

ABOUT THIS DOCUMENT / INTRODUCTION

This document is the result of a year-long effort to determine the feasibility of the development of new and improved cultural facilities in Flagstaff, Arizona.

A draft of this report was presented for the review of community stakeholders and constituents with a special interest in, or likely partnership with, the Arts Council's efforts to build a new arts center and/or explore options for improving the quality and number of cultural facilities available for use in the Flagstaff area.

The feedback provided by those stakeholders and constituents has helped to shape the final version of this document. The feedback has been that the Arts Council's Recommended Plan of Action (below) is the right start to achieving quality cultural facilities to serve Flagstaff's growing population.

While the proposal by ArtsMarket for a facility on Phoenix Avenue drew some interest, especially from Northern Arizona University, most responses indicated that the location had too many challenges (inadequate parking, inadequate square footage) to support an arts center. While these stakeholders have not outright endorsed the Arts Council's plan, the feedback was that it was the appropriate first step – and that a steering committee and the Leadership Council, a group chaired by the Mayor which includes elected officials and community leaders, can continue to shape this plan as it progresses and events merit.

This document has two sections:

- The Arts Council's cover report which provides a Recommended Plan of Action and responses to the recommendations provided by the consulting firm ArtsMarket (pages 1-11).
- The draft feasibility study report produced by ArtsMarket as well as some additional documents presented during their work (pages 12-end).

EXECUTIVE SUMMARY

Flagstaff has an excellent opportunity to expand its cultural facilities to meet the needs of a rapidly growing community. Flagstaff lags behind other communities of similar size when it comes to quality venues for arts, culture and science. Given Flagstaff's rapidly growing population and tourism-based economy, quality venues for cultural activities are more essential than ever to serve its residents and visitors.

The consultant ArtsMarket began working on a proposed path to supporting new infrastructure for arts, culture and science in late fall 2017 through February 2018. The concept was simple yet powerful. The consultant stated that most communities find greater success when expanding their vision for arts and culture to include more stakeholders and constituents rather than attempting to realize a limited capacity single venue. The consultant put together an initial concept for this in December that was discussed and presented to groups in January. It received positive response.

The attached draft report from ArtsMarket is unaltered from what was provided to the Arts Council and other community members in April 2018. Additionally, other unaltered documents from the consultant are attached that show the proposal that had taken shape in the first eight months of the study.

The attached Funding Model Hypothesis is of primary interest going forward. It presents a plan that includes private sector funding through naming gifts, a new proposed City tax, and the City's proposed sale of the property where Theatrikos is currently located. Additional support could be sought from the County (per the consultant's latest draft in April).

While the consultant's proposal in January recommends the Orpheum Theater, and the proposal in April recommends the property on Phoenix Avenue that is owned by the City of Flagstaff, the Arts Council does not believe either property is ideal at this time for an expanded vision to support Flagstaff's need and demand. Therefore, the Arts Council is not yet recommending a location for a proposed new arts center.

The recommendation by the Arts Council is to pursue a community-wide initiative based on the consultant's findings from January 2018, when the majority of research and community input had been completed. The approach will be to build a coalition of arts, culture and science organizations in the community to champion funding for improvement of cultural facilities.

With 40+ organizations working together to advocate for improvement of facilities and funding for arts, culture and science, the grassroots reach of their combined constituencies will have a major impact on the community and specifically voters in the City of Flagstaff.

RECOMMENDED PLAN OF ACTION

The Arts Council, using data collected by the consultant, input from community stakeholders, and a model proposed by the consultant, recommends the following plan of action to achieve the desired result of a new arts center and improved infrastructure for the cultural sector to serve residents and visitors to Flagstaff.

1. The Arts Council will convene the coalition of arts, culture and science non-profit organizations in Flagstaff. This coalition will form a steering committee to lead the effort moving forward. They will work alongside the Leadership Council, a group chaired by the Mayor which includes elected officials and community leaders.

2. The focus of the effort will be to support the entire sector, working with four primary campuses in the cultural sector rather than seeking a single facility to house nearly a dozen non-profit organizations. The consultant discussed this approach with three of the organizations listed here; the Arts Council has discussed it with all four.
 - a. Lowell Observatory. Mars Hill expansion efforts are already underway and will likely include the Flagstaff Shakespeare Festival as well as other performing arts organizations that need a dedicated venue.
 - b. Museum of Northern Arizona. The world-renowned Museum also has an expansion plan for the long-term with new performing arts space and other infrastructure development. Additional smaller non-profit organizations will be housed here.
 - c. The Arboretum at Flagstaff. The road to the Arboretum will be paved under this initiative, allowing for greater visitation and increased revenues to support growth and possibly house other smaller non-profit organizations.
 - d. A New Arts Center, location to be determined. It would house the current programming at the Coconino Center for the Arts (produced by many agencies), Theatrikos Theatre Company, and events produced by the Flagstaff Symphony Orchestra, the Master Chorale of Flagstaff, Flagstaff Youth Chorale, and others.
3. The Arts Council will explore the development of a business plan for potentially splitting its operations into two organizations. The potential plan could include two separate non-profit organizations:
 - a. A new cultural non-profit organization would be created to handle the public programming currently produced by the Arts Council, including art exhibitions, concerts, the Navajo Rug Auction, youth programs, and artistic workshops.
 - b. The Arts Council will reduce its scope of programming to retain only those functions that provide support, promotion and funding directly to cultural sector organizations. These include the Art & Science Fund grant program, Flagstaff365.com, First Friday ArtWalk, the Viola Awards, and the ArtBox Institute.
4. The coalition will develop and test a funding model that supports this entire arts, culture and science sector rather than a model for a single facility. This may include:
 - a. A community-led campaign for public funding through a petition-based ballot initiative to raise capital and operating funds for cultural facilities as stated in item 2 above.
 - b. Private funding campaign including naming gifts and capital campaigns to support these four venues over a period of ten to fifteen years.
 - c. Sale of properties to support consolidation to these four venues, including the City of Flagstaff's sale of Theatrikos' current location and the County's sale of the Coconino Center for the Arts' current location, which would be contributed to the effort.
 - d. Grants and other federal or tax incentive programs for funding.

5. The funding mechanism will be modeled to provide adequate resources for new and expanded facilities as well as endowments and base operating capital. In turn, the four agencies that serve as hosts will reduce or be removed from funding from the current City-funded Art & Science Fund grant program, thereby increasing the availability of funds for all other cultural organizations.
6. The timeline for this work shall begin in early 2019. A ballot initiative can be put forward during either City of Flagstaff election in November 2020 or 2022.

CONSULTANT'S DATA AND DRAFT REPORT

The above Executive Summary and Recommended Plan of Action is built from data provided by the consultant ArtsMarket, hired in August 2017 by the Arts Council to serve as an independent consultant for the purposes of providing an independent opinion based on data regarding cultural facility improvements in Flagstaff. The agreement for services between the Arts Council and ArtsMarket was terminated in April 2018. ArtsMarket provided a draft report, attached here in full, which is unaltered.

ArtsMarket states in their draft report that “this feasibility study was jointly funded and sponsored by the City of Flagstaff, Coconino County, and the Arts Council.” It is important to recognize that this study was commissioned by the Arts Council alone. The agreement for conducting the study was between two entities: the Arts Council and ArtsMarket. While the Arts Council sought and received funding from several partners including the City and County, these funders were not parties to the Agreement nor the study.

For these purposes, it is most important to note that ArtsMarket’s reliance on conversations with a few community leaders rather than substantiated and thoroughly tested data led to a recommendation that would not be feasible or realistic for this community. In the following section, the Arts Council outlines these items for clarification and addresses certain sections of ArtsMarket’s draft report for clarity.

EVALUATION OF DRAFT SUMMARY OF CONSULTANT RECOMMENDATIONS

ArtsMarket’s assessment of the current operations at the Coconino Center for the Arts does not match with actual operations. Despite several meetings with staff and Board at the Arts Council which manages the Center, ArtsMarket did not accurately assess its programming. ArtsMarket states in its draft report that the Center hosts rentals “but the Center is largely used exclusively by the Flagstaff Arts Council.” In reality, of the 200+ events at the Center each year, less than 50 are produced by the Arts Council. The 200-seat performing arts space in particular is used mostly by outside entities and individuals.

The galleries are used primarily in collaboration with artists and organizations to jointly produce art exhibitions with the Arts Council as producing partner. In ArtsMarket's recommendation for a new building, they propose a new art gallery of 800 square feet. The Arts Council is currently operating three gallery spaces, one of which is 4,000 square feet by itself. The exhibitions and events produced in this space are a large part of the draw for Arts Council audience members and donors. Therefore, a move to a gallery space so small would be detrimental to the Arts Council's operations and revenue.

In the Summary of Consultant Recommendations, ArtsMarket lists several items by number. We will address these herein for clarification and correction. The ArtsMarket recommendation is in *italics*.

1. *Flagstaff needs a new and more useful center for the arts, in a central location with parking and easy public access. Compared to cities of similar size, including cities that are home to universities offering many excellent facilities, Flagstaff lags behind. This is a cultural issue, quality of life issue, and economic issue.*

Arts Council response: The Arts Council agrees with this assessment by the consultant.

2. *To access capital for a facility, the project will need to be led by economic development and civic leaders, supported by the arts organizations or their leaders. To reduce capital costs to a viable level for the community, it is most likely that an existing building would need to be modestly repurposed. To identify capital solutions, location must be narrowed to geographic zones in Flagstaff that offer economic development incentives and credits. To win the interest of statewide corporate funders as well as local supporters, the project must be put together by a real estate trust or economic development entity and the eventual building may be owned by investors and the City. It is unlikely that the building would be owned by a nonprofit arts organization. The project lead entity will be charged with putting the investment and coalition of civic donors together.*

Arts Council response: In January, the consultant laid out a plan for arts organizations to work together to acquire naming rights and "buy a seat" funding for a new facility. The consultant stated while it would be a challenge, "if it is phased over 10 years, this can be doable" by participating arts organizations. See the attached Funding Model Hypothesis. Below, the consultant states that "to win the interest of statewide funders as well as local supporters," the project should be led by an organization not based in the arts, but provides no evidence or data to back up this assessment.

3. *These conditions lead to the consultant team recommendation to repurpose and expand the city-owned building at 216 W. Phoenix Avenue. The building is structurally sound and will shortly become available. It is likely that the proposed transportation hub will also be located along Phoenix Ave. Based on records at the County Assessor's Office, the building is 22,000 square feet. It is feasible to expand it by another 11,000 square feet, for a total of 33,000 square feet.*

Arts Council response: While this location may be feasible, there are several barriers to success that went unaddressed by ArtsMarket, including a considerable lack of parking that the consultant stated in its January Powerpoint was crucial to local residents. The consultant originally sought to work with the Orpheum Theater but changed to the location at Phoenix Avenue without vetting the concept with arts sector leaders, Arts Council leadership, or through the public forums at the Coconino Center for the Arts in April.

- 4. The building is located within a federally designated economic Opportunity Zone, and is eligible for New Market Tax Credits, which when combined will dramatically lower capital costs. The combination of these credits could offset capital costs by up to 36%. Opportunity Zones are brand new, and negotiating the complexities of combined new market and opportunity zone credits requires expertise, which will require expertise.*

Arts Council response: This recommendation is somewhat viable but needs further testing when including organizations in the venue's programming scope that the consultant removed from this concept (see item 11 below).

- 5. Capital costs have been estimated at a range of \$8.4 million for the existing facility only up to \$12.6 million for the expanded 33,000 square foot facility with the elements presented here. Operating costs have been estimated at \$833,000 not including any programming. Programming has been assumed to be done by resident organizations and renters.*

Arts Council response: This assessment bears out with the proposed location.

- 6. To be feasible in securing capital and viable to all prospective users in operations, the Facility must be managed by an existing or new entity outside of the arts, such as ECoNA. This entity should be entrusted with the planning and capitalization, hire a management and operations staff that reports to the management entity with the additional interface of a civic advisory board.*

Arts Council response: When separately investigated by the Arts Council, this opinion by the consultant does not match with community input for the leadership of a new venue (see item 14 below).

- 7. With the use of Opportunity Zone and New Market credits, a capital pro forma could look like this:*

City: Building

County: \$400,000 or the value of the current Coconino Center/land

New Market and OZ Credits \$4.9 M

Investments \$4.9 M

Major Gifts/Grants \$2 M
Other grants \$600,000

Arts Council response: While this may be a funding model worth pursuing, it would require an institution with the buy-in to do the necessary fund raising. ECoNA, though recommended by the consultant, is not willing to do this work. With no other organization identified, the work would fall back to arts, culture and science organizations.

8. *At full operations, the Center will be home to between 8-10 resident organizations, will serve as an incubator for as many as 4 additional organizations, and will provide as many as 302 performance events a year and as many as 24 exhibitions a year. It will serve as many as 190,000 people per year.*

Arts Council response: This is likely tested as a result of the consultant's survey of local arts organizations. It could be correct but misses the contribution of Theatrikos and other organizations, which makes it unlikely to meet the full demand in the community (see item 11 below).

9. *It is the joint recommendation of the Mayor, County Administrator, EcoNA and other leaders that a joint planning meeting be held to advance this shared concept rather than individual presentations to City Council and County Supervisors, to be facilitated by the study consultant.*

Arts Council response: When separately investigated by the Arts Council, this is not the joint recommendation of the individuals listed as stated by ArtsMarket. No evidence or signed statements were provided by the consultant to show this as a formal joint recommendation.

10. *The University has major, high quality arts facilities and public programs. Arts patrons surveyed who seek a venue to house more touring arts – Broadway plays, major artists – in effect have such a facility, but the University does less of the desired programming than in the past. This can once again be addressed by the University. The University's recital hall, currently under construction, will be an acoustically fine facility for music, and it will significantly free up Asher Hall [sic]. There were many University-related concerns voiced by arts organization representatives – both board members and staff executives - concerning the cost of the University facilities, parking, ability to afford the facilities, scheduling, and overall accessibility. These are long standing concerns, but are best discussed directly between the University and its resident arts groups.*

Arts Council response: The Arts Council agrees with this assessment by the consultant.

11. *At this writing, at least two of the organizations that had sought space within a shared facility no longer seek such space. Flagstaff Shakespeare Festival has actively moved*

forward with its own plans for a “Globe Theatre” facility in Flagstaff. Theatrikos has concerns over sharing space as compared to exclusive use of its own space.

Arts Council response: Upon separately investigating this item, the Arts Council found that the two organizations listed herein disagree with this assessment. Leadership at Theatrikos informed the Arts Council and the consultant that in every meeting with ArtsMarket they strongly stated their desire to participate in a new facility. Flagstaff Shakespeare Festival has made initial plans for its theater on Mars Hill at Lowell Observatory, but continues to have a keen interest in participating in the Arts Council’s recommended plan of action stated above.

12. *Money is an issue. The arts organizations interested in the proposed new facility have no capital campaign capacity, and little demonstrated capacity to increase annual donations. Bond financing appears unlikely. Other dedicated public revenue mechanisms that were tested proved unviable. This limits size and building program and establishes the perimeters of what is feasible in capital development approach, location, and operating model.*

Arts Council response: While this is partly true, the consultant does not cite accurate information to support this conclusion. The Arts Council in particular has seen annual giving from donors rise every year, with a current high percentage increase in the current fiscal year (private sector contributions to the Arts Council have risen from \$244k last year to \$355k this year). The Arts Council has never attempted a capital campaign, and is not currently ready for one. However, the consultant, in meetings with the Arts Council Board from August 2017 through January 2018, stated that the Arts Council could indeed take steps to prepare for such a campaign and provided the organization with documents in regards to this. The consultant encouraged the Board to take several steps toward this goal; some of them have been accomplished to date.

13. *The Phoenix Avenue facility would be able to include the following (or variations of) within the existing and expanded footprints.*

Arts Council response: These concepts are likely accurate for some of the need that exists, but as stated in item 11 and elsewhere, the consultant did not include the full programming scope.

14. *The need for a center such as this is not widely known or discussed in Flagstaff. An initiative to raise funds through any sort of a traditional campaign will require many informational meetings and discussions with donors. This should be done by a project leader who is well known in the community and whose expertise is economic development rather than the arts or sciences.*

Arts Council response: While the need for participation by leaders and institutions outside of the arts and sciences will be essential for the success of a project, the

consultant's assessment here has not been affirmed by many leaders in the community by the Arts Council. Specifically, John Stigmon of ECoNA confirmed that ECoNA could not and would not lead such an effort; his opinion is that the Arts Council is the right organization to lead the effort.

Further, the consultant's document from a Powerpoint presentation (attached herein) to community leaders in January represent a different path forward. Specifically, page 5 of the Powerpoint presentation shows that survey data supports that over 70% of Flagstaff residents support the need to plan for new cultural facilities. The consultant's statement that "the need for a center such as this is not widely known or discussed in Flagstaff" is not supported by this or any other provided data.

15. *The Arts Council should be a tenant in the building along with its colleague organizations.*

Arts Council response: In meetings throughout the first six months of its work, the consultant made clear to staff and Board of the Arts Council that "the Arts Council is the only agency that can lead this effort." This was after Mr. Tannous, former Executive Director of the Arts Council, suggested to the consultant that another arts organization could take the lead on this project, or a new entity created altogether.

16. *In continuing to facilitate and support a new center, the Arts Council's role should be clarified and focused on traditional arts council scope and priorities, and it must build a higher level of trust and respect with civic leaders and arts groups alike. As the funder, it makes decisions about the disbursement of grants to colleague organizations, while it also competes with local organizations as a presenter and as operator/renter of the Coconino Center for the Arts. By and large, throughout the USA and around the world, arts council do very little to no presenting, especially any that would compete with local arts organizations that councils exist to further. Any presenting activities are often focused, instead, on youth programming especially to underserved schools and populations. Being both a grant maker and facility rental landlord poses additional situations for perceived or real conflicts of interest: these were raised throughout the process by arts organizations and funders alike. If the Council, upon moving into a shared facility, seeks to be a presenter, the City should identify a new neutral grant maker for the BBB funds to the arts. This would also make the Council itself eligible for receipt of a BBB grant.*

Arts Council response: While this assessment is not entirely incorrect, there are some errors that are surprising given the consultant's knowledge of the larger arts industry. For one, arts councils across the country do engage in programming and sometimes in programming that may be considered in "competition" with local agencies. One need only look as far away as Scottsdale, Arizona, where Scottsdale Arts is perhaps the lead programming provider in the arts sector. They operate the Scottsdale Museum of Contemporary Art and the Scottsdale Center for the Performing Arts while also being

the lead agency that administers a grant program with funding from the City of Scottsdale.

It should be noted that much of the Arts Council's programming (large scale art exhibitions that can't be housed in other local venues, specific music niches, and youth programming) provides the kinds of experiences that cannot be found elsewhere in Flagstaff by other non-profit organizations.

That said, the Arts Council acknowledges that some in the community perceive a conflict of interest given the role of the Arts Council in both providing grant funding and programming to the community. Therefore, the Arts Council's recommendation listed above is for the organization to consider a separate non-profit agency to handle public programming.

PAGE 17 – FINANCING AND FUNDING MECHANISMS

The consultant states that "many funding and financial mechanisms were tested through this study." The consultant's "testing" method seemed to be based on conversations with a few community leaders rather than hard data or research. The Arts Council sought a professional data-driven study that focused on the actual feasibility of different funding methods supported by demographics, survey data, and focus groups where actual proposed funding methods were proposed. While some of these activities happened, they did not include the testing of funding methods.

Further, in the bullet points at the top of page 17, ArtsMarket fails to address the one funding concept that generated the most excitement amongst leaders in the arts and science sector. The consultant proposed that a ballot proposal be put forward by City Council to add a small tax increase to support cultural facilities. This was proposed to the Mayor and a couple of other community leaders. Staff and elected officials at the City did not think it would be likely that City Council would vote to place a tax on the ballot but that it would likely not be opposed to a community initiative that placed the item on the ballot by petition. The Arts Council believes that this concept could be tested via a survey of local voters and by proposing the concept to focus groups or through a public forum. The consultant did not test this funding mechanism in this manner.

The consultant goes on to state that leaders in the community don't believe in the Arts Council to lead this effort. This, of course, is difficult to test, but in our conversations – the same methodology used by the consultant – this doesn't hold true. The consultant states that "The Council raises about \$35,000 in memberships and contributions" to indicate its inability to raise funds necessary for new facilities. In reality, the Arts Council raised \$244,862 in private sector contributions and membership in fiscal year 2017, and has already raised over \$355,000 in fiscal year 2018.

REMAINDER OF CONSULTANT DRAFT REPORT

The data and charts showing survey results will prove useful in developing a viable, data-driven concept for facilities in future plans. Many of the consultant's recommendations for the Phoenix Avenue building can be repurposed and developed for that site or other locations, once all participants are included and more thorough testing is conducted on funding mechanism options.

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FEASIBILITY REPORT FOR A CULTURAL ARTS CENTER, FLAGSTAFF

Confidential Draft Copy

April 25, 2018



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DRAFT VERSION

Executive Summary

Key Point Take-Away

There is an exciting path forward to a new cultural arts center for Flagstaff and Coconino County. It will require a lead entity that is focused on economic development, and the close working partnership of the City of Flagstaff and Coconino County, along with the University, Private Sector Leaders, the Community Foundation, the DBA, Chamber, Tourism and leading state and local corporations. Community demand and economic interest, above than the needs of the arts, will need to drive the project forward.

To make the project financially viable, the Center must be located in an economic opportunity zone with the availability of New Market Tax Credits and other economic credits. The project must be financially viable through use of available and existing infrastructure. If the property is within a newly designated Economic Opportunity Zone and is applicable for New Market Tax Credits, cost savings of nearly 40% can be realized. This may mean that all of a part of the building development may be done through something like a real estate investment trust or community economic development investment trust (the new model applicable to Opportunity Zones) as compared to a traditional capital nonprofit structure.

To win community support, the Center must be located in a traditionally underserved area of the community, and it must offer significant services to the typically underserved neighborhoods.

The consultants have studied multiple sites, and recommend the City-owned warehouse at 216 W. Phoenix. It is 22,000 square feet, and an additional 10,000 square feet can be added to the building. It is structurally sound, just misses the 500 year flood zone, and has the high ceilings and wide open space that lends itself to an arts center. The secondary or optional space, which may offer similar opportunities, would be the City owned property at Phoenix and San Francisco. Expansion capacity of this facility has not yet been examined.

Multiple performance, gallery, studio, classroom and public spaces can be fit into this building. It can house a café and retail store. It is directly across the street from the new student housing, lending itself to a young audience. It can serve as a hub for the South Side.

Making the project work will be a challenge. There are many moving pieces: assembling the economic development team and city-county partnership, structuring the credits, finalizing how the credits can leverage matching funds, and more. The complexity of this has led the consultants to recommend that the two government entities identify an economic development agent to lead the project forward.

Introduction: About the Study

This feasibility study was jointly funded and sponsored by the City of Flagstaff, Coconino County, and the Flagstaff Arts Council for the purpose of determining need in a larger multi-function center for the arts. The Coconino Center for the Arts is owned by Coconino County, which is currently in the process of consolidating its properties with the potential of selling some, possibly including the Center. This provided some sense of urgency for the study.

The current center lacks many features. It is not air conditioned, and the theatre portion (seating 200) does not have a backstage, wing space, or capacity for sets to be used flexibly throughout a performance. There

is one large gallery that lacks partitions (4000 square feet) and one very small gallery (200 square feet), making it difficult to hold multiple exhibitions at the same time. Offices are very small and scattered throughout the building, making operations challenging. There are some rentals for performances, but the Center is largely used exclusively by the Flagstaff Arts Council.

Over the past few years, the Arts Council has floated the concept of a centrally located home for multiple arts organizations, in meetings with arts organizations and individual artists. Prior to this study, it hosted needs assessment round tables and discussed co-development of space with some groups. It investigated a number of potential properties.

This study began with a needs and capacity assessment of the existing arts organizations, as well as assessment of facilities operated and being developed by Northern Arizona University, a review of the many auditoria within the Flagstaff Unified School District, and review of other existing venues including the Orpheum. The consultant met with staff executives and board leaders from each nonprofit arts organization that would potentially utilize a shared space. Additional meetings were held with the executive leaders of numerous other cultural, scientific, economic development, recreation, educational and service organizations. Meetings were held with prospective donors and funders, both in Flagstaff and Phoenix. The presidents of NAU and Coconino Community College were interviewed. Round tables and focus groups were held with performing arts attenders, gallery/visual arts attenders, Arts Council members, parents with children who study the arts, representatives of the Native American arts community, and neighborhood representatives from neighborhoods throughout the City. Individual interviews were held with all city council and county commission members and with the Mayor and County Manager, and numerous meetings were held with City staff. Meetings were also held with the Chamber of Commerce, Tourism Commission, ECoNA, and the Economic Development Working Group.

