



final report

to: Norma Kaplan, Cultural Affairs Division
from: Duncan Webb and Liz Bloomfield, Webb Management Services
subject: Arts Space for Everyone Business Plan Review
date: May 14, 2009

We are pleased to offer our initial review of *An Arts Space for Everyone* (ASE) business plan. We will start with an executive summary and then work through the detailed analysis and findings.

1. Executive Summary

Following is a summary of our review of the *Arts Space for Everyone* business plan.

- Our brief was to confirm the validity of the ASE business plan developed by Cultural Affairs Division, which we undertook through interviews, site visits and research on comparable facilities, leading to a comprehensive multi-year version of the pro-forma operating budget.
- Our review of the business plan follows the structure of the new pro-forma, first looking at activity assumptions and then forecasts of revenues and expenses over time.
- The key to the ASE project and plan is that there are six programmable spaces (plus the Spectrum Theatre) which are animated by a combination of presented programs, partner organizations and rental activity, including both nonprofit and commercial users.
- We have scaled back some of the estimates of presenting activity to account for a slower start-up period, but overall we think the level of activity is achievable.
- We have met with and reviewed plans of all of the partner organizations (Classika-Synetic Theater, Washington Shakespeare Company, Busboys & Poets and the Artisans Center of Virginia) and feel that each of these groups has the potential to meet or exceed expectations in the new facility.
- Rental activity should be significant in the new facility given our sense of demand for this set of spaces from the County nonprofits and the value offered to corporate and private renters.
- Earned income is appropriately low in the first year of operations but will grow given program and commercial rental demand.
- Contributed income comes from a variety of public and private sector sources, which should shift more to the private sector over time as ASE becomes a 501(c)(3) (a plan we endorse). In the first year (see attached), the level of government support is low relative to comparables, particularly when accounting for real estate taxes and the BID share.

- Operating expenses are high for all cultural facilities given the level of staffing required and limited rental income from the nonprofit sector. In this case, staffing levels are in line with comparable facilities. Also significant are the real estate taxes paid and the common area charges.
- We feel that the business plan for ASE is reasonable and achievable. We have adjusted a number of assumptions based on our sense of what is realistic in the current operating environment – for purposes of this exercise we assume a declining economy through 2009, no improvements in 2010 and then limited growth in 2011.
- There are many risks associated with the operation of a cultural facility, generally resulting from some combination of bad programming, poor marketing, unsuccessful fundraising and ineffective management. In this case, we see four risks:
 - It will take time for audiences, artists and organizations to embrace the Newseum building as a cultural space.
 - Key users groups will not be ready and able to take full advantage of the opportunities created by the space.
 - It will take time to develop the right level and mix of presented programs.
 - The board will not be ready and able to assume its role as givers and getters.
- Fundamentally, we believe that the level of risk associated with this project is reasonable. The cost of adapting these existing facilities is much less than the cost of building new facilities and, if the project is not successful, the County has the ability to negotiate the early termination of its lease for the space.

2. The Study Brief

We have been asked by Arlington County to confirm the validity and evaluate business plans for an *Arts Space for Everyone* (“ASE”), a proposed cultural center at the former Newseum in Arlington, Virginia. Advising leadership of Cultural Affairs Division, Department of Parks Recreation and Cultural Resources, this work assesses sustainability, staffing levels, potential collaborators, and earned income, and ultimately advances plans for the project.

As previously addressed in our 2006 Needs Assessment for Arlington County Cultural Facilities, the demand for a contemporary arts center is significant. The Newseum facility offers a tremendous opportunity to accommodate a cultural center, potentially one that sustains and supports local arts organizations, enriches the lives of residents, and contributes to the revitalization of Arlington and Rosslyn.

To prepare for the operation of new cultural facilities, Cultural Affairs Division developed the November 2008 business plan, *An Arts Space for Everyone*, considering staffing levels, operating budgets, programming, marketing, audiences, and economic impact. The business plan proposes the transformation of the 54,000 square foot Newseum facility into a home for performance and exhibition. New facilities would include a black box theater, the Dome performance space, exhibition

area, ballroom, 36-seat screening room, café and public “town square”, ticket kiosk and retail space. ASE management would also be responsible for the operation of the adjacent Rosslyn Spectrum Theatre and Conference Center (“The Spectrum Theatre”).

In November 2008, the Arlington County Board approved a 15-year lease of the Newseum facility between Arlington County and the leaser, Monday Properties. Now, Arlington County and Cultural Affairs Division require additional planning and research to affirm or adjust the planning efforts to date.

3. Methodology

In order to complete this assignment, we met with Arlington County leadership to discuss relevant concerns, requirements and vision, and then collaborated with key staff from Cultural Affairs Division and leadership from the Department of Parks and Cultural Resources to discuss the planning process, strategic decisions, transitions, financial obligations and more. We have interviewed representatives from prospective tenants including Artisans Center of Virginia, Busboys & Poets, Washington Shakespeare Company (“WSC”) and Synetic Theatre, evaluating each entity in terms of key programs, financial stability, frequency of use, and existing audience base.

To understand the competitive market, we have assessed comparable event facilities in Rosslyn in terms of level of rental activity, available spaces, rental rates, and food service capabilities. We toured spaces when possible, other rental facilities were rated based on information from Cultural Affairs Division and our own research.

Finally, we identified successful cultural centers operating in comparable markets, and then surveyed managers of each facility. We researched activity levels, programming, financial resources, rental groups, governance, and staffing levels. As we refined ASE business plans, this information served as a guide and benchmark. This process contributed to the overall assessment and evaluation of earlier planning efforts, in terms of required personnel, earned income, governance, programming, facility management, ticketing, and risk. Following are descriptions of facilities we researched:



Yerba Buena Center for the Arts, San Francisco, CA

Incorporated in 1986, Yerba Buena Center for the Arts (YBCA) was formed in partnership with the San Francisco Redevelopment Agency (“the Agency”). The facility opened in 1993 as part of a larger municipal redevelopment project. YBCA receives operating support from the Agency, but is

also responsible for generating earned revenue. YBCA is operated by a nonprofit organization

and governed by a 28-member board. The organization has an annual operating budget of \$8.5 million. The Agency contributes \$3.55 million annually, while earned income represents 46% of total revenue.

Located in downtown San Francisco's Yerba Buena Gardens District, the two-building complex includes a 755-seat proscenium theatre, 94-seat screening room, 6,700 square-foot flexible "forum" space, gallery space and 400-person lobby. YBCA curates film/video, gallery exhibitions and presents a performance series featuring national talent. Many programs feature public events such as social hours, artist talkbacks, and lectures. Facilities are available for community meetings, performances, and commercial events.

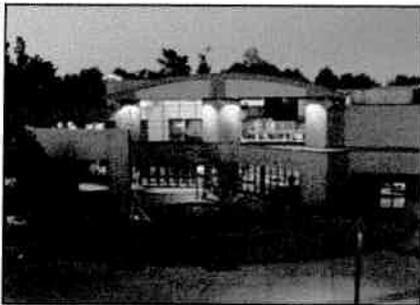


Walker Arts Center, Minneapolis, MN

Located on a 17-acre campus, the Walker Arts Center (WAC) curates and presents contemporary art. WAC is adjacent to the 11-acre Minneapolis Sculpture Garden, which is operated via a partnership of WAC and the City Park and Recreation Board. WAC has a 385-seat theater, 11 galleries, outdoor terraces and the 150-seat 'Gallery 8 Café'. WAC programs include lectures, film screenings, and visual

arts exhibitions. WAC also presents and commissions dance, theater, and music from internationally recognized talent. Education and outreach programs provide visual and performing arts classes for children. WAC is a unique space for private and corporate events, and Wolfgang Puck Catering and Events is the exclusive caterer.

The Center's annual operating budget is \$21 million, with 31% earned revenue, 30% endowment interest and 39% contributed income, which includes a \$400,000 contribution from local government. WAC is operated by a nonprofit organization and governed by a 38-member board with a 9-member executive committee as well as a committee of Walker family members.



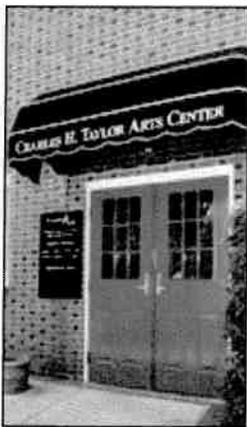
The Arvada Center for Arts and Humanities, Arvada, CO

The 122,000 square-foot Arvada Center for the Arts and Humanities opened in 1976 and has a 500-seat theater, 224-seat black box theater, 11 studios and classrooms, 3 dance studios, a ceramics studio, photography lab, and an outdoor amphitheater. The Center also has a permanent 3,000 square-foot museum

and 10,000 square feet of gallery space. The Center offers performing and visual arts

instruction for children and adults, presents classical, jazz, bluegrass and popular music and curates 12 to 15 gallery exhibitions per year. The Center holds a LORT B contract with Actors Equity and produces a theater season. The Center also hosts weddings, meetings and corporate events, offering in-house catering and accommodating up to 900 guests.

The Arvada Center operates as a division of the City of Arvada and has an operating budget of \$9 million. Funding for the Center comes from the local government (54%), contributions (4%) and earned income (42%).



**The American Theatre and the Taylor Arts Center,
Hampton, VA**

Located 2.5 miles apart, The American Theatre and the Taylor Arts Center are jointly operated by the City of Hampton Arts Commission through a unique public/private partnership. The City of Hampton Arts Commission operates and programs the American Theatre, presenting a mix of theatre, dance, world, classical and folk music. The Hampton Arts Foundation, a nonprofit 501(c)(3) organization, owns the 400-seat American Theatre and leases it to the City of Hampton Arts Commission for a nominal fee.

The Charles H. Taylor Arts Center is a privately owned historic library that was converted into a community art center in 1989. The estate of Mrs. Taylor Armstrong retains ownership of the building, and leases the facility back to the City of Hampton Arts Commission. The City of Hampton Arts Commission operates the Taylor Arts Center, programming adult and children's art instruction and visual art exhibitions featuring local and national talent.

The City of Hampton Arts Commission jointly operates the Theatre and Center, and has an annual operating budget of \$1.67 million. The budget is fully funded by the City of Hampton's Environmental Excellence for Community Enjoyment and Livability (EXCEL) fund. The City's EXCEL fund is supported by state and regional funding, earned income generated by the American Theatre and Taylor Arts Center (concessions, advertisements and admission), and the City's general fund. The Hampton Arts Foundation's 25-member board of directors and the Commission's 13 member appointed council jointly govern the facilities.



**The Contemporary Art Center of
Virginia, Virginia Beach, VA**

The Contemporary Art Center of Virginia (CAC) is home to visual and performing arts events and education programs. The facility includes

a 268-seat auditorium, classrooms, administrative space, 4,800-square-foot atrium, catering kitchen, 1,600-square-foot pavilion, sculpture garden and 'museum' shop. The CAC provides studio art classes, presents dance, theatre, poetry and music concerts, and is a popular for special events such as fundraisers, weddings and meetings.

The facility is owned by the City of Virginia Beach, and then leased for a dollar a year to the nonprofit organization, Contemporary Art Center of Virginia. The CAC is operated by the nonprofit organization, which has an annual operating budget of \$3 million. The CAC receives substantial support from the City of Virginia Beach Arts and Humanities Commission to offset general operating expenses and building utilities. The CAC is governed by the nonprofit's 42-member board of trustees and a 7-member executive panel.

4. Structuring our Review

Our review of the business plan focuses on the pro-forma operating budget for the space, which allowed us to evaluate the key operating assumptions inherent in the plan for the next four years. This approach also allowed us to focus on what matters most to the County - namely the cost of sustaining these new cultural facilities.

The pro-forma should be considered a "live" model, one that can be adjusted based on changing circumstances and assumptions. It is fundamentally a tool to help prepare for the operation of ASE. The entire spreadsheet, including all assumptions and formulas, is attached as Appendix A.

5. Facility Components and Assumptions

ASE is proposed to be a multidisciplinary facility with spaces that accommodate performing and visual art, private events, retail, and food service. The pro-forma makes certain assumptions including capacity, configuration, and appropriate use. These estimates are based on square footage, our tour of the Newseum facility, discussions with Arlington County staff, and comparable cultural facilities. ASE would have the following programmable spaces:

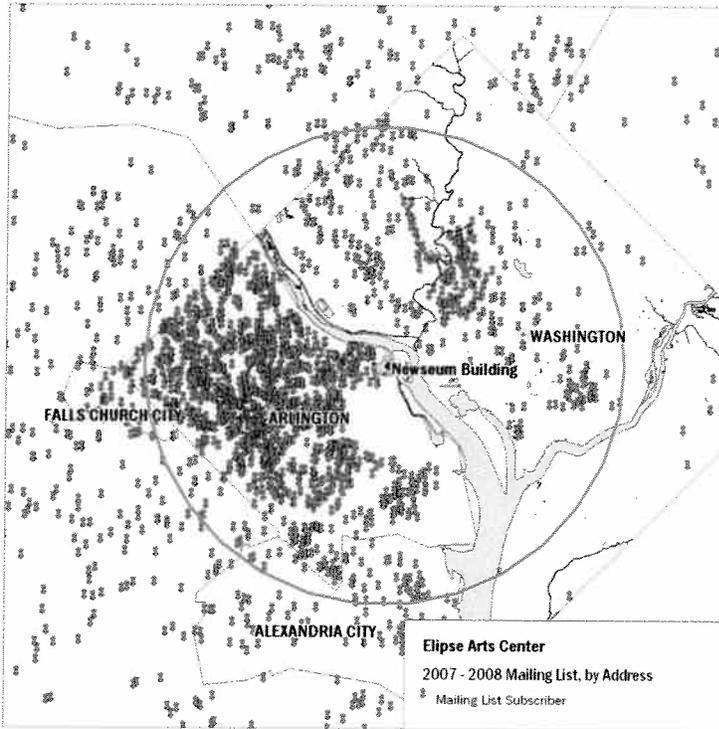
- The Dome would be transformed into a 220-seat performance space, accommodating full day rentals, presented music events and a range of community-driven programming.
- A 125-seat black box space for ASE programs and rentals.
- A flexible "Ballroom" space, capable of accommodating theater, dance, music, and trade shows. ASE would present Arlington-based ethnic cultural and social groups, such as Bolivian dance competitions, the Mongolian Children's Festival, the Argentineans Tango Festival and, most importantly, social dancing. We have estimated income and activity for four configurations, a 300-capacity dance hall, a 400-capacity music hall, a trade show facility, or a 200-seat black box.

- The first floor lobby would include a centralized box office and Ticketmaster kiosk, reception desk, and ground floor retail space. The retail space would be leased and managed by Artisans Center of Virginia.
- The existing escalator would lead up to a second floor public area, which would include a “town square” with public wireless internet access and a Busboys & Poets café. Public areas would be open during daytime operating hours, encouraging visitors, informal gatherings, and meet-ups. Public spaces would be available for rent in the evenings for performances, lectures, and private events. The “town square” would have a 200-seat capacity for ASE presented events, available for rent in four-hour blocks.
- An exhibition gallery along with the adjacent terrace and screening room would be occasionally rented in four-hour blocks for after-hours private events during the evening and weekend.
- ASE staff would manage the existing Spectrum Theatre, which would continue to be available for rent as a performance venue and conference center.

6. ASE Programming

ASE operations will include producing and presenting a series of visual, performing and media arts programs. Many programs currently exist as part of Cultural Affairs Division, but will find a permanent home at the new cultural center. For Arlington County, ASE offers the opportunity to centralize resources and public programming under one roof in an area with the potential for significant economic impacts.

Visual arts exhibitions and events will grow from existing programming at the Ellipse Arts Center, a program of Cultural Affairs Division. The Ellipse Arts Center will relocate to ASE from its North Fairfax Drive location, programming the Terrace Gallery and occupying a section of the administrative offices. The Terrace Gallery would serve as the main space for visual arts programs, hosting four to five curated or juried exhibitions per year. The Ellipse Arts Center will continue to develop education programs concurrent with exhibitions, offering public events including lectures, artist demonstrations, opening night receptions, and workshops. There is also potential for additional programming, such as an outdoor terrace sculpture garden or rotating artwork throughout the building, in spaces such as hallways, lobbies, and the grand staircase.



