BUILDING PROCESS AND ECONOMIC IMPACTS

The process of building and economic impacts are being discussed together to emphasize the importance of their relationship. As the scenarios which follow suggest it is difficult to control the building process and to reliably predict all the contingencies which might occur in the creation of a theater facility.

In the building of a theater the building process is often fragmented. This is sometimes so because fund raising and building are totally divorced from each other. Often a building project begins with an unexpected gift or opportunity. At other times a building project is initiated because of the loss of a facility through fire, termination of a lease, etc. When a building project is initiated unexpectedly a theater company can easily find itself in the middle of circumstances which it feels it has little control over. A thorough understanding of the steps which constitute the building process can help both the company and its architect avoid costly problems.

Theater companies in constructing facilities have all experienced similar steps in the building process. (1) The building is conceived and a program formulated by the company or some of its members. (2) A rough projection is made of a building budget, based either on a rough estimate of building costs (usually using square foot costs) or based on the amount of money which someone imagines might be raised. (3) A fund raising organization is established and fund raising commences. (4) An architect is hired and design of the facility commences. (5) A more detailed estimate is made of building costs, and adjustments made in the design of the building accordingly. (6) The construction drawings are prepared and the project is sent out for bids. (7) The project is revised once again to bring it within the cost made possible by the funds available. (8) Construction proceeds. (9) The theater is occupied.

Of note here is that there are several times where it is necessary to consider the costs of the project, and most typically costs are more than the funds available. This has invariably occurred. It might be expected that the ambitions of a company are likely to outstrip their means to pay for them. However, the sooner that the objectives of a company can be matched realistically with a design and an accurate budget, the easier the construction process will be. It would be most desirable to eliminate step 7 entirely, the revision of a project's design to bring it within the available budget. It is here that the biggest disappointments occur.
It is our objective in this section to identify the problems of building which are foreseeable, and to suggest ways in which these might be avoided, based both on the successes and failures of companies which have recently gone through the building experience.

The section is organized broadly along the lines of the building process itself. It also includes insights regarding the buildings operating costs, a growing concern with many companies, and has specific recommendations regarding the organization of a building effort.
BUILDING PROJECT CONCEPT

There are three essential elements in conceiving a theater building project.

1. A clear set of artistic and operational objectives. (WHY).
2. An understanding of the role of a building in supporting those objectives. (WHAT)
3. A command of the resources necessary to accomplish the building in a manner which will satisfactorily achieve the desired objectives. (HOW)

Under ideal circumstances each of these elements will be considered at the outset. The understanding of the elements, why, what and how may be largely intuitive based upon prior experiences. It may be possible for one person to know and understand why, what and how. But, more than likely, this knowledge is held by several people and sharing this knowledge is essential to arriving at a realistic building project.

Artistic and operational objectives should be of primary importance in building a theater complex. Previous sections of this report have tried to articulate what some of those specific objectives might be for regional theaters. During the realization of a building project there is always pressure to compromise for reasons of economy, schedules, and general questions of expediting the project. Unless the "raison de'être" for the building project is clear, compromises can leave a project totally bereft of its most important aspects. There is no sadder commentary on the failure of a building project than to hear someone say, "Why did we build this thing in the first place?" If a project is not initiated for artistic reasons, that is if the theater company is recipient of a wonderful bequest, an opportunity granted by an outside party, a need for more seats, etc. then conscious attention has to be given to the question of WHY?
The bulk of this report has been devoted to the question of "What". It is astonishing how quickly a few decisions can establish the physical character of a theater complex. Oftentimes these decisions are presented as givens and not questioned until it is too late. A most important question is that of location. Another fundamental question is the nature of the performing spaces, their size and character. Finally is the question of support facilities, their nature and their location. These issues are often resolved within the first moments of a project's conception. Frequently, due consideration is not given to alternatives, the artistic and economic implications of these decisions, and their long term ramifications.

Resources necessary to carry out a building project include both economic resources and time. An increased commitment of time is placed on nearly all members of the company and the board. For some people this will be an extended period of time, consuming much of their energy. No one should begin a building project with the notion that they will do it in their spare time. The economic resources of any community are limited, and a building project calls for an extraordinary commitment of funds. It would be unusual for a theater company not to be competing with other community endeavors for these funds. The competition for funds which the theater company will face needs to be clearly understood, and a fairly accurate assessment of the company's ability to raise funds needs to be understood. Further, it is essential to grasp the costs of operating the new facilities and the overall budgetary impact.

