

SHERWOOD CULTURAL ARTS COMMUNITY CENTER

Feasibility Analysis



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CULTURAL ARTS COMMUNITY CENTER

Feasibility Analysis

Chapter 1: Introduction

The purpose of this analysis is to examine the potential feasibility and operating parameters for a proposed Cultural Arts Community Center to be located in an existing, to-be-renovated facility in the heart of Old Town Sherwood. The examination includes consideration of such a facility as a stand-alone enterprise, or as part of potential other proposed developments, which may include retail space, rental space, community event space, and multiple use space. As a base assumption, the City further required that the analysis keep at the proposed mission for the Center at the fore and to formulate recommendations that will further its pursuit. Cultural Arts Community Center's mission is to:

Inspire, educate, and enrich the Sherwood community through diverse activities that enhance the quality of life.

The City of Sherwood expects the analysis to answer the following six questions:

1. How do other comparable facilities in other communities operate, fund operations and keep the doors open?
2. What are the relevant market features and conditions that bear on the feasibility of a Cultural Arts Community Center?
3. What is the typical cost structure for a cultural center or similar facilities?
4. What revenues are associated with a Cultural Arts Community Center?
5. What is the preferred operating strategy for a Cultural Arts Community Center?
6. What unique conditions exist in Sherwood that create opportunities for a Cultural Arts Community Center, including partnerships or that may influence the feasibility of such a center?

To answer these questions, PARC Resources has undertaken a comprehensive review and analysis of the proposed center. The analysis includes an operating budget and a preferred operating strategy. To arrive at the preferred model, this document begins with a chapter that offers a thorough review of cultural centers in Oregon and the region, with a focus on facilities serving communities of similar size. The analysis then considers the market conditions and forces in Sherwood that have a bearing on the operation of the proposed Cultural Arts Community Center and its ability to operate successfully in the short and long-terms. Following due consideration of market forces, the document moves to identifying a cost structure and revenue sources for cultural centers or art centers in general and from that, the next chapter identifies a preferred operating strategy for the Cultural Arts Community Center in Sherwood. Finally, the document examines unique conditions in Sherwood that may create opportunities for the City and the operator that may, in turn, bear on the feasibility of the Center.

The document is organized as follows:

- Chapter 1: Introduction
- Chapter 2: Review of Cultural and Arts Centers
- Chapter 3: Examination of Sherwood and Local Market Conditions
- Chapter 4: Cultural and Arts Center Cost Structure
- Chapter 5: Revenue Sources
- Chapter 6: Community Comments and Preferences
- Chapter 7: Two Operating Strategy Options
- Chapter 8: Preferred Operating Strategy
- Chapter 9: 5-Year Pro-Formas
- Chapter 10: Opportunity Analysis
- Chapter 11: Source Document

Chapter 2: Review of Existing Arts and Cultural Centers

Management Strategies: The management strategies that have emerged from a review of arts and cultural centers reveal the following:

- Many are municipally owned
- Most are operated by a nonprofit organization
- Some operate with paid staff, some with volunteers
- The facilities operate with and without subsidies
- Subsidies come from municipal budgets, room taxes, special taxing districts

History: Generally, centers are the result of:

- Single nonprofit
- Municipality
- Coalition of nonprofits that may or may not form an umbrella organization to oversee the operations of the center

Funding: The funding sources typically include the following:

- Ticket sales
- Gift shop (limited)
- Cash Donations
- City or tax district funds
- Grants
- Rental fees from organizations headquartered in the facility
- Rental fees for use of the facility for a range of purposes
- Tuition / class fees
- Memberships
- Community Fundraisers
- Volunteers and in-kind donations

Facilities and Organizations Reviewed: partial list

- Columbia Center for the Arts
- Newport Performing Arts Center and Visual Arts Center
- Lakewood Center for the Arts
- Broadway Rose
- Chehalem Cultural Center
- City of Hillsboro Walters Cultural Art Center
- The Washington Center for the Performing Arts Olympia, Washington
- Center for the Arts, Grass Valley, CA
- Center for the Arts, Jackson, Wyoming
- Cultural Arts Center, Columbus Ohio
- Youngstown Cultural Arts Center, Seattle, Washington

- The Pentacle Theatre, Salem, Oregon

Newport Performing Arts Center and Visual Arts Center, Newport, Oregon

The two buildings that comprise the Newport Performing Arts and Visual Arts Centers are owned by the municipality and operated by the Oregon Coast Council for the Arts, which is an independent nonprofit 501(c) (3) organization. The Oregon Coast Council for the Arts operates the facility with a subsidy from the City, whose scope has historically been approximately \$100,000.

The offices of the Oregon Coast Council for the Arts are located in the Performing Arts Center. The offices and lobby were enlarged through the work of the nonprofit approximately 10 years ago and the facility includes a meeting room, main theater and large lobby, suitable for meetings and conferences.

Lakewood Center for the Arts, Lake Oswego, Oregon

The Lakewood Center for the Arts is a 501(c)(3) not for profit, tax-exempt organization, located in the relatively affluent community of Lake Oswego, Oregon. The Lakewood Center is a facility often referenced in Sherwood as a model or a comparable facility and it is relatively unique in that the Lake Center is an "umbrella" organization that receives revenue from the groups underneath that umbrella. Each group then manages its own operations and there is no need for the umbrella organization to actively operate the facility. Other notable points include the following.

- Each group operating under the Lakewood Center umbrella pays for itself and manages its own day-to-day operations.
- The community of Lake Oswego is another factor in the success of the center...its higher than usual number of civic leaders, above average income, large number of artists in residence, and community support of the arts, create a solid support system.
- The theatre currently seats 220, with no seats further than 35 feet from the stage. They have a new hearing-assisted sound system. Theatre programs now enjoy an average 85-90% sell out rate, mostly from pre-sold subscription packages.
- The Lakewood Center is run by an elected board of directors made up of community leaders and legal, business, and arts professionals, as well as a small staff.
- Volunteers are the key to operating the Lakewood Center. According to Andrew Edwards, the Executive Producer, 400-500 volunteers are needed to make things work.
- The groups that make up the Center include:
 - Lakewood Theatre Company (parent nonprofit)
 - The Dance Studio
 - Lakewood Center Entryway Gallery
 - The Community Arts Pre-School
 - The Children's Theatre
 - The Children's Art Studio
 - The Piano and Organ Studio (provides space for music lessons)

- Secondhand Treasures (a resale shop originated and staffed by the Lakewood Associates, a support auxiliary of the Lakewood Center). Volunteers collect donated merchandise and re-sell them to the public. The proceeds are then used to renovate and improve the building.
- Downstairs is the Community Meeting Room (the hall seats up to 150 people for wedding receptions, banquets, cabaret theatre, conferences, and Rotary luncheons). Cost is \$550 to rent.
- The Costume Workroom is downstairs. It provides storage and workspace for Lakewood Theatre Company productions.
- Every June is the Festival of the Arts, sponsored by the Lakewood Center, the Chamber of Commerce, and the City of Lake Oswego Parks and Recreation Department; over 23,000 people attend.
- Fundraising is an ongoing activity
 - contributions
 - gifts-in-kind
 - special projects
 - proceeds of the resale shop

The combined budget of the Lakewood Theatre Company and Lakewood Center is \$1.3 million per year.

Income from ticket sales, fees, classes, room rentals, and special events cover about 70% of total expenses. The remaining balance comes from contributions.

The Lakewood Associates is a support auxiliary of the Lakewood Center for the Arts. More than 150 members contribute time, talent, and treasure to enhance the programs and facilities at the Lakewood Center. The Reruns project is one of several opportunities for volunteers to get involved in supporting the Lakewood Center. The Reruns project is the resale shop. There are acting classes:

- typically last 8 weeks and range in cost from \$120 to \$160
- the range of ages is from 4 years to adult
- independent instructors who lease space at Lakewood Center for the Arts coordinate these classes

Broadway Rose Theatre Company, Tigard, Oregon

The Broadway Rose Theatre Company, located in nearby Tigard, Oregon, is another facility often cited by people in Sherwood as a model or a comparison for the proposed center. The Company is a 501(c)(3) professional company that hires union and non-union workers as well as professional directors, choreographers, musicians, designers, and technicians.

The Broadway Rose Theatre Company has many levels of corporate sponsorship, which is critical as ticket sales only cover 60% of the budget. They receive grants from private foundations, government sources, and corporations; however, individual contributions remain the greatest source of funding. The company draws heavily from patrons quite a distance away and

this fact may make it a less useful model for Sherwood. According to the information the Broadway Rose Theatre provided:

- 30% of audience is from Multnomah County.
- 16% from Clackamas County.
- 13% from various cities such as Eugene, Longview and Hood River.

Chehalem Cultural Center, Newberg, Oregon

In 1997, ownership of Central Elementary School was transferred from the Newberg School District to the Chehalem Parks and Recreation District for one dollar to serve the greater Chehalem Valley by remaining in the public domain. In the succeeding years, the Chehalem Parks and Recreation District, together with the volunteer community-based Chehalem Center Association, has moved forward with planning and initial rehabilitation to transform the school into the Chehalem Cultural Center as “a revitalized community asset open to all.” There are plans to renovate the old theatre space inside, which will then seat 240 people.

The Chehalem Cultural Center is now offering outreach programs and hands-on workshops to schools, corporations, community scout groups, and home-school organizations.

Glen and Viola Walters Cultural Art Center, Hillsboro, Oregon¹

The Glen and Viola Walters Cultural Art Center began with a donation of \$1,000,000 to the City of Hillsboro to purchase land, a church building, and accompanying house, totaling 54,648 square feet from the Trinity Lutheran Church in 2000. Over the next four years, local citizens, businesses, community organizations, and the City of Hillsboro committed the necessary funds to renovate the building and complete structural reinforcements. Renovations took four years and the final result includes the following spaces:

- Performance/event space with seating for 200
- Six classrooms
- Gallery
- Kitchen
- Box office
- Outdoor grounds including two terraces
- Gift shop

The Glen and Viola Walters Cultural Arts Center offers courses and workshops with an emphasis on ceramics and visual arts classes while also offering classes in theater, drawing, music, fiber arts, as well as providing a community location for banquets, meetings, and cultural events.

¹ <http://www.ci.hillsboro.or.us/Arts/WCAC/Default.aspx>. Viewed on March 2, 2011. All facts in this section are from this source unless otherwise noted.

The Arts Center has a full kitchen, complete with an ice machine and a commercial-size refrigerator. The kitchen was designed with catering in mind and the Center allows groups to choose potluck style set up for casual gatherings. The art studios can be used for small meetings or as breakout rooms from a larger gathering in the event space.

Rental rates do not include staffing, labor, and other equipment fees. There are insurance requirements for the use of the Glen and Viola Walters Cultural Arts Center. Events requesting use of candles/open flame must obtain a Hillsboro Fire Department Special Event Permit.

- There is an Art Gallery with an Arts Center Gift-shop. There are new exhibits monthly.
- The Glen and Viola Walters Cultural Arts Center hosts concerts.
- Art Classes are offered as well as Family Arts Class night.
- Volunteers and community sponsors/donations play a big role in keeping the Center afloat.

The Center for the Arts, Grass Valley, California

The Center for the Arts is a facility that, while outside the region, is a community arts center that allows the study to take a broader view of the industry and to examine whether or not the common themes found in the Pacific Northwest represent the full university of options. The facilities at the Center for the Arts include the following:

- Theater(s)
 - Main Stage Theatre
 - Off Center Stage (offers independent companies a flexible venue for audiences from 50 to 100).
 - Main Gallery
 - Granucci Room: A multi-purpose place to enjoy art classes, entertainment, and conversation.
 - Meeting Room: a 700 square foot meeting room adjacent to the Main Gallery available for meetings and gatherings. It also serves as a gallery displaying fine art.