This map shows Ellipse 2007 to 2008 mailing list subscribers. Not surprisingly, the majority of mailing list subscribers live within a 5-mile radius of the Newseum building, and reside within Arlington County. ASE could provide a more central location that is closer to public transportation and Washington, higher foot traffic, and significant exposure to arts audiences, cultural consumers, and café customers. Relocating the Ellipse Arts Center to the Newseum building will most likely retain core constituents while attracting new audiences.

ASE would take an active role managing existing Cultural Affairs Division performing and media arts programming. Planet Arlington is an

Cultural Affairs Division program that celebrates diversity in the arts and presents visual, cinema, and performing artists. Planet Arlington presents at venues throughout the County, and culminates with an annual World Music Festival. The ASE cultural center is an ideal location to house the series. ASE Cultural Center leadership would also partner with Cultural Affairs Division to present the Innovators Series, a theatre program previously presented by Cultural Affairs Division. It will include seven events per year, offering a mix of artists and guest theatre companies. ASE will also present a new weekly music series, offering jazz, world music, blues, bluegrass, country, and folk in a club setting. In the Ballroom, ASE will partner with local arts organizations such as Bowen McCauley Dance and Jane Franklin Dance, presenting contemporary and modern dances in a non-traditional venue, as well as weekly social dances.

The vibrancy and diversity of activity at ASE will be further supported by programming from ASE tenants, including performances by WSC and Synetic Theatre, family oriented Classika programming, lectures and talkbacks presented by Busboys & Poets, and more.

ACTIVITY SUMMARY	PRE-OPENING	YEAR 1	YEAR 2	YEAR 3	YEAR 4
The Ballroom					
Presenting		137	149	163	178
Rental		19	20	20	21
Total Days		156	169	183	198
The Dome					
Presenting		75	83	91	100
Rental		101	104	107	110
Resident		136	140	144	148
Total Days		312	326	342	358
Black Box					
Presenting		18	17	18	18
Rental		19	20	20	21
Resident		176	173	178	183
Total Days		213	210	215	221
Town Square					
Presenting		75	77	80	82
Rental		14	14	14	15
Total Days		89	91	94	97
Exhibition Gallery/Terrace					
Presenting		19	28	28	29
Rental		13	13	14	14
Total Days		32	41	42	43
The Spectrum Theatre					
Presenting		6	6	6	7
Rental		83	84	86	88
Resident		176	181	186	191
Total Days		265	271	278	285

This summary chart is based on the original activity assumptions in the ASE Business Plan, but with several adjustments. The key changes are reductions in the level of presenting, most notably in the Ballroom and the Dome performance space. We do believe that there is potential for these spaces to host lots of presenting in these spaces, but it may take some time for the staff to build up its capacity, sort out which kind of acts are most likely to succeed and build consistent audiences for these programs.

7. Earned Income

The sustainability of ASE depends on partnerships with a number of nonprofit organizations and businesses. Following is a review of prospective tenants, vendors, event rentals and other sources of earned income, which evaluates each element in terms of activity, risk, and profit potential.

7.1 Contracted Services (BID Transfer)

In partnership with the Rosslyn Business Improvement District (BID), the ASE cultural center would provide cultural programming to enrich the lives of BID residents and workers, and potentially attract visitors to Rosslyn. These programs are currently administered by Cultural Affairs Division through a contractual agreement with the Rosslyn BID. When open, ASE will be the primary provider of arts and

cultural activities in Rosslyn. As a result, Cultural Affairs Division leadership feel that it is logical for ASE to be responsible for producing and presenting these events. The pro-forma assumes that the Rosslyn BID will enter into an agreement with ASE cultural center to manage all aspects of Planet Arlington, Arts al Fresco in Rosslyn, the Jazz Festival, and more. The permanent transfer of BID contracted programming would take place in the third year of operation, and ASE should receive a payment of \$300,000.

7.2 Retail and Food Services Partnerships

Artisans Center of Virginia

Founded in June 2000, Artisans Center of Virginia (“Artisans Center”) is a 501(c)(3) nonprofit organization that provides support and retail services for Virginia craft artists. The organization has a regional reputation and is the official state center for fine craft. Artisans Center operates one location in Waynesboro, Virginia. The store sells merchandise on consignment for 275 Virginia craft artists and retains 40% of profit from goods sold. To ensure that merchandise is high quality, craft artists are selected through a juried application process. This is a successful model for Artisans Center, and leadership are developing plans to open satellite locations around the state with the similar policies.

Artisan Center income statements for Fiscal 2008 show an annual operating budget of \$265,000, with 52% of revenue derived from earned income. The organization received \$134,000 in contributed income, with the majority of support coming from government sources and the Alleghany Craft Network. A review of sales statements from Waynesboro indicates a monthly gross of \$23,000, and a \$38 average sale price per item sold.

Leadership from the Artisans Center of Virginia feel that the store in Arlington would require one gallery manager and four part-time staff members. There is also potential to share resources and cross-train staff between Artisans Center and the ASE information kiosk. The retail space would also require security measures, for deterring theft during public hours and securing merchandise after-hours.

The pro-forma assumes Artisans Center would lease a portion of the first floor, operating a storefront, providing staff and equipment, and selecting and maintaining the quality of the merchandise. Artisans Center would be responsible for base rent equal to 15% of gross receipts, approximately \$30,000 in the opening year. All of this is subject to coming negotiations, in which different types of arrangements should certainly be explored.



Busboys & Poets

Founded in 2005, Busboys & Poets is a socially conscious restaurant and bookstore managed by Andy Shallal. The company is a for-profit entity with 300 employees and 3 locations in Shirlington, VA and Washington, DC, with plans for future growth.

Busboys & Poets has strong brand equity with its constituents, and is an active partner with the nonprofit and artistic community, presenting events such as open mic nights, author talks, independent and community film screenings, poetry slams, and Peace Café interfaith dialogues. Busboys & Poets locations also function as community gathering spaces, and are available for private events, fundraisers, and performances. In collaboration with the nonprofit Teaching for Change, each location features a bookstore and fair trade market. Busboys & Poets have resources and experience in catering large-scale events, regularly providing services for events such as the Folklife Festival and the 2009 Inaugural Peace Ball.

For Busboys & Poets, ASE represents a unique opportunity in a distinctive facility, with a desirable location and demographic. Particularly attractive is the placement of the second floor café, which would integrate Busboys & Poets with a busy, dynamic community space. Busboys & Poets would gain access to larger event space, allowing them to present and book high profile authors, lectures, artists, and musicians. Further, this partnership provides the ASE cultural center with a concessionaire and on-site caterer.

The pro-forma assumes Busboys & Poets would operate the second floor café and act as the concessionaire for performances and presented events. Busboys & Poets would pay a base rent equal to 15% of gross receipts, approximately \$180,000 in the opening year and \$200,000 by the third year. Food and beverage income was estimated using projected audience attendance and building activity, assuming a gross per capita for each space and type of user. As with the Artisans Center, final arrangements are subject to negotiation.

Additionally, there is potential for Busboys & Poets to be the on-site caterer for outside events, receptions, and rentals. The pro-forma assumes a \$35 catering fee per capita, and the ASE revenue share is projected 7% of the gross, approximately \$15,000 in the opening year and \$21,000 by the third year of operations.

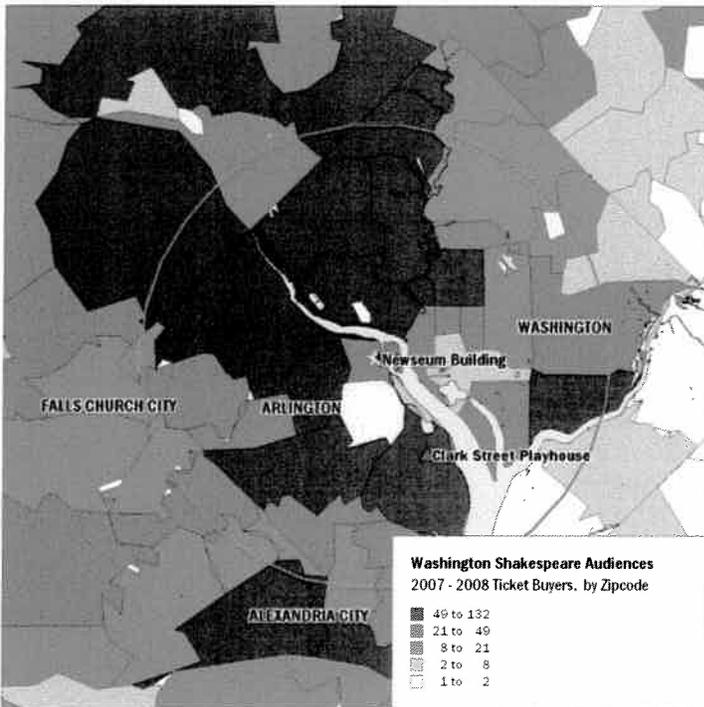
7.3 Resident Theatre Tenants

Washington Shakespeare Company

Founded in 1990, WSC is a 501(c)(3) nonprofit organization with a mission to produce classic plays in new and innovative ways. WSC is a non-union producing theater company that mounts four to six shows per season.

WSC currently occupies the 117-seat Clark Street Playhouse, a former warehouse located at 601 Clark Street in Arlington. Arlington County owns the property, and provides electricity, heat, water, sewer, and trash hauling. On a month-to-month basis, WSC pays rent equal to 10% of box office revenue. In 2008, Arlington County proposed the sale of 601 Clark Street to a private developer.

An analysis of 2008 audited financial statements shows that WSC had an operating budget of \$264,000, with a year-end surplus of \$63,000. In 2008, earned income totaled \$160,000, or 49% of total revenue.



To understand how relocation to ASE might affect audience attendance, we mapped WSC's ticket buyer data from the 2007 to 2008 season. This map shows a concentration of ticket buyers within a 5-mile radius of the Newseum building, both in Virginia and Washington. Relocation to ASE would place WSC closer to its core audiences, in a more attractive location in better proximity to public transportation.

The pro-forma operating budget assumes that WSC would relocate to ASE, using the black box for 160 performances and 176 total use days in the opening year, increasing to 170 performances and 178 use days by the third year of operation. Interviews with WSC leadership

indicate that current productions at the Clark Street Playhouse fill 30% of its capacity on average. However, leadership feel that these attendance numbers are largely due to the location of the Clark Street Playhouse, so the pro-forma estimates 50% capacity in the first year of operation. Similar to current arrangements, WSC would be responsible for rent equal to 10% of box office revenue.

Classika-Synetic Theater

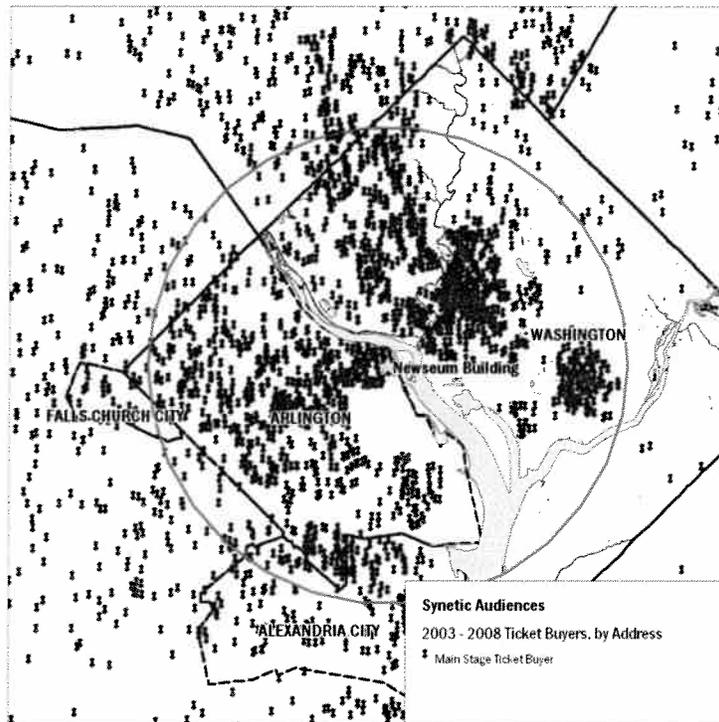
Playtime Productions, Inc. dba Classika-Synetic Theater, is a 501(c)(3) organization founded in 2001 by Paata and Irina Tsikurishvili, and is nationally recognized for creating nontraditional productions that blend classical elements of drama, movement, mime, dance, and music. Classika-Synetic Theater produces main stage and family shows, and offers education and outreach programs for

children. The organization has developed a unique acting method, and as a result has trained and continues to work with a group of over 130 actors.

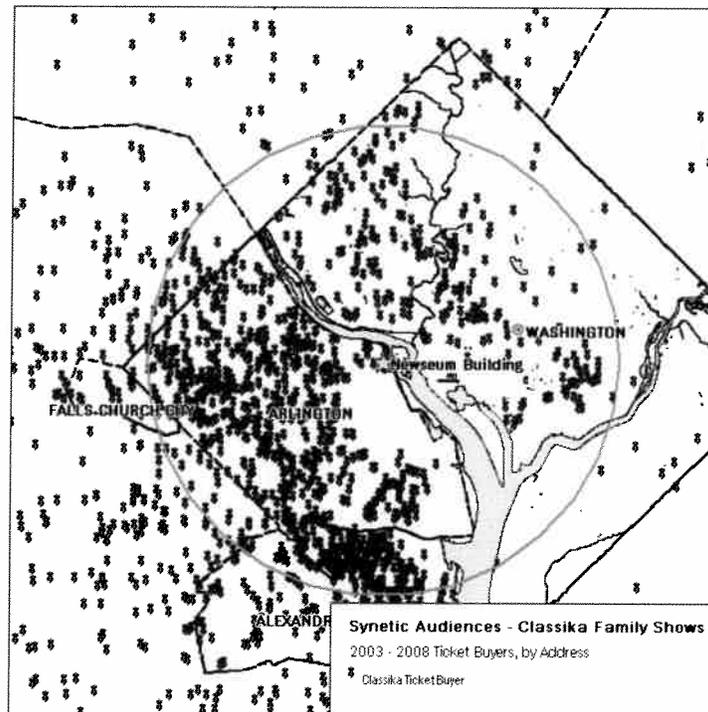
Classika-Synetic Theater programs and rents several spaces in Arlington. In the 2008 to 2009 season, three main stage productions will run for a total of 32 weeks at the Spectrum Theatre. The season also includes performances at Georgetown University and The John F. Kennedy Center for the Performing Arts. Classika-Synetic Theater rents a studio theatre and administrative space in the Village of Shirlington, and has plans to remain there for the long-term. The studio theatre at Shirlington is home to Classika Family Shows, a series of five productions that feature a blend of puppetry, mime, music, and dance for young audiences. Classika Family Shows run on Saturdays and Sundays, for eight weeks each. Located on South Arlington Mill Drive, Classika Theater Studio is the center of the organization's education programs, offering classes for children 4 and up, summer camp, birthday parties, and instruction with Classika-Synetic professionals.

A review of audited financial statements from 2007 and 2006 indicates that Classika-Synetic managed an annual operating budget of \$1.1 million. Earned income from performances, studio and classes accounts for 43% of total revenue. Discussions with leadership indicate that Classika-Synetic is a growing theatre company that requires additional performance weeks, scheduling flexibility and advance booking to maintain a regular seasons and grow its subscriber base.

Classika-Synetic has a diverse audience consisting of young professionals, families, and arts patrons. We have mapped audience data from 2003 to 2008, for both the main stage and Classika Family seasons. The following map shows main stage ticket buyers, indicated in blue.



In comparison to main stage audiences, Classika ticket buyers are concentrated in Arlington County and Alexandria City. Expanding Classika Family Shows to the Dome performance space may attract new audiences, particularly from Maryland and Washington.



Classika-Synetic would continue to produce its main stage season at the Spectrum Theatre, potentially creating a standard performance schedule and a more regular season. Classika Family Shows would expand to the 220-capacity Dome performance space, for 128 total performances. The pro-forma assumes a rent surcharge equal to 10% of box office revenue, \$4,000 for family shows and \$56,000 for main stage performances.

7.4 Event Rentals

To determine the viability of the ASE cultural center as a meeting, banquet, and events space, we analyzed the competitive market and completed a benchmarking exercise that informed pro-forma assumptions and rental rates. Information is based on site visits, interviews, conversations with facility managers and our own research. In Rosslyn, 14 facilities are regularly used for private events such as weddings, corporate meetings, and fundraisers.

The inventory indicates the following:

- There are 14 facilities in Rosslyn offering event spaces that have capacities from 4 to 600.

