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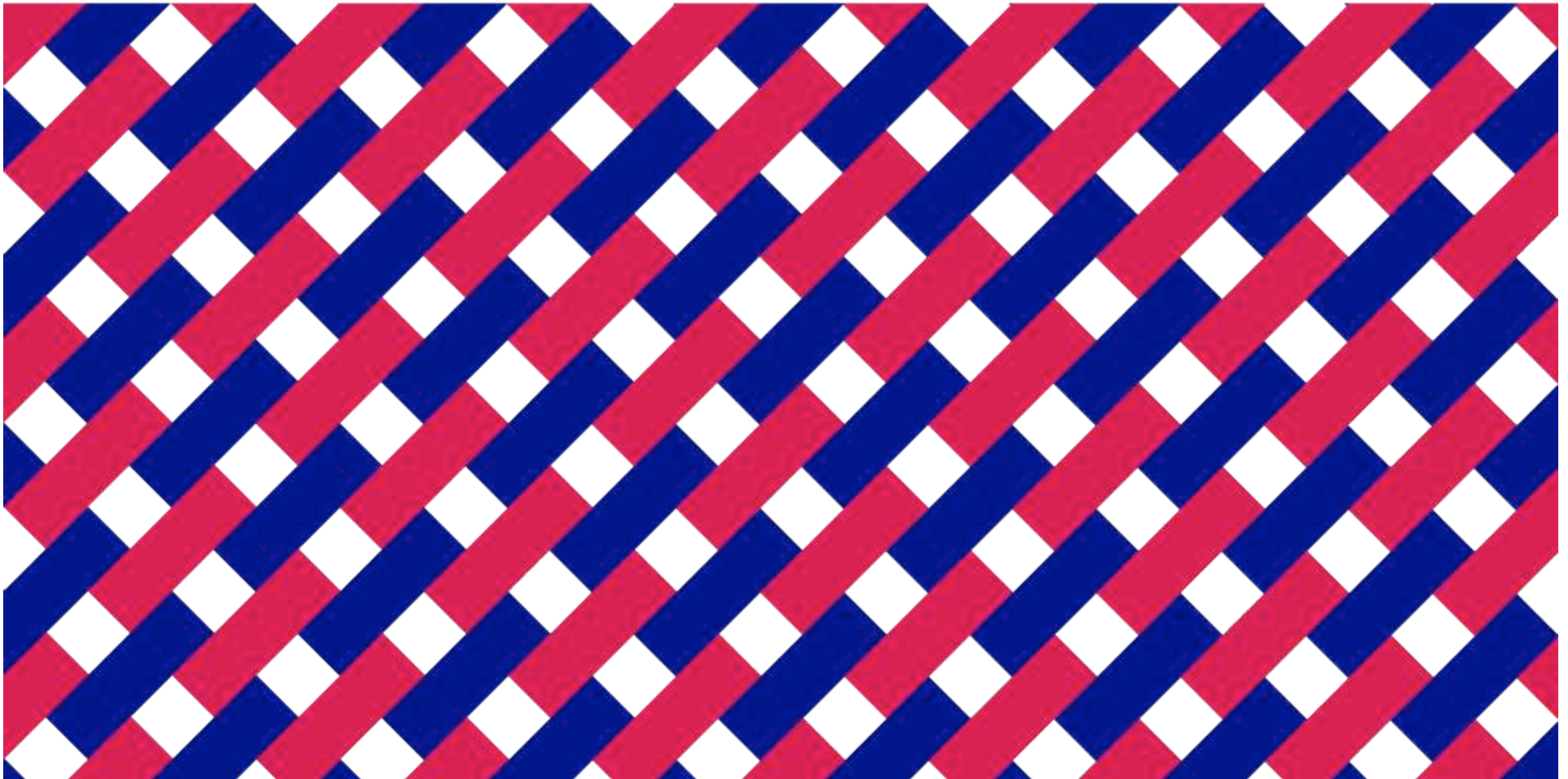
management
services
incorporated

building creativity

November 1, 2016

Chateau Theatre Business Plan

Developed for The City of Rochester



Phase One Conclusions

There is a case to rehabilitate the Chateau Theatre based on:

- * ***The Market:*** The market is growing, well-educated and diverse in age, race, and income, all of which indicate a propensity to support the arts. There is also a large and steady group of Mayo Clinic patients and families with the time and resources for various types of activity;
- * ***User Demand:*** There is significant demand for the rehabilitated Chateau Theatre on the part of a wide range of local arts and community groups;
- * ***Existing Facilities:*** There is a gap in the existing facility inventory for a high-quality performance, film, and meeting and event space, particularly one with 600+ seats;
- * ***Community Benefits + Impacts:*** A rehabilitated Chateau has the potential to contribute to multiple community goals, particularly as the city moves toward the creation of the DMC.