There are various levels of membership available.

Center for the Arts Jackson, Wyoming

As with the Center for the Arts in Grass Valley, California, the study looked to facilities outside of the region to confirm that it sampled the full range of possibilities. The Center for the Arts in Jackson, Wyoming is a 501(c)(3) nonprofit organization and is the hub for arts and education in downtown Jackson. This facility, often referred to as "the Center," consists of the 41,000 square foot Arts and Education Pavilion and the Performing Arts Pavilion, which includes a 500-seat theater, a Music Center, theater rehearsal space, and additional administrative space.

The Arts and Education Pavilion is a multi-tenant facility, housing, hosting, and partnering with seventeen local, state, and regional not-for-profit arts organizations. Fifteen of these organizations rent permanently affordable space from the Center for the Arts. Within the contemporary and thoughtfully designed Pavilion are studios, classrooms, and offices designed specifically for these resident organizations.

The Washington Center for Performing Arts Olympia, Washington

The Washington Center for Performing Arts is owned by the City of Olympia and the organization, the "Washington Center", is a not for profit organization with a long-term contract to operate the center. The theater facilities and other notable points include the following.

- Main Theatre: 984 seats/4 levels
- Adjacent lobby space that serves as a gallery
- Smaller Stage II Black Box Theatre with its own lobby
- In addition to ticket sales and theatre rentals, membership is encouraged to support the center
- There are 7 Levels of Membership (Ranging from \$50 to \$5,000)
- Volunteers help support the center (ushers, administrative help, etc.)
- Donations sought and accepted

Cultural Arts Center, Columbus, Ohio

The Cultural Arts Center in Columbus, Ohio offers one of the widest range of services and facilities of those surveyed. The center is not a nonprofit, but it does benefit from a nonprofit, the Friends of the Cultural Arts Center. Other supports include those taking courses at the Cultural Arts Center, the business community, partners, and donations. The Cultural Art Center's mission statement notes: "We believe art has the power to challenge, stimulate and enrich lives. Through our programs we endeavor to bring that power to our community."²

The Cultural Arts Center was originally an arsenal that was leased to the Columbus Parks and Recreation Department for 99 years at an annual cost of \$1. The facility was remodeled in 1976 to serve as an arts center at a cost of over \$1.5 million. The Parks and Recreation Department continues to operate the Cultural Arts Center. and The facility has numerous classrooms where classes are taught for fees averaging between \$50 and \$60. The offerings include:

- Sculpting, Ceramics and Bronze
- Drawing, Painting, and Printmaking
- Fiber Arts
- Jewelry and Enameling
- Beading

² <http://www.culturalartscenteronline.org/home>

Along with classroom space, community members can rent the facility's gallery or courtyard separately or together. Rates include:

- Courtyard Only (6 hours): \$800
- Gallery Only (6 hours): \$800
- Courtyard and Gallery: \$1,300
- Facility closes at 11 pm.

In addition to rental and classroom income, the Cultural Arts Center has a gift shop on site that only sells items made by the students and faculty. Items range from fine silver jewelry to kiln-fired pottery and clay and bronze sculptures. Other available items include batiked scarves, greeting cards, copper enameled platters, jeweled pins, polymer clay, and beaded necklaces. The gift shop also sells oil, acrylic, watercolor, and mixed media paintings.

Finally, the Cultural Arts Center's Loft Gallery, located on the third floor, provides an opportunity for students to experience the final step of their creative process: the presentation of a body of work to the public. The Loft Gallery occasionally accepts exhibit proposals from outside artists and groups.

Youngstown Cultural Arts Center, Seattle, Washington

The Youngstown Cultural Arts Center is self-described as "a contemporary multi-arts space in the Delridge neighborhood of southwest Seattle." Youngstown is included in the national register of historic spaces. Hosting over 2,000 participants annually, Youngstown's activities are divided into programs and services.

Programs include arts education, performing arts incubation, and Youngstown Records, a record label and music cooperative. The "ALL ACES program" focuses on empowering youth through sustained arts-based learning experiences. This project offers diverse after school arts classes free of cost to local youth ages 13-20. Teaching artists are hired individually or through the anchor tenant youth non-profits.³

The arts education takes the form of classes that range from cooking to digital arts. An example is the FEEST -- the Food Education Empowerment and Sustainability Team -- program. This youth-run focuses on growing food, cooking the harvest, and creating family-style meals that feature conversations and opportunities to learn.

Services at Youngstown include 36 live/work spaces for low-income artists of all disciplines to rent. Further, Youngstown rents high quality, affordable arts facilities for community arts projects and creative entrepreneurs. These facilities include a full theater, movement studio, recording studio, media lab, and classroom space.

Youngstown's professional, friendly technical staff has expertise in stage, lighting, sound, and event management, allowing users to present and perform at the highest level of quality at

³ <http://www.youngstownarts.org/>

affordable rates. The Center seeks partners and offers consultation as well as technical assistance to groups developing creative multi-use facilities as well as groups seeking to engage diverse communities, especially youth, in successful community-based initiatives. Donations to the center and volunteers are both vital to the success of the Center.

Pentacle Theatre – Salem, Oregon

The Pentacle Theatre is a nonprofit 501(c)(3) community theatre founded in 1954. The theatre operates with a full-time paid executive director, as well as three additional staff who are responsible for support and maintenance of the buildings and the grounds that total 5.2 mostly-wooded acres.

Each season the Pentacle Theatre produces eight plays that are carefully selected to appeal to a broad range of audiences. The Play Reading Committee reads 80-100 plays each year to determine the lineup. The organization maintains a policy of open auditions and they draw actors from a broad geographical area. This offering opportunity to virtually anyone of talent to work in the arts contributes substantially to their popularity in the community. The organization benefits from the work of more than 500 volunteers who work more than 100,000 hours annually. Volunteers perform many tasks from production and direction to set design and construction, choreography, lighting, concessions, ticket sales, costuming, house management, poster distribution, and ushering. Not only does the volunteer experience expose many people to the performing arts, but the volunteers perform vital jobs at the theatre that ensure its continued success.

The Pentacle Theatre is fully sustained each year by a paying membership of approximately 500 people, annual ticket sales of more than 30,000, approximately 1,500 season ticket holders, and donations from the community. It is a source of pride for the community that the theatre operates without deficit in this era, when many theatres and arts programs are not able to sustain operations. The Pentacle Theatre's annual operating budget is approximately \$386,000.

Columbia Center for the Arts, Hood River, Oregon

The Columbia Center for the Arts is a nonprofit 501(c)(3) organization located in Hood River that includes a 141-seat theater, a lobby, and a studio classroom of approximately 700 square feet. It can be rented in whole or part.

The Columbia Center was formerly an American Legion building purchased in 2003 for \$1.5 million. To secure the funding to create the Columbia Center, the organization offered 40 charter memberships for \$5,000 and held 28 separate fundraisers.

Today, the organization has an executive director, a full-time art gallery manager, and a performance manager who oversees five plays a year, music recitals, lectures, and other performances. The organization also employs a half-time rentals manager and a half time education and outreach manager. As with the other organizations, the Columbia Center for the Arts relies heavily on volunteers. PARC Resources conversations with the executive director

Judy Hanel yielded recommendations that urged organizations to not resort to debt service and to remain connected to the community in every way possible.⁴

The Sherwood Foundation for the Arts – Sherwood, Oregon⁵

While this is a review of facilities, it is appropriate to note that a nonprofit arts organization in Sherwood addresses some of the same objectives as the proposed center. The Foundation for the Arts is a 501 (c)(3) organization that hosts a summer art camp for ages 5-13. Only 20 children can participate each year and registration for the camp opens around May 1. The Foundation for the Arts also holds a summer musical every year. In addition, the Foundation for the Arts offers the following programs:

- Photography Workshops
- Freelance Writing Workshops
- Altered Book Project
- Concerts
- Sherwood Artists Guild (every second Sunday of the month)
- Missoula Children’s Theatre



⁴ PARC Resources Telephone Interview & email with Executive Director Judy Hanel, Multiple conversations, March 28 - 30, 2011.

⁵<http://www.sherwoodarts.org/>. Viewed on March 25, 2011. All facts in this section are from this source unless otherwise noted.

Chapter 3: Review of Sherwood Market and Conditions

The City of Sherwood has been one of the fastest growing cities in Oregon over the last decade and this is evident in the number of new homes built, the expansion of businesses along Highway 99, and the expansion of services. The 2010 Census has not released demographics and population totals as of this writing. However, the Population Research Center figures would suggest that Sherwood grew by more than 40 percent in the last decade, as did the communities around it. For example, Newburg grew by approximately 30 percent; Wilsonville grew by more than 30 percent; Tigard grew by more than 15 percent; and Tualatin grew by approximately 15 percent.

This growth, combined with the population increase in the surrounding unincorporated areas that has been just as dramatic as in Sherwood, means that there has been considerable building in response to the demand and the anticipated demand. Not surprisingly, there has been considerable turnover in portions of the business community and this is especially obvious in anecdotal evidence from the conversations PARC Resources has held in the community.

The expansion and new construction, as impressive as it has been in transforming the community, is not the only influence. The economic recession beginning in 2008 has had just as big an impact. New construction appeared slowed dramatically and there is considerable discussion in the community about vacancies, foreclosures, and concern that the market may be over-built. This concern is true for both residential and commercial buildings.

Given the considerable growth in real population and building, what follows is a review of the current real estate market and the demand for commercial space. Understanding this market is important in building a realistic business model for the Cultural Arts Community Center and forecasting rental and use rates.



Market Overview

Beginning with, from the broadest scope, a consideration of the market reveals that nationally, commercial real estate prices were down 40 percent in the third quarter of 2009 from the first quarter of 2007.⁶ This rate is less dramatic in the West where third quarter rates in 2009 were only down 28 percent from the first quarter of 2008.

Moving closer to Sherwood, the commercial office vacancy rates in the fourth quarter of 2009 were close to thirty percent in the suburbs surrounding Portland and in the Portland metro area as a whole. Delinquency on commercial loans hit 4.8 percent for the area in the fourth quarter of 2009, “six times the rate for the fourth quarter of 2007.” At least some commentators expect commercial real estate prospects to bottom out in 2011, meaning, “there will be much less building ‘on spec’... and there won’t be the financing gifts of the past, where community banks gave loans to developers and building owners who had little, if any, of their own equity in the deal.”⁷ The upshot for renters is lower monthly rents, first month or two rent-free, and shorter leases. Another positive note is that two surveys conducted on real estate listed the Portland area as representing prospects for good long-term commercial investments. According to the Urban Land Institute and PricewaterhouseCoopers, the Portland area is 16th in the nation for commercial real estate investment. The second survey, conducted by Grubb & Ellis, “listed Portland in the top 10 among local markets in terms of ‘long-term investment potential’” in the four following categories:

- Office (4)
- Apartments (8)
- Industrial (9)
- Retail (9)

According to the Industrial Quarterly Report on the Portland/SW Washington industrial market, Suburu of America signed a new lease and Gerber Legendary Blades renewed their lease, both constituting good news for the market.⁸ There were no new construction projects for the fourth quarter of 2010. The general trend is that the commercial real-estate market is still a “tenant’s market,” however, the last three quarters have shown positive absorption (the difference between total space leased and total space vacated) which indicates that the market is recovering.

Public Spaces

Consideration of the local market and conditions demands a review of the community facilities and programs that may have a connection to the proposed Cultural Arts Community Center. The community has an impressive parks system and related facilities. Likewise, the new library and City hall are attractive and appear to be well used by the community.

⁶ Murphy, Todd, “No relief yet for commercial real estate,” *Oregon Business*, April 2010. Viewed on March, 3, 2011. All facts in this paragraph are from this source unless otherwise noted.

⁷ Ibid.

