the simple but powerful point that there are virtually no facilities in the northeast quadrant of the City or those suburban communities.

## 6.3 Regional Examples of Community Arts Centers

Part of the thinking about new facilities in Stapleton has been influenced by the presence of a series of community arts facilities in the region, spreading out in several directions around the metropolitan area – except for the Northeast. Here are descriptions of the four key facilities in the market, and then a comparison.





*Arvada Center for the Arts:* This is the original one of the group, a very successful arts center some 10 miles Northwest of downtown Denver that has become the most recognizable asset and ambassador for the City of Arvada.

The Arvada Center began as a heritage museum before being converted into a multidisciplinary arts space in 1967. In its first year, the Center attracted 12,000

visitors and today, it serves nearly 350,000 patrons annually. The city-owned Center is supported by 2,500 individual and corporate donors and foundations, including the Scientific and Cultural Facilities District and the City of Arvada. Facilities at the Center include a 500-seat Main Stage theatre, a 226-seat Black Box theater, a 1,600-seat outdoor amphitheater, three gallery spaces, classroom space and multipurpose rooms. Performances at the Center feature mostly professional theatre and headliner music concerts, but also include performances and programming by local organizations and artists. The Center partners with concert promoter, Nobody in Particular Presents for various events, such as the 2011 Summer Stage concert series. CenterFest is a collaboration between Arvada Center and local organizations of the Scientific and Cultural Facilities District, featuring cross-disciplinary performances and entertainment.

The Center offers a wide range of youth educational programs through its Children's Theatre, the Front Range Youth Symphony Orchestras, the Arvada Center Dance Academy, and the Arvada Center Drama Academy. In 2011 alone, the Center received nearly 7,000 students. The Center also offers adult classes and activities through its Arts for the Ageless program. Classes include dance, ceramics, music, painting and writing geared toward retired and active adults, ages 55 and older. In the Center's three art galleries, local and aspiring artists from the community exhibit their artwork, while fine art institutions, curators and private gallery owners partner with the Center to organize several professional art exhibitions. Finally, the Arvada History



Museum serves as a scholarly resource, offering information and artifacts about the development of the Old West and the City of Arvada.



*Lakewood Cultural Center:* Coming around to the East of Denver, we have the Lakewood Cultural Center, which was developed by the City within a larger mixed-use campus that also includes their Town Hall, Civic Center and a shopping center. The key space is a 316-seat theater, but there is also a community room (for up to 100), two galleries, and a series of classrooms (wet and dry). The Center opened

in 2000 and is operated by the City of Lakewood with a staff of six, plus a series of shared services and personnel working in the other facilities on the campus.



The Center is very active, mostly through rentals of various spaces by nonprofits and commercial groups. Some presenting is featured in the theater (12-14 events a year), and the space runs a multitude of classes. Some income is earned from the Artisan Showcase, which features some work by local artists.



The Lone Tree Arts Center, which just opened last year southwest of Denver, is also a city-run facility. The main space is a 488-seat theater, but there is also an outdoor performance space for up to 325, a large and very busy event room (it has hosted 150 events in the last 6 months), and a large lobby gallery.

The Center's performance space is particularly impressive. It is home to the Lone Tree Symphony, but also hosts a range of other rental and presented events. There is a partial fly tower, an orchestra pit for up to 15 musicians, and reasonable backstage accommodations.

The Center has a full-time staff of eight and an operating budget of \$2.1 million, 43% of which is covered by earned income.



The location of the Center is a bit unfortunate, tucked away within a large shopping complex. But it has been well-received and well-reviewed by both audiences and users.



*Parker Arts Culture and Events Center:* Parker's new center, southeast of Denver, is the newest and most



impressive of the four. It is a 30,000 square foot facility with a 536-seat theater, multipurpose room, four classrooms, a catering kitchen that also serves as a cooking classroom, a media lab (essentially a room with desk-top computers), a small gallery, four classrooms (wet and dry), large lobbies and a lovely (and rentable) outdoor plaza.

The location of the Center is terrific - close to the old downtown of the City, but also on the edge of open space into which the building has been beautifully placed.



The building is also owned and operated by the City. It has a small full-time staff of five and a large part-time staff. The operating budget is \$1.6 million, 50% of which is covered by earned income. Here again, the Center is animated by a combination of some presenting in the theater, a large amount of nonprofit and commercial rentals, and an active set of City teaching programs. So far, rental activity and participation in teaching programs has been very high, while ticket sales for presented programs and theater rentals have not yet hit their goals.

Regional CAC Comparisons	Arvada Center for the Arts	Lakewood Cultural Center	Lone Tree Arts Center	Parker Arts Culture and Events Center
Opened	1967	2000	2011	2011
Owner	City	City	City	City
Operator	City	City	City	City
Size (square feet)	150,000	38,000	43,000	50,000
Project Budget	\$10M	\$7M	\$22M	\$21M
Theater Capacity	500	260	488	536
Other Components				
Amphitheater	◆		◆	
Classrooms	◆	◆	◆	◆
Multipurpose Room	◆	◆	◆	◆
Media Lab				◆
Catering Kitchen			◆	◆
Concessions	◆	◆	◆	◆
Alcohol	◆	◆	◆	◆
Film Capability	◆	◆	◆	◆
Fly Tower			◆	◆
FT Staff	36	6	6	5
Op. Budget	\$5.4M	\$657K	\$2.1M	\$1.6M
% Earned	53%	50%	43%	50%
Presenting	◆	◆	◆	◆
Nonprofit Rentals	◆	◆	◆	◆
Commercial Rentals	◆	◆	◆	◆
Education Programs	◆	◆	◆	◆

Finally, here is a chart comparing the size and attributes of these four centers. Several themes emerge:

- \* All of these facilities start with a mid-size performance space and then add smaller spaces for rehearsal, exhibition, teaching, meeting and other activities.
- \* Recent buildings have been getting larger in size and more expensive.
- \* All of them require significant ongoing funding.

## 7. preliminary conclusions

The case to build new cultural facilities in Stapleton is strong. The market is hungry for cultural opportunities and continues to grow. There are no proper cultural facilities serving Stapleton at present. Though there are not many local artists and groups needing space to prepare and share work, there are a number of potential users in the northeast part of Denver, and the presence of local facilities will drive the development of a local arts scene. Finally, we would contend that the development of cultural facilities is consistent with the vision and goals of the Stapleton community, enhancing quality of life, creating new educational possibilities, and supporting the idea of cultural diversity.