Addressing the questions of why, what, how and their interrelationship as early as possible in a project's conception will help to assure successful completion. Whether or not this conceptualization is achieved by one individual or many, it needs to be committed in writing and shared with those likely to be involved in the project at its various stages. In this way everyone involved in the project can clearly see the objectives of the project, what the project is attempting to realize, and how the project is to come about.
BUILDING PROGRAM AND DESIGN

Once the building project is conceptualized and some rough relationships established between the company's objectives, the nature of the theater facilities desired, and the resources available, it is time to hire professional assistance. At this phase it is appropriate to consider the employment of a design team of professional consultants.

A TEAM APPROACH

Good communication is essential to a successful building project. In the design of a theater, there is a constant struggle matching objectives with design alternatives and available resources. A well organized project progresses from the general to the specific. Ideas begin as abstractions and take their final form in a building. It is difficult and frustrating to go from the abstract to the specific only to find certain assumptions were wrong and then have to repeat the process - back to the abstract. The trick is to avoid making erroneous assumptions. For that reason a team of people, each with differing concerns and expertise, moving together from the abstract to the specific, are likely to provide each other with the kinds of checks and balances which prevent erroneous assumptions. The objectives of the theater company itself should be represented by people familiar with the front of the house, with performance space and support space, and they should be free to call upon the expertise of other company personnel as they see the need. Their role is primarily concerned with articulating the objectives of the company and lending their experience of working in the theater. The design team is primarily concerned with preparing design solutions to the program objectives, and in many instances alternative solutions for the company's consideration. This group should include an architect, engineers, and perhaps speciality consultants, such as an acoustician, theater consultant, etc. A third component to the team is the construction manager. This role is a relatively new discipline in the building industry in the United States. Construction managers are usually found supervising major construction projects. This person's role is essentially to match the building design with accurate cost estimates, and eventually to coordinate the construction. We feel the addition of a person with these skills can do much to help manage budgetary aspects of the project. It is commonly assumed that architects possess cost estimating skills. In the case of theater construction we can find no evidence to support this assumption. The organization of the team is likely to vary from project to project and may depend upon the particular resources available. Architects, because they are generalists by nature and used to working with an array of consultants are most frequently the lead member of the team.
Sometimes a theater consultant will serve as the lead, if they are able to serve in this capacity for the duration of a project. Less frequently, theater companies have employed their staff to provide this function. In any case the individual or firm in charge of the project needs to have the confidence of the other team members and the authority to serve as arbitrator when there are differences clearly established.

THEATER CONSULTANTS

It will depend upon individual companies as to whether or not they hire a theater consultant. Companies that have used theater consultants have seemed quite pleased with their results. The range of services provided by theater consultants varies considerably. Some consultants were extensively involved in the design of the configuration of performing and support spaces, and such details as the specification for dressing rooms, etc. Others simply provide technical expertise in specific areas such as lighting and acoustics. The kind of theater consultation required is dependent upon the resources which might be available within the company itself. The more certain a company is about the kind of facility it wishes, the more it may be able to rely upon its own personnel resources. That decision may also be affected by the skills and knowledge available within the architectural firm and the experts in acoustics, lighting, etc. which they may have available. Invariably it seemed that those theater companies who did hire theater consultants did so because of particular artistic views which these people held in addition to their technical competences.

ARCHITECTURAL CONSULTANTS

The architect is responsible for translating the needs and objectives of the company and interpreting them in the form of a building. They create the documents and specifications necessary to construct the building, and supervise the construction. The architect also coordinates the work of specialists, such as structural and mechanical engineers, lighting consultant, etc. There are few architectural firms which specialize in theaters, simply because the number of theaters is small. There are several firms which are known for theaters which they have designed and their work has been widely published. The most critical aspect of an architect's role is communication. If the architect does not understand the objectives of the company then there is little chance that those objectives will be translated correctly to a
building form. (A classic example of a failure in communication was a theater forced to work with an architect hired by a third party. Communication was so poor that the theater company ended up having to persuade an architect, who was a former board member, to serve as their official representative or ombudsman to "get through to" the architect concerning the company's needs.) As pointed out earlier if there are strong differences between the architect and the company over what constitutes an appropriate theater the professional relationship deteriorates quickly. For this reason architectural firms should be carefully interviewed and questioned about how they would organize their work, how they would involve the company, and how they would use consultants. They should also be asked to reveal their biases and preconceptions (if any) regarding theater design.