- 50% have 3 or more event spaces.
- 21% have 6 or more event spaces.
- 36% include a large lobby or pre-function space.
- 36% require on-site catering and do not allow outside food. In Rosslyn, most facilities that require on-site catering are hotels, spaces that often have food and beverage minimums.
- 29% of facilities have event spaces with capacities between 200 and 500.
- The largest facility is Holiday Inn at Key Bridge, which can accommodate 600 individuals.
- 79% offer dedicated parking.

The lobby and theatre of The Spectrum Theatre are presently available for rent through Cultural Affairs Division at a cost of \$450 to \$1,400.

Rosslyn Event Facilities

Facility	1st Event Space	2nd Event Space	3rd Event Space	4th Event Space	5th Event Space	6th Event Space	Add'l Breakout or Conference Rooms	Outdoor Event Space	Café/ Restaurant/ Bar	Flexible seating	Kitchen Facilities	Pre-function space or Lobby	On-site catering Required	Alcohol Permit	Equipment for Rent	A/V and Technical Assistance	Dedicated Parking	Low	High
Holiday Inn Rosslyn at Key Bridge	600	180	90	80	70	40												\$350	\$7,000
Arlington Temple United Methodist Church	450	115	90	15	15													\$100	\$385
Rosslyn Spectrum Theatre and Conference Center	389	60																\$450	\$1,400
Marriott Key Bridge	500	240	210	130	80	70												\$500	\$5,000
Hyatt Arlington	300	70	50	12														\$2,000	\$5,000
Top of the Town Reception and Conference Facility	180																	\$950	\$6,900
Hotel Palomar	180	82	16															\$450	\$2,000
Waterview Conference Center	170	92	78	60	40	40												Not Available	
The Virginian Suites	110	75	15															\$150	\$800
ZAI Conference Center	80	15																Not Available	
Courtyard by Marriott	50	38																\$350	\$450
Residence Inn by Marriott	40	10																\$400	\$600
Best Western Rosslyn/Iwo Jima	25	55																\$100	\$450
Regus	10	4																Not Available	

*Theatre configuration Capacities are listed

Rental Rates

The following chart shows a comparison of ASE rental spaces and the Spectrum Theatre to three similar facilities, Top of the Town Reception and Conference Facility, the Senate Ballroom at the Hyatt Arlington, and the Potomac Ballroom, Francis Scott Key Room, and the Capital View Ballroom at the Marriott Key Bridge. The prices below show a range of base rental rates for a full day. Some of the event spaces have booking requirements; rentals at Marriott Key Bridge require a minimum level of catering which starts at \$4,000. Top of the Town Reception and Conference Facility rates vary based on the time of year and level of demand.

Rosslyn Event Facilities

Top of the Town Reception and Conference Facility	180	\$950	\$6,900
ASE Cultural Center - Town Square	200	\$1,600	
ASE Cultural Center - Terrace Gallery	200	\$1,400	
Marriott Key Bridge - Francis Scott Key	210	\$1,000	\$1,050
ASE Cultural Center - The Dome	220	\$1,500	
Marriott Key Bridge - Capital View Ballroom	240	\$2,500	\$4,500
Hyatt Arlington - Senator Ballroom	300	\$3,000	\$5,000
Rosslyn Spectrum Theatre and Conference Center	387	\$1,200	\$1,400
Marriott Key Bridge - Potomac Ballroom	500	\$2,000	\$3,500
	Capacity	* Full Day Low	* Full Day High
		Rental Rates	

*Full day rental is approximately 8 hours

According to County staff, there are several additional meeting and event spaces coming online in the next several years. Specifically:

- Courthouse – Residence Inn Arlington Courthouse – Under Construction – 2009 – 490 square feet of meeting space
- Crystal City/Potomac Yard – Marriott Renaissance Hotel and Residence Inn – Under Construction – 2010 – 19,915 square feet of meeting space
- Virginia Square – George Mason University Phase II, Founder’s Hall – Under Construction – 2010 – 300 seat auditorium and multi-purpose rooms
- Rosslyn – Central Place – Approved Site Plan – n/a – 9,555 square feet for observation deck

The question has been raised as to the competitive impact of ASE and the likely response of commercial facility operators. Certainly one would expect some loss of share on the part of other facility operators. But we would hope for general support for the project on the part of hotel operators and others given the following:

- ASE is projected to attract almost 300,000 attendees in its third year of operation, which will have a huge impact on Rosslyn retail, restaurants and hotels.
- ASE facilities will be more attractive to meeting and event planners seeking space that benefits from proximity and relationship to creative activities, a very different positioning than meeting and event spaces in hotels and schools.
- Marketing and promotional activities associated with ASE will build awareness and interest in the area, hopefully creating a regional destination.

7.5 Earned Income Conclusions

This chart summarizes earned income projections for the pre-opening year and then the first four years of operation. Based on our research and our experience with similar cultural centers, we assessed earned income levels in the ASE business plan. We then adjusted earned income to reflect the new activity levels and estimates. Resident theatre companies will have higher audience attendance levels and use days than initially projected, and the first year of operation, surcharge income is now \$85,000. Food service income has been more conservatively projected to match activity levels in the building. Finally, we have also increased catering commission based on activity levels and our discussions with Busboys & Poets.

Pro-forma Operating Budget	Pre-opening Year	Opening Year	Second Year	Third Year	Fourth Year
<u>Earned Income</u>					
Programming Revenue	15,000	1,470,445	1,543,821	1,810,258	2,124,062
Surcharge		85,004	118,520	132,025	147,069
Rental Income		538,075	563,556	596,078	630,526
Food/Bar		179,750	185,067	200,246	217,358
Retail Commission		30,000	30,600	31,518	32,464
Catering Commission		14,700	17,493	20,592	21,210
Contracted Services (BID Transfer)				300,000	309,000
	15,000	1,582,752	1,687,146	2,185,587	2,419,657

This chart summarizes earned income at comparable facilities. Two facilities, Walker Arts Center and the Arvada Center for the Arts and Humanities have contractual agreements with onsite caterers.

Earned Income Comparison

An Arts Space for Everyone, Arlington VA

Total Income	\$3.0 million	\$21.7 million	\$8.9 million	\$9.5 million	\$1.6 million	\$3.0 million
Food/Bar Income	\$179,750	\$200,000	N/A	\$150,000	\$4,000	\$0
Catering Commission	\$14,700		\$0			
Earned Income	\$1.6 million	\$13 million	\$3.9 million	\$4 million	\$491,000	\$1.0 million
Earned Income as a percent of total operating expenses	54%	62%	46%	42%	29%	33%
	ASE cultural center (Year 1)	Walker Arts Center	Yerba Buena Center for the Arts	Arvada Center for the Arts and Humanities	American Theatre & Taylor Arts Center	Contemporary Arts Center

The Arvada Center for the Arts and Humanities engages an enterprise service to offer food and catering. Gross sales are approximately \$2.5 million per year in concessions and catering income. Sales staff oversee booking and setup, and receive a 1% commission. The catering service manages all aspects of conferences and private events. Approximately \$150,000 is transferred to the Center. This payment was determined when the building opened and increases annually, but is not a percentage share. Walker Arts Center has an exclusive contractual agreement with Wolfgang Puck, which is the catering company also responsible for managing the café and adjacent restaurant. Food

service income for Yerba Buena Center for the Arts was not available; however, the facility does not work with one specific caterer, and does not receive commission.

8. Contributed Income

Beginning in the opening year, ASE personnel would take on the role and responsibility of overseeing a number of existing Cultural Affairs Division programs, including the Ellipse Art Center and Planet Arlington. As a result, the pro-forma assumes that the human and financial resources required to administer the programmatic elements would be re-allocated to ASE. Funding re-allocation for division programming would be \$62,000 in the pre-opening year and \$30,000 thereafter. Salaries and benefits for Arlington County employees are shown in the pro-forma as well, and are considered in-kind funding. If and when an Arlington County staff member terminates or retires from ASE, Arlington County support would shift from an in-kind contribution to annual financial support.

Presently, the Ellipse Arts Center is operated by Cultural Affairs Division. The Ellipse Arts Center would transition to ASE in the opening year, and would re-allocate \$20,000 in support of programs, \$15,000 to cover maintenance expenses, and a full-time Cultural Affairs Division staff member, the Visual Arts Curator.

The Cultural Affairs Division budget also includes costs associated with the operation of the Spectrum Theatre. The pro-forma assumes that ASE personnel would be responsible for day-to-day operations of the Spectrum Theatre, and as a result the expenses associated with that task would be re-allocated. Starting in the opening year, a \$162,680 re-allocation from the Cultural Affairs Division budget would offset rent, utilities, maintenance, operating supplies, equipment and parking expenses.

Recognizing the need for a cultural center in Rosslyn, several public entities have committed financial support towards the development of ASE. The County has allocated \$370,000 from the Rosslyn Fund to offset pre-opening year costs. ASE would be located in the Rosslyn BID, and represents an opportunity to support economic development and enrich the lives of Rosslyn residents and workers. The Rosslyn BID provides services for the 17-block commercial neighborhood in downtown Arlington and generates income through a special tax. The Rosslyn BID would support the development and operation of ASE through a \$1 million seed capital contribution during the pre-opening year and the first three years of operation. The pro-forma assumes a multi-year funding plan, starting with a contribution of \$400,000 in the pre-opening year. The Rosslyn BID would contribute \$310,000 in the opening year of operation, \$240,000 in the second year, and \$50,000 in the third year. The Rosslyn BID would also provide ongoing support, contributing \$300,000 annually.

Nationally, a growing number of business improvement districts are recognizing the importance of sustaining cultural facilities operating within district boundaries. BIDs support and sustain the arts because it improves the quality of life, offers amenities to residents and workers, and attracts

visitors to the neighborhood. The arrangement of these relationships varies. Several examples of business improvement districts supporting the cultural community are appended to this report, including the Pittsburg Cultural Trust in Pittsburg, PA, the 125th Street BID in New York, NY and the NOHO BID in North Hollywood, CA.

The pro-forma assumes that the organization would have the capacity to solicit sponsorships and pursue grants by the opening year of operation. Contributed income from these sources would increase gradually, starting at \$50,000 in the opening year and would grow to \$360,000 by the fourth year of operation.

This chart summarizes contributed income to ASE in the pre-opening year and then the first four years of operation. Most importantly, the \$1 million seed capital commitment from the Rosslyn BID has been spread over four years to offset start up costs. Additionally, we increased re-allocated income to include the Theatre Technician III position, an Arlington County employee. This position is transferred to ASE in the pre-opening year.

Pro-forma Operating Budget	Pre-opening Year	Opening Year	Second Year	Third Year	Fourth Year
Contributed Income					
Rosslyn BID Seed Capital	400,000	310,000	240,000	50,000	
Rosslyn BID Ongoing Support	300,000	300,000	300,000	300,000	300,000
The Rosslyn Fund	370,000				
Sponsorships and Grants		50,000	200,000	350,000	360,500
Re-allocated County Funding	73,046	707,789	716,939	744,202	769,407
	1,143,046	1,367,789	1,456,939	1,444,202	1,429,907

This second chart compares contributed income levels and sources amongst comparable facilities. The key rows compare the level of public funding for this project to the other facilities. Additional rows take the impact of real estate taxes to be paid by the facility (not a common practice) and then the removal of BID support. While there is no simple formula as to how much public support is appropriate, this comparison shows that ASE would require relatively less public support than this set of comparable facilities.

Contributed Income Comparison

An Arts Space for Everyone, Arlington VA						
	ASE cultural center (Year 1)	Walker Arts Center	Yeiba Buena Center for the Arts	Arvada Center for the Arts and Humanities	American Theatre & Taylor Arts Center	Contemporary Arts Center
Total Income	\$3.0 million	\$21.7 million	\$8.9 million	\$9.5 million	\$1.6 million	\$3.0 million
Public Support	\$1.3 million	\$400,000	\$3.6 million	\$5.1 million	\$1.3 million	\$1.4 million
Public Support net real estate taxes	\$1.1 million					
Public Support net real estate taxes and BID support	\$519,000					
Sponsorships and Grants	\$50,000	\$8 million	\$1.1 million	\$360,000	\$0	\$600,000
Total Contributed Income	\$1.4 million	\$13 million	\$3.9 million	\$4 million	\$1.3 million	\$2.0 million
Contributed Income as a percent of total operating expenses	46%	39%	53%	58%	81%	86%
Public Support as a percent of total operating expenses	45%	2%	40%	54%	81%	60%
Public Support net real estate taxes as a percent of total operating expenses	38%					
Public Support net real estate taxes and BID support as % of total op expenses	18%					
Sponsorship and Grants as a percent of total expenses	2%	37%	13%	4%	0%	43%



9. The Governance Shift

A primary factor in the life cycle of the ASE cultural center is the incubation of the organization at Cultural Affairs Division, followed by a three-year transition to a separate entity, with its own personnel, mission, building policies, and programs.

Although developed by Arlington County Affairs, the mission and needs of the facility require the transition to a separate entity. We endorse the creation of a new organization, for the following reasons:

- Operation as a separate entity is cost effective, for both the cultural center and the County.
- ASE will operate as a full service event space, and requires the ability to serve alcohol on-site. ASE would function as a community gathering space, hosting events such as weddings, charity galas and fundraisers, meetings and private community events.
- ASE would need to develop operating procedures, rental policies, rates, and other procedures that should exist separately from existing County regulations.
- Having long-term tenants and resident theatre companies, the ASE cultural center will require the ability to bargain and negotiate with outside organizations on a regular and reoccurring basis.

Now, there is the question as to what kind of entity should be formed to oversee operations and governance of the cultural center. We support the formation of a 501(c)(3) nonprofit, for the following reasons:

- ASE should be mission-driven, operated to serve the demand of audiences, artists, resident groups and other partners.
- Pro-forma assumptions require some level of fundraising, and as a nonprofit organization, the cultural center would have the capacity to solicit private donations, grants, and sponsorships.
- ASE should operate with a certain degree of transparency, particularly because a significant percentage of income will be derived from contributions and public sources.

The formation of a new 501(c)(3) nonprofit will require the development of a mission, bylaws and a board of directors. There is a need for preliminary infrastructure, to prepare the facility for opening. In this early stage, we suggest the formation of an Advisory Committee to assist Cultural Affairs Division with the transition. The Advisory Committee should consist of project stakeholders (representatives from Monday Properties, Rosslyn BID etc.) as well as Department of Parks Recreation and Cultural Resources leadership. The formation of an Advisory Committee would be the first step towards the creation of a separate entity, and might take on the following responsibilities:

- Oversee the development of the mission and bylaws.

- Act as the nominating panel for the cultural center’s board of directors, managing board member cultivation and selection.
- Facilitate the negotiation process between long-term tenants and ASE.
- Coordinate with Cultural Affairs Division to ensure a timely opening.
- Fulfill the role of the board, until one is in place.

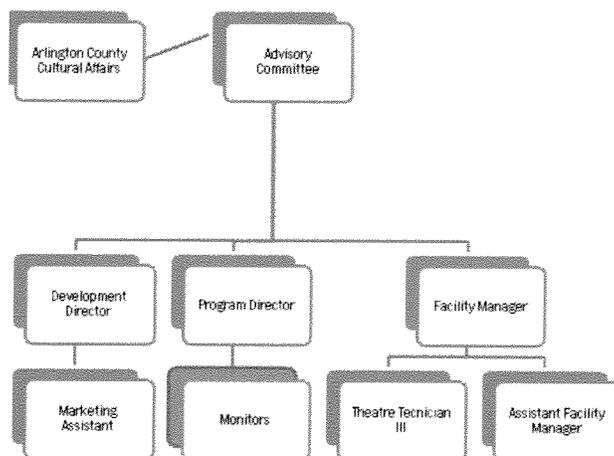
We would suggest that Advisory Committee members remain involved with the organization in the long term, and there is certainly potential for these members to become the core board of directors. However, we do feel that the Advisory Committee might also include members that serve specifically to aid the transition process.

Critical to this governance shift is the participation of the Rosslyn BID. As note above, we see the BID participating in the initial Advisory Board and then being represented on the 501c3 board that takes over. But we also see the BID as a critical partner in helping to identify and recruit business leaders to leadership roles, and to participate the marketing of ASE programs in order to build a strong image and identity for downtown Rosslyn.