Given all of this, we would recommend the development of a cultural center to include the following components:

1. A more formal performance space with a 250-350-seat capacity range with a proper working stage suitable for mostly music and dance, but also live theatre, speakers and films.
2. A second performance space for up to 100-people, more oriented to theatre, which can also be used for meetings and special events.
3. A third performance studio for up to 50 people, suitable for dramatic theatre, music and meetings, and also usable for rehearsals, classes and meetings.
4. An outdoor plaza that can be used as an additional performance space for music, theatre, film and other festival-like events.
5. An additional dance studio/music rehearsal room.
6. A pair of wet and dry classrooms for internally-driven programs and rentals.
7. Catering and concession facilities able to manage multiple events.
8. Purpose-built exhibition space with proper security, lighting and environmental controls.

In addition to this core set of facilities, we would propose several additional possibilities, each of which depends on the emergence of partners.

1. *The Media Arts Center*: This is an additional set of facilities focused on teaching and using electronic media as a means of expression. This is an emerging sector in our world, essentially providing people with new tools and new access to technology as a way to express themselves. It is a highly participative concept, with community residents, artists from the larger region, and particularly young people, coming to this one location. This could be physically manifest in many different ways, but generally starting with a combination of studios, teaching labs, rental spaces and equipment.

One of our favorite examples is the Community Media Center in Grand Rapids, Michigan, a description of which is in Appendix D.

In fact, there is already something similar locally at Denver Open Media, with facilities in the southwest of the City. This is Denver's community run TV station (in fact three stations). They rent equipment, offer classes and are supported by the Open Media Foundation.

2. *The Incubator*: Our second additional possibility is to create a set of incubator facilities for emerging artists and arts organizations in the Denver region. There are a number of these facilities around the county that play a vital role in the cultural eco-system, supporting artists and small organizations at a particular point in their evolution with low cost access to facilities (performance, rehearsal, studios, production, offices) and then sending them off on their own (hopefully) as they grow up and out of the program.

The Sammons Center in Dallas is one of the better programs and facilities in the country. Information on what they have and how they operate is also appended.

3. *Arts Education Hub*: Our third additional possibility is to add a set of facilities that support arts education in nearby schools, perhaps going so far as to host an arts magnet program. For this option, our comparable is the Tuachan Center for the Arts and High School for the Performing Arts in Ivins, Utah. You already have the Denver School of the Arts nearby, but perhaps there are programs and partnerships that bring more education programs into the building.

## 8. the control tower site

This is a somewhat unusual situation, in that project sponsors have already identified a possible site for new community arts facilities and have made the case for some new arts facilities at that location. Though our conclusions are made without regard for that site, we are happy to add some observations as to how that location strengthens or weakens the case for new cultural facilities.

*Location:* The old Stapleton control tower is well located close to the middle of the community, easily accessed from its four corners, and within walking distance of the new rail line, which is to open within the year.

*The Iconic Structure:* The control tower is an iconic structure that attracts attention. Locating an arts center at the Tower makes it a beacon for the community, attracting community and regional residents to this location.

*A Creative Solution:* Many attempts have been made over the years to find a buyer and commercial use for the structure, but none have emerged. Now there is opportunity for artists to come up with creative ways that the Control Tower might be integrated into the larger development and operation of an arts center.

*A Way to Act Soon:* Then we have the bird in the hand argument, which recognizes that it is important to come up with a plan for the Tower in the near future in order that it does not deteriorate further as a structure.

*Adaptive Re-use vs. New Construction:* The redevelopment of existing structures is more environmentally friendly than their demolition and replacement. In fact, the pursuit of a LEED designation for the project would be significantly aided by an adaptive re-use component.

*Redevelopment Costs:* The most practical reason to consider the redevelopment of the Tower property is if it is less expensive than other opportunities. Others will have to work this out, also factoring in the cost of demolishing the Tower if another option is pursued.

*The Development of the Rest of the Site:* This, to us, is the most important issue – what might happen on the rest of the block, and how does that strengthen the case and improve the operating viability of a cultural arts center there? If the choice is made to build additional housing, the case of our project is most likely weakened a bit by the prospect of neighbors unhappy with noise, cars and strangers next door. But if the site is developed with retail, compatible commercial space, restaurants, other community magnets, and perhaps some additional open space (all with sufficient structured parking), then the case and operating prospect for the Center are made stronger. In fact, the Cultural Center could be viewed as the seed for a mixed-use development that builds on the identity and image of arts activity and creativity, thus creating value and economic justification for the larger development.

## 9. operating goals

Having determined demand for high-quality performance and support facilities, and described the various components and facility characteristics of that space, we can now address how this facility should be governed, operated and sustained. Let's start with a set of goals:

1. The first goal of new community arts facilities should be to serve the residents of Stapleton with access to programs, presentations and spaces that create new opportunities for cultural participation and learning that enhance quality of life in the community. New facilities should be as busy as possible with a wide range of opportunities for Stapleton residents as well as regional residents and visitors.
2. Provide access to well equipped outdoor performance and event space to promoters, local nonprofit organizations, arts organizations and other cultural users. Operate as a high-traffic seasonal facility that is attractive to artists, local residents and Simsbury visitors.
3. Utilize a sustainable business model primarily driven by earned income.
4. Encourage collaboration and efficient sharing of resources between and among artists and arts organizations.
5. Provide an outstanding audience experience for residents and visitors, which extends to parking, food and beverage services and policies, and cancellation policies.
6. Contribute to the economic and cultural vitality of Stapleton and its reputation in the region.

These goals will guide arts center leadership towards good decisions in the day-to-day operations of new facilities. Each goal makes sense and seems reasonable. It is the combination of these goals that is challenging – providing access, staying busy and managing costs in a way that the facility delivers value to the community while remaining financially sustainable.

# 10. programming & partners

We see four principal ways that new community arts facilities should be activated, with several key partners.