A substantial part of a theater's budget will be spent on structural and mechanical systems. Some architectural firms are large enough to have their own in-house engineers who are capable of designing appropriate systems for a theater. Others will rely on engineering consultants whom they will hire for this purpose. It is advantageous for these consultants to be employed early in the design process so that appropriate accommodation can be made in the early stages of design. This is particularly important for early resolution of acoustic problems which are often created by poor planning and solved later through the addition of structural or mechanical remedies. The acoustical problems confronted by a theater are not as severe as those of a concert hall. Nonetheless acoustic problems can ruin a theater and expert advice in this area is often desirable, especially if the performing area itself is to take on an unusual configuration. Many suppliers of equipment now employ their own engineers to make sure that their equipment is correctly specified and installed. To employ these people means making an early decision about the use of particular products. In the case of mechanical control systems and computerized lighting systems, etc. these decisions can, if made early, result in much more sophisticated and refined solutions. These refinements can often lead to reduced operating costs.
The employment of a construction manager has most frequently occurred at the later stages of a building project. The role of the construction manager is to expedite the construction of a project, negotiate bids, and evaluate alternative building techniques to assure that a building is built as efficiently as possible. A theater is a custom-crafted object, however, and many of the devices a construction manager might use to expedite the construction of other kinds of buildings cannot be used here. The construction manager can play an important role at this early stage however, by providing construction cost information when decisions regarding structural systems, foundations, excavating, etc. are being made. Many of these decisions, once made, are difficult to change and accurate information about the impact of these decisions upon ultimate costs can be extremely important.
COST MANAGEMENT

The most common complaint of theaters engaged in the construction of facilities has been the management of the costs of construction. The problem can be seen as a mismatch between a company's objectives, the design created to meet those objectives, the funds available for construction, and the actual cost of construction. These are four variables. The last variable, the actual cost of construction, is generally not known until decisions have been made concerning, objectives, design and funding. If a project comes in over the budget then these other factors have to be reconsidered. This occurs after much time and effort which now appears to be wasted. Everyone is demoralized.

Careful cost analysis during the project's inception and development can help to avert this last minute disappointment. It is important to consider costs other than construction costs in the management of a building project as well. Those "other costs" which we have found to be important are: human costs, life cycle costs, deferred costs, and unforeseen costs. We will consider these costs in the order in which they impact on the conception of a building project.

HUMAN COSTS

The quality of a new theater facility is very much dependent upon the amount of time that key members of a theater company can give to a project. It is the theater company or someone designated to represent the company, who sets objectives and standards and knows how the company functions. Over the life of a project that knowledge is invaluable to assuring satisfactory results for the company.

Building projects typically require a year of pre-planning, a year of construction and a year of fine-tuning. How much company time must the company devote to the building process to insure success? Essentially, what we found was that one individual, most often the managing director, spent extra time over-and-above the normal workload during the pre-planning period, virtually all their time during construction, and extra time over-and-above the normal workload during the initial year of operations. What this means in practical terms is that during the construction period someone in the company will have to be able to handle many of the delegated tasks normally carried out by the managing director. And, managing directors can expect to work evenings and weekends for three years. Another key figure in many projects was the production manager.
The production manager's general knowledge about support and production space and staging makes this person invaluable in making decisions during the design and construction phase. Architects will tend to rely heavily on the knowledge of the production manager, in laying out areas of the building they are not familiar with, and in specifying appropriate materials, equipment, etc. and assuring that these are properly installed.

An important reason for providing adequate time for participation by theater company personnel is the need to make decisions in a timely fashion. A delay of a day or two during construction can cost several thousand dollars. Taking that into consideration, it is wise for the theater company to consider investing in extra personnel as support for the managing director and production manager during the planning and construction phases of the project. In addition the company should program a season which will allow major flexibility in the use of key management time, by using guest directors, interns, etc.

As we have noted, a situation to be avoided is the return of construction bids which are not within the project budget. We believe the only way to avoid this is to develop a method of cost control which continuously approximates the cost of construction. Construction managers are hired to perform this function and can provide a valuable resource to the project team.