10. Operating Expenses

10.1 Staffing

During the pre-opening year, Cultural Affairs Division personnel with positions designated for re-allocation will prepare for the transition. One position, Theatre Technician III, will re-allocate two months prior to opening. New personnel required to bring the facility online will be hired as needed, starting 6 months prior to opening. The following chart shows personnel hired or re-allocated during the pre-opening year. Purple boxes denote contract labor.





New personnel will be employees of the ASE cultural center, with benefit levels set at 21%. Compensation levels, as well as annual increases, are set in the pro-forma and increase annually for inflation. Personnel expenses for the pre-opening year total \$170,000.

Descriptions of key positions hired during the pre-opening year are as follows:

Program Director: Develops the annual programming plan for the venue, researches and collects information on possible performances, negotiates with and books the artists, in charge of venue schedule and administering contracts, coordinating events, settling performance fees after shows, and maintaining a schedule for all spaces in venue. This staffer should be in place at least 6 months before the opening of the facility.

Development Director: This position is responsible for all aspects of fundraising to sustain operations of new facilities, including the pursuit of grants, donations, sponsorship of events, and the organization and execution of special events. This is a highly skilled and challenging position, as it represents the never-ending effort to convince the community to financially support the arts and culture through both the public and private sector. Key skills are sales, communications, and the ability to motivate other staff and volunteers to represent and advocate for the facility in the community and region. This position would start 6 months prior to opening, and would oversee the marketing assistants.

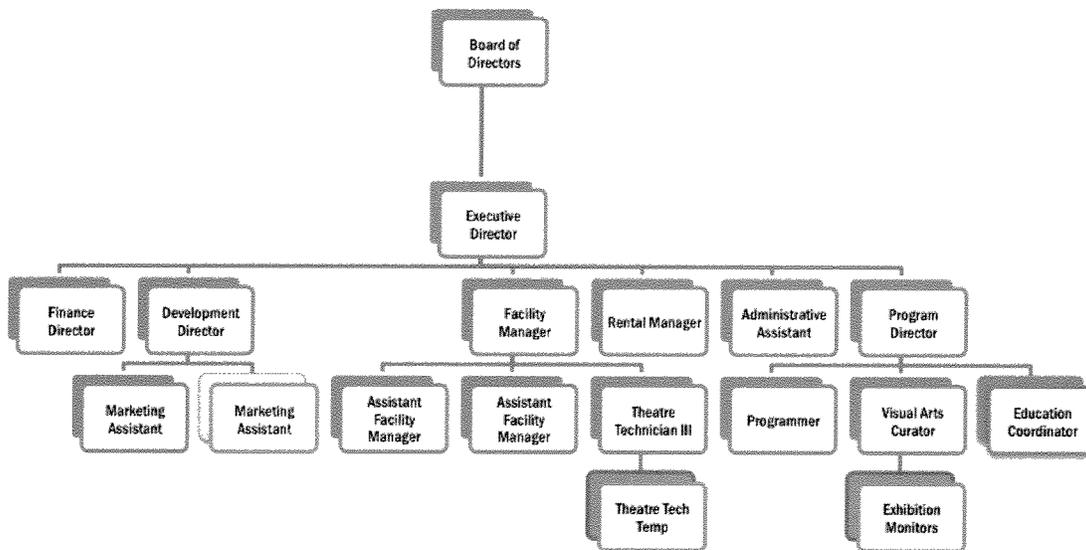
Facility Manager: This position is responsible for administering the facility on a day-to-day basis, overseeing operations and assistant facility managers, monitoring performance, coordinating the box office and front of house, negotiating supplier contracts, and maintaining the physical plant. This position is also in charge of all operations and the technical aspects of production: He/she is charged with backstage maintenance, the safe and responsible use of stage equipment and facilities, scheduling all crew calls including load-ins, changeovers, show calls and load-outs. The position also supervises the theater technicians. The position should be filled at least four months before the building opens.

In the opening year of operation, 6.5 FTE Cultural Affairs Division staff members will be permanently re-allocated to ASE. Re-allocated positions will remain Arlington County employees until personnel terminate or retire. Following termination or retirement, these positions will be filled by new hire ASE employees. These positions include:

- Executive Director
- Rental Manager
- Programmer
- Education Coordinator (part time)
- Theatre Technician III

- Theatre Technician Temp

Following is an organizational chart that identifies staff required successfully operate ASE. The pink boxes denote part-time staff, and purple boxes denote contract labor.



Descriptions of key positions brought on in the opening year are as follows:

Executive Director: The manager of the cultural center, responsible for administering the facility on a day-to-day basis, overseeing operations and staff, overseeing presenting, visual and media arts programming, preparing annual budgets and capital improvement plans, monitoring performance, overseeing all programs and rentals. Marketing the facility to on and off-audiences, users and other elements of community leadership will be a particularly important duty, as it relates to both audience development and fundraising. This position would be filled by a re-allocated Cultural Affairs Division employee, and be involved with planning, construction, commissioning, and preparation for operations during the pre-opening year.

Rental Manager: This position will market ASE and the Spectrum Theatre's performance and events spaces to potential users, execute contracts, set rental rates and policies. This position will coordinate with the Facility Manager and liaise with resident theatre companies, food service vendor, and retail tenant. The Rental Manager would be re-allocated from Cultural Affairs Division, and should report directly to the Executive Director.

Visual Arts Curator: Responsible for scheduling, proposing, and curating visual arts programming in the Ellipse Arts Center located at the Terrace Gallery, and ancillary spaces throughout the building. This position would report to the Program Director, and would be

primarily responsible for creating 4 to 5 major exhibitions per year. The Visual Arts Curator would oversee contract and volunteer gallery monitors (i.e. gallery sitters). Working closely with the Education Coordinators, this position would also develop education and outreach programming and material concurrent with each exhibition. The Visual Arts Curator would be the senior staff member for the Ellipse Arts Center, currently a program of Cultural Affairs Division. As a result, this position would be re-allocated from Cultural Affairs Division.

Pro-forma Operating Budget	Pre-opening Year	Opening Year	Second Year	Third Year	Fourth Year
Staffing					
Existing Staff	11,096	480,109	480,109	504,115	529,320
New Staffing	158,810	705,420	733,637	770,319	776,370
	169,906	1,185,529	1,213,746	1,274,434	1,305,690

This chart shows a summary of personnel expenses in the pre-opening year and then the first four years of operation. We have adjusted staffing levels to allow for a smooth opening, reallocating the Theatre Technician III prior to the opening of the building, and increasing the Programmer position to full-time in the opening year.

	An Arts Space for Everyone, Arlington VA					
Total Expenses	\$2.9 million	\$21 million	\$8.5 million	\$9.5 million	\$1.6 million	\$3.0 million
Staffing Costs	\$1.2 millions	\$8 million	\$2.7 million	\$3.7 million	\$436,715	\$815,000
Number of Fulltime Staff	14	125	34	36	7	18
Number of Partime Staff	10	45	21	200	0	4
Staffing Expenses as a percent of total expenses	40%	38%	31%	39%	26%	27%
	ASE cultural center (Year 1)	Walker Arts Center	Yerba Buena Center for the Arts	Arvada Center for the Arts and Humanities	American Theatre & Taylor Arts Center	Contemporary Arts Center

This chart looks at staffing levels and personnel expenses at each cultural center. In the first year of operation, salary expenses total 40% of expenses. Comparable cultural centers had lower percentages of staffing expenses, ranging from 27% to 39%. ASE staffing expenses are likely higher due to a projected 32% benefits level for Arlington County employees. The Arvada Center for Arts and Humanities, a facility staffed by Arvada City employees, allocates 24% of staffing expenses to total personnel costs.

10.2 Programming Expenses

In the pre-opening year, programming expenses consist primarily of opening events at the ASE cultural center and a \$175,000 institutional marketing campaign. Opening year events are a one-



time cost commiserating with the official opening of the ASE cultural center as a public facility. Institutional marketing will promote both the facility as an event space; meet up point, gathering space and cultural hub. After the opening year, the annual budget for institutional marketing decreases to \$50,000.

Going forward, programming expenses cover the costs of presenting in the Ballroom, the Dome, black box, Terrace Gallery, and Planet Arlington programming at the Spectrum Theatre. Programming expenses total \$596,000 in the opening year, and increase steadily at a rate of 9% through the fourth year. Generally, expenses associated with presenting activity consist of artist fees, and marketing and promoting events. Program expenses increase as activity levels rise, and total \$1 millions in the fourth year of operation.

Finally, the ASE cultural center will program film and video events as well as educational events. These programs represent a smaller percentage of program costs. Education costs start at \$20,000 in the opening year, and remain steady through the fourth year. The budget for film and video program starts at \$15,000 in the opening year and remains the same through the fourth year of operation.

This chart summarizes program costs during the pre-opening year and the first four years of operation. We've adjusted program expenses to accurately reflect activity estimates, taking into account average costs for each type of event.

Pro-forma Operating Budget	Pre-opening Year	Opening Year	Second Year	Third Year	Fourth Year
<u>Programming Expense</u>					
Opening Events	150,000				
Ballroom - Dance Hall Presenting		115,500	129,591	145,401	163,140
Ballroom - Music Hal Presenting		157,500	176,715	198,274	222,464
Ballroom - Theater Presenting		47,250	50,605	54,198	58,046
Dome Presenting		91,875	103,084	115,660	129,770
Black Box Presenting		19,688	20,081	20,483	20,893
Town Square Presenting		32,813	33,469	34,138	34,821
Terrace Presenting		24,938	26,199	27,525	28,918
Spectrum - Planet Arlington		21,000	22,063	23,179	24,352
Education		20,000	20,000	20,000	20,000
Film/Video		15,000	15,000	15,000	15,000
Additional Rosslyn BID Programming				250,000	257,500
Institutional Marketing	175,000	50,000	50,000	50,000	50,000
	325,000	595,563	646,806	953,858	1,024,903

10.3 Facility Expenses

The following chart summarizes facility costs for the pre-opening year and the first four years of operation. Direct facility costs have been expanded on the basis of conversations with County real estate staff. We've also increase event-based staff costs given our experience with comparable facilities.



Pro-forma Operating Budget	Pre-opening Year	Opening Year	Second Year	Third Year	Fourth Year
Building Operations					
Common Area Charges	215,988	226,668	249,468	256,952	264,661
Real Estate Taxes	217,008	238,848	262,716	270,597	278,715
Electricity/HVAC	90,084	132,132	145,344	149,704	154,195
Elevator/Escalator	15,120	15,876	16,668	17,168	17,683
Janitorial (including supplies)	21,816	87,264	91,632	94,381	97,212
Event-based Costs		112,992	124,758	137,876	152,507
Parking		37,500	38,250	39,015	39,795
Insurance		5,000	5,100	5,253	5,411
Leasehold Maintenance & Repairs	18,900	40,500	41,310	42,136	42,979
Equipment Repair/Replacement		50,000	52,500	63,000	63,000
Spectrum		123,000	128,010	133,635	134,832
	578,916	1,069,780	1,155,756	1,209,718	1,250,991

Understanding the costs associated with operating ASE on a day-to-day business is fundamental to establishing long-term sustainability. Facility expenses consist of administrative expenses, or office expenses, and building operations charges. The following chart summarizes ASE pro-forma projections, and then compares them to comparable five comparable cultural facilities. ASE's building costs per square foot are noticeably higher most of these facilities, but similar to costs at the Contemporary Art Center in Virginia Beach.

Building Operation Comparison

An Arts Space for Everyone, Arlington VA

Total Square Feet	61,840	250,000	101,800	122,000	16,000	11,600
Total Annual Expenses	\$2.9 million	\$21 million	\$8.5 million	\$9.5 million	\$1.6 million	\$3.0 million
Building Expenses	\$1.1 million	\$1.6 million	\$1.1 million	\$1.9 million	\$115,000	\$217,000
Percent of Annual Budget	37%	8%	13%	21%	7%	8%
Cost Per Square Foot	\$17.30	\$6.40	\$10.59	\$16.13	\$7.19	\$18.71
	ASE cultural center (Year 1)	Walker Arts Center	Yerba Buena Center for the Arts	Arvada Center for the Arts and Humanities	American Theatre & Taylor Arts Center	Contemporary Arts Center

* Utilities, maintenance and repairs for the American Theatre & Taylor Arts Center are considered part of the City of Hampton's Facility Maintenance Budget the facilities annual operation burdget but have been included in the comparison

10.4 The Ticketing Function and Ticketmaster Service

There are literally dozens of ticketing systems available to performing arts organizations and venues, each claiming to offer unique features and benefits. Our experience with groups and facilities across the country suggests that ticketing systems must meet a few non-negotiable criteria. Ticketing systems should be:

- Convenient for patrons. This means tickets should be available in-person, by phone or online at acceptable times of day.
- User-friendly with a simple interface.
- Affordable. Ticketing systems should not require significant costs and resources. Instead, any associated fees should be passed on to the ticket buyer. However, patrons should not be punished for convenience. While a level of ticket fees has become commonplace and expected by ticket buyers, many patrons are disillusioned by significant fees and surcharges.
- Flexible, allowing for events to be set up quickly, easily and in varying ways (general admission vs. assigned seating, etc). Reporting should also be flexible, allowing for venue or event managers to track sales and attendance on moment-to-moment basis.
- Integrative, with the ability to support marketing and fundraising functions, keep track of a buyer's attendance and donor history and simplifying e-marketing, direct mail and other marketing tactics.

Presently, the Spectrum Theatre and Planet Arlington utilize Ticketmaster as the primary and exclusive ticket system. Ticketing fees are passed on to buyers as a per ticket surcharge, which is approximately \$4 to \$6 per ticket. Ticket buyers are subject to an additional charge if they choose print out tickets at home. Discussions with Cultural Affairs Division staff indicate satisfaction with the system, and an interest on the part of Ticketmaster to develop a similar arrangement at the ASE cultural center.

Ticketmaster

Ticketmaster currently has approximately 50 percent of the market share for online ticket sales in the United States. They have a number of other divisions around the world that are managed independently with varying focus. For example, the U.S. division focuses on arena-scale concert tours while the U.K. division tends to deal more with performing arts events and venues.

In the U.S., performing arts presentations represent a very small portion of Ticketmaster's activity and revenue, with the large majority coming from large scale, multi-city concert tours. The Ticketmaster interface is designed to best facilitate those tours. As a result, the system's search function, calendar and seating features are not well suited to arts ticketing or for ticketing exclusive to a facility. However, Ticketmaster has just developed a system called Artix, which is a CSR function that combines ticket buying and fundraising data, with one record for each customer.

Preliminary conversations with Cultural Affairs Division leadership suggest that the ASE cultural center would engage Ticketmaster as the exclusive ticketing service for the new facility and The Spectrum Theatre. There has also been discussion around the ASE box office functioning as an official Ticketmaster kiosk, offering the ability to sell tickets for any Ticketmaster event. The pro-forma assumes an agreement with Ticketmaster that passes on ticketing fees to consumers, and



that Ticketmaster would cover equipment, network, and technology expenses associated with the box office.

10.5 Parking and Access

Parking and access are always important issues in the development and operation of cultural facilities. One of the great advantages and opportunities for ASE is its proximity to the Metro line, something not possible for most of the other cultural spaces in the County. Parking is more of a challenge, as the Center is located in a dense urban area with precious real estate. Nevertheless, the following provisions have been made for parking:

- There are approximately 600 on-street metered parking spaces in the Rosslyn commercial district.
- There are 6,000 indoor spaces open to the public in Rosslyn. Some have reduced pricing on for evenings and weekends.
- There are 620 Spectrum Parking Garage, which are free in the evenings when there are events in the Spectrum.
- There are 55 spaces in the garage under the ASE building that will be free for ASE visitors. ASE has been allocated and additional 25 spaces for staff and business visitors, for which there is a \$125/month charge in year one.

11. Operating Results

Having projected income and expenses for the pre-opening year of the ASE cultural center and the first four years of operation, we can now assess the result of operations in terms of long-term sustainability. The following chart summarizes financial activity and audience attendance for the pre-opening year and then the first four years of operation.

AN ARTS SPACE FOR EVERYONE						
Fiscal Year	PRE-OPENING	YEAR 1	YEAR 2	YEAR 3	YEAR 4	
Attendance	1,500	275,450	278,336	299,398	322,754	
Earned Income	15,000	1,582,752	1,687,146	2,185,587	2,419,657	
Contributed Income	1,143,046	1,367,789	1,456,939	1,444,202	1,429,907	
Operating Expenses	1,155,772	2,949,147	3,116,548	3,541,257	3,687,929	
Result of Operations	2,274	1,394	27,537	88,532	161,635	
Earned Income as % of Op Exp	1%	54%	54%	62%	66%	

Projected audience attendance from kick-off events totals 1,500 in the pre-opening year, and then jumps to 275,000 during the first full year of operation. As activity levels in the building increase, audience attendance reaches 323,000 by the fourth year of operation.