1. **Live Presenting:** Buying and presenting touring arts and entertainment programs should be a small but important element of the CAC's programming. Presented events can support the mission of the Center by providing residents with opportunities to see and hear regionally and nationally known artists. The challenge with presenting is having the ability to choose and access the right shows and promote them effectively such that a small set of performances has a large and positive impact on the community. Here, we would recommend that the Center hire staff able to book, promote and execute the occasional presented event.
2. **Film Presenting:** Likewise, we see an opportunity to develop a film series at the Center, with family, classic and popular movies. While this could be accomplished with a film presenting partner, let's assume for now that it is internally managed, with films acquired through a regional distributor.
3. **Community Programming:** The Center should host various community programs, whether Town Halls, community celebrations or commemorative events that are produced locally with the support of local businesses.
4. **Educational Programming:** The Center should be available and used for a range of educational programs, working in partnership between area schools. Note that these might eventually include both inbound programs (e.g. kids at matinees or in camps) and outbound programs (e.g. in-school teacher training).
5. **Rentals:** Finally, the Center should be available for occasional rentals, either to regional nonprofits seeking a new location, commercial promoters wanting to bring events to the building on a rental basis, or private/corporate groups wanting to use the Center for a private event – like a corporate meeting or wedding reception.

Once again, each of these program types makes good sense and is possible to pursue. The challenge is in the combination of these program types, balancing the desire for high profile touring acts with the need for community access, and managing the very different needs and resources of these users.

# 11. facility management

These are complicated facilities to manage with this variety of activities, the differing sophistication of users and all of the issues around public assembly and safety. Facility management policies and systems should address the following areas.

**Scheduling:** Master calendars should be developed and maintained by the Facility Manager, with the following policies:

- \* An annual scheduling template should be issued 24 months in advance to assure sufficient annual dates and spaces.
- \* Resident organizations can request dates between 24 months and 18 months in advance of the upcoming year. Final confirmation of requested dates is required no later than 12 months prior to the start of the scheduling year.
- \* Nonprofit and commercial organizations interested in utilizing these spaces may request dates starting 12 months in advance. Dates must be confirmed within 1 month of the initial request.
- \* Building management should reserve the right to retain certain days or weeks for facility maintenance and improvements.
- \* Renters should be made aware of facility booking policies at the time of booking. Explicit policies detailing insurance requirements, deposits and payment schedules, and other charges should be in place.

**Resident Arts Organizations:** We would recommend that community-based arts organizations have the opportunity to seek classification as resident organizations once the Center opens. Resident groups gain preferred rental rates and status for booking in exchange for bringing a certain amount of activity and benefit to the venue. These groups can guarantee a relatively consistent level of activity to attract users, students, audiences, and other visitors and build an image of the facility through consistent use, supporting ongoing marketing and fundraising efforts. Organizations should be required to qualify as resident users through an open application. The criteria by which these organizations are selected should be published, and might include some of the following:

- \* **Level of programming:** The organization agrees to bring a significant portion of its annual activity to the facility. Specific levels of use may be required within policies and criteria for resident groups.
- \* **Community Organization:** The organization is a nonprofit arts organization based in or near Stapleton.
- \* **Mission:** The organizational mission is worthy and consistent with the goals of the Center and presents activities that enrich the lives of Stapleton residents and visitors.

- \* **Quality:** The organization creates work of quality that will enhance the image and reputation of the facility.
- \* **History:** The organization has a track record of growth and financial stability.
- \* **Insurance + Safety:** The organization can provide general liability and workers compensation insurance and is committed to the safety and security of the facilities.
- \* **Organizational + Program Development:** The organization has made a commitment to organizational development that will bring its administrative skills, quality of programming and resources to an appropriate level.

**Rental Rates:** Rental rates for upstairs and downstairs spaces should be scaled for three tiers: resident organizations, other nonprofits, and then commercial users. Base rental rates, which do not include additional fees such as technical labor, event staff, box office use or cleaning, must also remain affordable for local nonprofits, who currently pay very little for what spaces there are in the region.

**Labor Expenses + User Fees:** Renters of various spaces in the Center should have access to the facility's Technical Director, but would pay additional fees for technical labor, event staff and use of the facility's ticketing service and box office will also be assessed. Facilities will come with a basic equipment package, with specialized theatrical and audiovisual equipment, made available at an additional cost. These fees will be assessed on top of base rental rates and will be charged to the renter.

**Ticketing Services:** The Box Office Manager will be responsible for all aspects of ticketing, including the management of staff, equipment and outside vendors. The Box Office Manager will work with the Operations Director to determine the ticketing needs of renters. Following industry standards, two fees should be assessed on ticket sales, including a facility maintenance fee and a fee to cover the cost of operating the ticket office. As the facility approaches opening, senior staff should invest in a state-of-the-art ticketing system, which will allow for a high level of service both to ticket buyers and other users of the Center. Key for all groups will be the capture and use of valuable data on the ticket-buying public.

**Food Service:** The Center should provide multiple types of food service capability, including concessions and catering. While there is some potential for food service to provide an additional source of income, it is more important to consider these components as amenities for visitors, outside renters and audiences. Although it is possible that the Center could develop a partnership with one entity to provide building-wide food service, the goal should be to create an experience that first meets the needs of patrons and users. We would recommend the following policies:

- \* **Concessions:** Concessions should open for as many performances as possible, with products and service attractive to the building's audiences, and should be appropriately priced. The organizational chart in the next chapter and within the coming budget assumes that the concessions area is run internally, but it would also be worth considering the contracting out of the management of the concessions to a local food service provider through a competitive process.
- \* **Catering:** The facility will also host frequent meetings and private events and will require catering for backstage, receptions, office meetings and more. There is a need for a flexible catering policy that can meet the needs of outside users and renters that require a certain level of quality in food



service. Management should provide a list of preferred caterers to potential renters and event planners in advance of booking. Facility policies should also prohibit outside alcohol from being served or sold on-site, and all users must utilize the concessionaire or preferred caterers when serving alcohol on-site.

**Volunteer Opportunities:** Though the venue must have a professional staff, we would encourage the development of a volunteer labor force. Stapleton is an active community, and local volunteers often play a role in supporting the operation of community arts facilities. Additional human resources are helpful to the organization, and volunteers can play an even more important role as ambassadors, grassroots marketers, and even financial supporters for the organization. Volunteers could serve as ushers and front-of-house staff for performances, tour guides for the facility, gallery monitors, and greeters, teaching assistants and roving helpers. This body of volunteers should be closely coordinated and perhaps integrated with volunteer operations of key user groups. We would also stress the importance of treating volunteers like employees in terms of how they are trained, monitored and evaluated. A House Manager should be responsible for the recruitment, training, scheduling and management of volunteers.