⁸ “Industrial Quarterly: Portland/SW Washington Industrial Market,” Capacity Commercial Group, First Quarter 2011. All facts in this paragraph from this source unless otherwise noted.



Indoor Spaces

1) Library: the facility offers a range of services and programs aimed at different segments of the population and different age ranges. The programs include:

- Toddler time
- Story time
- Baby time
- Read to the dogs
- Free shuttle to Teen Center
- Book club
- Knitting night

2) Schools: see price sheet for facility rental fees in the Appendix

- Archer Glen Elementary
- Edy Ridge Elementary
- Hopkins Elementary
- Middleton Elementary
- Laurel Ridge Middle School
- Sherwood Middle School
- Sherwood High School
- Sherwood Charter School

3) Parks

- Field House recreational facility
- Cinnamon Hills Park: mini park/play lot w/ swing, play structure, benches, and green space
- Langer Park: Walking/bicycle path, play equipment
- Murdock Park: Open play area, playground equipment, shelter.
- Oregon Trail Park: Small neighborhood park with play equipment
- Pioneer Park: Two acres of wooded area, open lawn, play equipment, and basketball court.
- Snyder Park: Sand area, water feature, playground equipment, tennis courts, basketball courts, baseball field, soccer field, trail system, indoor restroom facilities, and shelter
- Stella Olsen Memorial Park: Playground, pavilion, and shelter. Multiuse path, home to Music on the Green and Movies in the Park
- Veteran's Park: Sherwood festivals
- Woodhaven Park: Playground

Park Rentals:

- Shelter (Resident ½ day) – \$45
- Shelter (Resident all day) – \$90
- Shelter (Non-resident ½ day) – \$65
- Shelter (Non-resident all day) – \$135
- Amphitheater (Resident ½ day) – \$75
- Amphitheater (Resident all day) – \$150
- Amphitheater (Non-resident ½ day) – \$100
- Amphitheater (Non-resident all day) – \$200



Other Building and Site Options in the Area

As a part of the feasibility analysis, PARC Resources reviewed available commercial properties, as well as the public spaces noted above. The list above was intended to offer a quick view to allow the reviewers to determine whether or not there are obvious other sites for similar development, by the City or some other entity. What the analysis demonstrates is that there is no comparable building or location available for use by the groups and activities targeted by the proposed Cultural Arts Community Center.

Chapter 4: Review of Cultural and Arts Center Cost Structure

The cost and revenue structure of most arts and cultural centers tend to be relatively similar, with variations on a few basic themes. What this means in plain English is that there are not many different strategies available to these facilities. Some facilities are owned and operated by nonprofits; some are owned by municipalities and operated by the City, or by a nonprofit. Of the cultural centers and art centers surveyed, none were operated as for-profit ventures, although there are many private galleries, studios, instructional venues, and theaters. Regardless of operator and strategy, the costs are also quite similar with major categories discussed below.

Costs

The costs of most arts and cultural centers fall into one of five categories. These include the following:

- 1) Personnel
- 2) Overhead - utilities, maintenance, insurance, and cleaning
- 3) Marketing and Outreach
- 4) Performance/event specific costs
- 5) Endowment, fundraising and professional expenses

Obviously, the categories have the potential for fluidity and are not meant to be absolute, but they do inform a conversation about the different types of costs facing an arts or cultural center. Arts and cultural centers across Oregon, the Pacific Northwest, and indeed the nation have different approaches to managing and structuring their costs, but again there are a limited number of options.

1) Personnel

A review of existing arts and cultural centers reveals that there are three primary strategies that operators employ in structuring personnel costs. Most of the facilities hire a director and support staff. Some facilities opt to contract for specific functions rather than operate with full-time personnel. Almost all use volunteers to varying degrees.

Paid Staff

While many facilities use paid staff, there are multiple ways to approach structuring that staffing. In particular, the question of who pays staff reveals that the two most common arrangements are to have staff employed by a municipality or by a nonprofit operator. Regardless of the operator, the use of paid staff is the most common strategy. Using paid staff allows the art or cultural center to be the focus of a professional whose business it is to operate the facility. The advantage of this approach is that it creates a single person or set of persons who are accountable and this gives the governing board some measure to control direct activities and require specific outcomes.

Volunteers

Volunteers are important at some level to almost every arts or cultural center, but as the primary staffing it is a strategy that requires close supervision by the board or operator and usually means that the facility is not the same type of priority it would be for paid staff. However, the Lakewood Center's approach does allow the umbrella organization to work with volunteers because the partner organizations staff their offices and the center's spaces.

2) Overhead - Utilities, Maintenance, Insurance and Cleaning

Overhead expenses are tied to the specifics of a space, including square footage, building materials, the climate in which it is located, and the uses. The proposed facility in Sherwood is not significantly different than many of the facilities reviewed. The degree to which it is used will determine cleaning and maintenance expenses. Overall, these expenses are relatively set by the nature of the facility.

Reviewing the policies and practices from other facilities does reveal a few important constants or at least trends. Specifically, they include the following:

- Facilities with rental space require deposits
- Cleaning is required of many who rent the facility for events or shows
- Insurance riders and indemnification is required of renters or partners
- For permanent renters or partners, utilities may or may not be included as rent
- For permanent renters or partners, maintenance and cleaning is typically included in the rental fees

3) Marketing and Outreach

Marketing of performances, activities, and the availability of a facility is a critical part of any arts and cultural venue. For facilities such as the Lakewood Center, it is up to the different organizations to publicize their programs and events, but at most arts centers, the publicity, ticket sales, and marketing is done by the operating organization. This is true for outside troupes and performers, as well as for in-house productions or local events.

The marketing function is important regardless of the organization's age or history, but it will be particularly critical for a new facility in a growing community. The location of the Cultural Arts Community Center in the heart of Old Town is helpful, but Old Town is one of several concentrations of services and stores that must compete with Highway 99, as well as the corridor to I-5.

Of the arts and cultural centers reviewed that reported or answered questions about their marketing budgets, all devote significant resources to communicating with the public and drawing users to their facilities. The need is ongoing and it can take many forms. For example, marketing activities can include newsletters, flyers, membership, and fundraising drives, as well as determining what programs and events that the community desires.

Marketing and communicating with the public appears to be a critical part of the activities of the arts and cultural centers reviewed. Moreover, this communicating and meeting local needs is something that the interviews in Sherwood also emphasized. The community leaders, business owners, and residents all made this very clear. People wish to be consulted and informed.

Nothing in the reviews of facilities and interviews suggests that this preference will change once the facility is open for business. To remain relevant, the Cultural Arts Community Center needs to be committed to an ongoing outreach and marketing campaign as part of its regular budget.

4) Performance and Event Specific Costs

The costs related to putting on events and performances are an obvious expense and one that will vary considerably with the specific play, musical, or event. Due to the highly variable nature of this expense, most budgets focus on the “net” from the performances, rather than costs and revenues.

5) Endowment, Fundraising and Professional Costs

As old clichés assert, it takes money to make money, and all the arts and cultural centers reviewed noted the central role of fundraising in operations. This entails costs. This category of costs will vary by operator and staffing, as well as by size and capacity. Some organizations hire outside fundraisers and grant writers while others do it in-house with existing staff. Regardless, most have expenses related to accounting, legal services, and soliciting funds.

Observations and Conclusions

The costs at the facilities reviewed by PARC Resources varied considerably given that each was different. The organizations varied from ones that were theater only, to multiple purpose centers with classrooms, offices, shops, and performance space. What are consistent are the identified categories discussed earlier and the emphasis on fundraising and community connections. The organizations contacted tend to have a business-oriented approach so that the focus is very much on attracting and retaining customers, or users of the facility, and delivering services that are in demand.



Chapter 5: Review of Cultural and Arts Center Revenue Structure

As with the cost structure of arts and culture centers, there are a limited number of revenue options. Many permutations are based on the community, the services offered, and the relative wealth of the community. Broken down into recognizable categories, revenue tends to fall into one of the following broad categories.

1. Performance revenue - gate receipts
2. Rental fees for use of the facility or a portion thereof
3. Gift shop, commissions, logo items or related revenue
4. Program fees
5. Lease to private operators of portion of facility
6. Donations, fundraisers and memberships
7. Grants
8. Subsidies
9. Endowments
10. Volunteers

Not all facilities had revenue from all sources, but all had some combination of support. Much like diversification of investments, nonprofit arts and cultural organizations tend to diversify their funding streams if possible. Given the range, the following discussion offers a brief description of the different funding sources.

1) Performance Revenue and Gate Receipts

For some organizations, this is the biggest single source of funding. For the Pentacle Theatre in Salem, for example, this is true. For other organizations, including those identified in Sherwood as comparable, performances constituted an important source of income, but not the largest.

Different organizations and venues take different approaches to figuring the respective center's share of the gate. Some venues charge a flat fee per performance, others take a percentage of the gate, while in other cases such as the Pentacle Theatre, as the operator and user, the gate comes directly to them.

The approach varies with community based nonprofit facilities; a percentage of the gate is the most common but by no means the only approach. For budgeting purposes for the Cultural Arts Community Center, this approach prevents the facility from being unusable by some groups as well as keeping it from being a subsidy for other organizations.

2) Rental Fees

Most of the facilities reviewed offer for rent parts or the entire center for a range of activities including: meetings, events, parties, weddings, reunions, or related gatherings. Typically, nonprofits receive a reduced rate. Below are some of the rate schedules for the noted centers.

COLUMBIA CENTER FOR THE ARTS

Theatre Space: 141 seats

Large lobby area with 700+ Sq. Ft Studio Classroom:

Rates

Rates: * see discounts

Studio/Classroom — \$200/up to 8 hours

Theater — \$200/up to 4 hrs

Lectures:

Studio/Classroom — \$250/up to 4 hrs

Theater — \$250/up to 4 hrs

Performances:

Theater — \$500/up to 4 hrs, \$700/up to 8 hrs

Other Events:

Receptions, Meetings, Parties, Dinners, Self-sponsored Art Shows, etc.

Lobby, Theater, & Studio/Classroom — contact us.

YOUNGSTOWN CULTURAL ARTS CENTER

Rates

Hourly Rates

<i>room</i>	<i>hourly Standard</i>	<i>hourly Registered 501C3</i>	<i>class rate</i>
Theater	\$90	\$55	
Movement studio	\$50	\$30	\$30
Recording studio	\$50	\$30	
Media lab	\$50	\$30	
South Classroom	\$35	\$25	
Kitchen	\$35	\$25	
Dressing rooms	\$18	\$12	

Spaces are available at a daily rate for multi-day events. Please contact the Rental Manager for pricing.

Staff Rates

<i>position</i>	<i>hourly</i>	<i>After hours</i>
HOUSE MANAGER	\$25	\$40
FACILITY COORDINATOR	\$25	\$40
TECHNICIAN	\$25	\$40

**Rentals after 12 am and prior to 9 am are considered after hours.*

Availability:

All spaces are available for rental to the public. Rates vary depending on type of user, time of day, and specific location. *Rates are subject to change. Please contact US for specific pricing for your event.

Spaces can be rented with or without the facility’s technical equipment. If technical equipment is being used, clients MUST hire our Technical Director to oversee its operation. Some events will require the presence of Youngstown staff for safety and security purposes.

WALTERS CULTURAL ARTS CENTER

Rates

Rental Areas	Standard Fee	Resident Fee	Non-Profit Fee	Capacity
Theater / Event Space	\$200/hour	\$150/hour	\$125/hour	150/200
Art Gallery / Lounge	\$60/hour	\$50/hour	\$40/hour	40
Kitchen / Concessions	\$30/hour	\$30/hour	\$30/hour	N/A
South Terrace	\$40/hour	\$30/hour	\$25/hour	40
East Lawn	\$40/hour	\$30/hour	\$25/hour	40
Arts Room / Studio	\$30/hour	\$25/hour	\$20/hour	14

Additional Charges

Equipment Charges

Refundable Damage Deposit		Banquet Chairs	\$1 each
High Impact	\$200	Banquet Tables	\$6 each
Low Impact	\$75	Podium	\$20
Facility Supervision	Charged Hourly	Photocopies	\$0.15 per side

Rental rates do not include staffing, labor, or equipment fees. Also renters are required to get any special insurance or permits required. For example, to use a candle, the Hillsboro Fire Department must issue a Special Event Permit.