The employment of a construction manager is particularly important because theater building is a unique facility. There are few regional theaters built and those are widely scattered. Conventional cost estimating relies upon approximation of costs based on the actual cost of buildings, of a similar nature which have been built. There is little construction with which to compare a regional theater. To illustrate this we can point to a comparison of the actual cost of construction of theaters we visited with costs projected for "theaters" in a standard construction cost manual published at the same time. The manual listed $57 per square foot as the cost of a theater. The theaters we visited were experiencing costs of about $110 per square foot, almost 100% greater. The use of "square foot costs" as a cost yard stick is flawed. The cost of different kinds of space can vary considerably depending upon the type of construction, finish, amount of perimeter, etc. To assign one overall square foot cost to a theater will lead to inaccurate cost estimates. Spaces with a high degree of finish and service will cost more, i.e. spaces such as lobbies and auditoriums. Spaces with a low degree of finish, such as costume storage and paint shops, will cost much less, perhaps as much as 50% less. Therefore reducing the size of a lobby versus reducing the amount of costume storage to reduce costs has different impacts.
Another and more accurate way of determining building cost is by estimating the cost of building elements. This is the method used by a construction manager. For example, whereas there are insufficient theaters constructed annually from which to base unit cost estimates, theaters comprise very many elements which are commonly found in other construction projects. The unit cost of these individual elements such as carpentry, masonry, concrete, steelwork, painting, tiling, etc. can be estimated with some accuracy. The proposed theater can be analyzed and measured as a collection of these quantifiable elements together with costs of general contracting (co-ordinating, supervising, risk-taking etc.). This technique can more accurately reflect actual local building experience. The construction manager is also familiar with the comparative costs of different construction techniques, finishes etc. and is often in the position to suggest alternatives. The construction manager also is in direct contact with contractors and oftentimes can negotiate a bid tailored to the contractor's particular capabilities.

A financial advisor has proved useful to several companies and we would recommend the employment of such a person early in the conceptual process. Such persons can often be found on the board and are willing to contribute their time. A major element of construction is money management and financing. Construction loans are extremely high. The cost of these loans may run six to ten per cent of a project's costs. On the other hand a theater company might begin a project with its money in hand. That money not immediately necessary to pay construction bills can be invested. Depending upon how the money for a construction project is managed, we may be comparing the possibility of a company borrowing considerable sums to pay off construction debts while waiting for pledges to be honored. Or, we may see the additional accumulation of funds based on wise investments of pledges received. Such financial management can affect the final costs of construction by a wide margin, anywhere from five to fifteen per cent.
CONSTRUCTION COST

Based upon figures made available to us from the theaters we visited it is possible to make some general remarks about theater construction costs. First it would be useful to look at a general outline of construction costs by percentages, based on the information available to us.

<table>
<thead>
<tr>
<th>Costs</th>
<th>Typical %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site Acquisition &amp; Improvements</td>
<td>2%</td>
</tr>
<tr>
<td>Capital Cost of Construction</td>
<td>83%</td>
</tr>
<tr>
<td>General Conditions</td>
<td>8%</td>
</tr>
<tr>
<td>Superstructure &amp; Finishes</td>
<td>37%</td>
</tr>
<tr>
<td>HVAC, Plumbing &amp; Fire Protection</td>
<td>20%</td>
</tr>
<tr>
<td>Electrical</td>
<td>10%</td>
</tr>
<tr>
<td>Theater &amp; Stage Equipment</td>
<td>8%</td>
</tr>
<tr>
<td>Prof. Fees</td>
<td>6%</td>
</tr>
<tr>
<td>Contingencies</td>
<td>4%</td>
</tr>
<tr>
<td>Construction Finance</td>
<td>5%</td>
</tr>
</tbody>
</table>

Several aspects of this budget should be commented on. The low percentage attributed to site acquisition and improvements reflects the fact that most theaters have sites given to them. In addition few theaters have provided their own parking. Both these elements, if carried by the theater would bring site acquisitions and improvements well above the two percent of total costs indicated.

Construction finance is indicated at 5% of the total construction budget. Let us imagine that a theater is able to build a facility without a construction loan. Furthermore, the money raised for a building is invested and returns two thirds of what a construction loan would have cost, or about 4.5 percent of our budgeted construction cost. The difference we are talking about is 11.5% of the total budget, an amount which is greater than only two other items in our budget. That 11.5% difference can be achieved without affecting the building design whatsoever. The other budget items are generally affected by the size of the facility itself.
Another glance at the figures indicates that better than half of the projects costs are in superstructure, finishes, and mechanical systems. That fact is reflected in the reduced costs of adapting existing structures to theatrical uses. Because the nature of the adaptation can vary so tremendously from project to project it would be unwise to try to compare the costs of new construction with adaptations. Of the projects we visited, however, it appeared that adaptation of existing buildings could reduce the total construction budget by 35–40 percent.

In cutting building budget there are essentially two strategies that may be employed, reducing the size of the building or reducing its quality. Reducing the size of the building has the effect of reducing all the capital cost components but not necessarily equally. The different qualities of space vary considerably in their value in economic terms, which may be quite different from their intrinsic value to the theater. We have seen instances where support space has been sacrificed to maintain a monumental lobby. A lobby is much more expensive to build than a support space, perhaps twice as much per unit cost. The lobby does not contribute to the production of the theater and at the same time it is expensive to maintain. The support space, if inadequate, will probably have to be compensated for in some other costly fashion. Yet it would appear that in the majority of cases when it comes time to sacrifice space, it is support space which loses out. The nature of the space which is reduced or eliminated is critical to overall budgetary impacts.