**Being Green:** Finally, we would stress the importance of environmentally sensitive operating practices in the building. Here are some ideas coming from other performing arts venues:

- \* **Transportation:** The Center should encourage the use of public transportation and cycling. This can be accomplished by offering ticket discounts to audience members who use public transit or bike, providing space for bicycles to be locked up during performances, encouraging carpooling and offering funding subsidies for employees to use public transit.
- \* **Energy Efficiency:** The building renovation could include systems to accommodate the use of renewable energy, such as green electricity, and minimize the amount of energy used. Aside from mechanical and electrical systems, administrative policies should also address energy efficiency, considering the use of natural lighting sources, energy efficient computers and related technologies. UPH should also eventually consider the life cycle cost impact of the materials that are used during screenings and performances and choose green options for concessions supplies, technical fixtures and other supplies.
- \* **Consumables:** Administrative policies should also address consumables, including paper, cleaning products, double-sided printing, electronic communication and encouraging staff, renters and performers to use mugs and glass bottles instead of plastic glasses for beverages. Additional requirements and policies can be set for concession items and catering supplies.
- \* **Community Awareness and Participation:** UPH should not only implement “green” policies for itself, but also make the community aware of its efforts and encourage them to participate by using similar methods. Other facilities have posted information about their green initiatives and guidelines on their web sites, included green slogans wherever possible (playbills, ads and posters) and organized forums on green practices, possibly combining with artist talkbacks or other program offerings.

## 12. governance & staffing

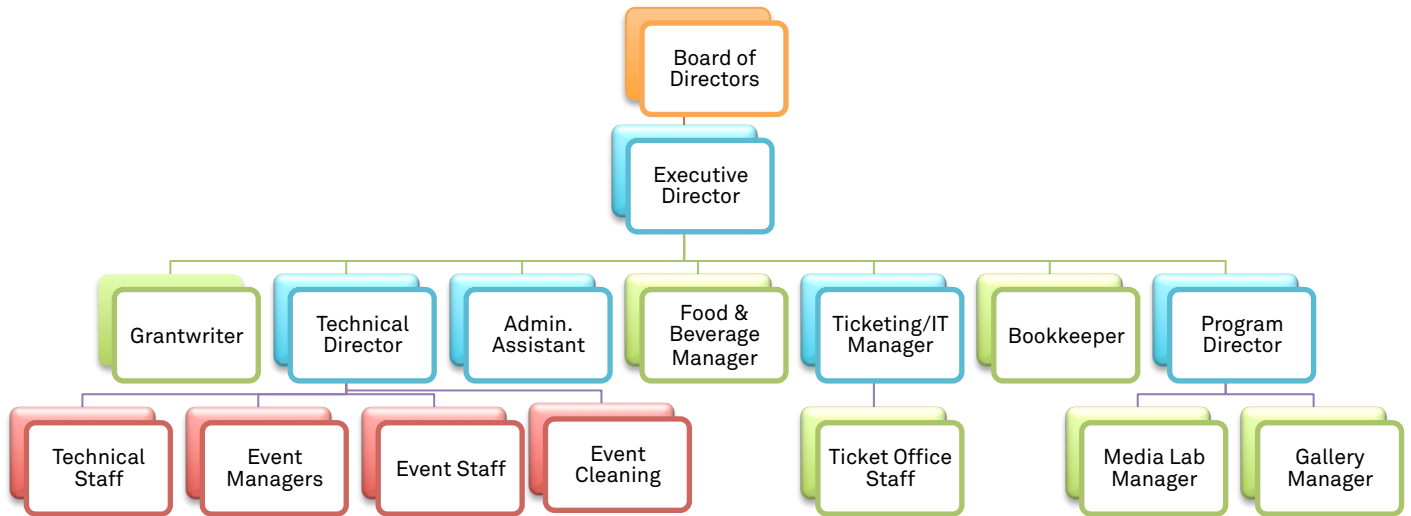
We would endorse the plan and approach of developing and advancing the Master Community Association to become the operator of the Center, for the following reasons:

- \* The organization currently exists to provide services to Stapleton residents
- \* The organization is already active as a cultural programmer, booking and running various events in the community from outdoor films to Shakespeare performances.
- \* Having a non-profit status, the organization can raise funds from the private sector for the development and operation of new facilities.

The key for MCA is to develop its Board of Directors to provide the leadership necessary to advance the project, and then to hire the appropriate staff to run the Center.

Here is an organizational chart for the fully developed Center, likely several years after the facility has opened and programming partnerships have evolved. We will consider how and when these positions are added within the pro-forma operating budget.

For this chart, the orange box denotes volunteer leadership, the blue box full-time staff, the green boxes part-time staff and the red boxes event-based staff.



Here are brief descriptions of the key positions:

- \* **Executive Director:** This is the key position, likely to evolve from a part-time to full-time position as the project develops. Key responsibilities include the programming of the Center, the management of staff, the working relationships with key partners and the physical condition of the building. There will be significant work around the development and maintenance of a working board of directors, and likely a key role in fundraising to help sustain new facilities.
- \* **Administrative Assistant:** The Administrative Assistant is a support position that fulfills clerical duties for senior staff. Potential tasks include greeting office visitors and answering the phone, speaking with tenant groups and renters, assisting the marketing manager with mailings and special projects, filing and office equipment management.
- \* **Technical Director:** This position requires knowledge of technical systems for multi-disciplinary facilities, including lighting, audio-visual and communications systems. A primary responsibility of the Technical Director will be to orient and train staff, independent contractors and volunteers on these systems and then approve their use of building facilities. The TD will also supervise a pool of on-call technical labor, including lighting technicians, sound technicians and crew to provide for users as needed. Finally, the position will also design and implement safety protocol for equipment and facility use, monitor inventory and order supplies, and assist the Executive Director with budgeting for equipment repairs and maintenance, supplies and technical labor expenses.
- \* **Ticketing/IT Manager:** Technology is advancing quickly and the whole world of ticketing, systems management, and customer relations management (CRM) is changing at a rapid pace. We would therefore recommend a part-time, on-site manager for the ticketing and technology functions, able to set up and manage all of UPH's technology requirements. Systems, hardware and software skills and experience are all required, as well as a close working relationship with outside users and their ticketing needs.

