

PERFORMING ARTS CENTER MARKET FEASIBILITY STUDY

SUBMITTED TO
City of Sandy Springs

SUBMITTED BY
C.H. Johnson Consulting, Incorporated

July 9, 2014



**JOHNSON
CONSULTING**

Experts in Convention, Hospitality,
Sport and Real Estate Consulting.

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SECTION I
LETTER

July 9, 2014

Mr. John McDonough
City Manager
City of Sandy Springs
7840 Roswell Road
Sandy Springs, Georgia 30350

Re: Market Feasibility Study & Projections – Proposed Performing Arts Center

Dear Mr. McDonough:

Johnson Consulting is pleased to submit this report to the City of Sandy Springs regarding the proposed Performing Arts Center at the City Center developments. Pursuant to our engagement, this report provides an analysis of the economic and demographic characteristics of Sandy Springs and Fulton County, as well as the broader region; identifies and analyzes key characteristics of regional and comparable venues; summarizes key observations from interviews with stakeholders; and provides preliminary facility programming and recommendations. Also included in this updated report are demand and financial projections; and development, funding, and operating strategies.

Johnson Consulting has no responsibility to update this report for events and circumstances occurring after the date of this report. The findings presented herein reflect analyses of primary and secondary sources of information. Johnson Consulting used sources deemed to be reliable, but cannot guarantee their accuracy. Moreover, some of the estimates and analyses presented in this study are based on trends and assumptions, which can result in differences between the projected results and the actual results. Because events and circumstances frequently do not occur as expected, those differences may be material. This report is intended for the clients' internal use and cannot be used for project underwriting purposes without Johnson Consulting's written consent.

We have enjoyed serving you on this engagement and look forward to providing you with continuing service.

Sincerely,



C.H. Johnson Consulting, Inc.

C.H. Johnson Consulting, Inc.

SECTION II

INTRODUCTION & EXECUTIVE SUMMARY

INTRODUCTION

Johnson Consulting was retained by the City of Sandy Springs to assess the merits of developing a Performing Arts Center (PAC) as part of the City Center development, a public/private partnership project that will provide a mixed-use development that will serve as the main street of the City. The PAC is intended to achieve a variety of objectives including providing residents with cultural arts and entertainment programming and serve as a means to continually attract visitors to the City Center.

OBJECTIVES

In order to assess the opportunity for a new PAC in Sandy Springs, Johnson Consulting has prepared a study that addresses the following questions:

1. **Market and Industry Potential:** What is the overall potential of the proposed facility? Which existing and proposed venues will the facility compete with, or complement? Who will utilize the facility and what are their needs, desires, and expectations?
2. **Program Considerations:** What size should the facility be? What physical attributes should the facility have? What is the facility's optimal configuration to capitalize on market trends and ensure flexible use of space? How many parking spaces are required to support the recommended program of spaces?
3. **Operations:** How will the facility operate from a demand and financial perspective, as well as from a management and business-planning standpoint?
4. **Funding:** What funding mechanisms are available to the proposed facility?

METHODOLOGY

In order to complete the analysis required for this project, Johnson Consulting performed the following tasks:

1. Interviewed and surveyed various Client representatives, and event facility operators and managers, along with other relevant stakeholders and representatives, in order to gather information about expectations for the proposed project.
2. Examined and projected regional economic and demographic trends that may influence demand for the proposed venue.
3. Identified and examined relevant regional and national comparable facilities.
4. Developed broad recommendations regarding the optimum size of the proposed PAC.

5. We are developing projections of future demand for the proposed venue, in terms of annual events and attendance. Johnson Consulting is also utilizing proven local, regional, and national formulas to forecast revenue and expense models.
6. Investigating the various options for the management and operation of the facility as well as mechanisms available to fund the facility and its ongoing operations.

EXECUTIVE SUMMARY

Sandy Springs has many of the key characteristics and requirements necessary to support a PAC. Among the most important characteristics observed are the relatively young population; strong median household income; robust corporate and business community; well regarded cultural and arts organizations; and highly accessible transportation network. With younger households, a PAC can provide additional amenities to meet the entertainment needs of local residents. Also, as part of the City Center the PAC will exist in a dynamic environment that offers tremendous pre and post event activities that will serve residents and visitors alike.

The live entertainment industry is very robust and 2013 was a record setting year for the industry, with growth expected to continue in 2014 and beyond. Due to the consolidation in the promotion business there has been a shift in the importance of venues that range from 500 to 5,000 seats since LiveNation and AEG have effective control of the talent that performs in large stadiums and arenas nationally. National, regional and local promoters use these smaller venues to attract a broad cross section of events that are very well attended and profitable. Typically the preponderance of ticket revenue goes to the talent with food and beverage and parking being the key profit centers for the facility operators.

