

The Woodlands Township
Cultural Facility Needs Assessment

Physical & Business Plan Presentation

Review – Feasibility Study Key Milestones

The feasibility study was constructed as a two part process:

Phase One: Needs Assessment

- January 25 2017 –Needs Assessment Kick-off
- March 22, 2017 – Presentation of Needs Assessment

Phase Two: Physical Planning, Business Planning, and Financial Planning

- June 22, 2017 – Phase Two commences
- August 17, 2017 – Review draft of Phase Two physical & business planning
- September 15, 2017 – Benchmarking tour
- December 06, 2017 – Final Phase Two presentation

Review – Needs Assessment Recommendations:

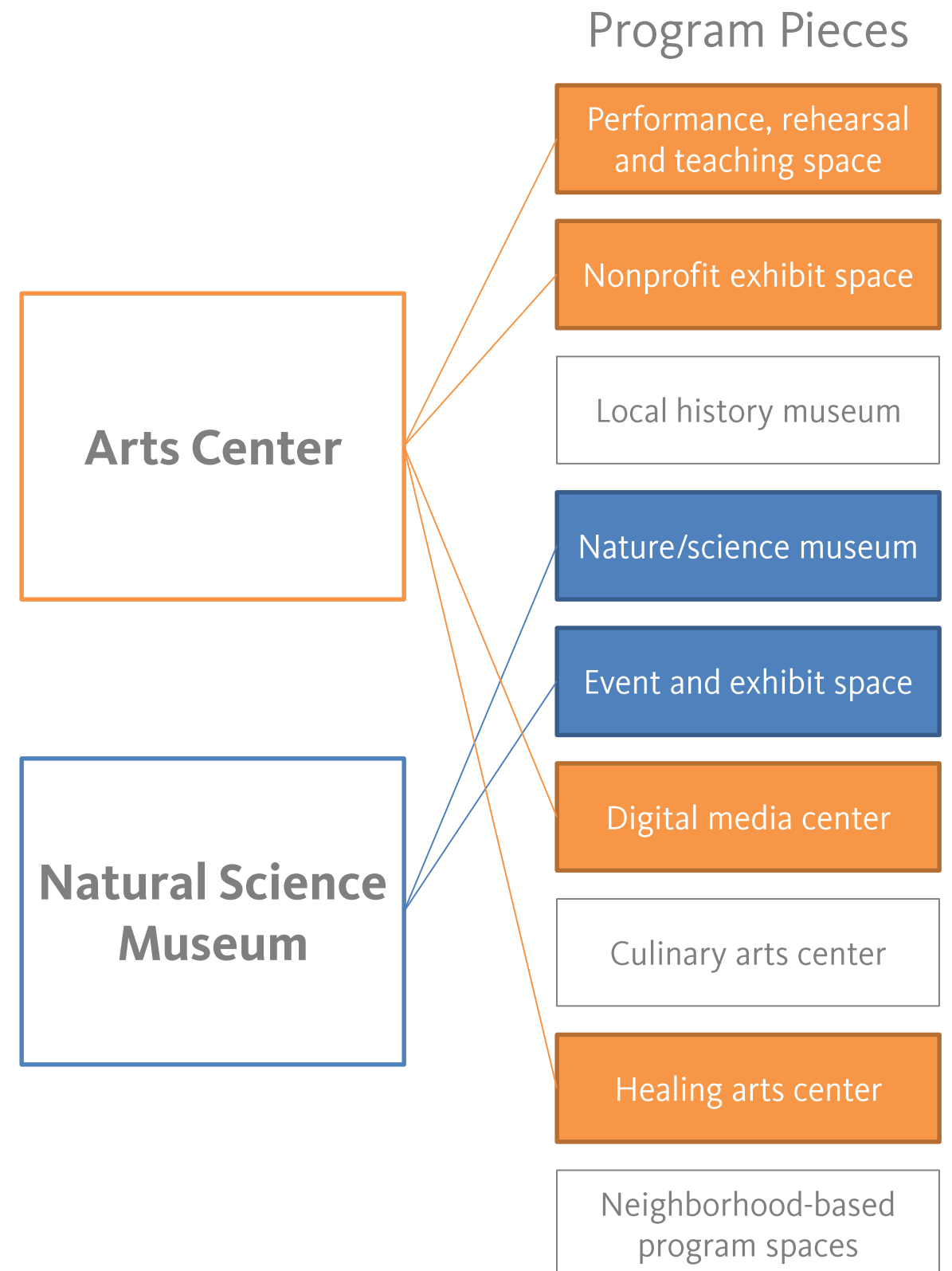
The needs assessment outlined that there is a strong need for cultural entities in The Woodlands

