Mayor’s Performing Arts Theater Task Force
City of Sacramento

Council Report
April 28th, 2015
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Acknowledgement

The Performing Arts Theater Task Force would like to thank the following for supporting this effort: Mayor Kevin Johnson; Sacramento City Council; City Manager John Shirey; Convention and Cultural Services Director Jody Ulich; all task force and support team members, and needs assessment consultants, Webb Management Group. In addition, The task force is grateful for the participation, cooperation, and support of the arts community in Sacramento and the region.
Executive Summary

In April 2014, at the request of the City Council, Mayor Kevin Johnson tapped business and arts leaders to form the Performing Arts Theater Task Force, whose goal was to offer the City a vision and a path to achieve a new, uniquely Sacramento, world-class, performing art center in downtown Sacramento by 2020.

The taskforce began its work by identifying key questions to define the scope, operations and financing of a new theater. Why build a new theater instead of remodel the CCT? What is the best location? How big is it? What is the cost? Who would be the best operator? Who will use it? How do we pay for it? Is it feasible to get a dedicated funding stream for the broader arts community?

To assist in its mission, the task force hired Webb Management Services, Inc., a national expert in performing arts venues to provide a deeper understanding of our local audiences, the capacities and limitations of our existing performance venues, to compare Sacramento’s metrics against national benchmarks, and to estimate the development and operating costs of a new venue.

In its work, Webb found:

- There is room for growth in Sacramento’s performing arts markets.
- Sacramento has a shortage of high-quality facilities in the 150-300 and 500-800 and 2,200-2,500 seat capacity ranges.
- Use of the Community Center Theater has been trending downward for the past decade.
- Over 85% of performing arts groups surveyed feel that new or better performing arts facilities are needed in Sacramento.
- Major commercial promoters have an interest in developing Sacramento into a more robust market for commercial entertainment.

Using the Webb findings and its own knowledge and investigations of the Sacramento region, the task force forged the following collective recommendations:

- Constructing a new theater makes more sense than renovating the existing one.
• The current Community Center Theater location should be used for the expansion of the Convention Center.

• The new facility will likely house two theater spaces—a flexible multiform 2,200+ seat main theater with a flat floor capability, and a smaller theater with an approximate range of 300-600 seats.

• While a number of locations are appropriate, site options at 16th and J Streets and Lot X are most favored.

• The new theater would house California Musical Theater, Sacramento Ballet, Sacramento Philharmonic and Sacramento Opera, our cultural and ethnic performing groups and commercial presentations of local, national and international entertainers.

• The task force recommends seeking proposals from interested operating entities to achieve the best partnership for the theater’s operation.

• Depending on the final configuration, the cost of the theater complex may be approximately $200 million exclusive of the site purchase.

• A theater funding plan must consider capital costs for development and adequacy of funding to sustain operational needs and thus ensure ongoing viability.

• Some form of public funding will be necessary in the long term.

• Development funding can be raised from a combination of private sources – naming rights, corporate sponsorships, foundations, individual gifts and pledges; and public sources – City, State, Federal and special financing district funding.

• Use this opportunity to raise the tide for all arts organizations by considering new possible funding sources for a broad range of arts, cultural, and recreational civic amenities.

Finally, the task force recommends the City Council authorize Mayor Johnson to form a subgroup of the task force to work with the City Manager and staff for 3 to 6 months to develop a specific plan that would include:

• A schedule to build a new Performing Arts Theater in Sacramento by 2020.

• A formal site proposal.

• Invite entries for a world-wide design competition.

• Issues RFQ/RFP to interested operators.

• Explore public, private and innovative funding strategies.
Introduction

In April 2014, as part of a comprehensive plan to address the state of Sacramento’s premier performing arts venue, the City Council asked Mayor Kevin Johnson to form a task force to review options for a new, state-of-the-art performing arts center and for the task force to make a preliminary report to City Council within six months and a final report within a year.

The members of the taskforce were drawn from a broad array of business and arts leaders. They are organized into three committees and a support team all tasked with addressing a series of key questions fundamental to our investigations into a new center.

Facility Committee

Rob Turner, Chair, CEO and Co-Editor-in-Chief of Sactown Magazine
David Pier, Executive Director of the Harris Center in Folsom
Alice Perez, President and CEO of the State Hispanic Chamber of Commerce
Lina Fat, Vice President of Culinary Research and Development of Fat’s Restaurant

The Facility Committee worked to answer the questions:

1. What is the size and scale of a new performance arts theater?
2. What is the cost of the theater?
3. What is the optimal location for the theater?

Programming and Operations Committee

Don Roth, Chair, Executive Director of the Mondavi Center in Davis
Bill Blake, Managing Director of the B Street Theater
Richard Lewis, President and CEO of California Musical Theater
Laurie Nelson, Board President of Sacramento Regional Performing Arts Alliance
Ron Cunningham, Artistic Director of the Sacramento Ballet Company
Erin Palmer, Asst. Director of Programming at the Mondavi Center
The Programming and Operations Committee worked to answer the questions:

1. Who will use the theater and what does the programming look like?
2. What is the most sustainable business model and operator for the theater?