Earned income starts slowly in the pre-opening year, but then grows in the first full year of operation to \$1.6 million, accounting for 54% of total operating expenses. In Year 4 of operation, earned income increases to \$2.4 million, or 66% of total expenses. In the pre-opening year, contributed income totals \$1.1 million. By the fourth year of operation, contributed income grows to \$1.4 million, or 39% of operating expenses. The largest increase in operating expenses occurs between

the pre-opening year and Year 1 of operation. Operating expenses grow to \$3.7 million by the fourth full year of operation.

Potentially, administrative costs will be absorbed by Cultural Affairs Division, which could serve as a temporary office until facilities are ready for use. In the opening year, ASE generates a surplus of \$1,394. Gradually, this number increases to \$161,000 by the fourth year of operation.

12. Risk Analysis

There are many risks associated with the operation of a cultural facility, generally resulting from some combination of bad programming, poor marketing, unsuccessful fundraising and ineffective management. For this project, we see four key areas of risk, and offer some appropriate responses.

1. It will take time for audiences, artists and organizations to embrace the Newseum building and neighborhood as a cultural space. This makes the work now underway to consider exterior and interior design features all the more important.
2. Key user groups will not be ready and able to take full advantage of the opportunities created by the space. Here, the key groups are the nonprofits coming into the project as partners and users. It will not be sufficient for them to expect great things when given access to these facilities. With the support of the Cultural Affairs Division, these groups must now work on programming, marketing, fundraising, staff and board development in order to be fully prepared for the challenge and opportunity of better facilities.
3. The board will not be ready and able to assume their role as givers and getters as and when the shift to 501(c)(3) governance occurs. There does not appear to be a large pool of local leaders trained and prepared to take on the governance challenges of such a facility. Here, the key will be planning and preparation lead by the Cultural Affairs Division to recruit, train and empower the new board.
4. It will take time to develop the right level and mix of presented programs. This is a challenge faced by all facilities, that it takes time and trials to work out the programming mix. The risk is thus that programming is reduced until desired results are achieved. The following chart suggests the impact of a 25% and then a 50% drop in programming activity on the year one budget. The bottom line impact is mitigated, at least in early years, by the relative stability of contributed income.

Sensitivity to Programming Drop	Year One Base		25% Drop		50% Drop
Attendance	275,450	-25%	206,588	-50%	137,725
Earned Income	1,582,752	-25%	1,187,064	-50%	791,376
Contributed Income	1,367,789	-1%	1,355,289	-2%	1,342,789
Operating Expenses	2,949,147	-12%	2,606,799	-23%	2,264,451
Result of Operations	1,394		(64,446)		(130,286)
Earned Income as % of Op Exp	54%		46%		35%



13. Final Conclusions

Overall, we feel that the business plan for ASE is reasonable and achievable. We have adjusted a series of assumptions based on our sense of what is realistic in the current operating environment and our knowledge of comparable facilities. Fundamentally, we would take the position that unless the current recession extends well into 2011, financial targets are attainable.

At an even more basic level, the ASE project represents a low-risk opportunity to develop more cultural facilities for the citizens of Arlington County. Instead of having to build new facilities (as was imagined for the Courthouse Square project), the County is able to enter into a lease and convert the Newseum into a cultural facility for only a fraction of the cost of building new facilities.

In addition, if the operation is not successful, the County has the ability to negotiate the early termination of its lease, perhaps even recouping some of its sunk costs for that early departure. But if the Newseum works the way it could (and should), the County will have the opportunity to deliver the operation into the hands of private sector leaders, delivering additional cultural programs to County residents for a reduced cost to taxpayers.

Appendix A: Pro-forma Operating Budget

ASE Pro-forma Operating Budget

Pro-forma Operating Budget	Pre-opening Year	% Change	Opening Year	% Change	Second Year	% Change	Third Year	% Change	Fourth Year
Earned Income									
Programming Revenue									
Opening Events	15,000								
Ballroom - Dance Hall Presenting			180,000		191,862		228,249		271,536
Ballroom - Music Hal Presenting			250,000		266,475		317,012		377,133
Ballroom - Theater Presenting			67,505		68,683		77,995		88,569
Dome Presenting			112,514		119,928		142,673		169,730
Black Box Presenting			25,988		25,937		28,893		32,185
Town Square Presenting			44,250		44,165		49,197		54,803
Terrace Presenting			28,495		28,440		31,681		35,291
Spectrum - Planet Arlington			26,471		26,420		29,430		32,784
			735,223		771,911		905,129		1,062,031
Surcharge			85,004		118,520		132,025		147,069
Rental Income									
Daily Fees			380,550		398,544		421,515		445,846
Staff Charges			114,470		119,905		126,838		134,183
Equipment			43,055		45,107		47,724		50,497
Food/Bar			179,750		185,067		200,246		217,358
Retail Commission			30,000		30,600		31,518		32,464
Catering Commission			14,700		17,493		20,592		21,210
Contracted Services (BID Transfer)							300,000	3%	309,000
	15,000		1,582,752	7%	1,687,146	30%	2,185,587	11%	2,419,657
Contributed Income									
Rosslyn BID Seed Capital	400,000		310,000		240,000		50,000		
Rosslyn BID Ongoing Support	300,000		300,000		300,000		300,000		300,000
The Rosslyn Fund	370,000								
Sponsorships and Grants			50,000		200,000		350,000	3%	360,500
Re-allocated County Funding									
Ellipse									
Programs			20,000		20,000		20,000		20,000
Rent			0		0		0		0
Exhibitions									
Maintenance			15,000		15,000		15,000		15,000
Staff			84,937		84,937		89,184		93,643
Spectrum									
Programs									
Rent			85,000		89,250		93,712		93,712
UT/CL/M			38,000		39,900		43,695		43,695
Staff			102,078		102,078		107,182		112,541
Parking			7,680		7,680		7,680		7,680
Equipment Repair and Replace			20,000		20,000		20,000		20,000
Operating Supplies			12,000		15,000		10,000		10,000
Division									
Programs	61,950		30,000		30,000		30,000		30,000
Staff	11,096		293,094		293,094		307,749		323,136
Sub-total Re-allocated	73,046		707,789	1%	716,939	4%	744,202	3%	769,407
	1,143,046		1,367,789	7%	1,456,939	-1%	1,444,202	-1%	1,429,907
Total Income	1,158,046		2,950,541	7%	3,144,085	15%	3,629,788	6%	3,849,564
Operating Expenses									
Staffing									
Existing Staff	11,096		480,109		480,109		504,115		529,320
New Staffing	158,810		705,420		733,637		770,319		776,370
	169,906		1,185,529	2%	1,213,746	5%	1,274,434	2%	1,305,690
Programming Expense									
Opening Events	150,000								
Ballroom - Dance Hall Presenting			115,500		129,591		145,401		163,140
Ballroom - Music Hal Presenting			157,500		176,715		198,274		222,464
Ballroom - Theater Presenting			47,250		50,605		54,198		58,046
Dome Presenting			91,875		103,084		115,660		129,770
Black Box Presenting			19,688		20,081		20,483		20,893
Town Square Presenting			32,813		33,469		34,138		34,821
Terrace Presenting			24,938		26,199		27,525		28,918
Spectrum - Planet Arlington			21,000		22,063		23,179		24,352
Education			20,000		20,000		20,000		20,000
Film/Video			15,000		15,000		15,000		15,000
Additional Rosslyn BID Programming							250,000	3%	257,500
Institutional Marketing	175,000		50,000		50,000		50,000		50,000
	325,000		595,563	9%	646,806	47%	953,858	7%	1,024,903
Administration Expense									
Consultants	47,000		20,000						
Audit Fee			10,000						
Bank Charges	200	100%	400						
Computer Equipment and Service	1,500	75%	2,625						

ASE Pro-forma Operating Budget

Pro-forma Operating Budget	Pre-opening Year	% Change	Opening Year	% Change	Second Year	% Change	Third Year	% Change	Fourth Year
Courier	500	100%	1,000						
Dues & Subscriptions	500	100%	1,000						
Meals & Entertainment	750	100%	1,500						
Memberships	1,500	100%	3,000						
Office Equipment	2,000	75%	3,500						
Office Supplies and Services	3,000	75%	5,250						
Postage	1,000	100%	2,000						
Printing	2,500	100%	5,000						
Training	2,500	100%	5,000						
Travel	2,500	100%	5,000						
Volunteer support and services	4,000	100%	8,000						
Miscellaneous	5,000	100%	10,000						
Phones/Internet/IT	7,500	100%	15,000						
	81,950		98,275	2%	100,241	3%	103,248	3%	106,345
Building Operations									
Common Area Charges	215,988	5%	226,668	10%	249,468	3%	256,952	3%	264,661
Real Estate Taxes	217,008	10%	238,848	10%	262,716	3%	270,597	3%	278,715
Electricity/HVAC	90,084	47%	132,132	10%	145,344	3%	149,704	3%	154,195
Elevator/Escalator	15,120	5%	15,876	5%	16,668	3%	17,168	3%	17,683
Janitorial (Including supplies)	21,816	300%	87,264	5%	91,632	3%	94,381	3%	97,212
Event-based Costs									
Technical Labor			44,064		48,139		52,668		57,702
Event Cleaning			29,088		32,245		35,765		39,693
House Staff			24,240		26,870		29,804		33,077
Security			15,600		17,503		19,639		22,034
Parking			37,500		38,250		39,015		39,795
Insurance			5,000	2%	5,100	3%	5,253	3%	5,411
Leasehold Maintenance & Repairs	18,900		40,500		41,310		42,136		42,979
Equipment Repair/Replacement			50,000		52,500		63,000		63,000
Spectrum									
Rent			85,000		89,250		93,712		93,712
Utilities			38,000	2%	38,760	3%	39,923	3%	41,120
	578,916		1,069,780	8%	1,155,756	5%	1,209,718	3%	1,250,991
Total Expenses	1,155,772		2,949,147	6%	3,116,548	14%	3,541,257	4%	3,687,929
Result of Operations	2,274		1,394		27,537		88,532		161,635
Operating Reserve			0		25,000		75,000		150,000
Final Result	2,274		1,394		2,537		13,532		11,635
Formulas									
Annual Rate of Inflation		1%		2%		3%		3%	

ASE Pro-forma Operating Budget

Activity Estimates	Pre-opening Year	% Change	Opening Year	% Change	Second Year	% Change	Third Year	% Change	Fourth Year
Opening Events									
Capacity	1,000								
Presented Ballroom Dance Events	3								
Related Use Days	6								
Capacity Sold	50.00%								
Attendance	1,500								
Average Ticket Price	\$10.00								
Ticket Revenue	\$15,000								
Ballroom - Dance Hall Presenting									
Capacity			500		500		500		500
Presented Ballroom Dance Events			60	10%	66	10%	73	10%	80
Related Use Days			60		66		73		80
Capacity Sold			40.00%	-5%	38%	5%	40%	5%	42%
Attendance			12,000		12,540		14,484		16,729
Average Ticket Price			\$15.00	2%	\$15.30	3%	\$15.76	3%	\$16.23
Ticket Revenue			\$180,000		\$191,862		\$228,249		\$271,536
Ballroom - Music Hall Presenting									
Capacity			400		400		400		400
Presented Music Events			50	10%	55	10%	61	10%	67
Related Use Days			50		55		61		67
Capacity Sold			50.00%	-5%	48%	5%	50%	5%	52%
Attendance			10,000		10,450		12,070		13,941
Average Ticket Price			\$25.00	2%	\$25.50	3%	\$26.27	3%	\$27.05
Ticket Revenue			\$250,000		\$266,475		\$317,012		\$377,133
Ballroom - Theater Presenting									
Capacity			300		300		300		300
Presentations			18	5%	19	5%	20	5%	21
Related Use Days			27		28		30		31
Capacity Sold			42%	-5%	40%	5%	42%	5%	44%
Attendance			2,250		2,245		2,475		2,728
Average Ticket Price			\$30.00	2%	\$30.60	3%	\$31.52	3%	\$32.46
Ticket Revenue			\$67,505		\$68,683		\$77,995		\$88,569
Ballroom - Trade Show Rentals									
Full-day Rentals			12	3%	12	3%	13	3%	13
Rent/Full-day Event			\$1,600.00	2%	\$1,632.00	3%	\$1,680.96	3%	\$1,731.39
Half-day Rentals			12	3%	12	3%	13	3%	13
Rent/Half-day Event			\$1,000.00	2%	\$1,020.00	3%	\$1,050.60	3%	\$1,082.12
Rental Income			\$31,200.00		\$32,778.72		\$34,774.94		\$36,892.74
Full-day Equivalent Rentals			18		19		19		20
Staff Charge per Rental Day			\$720.00	2%	\$734.40	3%	\$756.43	3%	\$779.12
Total Staff Charges			\$12,960.00		\$13,615.78		\$14,444.98		\$15,324.68
Equipment Charge as % of Rent	10.00%		\$3,120.00		\$3,277.87		\$3,477.49		\$3,689.27
Total User Fees			\$16,080.00		\$16,893.65		\$17,922.47		\$19,013.95
Total Rental Income			\$47,280.00		\$49,672.37		\$52,697.42		\$55,906.69
Ave Attendance at Rental Events			250		250		250		250
Rental Attendance			6,000		6,180		6,365		6,556
The Dome Presenting									
Capacity			220		220		220		220
Presented Events			75	10%	83	10%	91	10%	100
Related Use Days			75		82.5		90.75		100
Capacity Sold			45.46%	-5%	43%	5%	45%	5%	48%
Attendance			7,501		7,838		9,053		10,457
Average Ticket Price			\$15.00	2%	\$15.30	3%	\$15.76	3%	\$16.23
Ticket Revenue			\$112,514		\$119,928		\$142,673		\$169,730
The Dome Rentals									
Full-day Rentals			50	3%	52	3%	53	3%	55
Rent/Full-day Event			\$1,500.00	2%	\$1,530.00	3%	\$1,575.90	3%	\$1,623.18
Half-day Rentals			100	3%	103	3%	106	3%	109
Rent/Half-day Event			\$900.00	2%	\$918.00	3%	\$945.54	3%	\$973.91
Rental Income			\$165,000.00		\$173,349.00		\$183,905.95		\$195,105.83
Full-day Equivalent Rentals			100		103		106		109
Staff Charge per Rental Day			\$425.00	2%	\$433.50	3%	\$446.51	3%	\$459.90
Total Staff Charges			\$42,500.00		\$44,650.50		\$47,389.72		\$50,254.53
Equipment Charge as % of Rent	10.00%		\$16,500.00		\$17,334.90		\$18,390.60		\$19,510.58
Total User Fees			\$59,000.00		\$61,985.40		\$65,760.31		\$69,765.11
Total Rental Income			\$224,000.00		\$235,334.40		\$249,666.26		\$264,870.94
Ave Attendance at Rental Events			100		100		100		100
Rental Attendance			15,000		15,450		15,914		16,391
The Dome Classika									
Capacity			220		220		220		220
Presentations			128	3%	132	3%	136	3%	140
Related Use Days			136		140		144		148
Capacity Sold			26.63%	-5%	25%	5%	27%	5%	28%
Attendance			7,499		7,338		7,936		8,583
Average Ticket Price			\$5.00	2%	\$5.10	3%	\$5.25	3%	\$5.41
Ticket Revenue			\$37,495		\$37,423		\$41,687		\$46,437
Surcharge Revenue	10.00%		\$3,749.50		\$3,742.27		\$4,168.68		\$4,643.68