The Phase One Needs Assessment identified the following program “pieces” for development in The Woodlands:

- Nonprofit performance, rehearsal and teaching spaces
- Nonprofit exhibition space
- Local museum
- Nature/science museum
- Event and exhibit space
- Digital media center
- Culinary institute
- Center for arts and healing
- Neighborhood-based program spaces

Recommended Projects:

- We recommend moving forward with the following projects for Phase Two:
Project A: Arts Center
Project B: Natural Science Museum
- There is a strong case for each of the projects as cultural anchors for the community – an arts center and a natural science museum.
- Both of these projects has the ability to be combined with other cultural elements as we are recommending here.



Natural Science Museum

Project Components

- **Primary program:** Exhibit, public, admin, and storage space as a satellite location for the Houston Museum of Nature and Science or a similar partner.
- **Other recommended components:** Flexible event space for public and private events



Natural Science Museum Key Metrics

Total building size:
100,000 Square Feet

Estimated Construction Cost:
\$42 million (potentially \$35-\$52 million)

Minimum parking requirement:
300 Spaces

Primary Components:

- 55,000 square feet of exhibit space
- 9,000 Square feet of classroom & meeting space
- 200 seat stage / lecture hall
- Café



Business planning for a museum of science & nature

- This is a unique situation, based on a partnership with Houston MNS.
- The basic deal structure is that the Township takes responsibility for raising the capital necessary to build the Center. As a part of this, it would be beneficial to have HMNS agree to support and participate in a capital campaign, having their leadership join the campaign team for both public and private sector fundraising.
- Then, once the facility opens, HMNS takes all responsibility for programming, operating and sustaining facilities.
- These initial terms should be articulated in a Memorandum of Understanding. As the work advances, the Township and HMNS should develop a contract with operating goals, as follows:
 - Busy;
 - Accessible;
 - Impactful.
- The City of Sugar Land has a 50-year lease with HMNS. There are broad undertakings about programs and content, but no firm requirements and information delivered annually to the City.
- Prior to that lease, the parties signed a one-page Letter of Understanding that laid out basic terms and expectations to support fundraising efforts.

Economic impacts of a museum of science & nature

- Calculating the economic impacts of building and operating new facilities in The Woodlands.
- Informed by RIMS Type II multipliers purchased from the Federal Bureau of Labor for Montgomery County.
- Direct, indirect, and induced impacts of construction, operations, and audiences.
- Operating impacts are based on the base (typically the third) year of operations.
- Visitor expenditure levels are based on the Americans for the Arts Prosperity Index Version 5, published last year.

Economic impacts of a natural science museum

- One-time construction impacts include new sales in the market area of \$42M, plus new earnings \$11M and 352 person-years of employment.
- More significant are the annual operating impacts of the new museum operating organization and the impacts of related audience expenditures.
- Together, these add \$4 million in new sales in that year, plus another \$760,000 in new earnings and 25 new jobs in addition to those working in the Museum.