At the request of numerous interviewees, an independent working group consisting of public sector and private sector leaders, educators, and economic development and planning specialists was convened and reviewed needs and the comparisons of arts facilities in Flagstaff as compared to cities of comparable size.

Three surveys were conducted on-line. There was a detailed space needs and use survey of arts organizations that might use the space. An additional survey of individual artists was requested by the Arts Council. An interest poll was conducted, distributed to the e-mail lists of all participating arts organizations and posted on the Arts Council web site.

The consultant team's architect worked with the feasibility consultant to determine the viability and cost of adapting some of the available facilities into an arts center; reviewed the space needs as put forward by the arts organizations; and worked with the consultant to develop a facility program/space strategy that would potentially address many of the projected needs while remaining economically viable.

Financial capacity was a significant issue throughout the study, as two of the organizations most heavily invested in evaluating new space options – the Arts Council and Theatrikos – receive in-kind space. Neither has a history of major capital campaigns, and each receives modest annual contributions. The initial concept for space that had preceded the feasibility study was that it would be financed through a potential bond issue that arts leaders believed would have broad support. Bonds are financing mechanisms, however, that require funding strategies that are usually derived from taxes – either property taxes, sales/use taxes, or tourism tax. Upon review, it also became clear that many entities, including City and County government, had determined their own need for bond financing: an arts facility was not in the forefront. Various other

public funding concepts were developed by the consultant for review throughout the process, including a joint funding mechanism for the capital needs of the Arts Council, Arboretum, and the Museum of Northern Arizona, none of which proved workable.

The study investigated the ability and conditions by which the many interested arts organizations would work together under a shared roof in areas of funding, programming, education, and exclusive use space requirements as compared to shared space use.

As the process moved forward, community leaders were able to identify a facility and site well suited to become the type of center most needed by the arts community, in a location that makes possible several important financing and funding streams. The consultant developed a business plan, including how to move forward with this proposed site, and for operations. This includes a capital funding strategy and a pro forma operating budget. The pro forma operating budget is based on facilities similar to the proposed building that serve as home for multiple organizations.

Summary of Consultant Recommendations

1. Flagstaff needs a new and more useful center for the arts, in a central location with parking and easy public access. Compared to cities of similar size, including cities that are home to universities offering many excellent facilities, Flagstaff lags behind. This is a cultural issue, quality of life issue, and economic issue.
2. To access capital for a facility, the project will need to be led by economic development and civic leaders, supported by the arts organizations or their leaders. To reduce capital costs to a viable level for the community, it is most likely that an existing building would need to be modestly repurposed. To identify capital solutions, location must be narrowed to geographic zones in Flagstaff that offer economic development incentives and credits. To win the interest of statewide corporate funders as well as local supporters, the project must be put together by a real estate trust or economic development entity and the eventual building may be owned by investors and the City. It is unlikely that the building would be owned by a nonprofit arts organization. The project lead entity will be charged with putting the investment and coalition of civic donors together.
3. These conditions lead to the consultant team recommendation to repurpose and expand the city-owned building at 216 W. Phoenix Avenue. The building is structurally sound and will shortly become available. It is likely that the proposed transportation hub will also be located along Phoenix Ave. Based on records at the County Assessor's Office, the building is 22,000 square feet. It is feasible to expand it by another 11,000 square feet, for a total of 33,000 square feet.
4. The building¹ is located within a federally designated economic Opportunity Zone, and is eligible for New Market Tax Credits, which when combined will dramatically lower capital costs. The combination of these credits could offset capital costs by up to 36%. Opportunity Zones are brand new, and negotiating the complexities of combined new market and opportunity zone credits requires expertise, which will require expertise.
5. Capital costs have been estimated at a range of \$8.4 million for the existing facility only up to \$12.6 million for the expanded 33,000 square foot facility with the elements presented here. Operating costs have been estimated at \$833,000 not including any programming. Programming has been assumed to be done by resident organizations and renters.

¹ Or the other city owned building at Phoenix and San Francisco.

6. To be feasible in securing capital and viable to all prospective users in operations, the Facility must be managed by an existing or new entity outside of the arts, such as ECoNA. This entity should be entrusted with the planning and capitalization, hire a management and operations staff that reports to the management entity with the additional interface of a civic advisory board.
7. With the use of Opportunity Zone and New Market credits, a capital pro forma could look like this:

City:	Building
County:	\$400,000 or the value of the current Coconino Center/land
New Market and OZ Credits	\$4.9 M
Investments	\$4.9 M
Major Gifts/Grants	\$2 M
Other grants	\$600,000

Based on this location, a BID or similar district financial mechanism could be employed to meet the financing obligations.

8. At full operations, the Center will be home to between 8-10 resident organizations, will serve as an incubator for as many as 4 additional organizations, and will provide as many as 302 performance events a year and as many as 24 exhibitions a year. It will serve as many as 190,000 people per year.
9. It is the joint recommendation of the Mayor, County Administrator, EcoNA and other leaders that a joint planning meeting be held to advance this shared concept rather than individual presentations to City Council and County Supervisors, to be facilitated by the study consultant.
10. The University has major, high quality arts facilities and public programs. Arts patrons surveyed who seek a venue to house more touring arts – Broadway plays, major artists – in effect have such a facility, but the University does less of the desired programming than in the past. This can once again be addressed by the University. The University’s recital hall, currently under construction, will be an acoustically fine facility for music, and it will significantly free up Asher Hall. There were many University-related concerns voiced by arts organization representatives – both board members and staff executives - concerning the cost of the University facilities, parking, ability to afford the facilities, scheduling, and overall accessibility. These are long standing concerns, but are best discussed directly between the University and its resident arts groups.
11. At this writing, at least two of the organizations that had sought space within a shared facility no longer seek such space. Flagstaff Shakespeare Festival has actively moved forward with its own plans for a “Globe Theatre” facility in Flagstaff. Theatrikos has concerns over sharing space as compared to exclusive use of its own space.
12. Money is an issue. The arts organizations interested in the proposed new facility have no capital campaign capacity, and little demonstrated capacity to increase annual donations. Bond financing appears unlikely. Other dedicated public revenue mechanisms that were tested proved unviable. This limits size and building program and establishes the perimeters of what is feasible in capital development approach, location, and operating model.
13. The Phoenix Avenue facility would be able to include the following (or variations of) within the existing and expanded footprints.

"The Flagstaff Center for Arts and Science", Phoenix Ave, Flagstaff – may work with either facility on Phoenix Ave.							
Possible Within Existing 22,000 Square feet				Possible within Expanded Footprint approx. 33,000sf			
Program	Number	Sq. Ft.	Seating	Program		Sq. Ft.	Seating
Black Box Theatre	1	2,250	150	Flex/Black Box Theatre	1	3,000	250
Music/Film Theatre	1	1,875	150	Music/Film Theatre	1	3,500	320
Lobby	1	1,000	-	Lobby, may be used as function space	1	1,500	100
Green Room	1	200		Green Room	1	200	
Piano Storage	1	100		Piano Storage	1	200	
Instrumental Storage	1	200		Instrumental Storage	1	200	
Theatre and Exhibit Tech Space/Fabrication Space	1	1,000		Theatre and Exhibit Tech Space/Fabrication Space	2	1,500	
Box Office	1	150		Box Office	1	150	
Restrooms	2	320		Restrooms	4	700	
Coat Room	1	250		Coat Rooms	1	250	
Rehearsal Rooms, dance, music and theatre	3	4,800	105 each room if used for meetings	Rehearsal Rooms, dance, music, and theatre	3	5,400	120 each room if used for meetings
Visual Arts Classrooms	3	2400	70 each room if used for meetings	Visual Arts Classrooms	3	3,600	90 each room if used for meetings
Gallery (Enclosed, with additional exhibit gallery in lobby)	1	800	50 if used for meetings	Galleries, enclosed, with additional exhibit gallery in lobby	3	3,000	65 each room if used for meetings
Retail cases at box office	1	0		Retail shop, enclosed	1	375	
Office space, cubicles	1	1,600	16	Office space cubicles, enclosed offices, conference room, workroom	1	2,000	16-20
Café/Bar	0			Café/Bar	1	1000	40
Multiplier at 25%		4236		Multiplier at 25%		6643	
TOTAL		21,181		TOTAL		33,218	

14. The need for a center such as this is not widely known or discussed in Flagstaff. An initiative to raise funds through any sort of a traditional campaign will require many informational meetings and discussions with donors. This should be done by a project leader who is well known in the community and whose expertise is economic development rather than the arts or sciences.
15. The Arts Council should be a tenant in the building along with its colleague organizations.
16. In continuing to facilitate and support a new center, the Arts Council's role should be clarified and focused on traditional arts council scope and priorities, and it must build a higher level of trust and respect with civic leaders and arts groups alike. As the funder, it makes decisions about the

disbursement of grants to colleague organizations, while it also competes with local organizations as a presenter and as operator/renter of the Coconino Center for the Arts. By and large, throughout the USA and around the world, arts council do very little to no presenting, especially any that would compete with local arts organizations that councils exist to further. Any presenting activities are often focused, instead, on youth programming especially to underserved schools and populations. Being both a grant maker and facility rental landlord poses additional situations for perceived or real conflicts of interest: these were raised throughout the process by arts organizations and funders alike. If the Council, upon moving into a shared facility, seeks to be a presenter, the City should identify a new neutral grant maker for the BBB funds to the arts. This would also make the Council itself eligible for receipt of a BBB grant.

DRAFT VERSION

Recommended Building and Site

During the course of the feasibility study, numerous buildings and sites have been recommended and toured by the consultant. Some of these are no longer available, while others are not suitable because of lack of necessary square foot capacity, lack of parking, or location in a neighborhood or area of Flagstaff considered inaccessible by many.

One site stands out as a tremendous opportunity and is the recommended site out of this study. It is 216 West Phoenix Avenue. The City of Phoenix owns this building. There is potential that a new transit hub will be created along Phoenix, making this building easily accessible to the community. The building is currently 22,000 square feet and is structurally sound. There is ample room to add on to the building to bring it to approximately 32,000 square feet. There is a loading dock, as well as a parking lot. The building is adjacent to the Railroad tracks but is already quite sound-proof and can become more-so.

216 W. Phoenix. (Layout for the Phoenix/San Francisco building will be added)



View of building and surrounding parking, and concept view of additions that could be made to the building.



Of particular importance to the viability of financing a cultural center in Flagstaff, the building is located within a federal Opportunity Zone. It is also eligible for New Market Tax Credits.

The new tax reform legislation, the Tax Cuts and Jobs Act (TCJA), created a significant new economic development tool alongside a meaningful tax deferral and abatement mechanism, called “Qualified Opportunity Zones.” The new provision provides a flexible deferral mechanism for short and long-term capital gains for current investments in nearly all asset classes. Essentially, this creates a mechanism highly attractive to prospective donors, who in essence become investors into the project. If a prospective donor or supporter wishes to defer capital gains that would be realized on the sale of a property, that donor may place the receipts into a qualified opportunity fund. That opportunity fund can in turn invest in the redevelopement of a building within the opportunity zone, while the investor receives a step-up in tax basis equal to 10 percent of the original gain.

“Qualified opportunity funds” will be determined by the Community Development Institutions Fund of the Treasury Department in a process similar to allocation of New Markets Tax Credits to “community development entities.” The “qualified opportunity funds” must maintain at least 90 percent of assets in “qualified opportunity zone property,” including investments in “qualified opportunity zone stock,” “qualified opportunity zone partnership interest,” and “qualified opportunity zone business property.” The qualifications as “qualified opportunity zone stock,” “qualified opportunity zone partnership interest,” and “qualified opportunity zone business property” encompass investments in new or substantially improved tangible property, including commercial buildings, equipment, and multi-family complexes with a common requirement that such investments must be made in qualified opportunity zones.

As with New Market Tax Credits, this will require structuring the building ownership as a partnership. This is a standard procedure for such credits. For example, the City could form a partnership with an investor/group of investors and a developer. The developer would be eligible for receipt of the New Market

Tax Credits, and the investor or group of investors would be eligible for the Quality Opportunity Funds credits.

“The purpose of the NMTC program is the provision of capital infusion through lending and equity contributions into qualifying low-income communities as determined via census tract or through provision of services to targeted populations. **These communities and populations traditionally prove to be difficult to initiate lending or equity investment.** Lenders may be motivated to make senior loans through utilization of NMTC both because of the risk ameliorated status of the borrower due to the transaction’s net benefit and because of the opportunity to obtain necessary credits for the financial institution as required under the Community Reinvestment Act. Through a 39 percent federal income tax credit available over a seven-year compliance period, tax credit investors effectuate capital investment and lending to qualified businesses and projects. Whereas traditional sources of capital may not flow into these low-income communities, the New Markets Tax Credit financings (NMTC financings) allow favorable terms and incentives to boost economic viability for operating businesses, real estate projects, and **not for profit ventures serving these identified communities.** For profit businesses and projects, as well as not for profit organizations, are eligible for NMTC financing. Highly sought-after businesses and organizations include projects anticipated to provide significant community impact. Community impact includes subjective standards and support along with objective measures such as job creation and expansion of previously limited services or offerings.”

Source: <https://www.gtlaw.com/en/insights/2018/1/qualified-opportunity-zones-and-tax-credit-incentives-under-the-tax-cuts-and-jobs-act>

The complex and newly defined (spring 2018) nature of the combined Tax Credits and the Opportunity Zone Funds will require that an official Community Development Entity take on the establishment of the financing mechanism and the development of the facility. The formation of a Investment Trust may be necessary, and investors may be partners in the development. Essentially, this will be a non-traditional capital strategy.

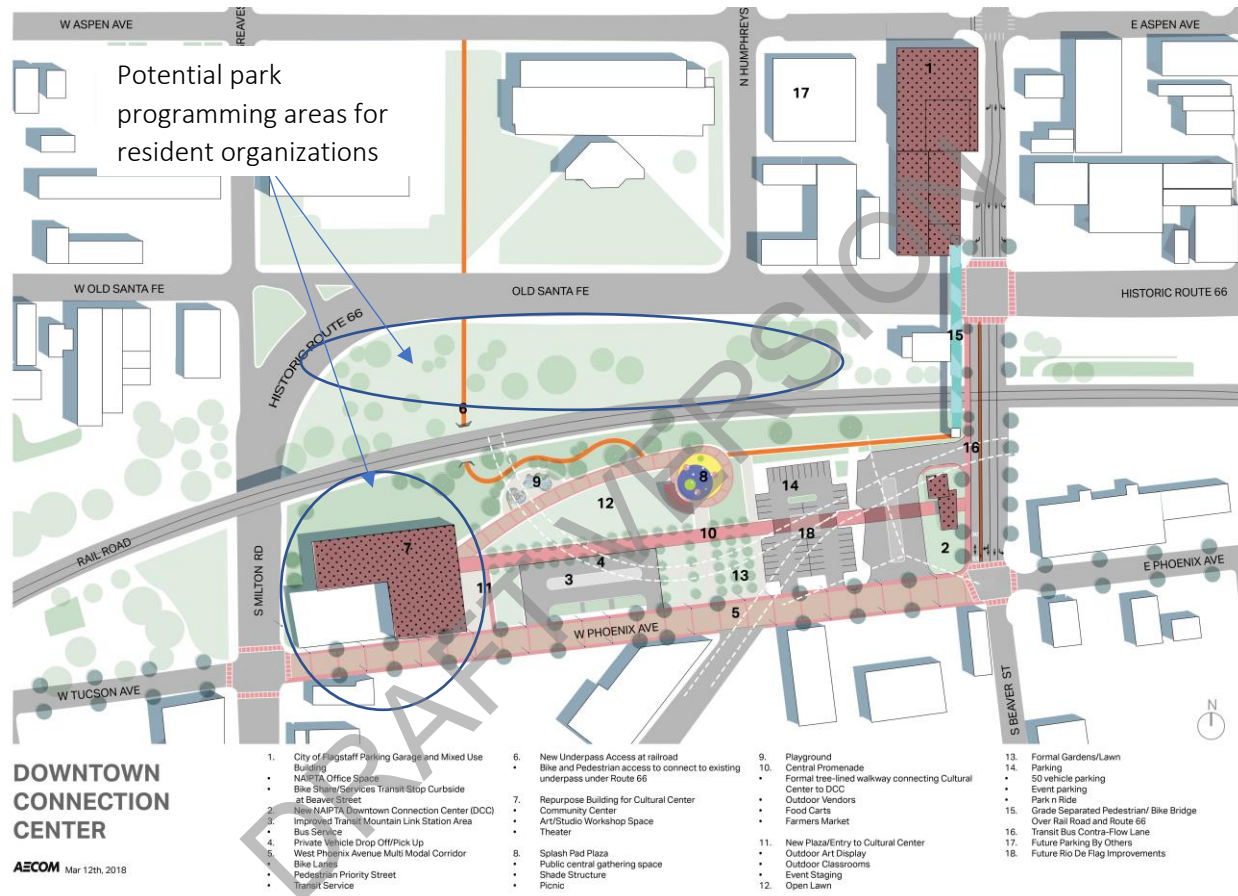
Having this become a project of a Community Development Entity will also advance the project’s ability to secure other grants and contributions. There is no existing arts entity in Flagstaff that has the experience or the ability to garner substantive grant investment for the project. A CDE would be well positioned to work closely with NAIPTA (Northern Arizona Intergovernmental Public Transportation Authority) to apply for federal grants and for major grants from entities such as APS, Arizona Public Service Corporation. This type of entity would also be likely to secure grants from major individual arts-interested donors who may have homes both in the metro Phoenix area and in Flagstaff but who would be unlikely to commit major funds to an arts nonprofit.

The location on Phoenix Avenue within a federally recognized Opportunity Investment Zone requires that the programming going into the building provide service to the South Side community. Several considerations are important in comparing existing programming offered by Flagstaff arts groups and programming.

There was overwhelming input into the study recommending that any arts facility be located in a location considered accessible both in terms of transit and as common ground between historic neighborhoods and ethnicities. The South Side location would provide this. Programming will need to provide this as well, with

every organization that becomes in residence in the building providing a share of its tickets, tuitions, or other fees at a reduced rate.

The desire for retail space, as voiced loudly by Flagstaff artists, would enhance the tourism attractiveness of this building. A small coffee/café/pre-theatre bar space would ideally also be located in the facility, also enhancing the building as a tourist destination. If the planned pedestrian and bike underpass below railroad tracks is developed, the connectivity to Beaver will be easy, and the organizations in residence at the facility would be able to program in the park, perhaps removing some of the wear and tear on Wheeler Park.



Map courtesy of NAIPTA.

The close proximity of this location to new university housing is an added benefit in attracting a young demographic to the facility. Many existing arts organizations that would likely move to the building attract an older, largely white demographic: the opportunity for the building to provide exhibition space for University student art exhibits, to show film and media developed by university students and faculty, and to showcase university performers will have a positive impact on the demographics of the arts in Flagstaff. Ample parking as envisioned for the transportation hub will also be attractive to parents who are seeking significantly more afterschool and summer arts learning offerings for their children.

Additional Building Opportunities

Finally, a major arts hub within the Opportunity Zone would become a potential anchor for additional development that includes the arts. Artist live work space could be accommodated in any development of housing that uses New Market Tax Credits: this, in fact, is how most artist live-work development is put together. A facility such as this could include an additional gallery space and visual arts retail space.

Ideally, an existing building near to the center could be repurposed as a shared costume and set storage and set construction space for all of the resident organizations. Other cities have found that using an off-site low cost building for this purpose reduces the space strain on the higher costing arts facility, while also providing an important benefit for the arts organizations. For example, the Fort Collins DBA owns the Backstage Arts Warehouse there, an industrial building that houses the sets, props, costumes and set design and fabrication space for all the Fort Collins arts groups, charging them minimal rent. The space also serves as extra rehearsal space as needed, and became the foundation for a costume, prop, and set lending coop between the arts groups.

Building Program Elements and Space Use

Project Architect Bill Williams (Engburg Anderson Architects, Tuscon) has provided an initial space use program that the existing building could accommodate, and a space use program that the building plus additions could accommodate. While this does not include every type of space requested by area arts groups, the 33,000 square foot version does include two versatile venues, one a flexible production space and the other a music/film space. This also includes a lobby that could potentially serve as a party venue, and rehearsal rooms that can also serve as meeting spaces along with three gallery spaces, at least one of which could be a venue for functions. (One or two gallery spaces may be designed to meet museum standards and thus not be appropriate for social functions.) The facility could accommodate offices for up to 20 plus workspace/conference room space, as well as a café/restaurant and retail space. Three visual arts or music classrooms are also included.

"The Flagstaff Center for Arts and Science", Phoenix Ave, Flagstaff							
Possible Within Existing 22,000 Square feet				Possible within Expanded Footprint approx. 33,000sf			
Program	Number	Sq. Ft.	Seating	Program		Sq. Ft.	Seating
Black Box Theatre	1	2,250	150	Flex/Black Box Theatre	1	3,000	250
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Piano Storage	1	100		Piano Storage	1	200	
Instrumental Storage	1	200		Instrumental Storage	1	200	

Theatre and Exhibit Tech Space/Fabrication Space	1	1,000		Theatre and Exhibit Tech Space/Fabrication Space	2	1,500	
Box Office	1	150		Box Office	1	150	
Restrooms	2	320		Restrooms	4	700	
Coat Room	1	250		Coat Rooms	1	250	
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Multiplier at 25%		4236		Multiplier at 25%		6643	
TOTAL		21,181		TOTAL		33,218	

Images and Explanations

Arts attendees in Flagstaff who participated in round tables and public meetings for the proposed facility asked that any new facility have a vibe and ambiance that is warm, colorful, and engaging. They want an aesthetic that is warm and that signals cultural diversity. They want public art outside a building. They want well designed, safe parking and indoors they want a café or place for refreshments. They'd like a place where they can go for multiple arts experiences themselves and where they can drop their children off for music or art classes afterschool. They want a space that is accessible to public transportation hubs and is walkable for tourists.



Example of a colorfully repurposed warehouse into the Springfield Center for the Arts, Springfield, MO, with exterior public art and lawn amphitheater. It is home to multiple resident arts organizations.



A former fruit warehouse in Bethlehem, PA was colorfully repurposed into The Banana Factory Arts Center, home for multiple arts organizations.

The Dairy Arts Center in Boulder (housed in a former dairy) contains venues of similar size to what has been evidenced as most needed in Flagstaff.





A 250 seat theatre in the Dairy Center



be used for performances

A rehearsal room in the Dairy Center that can also



the Dairy

An additional flex rehearsal/performance space at



Dance studio at the Dairy Center



A theatrical space and music space in St. Anne's warehouse, Brooklyn, NY



Arts, MA

Rentable lobby and gallery, Hopkinton Center for the

Financing and Funding Mechanisms

Many funding and financial mechanisms were tested through this study. These include the following and variations on these:

- Use of a bond to finance the facility development, paid down through various possible tax/public funding mechanisms.
- Use of a traditional capital campaign for part of the development costs, with bond financing for the balance, financing paid by various possible tax mechanisms
- Exclusive use of a traditional capital campaign by an umbrella entity – the Arts Council.
- A parallel or joint set of traditional capital campaigns by the engaged organizations.

In the end, none of these were found viable. Bonds are much in demand, and there is a long line of projects ahead of the proposed arts center to obtain bond financing. There is also no potential for dedicated revenue streams that would be used to pay down the bond financing.

Private sector funders and economic development specialists, and government leaders alike do not believe the Arts Council is strong enough as an entity to engage in a capital campaign on its own or in partnership with other organizations that may use the space. It does not have the broad base of support required from the funding community. The Council raises about \$35,000 in memberships and contributions.

The likely user or tenant organizations are similarly small and unable to carry out a capital campaign.

This combination of factors would typically have led to a negative finding of feasibility. However, this building's location within an opportunity zone makes possible a series of funding and financing strategies not available elsewhere.