Phase One Recommendations

- * The Chateau should be as flexible and functional as possible;
- * Physical characteristics would ideally include flexibility at the orchestra level, a partial fly-tower, decent wing-space, and acoustics that are oriented towards amplified sound but that also work well for unamplified sound;
- * The facility should have as many seats as possible;
- * There should be excellent food and beverage options (perhaps even a café) that are available throughout the day;
- * Daily activity and operations of the Chateau should make it a busy public space, activated with formal scheduled events and also informal spaces and programs.



Phase Two Business Plan

- * Operating goals
- * Activity profile
- * Governance + operations
- * Partnership development
- * Staffing + leadership plan
- * Operating plan
- * Comparable projects
- * Pro-forma operating budget
- * Economic impacts
- * Critical path plan



Operating Goals

- * Present high-quality arts and entertainment programming that is of interest to the permanent population, the Mayo Clinic constituency, and other visitors to the area;
- * Provide affordable access to well-equipped performance, rehearsal, and support spaces to users working towards the cultural development of Rochester and the region;
- * Support local businesses, government, the CVB, and citizens with professional meeting and event facilities;
- * Contribute to the economic vitality of Rochester and the wider region with active facilities that drive economic and community development;
- * Utilize a sustainable business model primarily driven by earned income.



Governance Principles

- * Ownership is simply a matter of funding—choose the owner most likely to attract the required renovation capital;
- * The interests of the owner can be well-served by a range of different operators, including a new nonprofit, a dominant user, an educational partner, a third-party operator, or local government itself;
- * Success depends on the process used to put the operator in place and the strength of the lease/contract;
- * There are also elements of operation that can be outsourced, including ticketing, food service, and presenting.



Governance Recommendations

In this case we recommend that the City of Rochester remain as owner and take on the role of operator, also encouraging the development of a private foundation, given the following:

- * The City has the resources and ability to recruit the skills required to manage the rehabilitated Theatre;
- * The City's mandate to serve local residents is consistent with operating goals of providing access and support to local and regional residents and visitors;
- * A new foundation can play an important role through the renovation process, providing guidance and advice to the City as the project advances;
- * Once the Theatre re-opens, a foundation can play an ongoing role in fundraising for annual support and taking some responsibility for programming, education, and outreach. That promise of an ongoing role will be important to drive private sector financial support of the theater.



Partnership Development

In order to fully realize the potential of the rehabilitated theater, we would encourage the further development of partnerships with three key groups:

- * Mayo Clinic
- * Other City of Rochester cultural facilities & programs
- * Regional school districts