Summary of MNS Economic Impacts		Base Project
Construction Impacts	Input (Local Expenditures)	\$41,500,000
	Output (Sales)	\$69,313,300
	Earnings	18,841,000
	Jobs Created (person-years)	352
Ongoing Annual Impacts Operations	Input (Base Year Spending)	\$296,250
	Output (Sales)	\$480,355
	Earnings	114,608
	Jobs Created (annual)	3
Audience Spending	Input (Base Year Activity)	\$1,941,000
	Output (Sales)	\$3,183,201
	Earnings	\$644,351
	Jobs Created (annual)	21
Total Annual Operating Impacts (Operations + Audience Spending)	Output (Sales)	\$3,663,555
	Earnings	\$758,960
	Jobs Created (annual)	25

Natural Science Museum – Expanded Program Option

Base recommendation:

- **100,000 SF** total museum facility
- **300 spaces** parking requirement
- **\$42 million** construction cost (without parking)

Expanded Recommendation:

- **225,000 SF** total museum facility
- **740 spaces** parking requirement
- **\$90 million** construction cost (without parking)

- Increased scale to facilitate larger, world class exhibitions that a smaller scale venue cannot support

Economic impacts of an expanded natural science museum

- The upside of an expanded museum of science and nature lies in the increased economic impacts of the project.
- Construction impacts are increased by \$81M in new sales, plus new earnings of \$22M and 408 more person-years of employment.
- Annual operating impacts of the expanded museum add another \$5 million in new sales in that year, plus another almost \$1 million in new earnings and 35 new jobs in addition to those working in the Museum.

Summary of MNS Economic Impacts		Base Project	Expanded Project
Construction Impacts	Input (Local Expenditures)	\$41,500,000	\$89,600,000
	Output (Sales)	\$69,313,300	\$149,649,920
	Earnings	18,841,000	40,697,150
	Jobs Created (person-years)	352	760
Ongoing Annual Impacts	Input (Base Year Spending)	\$296,250	\$592,500
Operations	Output (Sales)	\$480,355	\$480,355
	Earnings	114,608	114,608
	Jobs Created (annual)	3	3
Audience Spending	Input (Base Year Activity)	\$1,941,000	\$5,176,000
	Output (Sales)	\$3,183,201	\$8,488,535
	Earnings	\$644,351	\$1,718,271
	Jobs Created (annual)	21	57
Total Annual Operating Impacts	Output (Sales)	\$3,663,555	\$8,968,890
(Operations + Audience Spending)	Earnings	\$758,960	\$1,832,879
	Jobs Created (annual)	25	60

Arts Center

Building Uses:

- Mid-size and small performance and rehearsal spaces
- Non-profit gallery, exhibition, and teaching spaces
- Digital media arts spaces and programs
- Healing arts spaces and programs

Potential Users:

- Schools & universities
- Local community groups
- Touring groups

Types of programming:

- Classical & Popular Music
- Dance
- Musical Theatre
- Speakers
- Film
- Comedy



Arts Center Key Metrics

Total building size:
81,555 Square Feet

Estimated Construction Cost:
\$53 million (potentially \$48-\$61 million)

Minimum parking requirement:
500 Spaces

Primary Venue Sizes:

- 1,000 seat large performance venue
- 250 seat small performance venue
- 150 seat multi-purpose venue
- 2,400 SF large gallery
- 1,200 SF small gallery
- 3 classrooms
- \$3500 SF digital media center