- The building would become a project of a community development entity or investment trust. An entity such as NACOG (Northern Arizona Council of Governments) is already certified to administer federal funds and could be a likely entity to expand into this project.
- The use of a structurally sound, sizable building already owned by the City of Flagstaff makes possible a straightforward partnership between the City and an entity such as NACOG, of which the City is part. Other potential entities involved may be EcoNA, Heritage Trust, or another neighborhood development entity or real estate investment trust.
- The location of the building opens many doors for federal financing and funding.
- An economic development entity at the lead would make this an economic development venture and thus more likely to win grant funding from public and private statewide funders and agencies, and from other federal agencies.
- A community development entity would be well skilled in advancing construction partnerships with investors and in working with lenders including for opportunity zones and New Market Tax Credits. This would also inspire more interest by local donors to provide support. And, it may inspire other entities to join the venture in an equity sharing mechanism

Resulting Financial Assumptions, Capital and Operations

1. City Enters into Joint Ownership Partnership with a Community Development Entity or investment trust.
2. County contributes sale value of the current Coconino Center for the Arts and land parcel, Estimate. \$400,000
3. \$4.9 million in financing via NMTC and Opportunity Zone Credits is obtained.
4. Matched by investment shareholders to \$4.9 million
5. \$2 Million is raised through a capital campaign and potential additional partner equity, with naming rights. Small portion becomes a “buy a brick” public campaign.
6. Through a CDE, the organizations using the building would be encouraged to offer a share of all programming tailored specifically to the needs of the South Side, which in turn opens doors for on-going grant funding from entities such as CDBG Federal funding and other non-arts grant providers.

Economic Value

There are two primary ways to estimate the potential economic value of a center in this location. The first and most significant is its ability to leverage additional sustainable development in the TIF area. This may include mixed use development, additional arts or cultural facilities, or other projects. Insofar as the Center would be filled with people 12 hours a day, virtually every day, it has the ability to bring many people into the neighborhood, making it attractive for new restaurants and retail in the contiguous blocks. Potential connectivity via the proposed pedestrian and bike path will also boost travel that the Center will generate.

Based on the programming estimates offered by prospective user groups, it is possible that the combination of a black box and music/film/lecture venue could create as many as 499 events per year, or an average of 42 events per month. Assuming an average attendance of 300 from two venues and various audience sizes, the estimated event traffic alone would come close to 150,000 a year. If three classrooms are used to teach during approximately 40 educational weeks per year, with 15 students per class, this would add 1,800 students. Exhibitions attract a continuous number of visitors, estimated here at 50 a day for 45 weeks, or 15,750. Event bookings for conferences, meetings, weddings and parties could utilize the lobby space, galleries and more, potentially bringing in up to an additional 15,000 visitors. The rehearsals would bring in about 8,000 a year, estimating 200 individuals, combined, in rehearsals for the various organizations for 40 weeks per year. All told, the space would make possible approximately 190,550 visits per year.

It is possible to predict what the economic value of visitor spending caused by the facility using the baseline data gathered by the Arts Council for its most recent Arts & Economic Prosperity study. By adding up the organizations interested in using the facility, with their baseline audience data as reported in the study, the existing audience for these nonprofits is approximately 80,000. Baseline expenses for the organizations, not including in-kind or regrants through the Arts Council, is approximately \$720,531. This creates the following baseline of just over \$3 million annually.

ARTS & ECONOMIC PROSPERITY 5 CALCULATOR

INSTRUCTIONS

Provide the information below to calculate the economic impact of your organization (or a group of organizations).

Population of your community:

Total Expenses: \$

Total Attendance:

CALCULATE →

RESET →

PRINT →

TOTAL ECONOMIC IMPACT

	TOTAL EXPENDITURES	FTE JOBS	HOUSEHOLD INCOME	LOCAL GOVERNMENT REVENUE	STATE GOVERNMENT REVENUE
ORGANIZATION(S):	<input type="text" value="\$720,531"/>	<input type="text" value="25"/>	<input type="text" value="\$516,880"/>	<input type="text" value="\$25,103"/>	<input type="text" value="\$36,617"/>
AUDIENCES:	<input type="text" value="\$2,355,424"/>	<input type="text" value="57"/>	<input type="text" value="\$1,178,937"/>	<input type="text" value="\$103,733"/>	<input type="text" value="\$137,321"/>
TOTAL:	<input type="text" value="\$3,075,955"/>	<input type="text" value="82"/>	<input type="text" value="\$1,695,817"/>	<input type="text" value="\$128,836"/>	<input type="text" value="\$173,938"/>

Using the same calculator, with the potential audience served by these organizations in the new center and assuming a parallel budget growth of 30²% to the organizations, the economic impact is more than double, at \$6.5 million annually. FTE jobs supported also more than double, from 82 to 170.

² 30% may seem high, but this calculates in significant growth by some of the newly emerging organizations whose attendance and audiences were very low when capture by the AEP study.

ARTS & ECONOMIC PROSPERITY 5 CALCULATOR

INSTRUCTIONS

Provide the information below to calculate the economic impact of your organization (or a group of organizations).

Population of your community:

Total Expenses: \$

Total Attendance:

CALCULATE →

RESET →

PRINT →

TOTAL ECONOMIC IMPACT

	TOTAL EXPENDITURES	FTE JOBS	HOUSEHOLD INCOME	LOCAL GOVERNMENT REVENUE	STATE GOVERNMENT REVENUE
ORGANIZATION(S):	<input type="text" value="\$975,690"/>	<input type="text" value="33"/>	<input type="text" value="\$699,921"/>	<input type="text" value="\$33,993"/>	<input type="text" value="\$49,585"/>
AUDIENCES:	<input type="text" value="\$5,610,326"/>	<input type="text" value="137"/>	<input type="text" value="\$2,808,080"/>	<input type="text" value="\$247,079"/>	<input type="text" value="\$327,082"/>
TOTAL:	<input type="text" value="\$6,586,016"/>	<input type="text" value="170"/>	<input type="text" value="\$3,508,001"/>	<input type="text" value="\$281,072"/>	<input type="text" value="\$376,667"/>

Summary

The 216 W. Phoenix location offers a mix of economic benefits not available elsewhere in Flagstaff, including the tax credits as well as existing building itself, the existing parking infrastructure, and the ability to program add-on space within the site. Its South Side location is desirable in meeting many community concerns about accessibility and culturally sensitive location. Within a relatively short period of time, the audience for the arts will grow significantly and the economic value of the resident arts organizations will more than double.

Organizational Use Needs and Projections

The study included individual and group interviews with organizational representatives, including paid and unpaid executive directors, board chairs and executive committee members. In addition, organizations completed an on-line survey detailing space needs and related equipment/facility requirements.

Primary Issues

Three primary issues have negatively impacted the ability of Flagstaff arts organizations to perform or produce for Flagstaff residents. As reported by the organizational representatives, these are:

- Increasing lack of available dates to use any of the Flagstaff Unified School District facilities due to the needs and priorities of the schools; inability to book and confirm FUSD facilities in a timely manner for planning; requirements of using FUSD personnel for technical support; cost.
- Difficulty in using NAU facilities; challenges faced by patrons regarding parking; worry that new recital hall will be full based on student and faculty need; cost of rentals.
- Small size of Coconino Center for the Arts; dark/parking at night. Accessibility issues for disabled patrons and challenges of older patrons on the stairs in the performance hall. Punitive fee for use/charge per ticket sold practices; no wing space/backstage; lack of air conditioning/hall gets too hot in warmer weather. Coconino Center for the Arts is owned by Coconino County, which may become interested in selling the facility as the County seeks to move its operations to a more consolidated footprint.

Groups Likely to Remain Within or Develop their Own Facilities as of April 2018

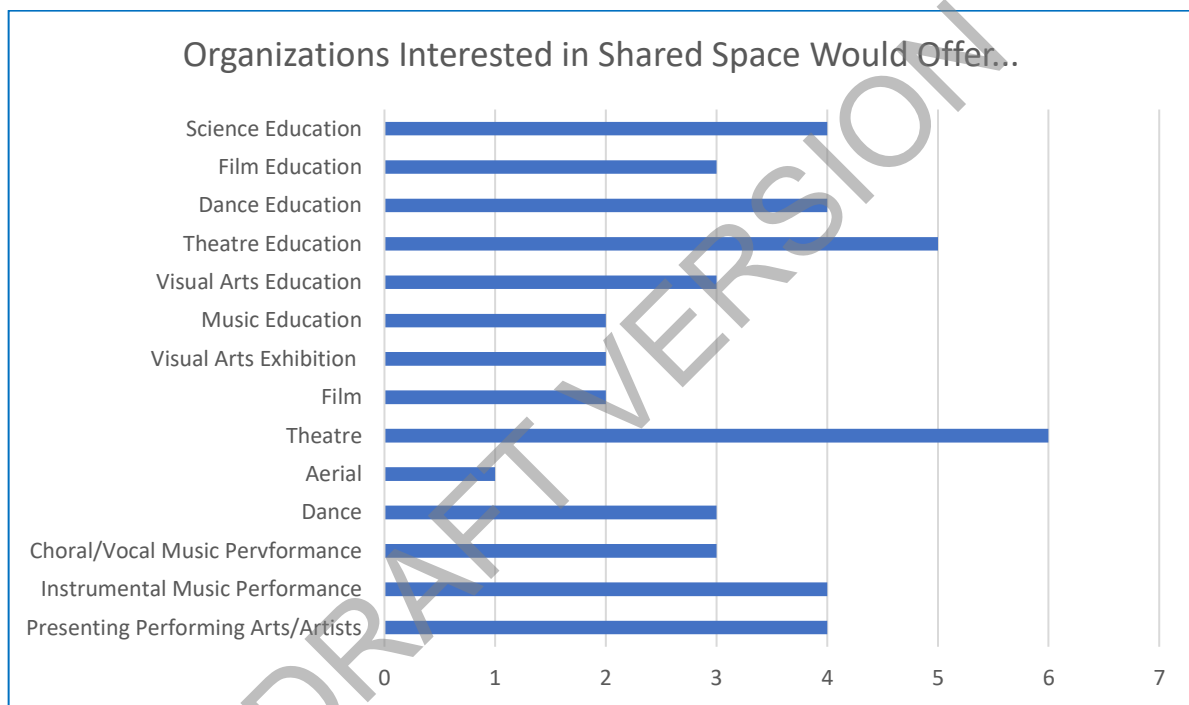
- Theatrikos: uses its space 24/7. Because it has been the exclusive user of its space, Theatrikos would find it difficult to use a shared space. There is ambivalence about joining in on a shared space unless such space gives them exclusive use of a “venue within a venue.” There is limited capacity to raise funds for a new exclusive space. Discussion has suggested there could be comfort with some, largely unspecified level of sharing space: if a shared theatre had more seating than Theatrikos’ theatre, it might be possible to do fewer performances, possibly making it possible to share with others. Theatrikos did not provide data for the use needs profile.
- Flagstaff Shakespeare Festival: Flag Shakespeare has advanced dialogue for bringing the Adams Theatre structure that was used by the Utah Shakespeare Festival to Flagstaff. The Adams was utilized from 1977 until the Sorenson Center for the Arts was constructed on the University of Southern Utah Campus. It has entered the early stages of pre-capital campaign mode. However, Flagstaff Shakespeare Festival provided data for the use needs profile and is included in the calculations provided in this chapter. There will be a reduction in use dates if the organization is able to raise the funds for its own venue. An important point: it is possible that the capital campaign for this venue will coincide with the capital campaign for a shared Flagstaff cultural facility, leading to possible competition for funding.
- Flagstaff Symphony Orchestra: The Symphony has historically used NAU facilities and is likely to continue to do so. However, it has just begun exploring ways in which it might expand its annual performance calendar with different types of programs that could be done within a smaller venue, and ways to develop a higher profile in the community through its education programs, including

a “conservatory-type” presence with teaching studios for its musicians. The Symphony did not provide data for the use survey.

- Lowell Observatory: Lowell Observatory’s current capital campaign addresses its need for expanded public spaces. Of importance: as the campaign moves into its more public phases, there may be competition with the proposed cultural facility.

Needs Analysis: Specific Spaces

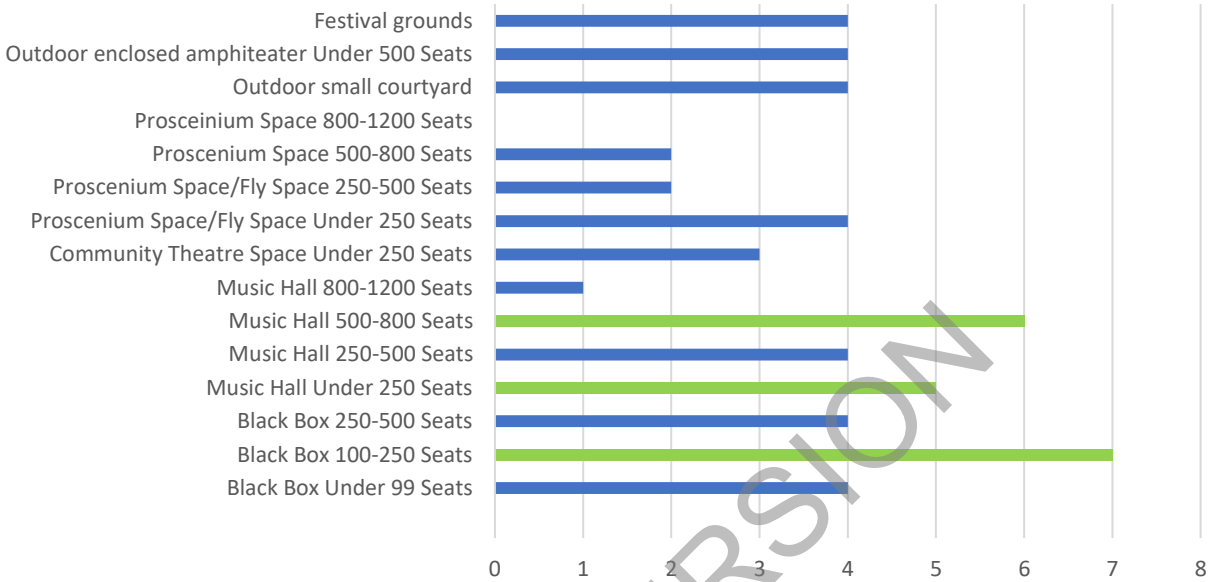
A total of 19 Flagstaff cultural nonprofits responded to the study’s space use questionnaire. The organizations that responded with interest in operating within a shared cultural arts center would provide the following types of arts programming:



Performing Arts Space

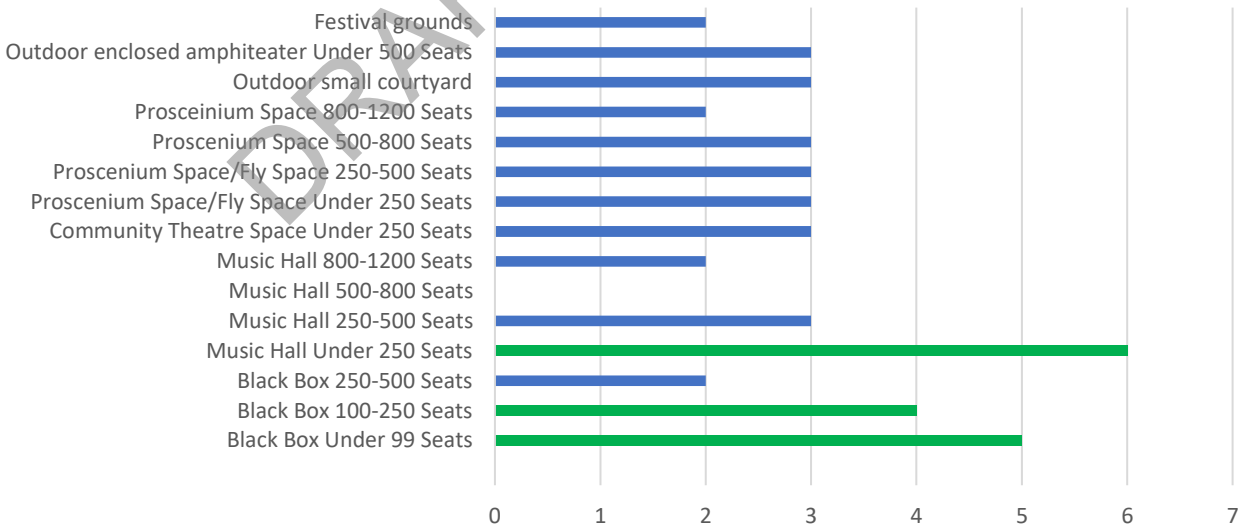
The questionnaire asked organizations to select their top priority and secondary priority types of *performance* spaces. The chart below shows the top three (green) most desired spaces in comparison to all types of spaces noted.

Number of Organizations Interested in Type fo Venue: Their Priority Space Choices

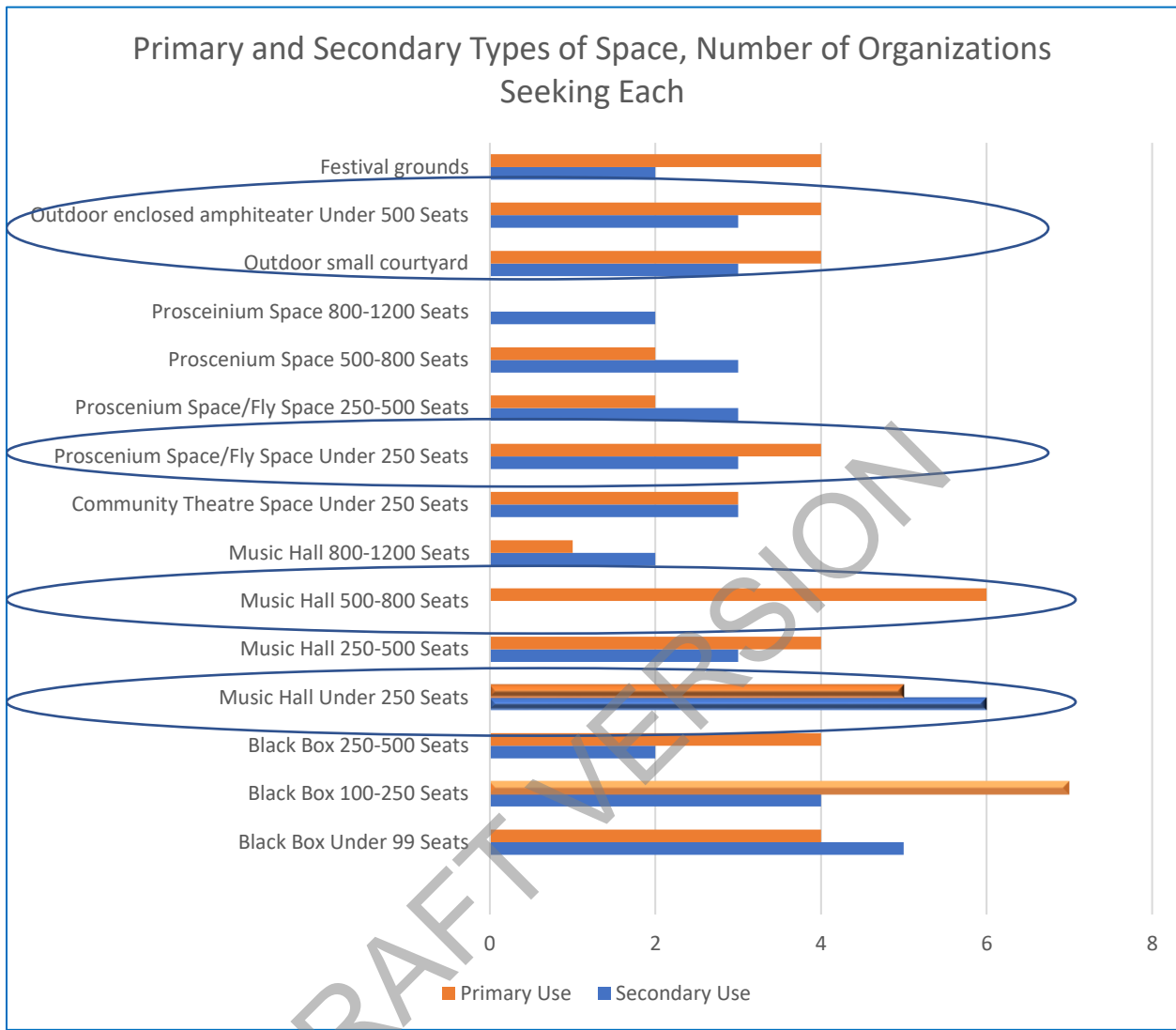


The chart below illustrates the top three choices (green) for secondary type of space that these groups would be likely to use.

Choices for Secondary Space if Top Space Choice Couldn't Be Addressed



These were combined to illustrate the primary and second types of venues that groups would like.



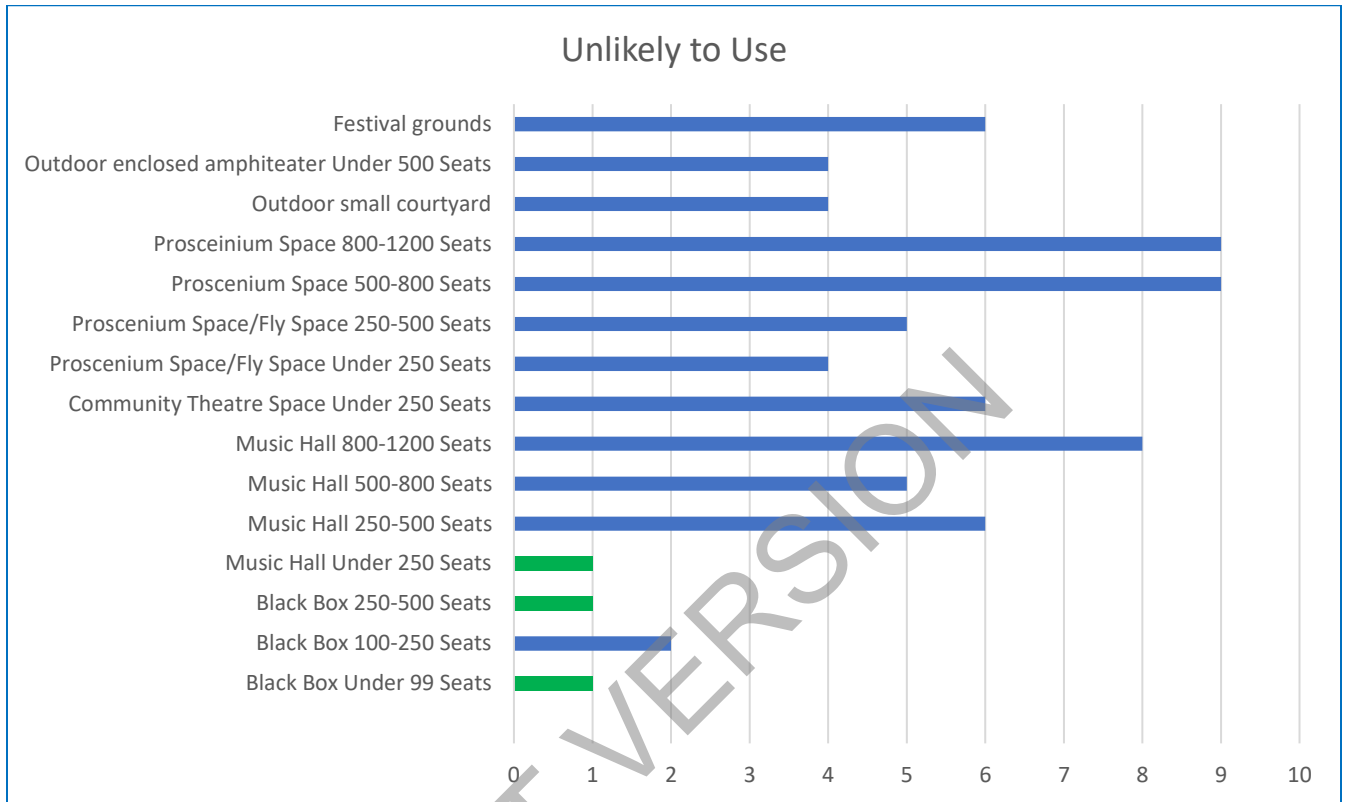
The top most desired facility is a black box venue of 100-250 seats. This is followed, in total volume of potential use, by a small concert/music venue of under 250 seats. A mid-sized concert venue is the third most desired space, followed by outdoor spaces and a small proscenium production space.

In considering the three top types of facilities sought, it is important to note that the NAU recital hall may potentially meet some of the needs for a concert hall/music venue in the 250-seat range: until the hall is open and a booking schedule is available it is difficult to know how much of the current need will be met.