Many aspects of a budget can be affected by considerations of quality. Here again careful and appropriate selection are important. Often a job is bid with alternative finishes or systems specified, making it possible to put together an appropriate package. Construction managers can be instrumental in identifying where alternatives might be most cost effective.

A characteristic common to many theaters when it came time to cut the building budget was the ineffective way in which budgets were cut. In a period of high inflation it is common to find building costs escalating rapidly. As a project is delayed for the purpose of reconsidering ways to bring the budget into line, construction costs are continually increasing. The budget cuts, therefore, have to reflect not only the cost overage but the increasing cost due to inflation. It is not uncommon for bids to be good for no longer than 30 to 60 days, leaving little time for procrastination. A major redesign of a project may take up to six months and at a 10 percent rate of inflation, the project has fallen behind another 5 percent by the time it is rebid.
OPERATIONAL COSTS AND DEFERRED COSTS

Life cycle costs and deferred costs are important ideas to interject here because in attempting to control project budgets there is continuous pressure to make decisions which will transfer costs.

Life cycle costing is a way of looking at a building over time. It is costly to operate a building. The costs of operating a building are often directly related to how well the building was constructed. For example, finishes that are easy to maintain are initially more expensive. A sophisticated mechanical system designed to operate more efficiently, is more expensive to install. In speculative commercial space it is often decided to build with less expensive means and pass the cost of increased operation on to the tenants. This is the nature of professional advice often given. A theater company building its own facility, however, will have to live with these increased operating costs. In some cases that may be a reasonable alternative, especially if the theater company can control some of those maintenance items by using its own staff. In other cases, however, such decisions can be very costly. As an example: because of the cost of mechanical systems and because the work falls under the pervue of one contractor it is a tempting target for budget cuts. This is one item in the construction budget, however, which is difficult to replace or retrofit later on, and an efficient system is likely to bring increased benefits as fuel rates increase.

To make judgements and decisions about life cycle costs requires the project team to formulate an estimate of operating costs of alternative designs. Many key decisions can be made at initial programming and design stages. The methodology is similar to intelligent capital cost estimations and consists of identifying the components of operating costs such as heating, ventilation, air conditioning, maintenance, logistics, security, etc. which would be entailed in a given design. From this model, which can be compared to operational procedures at other theaters, comparisons can be made and optimum combinations identified. Facilities operation budgets are typically around 10% of the total annual theater budget. Miscalculation of operating costs inevitably affects more important components of the total annual budget of a theater.
Deferring costs essentially means either doing without something until it can be afforded or accepting low quality in some element initially with the expectation of later improvement. It is difficult to return to patrons for money a few months or even years later. Some theaters have deferred certain costs, assuming company members could assist with painting and such. Those activities are hard to conduct after one has "moved in" and the building process is taxing enough on a company without asking them to take care of the finishing touches.

Accepting low quality initially is an expensive strategy. The cost equation can become: initial cost + interim modification cost + cost of associated elements affected + replacement cost. This strategy should not be adopted unless "doing without" as an interim measure is impossible.

We have discussed deferred costs which result from being unable to afford the capital cost of a piece of equipment or a building element at the outset.

Companies have experienced unforeseen costs of another sort which should be discussed. The cost of remedial work arising from defective design, installation or construction has in some instances fallen upon the theater company.

Generally speaking, faults of design, construction, or installation should be a liability of the architect, engineers or the contractor. However, we recorded cases where the liability had been transferred to the company due to action on their part during the construction process. For example:

Company A discovered their project was over the budget upon receipt of construction bids. During the process of negotiating cost reductions, the mechanical subcontractor proposed changes to the mechanical system to reduce costs. These changes were agreed upon without the awareness that the cheaper system would be noisier and not acceptable. Upon completion of the works, it was discovered that the system was too noisy and the company now plans to make major alternations when money can be raised. Perhaps there should be liability on the part of the architect or contractor. However, by making specification reductions to save costs, the company in fact ended up with reduced performance of the system and no redress.
Company B went through a lengthy design process to arrive at a building design that met their budget and they paid substantial design fees to their architect. The Board felt they had invested so much in professional fees for abortive design services that the architect should carry out the supervision of the construction without requiring further fees. Agreement could not be reached with the architect, so the Board decided to supervise construction themselves. They were well-qualified to do this, as their membership included a prominent developer who donated his own time and his personnel staff cost as well. The construction was carried out reasonably well overall. However, the contractor was unable to get certain equipment for the mechanical system which was specified and requested alternative instructions. The cost of delaying work while the specified equipment was awaited appeared to be substantial, so the Board decided to authorize substitutions. The equipment which was installed was found to be noisy upon completion of the work, and the company plans to replace major parts of the mechanical system when money can be found.