Johnson Consulting has identified a number of national comparable PACs that provide insight into how the facilities were developed and how well they continue to operate. The facilities include the Ames Center in Burnsville, MN, the Peace Center in Greenville, SC, the Metropolis Theater in Arlington Heights, IL, and the Gaillard in Charleston, SC. A majority of these facilities start out as part of an urban renewal effort as is the case with the Ames Center, Peace Center and Metropolis, all of which have been successful in this regard. It is anticipated that the proposed PAC in Sandy Springs will have a similar operating profile to the Ames Center, Peace Center and Gaillard, all of which have a diverse demand base that serves the arts community as well as providing music acts and Broadway productions.

The Gaillard and the Peace Center both benefit from very strong community and corporate support. This has allowed the Peace Center to provide a wide range of events and education opportunities to the local community and has allowed the Gaillard to be completely redeveloped into a state of the art facility. While the City Center PAC will have some support this has not been actively targeted through a fundraising campaign. It is expected that the City Center PAC will operate from a revenue and expense perspective more like the Ames Center, which is reliant on revenue it generates to pay for operations with the City subsidizing the venue if and when needed. Metropolis was included for three reasons. It was built too small and it

requires very significant annual operating support from the Village of Arlington Heights. However, the venue still served the purpose of providing a catalyst of transformation for the area, emphasizing the power that these projects have on the host community.

The lessons learned from these case studies and our intensive interview process has provided valuable insight into the program elements and size parameters needed to make the City Center PAC successful. Regarding the interview process, this is one of the few projects where there was almost completely unified support for the development of a PAC in Sandy Springs, this included area promoters, area hotels and existing event venues, which typically feel threatened by a new venue. The only comment in opposition was from LiveNation and that was with regard to a facility with 2,500 seats or more, not a smaller venue that will serve the community and surrounding areas. It was widely believed that a PAC with 500 to 1,000 seats would serve the City Center project and the City very well.

In the size category analyzed, (arenas, PACs, auditoriums, and amphitheaters with 10,000 seats or less) there are 43 facilities with over 62,000 seats in the metro area, or 1 seat for just under every 100 people. If adding a new venue of 1,000 seats, it would only increase overall supply by 1.6 percent. Additionally, these venues are on average over 16 miles from Sandy Springs, which given the traffic issues in the region forces many potential attendees from Sandy Springs to only attend an event if it is a top priority. Given the very small overall increase in supply a new venue would cause, we believe this can be absorbed quickly and will have tremendous positive impacts for the City Center project, the residents of Sandy Springs and allow the City to have a formalized destination for people coming from outside of the City. There are risks with the proposed project but recruiting top-tier management and talent buyers for the project can mitigate these challenges. The role the PAC plays in the corporate and flat floor events market will also be very important, as it will be a significant revenue generator for the complex.

The market analysis demonstrates a competitive market, but a busy building in Sandy Springs can carve out a niche in this environment. The market indicates a business model that is close to the Buckhead Theater's. The theater will not be a concert/music house per se, but will be a general building that can do a variety of events. An anchor tenant could evolve, but such tenants are often hard to work around and can be cost prohibitive. And unless such a tenant has a large endowment, we would discourage a not-for-profit tenant.

Meanwhile, a very active building is expected. The program is crucial for success, and again the Buckhead Theater serves as a guide. Program targets are:

- 750 to 1,000 seats, leaning towards 1,000 seats as a larger theater broadens market opportunities and allows the market to mature into the facility as the community continues to grow.

- The notion of temporary seats on at least half the lower level in a non-setting should be explored. The dance/concert format for events has been very popular in Buckhead, and this format creates a larger social space for non-theater events as well.
- A proscenium stage, orchestra pit that can be raised/lowered, fly and wing space, trapdoors and the other program elements that are found in a top tier facility should be considered for inclusion in the project. As these features are evaluated from a cost perspective, we will counsel the City and design team on the most critical elements for the project. The venue can operate without a fly loft it will just change the demand profile of the building. It will not be able to host more elaborate event types such as Broadway shows or other events that need significant rigging and scene changing capabilities.
- A large lobby/concourse is essential. It must be able to host at least as many patrons as will be seated in the theater in a comfortable cocktail format.
- We encourage the inclusion of a full service kitchen to serve primarily social and conference oriented demand and be able to provide limited food service options for entertainment events, as the cost of operating this type of concession during a show is not profitable for the complex. Given the orientation of the facility and character of the community, anything less than a 1st class food and beverage operation will not be sufficient for the building.
- We strongly encourage a full service bar/lounge as part of the lobby area, which will have significant revenue potential. The theater should retain and self perform the kitchen and lounge operations in order to have the greatest revenue potential.
- Parking is also a critical factor for the facility if it is to be successful. We believe that there should be a minimum of 1 parking spot for every 3 seats dedicated to the complex as part of the larger parking portfolio for the City Center development.
- The conference center will get utility out of the theater and its lobby and concourse. We recommend the following program for the conference center: a 15,000 square foot ballroom, divisible; a 7,500 square foot junior ballroom, also divisible; and 7,500 square feet of additional meeting space should be provided.
- Some of this meeting space should be designed to support the operations of the theater with classroom space and rehearsal space. The rental rate structure for theater use of these spaces needs to be considered very carefully. If these spaces are compromised by lower rent paying uses versus higher paying users it will adversely impact the financial viability of the complex.
- It is recommended that the ballroom or Jr. Ballroom be utilized for the City Council and City meetings and allow for the PAC component to be available for use 7 days a week.

