

Sacramento Performing Arts Facilities Study

Presented to: Sacramento
Metropolitan Arts Commission
November 2, 2009



Outline of Presentation

- Scope of Work and Methodology
- Context: National Trends and Sacramento Demographics
- The State of Performing Arts in Sacramento: Demand and Supply Analysis
- Case Studies: What are Other Communities Doing?
- Key Findings and Recommendations

Goals for Study

- Determine the demand for additional performing arts facilities in Downtown Sacramento
- Recommend a program for a new facility / facilities in Downtown
- Estimate the likely operating economics associated with this hypothetical program
- Note: We did **not** conduct a feasibility study for a specific site nor for a specific project.

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Methodology: How we did it

- Stakeholder interviews
- National trends
- Sacramento resident and visitor market trends
- Performing arts groups interviews
- Inventory of existing facilities in Sacramento region
- Four case studies
- Development of hypothetical project
- Analyzed operations and financials of hypothetical facility

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Setting the Context: National Trends in Funding

- Performing arts industry-9,000 groups in US.
- Less than 1% account for 30% of revenue
- 2/3 of performing arts companies have annual revenue < \$500,000 → recent proliferation of small performing arts organizations
- Facilities and groups rely on mix of earned and contributed income (average of 40% to 60% earned income)
- Government funding has declined
- Foundation support to arts is increasing, arts as % of foundation \$ decreasing
- Corporate donations are increasing → highly dependent on economy
- Attendance participation rates stable

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Setting the Context: National Trends in Facilities

- Flexibility in design
- Multi-tiered complexes with multiple venues in one facility
 - Economies of scale
 - Flexibility in programming, scheduling & seating
 - Synergies among groups foster collaboration
 - Critical mass to attract visitors, media etc.
- Multi-purpose
- More small to mid-sized venues and fewer large venues

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Setting the Context: Sacramento Demographics

Sacramento Resident Market



Setting the Context: Sacramento Resident Market

- Size – 2.8 million, with 2/3 in primary market
- Strong growth projected of close to 3% annually
- Large population of families with children
- Modest incomes → negative factor for ticket pricing and rental fees
- High education level → positive attendance factor
- Hispanic population is notable → implications for programming & marketing

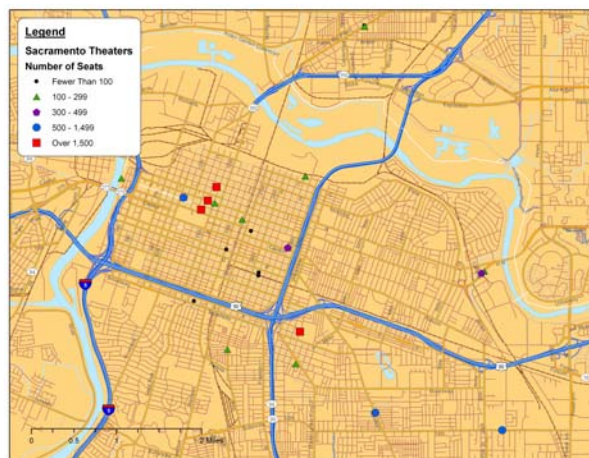
Setting the Context: Sacramento Visitor Market

- Overnight leisure market – 4.3 million
- High percentage of visitors from California → positive implications for participation
- 30% of visitors indicated “entertainment” as one of top 10 activities

The State of Performing Arts in Sacramento: Supply Analysis

City of Sacramento Performing Arts Facilities by Size

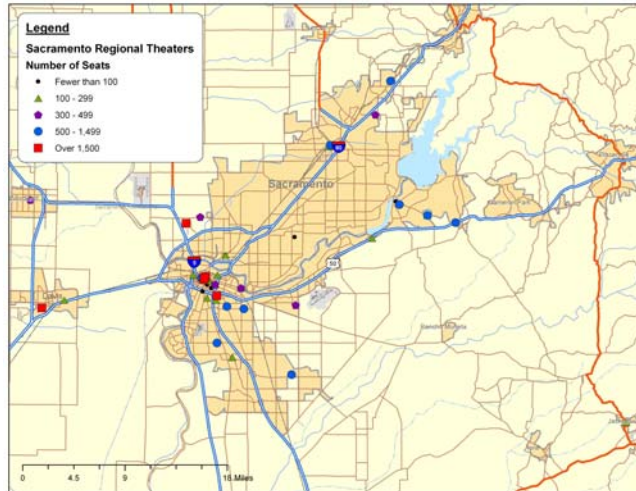
- 25 facilities with < 500 seats
- 4 facilities between 500 & 1,000 seats
- 6 facilities with > 1,000 seats
- 4 major planned projects



The State of Performing Arts in Sacramento: Supply Analysis

Sacramento Region Performing Arts Facilities by Size

- 17 facilities with < 500 seats
- 5 facilities between 500 & 1,000 seats
- 2 facilities with > 1,000 seats
- 1 major planned project



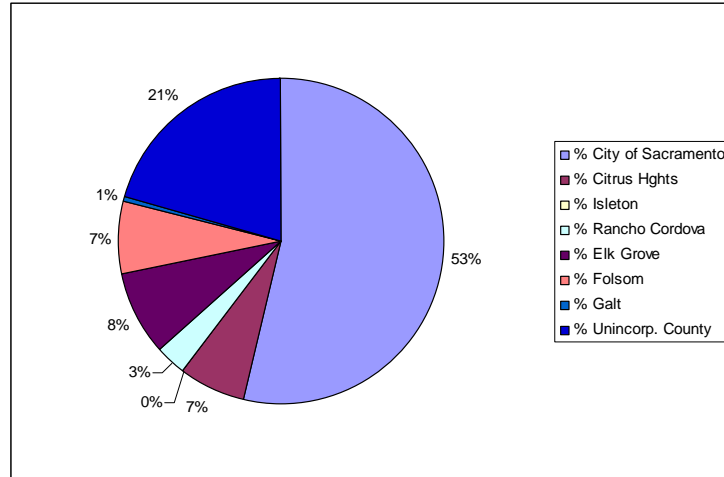
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Supply Analysis Summary