CULTURAL ARTS CENTER - COLUMBUS OHIO

The rental spaces are the Courtyard and Gallery, both of which can be rented individually at a rate of \$800 each for six hours or together at a rate of \$1,300.

THE CENTER FOR THE ARTS - GRASS VALLEY, CALIFORNIA

Rates

Main Stage Full Day Friday – Sunday \$800
1/2 day (up to 4 hours) \$450
Full Day Monday – Thursday \$600
1/2 day (up to 4 hours) \$350

Long Term Rentals:

- 2-Week Rehearsal \$2,800
4 hours/day – 7 days/week
- 4 Week Run \$8,400
3-4 days/week

Set Build Days \$525/day

Granucci Room: Hourly Rate \$25.00/hr

Blinder Green Room: Hourly Rate \$15.00/hr

Off Center Stage: 1 Day Rate \$350.00

Monday – Sunday (Includes lobby)

3 Day Rate \$750.00

Weekly Rate \$875.00

Rates include a Center for the Arts' approved House Manager. If a Sound Technician and/or Lighting Technician are required, an approved Center for the Arts Technician must be used at an additional cost. All renters shall provide proof of General Liability Insurance evidenced by a certificate of insurance with properly executed endorsements attached, which insurance shall continue in effect during the entire term of an Agreement. Coverage must be for at least \$1,000,000. All Renters of the Main Stage, Off Center Stage and Granucci Room will be required to pay a \$200 refundable cleaning/security deposit. Also, a \$50 key deposit is required for all long-term renters who require a key.

As is evident from the rate schedules above there is some variation, but deposits are typically required for renting more than a meeting room and depending on the use, additional expenses are common.

3) Gift Shop and Related Revenue

Many of the facilities reviewed have some sort of a gift shop or store associated with the center. This typically includes concessions, as well as event-specific sales. Revenue from this source is difficult at best to model given the highly variable nature of the rest of the operations. If the facility is used daily and is exposed to foot and incidental traffic, sales will be much higher than if it requires a specific trip. The clientele and nature of the patronage also dictates sales revenue, as does the amount of space, staff time devoted to operations, and the merchandise for sale.

4) Program Fees

The category of program fees includes class fees if operated by the organization. Many of the arts centers in the region and in the nation have classroom space that allows the operator, or other vendors, to offer classes in the facility. Programs can include children's activities, afterschool offerings, and adult classes as well.

Many facilities operate using both models. The nonprofit operator may offer programs or classes while renting space to other nonprofits and for-profit organizations to hold classes of their own. There is no clear reason to restrict the Cultural Arts Community Center to only one approach. The caveat is that the Cultural Arts Community Center does not want to wind up in competition with a private business or facility.

5) Lease Revenue

The proposed Cultural Arts Community Center in Sherwood will include retail spaces to be leased to private operators. This approach is less common, but it is one that has the potential to create a significant, reliable base of funding. Moreover, the presence of additional operators should act to increase traffic to the Cultural Arts Community Center and bring additional attention to the facilities. In this case, the whole can be greater than the proverbial sum of the parts.

6) Donations, Fundraisers and Memberships

Donations and fundraisers are the most ubiquitous part of the nonprofit arts and cultural center funding streams reviewed. Because of the importance of donations and fundraisers, they are typically the focus of the board and apart from day-to-day operations, the most important function of the staff. The ability of a facility to attract donations and participants is linked directly to the sustainability of the facilities; consequently, fundraising is the heart of the operation.

As important as this category is to funding arts and cultural centers, there is still considerable variation between different centers in terms of amounts. Some community centers rely heavily on members, while others do not have members at all. Some communities are able to give substantial rates or are able to attract large donors, while others focus on getting relatively small amounts from many households.

Some nonprofit centers accept donations of all kinds, from vehicles to household items, while others focus on cash. Some facilities host arts and cultural festivals, golf tournaments, wine tastings, auctions, and formal dinners. What appears most important is to match the events to the community and to the ability of the board to solicit support.

7) Grants

Grant funding is another common revenue source and one that has great potential for different purposes. Grants come from private foundations, as well as from the states and the federal government. In Oregon, state funding for the arts has been significantly curtailed in the last decade, but other sources remain available.

The great challenge when it comes to securing grants is answering the inevitable question about how the organization intends to sustain operations. Consequently, operating grants are much harder to come by than project specific grants. Most funders do not want to become permanent underwriters; therefore, grant-writing efforts need to be tied to a strategy, measurable outcomes, and a sustainability plan.

Program grants are a good potential source of funds to create new programs and develop a revenue stream for those programs. Similarly, capacity building grants are available from a variety of sources and are usually multiple-year grants with stepped-down funding levels.

8) Subsidies

The category that many people wish to avoid, or at least avoid talking about, consists of subsidies. Municipal governments that own arts facilities often opt to subsidize operations for a variety of reasons. In Newport, Oregon, for example, the City uses hotel-motel tax revenue to support the Performing Arts Center. The City of Newport believes that the presence of the Performing Arts Center brings people to the City, increases tourist spending, and produces a net gain for the community. The question of subsidies is of course a political one, but it is a source that is important to several facilities reviewed.

9) Endowment

Endowment building is a difficult activity for nonprofits, especially new ones in need of operations funding. Endowment gifts are not available to support immediate operations and may be restricted. Nonetheless, building an endowment is the best way to ensure the long-term viability of a nonprofit. Another difficulty is that grant funds are almost never available to support endowments.

10) Volunteers

Although quantifying the importance of volunteers is sometimes difficult, their significance is undeniable. The arts and cultural centers reviewed almost universally discussed the importance of volunteers to their operations. Volunteers at the different facilities reviewed do almost every conceivable job from working in gift shops to organizing performances, publicity to grant writing, outreach, and management.

Observations and Conclusions

Revenue sources do not need to be static. The proposed Cultural Arts Community Center can add, augment, and curtail revenue sources based on the local conditions and needs. It makes sense to plan for the broadest combination of revenue streams and to remain flexible. The ongoing need for a diverse funding stream is another reason to remain connected with the community. Operators and facility staff with whom PARC Resources spoke reinforced the need to maintain an ongoing conversation about what the community needs and desires, in order that not only the public good served, but the operator of the arts and cultural center will be well supported.

Chapter 6: Community Comments and Preferences

A feasibility analysis for a community facility must be grounded in an understanding of the community and its preferences. Feasibility is, therefore, highly specific to each community and its local conditions. Given the importance of communicating with the community, an integral part of this feasibility analysis was a series of interviews and solicitations for comments from the people of Sherwood.

The interviews done for this project used a list of questions developed specifically for Sherwood, based on conversations with the steering committee and City staff. Generally, the interviews were conversations that ranged over the topics. For ease of comparison, the balance of the chapter is given to summarizing the answers to the specific numbered questions.

1) What do you feel are the biggest challenges to creating a successful Cultural Center in Sherwood?

The most common answer to this question focused on identifying someone or some entity that is familiar with Sherwood, to run the facility. Most respondents qualified their answer by noting that it would be critical to have someone able to market the facility and build community partnerships. Other repeated answers to this question included the following:

- Identify mission
- Need to find a director with experience and expertise in this type of facility
- Need to find community leaders to support the facility
- Challenge to develop sustaining funding
- Need to create broad base of support in the community.

2) Who in your opinion should operate the center for the community?

There were two common answers to this question: a nonprofit group or the City. Those respondents who favored a nonprofit operator often added caveats. Many suggested the nonprofit be a consortium of existing groups, a collaboration in order to create an umbrella group, or an independent oversight board.

The respondents who favored the City as the operator tended to recommend collaborations with nonprofits and arts groups. Most respondents saw a need for City involvement in some way, although often just as the owner of the building. Most believed that professional staff of some sort needed to be in place.

The only other organization specifically identified was the Chamber of Commerce. A handful of people saw a role for the schools in the operation of the Cultural Arts Community Center. Significantly, the suggestions to have the Chamber of Commerce and schools involved did not come from individuals associated with or employed by the Chamber of Commerce or the schools.

3) What are the types of events or programs you would like to see at the center?

Responses to this question fall into two broad categories. The first group focused on “the arts” exclusively and argued that the focus should be on the arts to the exclusion of other types of events. The second and larger group envisioned a center with a more expansive range of options including things like banquets, weddings, church services, and lectures. This question elicited many suggestions and a list of the most common is below.

- Art shows
- Kids events
- Children’s Museum
- Performance arts (Theater/Dance)
- Music
- Visual arts
- Gallery space
- After school classes and programs
- Plays
- Musicals
- Dances
- Recitals
- Lunch events
- Art shows
- Lectures
- Wine tastings
- Wine and food pairings
- Sports banquets
- “Go beyond the typical”
- Classes for both performing and visual arts, dance and yoga classes, meeting venue, events, wedding receptions

4) What is a reasonable fee for using a meeting space in the center?

Answers to this question tended to be vague and focus on being comparable to other facilities. One person in position to know noted that, “I have found people and groups in Sherwood expect usage of the rooms for free and are reluctant to pay for space.” There was general agreement that a sliding scale would be appropriate and that there should be different rates for the amount of the facility used and the additional equipment required. Among the more specific answers were the following:

- \$100-\$500
- For a meeting space \$25-\$35 an hour is reasonable
- For larger spaces \$100-\$150
- \$20-\$50 a hour, depends on space used
- Night - \$200-\$300
- \$50/hr
- \$25/\$30/hr
- Large groups should pay more
- \$20/small, \$30 large, Senior Center charges this currently
- Need to calibrate your utility costs, cleaning cost
- At a minimum, at least \$100 ... \$100-\$250, depending on what the use is.

5) How far away from Sherwood is reasonable in your mind for the cultural center to draw people to an event?

As with earlier questions, responses tended to fall into two distinct categories. What is perhaps different is that the two different categories of answers were generally in agreement. The largest group of respondents identified the immediate area, including Newberg, Wilsonville, Tigard, and Tualatin. Many people specified a radius of approximately 20 miles or 30 minutes travel time.

The second set of common answers was less specific and noted that “it depends on the event and who is using the Center. People will come from far away if it is something they really want to see.”

6) What other entities in the community do you envision using the cultural center?

The response to this question was similar to that of question number three. Respondents tended to either focus exclusively on arts groups or as broad a list as possible. A specific, albeit incomplete list follows:

- HOA's
- Schools
- Foundations
- YMCA
- Sports leagues
- Weddings
- Funerals
- Red Cross
- Rotary
- Chamber of Commerce
- Other nonprofits
- Churches
- City
- Art Groups
- PCC Campus
- Sherwood Booster Club
- SFA
- CAC
- BOOTS
- VPA
- Sherwood Dance
- Let's Make Music
- NW Children's Theater
- Local Artists for both gallery and classes

7) If you rent the entire facility what would be a reasonable fee for this use per day?

Questions about money typically produce wide-ranging discussions and for this project, the question provoked just such a response. The most common response was to reinforce the idea that it should be comparable to the other facilities in the area. Specific answers include the following:

- Somewhere between \$250-\$1000
- \$1000
- \$200-\$300 per day
- \$500-\$1,000
- Nonprofits should be charges less
- \$5 – \$6,000

8) Retail shops are planned for 30% of the overall space. Does this plan make sense to you and if not, why not?

The overwhelming but not unanimous response to this question was “yes,” although many people offered conditions or explanations. Many people saw a connection between the retail shops and drawing people to the facility. Other respondents argued that there should be some connection between the mission and vision of the Cultural Arts Community Center and the shops.