- The complex should also be served by a rooftop garden that can be used for social events. This is in addition to the outside lawn spaces, which we believe should be operated and programmed as an additional event space that the complex management team controls.
- The corporate market will be a big source of demand and revenue. Their relationship with the building for corporate, social and product launches will help both the theater and the district in many different ways. Ideally, the presence of the theater asset will even help corporations continue to justify locating in Sandy Springs.
- Social and banquet business will also be a major user of the conference center space given that this facility will now provide the largest contiguous space in the City. The amenity that the proposed rooftop garden will offer will also be highly desirable as it will offer these users the ability to flow from space to space as their event progresses, e.g. cocktail reception on the roof followed by a seated dinner in the Jr. Ballroom, etc.
- To serve the corporate market, (and today’s millennials) we recommend distinguishing the venue with the best in video, WI-FI, RFID, and other technological amenities.
- This project should set the stage for a private sector developed hotel. We would anticipate the ability to support up to 300 total rooms split between 2 properties of 4-star quality. If this level of quality is cost prohibitive a limited service at the very upper quartile should be considered, such as the Westin “Element” or the Marriott “AC Hotel” brand. City Center and the PAC project will help to diversify the demand profile of existing hotel properties over the weekend, which is needed.

PROJECTIONS FOR SCENARIO 1 – PAC WITH A FULLY EQUIPPED THEATER

The tables below provide a summary of demand and revenue and expense projections for the proposed PAC with a fully equipped theater, at an estimated cost of \$31.6 million.

Table 2-1

Sandy Springs Performing Arts Center with a Fully Equipped Theater Projected Demand										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Theater-Based Uses										
1 Elaborate Entertainment Productions	16	18	20	22	24	24	24	24	24	24
2 Simple(r) Entertainment Events	16	18	20	22	24	24	24	24	24	24
3 Subtotal	32	36	40	44	48	48	48	48	48	48
Conference Center-Based Uses										
4 Corporate Events	30	35	40	45	50	50	50	50	50	50
5 Seminars and Meetings	12	14	16	17	18	18	18	18	18	18
6 Banquets	30	35	40	45	50	50	50	50	50	50
7 Community Events and Others	18	20	22	23	24	24	24	24	24	24
8 Subtotal	90	104	118	130	142	142	142	142	142	142
9 Total	122	140	158	174	190	190	190	190	190	190

Source: Johnson Consulting

Table 2-2

Sandy Springs Performing Arts Center with a Fully Equipped Theater Projected Operating Revenues and Expenses (\$000)										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues										
1 Rents	\$1,102	\$1,287	\$1,483	\$1,688	\$1,906	\$1,963	\$2,022	\$2,083	\$2,145	\$2,209
2 Ticket Fees	67	81	95	112	129	133	137	141	146	150
3 Box Office Fees	34	40	48	56	65	67	69	71	73	75
4 Net Food and Beverage	424	517	620	732	854	880	906	934	962	990
5 Reimbursed Event Labor	1,378	1,608	1,854	2,110	2,382	2,454	2,527	2,603	2,681	2,762
6 Donations/ Memberships	15	15	16	16	17	17	18	18	19	20
7 Advertising/ Sponsorships	12	12	13	13	14	14	14	15	15	16
8 Naming Rights	30	31	32	33	34	35	36	37	38	39
9 Total	\$3,061	\$3,592	\$4,161	\$4,760	\$5,401	\$5,563	\$5,730	\$5,901	\$6,078	\$6,261
Expenses										
10 Salaries and Wages	\$381	\$393	\$404	\$417	\$429	\$442	\$455	\$469	\$483	\$497
11 Benefits	127	131	135	139	143	147	152	156	161	166
12 Administrative and General	258	266	273	282	290	299	308	317	327	336
13 Production-related Wages	1,102	1,287	1,483	1,688	1,906	1,963	2,022	2,083	2,145	2,209
14 Event Expenses	551	643	742	844	953	981	1,011	1,041	1,072	1,105
15 Maintenance and Repairs	200	234	269	305	342	352	363	374	385	397
16 Building Operation	322	332	342	352	363	374	385	396	408	420
17 Marketing	150	155	159	164	169	174	179	184	190	196
18 Utilities	120	140	161	183	205	211	218	224	231	238
19 Other	134	149	165	182	200	206	212	219	225	232
20 Total	\$3,345	\$3,728	\$4,134	\$4,555	\$5,000	\$5,150	\$5,304	\$5,464	\$5,627	\$5,796
21 Net Operating Income (Loss)	(\$284)	(\$136)	\$27	\$205	\$401	\$413	\$425	\$438	\$451	\$465

Notes

Line 6 - Donations/ Memberships may be significantly higher based upon marketing efforts of the facility management and community support for the facility.