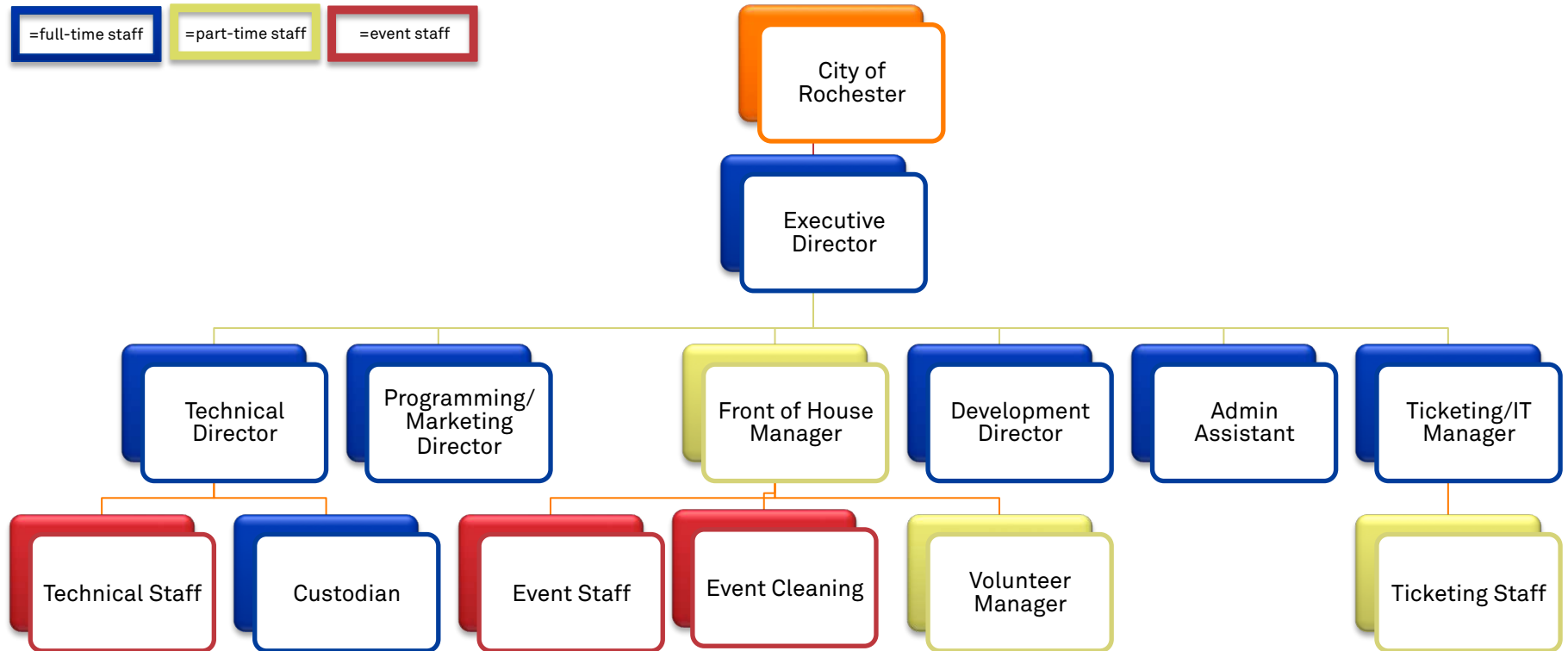
Operating Policy

- * Access + scheduling
- * Rental rates + fees
- * Resident status for particular groups
- * Ticketing + analytics
- * Food + beverage operations
- * Volunteer leadership + support
- * Green operations



Staffing Plan

Legend:



Pro-forma Operating Budget

- * A live, Excel-based model that starts with activity estimates;
- * Operating activities start the year before the theater re-opens, extending through the first five years of operations;
- * We assume fully-developed staff and infrastructure at the outset of operations.



Pro-forma Operating Budget

MULTI-YEAR ACTIVITY FORECAST					YEAR 1	
SPACES AND RATES	<u>Usable Square Feet</u>	<u>Capacity</u>	<u>Rental Period</u>	<u>Renter Type</u>	<u>Rental Rates</u>	
Theater		571	Daily	Resident	\$714	
				Nonprofit	\$1,071	
				Commercial	\$1,606	
Gallery	1,100	200	Four-hour	Resident	\$100	
				Nonprofit	\$150	
				Commercial	\$225	

Pro-forma Activity Summary		Year 1	Year 2	Year 3	Year 4	Year 5
Theater	Performances	145	149	155	159	163
	Use Days	279	287	297	307	315
	Attendance	49,106	51,270	54,188	56,569	58,939
Gallery	Rentals	48	56	64	72	80
Estimated Base Rent Collected	Resident Users	\$ 87,921	\$ 91,849	\$ 95,899	\$ 100,074	\$ 104,378
	Other nonprofits	\$ 59,614	\$ 63,078	\$ 66,656	\$ 70,353	\$ 74,171
	Commercial users	\$ 111,392	\$ 120,762	\$ 130,463	\$ 140,503	\$ 150,893
	Total	\$ 258,926	\$ 275,689	\$ 293,018	\$ 310,930	\$ 329,442