Worth noting are those few people who said “no.” The reasons for the negative response were centered on the problems of the current economy and the existence of empty retail spaces.

9) What type of retail shops would work best in this location?

Conversations and meetings in the community produced a wide but consistent list of types of shops that would work best. Many of them emphasized food and specialty beverages.

- Starbucks
- Café Mingo
- McMennamins
- Bookstore
- Wine shop
- Art supply store
- Michaels
- Ice cream shop
- Coffee shop
- Consignment shop
- Kids clothes
- Brewpub
- Bakery
- Wine bar
- Music store
- Fine Arts shop
- Music store
- Art shop
- Wine tasting (for local vineyards/local grapes are going to Yamhill Co.)

One respondent reminded the interviewer that it makes sense to have shops that complement the Cultural Arts Community Center. The example was that next door to the Schnitzer/Heathman are restaurants and bars to accommodate people who like to have dinner or wine before or after concert.

10) What is the single most important component to the Cultural Center that you feel must be in place for the center to be successful?

As with earlier questions, the majority of respondents turned their attention to the question of a qualified entity to run the facility and the development of cooperation with all of the various stakeholders in the community. Collaboration and cooperation were frequently cited. Specific answers include the following:

- Dedicated staff
- Targeted and comprehensive marketing
- A full slate of programs
- A published calendar well in advance
- Personal services
- A full schedule with multiple offerings
- A coordinator or person in charge
- A good theater
- A good sound system
- A good lighting system
- Formalized partnerships

11) How often do you travel to an adjacent community for a cultural event?

Answers to this question were very diverse and tended to be brief. They ranged from “quite often,” to once a year. There is no clear pattern, although one respondent noted that with everything that goes on in Sherwood, “I do not need to travel to another community.”

12) What is the most you have paid for attending a cultural event?

Respondents to this question identified a wide range of fees they have paid. Most respondents spend much less locally than they are willing to spend if they travel to Portland or Ashland. The most common answer to the question about ticket prices to local shows was \$10, although the number did range up to \$20 for a minority of respondents. Discussing what people have paid in Portland, the number ranged from \$50 to \$125. The highest ticket prices reported were for concerts and plays, specifically for premium seats in Ashland.

13) If you are part of an organization that rents space from another entity, describe the spaces that you currently use and how you would use it, as well as, if you would be willing to share, the amount you pay for it.

This question generated very little discussion during most interviews. Most respondents say they would be willing to share and the descriptions were limited to the following:

- Gallery
- Theatre
- Festivals
- School events
- Festivals

14) Should there be any restrictions on the type of use that can be accommodated within the Cultural Center. If so, what would that restriction look like?

Most respondents and participants felt that there should be some restrictions dictated by good taste and the vision for the facility. This was not unanimous, as some of the people interviewed argued against any sort of restriction. However, the majority position was summed up by this written comment that restrictions should be, “minimal, in good taste, and reflect the values of the organization running the facility.” Other comments included the following:

- Don’t restrict anything ... We all pull together

- No racist or inappropriate programs
- As much broad access as you can
- Yes – must be a policy decision of the City Council
- No exercise equipment, people must bring their own
- Few restrictions, while trying to raise revenues to meet costs
- Culture takes priority
- Family appropriate
- Balance – cultural place
- Need mission/vision: what falls within arts/culture
- There should be a mission statement and any use should be in conjunction with the Mission
- NO RESTRICTIONS – use whatever mix to get it going. If schedule is full with cultural arts, great, but at first we need to make it pencil out. Do whatever it takes to make it pencil out.

15) Are there any matters concerning the Cultural Center that you feel should be considered in establishing a business feasibility plan for the operation of the center?

Many of the comments offered in response to this question reiterated some of the points that people made earlier, but they bear reporting. Among those that were repeated or recount advice from other arts and cultural centers reviewed are the following:

- Need staff running the facility
- The center must accessible to the people of Sherwood
- There needs to be collaboration, and not just within the ‘art community’
- It is important that the organization has a diverse Board of Directors
- An endowment should be set up
- Involve school district
- Consider other uses: disaster relief (emergency shelter)
- Keep it busy...center is to be a catalyst for downtown development
- Develop children’s museum
- Build collaboration...also work with groups from outside (Tigard, Tualatin, Sherwood triangle)
- Work with YMCA
- Work with Washington County Visitors Association
- Must be a clear partnership between the retail space tenants and the Cultural Arts Community Center operator
- Vision: see building stay, keep the old trusses, old architecture, keep it rustic
- All coming down to economics: extra amenities can happen further down the road.
- Center has to be warm and inviting
- Need to sell the experience of being in that space.

Chapter 7: Two Operating Options

Based on a review of existing arts and cultural centers, conversations with operators, conversations within Sherwood, and consideration of fundraising and operation impacts, two primary operation options emerged. These options were identified over and over during the research and community conversation phase of the feasibility: 1) have the City of Sherwood operate the facility, or 2) have a nonprofit organization operate the facility. Both options assume that the City will retain ownership but that control over day-to-day operations is significantly different. The two options have expense and revenue ramifications and these are discussed below.



Option 1 - Non-Profit Operator, City Retains Ownership Only

City Expenses	Start-Up	Year 1	Year 2	Year 3	Year 4	Year 5
Public Restroom Service & Maint.	\$ -	\$ 18,200	\$ 18,655	\$ 19,121	\$ 19,599	\$ 20,089
Grounds	\$ -	\$ 20,000	\$ 20,500	\$ 20,500	\$ 20,500	\$ 20,500
Reserve	\$ -	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500
Total	\$ -	\$ 45,700	\$ 46,655	\$ 47,121	\$ 47,599	\$ 48,089
City Revenues	Start-Up	Year 1	Year 2	Year 3	Year 4	Year 5
Retail Revenue	\$ -	\$ 10,000	\$ 22,250	\$ 35,000	\$ 44,500	\$ 44,500
Total	\$ -	\$ 10,000	\$ 22,250	\$ 35,000	\$ 44,500	\$ 44,500
<i>Profit (Loss)</i>	\$ -	<i>\$(35,700)</i>	<i>\$(24,405)</i>	<i>\$(12,121)</i>	<i>\$(3,099)</i>	<i>\$(3,589)</i>

The budget here assumes that the City will be responsible for the building and the outer shell. Consequently, the budget reflects the expenses for the public restroom, calculated at \$350 per week, the grounds and the reserve fund. The City will also collect the revenue associated with leasing the retail spaces in the building. The retail income is conservatively calculated to build up to full capacity in year four.

Expenses	Start-Up	Year 1	Year 2	Year 3	Year 4	Year 5
Facility Director	\$ 45,000	\$ 50,000	\$ 51,250	\$ 52,531	\$ 53,845	\$ 55,191
Administrative Assistant	\$ 11,400	\$ 28,500	\$ 29,213	\$ 29,943	\$ 30,691	\$ 31,459
Fringe 33%	\$ 18,612	\$ 25,905	\$ 26,553	\$ 27,216	\$ 27,897	\$ 28,594
Event Staff - contracted	\$ -	\$ 9,000	\$ 9,225	\$ 9,456	\$ 9,692	\$ 9,934
Computers & Software	\$ 1,200	\$ 650	\$ 666	\$ 683	\$ 700	\$ 717
Programming - regular offerings	\$ -	\$ 45,000	\$ 46,125	\$ 47,278	\$ 48,460	\$ 49,672
Utilities	\$ -	\$ 21,600	\$ 22,140	\$ 22,694	\$ 23,261	\$ 23,842
Water & Sewer	\$ -	\$ 1,800	\$ 1,845	\$ 1,891	\$ 1,938	\$ 1,987
Insurance	\$ -	\$ 9,000	\$ 9,225	\$ 9,456	\$ 9,692	\$ 9,934
Postage	\$ 1,500	\$ 1,500	\$ 1,538	\$ 1,576	\$ 1,615	\$ 1,656
Telephone, Internet & Website	\$ 5,700	\$ 5,700	\$ 5,843	\$ 5,989	\$ 6,138	\$ 6,292
Publicity & Marketing	\$ 7,000	\$ 14,000	\$ 14,350	\$ 14,709	\$ 15,076	\$ 15,453
Program & Ticket printing	\$ -	\$ 8,000	\$ 8,200	\$ 8,405	\$ 8,615	\$ 8,831
Photography	\$ -	\$ 3,200	\$ 3,280	\$ 3,362	\$ 3,446	\$ 3,532
Office Supplies	\$ 1,200	\$ 1,200	\$ 1,230	\$ 1,261	\$ 1,292	\$ 1,325
Facility Supplies	\$ -	\$ 1,440	\$ 1,476	\$ 1,513	\$ 1,551	\$ 1,589
Trash	\$ -	\$ 660	\$ 677	\$ 693	\$ 711	\$ 729
Janitorial	\$ -	\$ 3,000	\$ 3,075	\$ 3,152	\$ 3,231	\$ 3,311
Maintenance	\$ -	\$ 7,500	\$ 7,688	\$ 7,880	\$ 8,077	\$ 8,279
Security	\$ -	\$ 1,950	\$ 1,999	\$ 2,049	\$ 2,100	\$ 2,152
Legal & Professional Fees	\$ -	\$ 3,500	\$ 3,588	\$ 3,677	\$ 3,769	\$ 3,863
Grant writing & Endowment Building	\$ 4,500	\$ 9,250	\$ 9,481	\$ 9,718	\$ 9,961	\$ 10,210
Memberships & fees	\$ -	\$ 2,000	\$ 2,050	\$ 2,101	\$ 2,154	\$ 2,208
Training & Development	\$ 2,500	\$ 5,500	\$ 5,500	\$ 5,500	\$ 5,500	\$ 5,500
Printing & Copies	\$ -	\$ 7,750	\$ 7,944	\$ 8,142	\$ 8,346	\$ 8,555
Replacement	\$ -	\$ 6,000	\$ 6,150	\$ 6,150	\$ 6,150	\$ 6,150
TOTAL	\$ 98,612	\$273,605	\$280,308	\$287,024	\$293,908	\$300,965

Revenues	Start-Up	Year 1	Year 2	Year 3	Year 4	Year 5
Performances 30% of gate - 20/ year	\$ -	\$ 75,660	\$ 87,009	\$100,060	\$110,066	\$112,818
Event staffing fees	\$ -	\$ 7,650	\$ 7,841	\$ 8,037	\$ 8,238	\$ 8,444
Meetings - rental	\$ -	\$ 2,600	\$ 3,250	\$ 4,875	\$ 4,997	\$ 5,122
Facility rental - receptions / parties	\$ -	\$ 12,000	\$ 15,000	\$ 19,200	\$ 22,500	\$ 22,500
Incidental sales	\$ -	\$ 850	\$ 1,950	\$ 2,500	\$ 4,250	\$ 5,500
Forfeited cleaning deposits	\$ -	\$ 800	\$ 800	\$ 1,000	\$ 1,250	\$ 1,500
Annual fundraiser	\$ -	\$ 15,000	\$ 17,500	\$ 20,000	\$ 25,000	\$ 30,000
Donations	\$ -	\$ 9,500	\$ 7,500	\$ 5,000	\$ 4,000	\$ 4,000
Sponsorships	\$ -	\$ 10,000	\$ 15,000	\$ 16,500	\$ 18,000	\$ 22,000
Program advertising	\$ -	\$ 4,500	\$ 7,000	\$ 7,000	\$ 9,000	\$ 12,500
Endowment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Program Grants	\$ -	\$ 40,000	\$ 35,000	\$ 30,000	\$ 25,000	\$ 20,000
Program Income	\$ -	\$ 8,000	\$ 10,500	\$ 18,500	\$ 28,000	\$ 36,500
Grants - capacity & development	\$ -	\$ 75,000	\$ 65,000	\$ 50,000	\$ 30,000	\$ 20,000
Volunteer labor*	\$ -	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500
In-Kind	\$ -	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500
Total	\$ -	\$272,560	\$284,350	\$293,673	\$301,301	\$311,884
Profit (Loss)	\$(98,612)	\$ (1,045)	\$ 4,043	\$ 6,649	\$ 7,393	\$ 10,919

NOTE: The budget figures were generated using a spreadsheet that rounded figures to the nearest whole number. The total figures are cumulative and thus, there may be a difference of a dollar or more in the sums in places.