# 13. pro-forma operating budget

Appendix F is a pro-forma operating budget for the new Community Arts Center in Stapleton. We have built this financial model to project the financial performance of the Center as and when it comes online. But it can also be an effective tool to help the MCA consider various choices over time - a live model that can be manipulated easily to test physical, programming and operational choices, and refined further as additional details and timing for the project become clearer.

In fact, we have developed three versions of the budget, all based on the idea that the Center might open as early as 2016.

1. The baseline budget based on reasonable estimates of activity and growth over time.
2. A more conservative version based on reduced activity
3. An even more conservative version based on reduced activity and slower growth over time.

We'll review the baseline version first and then consider the two more conservative scenarios.

The key step in developing the pro-forma is estimating activity in the various recommended components of the Center. Here is a summary of those spaces and rental rates in the first year of operations:

SPACES AND RATES	Usable Square Feet	Capacity	Rental Period	Renter Type	
Theater	4,000	<u>Theater-Style</u>	Daily	Resident	\$403
				Nonprofit	\$604
		<u>Tables and Chairs</u>		Commercial	\$906
		267		Resident	
				Nonprofit	
		<u>Flat Floor</u>		Commercial	
Multipurpose Room	2,463	160	Daily	Resident	\$200
				Nonprofit	\$300
				Commercial	\$450
Classroom #1	1,244		Four-hours	Nonprofit	\$62
Classroom #2	348		Four-hours	Nonprofit	\$17
				Commercial	\$26
Classroom #3	531		Four-hours	Nonprofit	\$27
				Commercial	\$40
Classroom #4	415		Four-hours	Nonprofit	\$21
				Commercial	\$31
Lobby/Gallery	2,017		Four-hours	Nonprofit	\$101
				Commercial	\$151

Note how the rent is broken down by various types of users. Rental rates are suggested based on our review of other facilities in the region. Here is a description of the key assumptions in the activity profile:

- \* The theater and multipurpose room are both programmed with presented events (live and/or film), rental activity and internal programming (classes, etc.). The additional four classrooms and lobby/gallery come to life with rentals and internal programs. The level of activity is based on the results of our needs assessment and surveys of potential users.
- \* For the two main spaces, rental activity comes from resident organizations, other nonprofit groups, and commercial groups.
- \* The number of events and capacity sold for performances grows slowly over time.
- \* In the first year of operation, the theater hosts 95 performances and a total of 189 use days. By the fifth year of operation, there are 115 performances and 229 use days.
- \* In the multipurpose room, there are initially 90 performances and 139 use days, growing to 109 performances and 167 use days.
- \* We have been fairly conservative in estimating classroom use, with the first three reaching 150 days of use after five years. The fourth classroom is busier as home for the digital media center.
- \* We also estimate external use of the lobby/gallery as a rental venue for nonprofit and commercial renters.

The multi-year budget is the second portion of the pro-forma. Following are key assumptions:

- \* Box Office and Rental Income are taken directly from the activity estimates and conservatively increase over the five-year period.
- \* User fees are charges to renters of various spaces for use of technical labor, use of special performance equipment (a basic package is included in the base rent), event staff and cleaning. The fees in this case are a percentage of the base rent collected.
- \* Programming income comes from the media lab and other education program run by the Center. We do not know exactly what those programs are, so we suggest a range of programs going from high fee for few participants to low fee for many participants.
- \* Food service income includes concessions, new fees from catering, and gross sales from some sort of café (which could be something as simple as a food cart) that is operating during the day.
- \* There are ticketing fees paid by users for use of the box office. Membership income is presumed to be a share of membership dues for recreation services paid by Stapleton residents. And there is an additional facility fee paid by ticket buyers as a surcharge on ticket prices.
- \* On the expense side, the most significant costs relate to personnel, including full-time staff, part-time and event-base staff. The size and rate of growth is based on comparable facilities. Compensation levels are also in reference to other regional facilities.
- \* There are significant presenting expenses, which include artist fees, film rentals, marketing costs and other direct expenses, all of which are growing over time in relation to presenting revenues.
- \* Box office costs are also significant, with some portion absorbed by users.

- \* Administrative costs include all of the items necessary to run the Center's offices as a stand-alone enterprise. Note that these and personnel costs could well be reduced as and if integrated into the existing MCA organization.
- \* Occupancy costs are also based on comparable and regional facilities.
- \* Finally, we have included a rental subsidy allowance, essentially a program that will allow building management to discount rent for certain users in the early years of operation.
- \* Overall, the Center starts off covering 56% of operating expenses with earned income, leaving an annual funding requirement of \$529K. That percentage improves to 61% by the 5<sup>th</sup> year, the amount growing slightly to \$552K.
- \* Notes that there are also operating expenses incurred in the year before the new Center opens, as staff must be in place well before the opening.

Here is a summary of the baseline budget:

<b>Baseline Summary</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Large Theater Use Days	189	198	208	219	229
MP Room Use Days	139	146	153	161	167
Four Classrooms Days of Use	550	578	606	637	669
Capacity Sold on Presented Events	59%	61%	66%	70%	75%
Paid Attendance	30,866	31,206	30,427	32,463	34,625
Box Office	\$ 131,750	\$ 139,185	\$ 151,444	\$ 164,742	\$ 179,165
Total Rent	\$ 132,902	\$ 142,379	\$ 152,509	\$ 163,337	\$ 174,479
Program Revenues	\$ 16,250	\$ 17,049	\$ 19,024	\$ 21,311	\$ 23,970
<b>Total Earned Income</b>	<b>\$ 679,514</b>	<b>\$ 718,787</b>	<b>\$ 756,540</b>	<b>\$ 808,879</b>	<b>\$ 864,499</b>
<b>Total Op. Expense</b>	<b>\$ 1,208,764</b>	<b>\$ 1,256,188</b>	<b>\$ 1,303,401</b>	<b>\$ 1,358,755</b>	<b>\$ 1,416,881</b>
<b>Annual Funding Requirement</b>	<b>\$ 529,249</b>	<b>\$ 537,402</b>	<b>\$ 546,861</b>	<b>\$ 549,876</b>	<b>\$ 552,382</b>
<b>Earned Inc./Op. Expense</b>	<b>56%</b>	<b>57%</b>	<b>58%</b>	<b>60%</b>	<b>61%</b>

The biggest risks associated with the opening of new cultural facilities are that the market will not respond to the same level or at the rate that we might anticipate. Thus we have created two additional versions of the budget that consider both of these possibilities.