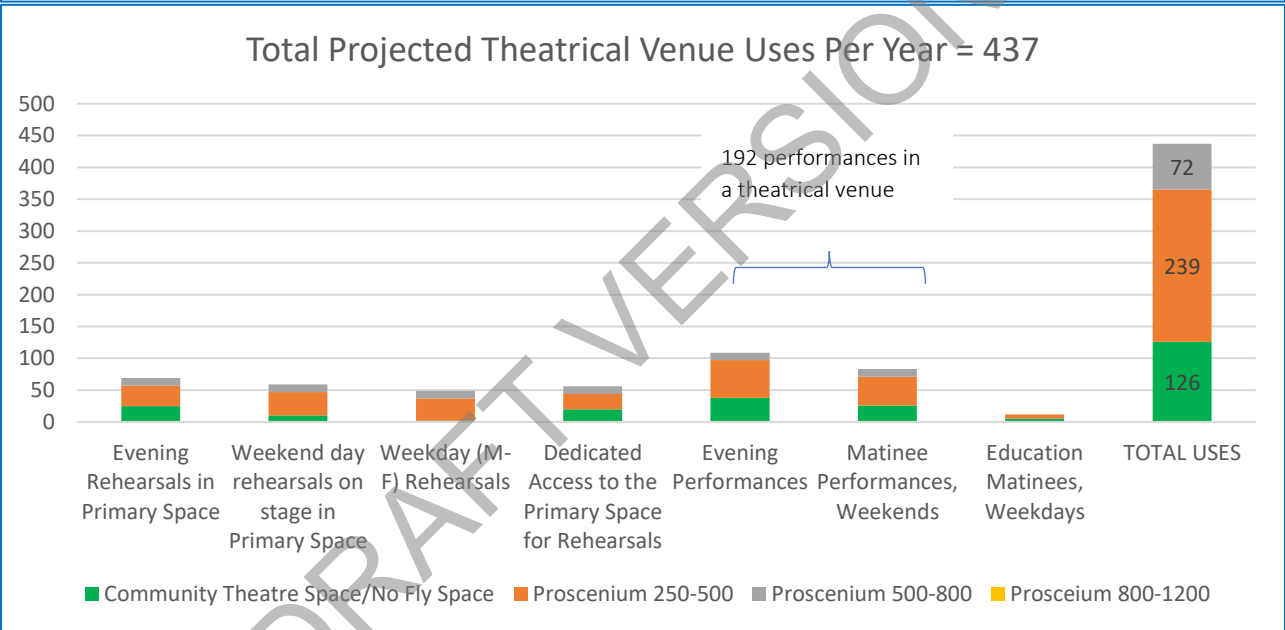
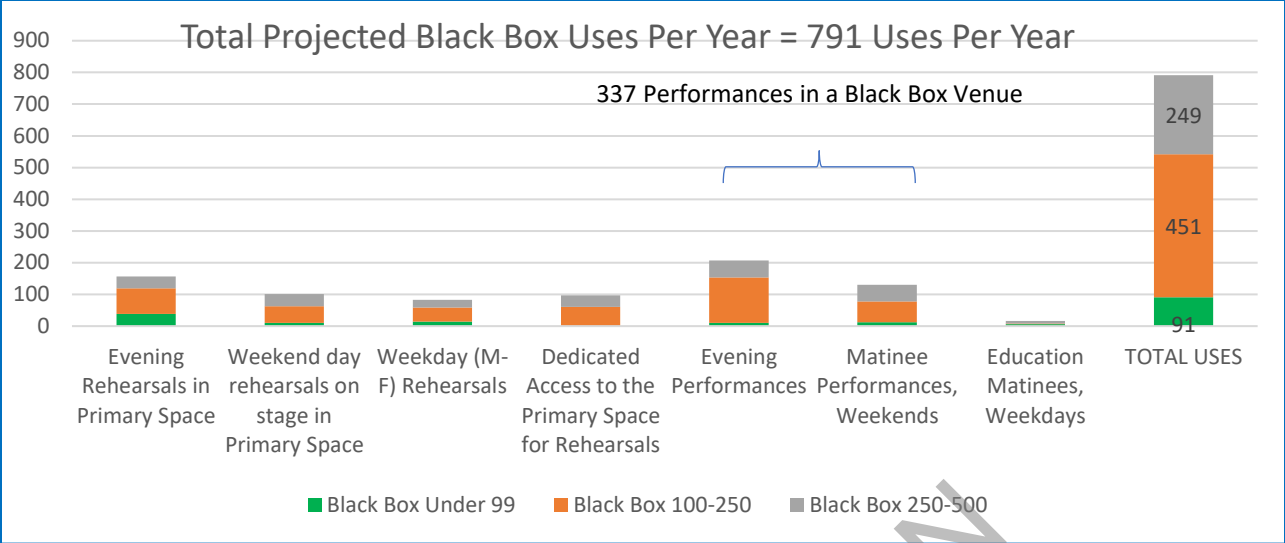
However, the void in a mid-sized concert/music venue – 500-800 seats – is significant: this space would be used by six of the respondent organizations and would also meet needs of the Symphony, as it considers how to broaden its programming to serve the community.

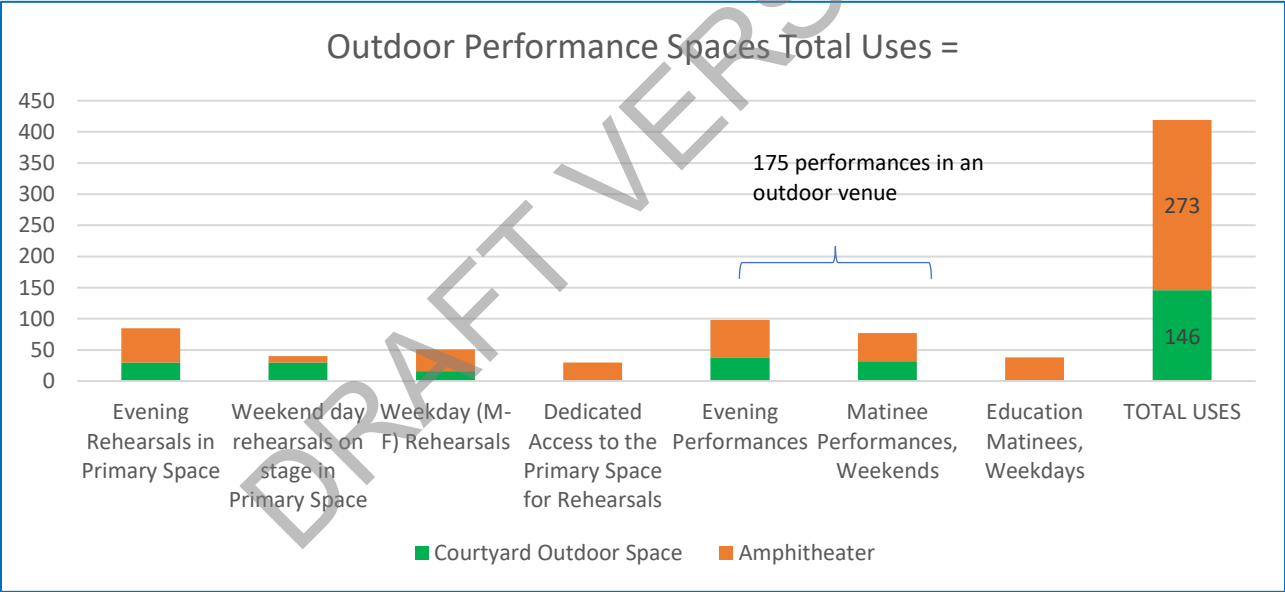
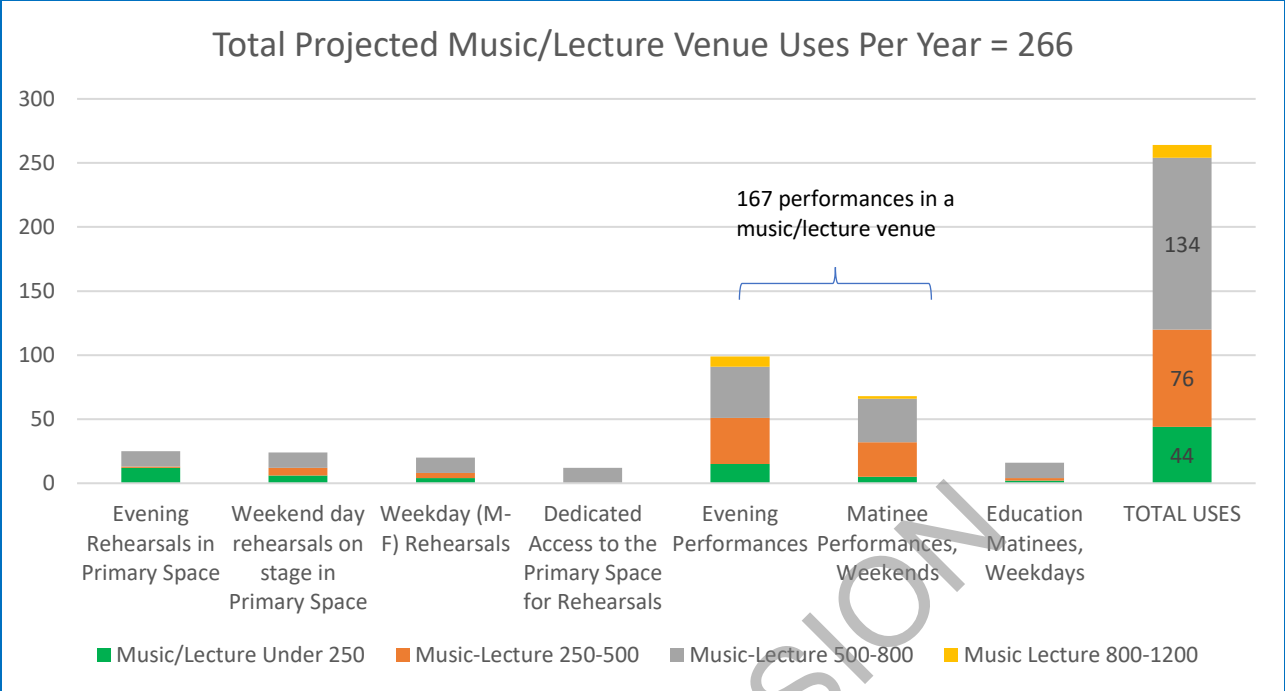
It is likely that organizations that would prefer a smaller or larger black box/flexible facility could be accommodated in a black box that could seat 250-300 that could also be configured in a range of ways to seat fewer, as desired by the user organization.

To double-check what spaces would be most used, the survey asked organizations what spaces they would be unlikely to use. Here we see that of all the respondent organizations, only one organization responded that it would be unlikely to use a small concert/music hall and two different types of black box.



Organizations were asked to give projected uses per year per each type of space. This shows that while all types of spaces are sought for rehearsal, the greatest public use – performances – would be for a black box venue, followed by a small theatrical space, and then by a music venue.





Note that if Flagstaff Shakespeare Festival is successful in its plans to bring a dedicated Shakespeare Theatre building to the City, the total number of outdoor uses would drop significantly.

Some organizations that responded to the survey have projected greatly expanding upon their current performances either presented or produced. The Flagstaff Arts Council, for example, anticipates becoming a major presenter of as many as 40 events per year: based on the priorities it indicated, these would be split between a 250-500 seat music/concert venue, a 500-800 seat theatrical/proscenium venue, and a 800-1200 seat theatrical/proscenium venue. FALA would expand the number of performances offered to as many as 75: these would be split between all types of the listed indoor facilities. FALA indicated that while it would be a major user, it understands it would need to share all types of spaces with the other user organizations.

Organizations Specifying Performance Uses

Organization	Anticipated Performance Dates Produced or Presented
Flagstaff Arts Council	40
Flagstaff Guitar Society	8
Flagstaff Shakespeare	60
Greenhouse Productions	10
FALA	75
Canyon Movement	13
STEM City	7
Orchestra of Northern Arizona	14
Alpine Community Theatre	51
Flagstaff Light Opera	14
Dark Skies Aerial	5
Master Chorale	5
TOTAL	302

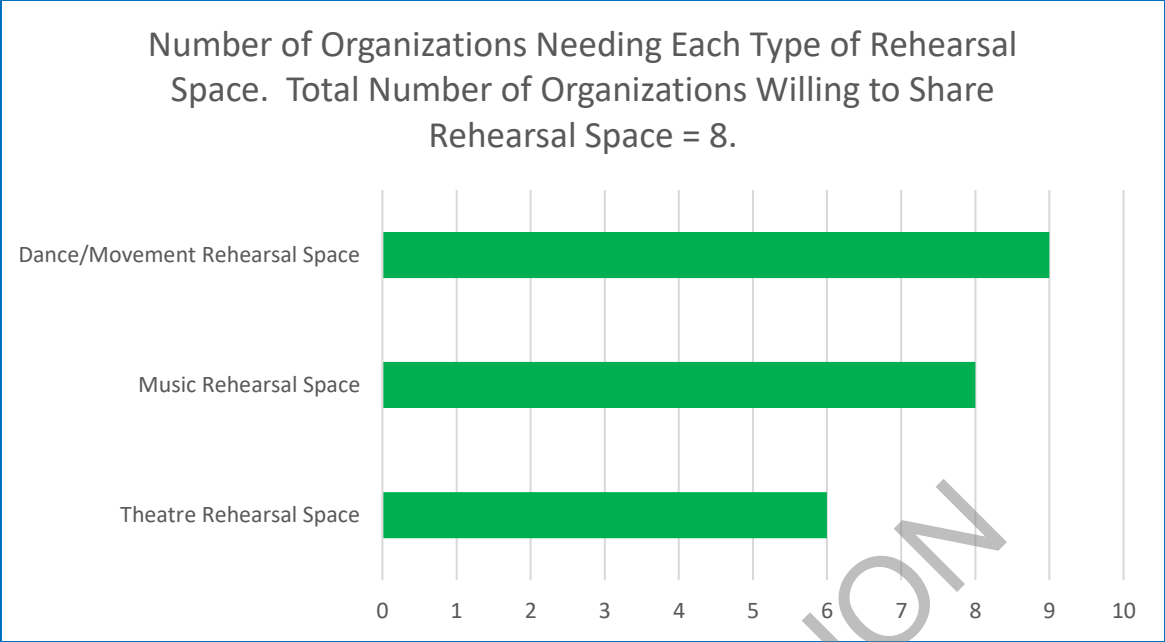
If FALA, the Arts Council, or others were to offer fewer performances than projected, it is likely that the space would be used by other community groups. Many smaller performing arts organizations would offer performances in the venue if it had a rental scale they could afford. Other types of nonprofit organizations would also potentially use the spaces.

Organizations that May Also Use Space, No Specific Number of Events Given

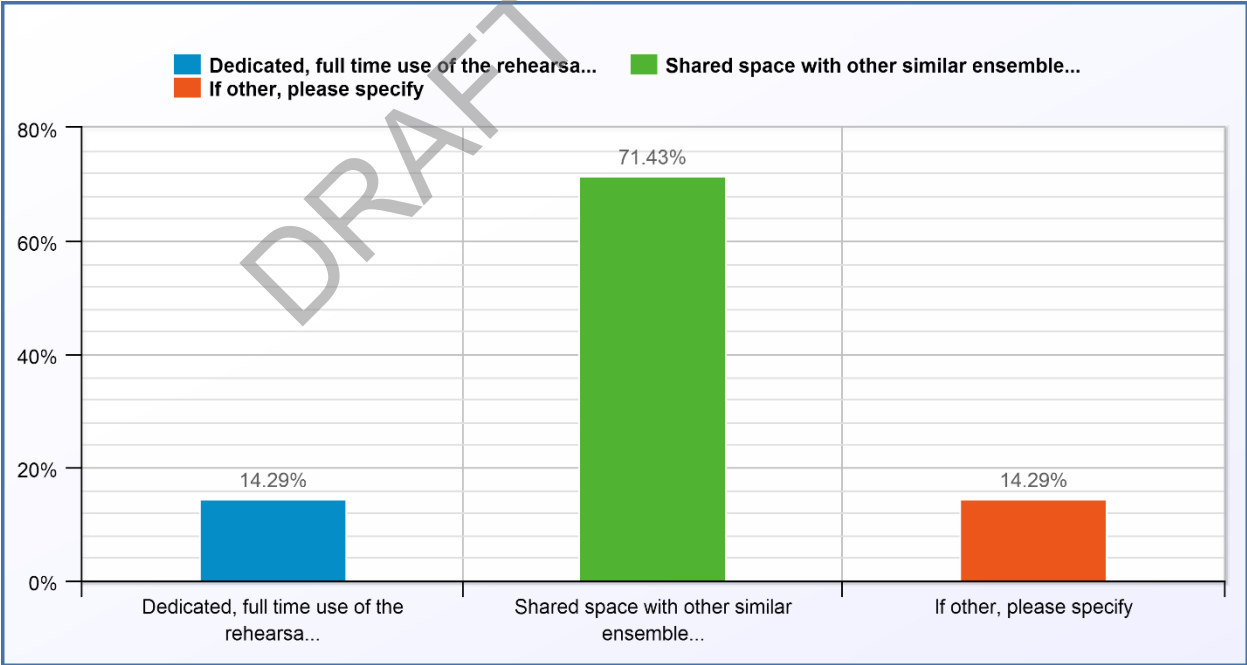
Organization	Type of Event/Space
Flagstaff Symphony Orchestra	Music: chamber orchestra, youth orchestra
Pioneer Museum	Events, lecture, and off-site exhibit space
University faculty	Lecture, Small "Off site" Conference, Student and Faculty Art Exhibits, Off-site music performances
Non-profit science organizations	Lectures, exhibits, break out spaces/classrooms
Non-cultural community groups	Meetings
Smaller nonprofit performing arts organizations	Music, dance, film

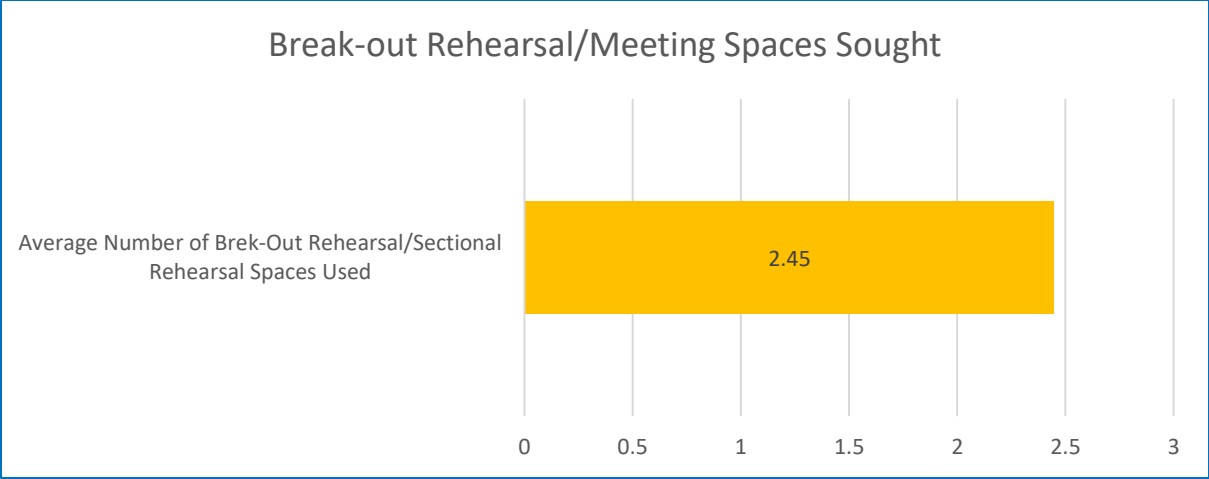
Rehearsal spaces separate from performance space

In addition to performance venues, organizations need rehearsal spaces. A total of 8 organizations would seek rehearsal space they could share with others, while the balance either would need to maintain rehearsal space elsewhere/have their own rehearsal venues, or would not need any such space.



Finally, organizations need small break-out rehearsal spaces that could also serve as meeting spaces or educational spaces. Musical ensembles frequently use “sectional” break out spaces during a rehearsal; a theatre production may need to accommodate a musical or dance rehearsal at the same time as actors are rehearsing. Small spaces could be derived by using sound-proof partitions in the above rehearsal spaces, or through use of additional smaller mixed-use spaces that would also be viable for educational purposes during the day.

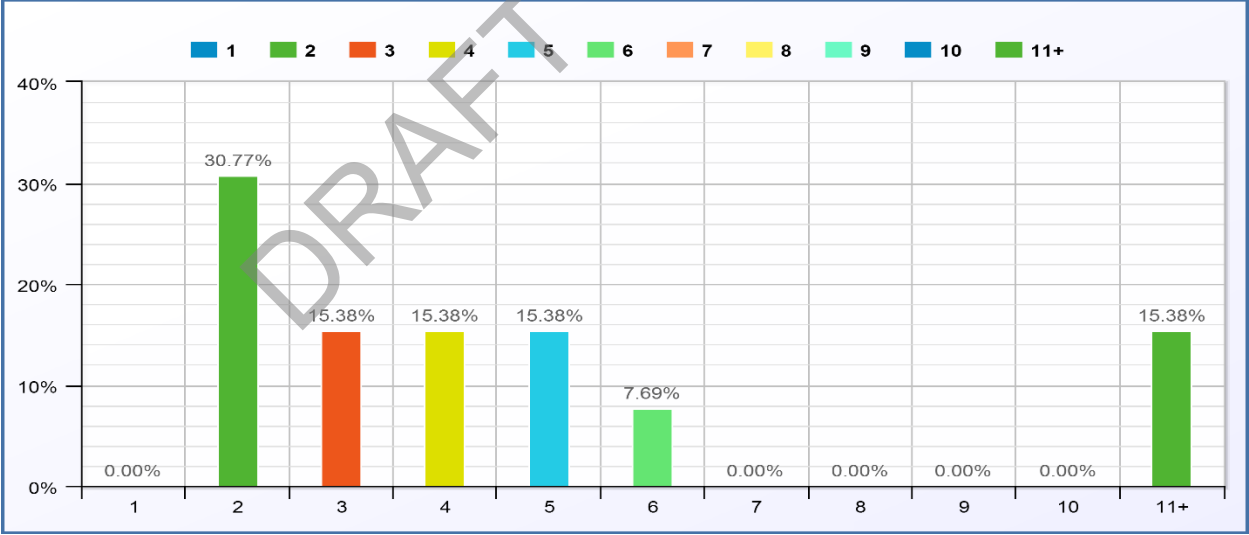


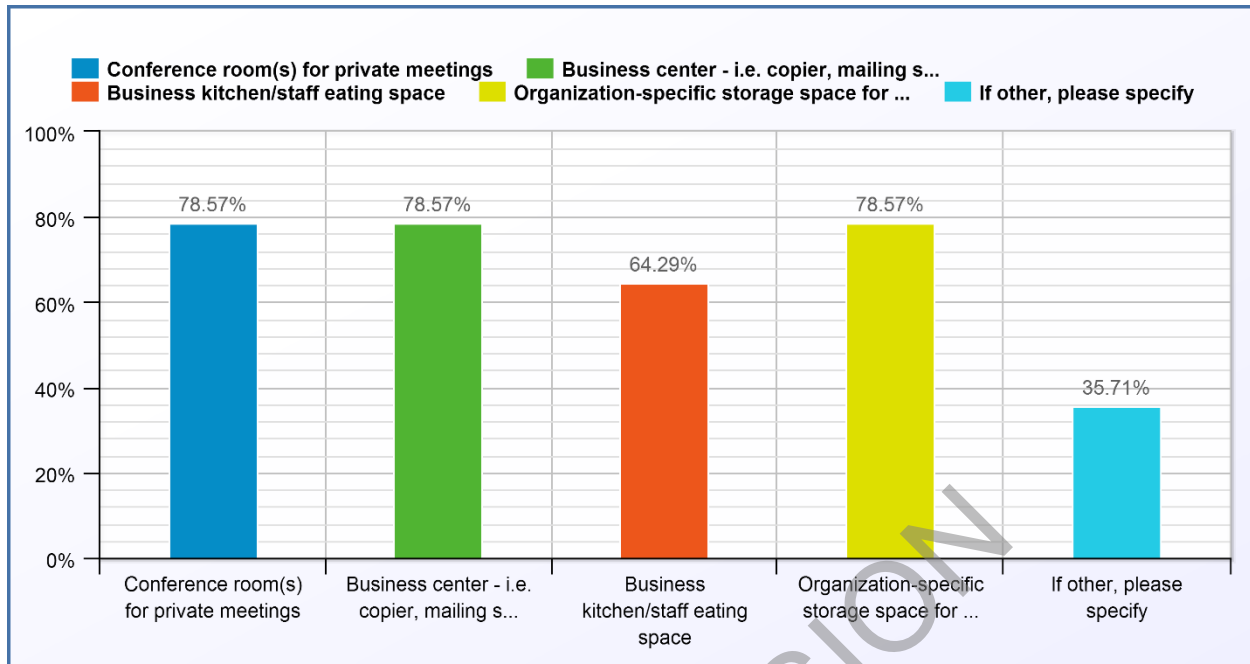


Office Space

Organizations that would share the space would share office space as well. Organizations anticipate needing space to accommodate as many as 11 staff, though most would seek space for one to five staff people in a central office that would also include a conference room or meeting space, workspace with photocopier(s) and other technical equipment, and a small kitchen space. Of particular concern to many organizations is that each user should have locked individual storage space for their specific materials, including music library.