Operating goals

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

Programming strategy

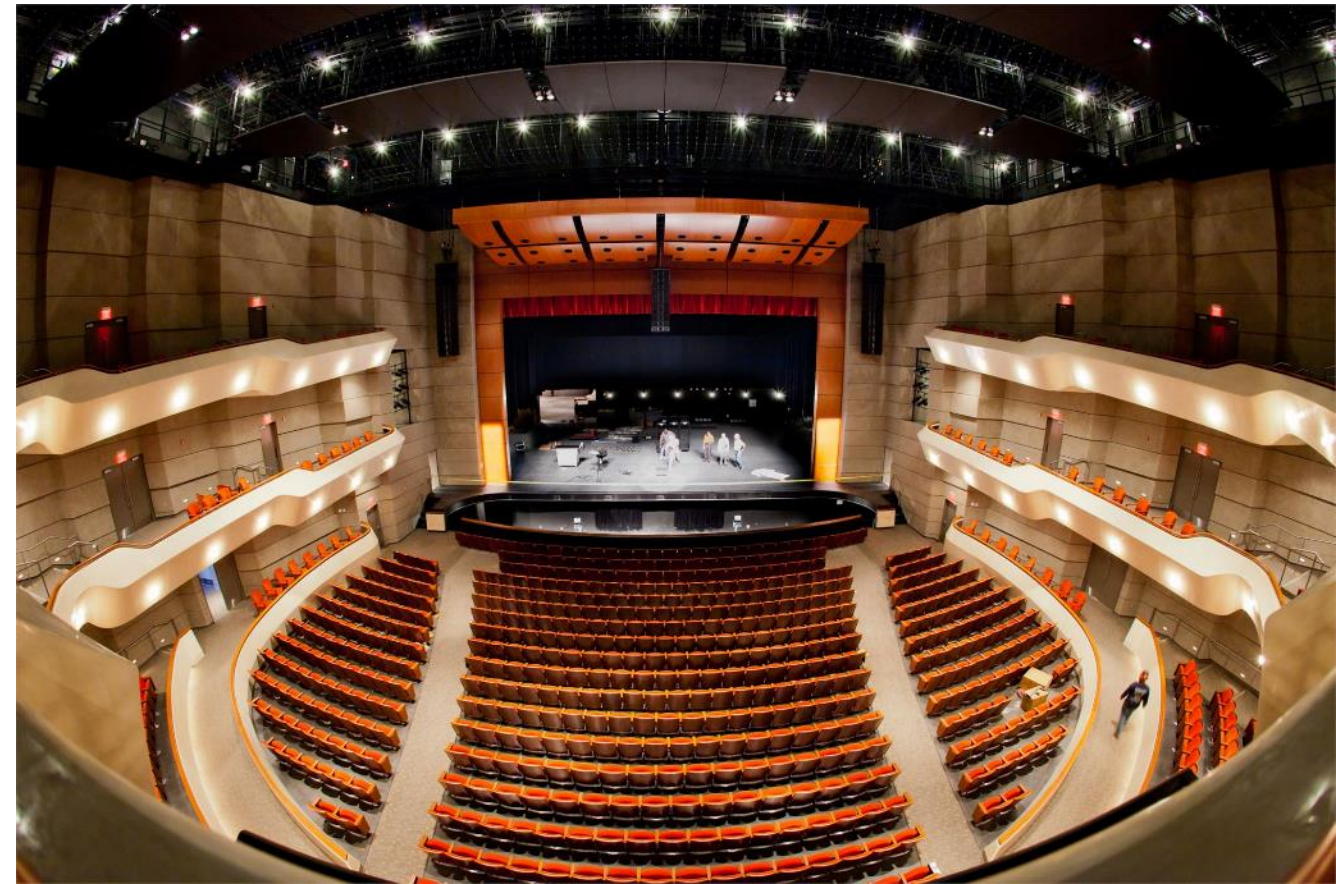
- **New facilities will be brought to life with a combination of:**
 - The presentation of live touring arts and entertainment, for which the facility is at-risk.
 - Discounted rentals to local and regional nonprofit organizations.
 - Market-rate rentals to for-profit arts groups and meeting and event planners.
 - Partnerships with educational users, most importantly a post secondary educational development partner.
- The key to successful operation of a performing arts center is the successful balancing of these different uses and users relative to mission and the ongoing sustainability of the venue.