Pro-forma Operating Budget

Pro-forma Budget Summary	Pre-Opening	Year 1	Year 2	Year 3	Year 4	Year 5
Earned Income						
Ticket Sales		325,470	331,310	362,857	389,777	407,555
Rental Income		258,926	275,689	293,018	310,930	329,442
Theater User Fees		300,632	318,831	337,639	357,071	377,146
Food Service		55,106	59,180	64,180	71,174	75,974
Miscellaneous Income		248,477	263,200	283,530	302,034	320,331
		1,188,611	1,248,210	1,341,224	1,430,987	1,510,447
Contributed Income						
Individual Contributions	50,000	75,000	78,000	81,120	84,365	87,739
Corporate Contributions	100,000	150,000	156,000	162,240	168,730	175,479
Foundation Grants	50,000	75,000	78,000	81,120	84,365	87,739
Government	125,000	187,500	195,000	202,800	210,912	219,348
	325,000	487,500	507,000	527,280	548,371	570,306
Total Income	325,000	1,676,111	1,755,210	1,868,504	1,979,358	2,080,753
Operating Expenses						
Total Personnel	412,100	1,035,385	1,073,234	1,113,970	1,155,661	1,198,576
Programming Costs	0	321,368	322,858	349,476	371,157	383,747
Fundraising	19,000	38,000	39,900	41,895	43,990	46,189
Box Office	0	103,066	109,301	116,188	123,804	131,403
Administration	44,000	90,500	95,025	99,776	104,765	110,003
Occupancy Costs	0	133,952	136,631	139,364	142,151	144,994
Total Operating Expenses	475,100	1,722,270	1,776,950	1,860,668	1,941,528	2,014,913
Result of Operations	-150,100	-46,159	-21,740	7,835	37,831	65,840
Allocation from Capital Budget	175,000	50,000	25,000	0	0	0
Allocation to Capital Reserve	0	0	0	0	25,000	50,000
Final Result	24,900	3,841	3,260	7,835	12,831	15,840
Op Expenses/Earned Income	0	69%	70%	72%	74%	75%



Economic Impacts

- * Calculating the economic impacts of building and operating new facilities in Rochester;
- * Informed by RIMS Type II multipliers purchased from the Federal Bureau of Labor for Olmsted County;
- * Direct, indirect, and induced impacts of construction, operations, and audiences;
- * Operating impacts are based on the third year of operations.



Economic Impacts

One-time Impacts of Construction on Olmsted County, MN		
Input - Construction Budget		\$ 23,000,000
Outputs	Final Demand Multipliers (Industry 2332C0)	Project Outputs
Sales	1.2646	\$ 29,085,800
Earnings	0.3788	\$ 8,712,400
Employment (person-years of employment)	7.9427	183



Economic Impacts

Annual Operating Impacts on Olmsted County, MN

Bill of Goods Approach (Year 3) Category	Inputs			Multipliers			Outputs		
	Current Non-personnel expenditures	% Spent in Olmstead County	Olmstead County Expenditures	Output (dollars)	Earnings (dollars)	Empl't (jobs)	New Sales (\$000's)	New Earnings (\$000's)	New Empl't (jobs)
Power Generation and Supply	\$ 50,000	75%	\$ 37,500	1.1617	0.1786	2.5335	\$ 43,564	\$ 6,698	0.1
Water, Sewage and other System	\$ 5,000	100%	\$ 5,000	1.2280	0.2430	4.1054	\$ 6,140	\$ 1,215	0.0
Retail Trade	\$ 25,000	75%	\$ 18,750	1.2785	0.3468	14.0228	\$ 23,972	\$ 6,503	0.3
Transit & Passenger Transportation	\$ 10,000	100%	\$ 10,000	1.2995	0.3927	15.7435	\$ 12,995	\$ 3,927	0.2
Telecommunications	\$ 20,000	50%	\$ 10,000	1.3396	0.3605	6.0058	\$ 13,396	\$ 3,605	0.1
Insurance Agencies/Brokerage	\$ 75,000	75%	\$ 56,250	1.3393	0.3664	7.5298	\$ 75,336	\$ 20,610	0.4
Equipment Rental	\$ 25,000	75%	\$ 18,750	1.1848	0.2398	3.3572	\$ 22,215	\$ 4,496	0.1
Legal Services	\$ 25,000	100%	\$ 25,000	1.3135	0.5121	7.2346	\$ 32,838	\$ 12,803	0.2
Accounting & Bookkeeping Services	\$ 25,000	100%	\$ 25,000	1.3007	0.5217	11.2621	\$ 32,518	\$ 13,043	0.3
Computer related services	\$ 25,000	50%	\$ 12,500	1.3439	0.5272	8.2195	\$ 16,799	\$ 6,590	0.1
Advertising & related services	\$ 40,000	50%	\$ 20,000	1.2730	0.3023	6.2254	\$ 25,460	\$ 6,046	0.1
Professional & Technical Services	\$ 25,000	75%	\$ 18,750	1.2902	0.4263	8.8304	\$ 24,191	\$ 7,993	0.2
Office administrative services	\$ 50,000	75%	\$ 37,500	1.3148	0.5644	10.6415	\$ 49,305	\$ 21,165	0.4
Business support services	\$ 25,000	75%	\$ 18,750	1.3198	0.4358	12.5228	\$ 24,746	\$ 8,171	0.2
Services to building	\$ 25,000	100%	\$ 25,000	1.2397	0.3251	13.9100	\$ 30,993	\$ 8,128	0.3
Waste management	\$ 5,000	100%	\$ 5,000	1.2857	0.2582	5.9595	\$ 6,429	\$ 1,291	0.0
Other Educational Services	\$ 50,000	50%	\$ 25,000	1.3813	0.5271	25.8842	\$ 34,533	\$ 13,178	0.6
Performing arts companies	\$ 100,000	50%	\$ 50,000	1.2813	0.3938	33.4132	\$ 64,065	\$ 19,690	1.7
Promoters of performing arts	\$ 50,000	50%	\$ 25,000	1.3470	0.3340	26.7470	\$ 33,675	\$ 8,350	0.7
Accommodation	\$ 15,000	100%	\$ 15,000	1.2710	0.3304	13.9078	\$ 19,065	\$ 4,956	0.2
Food services	\$ 20,000	100%	\$ 20,000	1.3477	0.2468	11.7647	\$ 26,954	\$ 4,936	0.2
Postal Service	\$ 20,000	100%	\$ 20,000	1.3440	0.6297	11.5601	\$ 26,880	\$ 12,594	0.2
Averages and Totals	\$ 690,000		\$ 478,750	1.2924	0.3730	11.8962	\$ 619,186	\$ 183,392	6.4