**Financing Committee**
Garry Maisel, Chair, CEO of Western Health Advantage
Chris Granger, President of the Sacramento Kings
Dennis Mangers, Board President of the Sacramento Regional Community Foundation
Chet Hewitt, President and CEO of Sierra Health Foundation

The Financing committee worked to answer the questions:

1. How do we pay for a new theater?
2. Is it feasible to get a dedicated funding stream for the broader arts community?

**Support Team**
Richard Rich, Project Manager, Mosaic Partners
Jeff Dorso, Pioneer Law group
Steve Weiss, The Weiss Group
Cassandra Jennings, City of Sacramento, Mayor’s Office
Leslie Wisniewski, City of Sacramento
Pranita Amatya, City of Sacramento, Mayor’s Office

The Support Team worked to answer the question:

1. Why is a new performing arts theater preferable to remodeling the CCT?
ORGANIZATION

TIMELINE

Phase One July - November (1st report out November 13th 2014)

- Identified a set of key questions
- Outreached to the elected leadership of Sacramento region, SMAC, Metro Chamber, SCVB
- Identified benchmark centers to study

Phase Two November - April (Update to Council February 24th 2015)

- Addressed the eight key questions
- Commissioned an updated Performing Arts Needs Assessment

Phase Three April (Final report out April 28th 2015)

- Evaluated the Needs Assessment and collectively discussed recommendations
Work of the Task Force

GOAL

The goal of the taskforce is to offer the City a vision and a path to achieve a new, uniquely Sacramentan, world-class, performing art center that — through inspired design and synergistic operations — can raise the national profile of Sacramento and give our region a new, marketable advantage in attracting a creative workforce that drives innovation and economic growth.

8 KEY QUESTIONS

As a framework for its work and as a template to fully inform the City Council of the opportunity for a new performing arts theater, the task force sought to answer the following eight questions:

1. What is the optimal location for the theater?
2. What is the cost of the theater?
3. What is the size and scale of a new performance arts theater?
4. What is the most sustainable business model and operator for the theater?
5. Who will use the theater and what does the programming look like?
6. How do we pay for a new theater?
7. Is it feasible to get a dedicated funding stream for the broader arts community?
8. Why is a new performing arts theater preferable to remodeling the CCT?
During the first phase, the task force focused on identifying a set of key questions that would, in total, help the City Council define the scope, operations and financing of a new performing arts theater. The task force also outreached to the elected leadership of the County of Sacramento and the region’s other cities, the Metro Chamber, the Sacramento Municipal Arts Commission and the Sacramento Convention and Visitors Bureau to inform them of their work and receive input.

Also in the first phase, from dozens of candidates, the task force identified benchmark performing arts centers to study. These remarkable centers have been built in the last decade in places like Kansas City, Indianapolis, and Austin and the task force wished to integrate their best practices into our region.

In Phase Two, the focus of the work shifted to addressing the eight key questions. To gain a deeper understanding of Sacramento’s options, the task force commissioned an updated Performing Arts Needs Assessment. The consultant’s scope of work included conducting research and analysis to understand the market for the arts and demand for performing arts programming and facilities in Sacramento, assessing the programs and positioning of local and regional venues, identifying and interviewing representatives of arts organizations, conducting research on presenting programs and facilities in the region and determining how a new performing arts theater can play a role in broader community goals, including education, cultural tourism and economic development.

Building on this analysis, the next part of the consultant’s scope of work included preparing a functional space program that outlines types, sizes, and seat count for the recommended facilities. It also included preparing an order-of-magnitude estimate for the development of the recommended facilities as well as developing a multi-year pro-forma operating budget.

In Phase Three, the task force evaluated the Needs Assessment and collectively discussed recommendations for the new center’s size, location, use, operating models, estimates of its development and operational costs, and options for financing.
NEEDS ASSESSMENT

Note: the following are selected excerpts from the full needs assessment which is attached.

Study brief + background

The brief for this assignment is to consider if there is a case to develop a new regional performing arts theater in downtown Sacramento first through an evaluation of demand for new performing arts facilities; then, based on the outcomes of this initial phase of work, to develop a facility concept in terms of physical, operational, and financial perspectives.

This study is one of many that have been conducted in Sacramento over the last 25 years. A summary of these reports, compiled by the Sacramento Metropolitan Arts Commission in 2008, identified three primary problems affecting arts and culture in the City:
1/Arts organizations are undercapitalized;
2/Facilities, particularly for performing arts, are inadequate, overly expensive to use, and outdated; and,
3/The region has limited awareness of arts activities, organizations, and opportunities.

Demand analysis: what do the changing demographics portend for the performing arts in Sacramento?

It is clear that California’s demographic makeup is becoming increasingly diverse and older. In order for the performing arts to remain relevant and central to contemporary patrons, they should continue to expand their reach and activate these growing populations.

Although these demographic trends portend shifts in the types of cultural programming needed to reach these soon-to-be-majority populations, this does not necessarily spell the decline of arts organizations offering Western-based art forms, if they are willing to embrace diversity and inclusion as core values.
New types of performance spaces are needed that reflect the increasingly diverse ways in which populations consume culture—venues that connect to the urban fabric and allow for a wide range of program formats and active modes of participation.

**Demand analysis: key findings + observations from mapping analysis**

The geographic distribution of performing arts patrons in Sacramento predominantly aligns with the population or city center. This pattern is common to most metropolitan markets, given that population cores are also home to residents with higher incomes. For Sacramento, the majority of patrons are concentrated around Central Sacramento, then fan out along Interstate 80. This core represents the largest portion of arts patrons mapped through this exercise.

Within the larger regional market, there are three distinct sub-markets: Davis, Central Sacramento, and the Folsom Lake area. Each sub-market is anchored by a large performing arts venue, however, in the case of Central Sacramento, the venue is primarily used by producing organizations. In the case of Davis and Folsom Lake area, the two large venues are anchored by robust presenting programs.