Operator recommendations

- In this case we recommend that an educational partner be solicited and engaged to act as operator for recommended facilities, for the following reasons:
 - Colleges are experienced facility developers and managers;
 - College use of recommended facilities increases their viability;
 - College partners will support capital and annual fundraising needs.
- It may also be appropriate to create a new foundation to work with the Township and College partner through the development process, raising funds and providing guidance to the Township as the project advances.
- Once the Center opens, a foundation can play an ongoing role in fundraising for annual support and taking some responsibility for programming, education, and outreach. That promise of an ongoing role will be important to drive private sector financial support of the Center.
- We also see an important role for the Arts Council as the project advances: preparing the arts community to succeed in new facilities, developing an arts district that might include the Arts Center, and delivering programs and partnerships in areas like the healing arts.

UT Permian Basin, Wagner Noel Performing Arts Center, Midland TX

- Completed in 2011, this 109,130sf facility includes an 1,827-seat Main Hall, 200-seat Recital Hall, and 200-seat Rehearsal Hall.
- Capital costs totaled \$77 million: \$65 million for construction and an additional \$12 million in endowment fund
- Texas State Legislature financed \$53 million of the Center's capital costs while the University raised an additional \$24 million from the City and private donors.
- Managed by SMG, the entertainment group presents over 150 events each year, including 6 Broadway productions. SMG handles all scheduling and booking of performances, programming special events, and managing all day-to-day operations. Their initial operating contract was for 5-years.
- UT Permian Basin's annual operating support finances all maintenance and repairs as well as limited staff support.



Hylton Performing Arts Center, George Mason University, Manassas VA

- Opened in 2010, the Center includes a 1,121-seat Merchant Hall, 270-seat flexible theatre, an art gallery, grand foyer, scene shop, and support space.
- \$46 million capital costs:
 - Prince William County contributed 60%.
 - George Mason University contributed 30%.
 - City of Manassas contributed the final 10%.
- The Hylton Center is operated by the University, and the operating budget is supported by University student fee allocations as well as a mix of earned and contributed income from ticket sales, rentals, private philanthropy, and corporate sponsorships.
- The City of Manassas and Prince William County make contributions toward the debt service.
- The administration raises funds each year to subsidize the access to the Center for local community groups. There are 11 resident arts organizations that call the Hylton home.