Line 16 - Includes insurance, license, equipment leases, etc.

Source: Johnson Consulting



As the above tables indicate there is a ramp up period in the first several years of operation with the facility stabilizing in Year 5 with 190 events and a Net Operating Income of \$153,000. This projection does not include debt service.

PROJECTIONS FOR SCENARIO 2 – PAC WITH A SCALED DOWN THEATER

The tables below present the demand and financial performance of a PAC with a scaled down theater in terms of quality of finish and no fly loft, at an estimated cost of \$22.1 million. As the projections for the scaled down facilities indicate, there is still significant demand for the facility and will be more live music and conference oriented. The uptick in conference utilization helps improve the long term Net Operating Income of the facility.

Table 2-3

Sandy Springs Performing Arts Center with a Scaled Down Theater Projected Demand										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Theater-Based Uses										
1 Elaborate Entertainment Productions	0	0	0	0	0	0	0	0	0	0
2 Simple(r) Entertainment Events	24	27	30	33	36	36	36	36	36	36
3 Subtotal	24	27	30	33	36	36	36	36	36	36
Conference Center-Based Uses										
4 Corporate Events	40	45	50	55	60	60	60	60	60	60
5 Seminars and Meetings	24	28	32	34	36	36	36	36	36	36
6 Banquets	30	35	40	45	50	50	50	50	50	50
7 Community Events and Others	18	20	22	23	24	24	24	24	24	24
8 Subtotal	112	128	144	157	170	170	170	170	170	170
9 Total	136	155	174	190	206	206	206	206	206	206

Source: Johnson Consulting



Table2- 4

Sandy Springs Performing Arts Center with a Scaled Down Theater Projected Operating Revenues and Expenses (\$000)										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues										
1 Rents	\$470	\$549	\$631	\$714	\$802	\$826	\$851	\$876	\$902	\$929
2 Ticket Fees	17	20	24	28	32	33	34	35	36	37
3 Box Office Fees	9	10	12	14	16	17	17	18	18	19
4 Net Food and Beverage	325	396	475	559	652	672	692	712	734	756
5 Reimbursed Event Labor	588	686	789	893	1,002	1,032	1,063	1,095	1,128	1,162
6 Donations/ Memberships	15	15	16	16	17	17	18	18	19	20
7 Advertising/ Sponsorships	12	12	13	13	14	14	14	15	15	16
8 Naming Rights	30	31	32	33	34	35	36	37	38	39
9 Total	\$1,465	\$1,719	\$1,992	\$2,270	\$2,568	\$2,645	\$2,725	\$2,806	\$2,890	\$2,977
Expenses										
10 Salaries and Wages	\$320	\$330	\$339	\$350	\$360	\$371	\$382	\$394	\$405	\$418
11 Benefits	107	110	113	117	120	124	127	131	135	139
12 Administrative and General	161	166	171	176	181	187	192	198	204	210
13 Production-related Wages	470	549	631	714	802	826	851	876	902	929
14 Event Expenses	118	137	158	179	200	206	213	219	226	232
15 Maintenance and Repairs	74	87	100	112	125	129	133	137	141	145
16 Building Operation	129	133	137	141	145	149	154	159	163	168
17 Marketing	150	155	159	164	169	174	179	184	190	196
18 Utilities	45	52	60	67	75	78	80	82	85	87
19 Other	66	72	78	84	91	93	96	99	102	105
20 Total	\$1,639	\$1,789	\$1,946	\$2,104	\$2,269	\$2,337	\$2,407	\$2,480	\$2,554	\$2,631
21 Net Operating Income (Deficit)	(\$174)	(\$69)	\$46	\$167	\$299	\$308	\$317	\$327	\$337	\$347

Notes

Line 6 - Donations/ Memberships may be significantly higher based upon marketing efforts of the facility management and community support for the facility.

Line 16 - Includes insurance, license, equipment leases, etc.

Source: Johnson Consulting

Section 6 of this report provides detailed assumptions for both scenarios.

SECTION III
MARKET ANALYSIS



MARKET ANALYSIS

In order to analyze the market opportunity for a Performing Arts Center (PAC) in Sandy Springs, Georgia, Johnson Consulting undertook a comprehensive review of market conditions in Sand Springs and Fulton County, relative to the broader metropolitan area, as well as state and national averages. The key objectives of this analysis were to identify structural factors, strengths and weaknesses that may affect the market's ongoing competitive opportunities and liabilities, and to gauge the level of support that exists for a new facility.