**Demand analysis: participation estimates for Sacramento**

The total number of adults aged 25 and older in the 25-mile radius around Sacramento is 1,302,497. If we multiply that number by the national average, there would be 429,824 performing arts participators (i.e., 37% times 1,302,497). This number represents the estimated number of unique adults (25+) that would be expected to attend at least one of the benchmark performing arts disciplines on an annual basis, based on SPPA findings.

Next, in order to gain a rough sense of whether or not Sacramento’s arts groups are extracting a reasonable amount of demand from the marketplace, we turn to the earlier mapping analysis. Using the final unique ticket buyer total of 95,612, we can extrapolate a more “real” number of actual unique arts patrons by assuming that each household represents an average of 2.2 participators. Assuming this to hold true, we can estimate that the list of 95,612 ticket buyers translates to roughly 210,346 annual participators.
If we use 210,346 as an estimate for arts patrons, this number is significantly less than the SPPA adjusted estimate of 429,824. Therefore, one might hypothesize, based on this very rough analysis, that there is latent demand in the Sacramento area marketplace, compared to what would be expected nationally. However, this estimate is subject to a number of ambiguities and is not comprehensive.

**Demand analysis: ticket revenue by discipline, by market**

![GROSS TICKET SALES BY DISCIPLINE, BY MARKET](image)

**Demand analysis: ticket sales for dance + opera, classical music, musical theater + stage plays**

![EST. ANNUAL TICKET SALES PER THOUSAND ADULTS (25+), ADJUSTED FOR EDUCATIONAL ATTAINMENT](image)
Demand analysis: summary of comparable markets analysis

So, how does Sacramento compare? The overall picture from the comparable markets analysis is that demand for performing arts presentations in Sacramento is mostly on par with the three benchmark communities, with some variation. For example, one could argue that the supply of opera performances is in need of support. The ticket sales for opera are well below the figures for Pittsburgh (a vibrant opera market) but still lower than even Austin and Portland, both of which exhibit modest demand for opera. However, given Sacramento’s strong demand for musical theatre (which can blur into opera), and given the likelihood that a portion of demand for opera diverts to San Francisco, it is unclear as to whether the Sacramento market could support a more robust schedule of opera programs. In other cities with very successful Broadway programs, we’ve observed a depressed level of demand for adjacent art forms (classical music, opera).

This analysis, which is based on ticket sales volume, is heavily affected by the larger organizations that generate a high volume of ticket sales. It is critical to acknowledge the important work of small ensembles, companies and community organizations that contribute greatly to the vibrancy of Sacramento’s cultural sector but do not account for a significant portion of demand in an economic sense.

Demand analysis: conclusions

Estimates based on national rates of participation in the performing arts, reconciled with a preliminary analysis of mailing lists of 12 Sacramento area arts organizations suggests there is room for growth in the Sacramento market.

Existing facilities: facility inventory conclusions

There are gaps for high quality facilities in the 150-300 and 500-800 and 2,000-2,500-seat capacity ranges. The question is whether or not there is demand for these size spaces. There are few facilities in the 500-800-seat capacity range with good availability, suggesting high demand for use. There is medium availability in the 1,000-4,000-seat range, indicating that demand may begin to taper somewhere in this range.
User demand: Community Center Theater utilization by level of use

To inform the discussion of facility demand, we have reviewed and analyzed 10 years of utilization data for the CCT.

- The Misc. category includes convention groups utilizing the facility. Use in this category has shown growth over the last three years. ‘Other Primary Users’ refers to such groups as the Ballet, Sacramento Phil/Opera, and the Sacramento Speaker Series.
- The data suggests that overall utilization decreased over the last seven years, with the exception of FY11. For FY14, there were 155 days of use at the CCT compared to 195 in FY11.
- For all years, CMT is the facility’s most frequent user. However, use of the CCT by all users, including CMT, has fluctuated significantly from year to year.
User demand: Community Center Theater utilization

This chart shows average capacity sold by year for key users.

- For the most part, groups are selling above the 50% of capacity mark (1,211 seats). Far fewer, however, have been able to sell above the 80% of capacity mark (1,938 seats) over the last six years.
- Notably, CMT has had the best sales over the past three years, selling 96% of available seats in FY12, 88% in FY13, and 97% in FY14.
- Capacity sold for the Ballet declined between FY12 and FY14 due to one or two very low selling productions. For FY15, the Ballet had 14 performances of the Nutcracker at the CCT. Average attendance was 1,656 and there were three performances with more than 2,000 tickets sold.

User demand: use survey

Here is a summary of responses to questions regarding organizational need for new or better performing arts facilities:

- 85.2% of respondents feel that new or better performing arts facilities are needed in Sacramento; 11.1% do not know.
• 80.8% of respondents indicate that new facilities will allow them to expand existing activity; 65% felt new facilities would enable them to develop new activity; and 65% felt they would increase visibility.

User demand: commercial promoters

For this study, we reached out to seven commercial promoters in order to assess their demand for a new performance venue in Sacramento. One promoter did not wish to be interviewed. The remaining six included: Another Planet Entertainment, Goldenvoice/AEG Live, Husky Productions, LiveNation, SBL Entertainment, and Swell Productions. Universally, promoters have interest in developing Sacramento into a more robust market for commercial entertainment. However, all promoters agreed that the economics (cost of access and seating capacity) of using venues are significantly more important than facility condition or other characteristics.