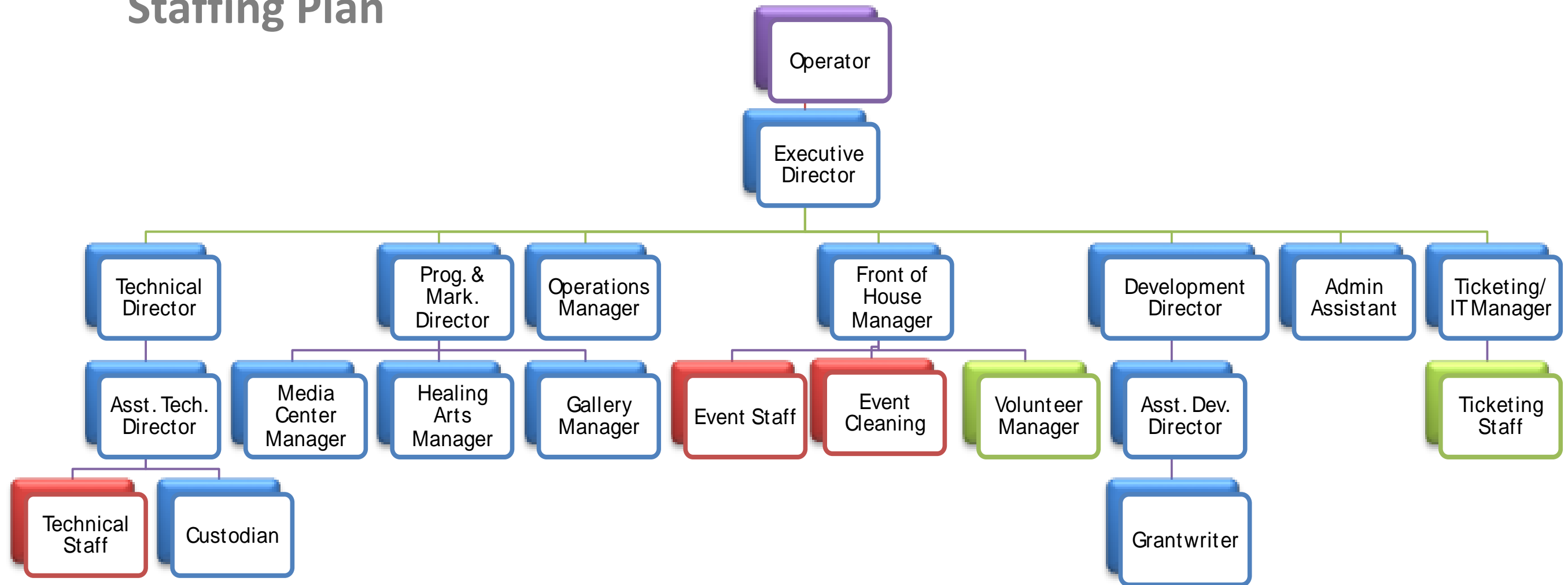


Wilson Center at Cape Fear Community College, Wilmington NC

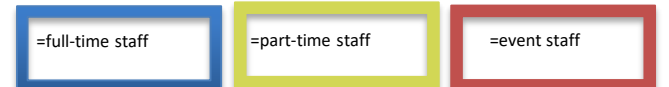
- The Wilson Center at Cape Fear Community College opened in 2015.
- The facility includes a 1,550-seat theater, a studio theater, and 26 instructional spaces.
- Programming includes a mix of presenting (PNC Broadway Series, headliner concerts, touring dance), rentals (The Wilmington Symphony Orchestra, The North Carolina Symphony), and shows produced by Cape Fear Community College.
- As of December 2016, the Wilson Center has had ticket sales of \$3.5 million and a total attendance of 84,494.
- The building was publicly funded with a \$41 million bond referendum and a \$4 million capital campaign.



Staffing Plan



Legend:



Pro-forma operating budget

- A live, Excel-based model that starts with activity estimates.
- Operating activities start the year before the facility opens, extending through the first five years of operations.
- Rental rates have been set to compete with other regional facilities. They do not yet account for possible differences according to time of day, time of week or types of use – rehearsal, performance, meetings, etc.
- We assume fully-developed staff and infrastructure at the outset of operations.
- This does not yet reflect the opportunity to share staff and other resources with the partners.

Pro-forma operating budget

Pro-forma Budget Summary	Pre-Opening	Year 1	Year 2	Year 3	Year 4	Year 5
Earned Income						
Ticket Sales		317,400	286,508	332,090	373,333	416,855
Rental Income		666,975	688,956	729,738	769,349	812,943
Theater User Fees		433,534	447,822	474,330	500,077	528,413
Digital Media Center		125,000	138,210	173,799	190,757	231,349
Healing Arts Center		144,010	154,234	165,184	176,912	189,472
Food Service		135,595	136,609	150,801	162,349	176,406
Miscellaneous Income		356,785	351,459	382,693	409,226	441,452
		2,179,299	2,203,798	2,408,635	2,582,003	2,796,890
Contributed Income						
Individual Contributions	50,000	100,000	105,000	110,250	115,763	121,551
Corporate Contributions	50,000	100,000	105,000	110,250	115,763	121,551
Foundation Grants	25,000	50,000	52,500	55,125	57,881	60,775
Government	100,000	200,000	210,000	220,500	231,525	243,101
Endowment Revenue	0	22,500	24,750	27,225	29,948	32,942
Digital Media Sponsorships		50,000	55,000	60,500	66,550	73,205
Healing Arts Grants		75,000	82,500	90,750	99,825	109,808
	225,000	597,500	634,750	674,600	717,254	762,933
Total Income	225,000	2,776,799	2,838,548	3,083,235	3,299,257	3,559,822
Operating Expenses						
Total Personnel	708,500	1,834,625	1,906,604	1,994,833	2,083,165	2,179,137
Programming Costs	0	291,525	269,626	306,347	340,860	374,950
Fundraising	10,000	20,000	20,800	21,632	22,497	23,397
Box Office	0	136,236	132,829	143,709	153,851	166,351
Administration	133,500	267,000	275,010	283,260	291,758	300,511
Occupancy Costs	0	440,000	448,800	457,776	466,932	476,270
Total Operating Expenses	852,000	2,989,386	3,053,668	3,207,557	3,359,063	3,520,616
Result of Operations	-627,000	-212,587	-215,120	-124,322	-59,806	39,206
Allocation from Capital Budget	700,000	250,000	250,000	150,000	60,000	0
Allocation to Capital Reserve	0	0	0	0	0	25,000
Final Result	73,000	37,413	34,880	25,678	194	14,206
Earned Income/Op. Expenses	0	73%	72%	75%	77%	79%