Number of staff members anticipated using office space





Organizations would also seek shared items and equipment, including the following:

Item	Number of Groups Using
Shared music stands, risers, chairs	4
Shared concert grand piano	4
Shared dance floor	3
Shared tech space	8

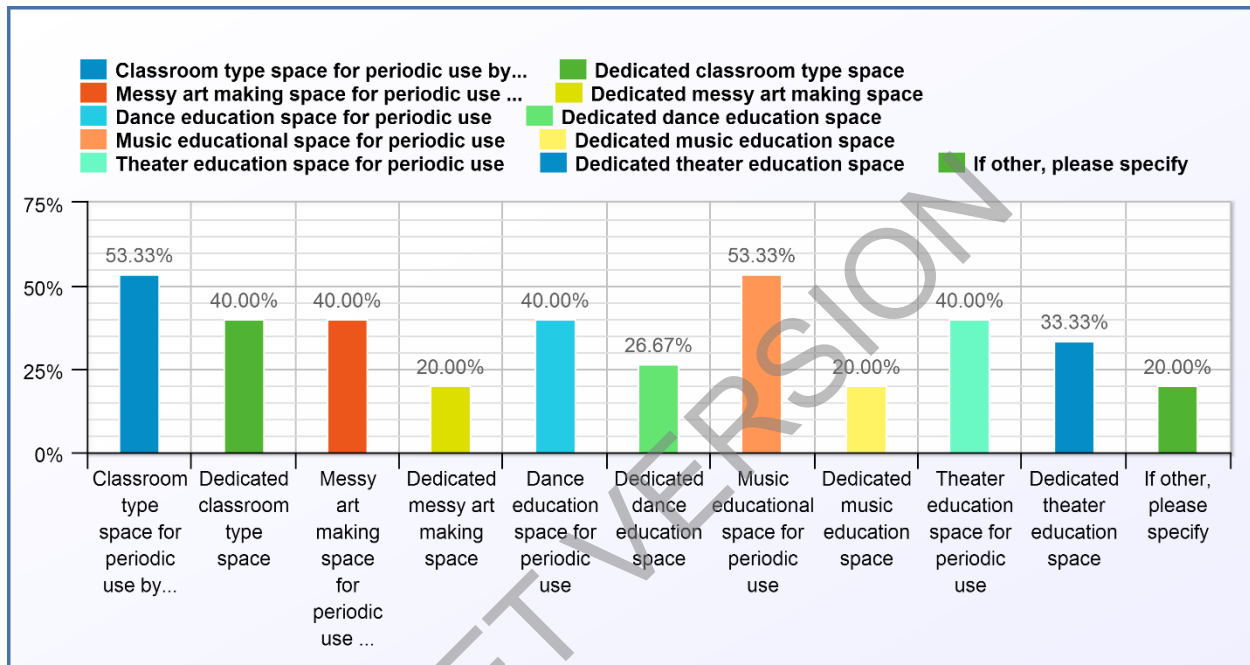
Exhibition Space

Eight organizations seek exhibition space within the shared facility. Of these, two seek exclusive exhibition space, while six would be willing to share exhibition space. Two would want lockable, environmentally controlled space suitable for touring exhibits.

Organizations seeking exhibition space would want exhibit fabrication space as well as storage space for some art work.

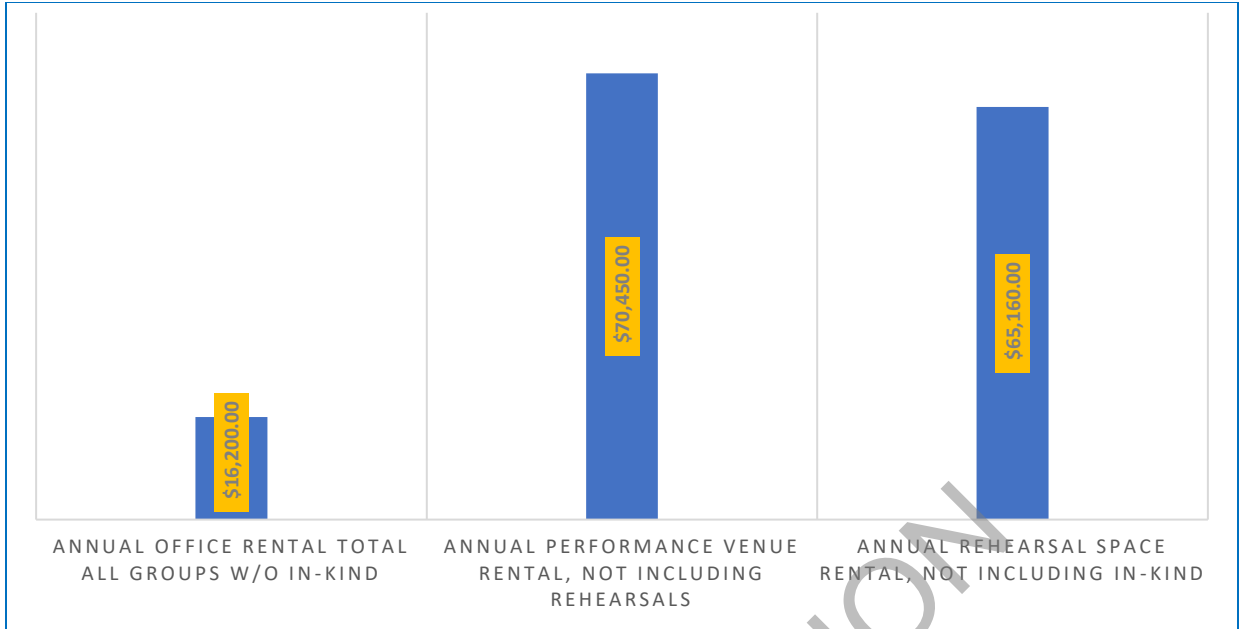
Education Space

Education spaces are wanted by all the interested organizations. Some seek space dedicated exclusively to their own education programs: dedicated classrooms, messy art space, dance studio, music studio, and theatre education. The ideal facility would address all their needs for dedicated space, and would also have some flexible/multi-user education spaces of each type. The most sought-after spaces are classroom-type space and music education space, followed by messy art, dance, and theatre spaces.



Current Consolidated Space Budget

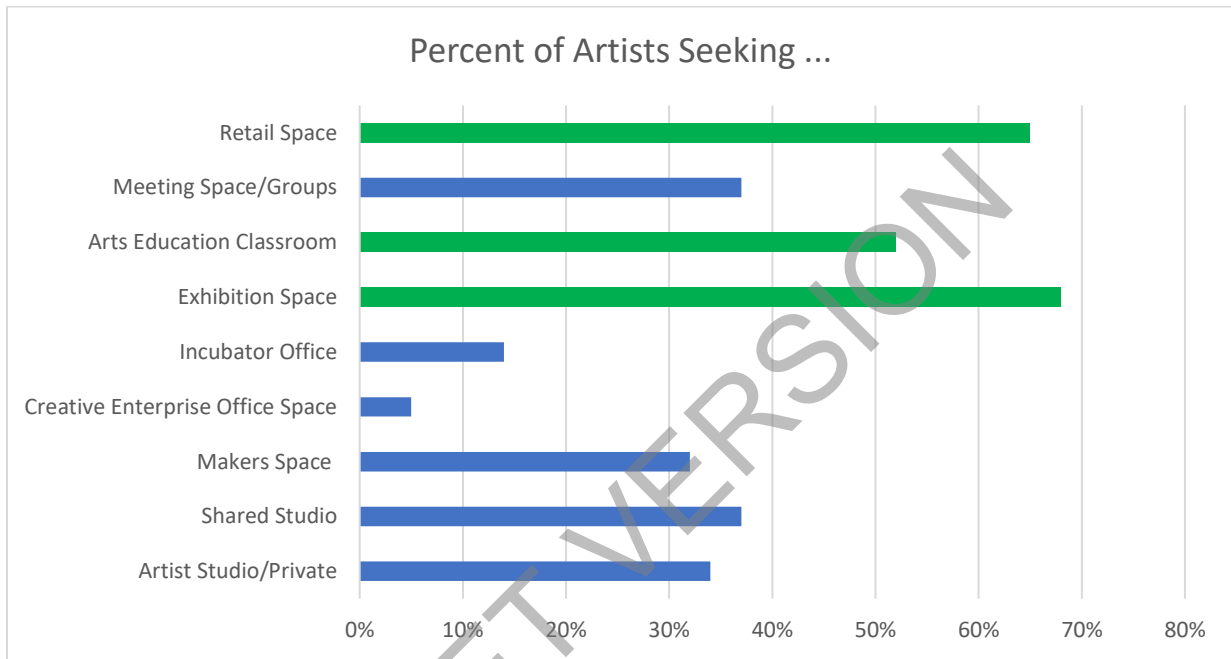
The amount that organizations are currently paying for the various types of spaces they rent could be pooled to support the operating costs of a shared center. The following provides a baseline of cash payments made for the use of spaces. In-kind value of spaces is not included. Organizations interested in shared space are currently paying \$151,810 elsewhere in Flagstaff for space; this would potentially address a share of combined operating costs. It is important to note that one organization that anticipates using a significant amount of each type of space is the Flagstaff Arts Council, which has benefited from in-kind space valued at \$180,000 a year: The Arts Council budget would theoretically need to increase to offset its use costs in a shared facility.



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Artist Space Needs

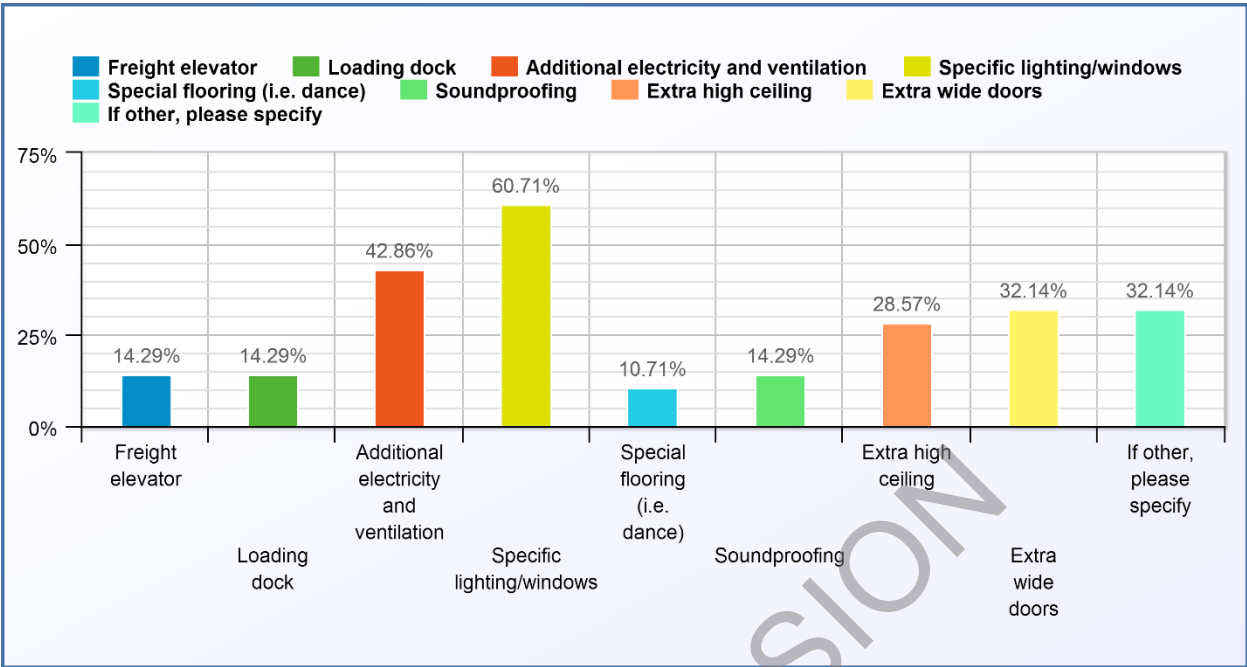
An artist space needs study was added to the feasibility analysis. A total of 48 artists responded. If a shared facility could accommodate a range of spaces for them, these artists would like the following:



Exhibition and retail space are the top priorities of artists, followed by shared arts education classroom space they could use to teach all ages. Presumably, the facility multi-use rehearsal and performance venues would serve as meeting spaces for groups. After that, the next priority would be a shared visual art studio space.

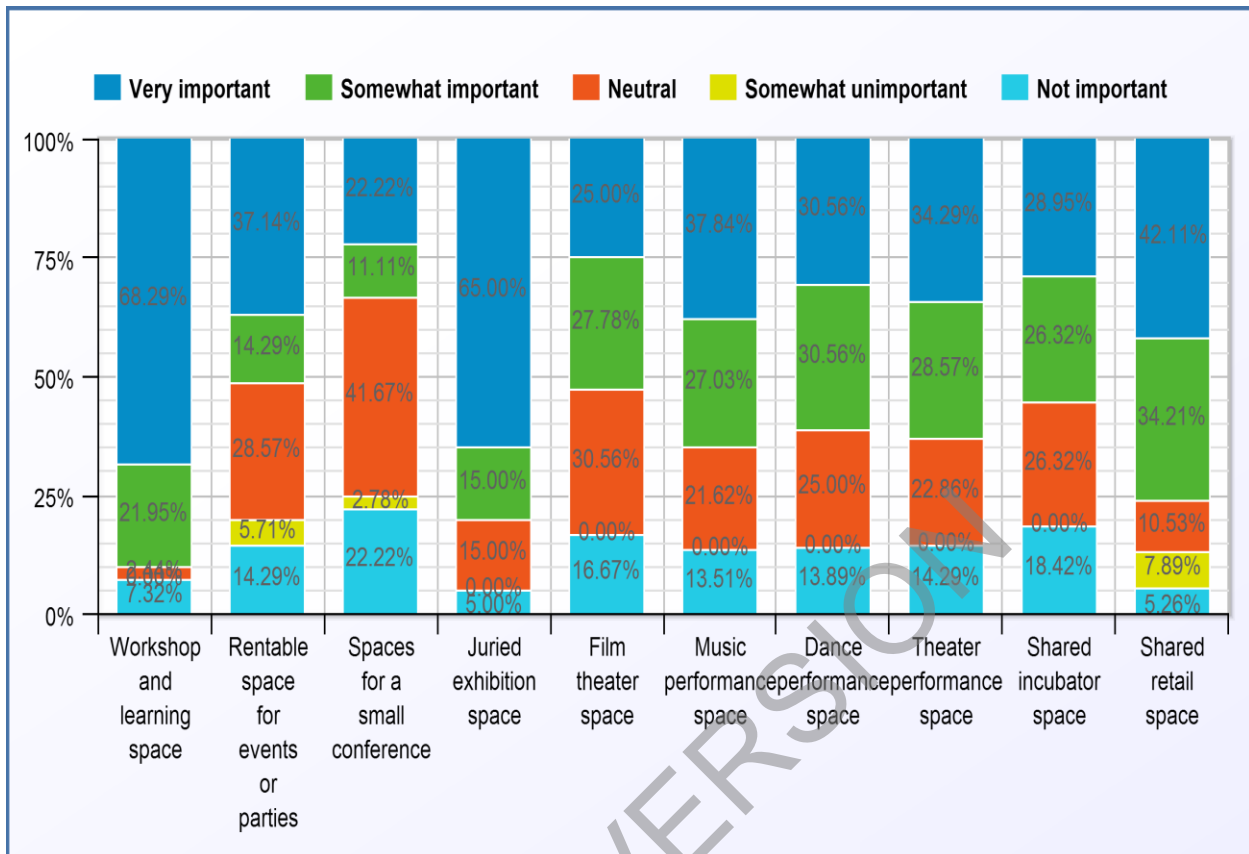
Artists currently pay little for their work spaces: a shared studio space would potentially see rentals of \$250-400 a month.

If artist work space was included in a facility, artists would seek the following enhancements to the building:



Artists were asked to share their views on the overall importance to them of the various types of spaces that could be included in a cultural facility. Sixty eight percent feel that workshop and learning space is of top priority, followed by 65% who feel that juried exhibition space is of top importance, and 42% who feel that retail space is of top importance. Those seeking juried exhibition space believe it will be important to have independent control of the jurying process for the space rather than have an existing arts organization such as the Flagstaff Arts Council control it. This may necessitate additional galleries within the facility.

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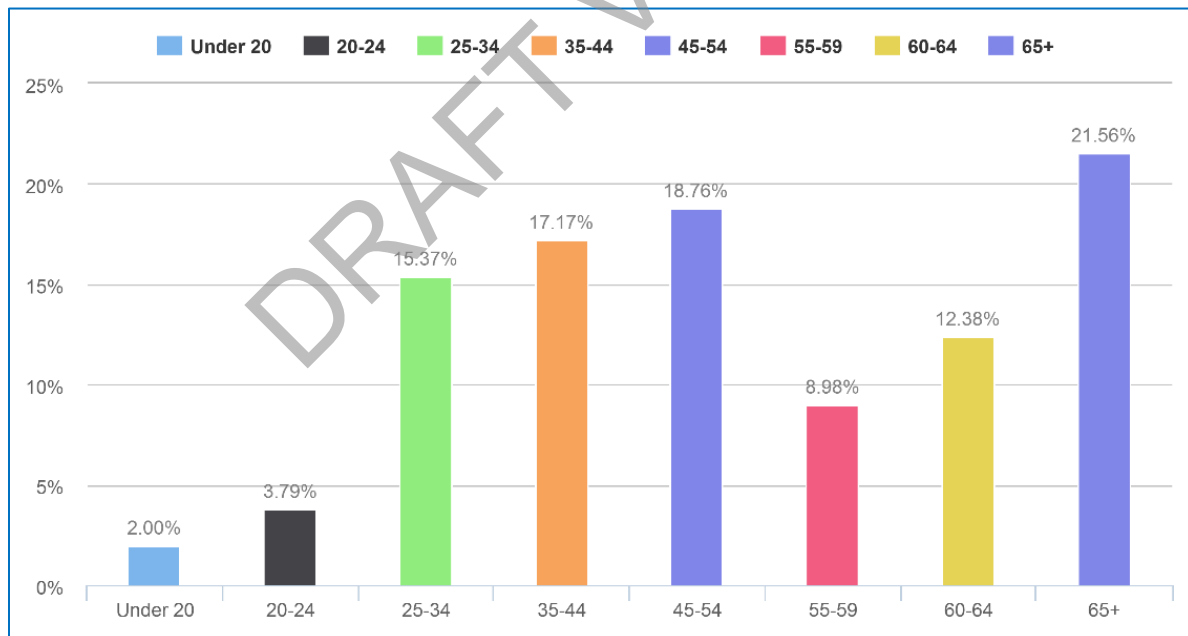
Public Survey and Commentary

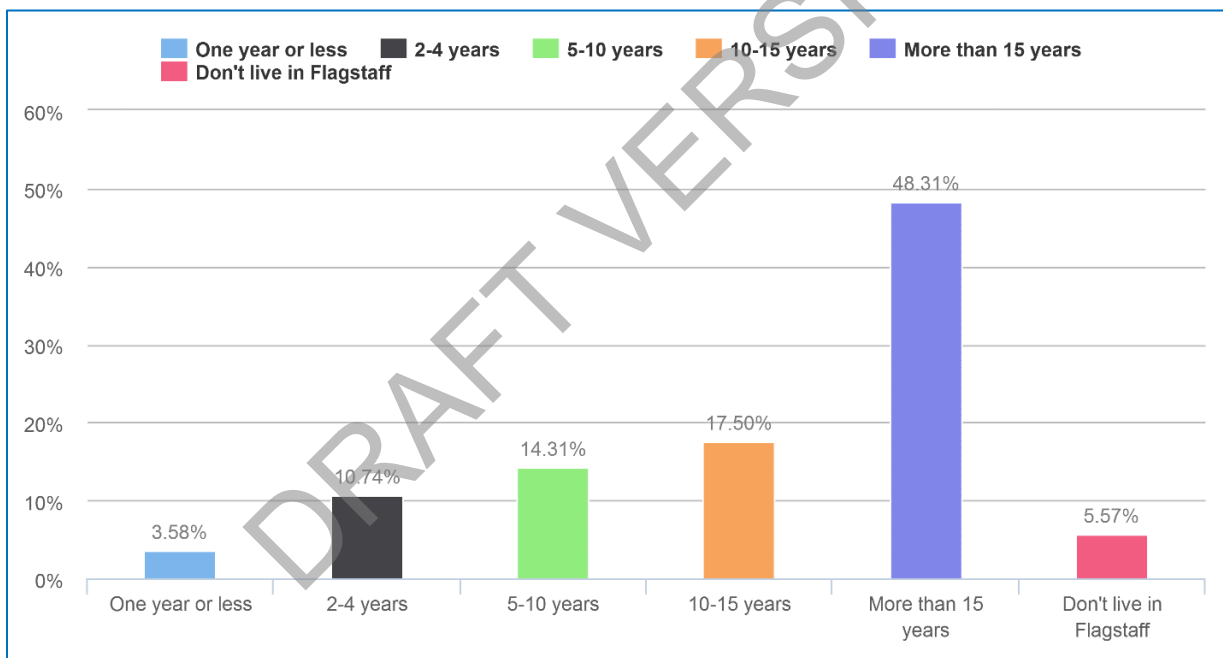
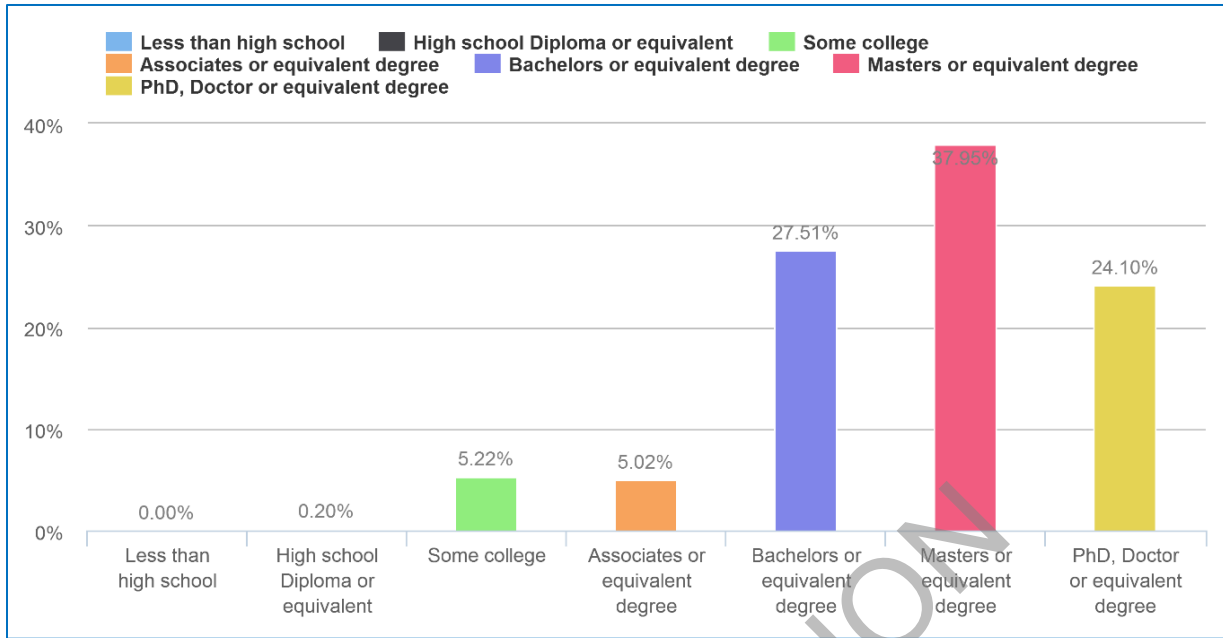
A public poll was conducted to gain understanding of what residents think of the potential for a cultural or arts center. The results from this poll should not be considered statistically valid across all demographics of the Flagstaff population, as the respondents overall represent households that are more highly educated, more white, and that have higher household income than Flagstaff residents as a whole. For example, 19% of Flagstaff's population over age 25 hold a master's degree or higher, compared to 61% of the survey respondents.