* The volunteer labor is assumed primarily to be applied to the expenses associated with event staff, including such functions as ticket sales, ushers and concessions.

Assumptions - Option 1

Expense Assumptions

The expense budget begins with the assumption that a nonprofit operator will be responsible for the facility and that the Cultural Arts Community Center will work with two full-time staff persons, which equals 2.0 FTE. These staff positions are calculated at rates that reflect the nonprofit marketplace and organizations devoted to the arts. The Fringe Benefit ratio is on the high side for nonprofits but encompasses taxes and insurance in the range of \$600 to \$800 per month. Finally, in the category of staff, the budget includes \$9,000 for contracted staff to work at events and performances. This expense is not intended to cover all performance staffing costs, but the performing arts organizations and partners will cover those.

The start-up budget above begins with an operational facility that begins one year before the Center opens. During the rehabilitation of the building the budget assumes that the operating organization will begin preparing for programming and events so that when the Cultural Arts Community Center opens its doors, there are things for people to do immediately and operations really can begin. Significantly, there are no revenues associated with this year. Most likely, the year would see significant grant writing efforts on the part of the facility director, as well as work to sell sponsorships and advertising, as well as to solicit donations, but the majority of costs would have to be underwritten or subsidized.

The budget further includes limited, but ongoing, funding for the acquisition of computers, software and related equipment. This budget line item assumes that the organization will begin with some limited equipment, but have regular needs to upgrade and purchase new office equipment.

The programming budget line assumes that the Cultural Arts Community Center will offer a to-be-determined slate of programs for the community. Examples might include afterschool or weekend arts classes, theater groups or similar offerings. The list here is not meant to be exhaustive, and the programs may just as easily be aimed at seniors, or the general population. What is important is that the programming creates opportunities for use and for bringing the citizenry to the facility, where it is possible to solicit support and augment revenue, as well as to help the Cultural Arts Community Center fulfill its mission.

Utility, water, sewer, and insurance expenses are speculative. The insurance figure is high compared to public facilities elsewhere and the limited numbers that art centers have been willing to share to date. The participation of the City in securing insurance may significantly alter that figure. Likewise, the provisions of water and sewer services are matters to be negotiated with the City.

One of the significant revenue sources available to the facility is sponsorships and advertisement space in programs. To secure this revenue stream, the organization will have to spend on marketing, including purchasing advertisements and even contracting.

The budget assumes that the organization will participate in creating and printing tickets and programs and thus, this line is included. The budget includes funding for limited photographic services for marketing and publicity. The office supply budget assumes a monthly cost of \$100, while the facility supply cost is \$120 per month. The janitorial expense line applies to the Art Center only, not the retail shops or the public restrooms. Maintenance expense is likely high for a new facility, but given the unknown use patterns, PARC Resources prefers to be conservative and estimate high. The security expense assumes a limited security system. The legal and professional fees refer to legal and accounting expenses for the organization operating the facility.

The grant writing and endowment building expense could be adjusted in either direction, but reflects the assumption that the organization will seek to build an endowment and that it will hire outside grant writing for at least one, maybe two major grants each year. The membership and fees line refers to the expenses associated with joining professional organizations or associations, for the facility operator. The training and development fee reflects the expense related to providing training for staff.

The printing and copies expense line assumes that the organization will print posters, flyers, and related items for their events and activities.

As noted above, the public restroom service and maintenance expense assumes that the public restrooms will be available for the public most of the year and be expenses borne by the City. The budget assumes a weekly expense of \$350 for regular service and for paper, cleaning, and related products.

The replacement expenses reflect the assumption that the organization will have to replace worn equipment and furnishings and the expense line assumes that this will be accounted for from the opening of the facility. Finally, the grounds expense, also to be borne by the City reflects the expense related to landscaping and maintenance and is based on the current expense at the Senior Center.

Generally, expenses grow by 2.5 percent annually.

Revenues

Revenue assumptions begin with the retail operations at the facility and the budget assumes that the facility will not hit full capacity until year four. The budget also assumes that the City of Sherwood will provide service to the public restrooms and maintenance for the grounds, as it will be the owner of the facility.

The revenue budget assumes the following.

Performances - 5 shows over 3 days- weekday rehearsals	
380 seats x 3 evening shows x 70% capacity x \$10	\$ 7,980
380 seats x 2 matinees x 60% capacity x \$5	\$ 2,280
Total Gross	\$ 10,260
30% of gate	\$ 3,078
Concessions \$550 x 3 evening shows	\$ 1,650
Concessions \$100 x 2 matinee shows	\$ 200
On site sales	\$ 500
Total	\$ 2,350
30% of sales	\$ 705
Total per-performance	\$ 3,783

The budget above assumes that there are 380 seats available for a performance and that the facility will host 20 performances a year. The performances will likely vary, but the average is assumed to be five performances, three in the evening and two matinee shows. The evening shows will have an average ticket price of \$10 with houses that presumed 70% of capacity. The matinee tickets will average \$5 per ticket and the house will be half-full. The budget assumes that the operator of the facility will take 30 percent of the gate. Similarly, the budget assumes that the evening shows will take in \$550 in profit from concessions, whereas the matinee shows will bring in \$100 in profit and 30 percent of this will go to the house.

Over the first five years of operation, the budget assumes that the facility will see a growth from year one to two and two to three of fifteen percent each year, with the growth falling to ten percent in years four and five.

The budget assumes that the performance and event groups will pay 85 percent of the staffing fees. The rental revenue assumes one meeting rental per week at \$50 per meeting, a modest fee to cover basic operations and use. The meeting fee revenue projection increases by twenty-five percent in year two, fifty percent in year three and twenty-five percent in subsequent years, as more people use the facility and fees are adjusted upward.

The event income assumes that in year one someone will rent the facility for an event or party or reception at an average of once a month at \$1,000 per event, a number that goes to 15 in year two and 16 in year three at \$1,200 per full-day rental. In year four, the fee goes up to \$1,250 and in that year there will be 18 rentals.

Other revenue sources include incidental sales of logo items and related small sales. The budget assumes very modest income from this source. Similarly, the budget assumes that some of the

renters or users of the facility will forfeit their cleaning deposits and this will result in a limited income stream.

Fundraising is a permanent part of any art organization's sustainability plan and this is true for the proposed Cultural Arts Community Center as well. The budget assumes a modest fundraiser done to raise the facility's visibility, as well as to raise funds. The facility will also solicit donations as well as in-kind contributions and volunteer labor, especially for things such as cleaning, maintenance, and related expenses. The budget assumes that donations will decrease slightly over time as people will be more excited about the new facility and that such interest will wane over time.

The budget assumes that the facility seek sponsorships and advertising in the programs. The program advertising is a modest amount that should help build relationships and funnel organizations toward sponsorships of the facility. The budget finally assumes that the operator will write grants to support its original opening and capacity development. The grant totals decrease over time as the grantors will expect the organization to become self-sustaining, or less reliant on grant support.

Grants

The revenue budget relies heavily on grants and this in turn will require a diligent grant writing effort. The budget identifies two primary types of grants, one for programming and the second for capacity building and organization development. For both types of grants, the budget assumes that the total support will decrease over time. This assumption reflects a strategy whereby the organization seeks support to create the programming and capacity, which in turn will create a sustainable revenue flow. Private foundations respond well to this strategy. The revenue budget assumes that grants will provide \$115,000 in year one and drop to \$40,000 by year five. In all likelihood grants will always provide limited support for the Cultural Arts Community Center, but they do not represent a reliable business model for anything more than new programs and to respond to new opportunities.

Closely related to the grant funding for programs is the expectation that the programming will produce revenue. The total program revenue grows from 11 percent to over 55, with the expectation that revenue will continue to grow, but require a subsidy from operations.

Option 2 - City Operated

Expenses	Start-Up	Year 1	Year 2	Year 3	Year 4	Year 5
Facility Director	\$ 45,000	\$ 73,739	\$ 75,582	\$ 77,472	\$ 79,409	\$ 81,394
Administrative Assistant 0.75 FTE	\$ 11,400	\$ 36,965	\$ 37,889	\$ 38,836	\$ 39,807	\$ 40,802
Fringe 40%	\$ 18,612	\$ 44,281	\$ 45,388	\$ 46,523	\$ 47,686	\$ 48,878
Part-time Staff (event & as needed)	\$ -	\$ 18,000	\$ 18,450	\$ 18,911	\$ 19,384	\$ 19,869
Computers & software	\$ 1,200	\$ 600	\$ 615	\$ 630	\$ 646	\$ 662
Programming - regular offerings	\$ -	\$ 45,000	\$ 46,125	\$ 47,278	\$ 48,460	\$ 49,672
Utilities	\$ -	\$ 21,600	\$ 22,140	\$ 22,694	\$ 23,261	\$ 23,842
Water & Sewer	\$ -	\$ 1,800	\$ 1,845	\$ 1,891	\$ 1,938	\$ 1,987
Insurance	\$ -	\$ 11,000	\$ 11,275	\$ 11,557	\$ 11,846	\$ 12,142
Postage	\$ 1,500	\$ 1,500	\$ 1,538	\$ 1,576	\$ 1,615	\$ 1,656
Telephone, Internet & Website	\$ 5,700	\$ 5,700	\$ 5,843	\$ 5,989	\$ 6,138	\$ 6,292
Publicity & Marketing	\$ 7,000	\$ 19,500	\$ 19,988	\$ 20,487	\$ 20,999	\$ 21,524
Program & Ticket printing	\$ -	\$ 8,000	\$ 8,200	\$ 8,405	\$ 8,615	\$ 8,831
Photography	\$ -	\$ 3,200	\$ 3,280	\$ 3,362	\$ 3,446	\$ 3,532
Office Supplies	\$ 1,200	\$ 1,200	\$ 1,230	\$ 1,261	\$ 1,292	\$ 1,325
Facility Supplies	\$ -	\$ 1,440	\$ 1,476	\$ 1,513	\$ 1,551	\$ 1,589
Trash	\$ -	\$ 660	\$ 677	\$ 693	\$ 711	\$ 729
Janitorial	\$ -	\$ 3,000	\$ 3,075	\$ 3,152	\$ 3,231	\$ 3,311
Maintenance	\$ -	\$ 8,500	\$ 8,713	\$ 8,930	\$ 9,154	\$ 9,382
Security	\$ -	\$ 1,950	\$ 1,999	\$ 2,049	\$ 2,100	\$ 2,152
Legal & Professional Fees	\$ -	\$ 3,500	\$ 3,588	\$ 3,677	\$ 3,769	\$ 3,863
Grant writing & Endowment Building	\$ 4,500	\$ 9,250	\$ 9,481	\$ 9,718	\$ 9,961	\$ 10,210
Memberships & fees	\$ -	\$ 3,500	\$ 3,588	\$ 3,677	\$ 3,769	\$ 3,863
Training & Development	\$ 2,500	\$ 5,500	\$ 5,638	\$ 5,778	\$ 5,923	\$ 6,071
Printing & Copies	\$ -	\$ 8,500	\$ 8,713	\$ 8,930	\$ 9,154	\$ 9,382
Public Restroom Service & Maint.	\$ -	\$ 18,200	\$ 18,655	\$ 19,121	\$ 19,599	\$ 20,089
Reserve	\$ -	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500

Expenses Continued	Start-Up	Year 1	Year 2	Year 3	Year 4	Year 5
Replacement	\$ -	\$ 6,000	\$ 6,150	\$ 6,150	\$ 6,150	\$ 6,150
Grounds	\$ -	\$ 20,000	\$ 20,500	\$ 20,500	\$ 20,500	\$ 20,500
TOTAL	\$ 98,612	\$389,585	\$399,137	\$408,262	\$417,614	\$427,201

NOTE: The budget figures were generated using a spreadsheet that rounded figures to the nearest whole number. The total figures are cumulative and thus, there may be a difference of a dollar or more in the sums in places.