Annual funding

- Starting at \$225,000 in the pre-opening year and growing over time.
- Corporate and individual support more likely than foundation support.
- We are assuming an operator with the skills and resources to raise these funds.
- Note the additional requirement of \$1.4M from the capital campaign to fund early year operations.
- We have also included a small endowment that grows over time with a 3% rate of return.

Economic impacts of a new performing arts center

- One-time construction impacts include new sales in the market area of \$88M, plus new earnings \$24M and 450 person-years of employment.
- More significant are the annual operating impacts of the PAC operating organization and the impacts of related audience expenditures.
- These add another \$6 million in new sales in a base year of operations, plus another \$1.2 million in new earnings and 38 new jobs in addition to those working in the PAC.

Summary of PAC Economic Impacts		Base Project
Construction Impacts	Input (Local Expenditures)	\$53,040,000
	Output (Sales)	\$88,587,408
	Earnings	24,080,160
	Jobs Created (person-year)	450
Ongoing Annual Impacts	Input (Base Year Spending)	\$592,500
Operations	Output (Sales)	\$960,709
	Earnings	229,217
	Jobs Created (annual)	6
Audience Spending	Input (Base Year Activity)	\$2,911,500
	Output (Sales)	\$4,774,801
	Earnings	\$966,527
	Jobs Created (annual)	32
Total Annual Operating Impacts	Output (Sales)	\$5,735,510
(Operations + Audience Spending)	Earnings	\$1,195,744
	Jobs Created (annual)	38

Qualitative impacts

- There are additional qualitative impacts, including:
- Catalytic projects for The Woodlands and its regional competitive positioning;
- Attracting companies, workers, and residents to the community;
- Key attractions within a downtown district.



Arts Center – Expanded Program Option

Base recommendation:

- 1,000 Seat Large Performance Venue
- 250 Seat Small Performance Venue
- 150 Multi-purpose Venue
- **81,555 SF** total area
- **500 spaces** parking requirement
- **\$53 million** construction cost (without parking)

Expanded Recommendation:

- 1,500 Seat Large Performance Venue
- 400 Seat Small Performance Venue
- 200 Seat Multi-purpose Venue
- **97,305 SF** total area
- **740 spaces** parking requirement
- **\$63 million** construction cost (without parking)

- Increased scale to facilitate larger events
- Size of smaller venues adjusted to decrease gap in facility sizes
- Avoids sizes provided by existing venues – which have a different level of service

Programmatic impacts of an expanded performing arts center

- A larger capacity main hall would attract more and larger touring arts and entertainment, though not likely to the level of touring Broadway musicals.
- At the same time, there would be less rental demand on the part of local and regional arts groups.
- The most important variable may be the capacity needs of the educational-sector development partner.