These two examples are not the only instances of unforeseen costs arising from assuming liability for design or construction decisions. They serve to illustrate, however, the kind of costs that occur when cost planning is faulty at the initial stages.

A contingency sum is normally included in the project budget. One should understand the purpose of this sum, which is added into the estimate of the project costs in the event of unforeseen costs. Normally this sum is a nominal figure. This contingency sum does not provide for the kind of unforeseen costs described earlier which are liability-related.

What steps can a company take to reduce the likelihood of unforeseen costs becoming a company liability? The first step comes in recognizing that cost planning is an integral part of the design process.

We think the key to avoiding unnecessary and unforeseen costs resides in the project leadership. Most mistakes in past theaters have come about due to inexperience. We hope that this report which attempts to share the experience of others will help to develop that leadership. Quite naturally few people in the theater have the opportunity or the inclination to build more than one theater in a lifetime. The "experience" contained in this report is intended as a substitute.
PROJECT FINANCING

This section might be called "fund raising" and initially it was. However, as we have become more familiar with the attributes and potential of regional theater we feel it is appropriate to look at the costs of building a theater facility in a broader light. Some of the ideas found here are not based on experiences from other theaters, but are based on an ever growing attitude that artistic activities are going to have to find a broader base of support in order to survive. This affected a fundamental difference in attitude towards a theater building at the outset. We have continually asked the question, How can a theater building become an asset rather than a liability? Put another way, What does a theater have to sell besides tickets? For one, a theater is seen as an important part of the cultural life of a city, and any theater that does not take advantage of that in marketing itself to a political body is missing an important opportunity. Secondly, a regional theater differs from other performing arts because it brings people to a specific place on a regular basis. It therefore has the potential to positively affect activities around it which might benefit from the business of the theater's patrons. In this same regard the theater has a captive audience who might very well view the theater as an event which can be enhanced by dining, drinking, etc. We have divided this section into three parts: Contributions, Investments and Entrepreneurship, to bring these opportunities into clearer focus. These approaches to project financing are not mutually exclusive. We believe each might be used to some degree in many projects.

CONTRIBUTIONS

Contributions have been the conventional means for financing regional theater construction. This is likely to remain an important part of any financing package. The resources of each community vary and may have a profound effect on the nature and kinds of gifts which might be expected. Contributions can be expected from three general sources, government, business and private institutions and individuals.

Government assistance is available from grants at the national and state level and from more direct forms of assistance at the local level. The National Endowment for the Arts has aided building activity and so have the individual arts boards in the various states. While the actual amount of money from these grants has not been great, the involvement of the federal and state
governments and their review process has served to establish the legitimacy of a theater's intentions. This has helped to secure matching funds from private sources. Local governments have many more ways they can help regional theater companies. The acquisition of property for a theater has been a primary assistance. Few theaters would be built in downtown locations without some form of assistance in acquiring property at a reasonable cost. Some communities have assisted theaters directly by building the theater building themselves and leasing the facilities. Usually they finance the projects by using the bonding authority of the governmental unit. (As we have noted this takes a great deal of authority away from the theater company in specifying a theater to meet the company's particular objectives.) Some communities like Berkeley and Hartford have actively solicited the relocation of a theater to aid the city's revitalization efforts. This sometimes has the added advantage of providing a very positive promotional value to the theater project.

Business and private institutions (notably foundations) have an important part to play in funding theater facilities. The availability of these funds, however, is quite competitive and most foundations and businesses are likely to spread their funds among several institutions. These grants, however, can be quite sizeable and few building projects have succeed without contributions from the business sector. Gaining access to these funds may take some time, since many corporations and foundations have long term giving programs. It may take several years to negotiate a sizeable grant. Some theaters have successfully used board members associated with the building industry to solicit contributions from this sector which helps to promote construction activity at the same time. In other cases board members associated with the construction or financial industry have contributed valuable in kind services.

Individual contributions may be small or large. Small grants cannot be sold short but large grants often make or break a building project. These grants may come from long time friends of the theater wanting to acknowledge their support, or they may come from wealthy citizens simply looking for a suitable memorial. Berkeley and Cincinnati memorialized all gifts by acknowledging them on handsome tiles (or bricks) which became part of their building.
It is important to note the role that a board has in soliciting contributions. A board, if carefully structured can be the most important asset a theater company has. Board member connections to major corporations, government, foundations, financial institutions and construction firms can be strongly influential in directing gifts to the theater. Likewise these same connections often have a social and business component. The creation of an appropriate board structure and a theater facility should be thought of as going hand in hand.