For the reduced activity version of the budget, we have taken down the level of activity in the Center, including the number of presented and rental events, the capacity sold on various presentations, and participation in various programs. There are also some cost reductions associated with event and program expenses. Here is the summary of that version:

<b>Reduced Activity</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Large Theater Use Days	159	167	176	184	194
MP Room Use Days	116	122	128	135	139
Four Classrooms Days of Use	393	412	433	454	477
Capacity Sold on Presented Events	57%	59%	63%	68%	73%
Paid Attendance	24,033	24,274	23,763	25,366	27,070
Box Office	\$ 106,732	\$ 112,168	\$ 122,270	\$ 133,240	\$ 145,153
Total Rent	\$ 101,649	\$ 108,907	\$ 116,660	\$ 124,943	\$ 133,359
Program Revenues	\$ 10,625	\$ 13,702	\$ 14,675	\$ 15,717	\$ 16,833
Total Earned Income	\$ 568,964	\$ 603,860	\$ 635,075	\$ 677,161	\$ 721,539
Total Op. Expense	\$ 1,193,842	\$ 1,240,706	\$ 1,288,101	\$ 1,342,159	\$ 1,398,881
Annual Funding Requirement	\$ 624,878	\$ 636,846	\$ 653,026	\$ 664,998	\$ 677,341
Earned Inc./Op. Expense	48%	49%	49%	50%	52%

For the third version of the budget, we have added the idea of slower growth to the reduced activity version. This means that the rate of growth in presented events, capacity sold, rental activity and programs is minimized over the five-year period. Here is the result:

<b>Reduced Activity and Slower Growth</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Large Theater Use Days	156	159	162	166	169
MP Room Use Days	116	120	123	127	129
Four Classrooms Days of Use	393	400	408	417	425
Capacity Sold on Presented Events	50%	47%	48%	50%	51%
Paid Attendance	23,453	22,464	20,982	21,772	22,280
Box Office	\$ 91,920	\$ 88,815	\$ 92,403	\$ 97,982	\$ 101,940
Total Rent	\$ 101,649	\$ 106,017	\$ 110,558	\$ 115,279	\$ 119,754
Program Revenues	\$ 10,625	\$ 13,453	\$ 13,997	\$ 14,562	\$ 15,151
Total Earned Income	\$ 551,572	\$ 564,582	\$ 575,975	\$ 599,043	\$ 619,083
Total Op. Expense	\$ 1,192,677	\$ 1,236,881	\$ 1,282,047	\$ 1,334,115	\$ 1,387,928
Annual Funding Requirement	\$ 641,105	\$ 672,299	\$ 706,073	\$ 735,072	\$ 768,845
Earned Inc./Op. Expense	46%	46%	45%	45%	45%

Overall, the fifth year annual funding requirement goes from \$550K in our baseline budget to \$675K in the reduced activity version and then to \$770K in the reduced and slower growth version.

It is up to MCA staff to consider how the annual funding requirement might be supported with some combination of homeowners' dues, SCFD funding of operations, and additional private sector fundraising. Though we are not fundraisers, our impression is that this combination of sources and the relatively low level of funding required (measured against the high level of value delivered to the community), puts the project in a strong position to go forward.

# 14. economic impacts

Economic impact means that something has happened to increase economic activity, which includes new sales, new earnings for workers, and new jobs in the local economy. These impacts are caused by the ongoing impacts of the new or expanded operating organizations (the entity making expenditures in the local economy), as well as the expenditures made by their audiences.

All economic impacts are also split between direct and indirect impacts. Direct impacts (which also include the induced impacts of audiences) are the measure of the economic effect of the initial expenditure within a community. Then there are the indirect impacts, which occur as people and businesses receive and then re-spend those initial direct expenditures locally. The indirect impact is the effect of this re-spending on sales, jobs and household earnings. It is often referred to as secondary spending or the dollars “rippling” through a community. When funds are spent outside the market area, they are considered to have “leaked out” of the community and therefore cease to have a local economic impact. Indirect impact is then the sum of the rounds of local spending after the initial expenditures.

The shift from direct impacts to indirect impacts is measured by employing multipliers developed by the Bureau of Economic Analysis, part of the Department of Commerce in Washington DC. Multipliers translate an input into an output: for example, a dollar spent on food (input) has an impact on the local economy by virtue of new sales in that industry, new earnings for people associated with that industry, and new jobs created in that industry (output). There are three multipliers for each industry. The output multiplier is the estimate of total new sales associated with the initial expenditure. The earnings multiplier is the sum of three components of personal income—wage and salary disbursements, supplements to wages and salaries, and proprietors’ income. It is not a sub-category of the output estimate, but rather the resulting impact of sales on what is earned by local workers. Finally, there is the employment estimate, which forecasts the jobs created in each industry as a result of new expenditures. Multipliers are purchased for a defined market area, in this case the City and County of Denver. The full set is attached as Appendix G.

The following chart shows the sum of construction expenditures and resulting impacts.

One-time Impacts of Construction on Denver, CO		
	Construction Budget	\$13,000,000
% Spent in Denver City/County		60%
Estimated local expenditures		\$7,800,000
(Industry Code 230000)	Final Demand Multipliers	Project Outputs
Output	1.5876	\$12,383,280
Earnings	0.1873	\$1,460,940
Employment (person-years of employment)	4.1717	33



If, say, the construction budget for the project ended up near \$13 million and we project that 60% of this total would be spent in Denver County, this would lead to new outputs (sales) of \$12M, new earnings of \$1.4M, and 33 new person years of employment.