Pro-forma Activity Summary - Base Year		1,000-seat Main Hall	1,500-seat Main Hall
Large Theater	Performances	96	95
	Use Days	171	159
Small Theater	Performances	120	134
	Use Days	240	245
Multipurpose Room	Use Days	123	123
	Use Days	123	123
Large Rehearsal Room	Use Days	123	123
	Use Days	123	123
Medium Rehearsal Room	Use Days	23	23
	Use Days	23	23
Small Rehearsal Room	Use Days	270	270
	Use Days		
Large Gallery	Use Days		
	Use Days		
Small Gallery	Use Days		
	Use Days		
Classrooms (3)	Use Days		
	Use Days		
Estimated Performance Attendance		108,457	165,483
Estimated Base Rent Collected	Resident Users	\$ 114,834	\$ 143,011
	Other nonprofits	\$ 80,837	\$ 91,156
	Commercial users	\$ 202,119	\$ 242,696
		\$ 138,990	\$ 153,432
	Total	\$ 536,780	\$ 630,295

Operating budget impacts of an expanded performing arts center

- The larger capacity main hall would increase earned revenues by 50%, with much higher ticket sales and some increase in rental and other revenue sources.
- At the same time, the larger building and more presented programming increases labor, programming and core occupancy costs.
- If contributed income stays the same, this means that there is a \$450,000 increase in annual funding required to sustain new facilities.

Pro-forma Budget Summary - Base Year			1,000-seat Main Hall	1,500-seat Main Hall
Earned Income				
Ticket Sales			332,090	1,054,279
Rental Income			729,738	905,607
Theater User Fees			474,330	588,644
Digital Media Center			173,799	173,799
Healing Arts Center			165,184	165,184
Food Service			150,801	216,860
Miscellaneous Income			382,693	573,688
			2,408,635	3,678,061
Contributed Income				
Individual Contributions			110,250	110,250
Corporate Contributions			110,250	110,250
Foundation Grants			55,125	55,125
Government			220,500	220,500
Endowment Revenue			27,225	27,225
Digital Media Sponsorships			60,500	60,500
Healing Arts Grants			90,750	90,750
			674,600	674,600
Total Income			3,083,235	4,352,661
Operating Expenses				
Total Personnel			1,994,833	2,687,633
Programming Costs			306,347	900,194
Fundraising			21,632	30,826
Box Office			143,709	232,959
Administration			283,260	440,274
Occupancy Costs			457,776	686,664
Total Operating Expenses			3,207,557	4,978,549
Result of Operations			-124,322	-625,888
Allocation from Capital Budget			150,000	150,000
Allocation to Capital Reserve			0	0
Final Result			25,678	-475,888
Earned Income/Op. Expenses			75%	74%

Economic impacts of an expanded performing arts center

- The upside of an expanded performing arts center lies in the increased economic impacts of the project.
- Construction impacts are increased by new sales in the market area of \$17M, plus new earnings of \$5M and 87 more person-years of employment.
- Annual operating impacts of the expanded museum add another \$6 million in new sales in that year, plus another \$1 million in new earnings and another 38 new jobs in addition to those working in the Center.

Summary of PAC Economic Impacts		Base Project	Expanded Project
Construction Impacts	Input (Local Expenditures	\$53,040,000	\$63,245,000
	Output (Sales)	\$88,587,408	\$105,631,799
	Earnings	24,080,160	28,750,730
	Jobs Created (person-year)	450	537
Ongoing Annual Impacts	Input (Base Year Spending	\$592,500	\$1,185,000
Operations	Output (Sales)	\$960,709	\$1,921,419
	Earnings	229,217	458,433
	Jobs Created (annual)	6	13
Audience Spending	Input (Base Year Activity)	\$2,911,500	\$5,823,000
	Output (Sales)	\$4,774,801	\$9,549,602
	Earnings	\$966,527	\$1,933,054
	Jobs Created (annual)	32	64
Total Annual Operating Impacts	Output (Sales)	\$5,735,510	\$11,471,021
(Operations + Audience Spending)	Earnings	\$1,195,744	\$2,391,488
	Jobs Created (annual)	38	77