User demand: demand by venue capacity

<table>
<thead>
<tr>
<th>User Demand: Performance Facilities (34 Users)</th>
<th>Performances</th>
<th>Rehearsals/Tech</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,000+ seats (6 users)*</td>
<td>93</td>
<td>92</td>
<td>50</td>
<td>235</td>
</tr>
<tr>
<td>1,500 - 1,850 seats (5 users)</td>
<td>47</td>
<td>72</td>
<td>0</td>
<td>119</td>
</tr>
<tr>
<td>800 to 1,150 seats (7 users)</td>
<td>54</td>
<td>123</td>
<td>0</td>
<td>177</td>
</tr>
<tr>
<td>450 - 625 seats (8 users)</td>
<td>82</td>
<td>85</td>
<td>0</td>
<td>167</td>
</tr>
<tr>
<td>350 seats or less (8 users)</td>
<td>165</td>
<td>242</td>
<td>113</td>
<td>520</td>
</tr>
<tr>
<td>Total (Days)</td>
<td>441</td>
<td>614</td>
<td>163</td>
<td>1,218</td>
</tr>
</tbody>
</table>

*Goldenvoice/AEG Live also has demand for space in this range but is unable to estimate use at this time.

Benefits + impacts: community benefits + impacts

New performing arts facilities will support economic and community development goals established by the City, contributing to:

• Cultural Tourism: New arts facilities, particularly those that help position Sacramento as a cultural destination, can provide unique, cross-disciplinary and educational experiences that could support cultural tourism within the region. And, cultural tourists tend to spend more money and stay longer when traveling than other types of visitors.
• Sense of Place + Quality of Life: Spaces with programs that engage the public, particularly facilities for arts, education, and outreach programs, have potential to contribute to the character and identity of a community. These types of programs and facilities provide opportunities for socialization, enhance sense of community, and provide hands-on experiences attractive to regional residents— all contributing to the community's quality of life. The presence of arts districts, creative retail shops, distinct performance venues, and a vibrant community of artists who are living, working, and thriving in a particular area further contribute to, and communicate, cultural identity.

• Quality of Workforce + Corporate Recruitment: Studies suggest that a strong arts and cultural community ranks among the top factors for decision-makers when considering relocation for employment opportunities. The development and positioning of unique and diverse cultural opportunities is proof of a public commitment to maintain, and even improve, the quality of its workforce. Performing arts and cultural facilities are important amenities to offer to corporations considering where to locate business. The presence of these facilities is an indicator of a community that has an educated workforce and offers a high quality of life.

• Neighborhood + Community Development: Arts facilities also serve as effective community and neighborhood development tools. Research has shown that community arts programs have enhanced and improved community development. The arts enable individuals and groups to express themselves, and in the process, become more involved in contributing to the development of their community. Programs across the country that have had particular success in this regard have first focused on local youth.

• Teaching Innovation + Creativity: Finally, the teaching of the arts is now being recognized as a fundamental need for the North American economy and its workforce, given the automation of many jobs and growing competition from lesser-developed economies.
Operating goals

- Provide affordable access to well-equipped performance, rehearsal, and support spaces for users that support the cultural development of the Sacramento region
- Present high-quality arts and entertainment programming of interest to the regional resident and visiting populations
- Provide unique arts learning opportunities to people of all ages
- Utilize a sustainable business model primarily driven by earned income
- Contribute to the economic vitality of Sacramento and the wider region with active facilities that drive economic and community development

Governance recommendations

- The City already operates the Community Center Theater, as well as the Memorial Auditorium and the Convention Center. There is little risk in maintaining that role in new facilities, and continuing efficiencies and economies for the City as operator of this set of facilities.
- The one new option that might make sense for the City to investigate is the idea of inviting nonprofit, educational (such as the Mondavi and Harris Center operators) and commercial venue operators to bid on the contract to operate the new theater, and potentially other Sacramento venues.

Pro-Forma Operating Budget

- 3 Options
  A. 2,200 seats + 500 seats + 300 seats Multi-purpose
  B. 2,200 seats + 300 seats Multi-purpose
  C. 2,200 seats + 300 seats Multi-form

Option A has $2.8M annual funding requirement
Option B has $2.2M annual funding requirement
Option C has $1.4M annual funding requirement
Program Estimate – 2,200 seats with rehearsal/event space

- 154,537 square feet
- Estimated total project cost $189M in July 2017 bid dollars
- Tiered seating into a flat floor theater costs additional $15.6M
- Building includes:
  - 2,200 seat multi-purpose theater
  - Rehearsal/event space
  - Founders room
  - Front-of-house and public spaces
  - Stage and technical areas
  - Offices
  - Mechanical and electrical

Program Estimate – 500 seats

- 49,416 square feet
- Estimated total project cost $65M in July 2017 bid dollars
- Building includes:
  - 500 seat theater
  - Rehearsal/event space
  - Front-of-house and public spaces
  - Stage and technical areas
  - Offices
  - Mechanical and electrical
Committee Evaluations

FACILITY

The Facility Committee was charged with identifying the location of a site for a new Performing Arts Theater or Performing Art Theater Complex, depending on how many theaters the task force ultimately decides it can afford and are needed to meet the goals and needs of the Sacramento region’s performing arts groups.