Revenues	Start-Up	Year 1	Year 2	Year 3	Year 4	Year 5
Retail Revenue	\$ -	\$ 10,000	\$ 22,250	\$ 35,000	\$ 44,500	\$ 44,500
City - Public Restroom	\$ -	\$ 18,200	\$ 18,655	\$ 19,121	\$ 19,599	\$ 20,089
City - Grounds	\$ -	\$ 20,000	\$ 20,500	\$ 20,500	\$ 20,500	\$ 20,500
Performances 30% of gate - 20 per year	\$ -	\$ 75,660	\$ 87,009	\$100,060	\$110,066	\$112,818
Event staffing fees	\$ -	\$ 15,300	\$ 15,683	\$ 16,075	\$ 16,476	\$ 16,888
Meetings - rental	\$ -	\$ 2,600	\$ 2,665	\$ 2,732	\$ 2,800	\$ 2,870
Facility rental - receptions / parties	\$ -	\$ 12,000	\$ 15,000	\$ 19,200	\$ 22,500	\$ 22,500
Incidental sales	\$ -	\$ 850	\$ 1,950	\$ 2,500	\$ 3,250	\$ 3,500
Forfeited cleaning deposits	\$ -	\$ 800	\$ 800	\$ 1,000	\$ 1,250	\$ 1,500
Annual fundraiser	\$ -	\$ 15,000	\$ 15,000	\$ 18,500	\$ 22,500	\$ 25,000
Donations	\$ -	\$ 6,500	\$ 4,500	\$ 3,000	\$ 2,000	\$ 1,000
Sponsorships	\$ -	\$ 10,000	\$ 15,000	\$ 15,000	\$ 18,000	\$ 22,000
Program advertising	\$ -	\$ 4,500	\$ 7,000	\$ 7,000	\$ 9,000	\$ 12,500
Endowment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Program Grants	\$ -	\$ 35,000	\$ 25,000	\$ 20,000	\$ 10,000	\$ -
Program Income	\$ -	\$ 8,000	\$ 10,500	\$ 18,500	\$ 28,000	\$ 36,500
Grants - capacity building & support	\$ -	\$ 35,000	\$ 20,000	\$ 15,000	\$ -	\$ -
Volunteer labor	\$ -	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
In-Kind	\$ -	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500
Total	\$ -	\$275,410	\$287,512	\$319,188	\$336,442	\$348,166
Profit (Loss)	\$(98,612)	\$(114,175)	\$(111,626)	\$(89,074)	\$(81,172)	\$(79,035)

Assumptions - Option 2

The budget for Option Two assumes that the City will operate the Cultural Arts Community Center. City operation has several ramifications that generally work to raise costs and lower the available funding sources. As a municipal facility and program, there are likely to be fewer private foundations willing to give to support the Cultural Arts Community Center, compared to a nonprofit. The reason for this, stated broadly, is that many feel the taxpayers should fund City operations.

Not only does municipal operation preclude some private foundation funding opportunities, individuals and businesses are also less likely to fund a City program, compared to a nonprofit. On balance, if the City opts to operate the facility, it will likely find fewer non-fee income opportunities.

In addition to the funding impact of municipal operations, City operation also portends higher costs. The City's wage scale and the cost of benefits would certainly be higher for the City of Sherwood, when compared to that of a nonprofit. Finally, the budget does not include the potential administrative cost to the City to handle additional payroll, account for funds and to supervise the additional employees. Adding these expenses will widen the gap between revenue and expenses.



Expense Assumptions

The expense budget begins with the assumption that City of Sherwood staff will be responsible for the facility and that the Cultural Arts Community Center will work with one full-time staff person and one part-time, which equals 1.75 FTE. These staff positions are calculated at rates that reflect the City's known expenses. The Fringe Benefit ratio is based on the known costs. The staffing budget also includes funding for part-time staff, totaling \$18,000 to cover off-hour events, opening and closing and other as-needed functions. This expense is not intended to cover all performance staffing costs.

Utility, water, sewer, and insurance expenses are speculative. The insurance figure is high compared to public facilities elsewhere and the limited numbers that art centers have been willing to share to date. The participation of the City in securing insurance may significantly alter that figure. Likewise, the City may be able to reduce the cost of providing water and sewer service.

One of the significant revenue sources available to the facility is sponsorships and advertisement space in programs. To secure this revenues stream, the organization will have to spend on marketing, including purchasing advertisements and even contracting.

The budget assumes that the organization will participate in creating and printing tickets and programs and thus, this line is included. The budget includes funding for limited photographic services for marketing and publicity. The office supply budget assumes a monthly cost of \$20, while the facility supply cost is \$120 per month. The janitorial expense line applies to the Art Center only, not the retail shops or the public restrooms. Maintenance expense is likely high for a new facility, but given the unknown use patterns, PARC Resources prefers to be conservative and estimate high. The security expense assumes a limited security system. The legal and professional fees refer to legal and accounting expenses for the organization operating the facility.

The grant writing expense could be adjusted in either direction, but reflects the assumption that the City will hire outside grant writing for at least one, maybe two major grants each year. The membership and fees line refers to the expenses associated with joining professional organizations or associations, for the facility operator. The training and development fee reflects the expense related to providing training for staff.

The printing and copies expense line assumes that the organization will print posters, flyers and related items for their events and activities.

The public restroom service and maintenance expense assumes that the public restrooms will be available for the public most of the year. The budget assumes a weekly expense of \$350 for regular service and for paper, cleaning, and related products.

The reserve and replacement expenses reflect the assumption that the organization will have to replace broken items from windows to the furnace and the expense lines assume that this will be accounted for from the opening of the facility. Finally, the grounds expenses reflect the expense related to landscaping and maintenance and is based on the current expense at the Senior Center.

Generally, expenses grow by 2.5 percent annually.

Revenues

Revenue assumptions begin with the retail operations at the facility and the budget assumes that the facility will not hit full capacity until year four. The budget also assumes that the City of Sherwood will provide service to the public restrooms and maintenance for the grounds, as it will be the owner of the facility. These assumptions do not change for Option Two.

The revenue budget assumes the following.

Performances - 5 shows over 3 days- weekday rehearsals	
380 seats x 3 evening shows x 70% capacity x \$10	\$ 7,980
380 seats x 2 matinees x 60% capacity x \$5	\$ 2,280
Total Gross	\$ 10,260
30% of gate	\$ 3,078
Concessions \$550 x 3 evening shows	\$ 1,650
Concessions \$100 x 2 matinee shows	\$ 200
On site sales	\$ 500
Total	\$ 2,350
30% of sales	\$ 705
Total per-performance	\$ 3,783

The budget above assumes that there are 380 seats available for a performance and that the facility will host 20 performances a year. The performances will likely vary, but the average is assumed to be five performances, three in the evening and two matinee shows. The evening shows will have an average ticket price of \$10 with houses that presumed 70 percent of capacity. The matinee tickets will average \$5 per ticket and the house will be half-full. The budget assumes that the operator of the facility will take 30 percent of the gate. Similarly, the budget assumes that the evening shows will take in \$550 in profit from concessions, whereas the matinee shows will bring in \$100 in profit and 30 percent of this will go to the house.

Over the first five years of operation, the budget assumes that the facility will see a growth from year one to two and two to three of fifteen percent each year, with the growth falling to ten percent in years four and five.

The budget assumes that the performance and event groups will pay 85 percent of the staffing fees. The rental revenue assumes one meeting rental per week at \$50 per meeting, a modest fee to cover basic operations and use. Unlike the nonprofit model, the meeting cost and revenue does not go up as steeply, reflecting the assumption that local groups will be less likely to support a municipal facility than a nonprofit one.



The event income assumes that in year one someone will rent the facility for an event or party or reception an average of once a month at \$1,000 per event, a number that goes to 15 in year two and 16 in year three at \$1,200 per full-day rental. In year four, the fee goes up to \$1,250 and that there will be 18 rentals.

Other revenue sources include incidental sales of logo items and related small sales. The budget assumes very modest income from this source. Similarly, the budget assumes that some of the renters or users of the facility will forfeit their cleaning deposits and this will result in a limited income stream.

Fundraising is a permanent part of any art organization's sustainability plan and this is true for the proposed Cultural Arts Community Center as well. The budget assumes a modest fundraiser done to raise the facility's visibility, as well as to raise funds. The facility will also solicit donations as well as in-kind contributions and volunteer labor, especially for things such as cleaning, maintenance, and related expenses. The budget assumes that donations will decrease slightly over time as people will be more excited about the new facility and that such interest will wane over time.

Compared to Option One, the budget assumes that volunteers and in-kind donations will be less forthcoming for gifts to the City of Sherwood, compared to a nonprofit operator. The reasons for this are many, but they include everything from questions of politics and personality to the perceived need. Consider, for example, a taxpayer who already feels highly taxed, the likelihood that they will then give voluntarily to that same municipality is much lower than the potential for the same person to give to a charitable organization serving the community.

The budget assumes that the facility will seek sponsorships and advertising in the programs. The program advertising is a modest amount that should help build relationships and funnel organizations toward sponsorships of the facility. The budget finally assumes that the operator will write grants to support its original opening and capacity development. The grant totals decrease over time as the grantors will expect the organization to become self-sustaining, or less reliant on grant support.

Grants

The revenue budgets include grant funding but at much lower levels than in Option One. With the City as the operator, the budget decreases the available grant funding for organizational development and capacity building to reflect the fact that it is a municipality and given the overall socio-economic demographics in Sherwood, which are relatively high compared to Oregon as a whole. The City will also likely have to invest more on a per-dollar basis than a nonprofit in order to secure grants.

The program grants should be available to the City in the beginning, but the budget assumes a sharper decrease over time than in Option One. Regardless of the operator, the budget continues to assume that the total support will decrease over time. This assumption reflects a strategy whereby the organization seeks support to create the programming and capacity, which in turn will create a sustainable revenue flow. The revenue budget assumes that grants will provide a total of \$70,000 in year one and drop to zero by year five. In all likelihood, grants will always be a source of limited support for the Cultural Arts Community Center.

Closely related to the grant funding for programs is the expectation that the programming will produce revenue. The total program revenue grows from 18 percent to over 74 percent, with the expectation that revenue will continue to grow, but require a subsidy from operations.

Observations

The operating budgets demonstrate that a nonprofit will likely be able to operate the proposed center at a lower cost and break even. By contrast, a municipal operation will entail greater costs and in all likelihood require a subsidy. The revenue budgets are conservative for both operators, but as the budgets reveal, the funding sources available to a municipal operation will be restricted when compared to a nonprofit. A nonprofit will not only have lower personnel costs, but it will also have many more opportunities to solicit grants and donations when compared to the City.

Typically, individuals and corporations, as well as private foundations, are much more likely to look kindly on a nonprofit request for funding, compared to a taxing authority. Allowing a nonprofit to operate the Cultural Arts Community Center will mean that the City can remove itself from the potential arguments about the use of the facility and the need to supervise additional staff. Depending on how the City arranges the use of the Cultural Arts Community Center, it will of course retain ownership and review a lease or operating agreement on a set basis and allow for it changes if necessary.