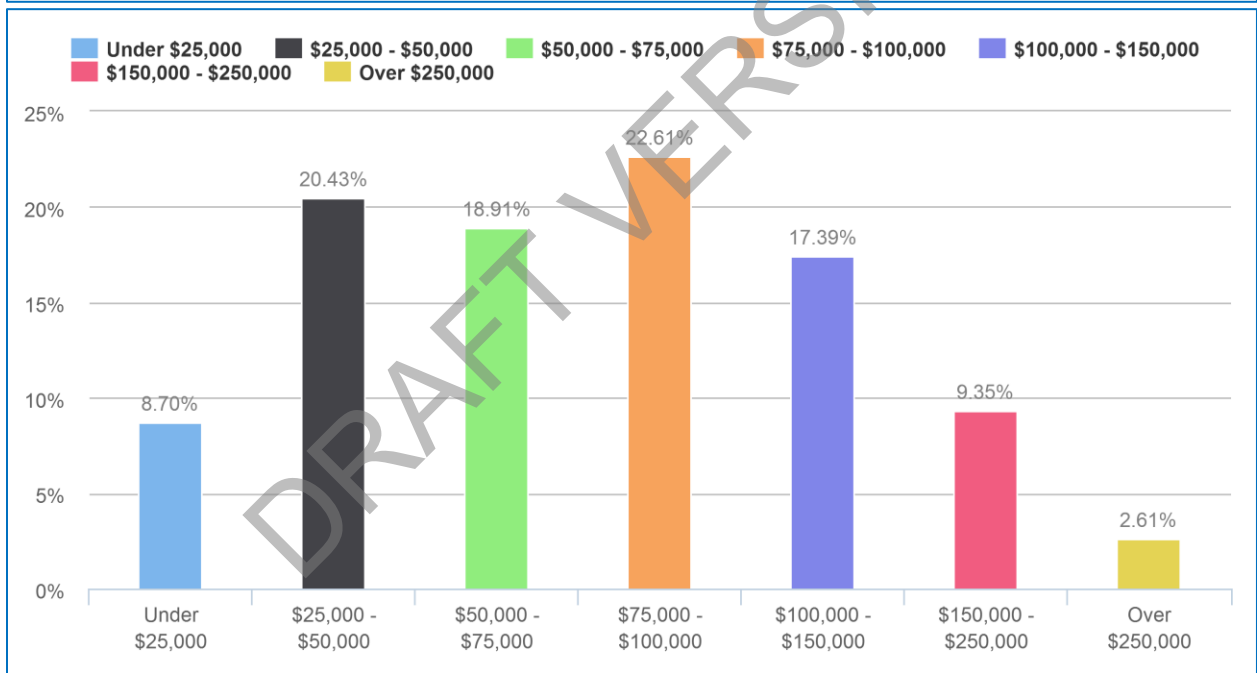
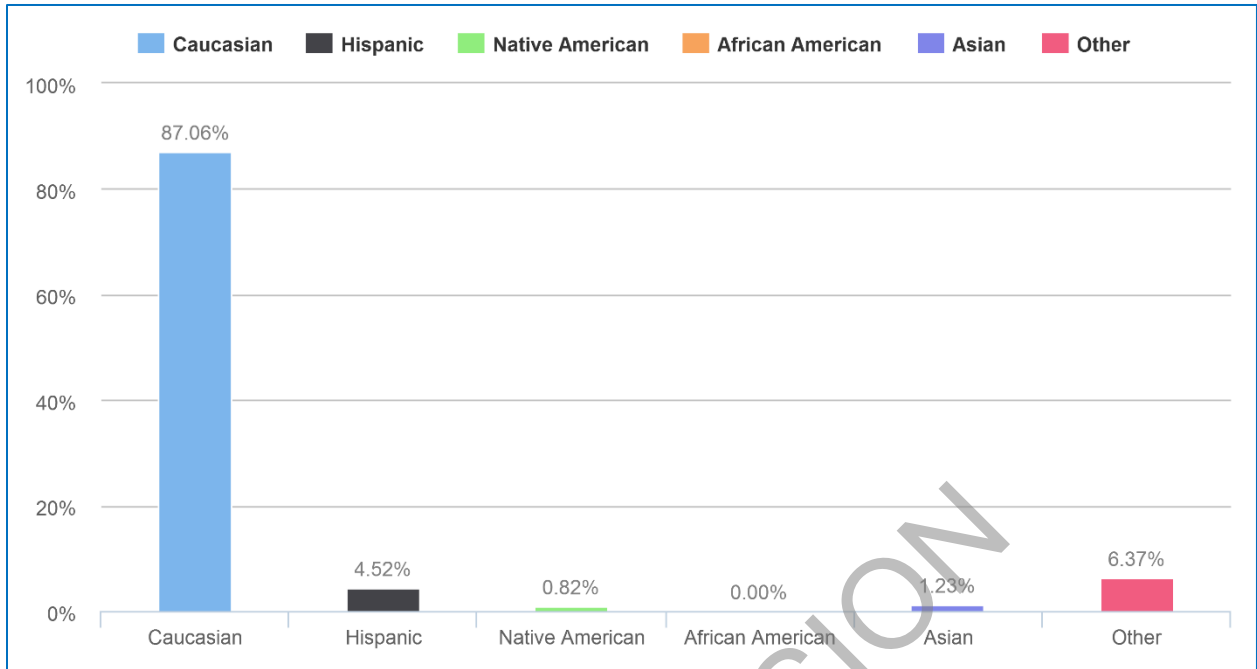
The poll was distributed to residents known to the participating arts organizations, as the study projected that these households would know the most about the potential of a new cultural arts center and thus be able to share their feedback. This includes households on the email lists of the Arts Council, Theatrikos, and other arts organizations. A total of 588 households responded.

The poll was conducted primarily to ascertain if these arts-going households believe that Flagstaff needs a new cultural arts facility, and if so, how they felt about two options for capitalizing the venture: capital campaign and/or bond issue. This was done to learn the depth of knowledge concerning the facility dialogue that has been on-going for the past few years, and the parallel need for a public information initiative.

Demographics of the Responders

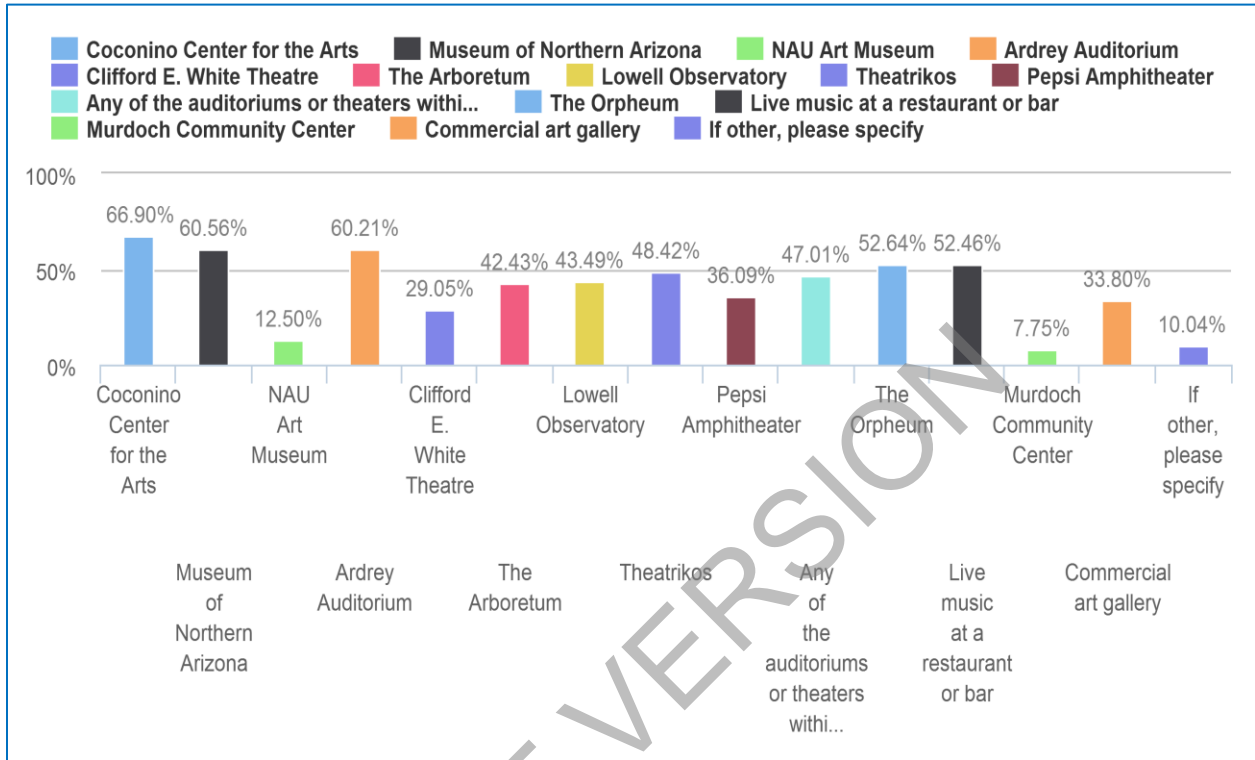




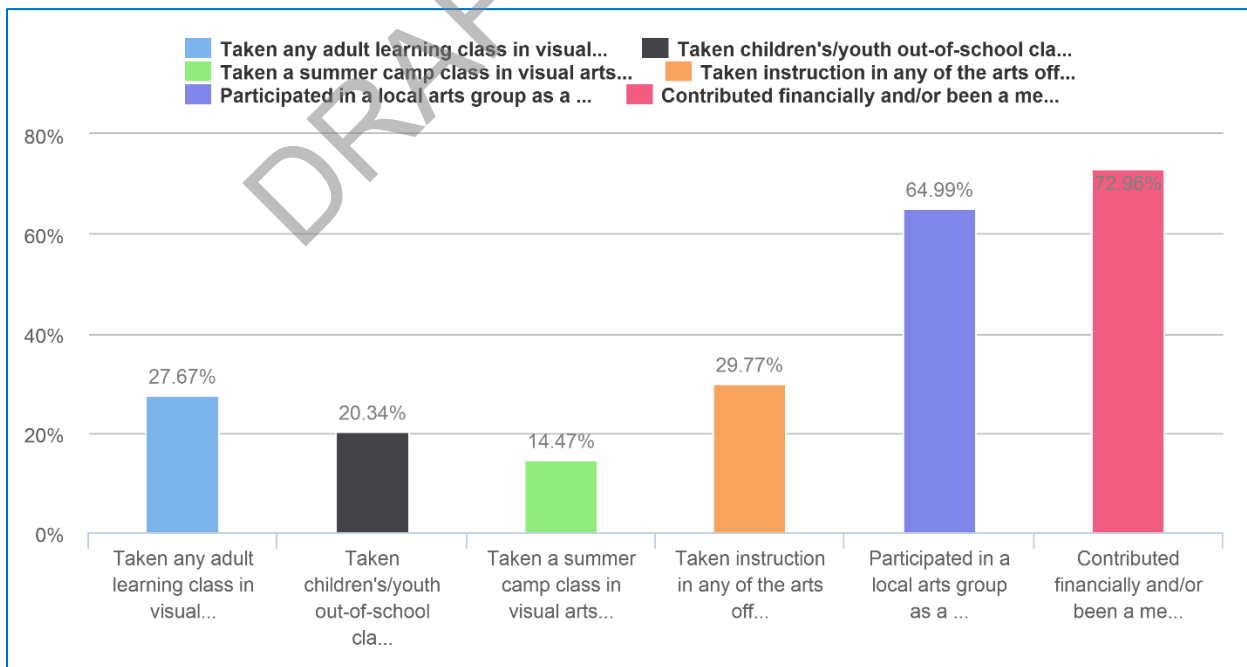


Arts Participation by the Respondents

Respondents were asked what venues they have visited for the arts during the past twelve months as context for their responses about facility needs. Respondents were asked to select all venues they visited.

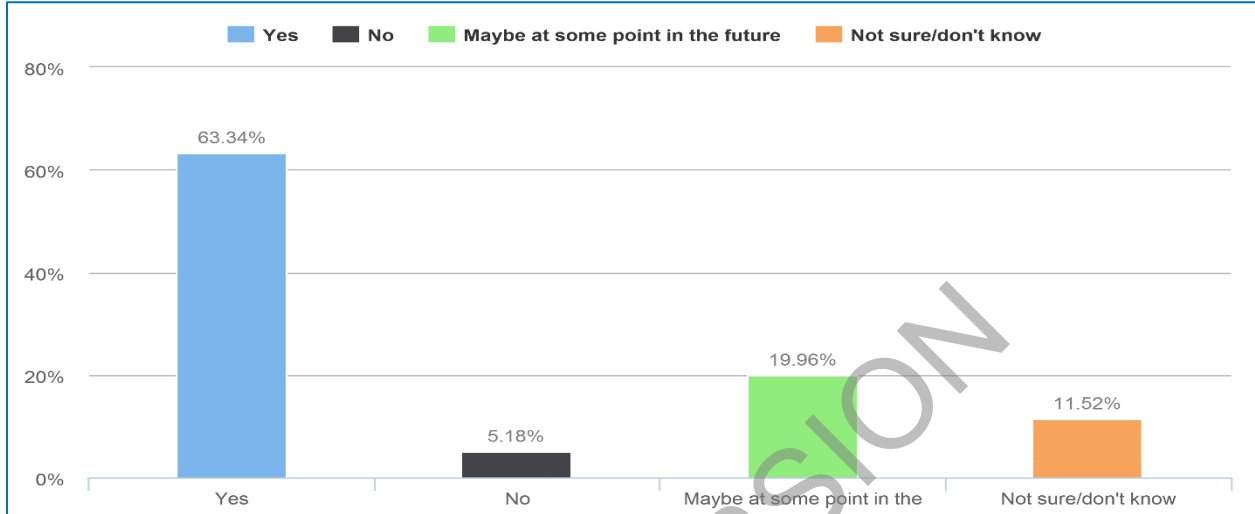


73% of the respondents have made a donation to an arts organization in the past year.

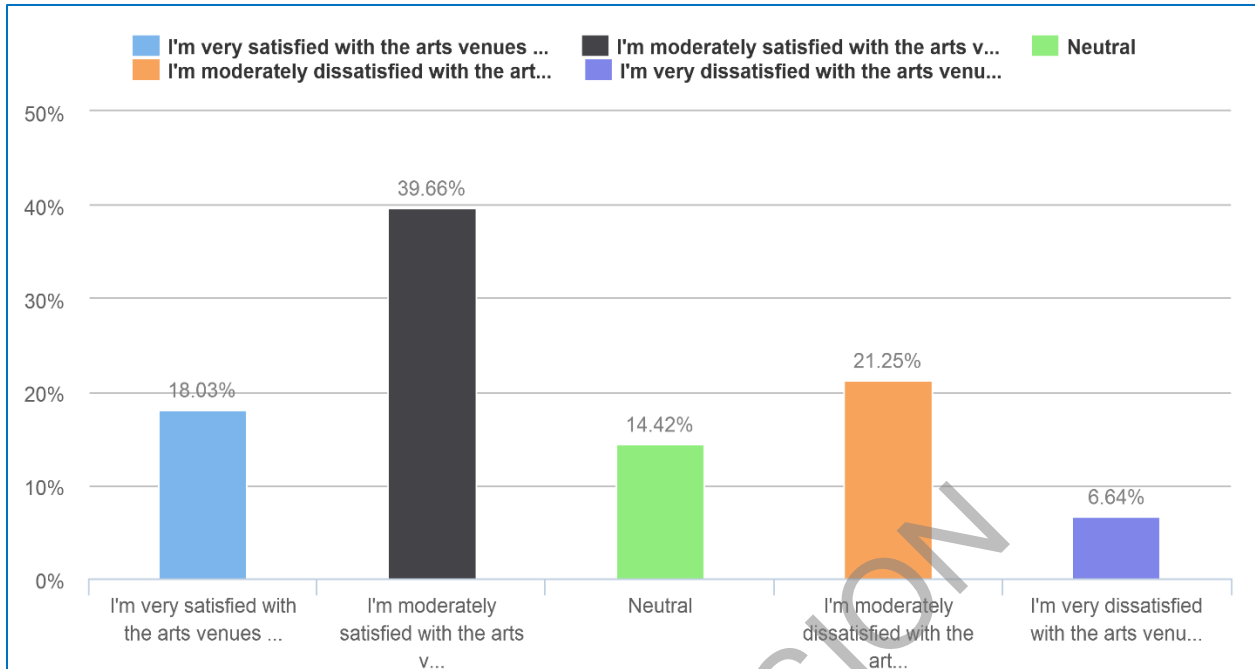


Responses to Facility Questions

The Majority, 63% of the arts goers/supporters that responded to the poll, feel that Flagstaff needs a new center for the arts and sciences.



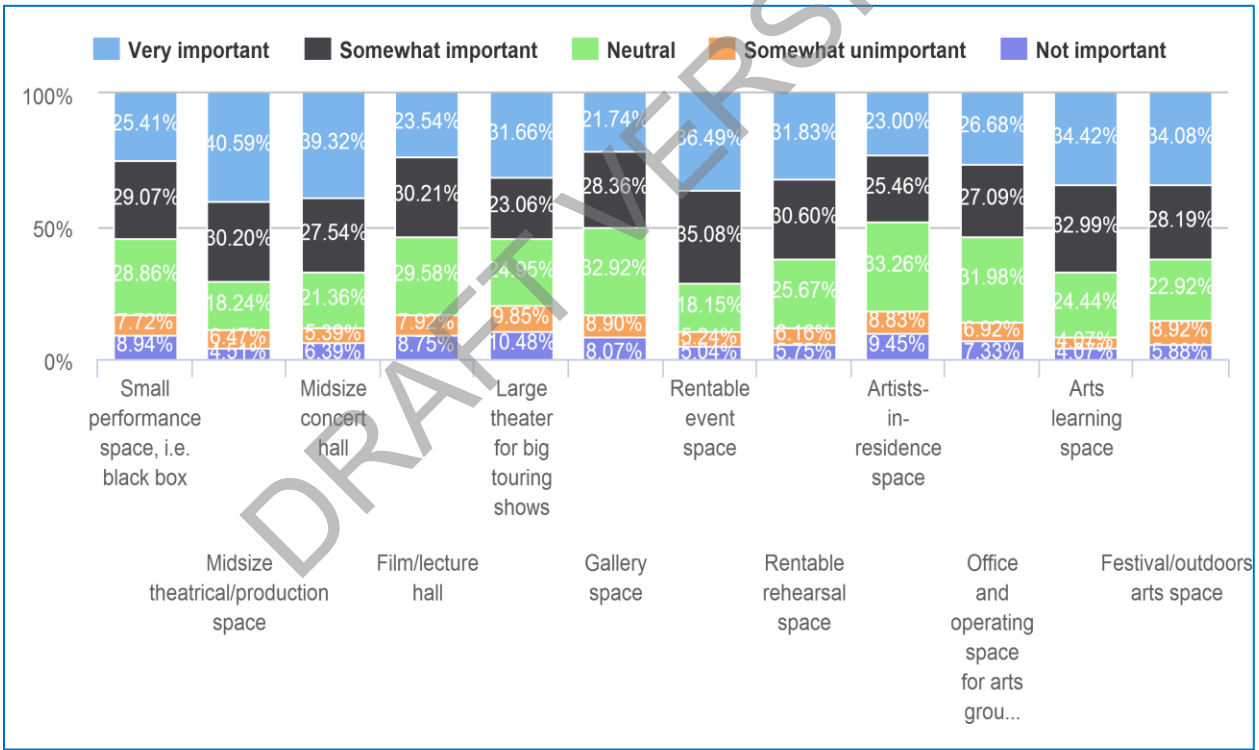
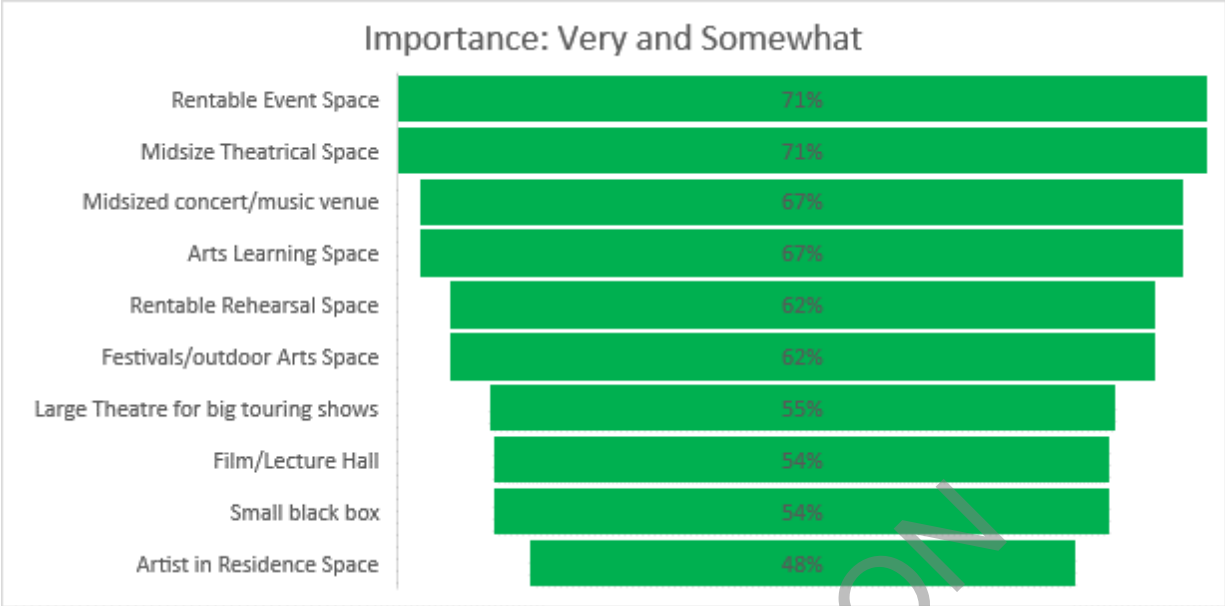
However, while the majority of these respondents want to see a new center, they are not overwhelmingly dissatisfied with the current facilities: in fact, 58% are either very or moderately satisfied with the current venues used for the arts in Flagstaff. This speaks to the overall quality of the venues including all the FUSD auditoria, the University venues, and Coconino Center for the Arts. Attendees are less likely to understand the needs for a venue than the artists and arts organizations that work within these venues. This underscores the need for a major public information initiative to build understanding of the needs the arts community faces. **Only 27% of these respondents are dissatisfied with current arts venues.**



When asked what types of venues that could potentially be included in a facility are most important to them, the highest percent of “very important” and “somewhat important” responses were for rentable event space, underscoring continued need in Flagstaff for events facilities and the need for any potential facility to accommodate events of all types, and for midsize theatrical production space.³ Of particular note: arts learning space outpaces the importance of several other types of presentation spaces.