We began this process by establishing certain assumptions. Among them:

- A new theater is needed to replace the existing Community Center Theater (CCT)
- The theater should be designed in a way to improve the patron experience
- The theater should be designed to make a visual statement through design
- A new theater should be more inclusive of and appropriate for both existing performing arts companies as well as small emerging groups and multicultural groups

To this end, the task force identified and visited four different sites in the downtown area, including:

- The current site of the Community Center Theater at 14th and L streets
- The block bound by 16th and 17th streets, and J and K streets
- The parcel known as Lot X, located at 3rd Street and Capitol Mall
- The Railyards, likely in a spot adjacent to the historic shop buildings

In evaluating each site, we established a list of key criteria and ranked each site accordingly, weighing certain criteria as more important in terms of having the most positive impact on the theater and surrounding areas.

- **Complementary Retail and Restaurants**
  
  Is there an existing infrastructure of retail and restaurants that will enhance the experience of attending a performance in this hall, with cafes, restaurants and bars in close proximity? Such proximity will not only ameliorate practical concerns such as traffic (such an environment will incent patrons who arrive early to eat in the neighborhood and stay after performances to eat...
or get a drink or coffee), but also economic ones by boosting sales at area restaurants, as well as serving to create a vibrant street scene.

- **Ease of Acquisition**
  How easily can the site be acquired for development? Sites with multiple owners or existing tenants will cost more and take more time, and in worst-case scenarios, involve the possibility of eminent domain. Site with single owners will likely cost less and, if the owners are willing, provide a faster route to development.

- **Economic Development Opportunities**
  Can the new facility, by virtue of its location, act as an economic development catalyst, inspiring new development (retail, restaurant and residential) that might not otherwise exist, furthering the city’s goal of more downtown housing and increasing the city’s tax revenues?

- **Freeway Access & Impact**
  How easy is it to access the facility from each of the major freeways? How will such proximity affect traffic, both on the freeways and city streets? Could sites too close to the freeway have sound or vibration issues that will create a more expensive project, or adversely affect the possibility of an outdoor viewing area? Or could sites too far from the freeway adversely effect traffic on the grid?

- **Hotel & Convention Center Proximity**
  How close will the new facility be to the major hotels and convention center? If convention center business – made possible by a flat-floor design where the seats retract – is a potentially significant revenue generator, how far from the convention center can such a site be and still remain a desirable option for conventioneers? Does it need to be walking distance?

- **Outdoor space availability**
  Some new theaters around the country have an outdoor component where patrons can view movies on screens attached to the exterior of the building, or even live performance feeds from within the theater itself. Does the new facility have the space on the lot it stands on to accommodate such an amenity?
- **Parking Proximity**
  How close will the site be to parking lots and garages, and are there sufficient number of parking spaces available to not need to construct a new parking garage? And is the site competing for evening parking spaces with other major venues?

- **Public Transit Proximity**
  How close will the site be to light rail, bus and streetcar lines, thus potentially reducing traffic and parking concerns.

- **Urban Planning**
  Does the site afford the potential for the new theater to complement existing amenities in a way that provides a benefit beyond the boundaries of the site itself? Does it help create a unique district? Does it foster walkability and street animation? Does it create a benefit larger than the project itself, fitting into the city fabric in a strategic way?

- **Visibility**
  Does the site offer have maximum visual impact to inspire potential patrons to attend performances there? Is it highly visible to pedestrians and/or drivers? Is it more important that it’s highly visible to locals or to non-locals who may be driving through the city on the freeway? Or can both be achieved?

With these criteria in mind, we find that additional research and expert input is necessary to help answer complex issues like traffic flows, sound mitigation, detailed parking usage patterns, the anticipated amount of potential convention business, and acquisition costs.

That said, we have held discussions amongst the committee members, and have solicited early input from the consultants and other interested parties (the CVB, arts groups, restaurateurs, etc). and drawn some key conclusions about each of the major sites.

- By and large, the committee has concluded that the two blocks between 16th and 17th streets and I and K streets (across the street from Memorial Auditorium) offer the most benefit to the
city in terms of key variables such as economic development, urban planning, complementary retail and residential, parking, freeway access and visibility at the cross streets of two major grid thoroughfares – J Street and 16th Street.

- The 16th Street sites also offer an intangible advantage of creating a new arts district, with close proximity to the Memorial Auditorium, Music Circus and Sacramento Theater Company. In other cities, arts districts have proven to be significant economic catalysts and major revenue sources in areas with a high concentration of restaurants.

- The single biggest drawbacks to these blocks are the ease of acquisition. According to city records, one block has six different owners, and the other has seven. None of these owners have yet been approached about their willingness to sell, or their selling price.

- The sites with the greatest ease of acquisition are the existing CCT site, the Railyards site, and the Lot X site. Each site has a single owner, all of which have openly expressed an interest in hosting the new facility.

- The current CCT site has, we believe, the smallest physical footprint of the sites, possibly prohibiting the construction of more than one theater, which would eliminate the ability for a smaller theater to serve many smaller groups, including multi-cultural performing arts groups. This site also lacks the visibility and potential economic development impact as it is fully developed on all sides. Building here would also, by some estimates, include relocating the Big Four arts groups to other facilities for up to two years.

- The Railyards site offers the most space flexibility of all the sites because of the as-yet-undeveloped nature of the site. But it also lacks the infrastructure, parking, retail and restaurant components. It’s possible that this could emerge as a more serious contender once the developer takes ownership of the site, but that is expected to be months away, and planned development timelines are currently unknown.