Chapter 8: Preferred Strategy

The operating budget for a nonprofit operator represents a lower projected cost and an attainable, conservative break-even point. By contrast, a municipal operation will entail greater costs, a higher likelihood of a subsidy requirement, and decreased opportunities for fundraising. A nonprofit will have lower personnel costs, more opportunities to solicit grants and donations, and will allow the City to remove itself from the potential arguments about the use of the facility and the need to supervise additional staff.

Based on community input, including surveys and interviews, in combination with discussions with similar facilities, PARC Resources recommends that the City work with a nonprofit partner to operate the facility in conjunction with other nonprofits. By opting for a nonprofit operator, the City does not limit its long-term options but rather will maximize the potential to bring in outside revenue sources and will meet the public preferences.

As important as a nonprofit operator is, PARC Resources also recommends that the City be quite deliberate in its selection and nurturing of a nonprofit organization to be an "umbrella" operator, ultimately in conjunction with other nonprofits in the community. An ideal model for Sherwood is the Lakewood Center for the Arts in Lake Oswego, Oregon. The Lakewood Center is operated by an umbrella organization and works with other nonprofits that occupy the facility and use it.

Identifying a nonprofit to operate the facility is both a political and an economic question for the City. Given the existing organizations and broad support for the proposed Center, it makes sense for the community to create a nonprofit association of arts and cultural organizations. Moreover, PARC Resources recommends organizing the association with an existing nonprofit organization to lead the effort and provide an established history to assist in fundraising.

The umbrella organization proposed here should include all of the obvious and interested stakeholders in the community. Some of these individuals and groups have participated in the process to date, but it is also likely that some groups have not and it will be important for the City and those participating to reach out and be as inclusive as possible. Ultimately, the Center's success will be determined by the degree of community support for it.

Partners & Stakeholders

The following groups have made themselves known throughout the consideration and feasibility analysis portion of the project as potential partners and stakeholders. The list is not intended to be exhaustive and indeed, almost certainly is not. Furthermore, the list is in no particular order, certainly not of significance or importance.

- American Legion
- Art Center
- Booster Club
- Boy Scouts / Girl Scouts
- Businesses Of Old Town Sherwood -BOOTS
- Chamber of Commerce
- Chehalem Mountain Wine Growers Association
- Elks Lodge
- Faith in Action
- Farmer's Market
- Friends of the Sherwood Public Library
- Friends of the Tualatin River National Wildlife Refuge
- Lions Club
- Masonic Lodge
- NW Children's Theater
- Police Activity League
- Raindrops 2 Refuge
- Rebekah Lodge & Odge Podge
- Robin Hood Festival Association
- Rotary Club
- Sherwood Education Foundation
- Sherwood Foundation for the Arts
- Sherwood Helping Hands
- Sherwood Historical Society & Heritage Center
- Sherwood Parks & Recreation
- Sherwood Senior Center Foundation
- Sherwood Schools
- Sherwood Youth Foundation
- Urban Renewal
- Voices for the Performing Arts - VOPA
- Washington County Visitors Association
- Willowbrook Food Pantry
- YMCA

Chapter 9: Five-Year Pro-Forma Projections: Non-Profit Operator

Option 1 - Non-Profit Operator, City Retains Ownership Only

City Expenses	Start-Up	Year 1	Year 2	Year 3	Year 4	Year 5
Public Restroom Service & Maint.	\$ -	\$ 18,200	\$ 18,655	\$ 19,121	\$ 19,599	\$ 20,089
Grounds	\$ -	\$ 20,000	\$ 20,500	\$ 20,500	\$ 20,500	\$ 20,500
Reserve	\$ -	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500
Total	\$ -	\$ 45,700	\$ 46,655	\$ 47,121	\$ 47,599	\$ 48,089
City Revenues	Start-Up	Year 1	Year 2	Year 3	Year 4	Year 5
Retail Revenue	\$ -	\$ 10,000	\$ 22,250	\$ 35,000	\$ 44,500	\$ 44,500
Total	\$ -	\$ 10,000	\$ 22,250	\$ 35,000	\$ 44,500	\$ 44,500
<i>Profit (Loss)</i>	\$ -	<i>\$(35,700)</i>	<i>\$(24,405)</i>	<i>\$(12,121)</i>	<i>\$(3,099)</i>	<i>\$(3,589)</i>

The budget here assumes that the City will be responsible for the building and the outer shell. Consequently, the budget reflects the expenses for the public restroom, calculated at \$350 per week, the grounds and the reserve fund. The City will also collect the revenue associated with leasing the retail spaces in the building. The retail income is conservatively calculated to build up to full capacity in year four.

Expenses	Start-Up	Year 1	Year 2	Year 3	Year 4	Year 5
Facility Director	\$ 45,000	\$ 50,000	\$ 51,250	\$ 52,531	\$ 53,845	\$ 55,191
Administrative Assistant	\$ 11,400	\$ 28,500	\$ 29,213	\$ 29,943	\$ 30,691	\$ 31,459
Fringe 33%	\$ 18,612	\$ 25,905	\$ 26,553	\$ 27,216	\$ 27,897	\$ 28,594
Event Staff - contracted	\$ -	\$ 9,000	\$ 9,225	\$ 9,456	\$ 9,692	\$ 9,934
Computers & Software	\$ 1,200	\$ 650	\$ 666	\$ 683	\$ 700	\$ 717
Programming - regular offerings	\$ -	\$ 45,000	\$ 46,125	\$ 47,278	\$ 48,460	\$ 49,672
Utilities	\$ -	\$ 21,600	\$ 22,140	\$ 22,694	\$ 23,261	\$ 23,842
Water & Sewer	\$ -	\$ 1,800	\$ 1,845	\$ 1,891	\$ 1,938	\$ 1,987
Insurance	\$ -	\$ 9,000	\$ 9,225	\$ 9,456	\$ 9,692	\$ 9,934
Postage	\$ 1,500	\$ 1,500	\$ 1,538	\$ 1,576	\$ 1,615	\$ 1,656
Telephone, Internet & Website	\$ 5,700	\$ 5,700	\$ 5,843	\$ 5,989	\$ 6,138	\$ 6,292
Publicity & Marketing	\$ 7,000	\$ 14,000	\$ 14,350	\$ 14,709	\$ 15,076	\$ 15,453
Program & Ticket printing	\$ -	\$ 8,000	\$ 8,200	\$ 8,405	\$ 8,615	\$ 8,831
Photography	\$ -	\$ 3,200	\$ 3,280	\$ 3,362	\$ 3,446	\$ 3,532
Office Supplies	\$ 1,200	\$ 1,200	\$ 1,230	\$ 1,261	\$ 1,292	\$ 1,325
Facility Supplies	\$ -	\$ 1,440	\$ 1,476	\$ 1,513	\$ 1,551	\$ 1,589
Trash	\$ -	\$ 660	\$ 677	\$ 693	\$ 711	\$ 729
Janitorial	\$ -	\$ 3,000	\$ 3,075	\$ 3,152	\$ 3,231	\$ 3,311
Maintenance	\$ -	\$ 7,500	\$ 7,688	\$ 7,880	\$ 8,077	\$ 8,279
Security	\$ -	\$ 1,950	\$ 1,999	\$ 2,049	\$ 2,100	\$ 2,152
Legal & Professional Fees	\$ -	\$ 3,500	\$ 3,588	\$ 3,677	\$ 3,769	\$ 3,863
Grant writing & Endowment Building	\$ 4,500	\$ 9,250	\$ 9,481	\$ 9,718	\$ 9,961	\$ 10,210
Memberships & fees	\$ -	\$ 2,000	\$ 2,050	\$ 2,101	\$ 2,154	\$ 2,208
Training & Development	\$ 2,500	\$ 5,500	\$ 5,500	\$ 5,500	\$ 5,500	\$ 5,500
Printing & Copies	\$ -	\$ 7,750	\$ 7,944	\$ 8,142	\$ 8,346	\$ 8,555
Replacement	\$ -	\$ 6,000	\$ 6,150	\$ 6,150	\$ 6,150	\$ 6,150
TOTAL	\$ 98,612	\$273,605	\$280,308	\$287,024	\$293,908	\$300,965

Revenues	Start-Up	Year 1	Year 2	Year 3	Year 4	Year 5
Performances 30% of gate - 20/ year	\$ -	\$ 75,660	\$ 87,009	\$100,060	\$110,066	\$112,818
Event staffing fees	\$ -	\$ 7,650	\$ 7,841	\$ 8,037	\$ 8,238	\$ 8,444
Meetings - rental	\$ -	\$ 2,600	\$ 3,250	\$ 4,875	\$ 4,997	\$ 5,122
Facility rental - receptions / parties	\$ -	\$ 12,000	\$ 15,000	\$ 19,200	\$ 22,500	\$ 22,500
Incidental sales	\$ -	\$ 850	\$ 1,950	\$ 2,500	\$ 4,250	\$ 5,500
Forfeited cleaning deposits	\$ -	\$ 800	\$ 800	\$ 1,000	\$ 1,250	\$ 1,500
Annual fundraiser	\$ -	\$ 15,000	\$ 17,500	\$ 20,000	\$ 25,000	\$ 30,000
Donations	\$ -	\$ 9,500	\$ 7,500	\$ 5,000	\$ 4,000	\$ 4,000
Sponsorships	\$ -	\$ 10,000	\$ 15,000	\$ 16,500	\$ 18,000	\$ 22,000
Program advertising	\$ -	\$ 4,500	\$ 7,000	\$ 7,000	\$ 9,000	\$ 12,500
Endowment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Program Grants	\$ -	\$ 40,000	\$ 35,000	\$ 30,000	\$ 25,000	\$ 20,000
Program Income	\$ -	\$ 8,000	\$ 10,500	\$ 18,500	\$ 28,000	\$ 36,500
Grants - capacity & development	\$ -	\$ 75,000	\$ 65,000	\$ 50,000	\$ 30,000	\$ 20,000
Volunteer labor	\$ -	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500
In-Kind	\$ -	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500	\$ 6,500
Total	\$ -	\$272,560	\$284,350	\$293,673	\$301,301	\$311,884
Profit (Loss)	\$(98,612)	\$(1,045)	\$ 4,043	\$ 6,649	\$ 7,393	\$ 10,919

NOTE: The budget figures were generated using a spreadsheet that rounded figures to the nearest whole number. The total figures are cumulative and thus, there may be a difference of a dollar or more in the sums in places.

Chapter 10: Opportunity Analysis

Based on the community discussions, surveys, and research, there is clearly a strong preference for the creation of the Cultural Arts Community Center to serve the greater Sherwood area. There are several organizations dedicated to the performing arts and a clear need for facilities. Need and preference alone, however, does not make a compelling case for creating such a venue, but the balance of the community interviews make the need for collaboration and partnerships very plain.

Throughout the process of analyzing the feasibility of such a facility, it has become clear that it is critical the facility serve the broadest range of needs possible. Moreover, a great many people interviewed and consulted emphasized that the operating organization be one that is inclusive. The process of developing a budget confirms these recommendations, for it will require sponsors, donors, and volunteers to make the facility sustainable.

Based on the very general parameters discussed here and assumptions about a nonprofit organization's involvement, it is reasonable to assume that project proponents can build community support to sustain a Cultural Arts Community Center. There is strong community support for the proposed facility and the location of the Cultural Arts Community Center. This, combined with the existing organizations and community demographics, suggest that it will be well used.

The presence of so many performing arts groups in the community gives further weight to the arguments that a performing arts center is needed and would be utilized. Furthermore, one of the striking facts in evidence to PARC Resources during their research is just how widespread the interest in the performing arts is in the community. Clearly, there is a local value for the performing arts and the arts in general and this was manifest in carrying out this study. Given these conditions and circumstances, it is not only reasonable to proceed with the next steps toward creating a performing arts center, but it appears that it will be feasible to build and operate such a facility.

Chapter 11: Source Document

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