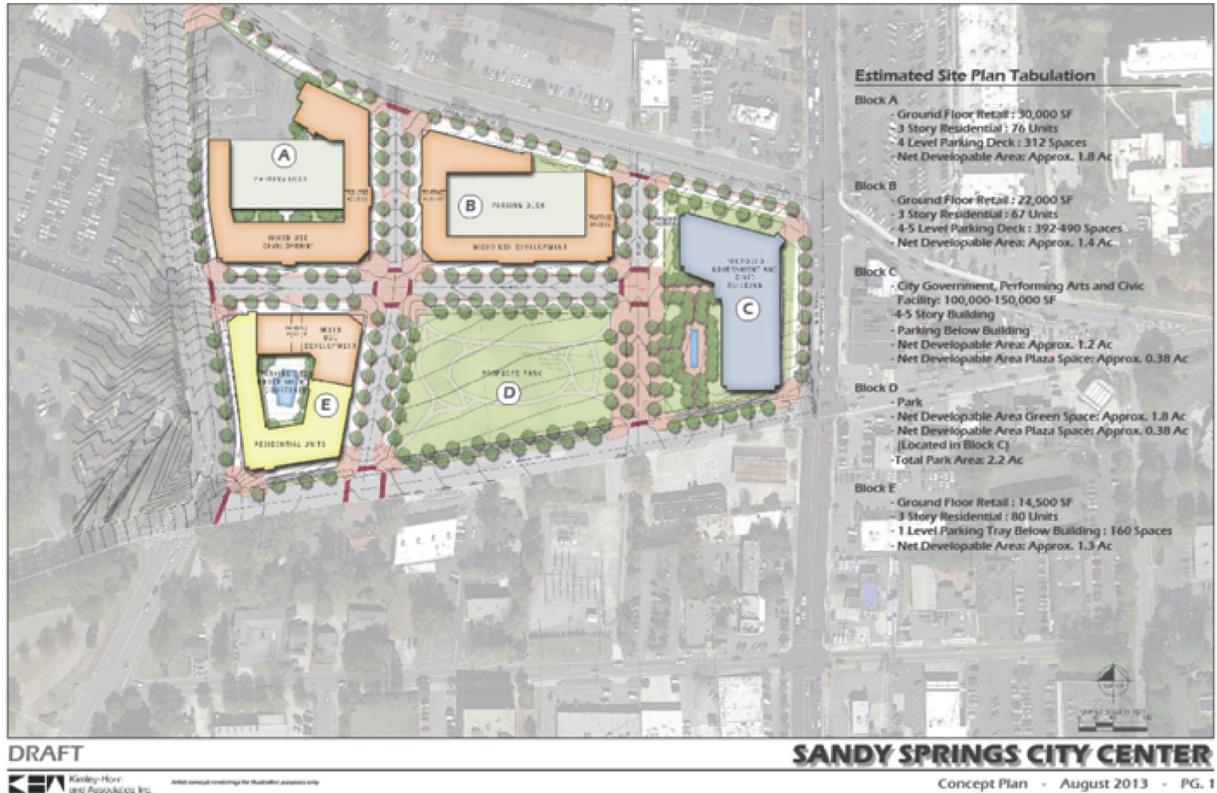
While characteristics such as population, employment and income are not strict predictors of the performance of events center and conference center, they provide insight into the capacity of a market to provide ongoing support for facilities and activities. In addition, the size and role of a marketplace, its civic leadership, proximity to other metropolitan areas, transportation concentrations, and the location of competing and/ or complementary attractions, directly influence the scale and quality of facilities that can be supported within that particular market.

MARKET OVERVIEW AND PROJECT DESCRIPTION

Incorporated in 2005 and located approximately 15 miles to the north of Georgia's capital of Atlanta, Sandy Springs (the City) is the sixth largest city in the State. The Chattahoochee River forms the City's western and northern boundaries, and the City abuts Chastain Park to the south and Dunwoody to the east. Perimeter Mall is just outside the City's borders, which is the center of a broader, highly attractive mixed-use area that includes 29 million square feet of office space and 6 million square feet of retail space, and is home to 40,000 residents.

On December 18, 2012, the City Council adopted the City Center Master Plan that will turn the downtown area of Sandy Springs (City Center) into a more vibrant somewhat denser, business attractive and family-friendly community. The City Center project is to be developed as part of a public private partnership developed as a mixed-use livable center consisting of parks, streetscapes, a civic and performing arts facility, retail and residential uses. The project site is located along the commercial heart of Roswell Road to the East, Mount Vernon Highway to the South, and Sandy Springs Circle to the West. The following map highlights the location of City Center in Sandy Springs; the PAC is located in building C.