Economic Impacts

Chateau Theatre Audiences

Year 3 Paid Theatre Attendance		54,000
Olmsted County Attenders	70%	37,800
Recovered County Attenders	10%	5,400
Non-County Attenders	30%	16,200

Ancillary Spending Impacts of the Chateau Theatre on Olmsted County, MN

Ancillary Spending Impacts	Per Capita Expenditure Estimate	Total Direct (Induced) Expenditures	Output Multiplier	Total New Outputs (Sales)	Earnings Multiplier	Total New Earnings	Job Creation Multiplier	Total New Jobs
1. Recovered Olmsted County Attenders								
Food Services	\$ 11.16	\$ 60,264	1.3477	\$ 81,218	0.2468	\$ 14,873	11.7647	0.7
Retail Trade	\$ 3.41	\$ 18,414	1.2785	\$ 23,542	0.3468	\$ 6,386	14.0228	0.3
Transportation	\$ 1.63	\$ 8,802	1.2995	\$ 11,438	0.3927	\$ 3,457	15.7435	0.1
Accommodation	\$ 0.29	\$ 1,566	1.2710	\$ 1,990	0.3304	\$ 517	13.9078	0.0
Miscellaneous	\$ 0.92	\$ 4,968	1.2924	\$ 6,421	0.3730	\$ 1,853	11.8962	0.1
Sub-total		\$ 94,014		\$ 124,609		\$ 27,086		1.2
2. Non-Olmsted County Attenders								
Food Services	\$ 17.39	\$ 281,718	1.3477	\$ 379,671	0.2468	\$ 69,528	11.7647	3.3
Retail Trade	\$ 5.40	\$ 87,480	1.2785	\$ 111,843	0.3468	\$ 30,338	14.0228	1.2
Transportation	\$ 4.83	\$ 78,246	1.2995	\$ 101,681	0.3927	\$ 30,727	15.7435	1.2
Accommodation	\$ 10.39	\$ 168,318	1.2710	\$ 213,932	0.3304	\$ 55,612	13.9078	2.3
Miscellaneous	\$ 1.95	\$ 31,590	1.2924	\$ 40,828	0.3730	\$ 11,783	11.8962	0.4
Sub-total		\$ 647,352		\$ 847,955		\$ 197,989		8.5
Total Impact of Ancillary Spending	Total (1+2)	\$ 741,366		\$ 972,565		\$ 225,075		9.7



Economic Impacts

Summary of Economic Impacts on Olmsted County, MN		
Construction Impacts	Input (Local Expenditures)	\$23,000,000
	Output (Sales)	\$29,085,800
	Earnings	8,712,400
	Jobs Created (person-years)	183
Ongoing Annual Impacts Operations	Input (Year 3 Spending)	\$690,000
	Output (Sales)	\$619,186
	Earnings	183,392
	Jobs Created (annual)	6
Audience Spending	Input (Year 3 Spending)	\$741,366
	Output (Sales)	\$972,565
	Earnings	\$225,075
	Jobs Created (annual)	10
Total Annual Operating Impacts	Output (Sales)	\$1,591,751
	Earnings	\$408,466
	Jobs Created (annual)	16



Economic Impacts

There are additional qualitative impacts, including:

- * A catalytic project for the DMC;
- * Attracting companies, workers, and residents to downtown;
- * A key attraction within a downtown district.