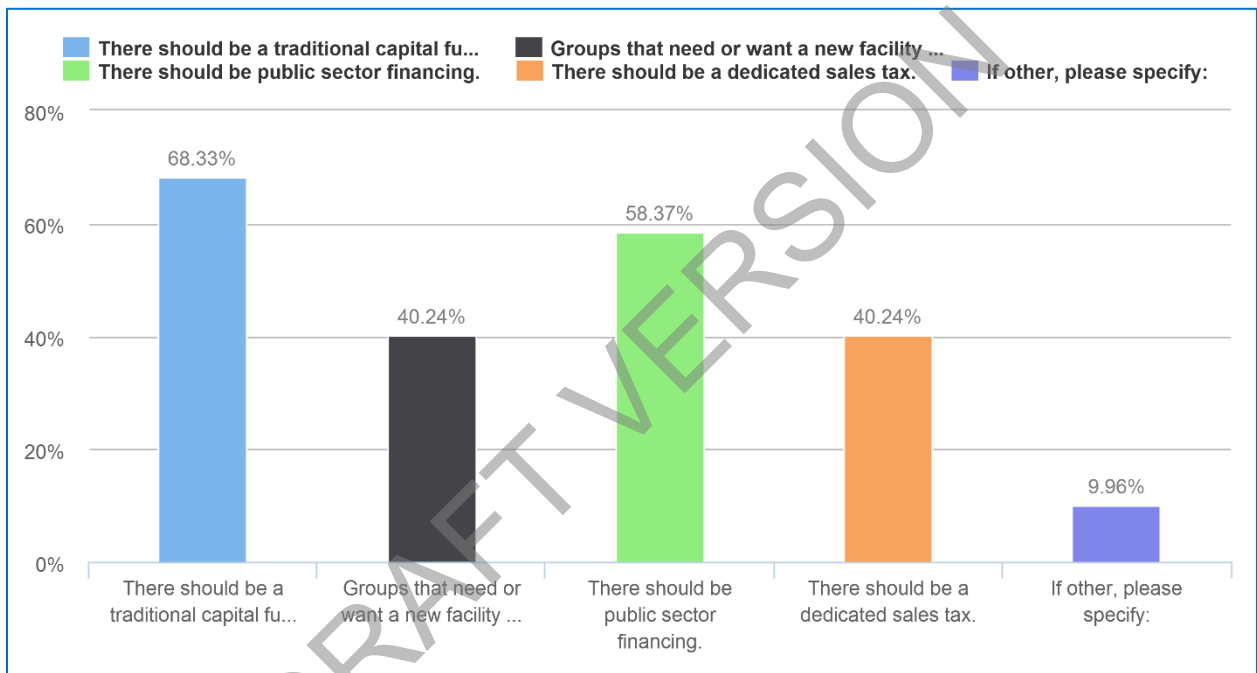
This survey may speak to the arts-going public’s interest in seeing more large touring shows performed within the University’s Ardrey Auditorium. The desire for a mid-sized music venue may be somewhat mitigated with the development of the University’s new recital hall.

³ The survey was distributed to members of Theatrikos’ audience, which may be reflected in the interest in a mid-sized theatrical production space. Theatrikos had originally sought a new and larger space that would be dedicated exclusively to its needs: with the concept of shared space, Theatrikos became less interested in the venture.



Funding and Financing

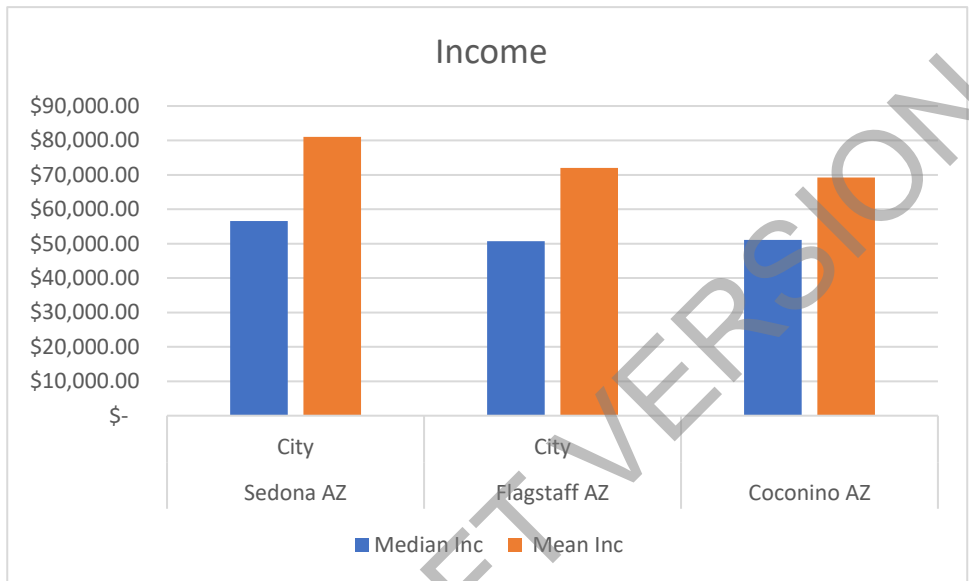
When presented with four options, most respondents said they would like to see a traditional capital campaign over any other type of funding or financing mechanism presented. More than half of the respondents would be interested in seeing public sector financing, but only 40% of these arts goers would be willing to support a dedicated sales tax that would pay down the bond financing.



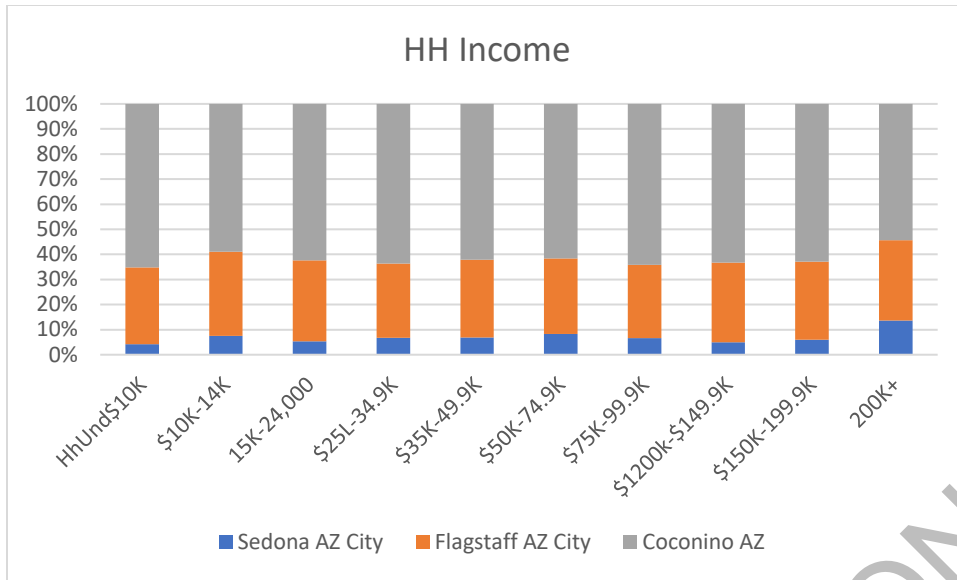
Flagstaff and Coconino County Demographics

Flagstaff has a population of approximately 72,000. It is a well-educated community, as is typical of a college city. It is also a diverse city, with 36% of its population non-white.

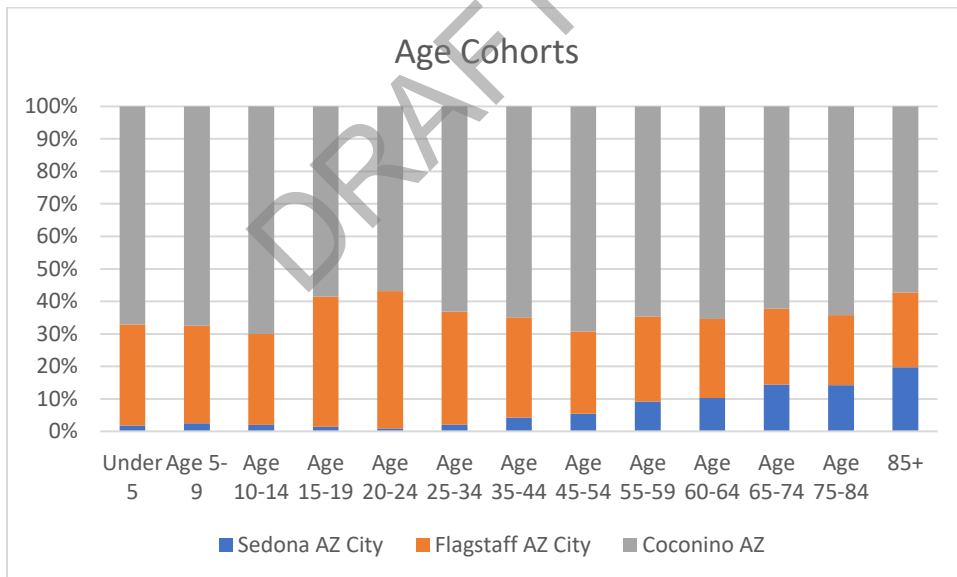
It has a distinctly younger median age than Arizona as a whole, reflective of college demographics. Its median household income is higher than Arizona’s household median income, and its median home value is \$130,000 over the median home value in Arizona. Neighboring Sedona – whose residents could benefit from this center - has a higher median income and household income, while the impact of rural areas and communities throughout the County lower all income median and mean statistics.

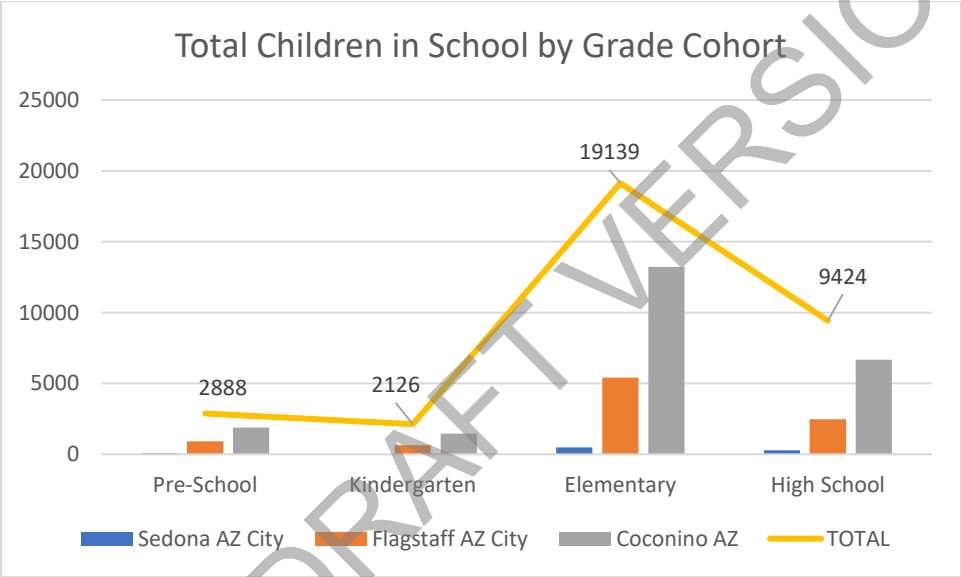
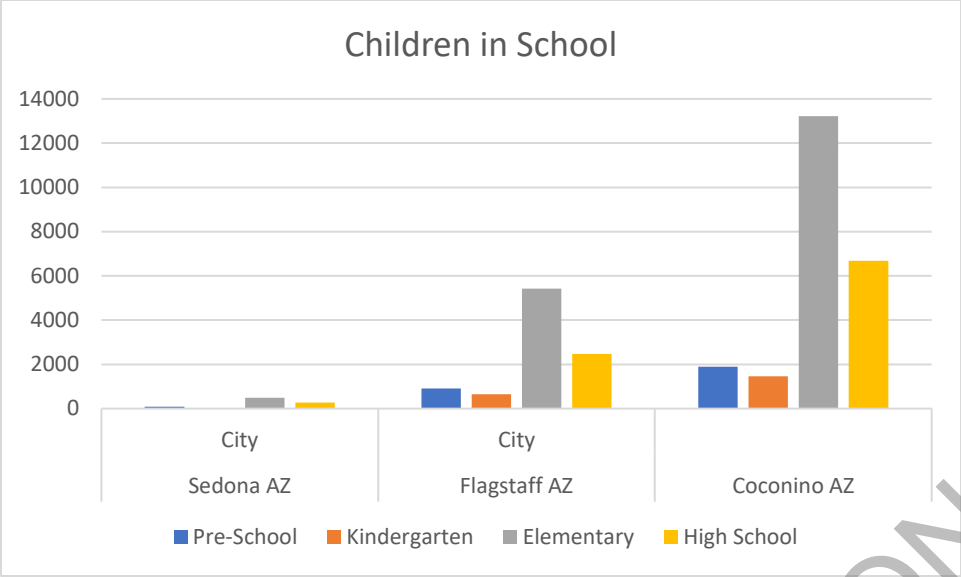


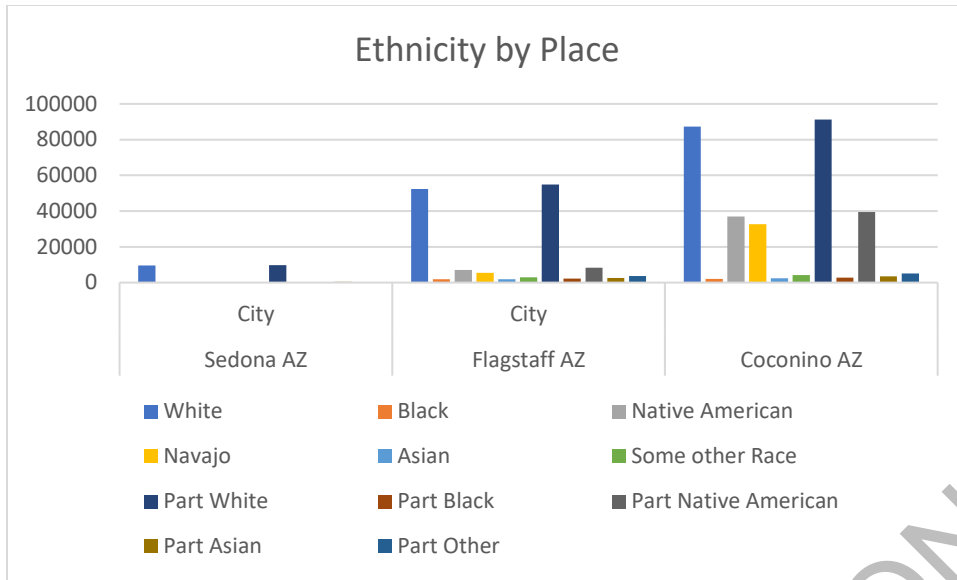
	HhUnd\$10K	\$10K-14K	15K-24,000	\$25L-34.9K	\$35K-49.9K	\$50K-74.9K	\$75K-99.9K	\$1200k-\$149.9K	\$150K-199.9K	200K+
Sedona AZ	285.00	359.00	417.00	514.00	691.00	1095.00	637.00	479.00	175.00	473
Flagstaff AZ	2100.00	1601.00	2550.00	2266.00	3105.00	3997.00	2794.00	3035.00	916.00	1103
Coconino AZ	4466.00	2818.00	4925.00	4867.00	6209.00	8175.00	6148.00	6049.00	1853.00	1876.00



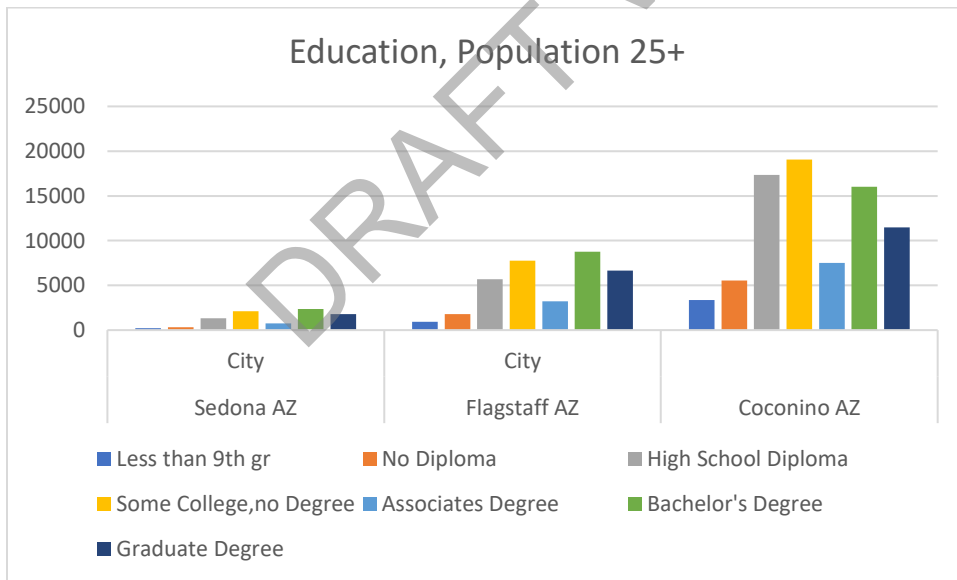
	Under 5	Age 5-9	Age 10-14	Age 15-19	Age 20-24	Age 25-34	Age 35-44	Age 45-54	Age 55-59	Age 60-64	Age 65-74	Age 75-84	85+
Sedona AZ	212	306	236	348	288	599	985	1241	1227	1187	2220	898	462
Flagstaff AZ	3781	3781	3275	9659	13955	10110	7152	5720	3511	2814	3604	1367	541
Coconino AZ	8128.00	8469.00	8213.00	14139.00	18793.00	18339.00	15065	15667.00	8670.00	7570.00	9598.00	4070.00	1345.00

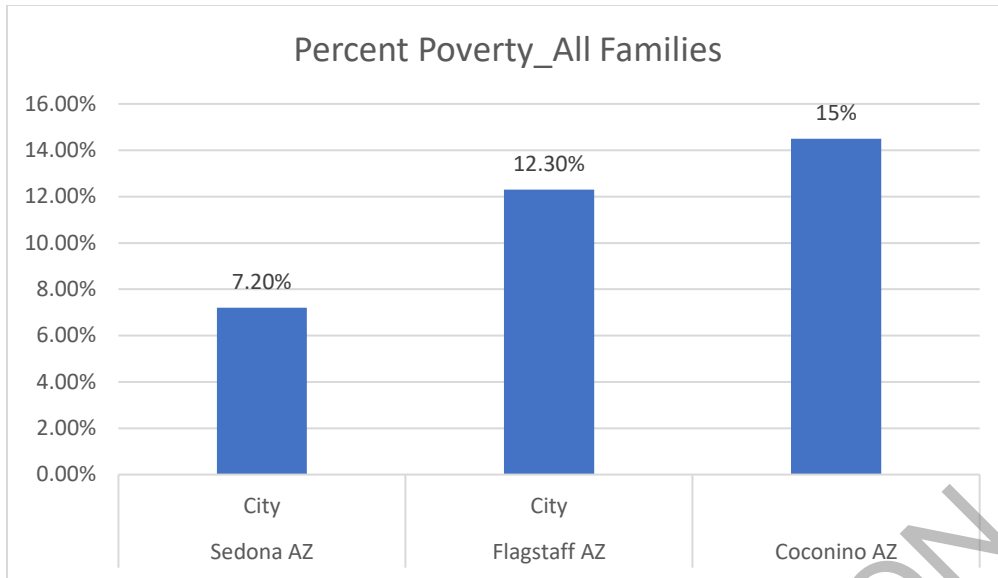






	White	Black	Native American	Navajo	Asian	Some other Race	Part White	Part Black	Part Native American	Part Asian	Part Other
Sedona AZ	9509	0	40	40	311	143	9715	33	73	454	143
Flagstaff AZ	52381	1828	7014	5438	1920	2956	54892	2312	8256	2619	3680
Coconino AZ	87335.00	2136.00	37054.00	32673.00	2430.00	4202.00	91303.00	2782.00	39407.00	3437.00	5088.00



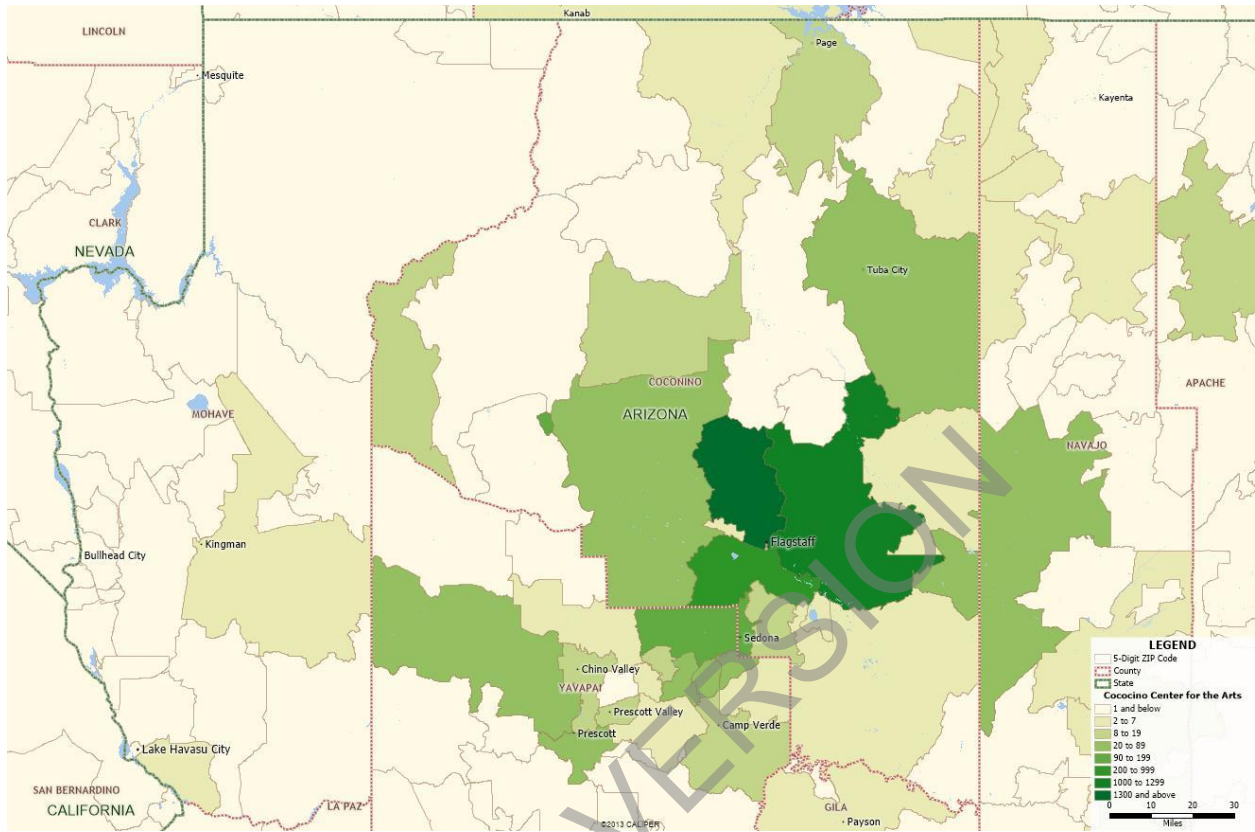


Importance of The Demographics

A of the demographic data points stand out as particularly important to this study and its recommendations:

1. Flagstaff and Coconino County are deeply diverse, yet most programming done in the arts has attracted a largely white attendance base. A new facility should be located in an area of Flagstaff that is considered central and ideally historically diverse. A new facility should pride itself on having essential signs and information that is multilingual with English, Spanish, and Navajo.
2. Few arts organizations now offer significant arts in education services or programming in association with schools or other community service providers, yet the child and youth population is significant. Any new facility should offer an abundance of arts education, including formal partnerships with FUSD and schools county-wide.
3. Sedona's population brings a high level of affluence, and there is a significant reach into the community as evidenced by the current and past membership and attendance at Coconino Center for the Arts. This audience should be considered and cultivated.
4. The importance of the University student population should not be overlooked. This population is large and can bring incredible arts programming and vitality to the proposed Center, from film and theatre, comedy and music, to participatory involvement in arts classes of all types.
5. While median and mean household income is higher than AZ statewide comparisons, the percent of households living in poverty is high. Programming needs to include many free and low cost opportunities that encourage equity in arts engagement.

Map of Coconino Center for the Arts Members and Audiences



Map shows density of audience and member HHs in Coconino County. Darkest green is most dense.

Addenda

Interviewees

Round Table Participants

Case Study Sites and Example

Thank You

Open ended comments and public input from forums

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January 2018 Powerpoint



A cultural strategy for Flagstaff ?

January 2018 Powerpoint

Needs Analysis

1. How true is the need?
2. Why Flagstaff and why now?
3. Can't existing venues meet the need?
4. Does the public care?
5. Models
6. Costs and options

**The Study.
Your Role.**



**Near term goal or long term
idea? Ways to get it done.**

January 2018 Powerpoint

Market Comparison

Virtually every city 50,000 – 100,000 has a significant arts center.