Figure 3-1



The PAC component of the project will provide a formalized place for event activity to occur in the community, which is currently lacking. This centralized place for event activity to occur will act as a perpetual engine drawing residents and visitors into the City Center on a continual basis. The PAC complex will also host City Council meetings and other City events.

CURRENT POPULATION

In 2013, the City had an estimated resident population of 102,004 persons, representing 10.2 percent of the population in Fulton County (999,099 persons). Between 2000 and 2013, the City experienced a growth rate of 1.3 percent per annum, which was slightly lower than the rates recorded in Fulton County and Georgia (both 1.6 percent), as well as the Atlanta-Sandy Springs-Marietta Metropolitan Statistical Area (MSA) (2.0 percent), but higher than the rate of growth recorded across the U.S. (0.9 percent).

Table 3-1

Historic & Current Population - Sandy Springs (2000-2013) ('000s)					
	2000	2010	2013	% Growth 2000-2013	CAGR* 2000-2013
U.S.	281,303	308,726	315,024	12.0%	0.9%
Georgia	8,186	9,688	10,015	22.3%	1.6%
Atlanta-Sandy Springs-Marietta MSA	4,263	5,287	5,532	29.7%	2.0%
Fulton County	816	921	999	22.4%	1.6%
Sandy Springs	86	94	102	19.0%	1.3%

* Compounded Annual Growth Rate
 Source: Demographics Now, Johnson Consulting

PROJECTED POPULATION GROWTH

The population of Sandy Springs is projected to grow to 106,387 by 2018, representing an annual growth rate of 0.8 percent. This is lower than rates of growth projected for the County (1.4 percent), MSA (1.7 percent), and State (1.3 percent), but consistent with national projections (0.8 percent).

Table 3-2

Projected Population - Sandy Springs (2013-2018) ('000s)				
	2013	2018	% Growth 2013-2018	CAGR* 2013-2018
U.S.	315,024	327,511	4.0%	0.8%
Georgia	10,015	10,691	6.8%	1.3%
Atlanta-Sandy Springs-Marie	5,532	6,006	8.6%	1.7%
Fulton County	999	1,070	7.1%	1.4%
Sandy Springs	102	106	4.3%	0.8%

* Compounded Annual Growth Rate
 Source: Demographics Now, Johnson Consulting

Longer-term projections for Georgia show that the State’s population will increase at an annual rate of 1.0 percent between 2020 and 2030, which is slightly higher than the projected rate of growth throughout the U.S. (0.8 percent) during the same period.

Table 3-3

Population Projection - Georgia (2020-2030) ('000s)				
	2020	2025	2030	CAGR* 2020-2030
U.S.	335,805	349,439	363,584	0.8%
Georgia	10,844	11,439	12,018	1.0%

Source: U.S. Census Bureau, Johnson Consulting

AGE CHARACTERISTICS

The age characteristics of Sandy Springs are generally consistent with those of Fulton County, the Atlanta MSA, Georgia, and the U.S. Sandy Springs comprises a slightly larger proportion of residents aged between 20 and 54 (55.3 percent) than the County (53.6 percent), MSA (51.0 percent), State (49.4 percent), and nation (48.0 percent). The City has a slightly smaller proportion of children and teenagers aged 19 and under, accounting for 22.8 percent of the City’s population, compared to 26.7 percent of the population of the County, 28.8 percent of the MSA, 28.3 percent of the State, and 26.6 percent of the U.S.

Table 3-4

Age Distribution - Sandy Springs (2013)										
Age Group (Years)	Sandy Springs		Fulton County		Atlanta-Sandy Springs- Marietta MSA		Georgia		U.S.	
	No.	%	No.	%	No.	%	No.	%	No.	%
0-4	6,861	6.7%	67,140	6.7%	388,703	7.0%	696,219	7.0%	20,439,779	6.5%
5-14	11,526	11.3%	129,903	13.0%	813,234	14.7%	1,419,861	14.2%	41,598,358	13.2%
15-19	4,868	4.8%	69,536	7.0%	389,261	7.0%	713,993	7.1%	21,914,074	6.9%
20-24	6,602	6.5%	75,420	7.5%	361,628	6.5%	722,044	7.2%	22,473,367	7.1%
25-34	20,921	20.5%	168,196	16.8%	796,580	14.4%	1,389,924	13.9%	42,525,241	13.4%
35-44	15,764	15.5%	152,266	15.2%	853,609	15.4%	1,414,150	14.1%	41,281,045	13.1%
45-54	13,087	12.8%	139,184	13.9%	810,936	14.7%	1,424,371	14.2%	45,370,043	14.3%
55-64	11,159	10.9%	105,723	10.6%	601,495	10.9%	1,137,803	11.4%	38,616,038	12.2%
65-74	6,016	5.9%	52,649	5.3%	312,824	5.7%	649,535	6.5%	22,835,611	7.2%
75-84	3,156	3.1%	26,525	2.7%	147,207	2.7%	326,170	3.3%	13,333,170	4.2%
85+	2,043	2.0%	12,557	1.3%	56,082	1.0%	121,152	1.2%	5,812,759	1.8%
TOTAL	102,003		999,099		5,531,559		10,015,222		316,199,485	