ASE Pro-forma Operating Budget

Activity Estimates	Pre-opening Year	% Change	Opening Year	% Change	Second Year	% Change	Third Year	% Change	Fourth Year
Black Box Presenting									
Capacity			125		125		125		125
Innovators Presentations			9	3%	9	3%	10	3%	10
Related Use Days			18		17		18		18
Capacity Sold			77.00%	-5%	73%	5%	77%	5%	81%
Attendance			866		848		917		991
Average Ticket Price			\$30.00	2%	\$30.60	3%	\$31.52	3%	\$32.46
Ticket Revenue			\$25,988		\$25,937		\$28,893		\$32,185
Total Attendance									
Black Box Rentals									
Four-hour Rentals			36	3%	37	3%	38	3%	39
Rent/Four-hour Event			\$800.00	2%	\$816.00	3%	\$840.48	3%	\$865.69
Rental Income			\$28,800.00		\$30,257.28		\$32,099.95		\$34,054.84
Full-day Equivalent Rentals			18	3%	19	3%	19	3%	20
Staff Charge per Rental Day			\$498.89	2%	\$508.87	3%	\$524.13	3%	\$539.86
Total Staff Charges			\$8,980.00		\$9,434.39		\$10,008.94		\$10,618.49
Equipment Charge as % of Rent	10.00%		\$2,880.00		\$3,025.73		\$3,209.99		\$3,405.48
Total User Fees			\$11,860.00		\$12,460.12		\$13,218.94		\$14,023.97
Total Rental Income			\$40,660.00		\$42,717.40		\$45,318.89		\$48,078.81
Ave Attendance at Rental Events			75		75		75		75
Rental Attendance			2,700		2,781		2,864		2,950
Black Box WSC									
Capacity			125		125		125		125
Presentations			160	3%	165	3%	170	3%	175
Related Use Days			176		173		178		183
Capacity Sold			50%	-5%	48%	5%	50%	5%	52%
Attendance			10,000		9,785		10,582		11,445
Average Ticket Price			\$25.00	2%	\$25.50	3%	\$26.27	3%	\$27.05
Ticket Revenue			\$250,000		\$249,518		\$277,949		\$309,620
Surcharge Revenue	10.00%		\$25,000.00		\$24,951.75		\$27,794.88		\$30,961.96
Town Square Presenting									
Capacity			200		200		200		200
Presented Music Events			75	3%	77	3%	80	3%	82
Related Use Days			75		77		80		82
Capacity Sold			59.00%	-5%	56%	5%	59%	5%	62%
Attendance			8,850		8,660		9,365		10,129
Average Ticket Price			\$5.00	2%	\$5.10	3%	\$5.25	3%	\$5.41
Ticket Revenue			\$44,250		\$44,165		\$49,197		\$54,803
Total Attendance									
Town Square Rentals									
Four-hour Rentals			25	3%	26	3%	27	3%	27
Rent/Four-hour Event			\$800.00	2%	\$816.00	3%	\$840.48	3%	\$865.69
Rental Income			\$20,000.00		\$21,012.00		\$22,291.63		\$23,649.19
Full-day Equivalent Rentals			13	3%	13	3%	13	3%	14
Staff Charge per Rental Day			\$424.80	2%	\$433.30	3%	\$446.29	3%	\$459.68
Total Staff Charges			\$5,310.00		\$5,578.69		\$5,918.43		\$6,278.86
Equipment Charge as % of Rent	35.00%		\$7,000.00		\$7,354.20		\$7,802.07		\$8,272.22
Total User Fees			\$12,310.00		\$12,932.89		\$13,720.50		\$14,556.08
Total Rental Income			\$32,310.00		\$33,944.89		\$36,012.13		\$38,205.27
Ave Attendance at Rental Events			100		100		100		100
Rental Attendance			2,500		2,575		2,652		2,732
Exhibition Gallery/Terrace Rentals									
Number of Four-hour Rentals			24	3%	25	3%	25	3%	26
Rent/Event			\$1,200.00	2%	\$1,224.00	3%	\$1,260.72	3%	\$1,298.54
Rental Income			\$28,800.00		\$30,257.28		\$32,099.95		\$34,054.84
Full-day Equivalent Rentals			12	3%	12	3%	13	3%	13
Staff Charge per Rental Day			\$680	2%	\$693.60	3%	\$714.41	3%	\$735.84
Staff Charges			\$8,160.00		\$8,572.90		\$9,094.99		\$9,648.87
Equipment Charge as % of Rent	10.00%		\$2,880.00		\$3,025.73		\$3,209.99		\$3,405.48
Total User Fees			\$11,040.00		\$11,598.62		\$12,304.98		\$13,054.35
Total Rent and Fees			\$39,840.00		\$41,855.90		\$44,404.93		\$47,109.19
Ave Attendance at Rental Events			200		200		200		200
Rental Attendance			4,800		4,944		5,092		5,245
Terrace Music Presenting									
Capacity			300		300		300		300
Presented Events			19	3%	20	3%	20	3%	21
Related Use Days			19		28		28		29
Capacity Sold			42%	-5%	40%	5%	42%	5%	44%
Attendance			2,375		2,324		2,513		2,718
Average Ticket Price			\$12.00	2%	\$12.24	3%	\$12.61	3%	\$12.99
Ticket Revenue			\$28,495		\$28,440		\$31,681		\$35,291
Entire ASE Rental									
Four-hour Rentals			1	3%	1	3%	1	3%	1
Rent/Four-hour Event			\$5,000.00	2%	\$5,100.00	3%	\$5,253.00	3%	\$5,410.59
Rental Income			\$5,000.00		\$5,253.00		\$5,572.91		\$5,912.30
Full-day Equivalent Rentals			1		1		1		1
Staff Charge per Rental Day			\$1,500.00	2%	\$1,530.00	3%	\$1,575.90	3%	\$1,623.18
Total Staff Charges			\$1,500.00		\$1,575.90		\$1,671.87		\$1,773.69
Equipment Charge as % of Rent	10.00%		\$500.00		\$525.30		\$557.29		\$591.23

ASE Pro-forma Operating Budget

Activity Estimates	Pre-opening Year	% Change	Opening Year	% Change	Second Year	% Change	Third Year	% Change	Fourth Year
Total User Fees			\$2,000.00		\$2,101.20		\$2,229.16		\$2,364.92
Total Rental Income			\$7,000.00		\$7,354.20		\$7,802.07		\$8,277.22
Ave Attendance at Rental Events			500		500		500		500
Rental Attendance			500		515		530		546
Spectrum Presentations									
Capacity			387		387		387		387
Planet Arlington Presentations			3	3%	3	3%	3	3%	3
Related Use Days			6		6		6		7
Capacity Sold			76.00%	-5%	72%	5%	76%	5%	80%
Attendance			882		863		934		1,010
Average Ticket Price			\$30.00	2%	\$30.60	3%	\$31.52	3%	\$32.46
Ticket Revenue			\$26,471		\$26,420		\$29,430		\$32,784
Spectrum Rentals									
Full-day Rentals			55	3%	57	3%	58	3%	60
Rent/Full-day Event			\$1,100.00	2%	\$1,122.00	3%	\$1,155.66	3%	\$1,190.33
Half-day Rentals			55		55		55		55
Rent/Half-day Event			\$750.00	2%	\$765.00	3%	\$787.95	3%	\$811.59
Rental Income			\$101,750.00		\$105,636.30		\$110,769.43		\$116,176.17
Full-day Equivalent Rentals			83		84		86		88
Staff Charge per Rental Day			\$425	2%	\$433.47	3%	\$446.47	3%	\$459.87
Staff Charges			\$35,060.00		\$36,476.42		\$38,329.50		\$40,284.37
Equipment Charge as % of Rent	10.00%		\$10,175.00		\$10,563.63		\$11,076.94		\$11,617.62
Total User Fees			\$45,235.00		\$47,040.05		\$49,406.44		\$51,901.99
Total Rent and Fees			\$146,985.00		\$152,676.35		\$160,175.87		\$168,078.16
Ave Attendance at Rental Events			200		200		200		200
Rental Attendance			22,000		22,330		22,670		23,020
Spectrum Synthetic									
Capacity			387		387		387		387
Presentations			160	3%	165	3%	170	3%	175
Related Use Days			176		181		186		191
Capacity Sold			36.34%	-5%	35%	5%	36%	5%	38%
Attendance			22,502		22,018		23,812		25,753
Average Ticket Price			\$25.00	2%	\$25.50	3%	\$26.27	3%	\$27.05
Ticket Revenue			\$562,543		\$561,457		\$625,433		\$696,698
Surcharge Revenue	10.00%		\$56,254.32		\$56,145.75		\$62,543.28		\$69,669.77
Presenting Summary									
Spectrum - Planet Arlington			\$26,471		\$26,420		\$29,430		\$32,784
Innovators Gross			\$93,493		\$94,621		\$106,888		\$120,754
Ballroom Dance Events			\$180,000		\$191,862		\$228,249		\$271,536
Ballroom Music Events			\$250,000		\$266,475		\$317,012		\$377,133
Terrace Music			\$28,495		\$28,440		\$31,681		\$35,291
Dome Events			\$112,514		\$119,928		\$142,673		\$169,730
Town Square Events			\$44,250		\$44,165		\$49,197		\$54,803
			\$735,223		\$771,911		\$905,129		\$1,062,031
Rental Summary									
Rent Total			\$380,550		\$398,544		\$421,515		\$445,846
Staff Total			\$114,470		\$119,905		\$126,838		\$134,183
Equipment Total			\$43,055		\$45,107		\$47,724		\$50,497
Surcharge Income									
Classika			\$3,750		\$37,423		\$41,687		\$46,437
WSC			\$25,000		\$24,952		\$27,795		\$30,962
Synetic			\$56,254		\$56,146		\$62,543		\$69,670
			\$85,004		\$118,520		\$132,025		\$147,069
Utilization Summary									
Ballroom									
Presenting			137		149		163		178
Rental			19		20		20		21
Total			156		169		183		198
The Dome									
Presenting			75		82.5		90.75		99.825
Rental			101		104		107		110
Resident			136		140		144		148
Total			312		326		342		358
Black Box									
Presenting			18		17		18		18
Rental			19		20		20		21
Resident			176		173		178		183
Total			213		210		215		221
Town Square									
Presenting			75		77		80		82
Rental			14		14		14		15
Total			89		91		94		97
Exhibition Gallery/Terrace									
Presenting			19		28		28		29
Rental			13		13		14		14
Total			32		41		42		43
Spectrum									
Presenting			6		6		6		7

ASE Pro-forma Operating Budget

Activity Estimates	Pre-opening Year	% Change	Opening Year	% Change	Second Year	% Change	Third Year	% Change	Fourth Year
Rental			83		84		86		88
Resident			176		181		186		191
Total			265		271		278		285
Attendance Summary									
Ballroom									
Presenting			24,250		25,235		29,028		33,398
Rental			6,000		6,180		6,365		6,556
Total			30,250		31,415		35,393		39,954
The Dome									
Presenting			7,501		7,838		9,053		10,457
Rental			15,000		15,450		15,914		16,391
Resident			7,499		7,338		7,936		8,583
Total			30,000		30,626		32,903		35,430
Black Box									
Presenting			866		848		917		991
Rental			2,700		2,781		2,864		2,950
Resident			10,000		9,785		10,582		11,445
Total			13,566		13,414		14,364		15,387
Town Square									
Presenting			8,850		8,660		9,365		10,129
Rental			2,500		2,575		2,652		2,732
Total			11,350		11,235		12,018		12,861
Exhibition Gallery/Terrace									
Presenting			2,375		2,324		2,513		2,718
Rental			4,800		4,944		5,092		5,245
Total			7,175		7,268		7,605		7,963
Spectrum									
Presenting			882		863		934		1,010
Rental			22,000		22,330		22,670		23,020
Resident			22,502		22,018		23,812		25,753
Total			45,384		45,211		47,416		49,783
Total Attendance			275,450		278,336		299,398		322,754
Annual Rate of Inflation		1%		2%		3%		3%	

ASE Pro-forma Operating Budget

Revenue Worksheet		Pre-opening Year	% Change	Opening Year	% Change	Second Year	% Change	Third Year	% Change	Fourth Year
Food and Beverage Income										
Ballroom										
Attendance	Presenting			24,250		25,235		29,028		33,398
	Rental			6,000		6,180		6,365		6,556
Gross/Capita	Presenting			\$7.50	2%	\$7.65	3%	\$7.88	3%	\$8.12
	Rental			\$5.00	2%	\$5.10	3%	\$5.25	3%	\$5.41
F&B Gross	Presenting			\$181,876		\$193,044		\$228,727		\$271,050
	Rental			\$30,000		\$31,518		\$33,437		\$35,474
Total				\$211,876		\$224,562		\$262,164		\$306,524
The Dome										
Attendance	Presenting			7,501		7,838		9,053		10,457
	Rental			15,000		15,450		15,914		16,391
	Resident			7,499		7,338		7,936		8,583
Gross/Capita	Presenting			\$7.50	2%	\$7.65	3%	\$7.88	3%	\$8.12
	Rental			\$5.00	2%	\$5.10	3%	\$5.25	3%	\$5.41
	Resident			\$3.00	2%	\$3.06	3%	\$3.15	3%	\$3.25
F&B Gross	Presenting			\$56,257		\$59,964		\$71,336		\$84,865
	Rental			\$75,000		\$78,795		\$83,594		\$88,684
	Resident			\$22,497		\$22,454		\$25,012		\$27,862
Total				\$153,754		\$161,213		\$179,942		\$201,412
Black Box										
Attendance	Presenting			866		848		917		991
	Rental			2,700		2,781		2,864		2,950
	Resident			10,000		9,785		10,582		11,445
Gross/Capita	Presenting			\$7.50	2%	\$7.65	3%	\$7.88	3%	\$8.12
	Rental			\$5.00	2%	\$5.10	3%	\$5.25	3%	\$5.41
	Resident			\$3.00	2%	\$3.06	3%	\$3.15	3%	\$3.25
F&B Gross	Presenting			\$6,497		\$6,484		\$7,223		\$8,046
	Rental			\$13,500		\$14,183		\$15,047		\$15,963
	Resident			\$30,000		\$29,942		\$33,354		\$37,154
Total				\$49,997		\$50,610		\$55,624		\$61,164
Town Square										
Attendance	Presenting			8,850		8,660		9,365		10,129
	Rental			2,500		2,575		2,652		2,732
Gross/Capita	Presenting			\$7.50	2%	\$7.65	3%	\$7.88	3%	\$8.12
	Rental			\$5.00	2%	\$5.10	3%	\$5.25	3%	\$5.41
F&B Gross	Presenting			\$66,375		\$66,247		\$73,795		\$82,204
	Rental			\$12,500		\$13,133		\$13,932		\$14,781
Total				\$78,875		\$79,379		\$87,728		\$96,985
Exhibition Gallery/Terrace										
Attendance	Presenting			2,375		2,324		2,513		2,718
	Rental			4,800		4,944		5,092		5,245
Gross/Capita	Presenting			\$7.50	2%	\$7.65	3%	\$7.88	3%	\$8.12
	Rental			\$3.00	2%	\$3.06	3%	\$3.15	3%	\$3.25
F&B Gross	Presenting			\$17,810		\$17,775		\$19,801		\$22,057
	Rental			\$14,400		\$15,129		\$16,050		\$17,027
Total				\$32,210		\$32,904		\$35,851		\$39,084
Spectrum										
Attendance	Presenting			882		863		934		1,010
	Rental			22,000		22,330		22,670		23,020
	Resident			22,502		22,018		23,812		25,753
Gross/Capita	Presenting			\$7.50	2%	\$7.65	3%	\$7.88	3%	\$8.12
	Rental			\$5.00	2%	\$5.10	3%	\$5.25	3%	\$5.41
	Resident			\$3.00	2%	\$3.06	3%	\$3.15	3%	\$3.25
F&B Gross	Presenting			\$6,618		\$6,605		\$7,358		\$8,196
	Rental			\$110,000		\$113,883		\$119,085		\$124,552
	Resident			\$67,505		\$67,375		\$75,052		\$83,604
Total				\$184,123		\$187,863		\$201,494		\$216,351
Non performance-related attendance										
Exhibitions Attendance				15,000		15,000		15,000		15,000
Gross/Capita				\$2.00	2%	\$2.04	3%	\$2.10	3%	\$2.16
F&B Gross				\$30,000		\$30,600		\$31,518		\$32,464
Artisan Center Attendance				20,000		20,000		20,000		20,000
Gross/Capita				\$1.00	2%	\$1.02	3%	\$1.05	3%	\$1.08
F&B Gross				\$20,000		\$20,400		\$21,012		\$21,642
Town Square Attendance				17,500		17,500		17,500		17,500
Gross/Capita				\$5.00	2%	\$5.10	3%	\$5.25	3%	\$5.41
F&B Gross				\$87,500		\$89,250		\$91,928		\$94,685
Café/Bar Attendance				35,000		35,000		35,000		35,000
Gross/Capita				\$10.00	2%	\$10.20	3%	\$10.51	3%	\$10.82
F&B Gross				\$350,000		\$357,000		\$367,710		\$378,741
Total F&B				\$1,198,335		\$1,233,781		\$1,334,970		\$1,449,053
ASE Share	Commission			\$179,750		\$185,067		\$200,246		\$217,358