Some theater companies have hired professional fund raisers to organize and manage fund raising activities. This is certainly a viable idea if such expertise does not already exist on the board or the company staff, or if these people cannot make extensive amounts of time available. Professional fund raisers cannot work miracles, but they can save time and help utilize volunteer resources.

While the value of theaters to the vitality of urban areas has been acknowledged, efforts to have theaters benefit from this value have not been realized directly. There may be an opportunity for third generation theaters to capture some of these benefits.

Obviously a prime attribute of regional theater from a commercial standpoint is the people it attracts to a location. A theater with a regular audience of 500 to a 1000 patrons an evening draws as many people as many major department stores. Most shopping areas rely upon such "prime tenants" to attract shoppers who then shop at other stores. Prime tenants often receive benefits in reduced rents, preferential rates for advertising and promotion, maintenance, etc. Most new theaters move into established areas, or are not conceived as a part of a new development. They therefore have no opportunity to receive the economic benefits that other prime tenants enjoy. If, however, a theater were conceived as a part of a larger development, and it was thought that the theater's role was to attract potential clientele it might prove worthwhile to a developer to include the theater in the project as a prime tenant. In this way the theater could benefit directly from its ability to draw people. The theater, of course, cannot be thought of as directly analogous to a department store. People do not go to the theater in the same frame of mind as they go shopping. But, certainly some activities are directly compatible — dining and drinking for example. And, it is possible to
imagine other kinds of merchandising, books, art work, posters, etc. which might directly appeal to the interests of a theater going audience. How does one put a value on this potential benefit? That is difficult to say, but there are many contributions that an imaginative developer and a theater company might give to each other.

An element which is related to theater and other arts activities as well, is an ambiance which they bring to an area. They lend excitement and dignity to city life. Through association they can add value to adjacent real estate. The Museum of Modern Art in New York has engaged in the development of residential condominiums within air rights it has sold to a developer. This area is not a traditional residential neighborhood and yet this housing is being marketed as "prestige housing". In this case the Museum has enjoyed an opportunity to sell off a development opportunity because of the favorable location it enjoys. Few theaters are in a position to do this.

But a new development which included a theater might enjoy some of the "prestige value" that MOMA's venture has, a value which in some form might be passed on to the theater by the developer.

We believe the kind of investment opportunities which we have used as examples are real opportunities though there are no regional theaters that we know of that have used this technique. For this approach to succeed would take the collaboration of a theater company and a developer at the outset of a project. Such timing is difficult, though not altogether impossible if a theater company was to make its building objectives known among the local development community. It would mean a theater company would have to establish longer term building objectives, publicize them, and wait for the right opportunity to come about. Many second generation theaters might consider this as a method for achieving their long term goals as a regional theater.

Of all the performing arts, theater seems to be the least well endowed by the community. Entrepreneurship seems endemic to theater. Theater management has become a skilled profession. Theaters which are well established as second or third generation companies probably owe a great deal of that success to good management. The question we have asked is whether or not those management skills might be used to extend the income producing capability of a theater, through its design. One idea which has come to mind is thinking of the theater as an investment in real estate. We will come back to that idea and its implications later.
Many theater companies engage in selling more than tickets. The most prevalent forms of "other" revenue sources, besides gifts, grants, etc. are concessions. Concessions are either leased or operated by the company itself. Concessions most frequently consist of an intermission bar and coat checking. Even in the most casually operated refreshment bar this can mean an income of several thousand dollars for a season. Actual incomes seemed to vary so much in relation to total company income that generalizations are not worth making, but all companies viewed these activities as income producing, not just amenities provided for the audience.

Some companies have expanded on the idea of the intermission bar, quite successfully. Once a liquor license is established and the bar set up the question becomes how to best utilize that potential. A response by several companies has been cabaret theater. Cabaret theater provides an opportunity to enhance revenue from the bar. It also creates the possibility of new performance opportunities for the company. It also provides new possibilities for audience development without compromising the artistic integrity of a regional theater.