Source: Demographics Now, Johnson Consulting

MEDIAN AGE

In 2013 the median age of Sandy Springs’ residents was 35.1 years, which is slightly older than Fulton County (34.3 years), consistent with the MSA (35.2 years) and State (35.5 years), and younger than the U.S. (37.4

years). Between 2000 and 2013, the median age in Sandy Springs increased at an average annual rate of 5.1 percent, which was higher than the rate of growth recorded in the County (4.6 percent per annum) but lower than the rates of growth recorded in the MSA (6.7 percent), State (6.3 percent) and U.S. (5.9 percent).

Going forward, the median age of residents of Sandy Springs is expected to increase to 35.6 years in 2018. This represents a 1.4 percent increase over 2013, which is consistent with the rates of growth forecast in the County (1.4 percent) and MSA (1.4 percent), but faster than the State (1.1 percent), and the U.S. (0.8 percent).

Table 3-5

Median Age - Sandy Springs (2000-2018)						
	2000	2010	2013	2018	Growth 2000-2013	Growth 2013-2018
U.S.	35.3	37.1	37.4	37.7	5.9%	0.8%
Georgia	33.4	35.3	35.5	35.9	6.3%	1.1%
Atlanta-Sandy Springs-Marietta MSA	33.0	34.9	35.2	35.7	6.7%	1.4%
Fulton County	32.8	34.2	34.3	34.8	4.6%	1.5%
Sandy Springs	33.4	34.9	35.1	35.6	5.1%	1.4%

Source: Demographics Now, Johnson Consulting

EDUCATIONAL ATTAINMENT

Residents of Sandy Springs are well educated compared to the County, MSA, State, and the U.S. as a whole. Of the City’s population aged 25 years and older, more than half (56.7 percent) hold a Bachelor’s degree or higher, compared to 46.9 percent of the County, 34.5 percent of the MSA, 27.7 percent of the State, and 28.4 percent of the U.S.

Table 3-6

Educational Attainment - Sandy Springs (2013)										
	Sandy Springs		Fulton County		Atlanta-Sandy Springs-Marietta MSA		Georgia		U.S.	
	No.	%	No.	%	No.	%	No.	%	No.	%
Less than High School	4,530	6.3%	64,155	9.8%	447,211	12.5%	1,005,955	15.6%	30,125,327	14.4%
High School Graduate	10,459	14.5%	128,451	19.5%	901,166	25.2%	1,875,066	29.0%	59,369,464	28.3%
Some College, No Degree	12,806	17.8%	122,148	18.6%	748,578	20.9%	1,349,576	20.9%	44,575,546	21.2%
Associates Degree	3,425	4.7%	34,312	5.2%	247,995	6.9%	439,555	6.8%	16,071,922	7.7%
Bachelor's Degree	24,603	34.1%	189,946	28.9%	805,667	22.5%	1,150,087	17.8%	37,477,232	17.9%
Graduate Degree	16,323	22.6%	118,088	18.0%	428,116	12.0%	642,866	9.9%	22,154,416	10.6%
TOTAL	72,146		657,100		3,578,733		6,463,105		209,773,907	

Source: Demographics Now, Johnson Consulting

EMPLOYMENT

In 2013, the predominant industry of employment in the Atlanta MSA was Professional and Business Services (18.1 percent of employed residents aged 16 years and older), followed by Government (13.2 percent) and Education and Health Services (12.2 percent). Between 2010 and 2013, the MSA recorded declines in employment in the Mining and Logging (2.6 percent), Government (1.5 percent), and Construction (0.1 percent). During the same period, the largest increases in employment were recorded in the Professional and Business Services (4.1 percent), Education and Health Services (3.9 percent), and Leisure and Hospitality (3.6 percent) sectors.