- The Lot X site is intriguing for its ease of acquisition, visibility and freeway access. The city-owned site will be transferred to the Kings this fall, and could benefit from its proximity to the
arena three blocks away, and from potential operational and naming rights synergies. Its biggest challenges exist in potential traffic problems and competition for parking with the massive new ESC. Both venues would be accessed by the same freeway exit, perhaps at similar times on potentially hundreds of performance nights per year. Another challenge is the lack of nearby restaurant options. This could be mitigated, however, if a mixed-use tower were built on the same site, or if 301 Capitol Mall (former site of the Saca Towers) is developed with a mixed-use tower in the future.

<table>
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<th>Economic Dev</th>
<th>Acquisition</th>
<th>Parking</th>
<th>F&amp;A Retail Proximity</th>
<th>Public Open Space</th>
<th>Economic Viability</th>
<th>Public Transit</th>
<th>Urban Planning</th>
<th>Freeway Access</th>
<th>Hotel Proximity</th>
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**Facility Committee Recommends**

Given the criteria, 16th Street has largely emerged as the preferred site, with Lot X presenting itself as a viable alternate site under the right circumstances.
PROGRAMMING AND OPERATIONS

Our Committee is recommending a clearly defined process that will lead to the best possible business model, operating structure and programming model for the PAT. We believe this process will work, whether or not we pursue a multi-theater center and/or the venue is a fixed or a flexible space.

We begin, in defining this process, by accepting these certain assumptions:

- First, that, as the Mayor put forth by at the outset, the biggest need for the PAT is to provide a high quality home for our anchor tenants, local arts organizations such as the California Musical Theater, the Philharmonic, Opera and Ballet;

- For the recommended second smaller theater, anchor tenants would be drawn from Sacramento’s rich cohort of community and ethnic organizations.

- In addition, we are assuming a pattern of utilization as described by the consultants with:
  - The anchor tenants’ activities;
  - Some additional local arts programming; and
  - Significant non-arts activity to fill out the calendar (e.g. convention-related events).

- We also assume that this will be a city-owned facility, with the business of operating the PAT contracted out.

With these assumptions in mind, we suggest that the operator be determined by an RFQ or RFP process based on the following criteria (in order of importance as deemed by our Committee) which are based on the PAT’s goals for the arts in Sacramento. The potential operators will have to demonstrate a business model and plan which works within these parameters, demonstrates these capabilities and meets these requirements:

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1 We hope that such a process could start and conclude quickly and expeditiously; the Webb consultants, drawing on their experience with similar projects, are best qualified to identify what factors need to be in place before such a process can and should begin.
- **Arts Focus:** A primary requirement for the operator is to have expertise in and experience in working with the arts. Most importantly, the operator will need to *create a business model* which provides the anchor tenants\(^2\) with:
  - A reasonable cost structure;
  - First booking priority; and
  - *A programming approach which doesn’t compete* with them. In addition, to the extent that presenting is part of the mix of uses, the operator must describe a plan and mechanism for coordinating and collaborating with anchor tenants, other local arts and the existing performing arts centers, to prevent any damage to those groups and centers in which the Sacramento Region already has invested.

- **Cost-effectiveness:** While we assume there will be a cost to the City associated with the PAT, one criteria for selecting an operator will be *a business model* that keeps that cost as low as possible. The operator’s ability to keep costs low is likely to derive from its demonstrated:
  - Business expertise either non-profit or profit;
  - Ability to generate economies of scale with its core business;
  - Ability to generate revenue from the non-arts functions, identified by our consultants as a significant part of the usage. (This may be less important in a theater that does not have flexible spaces); and
  - Depth of financial resources.

- **Theater Management:** The operator should demonstrate expertise and experience in the key functions of operating a Performing Arts Theater, such as ticketing, venue and facility management, etc.

- **Buying Local:** In addition, all things being equal, we believe weight should be given to “buying local”, to operators with roots in the Sacramento region.

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\(^2\) The anchor tenants are likely to be more than the “big 4” – the Sacramento Speakers Series, for example, is likely to be such a tenant. If a smaller theater is part of the complex, the anchor tenants there are likely to be different locally based groups.
We believe that an effective RFP process, built around these requirements, will encourage the structuring of a business model, by potential operators, that will help the PAT fulfill its mission. It may turn out, as it often does in such competitive processes, that there may be specific ideas and wisdom in losing proposals that can be incorporated into the business model of the winning proposal. Overall, we believe that such an open process will provide the City with the most well-informed approach to the PAT’s business model, operating structure and programming. We also believe that the RFP process might attract a partnership of several operators with differing sets of competencies and expertise.

In order to distill key points in a simplified format as a catalyst for further discussion, we have created the attached grid which reviews several proposed options for potential operators and whether or not they are likely to meet the requirements with the following thoughts in mind:

- While the City of Sacramento is adept at venue management and is the essence of “buying local,” there is concern that City ownership will produce costs to the arts group higher than with other operators;

- We believe that there are local organizations with the capacity and expertise to fulfill the requirements of this process and to manage all or part of this operation for the City (which will own the venue);

- We believe the business operations team of the Sacramento Kings Limited Partnership LLC (Kings LLC) for example, who will be operating the complex new Sacramento Entertainment and Sports Complex Sacramento ESC) in close proximity to any of the sites under consideration and therefore conceivably would have the expertise (and potentially economies of scale) to run this building.

- An existing, established arts organization in the region has expertise and experience in working with the types of groups represented by the anchor tenants (classical arts, theater, ethnic arts) and with presenting quality programming in an arts space, as well as with running a venue.
We also think that an arts non-profit, whether existing or purpose-built, is far more likely to be responsive to the needs of the Sacramento arts, than, for example, a purely commercial third-party operator which would not want to give booking priority to the Sacramento-based anchor tenants.