We calculate the ongoing impact of the facility using what is called the bill of goods approach, shown in the following chart. We estimate new annual expenditures by the operating organization on everything from utilities and hotels to waste management and advertising, and then use the three types of multipliers to calculate new output, earnings and jobs in each of those industries. So, per the chart below, we estimate the portion of new annual non-personnel costs likely spent in the County (about \$250K in the baseline budget for 2016), and then apply our multipliers to suggest that these annual expenditures lead to new sales of \$400K, new earnings of \$52K and 2 new jobs in the County – not including those working inside the new Center.

### Operating Impacts on Denver City/County (2016 Baseline)

Category	Inputs			Multipliers			Outputs		
	Incremental Pro-forma Purchases	Denver Share	Local Expenditures	Output (dollars)	Earnings (dollars)	Empl't (jobs)	New Sales (\$000's)	New Earnings (\$000's)	New Empl't (jobs)
Power Generation and Supply	\$ 66,000	75%	\$ 49,500	1.3893	0.0954	1.5695	\$ 68,770	\$ 4,722	0.1
Retail Trade	\$ 25,000	75%	\$ 18,750	1.5439	0.1829	6.4463	\$ 28,948	\$ 3,429	0.1
Transit & passenger transportation	\$ 1,000	75%	\$ 750	1.7522	0.2045	5.6040	\$ 1,314	\$ 153	0.0
Postal Service	\$ 5,000	75%	\$ 3,750	1.4260	0.2286	4.2331	\$ 5,348	\$ 857	0.0
Telecommunications	\$ 5,000	75%	\$ 3,750	1.6045	0.1059	2.1459	\$ 6,017	\$ 397	0.0
Insurance Agencies/Brokerage	\$ 1,000	75%	\$ 750	1.7674	0.1860	4.6979	\$ 1,326	\$ 140	0.0
Funds, trusts, other financial services	\$ 1,000	75%	\$ 750	2.4718	0.2619	10.1866	\$ 1,854	\$ 196	0.0
Equipment Rental	\$ 15,000	75%	\$ 11,250	1.7139	0.1287	2.4195	\$ 19,281	\$ 1,448	0.0
Legal Services	\$ 2,500	75%	\$ 1,875	1.5879	0.2912	4.6735	\$ 2,977	\$ 546	0.0
Accounting & Bookkeeping Services	\$ 2,500	75%	\$ 1,875	1.4777	0.1749	4.5781	\$ 2,771	\$ 328	0.0
Computer related services	\$ 20,000	75%	\$ 15,000	1.5118	0.2042	3.7615	\$ 22,677	\$ 3,063	0.1
Advertising & related services	\$ 50,000	50%	\$ 25,000	1.6172	0.2438	5.0150	\$ 40,430	\$ 6,095	0.1
Travel arrangements & reservations	\$ 1,000	75%	\$ 750	1.7267	0.2302	6.4058	\$ 1,295	\$ 173	0.0
Office administrative services	\$ 35,000	75%	\$ 26,250	1.7531	0.2950	6.0590	\$ 46,019	\$ 7,744	0.2
Business support services	\$ 1,000	75%	\$ 750	1.6480	0.2279	8.1915	\$ 1,236	\$ 171	0.0
Security services	\$ 12,000	75%	\$ 9,000	1.6243	0.2908	11.8192	\$ 14,619	\$ 2,617	0.1
Services to building	\$ 75,000	75%	\$ 56,250	1.6448	0.2244	10.5786	\$ 92,520	\$ 12,623	0.6
Waste management	\$ 5,000	75%	\$ 3,750	1.6110	0.2222	4.3244	\$ 6,041	\$ 833	0.0
Performing arts companies	\$ 75,000	20%	\$ 15,000	1.7499	0.3016	27.5512	\$ 26,249	\$ 4,524	0.4
Promoters of performing arts	\$ 50,000	10%	\$ 5,000	1.9186	0.2661	18.8798	\$ 9,593	\$ 1,331	0.1
Hotels & motels	\$ 1,000	75%	\$ 750	1.5976	0.2018	6.5906	\$ 1,198	\$ 151	0.0
Food services	\$ 1,000	75%	\$ 750	1.7214	0.2498	11.3721	\$ 1,291	\$ 187	0.0
<b>Averages and Totals</b>	<b>\$ 450,000</b>		<b>\$ 251,250</b>	<b>1.6754</b>	<b>0.2190</b>	<b>7.5956</b>	<b>\$ 401,773</b>	<b>\$ 51,729</b>	<b>1.9</b>

The second component of operating impacts is the ancillary spending of facility audiences. To calculate these numbers, we start with the estimated 31,000 paying audience members in the baseline budget for 2016. We then subtract those we believe are simply re-located from other Denver facilities (It is important that we do NOT include existing local audiences in the calculation of spending, as these are expenditures that are simply moving around the defined economic region, as opposed to new economic activity in the region). New audiences, is then split between those we estimate as coming from inside the County or outside the County.

### Attendance Estimates: Events at CAC

Total Projected Event Attendance (2016 Baseline)		31,000
Less Existing Event Attendance	50%	-15,500
Total Projected New Event Attendance		15,500
Denver Component	60%	9,300
Non Denver Component	40%	6,200

We input those estimates into ancillary spending formulas, which are taken from the 2008 Arts and Economic Prosperity Report published by Americans for the Arts. That report provides significant data on how much people spend on various things in conjunction with their attendance at performances, exhibits and films. We then apply our multipliers to these direct impacts and add the totals for each industry to arrive at total impacts associated with the expenditures of audiences.