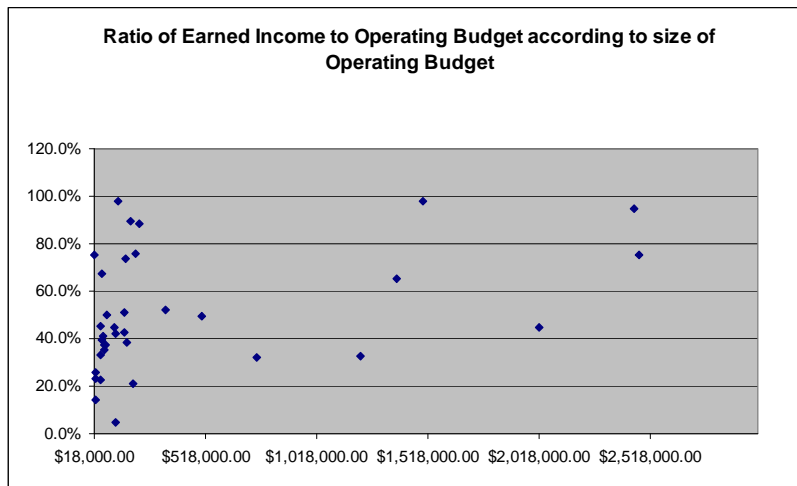
- Numerous facilities with < 500 seats
 - Many have close to full-time resident companies
 - Several have physical challenges that negatively affect production and/or the audience experience
 - Few high quality small venues outside of Sacramento have limited capacity
- Notable absence of medium sized venues → most in high schools
- Large theatres are expensive for most groups in Sacramento and not optimal in size
- Much of Sacramento inventory located in high schools or colleges → newer facilities are hard to book, older facilities have physical or locational challenges
- Some groups experienced loss of revenue when moving productions out of Sacramento

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Demand Analysis: Audience Origin



Demand Analysis: Earned Income Ratio



Input from Sacramento Performing Arts Organizations

- Strengths
 - Diversity in programming, type (professional vs community), genre (music, dance, theatre)
 - Growth in # of groups, budgets, audience size, subscriptions sales, etc. → perceived momentum
 - Groups with historic challenges appears to be resilient and recovering
 - Examples of highly successful small and large groups
 - Evidence of “tipping point”
 - Notable collaborations
- Changing demographics → younger, more ethnically diverse audiences
- Performing arts groups taking on increased amount of educational programming

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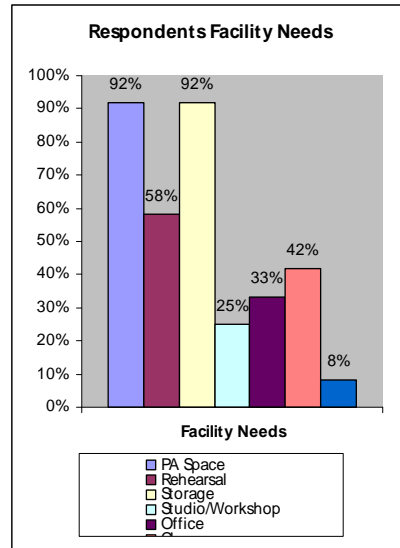
Feedback on Existing Facilities

- Not enough → need more facilities
- Lack of availability
- Lack of affordability
- The “Nutcracker Effect” driven by too large & too expensive facilities
- Community Center Theatre

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User Group Input on Future Facilities

- More space (see chart)
- Central location in Downtown Sacramento
- Flexibility
- Need champion in City leadership
- Landmark facility
- Centralized ticketing



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Case Studies

Holland Center, Omaha, NE



The Long Center, Austin, TX



Gallo Center, Modesto, CA



The Overture, Madison, WI



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Key Findings

- Large and varied performing arts community
- Growth trend and “tipping point”
- Financial performance mirrors national trends (40% earned revenue)
- Limited contributed income sources
- Existing supply is limited with physical constraints
- Constraints of existing facilities affect future growth potential and viability of performing arts organizations
- Downtown Sacramento location is very important

Operating & Financial Analysis: Assumptions

- High level conceptual planning, not detailed business plan for specific facility or site
- Estimating demand is not an exact science - part art, part science
- Key assumptions:
 - Three-venue “hypothetical” facility with 250-, 550-, and 1,500-seat venues & approximately 100,000 SF
 - Downtown Sacramento location
 - Owned by City of Sacramento, managed by separate non-profit organization or by the City
 - Multi-purpose facilities that can accommodate needs of different groups (not single use)
 - No capital cost debt

Operating & Financial Analysis: Results

- Stabilized operating year usage estimates:
 - 220 days black box theatre
 - 175 days for 550 seat theatre
 - 210 days for 1,500 seat theatre
- Annual operating revenue estimated at \$920,000
- Annual operating costs estimated at \$1.7 million, or \$16 per gross square foot, excluding presentation and production costs
- Contributed income or subsidy needed annually is \$745,000 (55% earned income ratio).
- Capital cost estimated to be around \$100 million (future year dollars)

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Alternative Possibilities

- Two-theatre facility - depending on funding opportunities and realities (fundraising study would be needed in the future)
- Short to mid term fund for improving existing smaller facilities

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Thank you!



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