ASE Pro-forma Operating Budget

Revenue Worksheet	Pre-opening Year	% Change	Opening Year	% Change	Second Year	% Change	Third Year	% Change	Fourth Year
Retail Income									
Projected Sales			\$200,000	2%	\$204,000	3%	\$210,120	3%	\$216,424
Commission									
ASE Share	15%		\$30,000		\$30,600		\$31,518		\$32,464
Catering Income									
Number of Events			30		35		40		40
Average Attendance			200		200		200		200
Catering Fee/Capita			\$35.00	2%	\$35.70	3%	\$36.77	3%	\$37.87
Total Revenue			\$210,000		\$249,900		\$294,168		\$302,993
Commission									
ASE Share	7%		\$14,700		\$17,493		\$20,592		\$21,210
Sponsorships and Grants									
Formulas									
Annual Rate of Inflation		1%		2%		3%		3%	

ASE Pro-forma Operating Budget

Expense Worksheet	Pre-Opening Year	Opening Year	% Change	Second Year	% Change	Third Year	% Change	Fourth Year
Programming Costs								
Opening Events	3							
Average Program Costs								
Artist Fees	\$20,000							
Promotion	\$10,000							
Food and Beverage	\$10,000							
Miscellaneous	\$10,000							
Sub-total	\$50,000							
Total Program Costs	\$150,000							
Ballroom - Dance Hall Performances		60		66		73		80
Average Program Costs								
Artist Fees		\$1,100	2%	\$1,122	2%	\$1,144	2%	\$1,167
Promotion		\$550		\$561	2%	\$572	2%	\$584
Miscellaneous		\$275		\$281		\$286		\$292
Sub-total		\$1,925		\$1,964		\$2,003		\$2,043
Total Program Costs		\$115,500		\$129,591		\$145,401		\$163,140
Total Program Revenues		\$180,000		\$191,862		\$228,249		\$271,536
Program Costs as % of Revenues		64%		68%		64%		60%
Ballroom - Music Hall Performances		50		55		61		67
Average Program Costs								
Artist Fees		\$1,800	2%	\$1,836	2%	\$1,873	2%	\$1,910
Promotion		\$900		\$918		\$936		\$955
Miscellaneous		\$450		\$459		\$468		\$478
Sub-total		\$3,150		\$3,213		\$3,277		\$3,343
Total Program Costs		\$157,500		\$176,715		\$198,274		\$222,464
Total Program Revenues		\$250,000		\$266,475		\$317,012		\$377,133
Program Costs as % of Revenues		63%		66%		63%		59%
Ballroom - Theater Performances		18		18.9		19.845		20.83725
Average Program Costs								
Artist Fees		\$1,500	2%	\$1,530	2%	\$1,561	2%	\$1,592
Promotion		\$750		\$765		\$780		\$796
Miscellaneous		\$375		\$383		\$390		\$398
Sub-total		\$2,625		\$2,678		\$2,731		\$2,786
Total Program Costs		\$47,250		\$50,605		\$54,198		\$58,046
Total Program Revenues		\$67,505		\$68,683		\$77,995		\$88,569
Program Costs as % of Revenues		70%		74%		69%		66%
The Dome Performances		75		82.5		90.75		99.825
Average Program Costs								
Artist Fees		\$700	2%	\$714	2%	\$728	2%	\$743
Promotion		\$350		\$357		\$364		\$371
Miscellaneous		\$175		\$179		\$182		\$186
Sub-total		\$1,225		\$1,250		\$1,274		\$1,300
Total Program Costs		\$91,875		\$103,084		\$115,660		\$129,770
Total Program Revenues		\$112,514		\$119,928		\$142,673		\$169,730
Program Costs as % of Revenues		82%		86%		81%		76%
Black Box Performances		9		9		9		9
Average Program Costs								
Artist Fees		\$1,250	2%	\$1,275	2%	\$1,301	2%	\$1,327
Promotion		\$625		\$638		\$650		\$663
Miscellaneous		\$313		\$319		\$325		\$332
Sub-total		\$2,188		\$2,231		\$2,276		\$2,321
Total Program Costs		\$19,688		\$20,081		\$20,483		\$20,893
Total Program Revenues		\$25,988		\$25,937		\$28,893		\$32,185
Program Costs as % of Revenues		76%		77%		71%		65%
Town Square Performances		75		75		75		75
Average Program Costs								
Artist Fees		\$250	2%	\$255	2%	\$260	2%	\$265
Promotion		\$125		\$128		\$130		\$133
Miscellaneous		\$63		\$64		\$65		\$66
Sub-total		\$438		\$446		\$455		\$464
Total Program Costs		\$32,813		\$33,469		\$34,138		\$34,821
Total Program Revenues		\$44,250		\$44,165		\$49,197		\$54,803
Program Costs as % of Revenues		74%		76%		69%		64%
Terrace Performances		19		20		20		21
Average Program Costs								
Artist Fees		\$750	2%	\$765	2%	\$780	2%	\$796
Promotion		\$375		\$383		\$390		\$398
Miscellaneous		\$188		\$191		\$195		\$199
Sub-total		\$1,313		\$1,339		\$1,366		\$1,393
Total Program Costs		\$24,938		\$26,199		\$27,525		\$28,918
Total Program Revenues		\$28,495		\$28,440		\$31,681		\$35,291
Program Costs as % of Revenues		88%		92%		87%		82%

ASE Pro-forma Operating Budget

Expense Worksheet	Pre-Opening Year	Opening Year	% Change	Second Year	% Change	Third Year	% Change	Fourth Year
		3		3		3		3
Spectrum Performances								
Average Program Costs								
Artist Fees		\$4,000	2%	\$4,080	2%	\$4,162	2%	\$4,245
Promotion		\$2,000		\$2,040		\$2,081		\$2,122
Miscellaneous		\$1,000		\$1,020		\$1,040		\$1,061
Sub-total		\$7,000		\$7,140		\$7,283		\$7,428
Total Program Costs		\$21,000		\$22,063		\$23,179		\$24,352
Total Program Revenues		\$26,471		\$26,420		\$29,430		\$32,784
Program Costs as % of Revenues		79%		84%		79%		74%
Total Program Expenses		\$510,563		\$561,806		\$618,858		\$682,403
Total Program Revenues		\$735,223		\$771,911		\$905,129		\$1,062,031
Program Costs as % of Revenues		69%		73%		68%		64%
Parking Expenses								
Number of Spaces		25		25		25		25
Monthly Fee		\$125	2%	\$128	2%	\$130	2%	\$133
Annual Charge		\$37,500		\$38,250		\$39,015		\$39,795
Event Security								
Number of Events		100		100		100		100
Guards Required		2		2		2		2
Four hour cost/guard		\$100	2%	\$102	2%	\$104	2%	\$106
Total Cost		\$20,000		\$20,400		\$20,808		\$21,224
Other Event-based Costs								
Technical Labor								
Ballroom - Dance Hall Performances		\$192	2%	\$196	2%	\$200	2%	\$204
Ballroom - Music Hall Performances		\$192	2%	\$196	2%	\$200	2%	\$204
Ballroom - Theater Performances		\$192	2%	\$196	2%	\$200	2%	\$204
The Dome Performances		\$96	2%	\$98	2%	\$100	2%	\$102
Black Box Performances		\$96	2%	\$98	2%	\$100	2%	\$102
Town Square Performances		\$96	2%	\$98	2%	\$100	2%	\$102
Terrace Performances		\$192	2%	\$196	2%	\$200	2%	\$204
Spectrum Performances		\$192	2%	\$196	2%	\$200	2%	\$204
Event Cleaning								
Ballroom - Dance Hall Performances		\$144	2%	\$147	2%	\$150	2%	\$153
Ballroom - Music Hall Performances		\$144	2%	\$147	2%	\$150	2%	\$153
Ballroom - Theater Performances		\$144	2%	\$147	2%	\$150	2%	\$153
The Dome Performances		\$96	2%	\$98	2%	\$100	2%	\$102
Black Box Performances		\$48	2%	\$49	2%	\$50	2%	\$51
Town Square Performances		\$144	2%	\$147	2%	\$150	2%	\$153
Terrace Performances		\$144	2%	\$147	2%	\$150	2%	\$153
Spectrum Performances		\$96	2%	\$98	2%	\$100	2%	\$102
House Staff								
Ballroom - Dance Hall Performances		\$120	2%	\$122	2%	\$125	2%	\$127
Ballroom - Music Hall Performances		\$120	2%	\$122	2%	\$125	2%	\$127
Ballroom - Theater Performances		\$120	2%	\$122	2%	\$125	2%	\$127
The Dome Performances		\$80	2%	\$82	2%	\$83	2%	\$85
Black Box Performances		\$40	2%	\$41	2%	\$42	2%	\$42
Town Square Performances		\$120	2%	\$122	2%	\$125	2%	\$127
Terrace Performances		\$120	2%	\$122	2%	\$125	2%	\$127
Spectrum Performances		\$80	2%	\$82	2%	\$83	2%	\$85
Security								
Ballroom - Dance Hall Performances		\$160	2%	\$163	2%	\$166	2%	\$170
Ballroom - Music Hall Performances		\$120	2%	\$122	2%	\$125	2%	\$127
Ballroom - Theater Performances								
The Dome Performances								
Black Box Performances								
Town Square Performances								
Terrace Performances								
Spectrum Performances								
Leasehold Repairs and Maintenance								
Cost/Sf	\$0.35	1%	\$0.75	2%	\$0.77	2%	\$0.78	2%
Usable Square Feet	54,000		54,000		54,000		54,000	
Annual Rate of Inflation		1%		2%		2%		2%

ASE Pro-forma Operating Budget

Staffing Estimates		Pre-opening	% Change	Opening Year	% Change	Second Year	% Change	Thrd Year	% Change	Fourth Year
		Year								
Re-allocated Staff	Benefit Level									
Director				1		1		1		1
	Salary			88,001		88,001	5%	92,401	5%	97,021
	Benefits	32%		28,160		28,160		29,568		31,047
	Total			116,161		116,161		121,969		128,068
Rental Manager				1		1		1		1
	Salary			77,332		77,332	5%	81,199	5%	85,259
	Benefits	32%		24,746		24,746		25,984		27,283
	Total	0		102,078		102,078		107,182		112,541
Visual Arts Curator				1		1		1		1
	Salary			64,346		64,346	5%	67,563	5%	70,941
	Benefits	32%		20,591		20,591		21,620		22,701
	Total	0		84,937		84,937		89,184		93,643
Programmer				1		1		1		1
	Salary			29,167		29,167	5%	30,625	5%	32,157
	Benefits	32%		9,333		9,333		9,800		10,290
	Total	0		38,500		38,500		40,425		42,447
Education Coordinator				0.5		0.5		0.5		0.5
	Salary			27,274		27,274	5%	28,638	5%	30,070
	Benefits	32%	0	8,728		8,728		9,164		9,622
	Total	0		36,002		36,002		37,802		39,692
Theatre Technical III				1.0		1.0		1.0		1.0
	Salary		8,406	50,498		50,498	5%	53,023	5%	55,674
	Benefits	32%	2,690	16,159		16,159		16,967		17,816
	Total		11,096	66,657		66,657		69,990		73,490
Theatre Tech Temp				1		1		1		1
	Salary			27,101		27,101	5%	28,456	5%	29,879
	Benefits	32%		8,672		8,672		9,106		9,561
	Total			35,773		35,773		37,562		39,440
Total Re-allocated		11,096		480,109		480,109		504,115		529,320
New Staff										
Education Coordinator				0.5		0.5		0.5		0.5
	Salary			27,274	4%	28,365	5%	29,783	5%	31,272
	Benefits	21%		5,728		5,957		6,254		6,567
	Total			33,002		34,322		36,038		37,840
Program Director				1.00		1.00		1.00		1.00
	Salary		30,143	60,124	4%	62,529	5%	65,655	5%	68,938
	Benefits	21%	6,330	12,626		13,131		13,788		14,477
	Total		36,473	72,750		75,660		79,443		83,415
Media Curator				0.5		0.5		0.5		0.5
	Salary			0	4%	0	5%	0	5%	0
	Benefits	21%		0		0		0		0
	Total			0		0		0		0
Admin Support				1		1		1		1
	Salary			34,912	4%	36,308	5%	38,124	5%	40,030
	Benefits	21%		7,332		7,625		8,006		8,406
	Total			42,244		43,933		46,130		48,436
Facility Manager				1		1		1		1
	Salary		12,326	48,878	4%	50,833	5%	53,375	5%	56,044
	Benefits	21%	2,588	10,264		10,675		11,209		11,769
	Total		14,914	59,142		61,508		64,583		67,813
Marketing Assistant				1.50		1.50		1.50		1.50
	Salary		31,040	86,541	4%	90,003	5%	94,503	5%	99,228
	Benefits	21%	6,518	18,174		18,901		19,846		20,838
	Total		37,558	104,715		108,903		114,348		120,066
Monitors - Temps				13,537		164,646	5%	172,878	5%	181,522
	Salary			2,843	4%	33,246	5%	36,304	5%	38,120
	Benefits	21%		16,380		191,559		209,182		219,641
	Total			1		1		1		1
Development Dir.				1		1		1		1
	Salary			31,040	4%	61,714	5%	64,799	5%	68,039
	Benefits	21%		6,518		12,461		13,608		0
	Total			37,558		74,801		78,407		68,039
Asst. Facility Mgr.				2		2		2		2
	Salary			13,162	4%	78,510	5%	82,435	5%	86,557
	Benefits	21%		2,764		15,853		17,311		0
	Total			15,926		94,363		99,746		86,557
Finance Director				0		32,120		35,075		36,829
	Salary			0		6,745		7,015		7,366
	Benefits	21%		0		38,865		42,441		44,563
	Total			0		40,420		44,441		44,563
Total New Staff		158,810		705,420		733,637		770,319		776,370
Average Salary Increases			3%		4%		5%		5%	

ASE Pro-forma Operating Budget

Sensitivity Analysis		Base Case		25% Drop		50% Drop
Earned Income			% Change		% Change	
Programming Revenue						
Opening Events						
	Ballroom - Dance Hall Presenting	180,000	-25%	135,000	-50%	90,000
	Ballroom - Music Hal Presenting	250,000	-25%	187,500	-50%	125,000
	Ballroom - Theater Presenting	67,505	-25%	50,629	-50%	33,753
	Dome Presenting	112,514	-25%	84,385	-50%	56,257
	Black Box Presenting	25,988	-25%	19,491	-50%	12,994
	Town Square Presenting	44,250	-25%	33,188	-50%	22,125
	Terrace Presenting	28,495	-25%	21,372	-50%	14,248
	Spectrum - Planet Arlington	26,471	-25%	19,853	-50%	13,235
		735,223	-25%	551,417	-50%	367,611
	Surcharge	85,004	-25%	63,753	-50%	42,502
Rental Income						
	Daily Fees	380,550	-25%	285,413	-50%	190,275
	Staff Charges	114,470	-25%	85,853	-50%	57,235
	Equipment	43,055	-25%	32,291	-50%	21,528
	Food/Bar	179,750	-25%	134,813	-50%	89,875
	Retail Commission	30,000	-25%	22,500	-50%	15,000
	Catering Commission	14,700	-25%	11,025	-50%	7,350
	Contracted Services (BID Transfer)					
		1,582,752		1,187,064		791,376
Contributed Income						
	Rosslyn BID Seed Capital	310,000		310,000		310,000
	Rosslyn BID Ongoing Support	300,000	0%	300,000	0%	300,000
	The Rosslyn Fund					
	Sponsorships and Grants	50,000	-25%	37,500	-50%	25,000
	Re-allocated County Funding					
	Ellipse					
	Programs	20,000				
	Rent	0				
	Exhibitions					
	Maintenance	15,000				
	Staff	84,937				
Spectrum						
	Programs					
	Rent	85,000				
	UT/CL/M	38,000				
	Staff	102,078				
	Parking	7,680				
	Equipment Repair and Replace	20,000				
	Operating Supplies	12,000				
Division						
	Programs	30,000				
	Staff	293,094				
	Sub-total Re-allocated	707,789	0%	707,789	0%	707,789
		1,367,789		1,355,289		1,342,789
Total Income		2,950,541		2,542,353		2,134,165
Operating Expenses						
Staffing						
	Existing Staff	480,109	-10%	432,098	-20%	384,087
	New Staffing	705,420	-10%	634,878	-20%	564,336
		1,185,529		1,066,976		948,423
Programming Expense						
Opening Events						
	Ballroom - Dance Hall Presenting	115,500	-25%	86,625	-50%	57,750
	Ballroom - Music Hal Presenting	157,500	-25%	118,125	-50%	78,750
	Ballroom - Theater Presenting	47,250	-25%	35,438	-50%	23,625
	Dome Presenting	91,875	-25%	68,906	-50%	45,938
	Black Box Presenting	19,688	-25%	14,766	-50%	9,844