Perhaps a next stage in the evolution of bar service is food vending. Some companies have successfully engaged in this activity through catering services. Cincinnati's venture into providing full meals before and after theater dining in a new space designed for this purpose has served as a model for our proposal for a public place for each regional theater. A final example which takes the notion of the bar/dining opportunity one additional step further is the lobby at Indianapolis which along with the bar is rented out for receptions. The Indiana Rep has the advantage of being located across the street from a major convention facility (no accident) and having a magnificent lobby, formerly the lobby of a movie "palace". The lobby has developed a reputation as being an attractive place to hold receptions, and the Indiana Rep both rents the space and manages the concessions, two incomes in one operation.

The kind of concessions discussed thus far are by far the most prevalent and most lucrative kind of entrepreneurial activity in which theaters engage. Among other activities used to produce income are prop and costume rental and occasionally set rental. None of these produce a sizeable income and most rentals are done as much for public goodwill as for income. Selling the services of costume, set, and prop production would seem to be an activity
which might interest some companies. Where such activity does occur, companies use it so that artisans can expand their personal income rather than a means for the company to fatten its own coffers.

A very large issue facing some regional companies today is production for cable television. There is not enough experience among companies to determine what the impact might be on theater facility design. In most cases it might be nonexistent if regular TV studio space is available. On the other hand in communities where such space might not be available, the incorporation of even modest TV production capability might provide a community need and an additional source of income for a company.

There are opportunities which we are sure we have not discussed nor thought of. Each community may present its own unique set of opportunities. Underlying the concept of enterpreneurship as we've discussed it here is the notion that a theater can expand its revenue producing capability without compromising artistic objectives. If some of the ideas presented here were incorporated with the ideas of "prime tenant" and "prestige value" cited in Investments earlier, one might imagine the theater company being the initiator of a development project which would encompass more than a theater.

The theater company could become a developer, a development partner or a share holder in a development based upon its participation in the project. Theater companies are clearly in a position to generate such ideas and opportunities given their visibility.

Such an approach could put an entirely different perspective on the creation of new facilities for a theater. If we think of the theater as an investment, the entire concept of contributing to the construction of a theater facility changes. What would be a gift now becomes an investment. This has implications both for the type of funds made available and for potential financiers of a project and the benefits that might be received by those individuals, corporations, and foundations.

It is unlikely that there is a formula which might be created which would turn regional theaters into development corporations. If local opportunities are right, however, we think this is an avenue of funding for theater facilities which is worth further exploration.
Finally, a most critical issue. In typical cases where theaters have been built, elected officials, funding institutions, local corporations and individuals have all shared the perception that the creation of a theater was beneficial to the community. As one person said who has been instrumental in many civic improvements including theaters, "there is a time for any building project of a civic character". By this he meant the necessity for community aspirations, economic means, political process and personalities to converge. To achieve such convergence requires a catalyst.

The catalyst is one or two people. The successful leadership model that can be constructed from the examples we have analyzed is breathtakingly simple, on the surface. Two people are required initially. One person must be a member of the theater company management (most often a director). This person must have the ability to communicate the vision of a new theater, unlimited reserves of energy, dogged determination and the capacity to make hard decisions intelligently. The second person is the project leader and should be a member of the business community or a key elected official. Most frequently this person is on the board of the theater company. This person is characterized by the ability to tap seed money for the project (20 to 25% of the total budget). With this commitment the project is begun and primary responsibility for fund raising is taken on by the project leader who frequently is or becomes the board president for the theater. The attributes required of a building project leader are not the same as the attributes normally required of a board president involved in annual theater operations. The most important attributes of a project leader are a dedication to the vision of a new theater, exceptional persuasiveness which is required to communicate the benefits which a new theater would bring to the community and access to and influence with the individuals within the community who are able to make the next portion of capital funds available (40 to 50%). The responsibility for day to day project management rests with the director of the theater. It is imperative that the project leader and theater director work closely together and as a team.
There are other extremely vital roles and responsibilities. For this reason it is important that the theaters' board be carefully constructed before engaging in a building project. It should be appreciated that the board as well as the company will be making a commitment of time, expertise and prestige. People do not want to be associated with a project which they think may fail. Unless the board is fully committed to a project it may very well fail. A board with strong expertise itself is more likely to have the confidence and vision necessary to see a project through to conclusion. Board members with expertise in law, finance and investment, real estate, construction, marketing and advertising, are extremely valuable. So are board members who are considered leaders amongst the various constituents the theater serves.

All this does sound rather simple, but it is not. It should suggest the time and careful consideration needed to create a successful project. Although there are other conceivable leadership models, this is the most familiar one. Invariably theater projects require support from a number of sectors of the community and someone has to be able to persuade a significant number of people that contributing sizeable sums of money to a theater is a good and worthy investment.

We hope that this report will help the leadership which needs to develop to create the new kinds of regional theater we know can exist across the country.