We also think that an arts non-profit, whether purpose-built to run the PAT or existing (for example, the Mondavi Center) will be more adept at collaborating and coordination with the regional arts (anchor tenants, other arts, other performing arts centers).

Lastly, we feel that some combination of regionally-based groups, for example, the Kings LLC and an arts nonprofit, might be the very best team to meet the criteria laid out in this report.

### SAC PAT PROGRAMMING AND OPERATIONS COMMITTEE OPERATOR CRITERIA MATRIX

<table>
<thead>
<tr>
<th>Potential Operators (right)</th>
<th>SAC PAT Programming and Operations Committee Operator Criteria Matrix</th>
<th>Sacramento Kings Limited Partnership LLC (Kings LLC)</th>
<th>Existing Non-Profit (i.e. An Established Performing Arts Organization in the Region)</th>
<th>New Non-Profit (i.e. A Newly Incorporated Entity Focused on General Management)</th>
<th>Kings LLC &amp; Existing or New Non-Profit</th>
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**NOTES:** The new nonprofit does not receive a check in cost-effectiveness because there is no experience to base that on.

### Programming and Operations Committee Recommends

Some combination of regionally-based groups, for example, the Kings LLC and an arts nonprofit, might be the very best team to meet the criteria laid out in this report.
FINANCING

The PAT task force Financing Committee (Committee) is pleased to submit this progress report to the Sacramento City Council for consideration.

The Committee’s goal was to look at financing options for a new PAT but also to use this opportunity to perhaps raise the tide for all arts organizations by considering new possible funding sources for a broad range of arts, cultural, and recreational civic amenities.

Importantly, any funding plan for a new PAT needs to consider not just capital for development but also the adequacy of funding to sustain operational needs and thus ensure ongoing viability. Ongoing viability is critical.

Once developed, the Committee does not believe a new PAT can be fully self-sustaining even with a third party operator. Some form of public funding will be necessary in the long term (see Webb Report for their estimates).

For both development funding and for ongoing operational needs, we studied both private and public funding strategies. There are many possible combinations and everything is on the table for consideration.

In the opinion of the Committee, development funding can be raised from a combination of the following sources. The amount of funding from each source will depend on the ultimate cost of the facility developed.

Private funding sources include:
Naming Rights and Corporate Sponsorships
Foundations
Individual Gifts and Pledges
A Broad-Based Grassroots Campaign
Public funding sources may include:

The City of Sacramento, through:
- Committed Funds
- The TOT
- Ticket Surcharges

The State of California, through:
- The I Bank
- Development of an Infrastructure Financing District

Federal Programs, through:
- The NEA (architectural grant program)
- New Market Tax Credit Program

Once the size, scope, and location of a new PAT is agreed upon, these funding sources can be further developed and funding targets for each can be established.

Since a new PAT will not be self-sustaining, the Financing Committee also studied options for ongoing operational funding. The level of annual subsidy needed will depend on the size and configuration of the new PAT but is estimated to be between $1.6M and $2.9M (see Webb Report).

Sources of ongoing funding may include:

A potential new sales tax which would benefit the PAT but also regional arts organizations in general
- Civic amenities could go to the ballot in 2016 or thereafter, either individually or paired with another cause
- A potential $10-$20M could be generated annually for civic amenities and allocated among various projects/causes, including the PAT, and “return to source” needs
- The feasibility of this funding source hasn’t been polled or tested, however, funds to conduct a polling project have been identified
- And, the 2016 ballot will include OTHER state and local tax measures which makes the passage of yet another tax initiative problematic
There are new and innovative arts funding models which could point the way to a vehicle Sacramento could use to solve this issue

- Example: Cleveland Playhouse Square and Newark Performing Arts Center leverage other real estate assets as a revenue stream for sustainability
- In concept, Sacramento could broaden the tent and leverage a new PAT along with existing arts’ facilities to develop, for example, new parking facilitates in midtown which could provide a revenue stream for development (through bonding) and for ongoing sustainability (examples: Locate the new PAT on Lot X and partner with the Crocker or, perhaps, locate the new PAT at J and 16th Streets and partner with the Memorial Auditorium, Wells Fargo Pavilion, etc.)

Other possible funding options may include:

- Special financing districts such as a Mello-Roos community facilities district or other types of assessment districts
- Perhaps general obligation bonds and other forms of financing

The Financing Committee believes the next big questions to consider are:

- What exactly is the funding need of a potential new PAT from both a developmental capital perspective and an ongoing operational perspective
- What’s our region’s capacity for private funding
- What’s the feasibility of various types of public funding from both a political and a public point of view
- And, finally, the next very important step is to solicit input from community leaders, stakeholders, and the general public through a variety of surveys and market research
Financing Committee Recommends

Funding plan for a new PAT to consider not just capital for development but also the adequacy of funding to sustain operational needs and thus ensure ongoing viability.

For both development funding and for ongoing operational needs, both private and public funding strategies will be considered. There are many possible combinations and everything is on the table for consideration.

The following graph shows trending up of arts funding by Federal, State and Local sources:

“Fiscal year 2014 is the third consecutive year of growth when combining all three primary public funding sources. The federal government, states, and localities appropriated a combined $1.23 billion to the arts in FY2014, for a total per capita investment of $3.84.