ASE Pro-forma Operating Budget

Sensitivity Analysis	Base Case		25% Drop		50% Drop
Town Square Presenting	32,813	-25%	24,609	-50%	16,406
Terrace Presenting	24,938	-25%	18,703	-50%	12,469
Spectrum - Planet Arlington	21,000	-25%	15,750	-50%	10,500
Education	20,000	-25%	15,000	-50%	10,000
Film/Video	15,000	-25%	11,250	-50%	7,500
Institutional Marketing	50,000	-25%	37,500	-50%	25,000
	595,563		446,672		297,781
Administration Expense					
Consultants	20,000				
Audit Fee	10,000				
Bank Charges	400				
Computer Equipment and Service	2,625				
Courier	1,000				
Dues & Subscriptions	1,000				
Meals & Entertainment	1,500				
Memberships	3,000				
Office Equipment	3,500				
Office Supplies and Services	5,250				
Postage	2,000				
Printing	5,000				
Training	5,000				
Travel	5,000				
Volunteer support and services	8,000				
Miscellaneous	10,000				
Phones/Internet/IT	15,000				
	98,275	-15%	83,534	-30%	68,793
Building Operations					
Common Area Charges	226,668	0%	226,668	0%	226,668
Real Estate Taxes	238,848	0%	238,848	0%	238,848
Electricity/HVAC	132,132	-5%	125,525	-10%	118,919
Elevator/Escalator	15,876	-5%	15,082	-10%	14,288
Janitorial (including supplies)	87,264	-15%	74,174	-30%	61,085
Event-based Costs					
Technical Labor	44,064	-25%	33,048	-50%	22,032
Event Cleaning	29,088	-25%	21,816	-50%	14,544
House Staff	24,240	-25%	18,180	-50%	12,120
Security	15,600	-25%	11,700	-50%	7,800
Parking	37,500	0%	37,500	0%	37,500
Insurance	5,000	0%	5,000	0%	5,000
Leasehold Maintenance & Repairs	40,500	-5%	38,475	-10%	36,450
Equipment Repair/Replacement	50,000	-15%	42,500	-30%	35,000
Spectrum					
Rent	85,000	0%	85,000	0%	85,000
Utilities	38,000	-5%	36,100	-10%	34,200
	1,069,780		1,009,617		949,454
Total Expenses	2,949,147		2,606,799		2,264,451
Result of Operations	1,394		(64,446)		(130,286)
Sensitivity to Programming Drop					
	Year One Base		25% Drop		50% Drop
Attendance	275,450	-25%	206,588	-50%	137,725
Earned Income	1,582,752	-25%	1,187,064	-50%	791,376
Contributed Income	1,367,789	-1%	1,355,289	-2%	1,342,789
Operating Expenses	2,949,147	-12%	2,606,799	-23%	2,264,451
Result of Operations	1,394		(64,446)		(130,286)
Earned Income as % of Op Exp	54%		46%		35%

Appendix B: Comparable BID Partnerships

Pittsburgh Cultural Trust and District, Pittsburgh, PA

Defined District Area 14 square city blocks

Background Founded in 1984, the Pittsburgh Cultural Trust was started as a revitalization project by Jack Heinz, a noted philanthropist and businessman. Initially, the concept was to renew the downtown area, once home to Pittsburgh's theatre district. In 1989, the Trust and the City Urban Redevelopment Authority developed a plan to realize the Trust's goals. Starting with Heinz Hall and a convention center, Pittsburgh's cultural district has now grown to include over 14 blocks of cultural facilities, as well as parks and plazas. In 1994, the Pittsburgh Downtown Partnership (PDP) was established to facilitate a coalition among the many businesses and organizations as well as promote a revitalized neighborhood. The Trust continues to develop initiatives to add to the district; its current project is RiverParc, a 6 acre landscaped public space, artist residence and mixed use facility.



Staff and Organizational Structure The Trust has 2 administrative staff as well as 98 staff involved in theater management, Facility operations, education, and real estate development. A nonprofit organization, the Trust receives funding from corporate sponsors, foundations, membership dues, and local and state government. The Downtown Partnership consists of ten staff members and is a nonprofit organization. Its primary source of income is membership dues.

Participating Cultural Organizations The Trust owns and Benedum Center, Byham, O'Reilly, Harris Theaters, Cabaret at Theater Square, SPACE and Wood Street Galleries as well as other buildings in the neighborhood. It also owns and operates Theater Square, which houses a central box office, parking garage, radio studio, restaurant, and bar.

Neighboring Constituents For businesses in the district, the Trust offers two levels of membership. Many businesses in the Arts District are also members of the Downtown Partnership. Membership levels range from \$100 to \$10,000 and are not required for all area businesses. Some arts organizations are members of the PDP but do not receive any additional benefits or discount in fees. Benefits of membership include discounts and access to research and information. Funding from the Partnership is invested in Clean & Safety Initiatives. Under the "Clean Team" program, a staff of 10 collect litter, remove graffiti, and power wash sidewalks.

Infrastructure Improvements The Trust works closely with government and area businesses to accomplish district improvements such as adding green space, façade restoration, and other amenities. Through the façade restoration program, the Trust has successfully renewed the exteriors of 17 historic buildings. Collaborating with the City of Pittsburgh, the Trust has helped install new granite curbs, brick sidewalks, and streetlamps as well as pear trees along the street. The Trust also collaborates with Telarama, an Internet Service Provider, to blanket the arts district with free WIFI. Additionally, the Trust has numerous webcams placed around the district, available for viewing from their website.



Security As part of the Safety Ambassador Program, the PDP employs a staff of seven to patrol the streets on bicycle, seven days a week. Ambassadors are trained to give information, assist in medical situations, and deal with panhandlers and homeless. Ambassadors are not police officers but do receive training, cell phones, radios, and uniforms. The PDP also sponsors the "Safe Escort" initiative, a program that allows a Safety Ambassador to escort guests to a secure destination such as a parking space or bus stop.

Traffic Initiatives The Trust owns and leases an 800 space parking garage to a local vendor, ALCO Parking Associates, in Theater Square.

Marketing On its website, the Trust maintains a calendar of events, offers subscription links to resident organization's sites, and describes featured venues. Additionally, the Trust implemented a permanent banner program, which prominently advertises cultural opportunities on large colorful signage attached to lampposts.

Membership

- Pittsburgh Downtown Partnership (PDP)
 - Individual membership is \$100
 - Five levels of voluntary business membership: Downtown Advocate (\$500 to \$999), Downtown Patron (\$1,000 to \$2,499), Downtown Champion (\$2,500 to \$4,999), Downtown Visionary (\$5,000 to \$9,999), and Renaissance Leader (\$10,000 and above)
 - Also receives funding from its Business Improvement District via a mandatory property tax
 - Most cultural organizations belong at the Advocate level
- Pittsburgh Cultural Trust (PCT)
 - Individual giving has two levels: Partner (\$999 and below), and Circle (\$1,000 and up)
 - The Corporate Membership program has six levels: Member (\$500 to \$999), Partner (\$1,000 to \$2,499), Premiere Circle (\$2,500 to \$4,999), Patron's Circle (\$5,000 to \$9,999), President's Circle (\$10,000 to \$24,999), and Chairman's Circle (\$25,000 and up)
 - Corporate members receive marketing, employee, and entertainment benefits
 - Membership is tax deductible

Board Structure

- Pittsburgh Downtown Partnership (PDP)
 - Voluntary Board of approximately 50
 - Board members are represented by community leaders, local businesses, foundations, and property owners
 - Divided into four committees: Executive, Business Improvement District (BID), Finance, and Transportation
 - Board leadership positions serve two year terms
 - Certain sectors have appointees: e.g. the Pittsburgh Cultural Trust, government posts, "Retail over 150,000sqf", "Office 100-500K"; other board members serve "At-large"
- Pittsburgh Cultural Trust (PCT):
 - Voluntary Board of 48
 - Six Officers on Executive Committee and two Life Trustees
 - Composed of civic leaders such as City Council Representatives and the Mayor, philanthropists and foundation heads as well as real estate and business professionals
 - The Trust's Board does not include any arts organizations and is structured to provide the best resources for the nonprofit

Operating Expenses

Pittsburgh Cultural Trust: \$37.4 million, 21% annual funding requirement
 Pittsburgh Downtown Partnership: \$2.4 million, 40 % annual funding requirement

NOHO Arts District, North Hollywood, Los Angeles, CA

Defined District Area

20 Blocks in east Los Angeles

Background

In Los Angeles, Community Revitalization Areas (CRAs) receive additional city funding, special attention, and rezoning. Conceived in 1989 as a project of the North Hollywood Community Revitalization Area (CRA), an artist friendly zoning policy was the beginning of rejuvenation. Initial goals included area revitalization, increased public transportation, and prevention of structural deterioration. In 2005, a grass roots movement culminated with the creation of the North Hollywood Business Improvement District (NOHO BID). 168 businesses in the district petitioned the City and voted for the formation of the BID, an independent entity, to oversee security and maintenance. For the CRA, an increase in commercial and residential development in the neighborhood has required a transition of mission. Recent projects have focused on keeping the neighborhood vibrant through arts and cultural organization retention programs providing relocation within the district for arts nonprofits that are misplaced by commercial developments.



Staff and Organizational Structure

40 Staff Members (NOHO BID); including security and a clean team. The BID is a three-year renewable agreement with the city as voted upon by a majority of the organizations in the district. The CRA derives its budget from the "Percent for Art" policy, a CRA rule that requires developers who receive support from the CRA to donate 1% of their construction costs back to the District.

Participating Cultural Organizations	There are 22 theaters and venues in the area; resident organizations are offered special retention assistance such as low interest loans, conditional grants, and matching funds.
Neighboring Constituents	The 320 District property owners within the NOHO BID (60% cultural), are responsible for paying a mandatory tax to support the organizations operations. There is no voluntary membership and no preferential treatment for arts organizations.
Infrastructure Improvements	CRA runs a Theater Marquee renovation program, which provides funding for historic theaters to refinish facades. It also works to update streetscape elements in the District including landscaping medians, widening major streets, replacement of lamps, sidewalks, curbs, gutters, paving and the planting of street trees. Where possible, the CRA commissions area artists to design fixtures, giving the District a unique look. NOHO BID provides graffiti removal for public and private properties. The "Clean Team" also maintains services such as landscaping, trash removal, power washing sidewalks, weed control, and the removal of posters and stickers. In the past, CRA also offered a "free paint" program where property owners who wanted to improve the exterior look of their property at no charge could do so.
Security	Using a third party security company, NOHO BID provides bike patrol "Safety Ambassadors" from 11AM to 12AM, seven days a week. The Ambassadors are individuals who act as the "eyes and ears" of the police but are not enforcement officers. They are trained in verbal and physical methods as well as customer service and are dressed in brightly colored clothing. The Safety Ambassadors Program has lead to a 60% decrease in crimes in the area, most of which are vandalism, public drinking, panhandling, and trespassing.
Traffic Initiatives	In 2000, the Metropolitan Transit Authority (MTA) created a major transportation hub in the district when it completed the Red Line extension and added the Orange Line bus hub. This greatly reduced gridlock and allowed for smoother traffic flow in the area. The CRA is currently studying parking.
Marketing	The CRA instituted colorful NOHO ARTS banners throughout the community and painted the crosswalks to match. The CRA also funds the annual NOHO Arts Festival, a showcase of local artists and organizations in public places. The NOHO BID is developing a website to highlight businesses and puts out a newsletter.
Membership	<ul style="list-style-type: none"> • The NOHO CRA does not have a membership program; it is funded primarily by tax increments and bond proceeds • Within the NOHO BID property owners pay a value based tax collected with city property tax; assessment is based on location, year, and size of property • Annual tax ranges from \$0.25 to \$0.45 per square foot • Cultural Organizations owning property are responsible for paying the tax
Board Structure	<ul style="list-style-type: none"> • The NOHO CRA does not have a board or committee; staff members work informally with neighborhood groups. • The NOHO BID has a 10 member voluntary board • The NOHO BID board is made up of six active members from a cross section of the community including representation from the arts sector and four government representatives
Operating Expenses	NOHO CRA: \$1.89 million, 100% funding requirement NOHO BID: \$689,000 \$100% funding requirement

125th Street BID, New York, NY

Defined District Area Five block commercial area in Harlem, Manhattan.

Background Established in 1993, the 125th Street BID was created to improve the quality of life, contribute to economic development, and allow residents and businesses to benefit from living within the community. Given its rich history, the 125th Street BID has a special focus on enriching and preserving the arts and culture within the community. In addition to the 90 nonprofit arts organizations, the 125th Street BID is home to a thriving shopping community and receives heavy city traffic. Since the BID's initiatives are directly determined by business members, its programs are constantly evolving but the vision for creating a vibrant Harlem and 125th Street remains the same.



Staff and Organizational Structure The 125th Street BID is a nonprofit 501(c) 3 corporation as created by members of the community under New York State Law. The budget and services provided are determined by the properties and businesses located in the district. The 125th Street District Management Association (DMA) consists of a volunteer board who determines projects on behalf of the community. Primary funding is obtained from a property tax levy; however, property owning arts organizations and nonprofits are exempt from property tax.

Participating Cultural Organizations The BID is home to 90 arts organizations of every discipline including the Apollo Theatre, the Cotton Club, Lenox Lounge, National Black Theatre, Showman's Café, Sylvia', the Studio Museum, and the Hip Hop Cultural Center. The BID recently commissioned a study, "Creating a Cultural Destination". The arts community maintains its own nonprofit service organization, the Harlem Arts Alliance (HAA). HAA is primarily responsible for creating an open forum for organizations in the area as well as marketing and promotions.

Neighboring Constituents There are approximately 100 businesses and property owners in the community responsible for paying the tax. As necessary, the BID also seeks grants and private funding. The BID maintains a membership registration that is free for the community. Membership registration is encouraged for commercial and residential tenants, community representatives, and businesses.

Infrastructure Improvements Cleaning services are provided to storefronts and residences as well as sidewalk areas. Services are provided 7 days a week with the goal of reducing sanitary violations for local businesses as well as create a positive environment for residents and visitors. The BID has also purchased and utilizes a "cleaning machine" to efficiently clean sidewalks. During the holiday season, the BID provides decorative lighting for the streetscape. Trashcans are clearly marked and labeled with a 125th Street BID sign. The BID routinely conducts surveys on the quality of life of the district and solicits suggestions and comments on its website.



Security Created in 2007, the "Safety Ambassador" program employs a unit of public safety officers who patrol on foot, with radios, in uniform. These friendly individuals perform the dual role of protector and customer service representative. They are available to provide directions, assistance, and historical information about cultural venues, but also alert the police to any hazardous situations. They are also on the look out for any sick and injured persons and can assist in contacting the appropriate agency in the event of an emergency. Although specially trained for these types of scenarios, they are not members of the police force.

Traffic Initiatives Public Safety Officers keep in contact with City Agencies regarding unsafe conditions in the district such as broken traffic lights, flooding, and abnormal traffic conditions.

Marketing The BID offers joint marketing initiatives such as creating a visitors guide, distributing 125th Street BID matching shopping bags for merchants and their customers, coordinating advertising campaigns, holding workshops, and initiating district wide promotions and discounts.

Membership

- Owners pay an additional charge with their property tax as assessed by the City of New York
- Funds are transferred to the 125th Street BID, the nonprofit entity overseeing the project
- Constituent membership is free to register and can be done on the website
- Arts organizations with nonprofit status are exempt from the tax

Board Structure

- 29 member voluntary board
- Four categories of directors: Property Owners, Commercial Tenants, Residential, Government Officials, and Community Board Members
- Five elected Officers oversee the Board

Operating Expenses

\$618,000, 100% annual funding requirement