Ancillary Spending Impacts of Incremental Audiences on Denver									
Ancillary Spending Impacts	Per Capita Expenditure Estimate	Total Direct (Induced) Expenditures	Output Multiplier	Total New Outputs (Sales)	Earnings Multiplier	Total New Earnings	Job Creation Multiplier	Total New Jobs	
<b>1. Denver County Attendance</b>									
Meals, Snacks + Refreshments (722000)	\$11.16	\$ 103,788	1.7214	\$ 178,661	0.2498	\$ 25,926	11.3721	1.18	
Lodging (One Night Only) (7211A00)	\$0.29	\$ 2,697	1.5976	\$ 4,309	0.2018	\$ 544	6.5906	0.02	
Gifts/Souvenirs (4A0000)	\$2.25	\$ 20,925	1.5439	\$ 32,306	0.1829	\$ 3,827	6.4463	0.13	
Ground Transportation (485A00)	\$1.63	\$ 15,159	1.7522	\$ 26,562	0.2045	\$ 3,100	5.6040	0.08	
Clothing + Accessories (4A0000)	\$1.16	\$ 10,788	1.5439	\$ 16,656	0.1829	\$ 1,973	6.4463	0.07	
Child Care (624400)	\$0.35	\$ 3,255	1.6711	\$ 5,439	0.2135	\$ 695	10.1006	0.03	
Other/Miscellaneous (Average)	\$0.58	\$ 5,394	1.6754	\$ 9,037	0.2190	\$ 1,181	7.5956	0.04	
Sub-total		\$ 162,006		\$ 272,969		\$ 37,247		1.56	
<b>2. Non-Denver County Attendance</b>									
Meals, Snacks + Refreshments (722000)	\$17.39	\$ 107,818	1.7214	\$ 185,598	0.2498	\$ 26,933	11.3721	1.23	
Lodging (One Night Only) (7211A00)	\$10.39	\$ 64,418	1.5976	\$ 102,914	0.2018	\$ 13,000	6.5906	0.42	
Gifts/Souvenirs (4A0000)	\$3.78	\$ 23,436	1.5439	\$ 36,183	0.1829	\$ 4,286	6.4463	0.15	
Ground Transportation (485A00)	\$4.83	\$ 29,946	1.7522	\$ 52,471	0.2045	\$ 6,124	5.6040	0.17	
Clothing + Accessories (4A0000)	\$1.62	\$ 10,044	1.5439	\$ 15,507	0.1829	\$ 1,837	6.4463	0.06	
Child Care (624400)	\$0.38	\$ 2,356	1.6711	\$ 3,937	0.2135	\$ 503	10.1006	0.02	
Other/Miscellaneous (Average)	\$1.57	\$ 9,734	1.6754	\$ 16,308	0.2190	\$ 2,132	7.5956	0.07	
Sub-total		\$ 247,752		\$ 412,919		\$ 54,815		2.13	
<b>Total Impact of Ancillary Spending</b>	Total (1+2)	\$ 409,758		\$ 685,888		\$ 92,062		4	

The key is the new Non-County expenditures of \$247K, which lead to new sales of \$413K, new earnings of \$55K, and 2 new jobs outside the Center. But it is also reasonable to look at the total impacts and consider the value of all of these audiences spending some portion of these funds in and around Stapleton.

Beyond those quantitative impacts, it is clear that these new facilities in Stapleton can have additional qualitative impacts, as follows:

- \* **Corporate Recruitment:** As we pointed out in the Needs Assessment portion of our work, cultural facilities are important amenities to offer to corporations considering where to locate their business. The presence of these facilities is often seen as an indicator of a community that has an educated workforce and offers a high quality of life.
- \* **Richard Florida and The Creative Class:** Celebrity-economist and author Richard Florida, has turned a simple idea into an empire. The simple idea is that people (particularly people with interesting jobs and skills) like to live and work in creative places, and that cities ought to promote culture and creativity as a means to recruit these desirable people and thus drive economic development. Cities all over North America (and not just big ones) are now pursuing economic development goals by promoting the presence of arts and culture and the people that like those things. Of course, this is all easier said than done. The trick is to help artists in ways that don't stifle creativity, and then surround that creative core with a concentration of more commercially oriented industries (advertising, design, media) that benefit from and feed off of that creativity.

- \* **Teaching Innovation and Creativity:** Finally, we would raise one last economic development benefit, which is that the teaching of the arts is now being recognized as a fundamental need for the North American economy and its workforce, given the automation of many jobs and growing competition from lesser-developed economies. Or, as some commentators are now suggesting: “The MFA is the new MBA.” Daniel Pink, in his March 2008 Nancy Hanks Lecture on Arts and Public Policy, said the following:

“The argument for the arts is that the fundamental cognitive abilities, the fundamental abilities, of the workforce today and into the future, the fundamental abilities that our kids are going to be deploying at work are at their core artistic abilities, that arts are neither an avenue to something else, nor are they a nicety, but they are fundamental to how the economy functions. And unless our kids have this broad, robust suite of artistic capabilities, they are going to be in a world of hurt, yes, as human beings, but also as productive members of the economy.”

# 15. next steps

The preliminary business plan suggests how the new Center should operate when complete, but there is a great deal to do in order to become fully operational. This implementation plan outlines the tasks that are most critical to preparing for the facility's doors to open, and suggests a timeline for implementation. A summary is included as Appendix H.

## **Planning and Design**

This is somewhat aggressive, but we are suggesting that if the team and various specialist sub-consultants can be put in place by the second quarter of this year, planning and design might proceed such that bids are out in the third quarter of 2014 and the Center is commissioned and ready to open in the first quarter of 2016.

## **Financing**

Key next steps include early work on determining the potential for the private sector to participate in the capital campaign to build the Center, as well as the MCA's capacity to finance the balance of project costs. For ongoing sustainability, the early work is the determination of the appropriate balance of support that should come from Stapleton residents, government support (most likely through the SCFD program), and additional private sector support through an annual campaign.

## **Human Resources Development**

First and foremost, human resources must be developed to begin to establish and prepare for the facility to become operational. The Executive Director should be in place in one year prior to opening, and other staff added in the quarters leading up to the opening of new facilities. Other staff members more closely tied to the day-to-day operations (ticket office staff, event managers) can be hired for the opening year of the building.

## **Resident Arts Organizations**

This function begins with the definition and development of resident arts organizations guidelines and an application process. The application period for resident status should begin well in advance of the building's opening date, so that organizations can prepare applications, be notified of their status and then book dates.

## **Marketing +Ticketing**

The Executive Director will be responsible for early marketing and ticketing planning, including the definition of ticketing system needs and the development of an RFP for a ticketing service provider. As the opening for the Center draws nearer, senior staff should create a specific marketing strategy and a PR plan addressing the opening of new facilities and their subsequent operations.

**Food Service**

One year prior to opening, the Executive Director and the Board should work together to confirm food and beverage opportunities and needs, develop RFPs for a concessionaire (as required), develop preferred caterer guidelines, and then select appropriate vendors and partners.

**Facility Use Policy**

A set of policies and procedures must be developed and adopted in the year before the center opens, covering such areas as booking policies, rental rates, technical specifications, safety procedures and staff training protocols.