Preliminary data on FY2015 state arts agency budgets indicate a strong likelihood of continued growth in public funding for the arts next year. State arts agency revenues are projected to increase by more than 19 percent in FY2015. If the projection holds true, this would be the third year in a row that state arts agency appropriations have increased. Observed historical trends between state and local funding should predict continued increases for local government expenditures in FY2015.”
Task Force Recommendations

1. **What is the optimal location for the theater?**
   - The task force recommends further study of the 16th and J Street site or the Lot X site.

2. **What is the cost of the theater?**
   - The work of consultants indicates that the cost of the theater complex cost will be approximately $200 million exclusive of the site purchase.

3. **What is the size and scale of a new performance arts theater?**
   - The recommends a 2,200 seat multiform main theater with flat floor capability that includes a smaller 300 seat capacity theater/rehearsal space.

4. **Who will use the theater and what does the programming look like?**
   - California Musical Theater, Sacramento Ballet, Sacramento Philharmonic and Opera, Community Based Groups, Promoters and Presenters.

5. **What is the most sustainable business model and operator for the theater?**
   - Some combination of regionally-based groups, for example, the Kings LLC and an arts nonprofit, might be the very best team to meet the criteria to operate the facility.

6. **How do we pay for a new theater?**
   - Development funding can be raised from a combination of the following sources: private – naming rights, corporate sponsorships, foundations, individual gifts and pledges and through public funding – City, State, and Federal.

7. **Is it feasible to get a dedicated funding stream for the broader arts community?**
   - A potential sales tax option.
8. Why is a new performing arts theater preferable to remodeling the CCT?

- Today, there is a sense that anything is possible in Sacramento, and that building a new performing arts theater can leverage the extraordinary accomplishments already underway downtown.

Some will ask, why build a new theater instead of simply renovating the one we have?

There are actually many reasons, but the primary one is that the Community Center Theater’s inflexibility has not, from its beginning in 1974, served the broader Sacramento performing arts community well.

Had it done so, our neighboring cities would not have built superior theaters, dramatically improving on the CCT acoustically, aesthetically and functionally. And it’s a problem that has grown more serious as the number of performances at the CCT has fallen.

While the facility, with 2,200 fixed seats, may be the perfect size for the Broadway Series, the theater is far too large for the vast majority of performances by the Sacramento Ballet, the Sacramento Philharmonic the Sacramento Opera and the myriad other performing arts groups in our region. For these groups, even a good night plays to a half empty house.

As for CCT’s design, architectural critics have said “It’s hard to find a more polarizing architecture than brutalism - even among scholars it’s most likely to be described as “ugly,” “unloved,” and is now being demolished at an astounding rate.” Ironically, in a city whose visual appeal is improving exponentially, our city’s greatest performing artists are performing in the city’s least aesthetically expressive structure.

Rather than closed concrete boxes, theaters are now being designed to contribute to an active urban environment. That’s why the majority of new theaters are being built with glass, allowing patrons inside the theater to see the city around them, and allowing passersby to see the life inside the theater. That dynamic visual interaction in an urban setting is, by all accounts, critical to creating a vibrant civic experience.
To be fair, some of these shortcomings can be addressed through remodeling...but the major issues – size, inflexibility and obsolete design, will always remain. And even if you do decide to invest tens of millions of dollars in CCT, the risk of cost overruns will be high. Last year’s $10 million to $50 million estimates will undoubtedly escalate, and the contingencies of renovating older structures puts the City in a high risk venture for what in the end is a marginal return.

And perhaps that is the most important question to consider...where does the City get the best return on investment? Smart cultural investments stoke economic development. Philadelphia has seen massive residential development as a result of the Kimmel Center’s opening. Developer Carl Dranoff has said, “The Kimmel Center is as much a draw for tourism as the Barnes (art museum) or the Philadelphia Museum of Art. It’s been proven beyond a doubt that (performing arts venues) are economic engines, and that arts and culture are an economic engine.”

Our own Entertainment and Sports Center is another case in point, where world-class design in a uniquely Sacramento aesthetic is fueling a downtown renaissance. With its investment, Sacramento has attracted the attention of the world’s capital and investment markets. Ten major downtown real estate transactions have closed in the past 18 months and new mixed use and highrise projects are in construction and on the boards.

CCT, in contrast, is landlocked on all sides. There is no room to expand, and there is no room for complementary development adjacent to it. What’s more, its location blocks the Convention Center’s expansion, forcing fantastically expensive schemes to gain the needed space. For the CCT to remain where it is today is both a lost economic and civic opportunity.

When deciding which path to take for Sacramento’s performing arts, it boils down to this - we can either do as little as possible and spend tens of millions of dollars to make a deeply flawed situation slightly less flawed...or, we can embrace our renewed Sacramento spirit, encourage imaginative, forward-thinking design, and give our citizens a center that reflects our pride in this wonderful city.
Proposed Next Steps

For the next phase, task force recommends that the City Council consider authorizing the Mayor to:

1. Form a subgroup of task force to work with City Manager and City staff for a 3 to 6 month period to do additional research into the specific recommendations of this report.

2. To develop an actionable plan to accomplish the following objectives:
   - Generate a milestone schedule for delivery of a Sacramento Performing Arts Theater
   - Make a formal Site recommendation based on real estate transaction and conceptual engineering analysis
   - Issue a world-wide call for entries for Concept Design Competition for a theater complex on the Site
   - Generate and issue Operator Requests for Proposals to qualified parties
   - Explore public and private Funding Mechanisms and generate a preliminary Funding Plan.