Arts Centers = greater economic vitality
Concentration of activity = more visitor traffic, more off-site spending



Sioux City, Iowa 85,000



Medford, OR 81,000



Rapid City, SD 74,000



Cheyenne, WY 64,000



Janesville, WI 64,000



Great Falls, MT 59,000

January 2018 Powerpoint

Why?

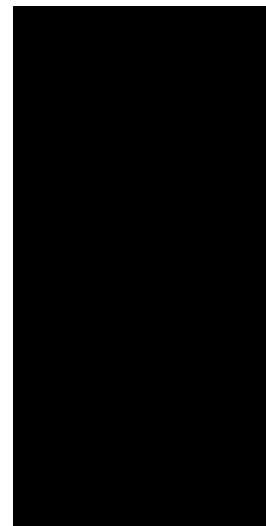
Increased visitors TO Flagstaff rather than THROUGH Flagstaff = increased visitor spending.

80 + % of visitor spending for the arts is off-site.

Increased competitiveness winning companies and high value employees.

Arts venues = community building. 73% of Americans go to socialize with friends and neighbors.

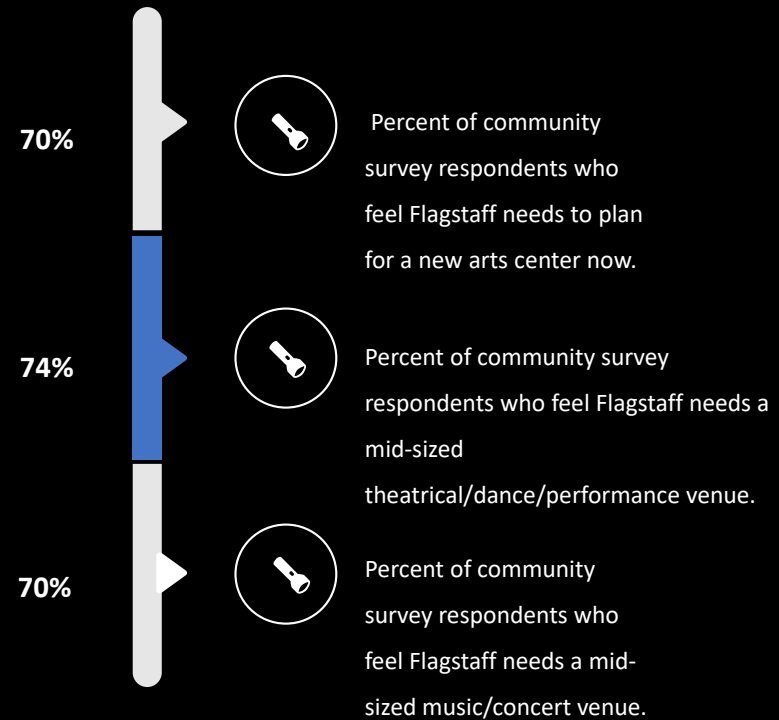
Arts venues = educational advantage for children.



January 2018 Powerpoint

Numbers support what we heard in every community conversation.

Residents want this.



January 2018 Powerpoint



Arts and culture organizations want this.

Top facility need

Mid sized (500 – 800 seat
performance venue)

Next facility need

Black box flexible space venue
120-250 seats.

Next facility need

Exhibition/gallery/education/op
erations & rehearsal.



Grow public participation.

Educational services.

Tourism programming.

Increase quality and volume
of programs.

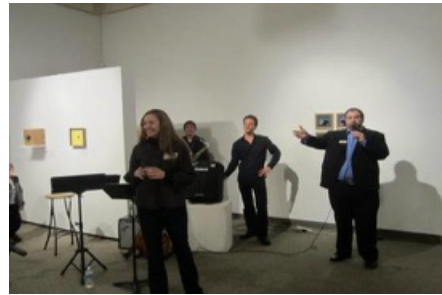
January 2018 Powerpoint

Can existing venues meet the need?

NO.

✓ \$119,400 =

Amount Flagstaff
arts groups now
spend on
performance
venues.



Too small and technically
incredibly limited.

Priority = university needs.
As ASU grows, use grows.
Yes, community use – but rare to
meet all community use.

And Flagstaff's high schools and middle
schools are increasingly not available,
costly, and not oriented toward outside
user groups.

January 2018 Powerpoint

8



Tempe Center for the Arts in Tempe, Ariz.

Groundbreaking in 2004, opened in 2007
80,000 square feet, 800 seats
\$47 million cost is \$58,750 per seat
Note: Includes two theaters, 600 seats and 200 seats.

Soka Performing Arts Center in Aliso Viejo, Calif.

Groundbreaking in 2009, opened in 2011
98,000 square feet, 1,032 seats
\$58 million cost is \$56,202 per seat
Note: arts center alone is 47,000 square feet.
Construction and per-seat costs exclude academic building, which was estimated at \$15 million.

Francis Marion University Performing Arts Center in Florence, S.C.

Groundbreaking in 2009, opened in 2011
61,000 square feet, 949 seats
\$33 million cost is \$34,773 per seat
Note: Per-seat cost covers 849 seats in main theater, 100 in black box, but not amphitheater with estimated 500 seats, capacity of which hasn't been fully tested.

Wagner Noel Performing Arts Center in Midland, Texas

Groundbreaking in 2009, opened in 2011
114,000 square feet, 1,800 seats
\$74 million cost is \$41,111 per seat

January 2018 Powerpoint

What have other cities done that is affordable and viable?

One option =
Repurpose and
Reuse

\$50,000 =
Average cost per
seat to build new
today.

Or, \$600 per sq.
ft.



Built out of and around a former auto garage.
White River Junction, VT

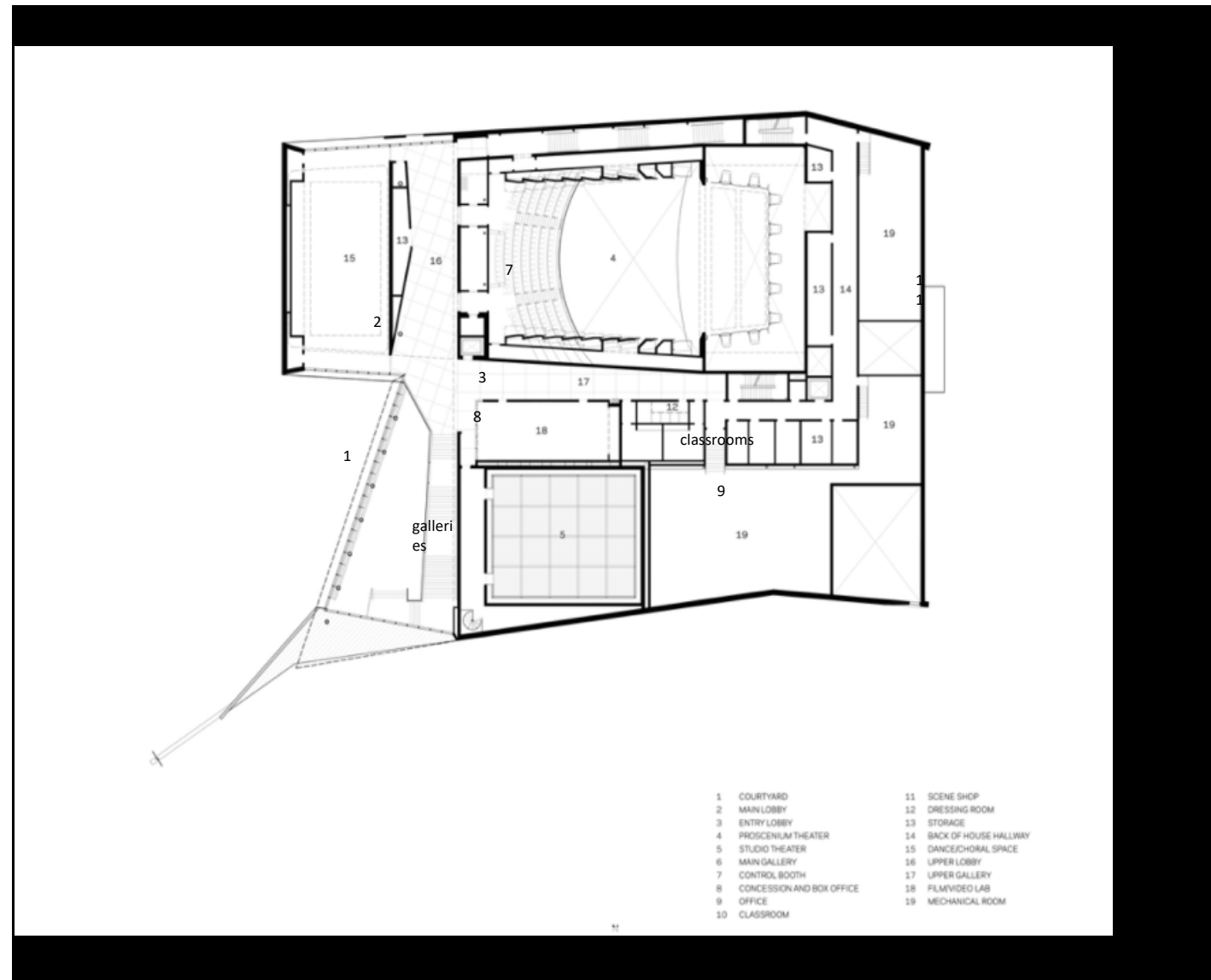


Redid and added to an old
movie theater. Cary, NC

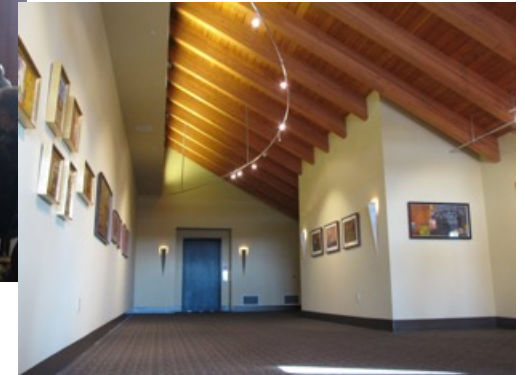


January 2018 Powerpoint

The basic layout of what Flagstaff needs. This is from another facility, not a design for Flagstaff.



January 2018 Powerpoint



\$18-20
Million
est.

January 2018 Powerpoint

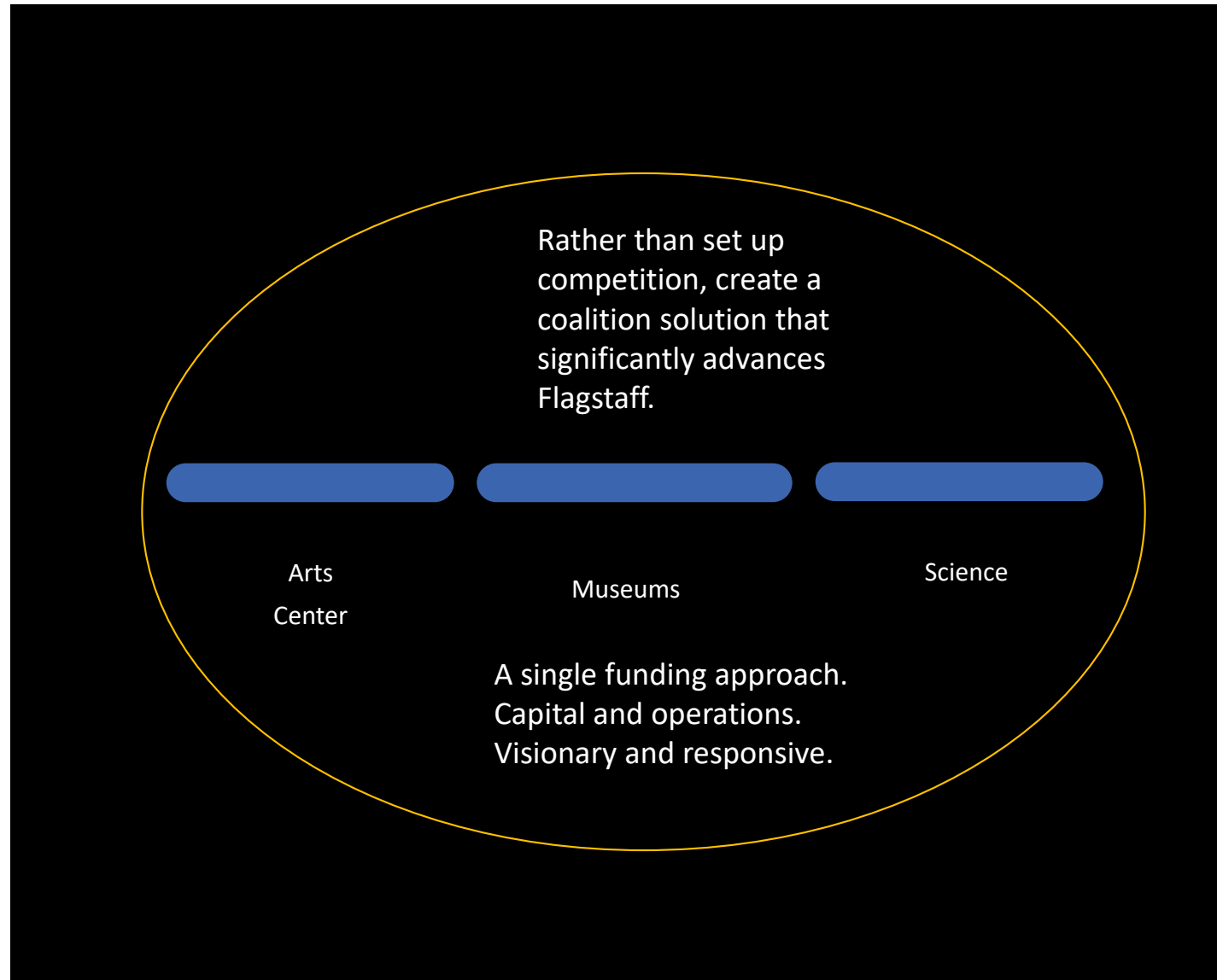
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Vision.

Goals.

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Do this alone? Or, do this as a segment (or phased segment of a larger science, arts, culture, museums initiative for Flagstaff?



January 2018 Powerpoint

A new way of thinking about how science, arts, and culture share in advancing economic, educational, and community opportunity community strength.



Unified Capital Strategy,
Public Sector



Synergistic capital funding
strategies, private sector



Shared, synergistic
story and message

Mutually set each project up for
success.

January 2018 Powerpoint

Rather than prioritize one "feasible" project over another, find ways to get to this approach:

It may take longer. Is it worth it?

1. Build the synergistic approach and coalition.

2. Identify the funding mechanism(s) and partnerships to do it all.

Should this be the approach?

3. Phase the capital development among all based on readiness.

4. Sustain and expand capacity for delivering community and tourism services.

January 2018 Powerpoint

Coordination Leadership
Momentum Structure Partners
Investment Dialogue

What is next?

JANUARY HYPOTHESIS



Funding Model Hypothesis

Transforming the Orpheum and Surrounding Properties into the Arts Center for Northern Arizona

Hypothesis

1. Orpheum property purchase cost: \$2.5 M
2. Adjacent properties purchase cost: \$1.25 M

TOTAL COST of Land and Buildings: \$3.75 M

Cost for Renovation, additions, transformation: \$12 M

TOTAL COST ALL: \$15.75 (estimate)

Capital

1. City sale of Theatrikos property. What would that block be valued at? \$1 million is my hypothesis.
2. BBB funding and match. \$9.9 M in BBB. Would require private sector funding of as much as \$4.4 M cash using 2.1 formula. (Sale of the Theatrikos property would serve as part of the match to the BBB.)

\$800,000 facility naming gift. This could potentially be a reduction in sale price by Scully.

\$650,000 facility naming gift. Again, could be a reduction in sale price.

\$1 M via 2 gifts in the \$500,000 facility naming range. Same.

\$800,000 via 3-4 gifts in the \$200,000 - \$350,000 range.

\$500,000 via 5-6 gifts in the \$75,000 - \$175,000 range.

\$350,000 via 10 gifts in the \$25,000 - \$50,000 range.

\$300,000 to be raised through a public campaign for naming seats, etc. Gifts from \$500 to \$25,000.

If total cost is more, will require more in match from private sector. However, if it is phased over 10 years, this can be doable. Also, City property sale of Theatrikos parcel could yield more.

JANUARY HYPOTHESIS

Email from Louise Stevens to John Tannous regarding this Funding Model Hypothesis:

Subject:Funding Model Hypothesis.docx

Date: Mon, 11 Dec 2017 17:14:39 +0000

From: Louise K Stevens <lstevens@artsmarket.com>

To: John Tannous <jtannous@flagartscouncil.org>

I thought this might be helpful as you move conversations forward.

1. The more that can be garnered through the BBB, the less capital from the private sector to be raised. This helps keep this campaign from cannibalizing the private sector funding for Lowell and for the Museum.
2. I think that what I have attached is doable between Arts Council, Symphony, and to a smaller extent the other partners. Essentially, you want to go after only a few very invested individuals for the key naming gifts. After that, I think you can do fairly well from the various foundations at the community foundation.
3. If APS gives a "capital" gift = 10 years of cost of utilities it would require some nifty accounting but can be done. You'd be applying the capital gift over ten years.
4. In general, I think you can ask for pledges to be spread over 3-5 years. It used to be that pledges came only in 3 year payouts, but the great recession pushed it to 5 or even more.



**Model for Flagstaff
Cultural and Scientific Facilities Fund
Series of hypotheses**

Based on assumption of **increase in Hotel-only BBB tax from 2% to 3%**, Yielding (assumption) of about \$2.8 million - \$3 million per year.

Allows for up to 80% toward capital, 20% for maintenance, occupancy, upkeep, and facility operations

- Allows for capital to be reserved toward approved goals. (Phases of capital facility development, improvements)
- Allows for operating reserve to be pooled and developed as a working capital fund toward cultural and scientific facilities:
 - **Arts Center, Lowell Science/Interpretive Center, Museum of Northern AZ, and Arboretum.**

Independent review commission approves uses and reserves.

Concept: capital funds released when X% of private or other public sector match is secured, using a 2:1 formula. For example, when the Arts Center obtains \$1 M in funding from other sources, \$3 million in this fund would be released.

The nonprofits could take out loans against the fund to advance construction.

80% = \$2.24 million

20% = \$560,000

Over 10 years, Capital:

Toward Arts Center total: \$9.9 M

Toward Museum Total: \$8.35 M

Toward Arboretum Total: \$1.M

Toward Lowell Total: \$2.95 M

TOTAL Capital, 10 years: \$22.4 M

TOTAL Match (if Match is used): \$11.2

TOTAL Capital Possible: \$33.6 M (doesn't take into account over-matching or naming or other special gifts.) Goal is simply for the public fund to stimulate AT LEAST this much.

Non-Capital:

Over 10 years, Operations and occupancy, 4 cultural and scientific facilities: \$4.7 M to the four anchors.

Over 10 years: Operating reserve, 4 cultural and scientific facilities \$900,000.

Model

Model: Year 1

Arts Center capital need = \$250,000 for architectural and engineering.

Museum of Northern AZ capital need: \$50,000

Arboretum capital need: \$500,000

TOTAL Year 1 = \$800,000 capital

Balance of capital fund Year 1 = \$1,440,000 held in reserve

Maintenance and operations fund need year 1 = ? (\$200,000/Museum, arboretum??)

Operations Balance in reserve: \$500,000

Model: Year 2

Arts Center capital = \$3.68 million (uses draw down on Year 1 plus year 2 allocation)

Maintenance and operations fund need year 2 = \$300,000 (Museum and some to the evolving Arts Center)

Balance Year 2 Maintenance and operations fund to pool = \$400,000

Total balance in reserve: \$900,000

Model: Year 3

Museum capital: \$2,000,000

Arts Center capital \$240,000

Maintenance and operations fund need year 3 = \$560,000 all four facilities

Model: Year 4

Arts Center capital: \$1,740,000

Arboretum capital: \$500,000

Maintenance and operations fund need year 4: \$560,000 all four facilities

Model: Year 5

No capital need: all pooled for year 6

Maintenance and operations fund need continues: all four facilities

Model: Year 6 & 7 (including pooled from year 5 carried forward, carrying some forward to year 8)

Museum Capital Need: \$5,850,000

Maintenance and operations fund need: \$560,000

Model: Year 8 & 9

Arts Center capital: \$3,000,000

Lowell Visitor Center capital: \$1,480,000

Maintenance and operations fund need: \$560,000

Model: Year 10

Arts Center: \$1,000,000

Lowell: \$1,470,000

Maintenance and operations fund need: \$560,000

After 10 years: Review of cultural facilities capital needs going forward. For example, Library could be next up. Capital could be opened to other facilities. Maintenance fund continues and grows as the revenues grow. Maintenance fund is permanently dedicated to offsetting the operating, maintenance, and other occupancy costs of the city's primary cultural and scientific facilities.

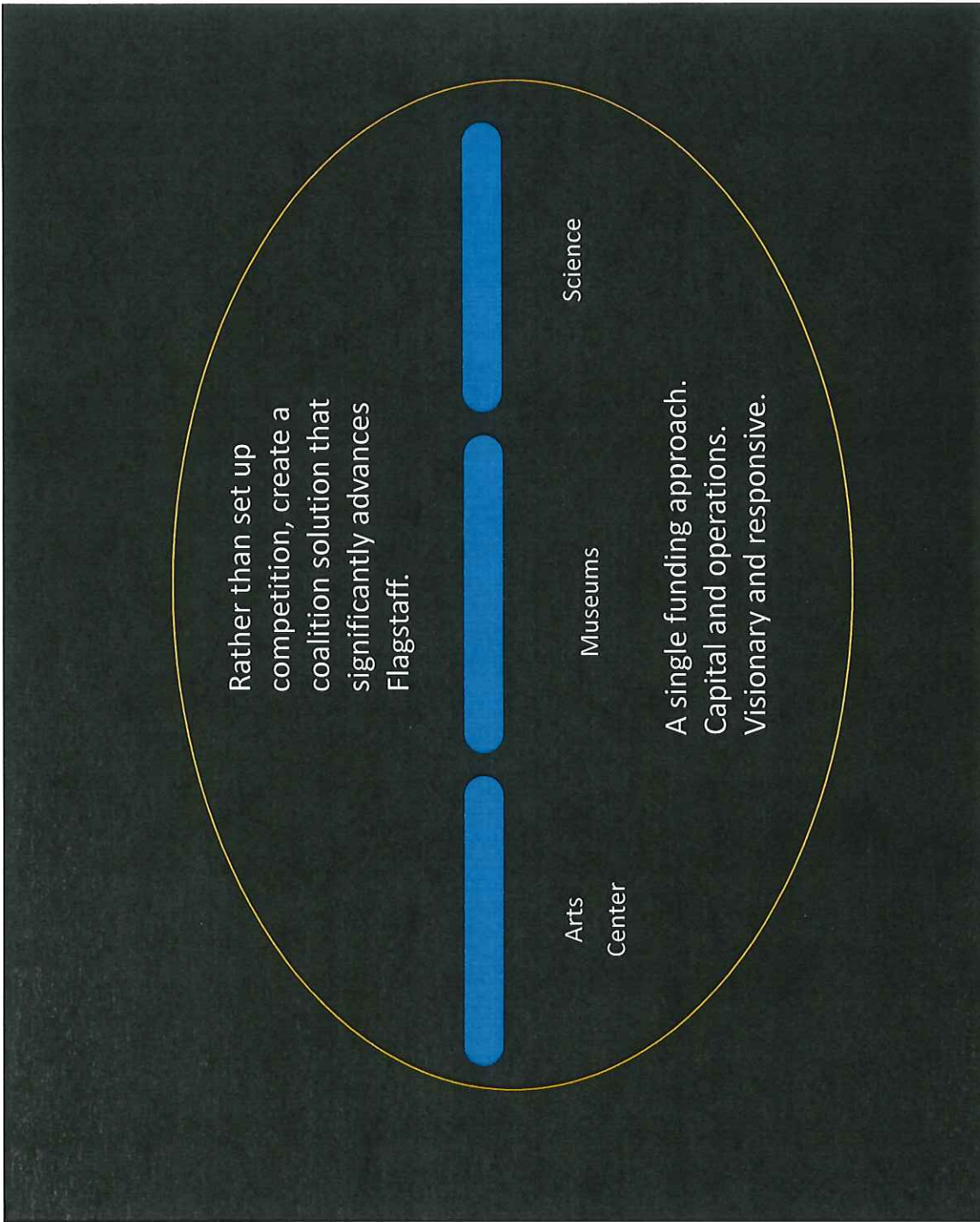
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