Table 3-7

Non-Farm Employment by Industry - Atlanta-Sandy Springs-Marietta MSA (2010-2013) (000s)					
	2010	2011	2012	2013	CAGR* 2010-2012
Mining & Logging	1.3	1.3	1.2	1.2	(2.6%)
<i>% of Total</i>	0.1%	0.1%	0.1%	0.0%	
Construction	92.0	90.1	87.3	91.8	(0.1%)
<i>% of Total</i>	4.1%	3.9%	3.7%	3.8%	
Manufacturing	142.7	146.0	148.1	149.5	1.6%
<i>% of Total</i>	6.3%	6.3%	6.3%	6.2%	
Wholesale Trade	144.0	145.2	147.1	148.2	1.0%
<i>% of Total</i>	6.3%	6.3%	6.3%	6.2%	
Retail Trade	245.5	250.1	254.0	259.3	1.8%
<i>% of Total</i>	10.8%	10.8%	10.8%	10.8%	
Transportation & Utilities	123.7	126.5	127.5	128.5	1.3%
<i>% of Total</i>	5.4%	5.5%	5.4%	5.3%	
Information	78.2	80.6	82.2	84.5	2.6%
<i>% of Total</i>	3.4%	3.5%	3.5%	3.5%	
Financial Activities	148.3	150.8	153.4	156.4	1.8%
<i>% of Total</i>	6.5%	6.5%	6.5%	6.5%	
Professional and Business Services	385.4	402.3	416.2	434.8	4.1%
<i>% of Total</i>	17.0%	17.4%	17.7%	18.1%	
Education and Health Services	262.7	272.3	284.2	294.3	3.9%
<i>% of Total</i>	11.6%	11.8%	12.1%	12.2%	
Leisure and Hospitality	220.8	225.8	234.0	245.6	3.6%
<i>% of Total</i>	9.7%	9.8%	10.0%	10.2%	
Other Services	93.2	92.3	92.6	93.4	0.1%
<i>% of Total</i>	4.1%	4.0%	3.9%	3.9%	
Government	332.3	322.3	320.3	317.5	(1.5%)
<i>% of Total</i>	14.6%	14.0%	13.6%	13.2%	
TOTAL	2,270.1	2,305.6	2,348.1	2,405.0	1.9%

* Compounded Annual Growth Rate

Source: BLS, Johnson Consulting

The following table shows the annual unemployment rates for Fulton County, Atlanta MSA, Georgia, and the U.S., for the period of 2003 through 2013, where data is available. It is noted that City level data is not available for Sandy Springs.

Table 3-8

Unemployment Rate - Sandy Springs (2003-2012)								
	Fulton County		Atlanta-Sandy Springs-Marietta MSA		Georgia		U.S.	
	Rate	Change	Rate	Change	Rate	Change	Rate	Change
2008	6.5%	-	6.2%	-	6.3%	-	5.8%	-
2009	10.0%	3.5	9.8%	3.6	9.7%	3.4	9.3%	3.5
2010	10.9%	0.9	10.1%	0.3	10.2%	0.5	9.6%	0.3
2011	10.6%	(0.3)	9.8%	(0.3)	9.9%	(0.3)	8.9%	(0.7)
2012	9.6%	(1.0)	8.8%	(1.0)	9.0%	(0.9)	8.1%	(0.8)
2013	n/a	n/a	n/a	n/a	8.2%	(0.8)	7.4%	(0.7)

Source: Bureau of Labor Statistics, Johnson Consulting

Between 2008 and 2012, unemployment rates in Fulton County generally tracked in line with, but slightly above, the MSA, State and national averages. In 2012, the unemployment rate in County decreased to 9.6 percent, but remained above than the average for the MSA (8.8 percent), State (9.0 percent), and the U.S. (8.1 percent). In 2013, data for Georgia and the U.S. shows further contractions in unemployment.

HOUSEHOLD INCOME

In 2013 the median household income in Sandy Springs was \$66,076 per annum, representing an annual rate of increase of 0.7 percent over 2000. This rate of growth is consistent with that recorded in Fulton County (0.9 percent per annum), Atlanta MSA (0.5 percent), and Georgia (0.9 percent), but slightly lower than the U.S. (1.7 percent). By 2018 the median household income in Sandy Springs is expected to reach \$75,243. This represents a rate of growth of 2.6 percent, which is similar to those projected for the County (2.7 percent), MSA (2.7 percent), State (2.5 percent), and the U.S. (2.5 percent).

Table 3-9

Median Household Income - Sandy Springs (2000-2018)						
	2000	2010	2013	2018	CAGR* 2000-2013	CAGR* 2013-2018
U.S.	\$42,253	\$51,362	\$52,800	\$59,845	1.7%	2.5%
Georgia	\$42,753	\$47,973	\$47,857	\$54,116	0.9%	2.5%
Atlanta-Sandy Springs-Marietta MSA	\$51,849	\$56,465	\$55,347	\$63,176	0.5%	2.7%
Fulton County	\$47,458	\$56,533	\$53,245	\$60,790	0.9%	2.7%
Sandy Springs	\$60,535	\$70,780	\$66,076	\$75,243	0.7%	2.6%

* Compounded Annual Growth Rate
 Source: Demographics Now, Johnson Consulting

CORPORATE PRESENCE

A strong corporate and business presence can be an important factor in the success of a multi-purpose events center, particularly through potential sponsorship opportunities. The following table shows the largest employers in Sandy Springs. As shown, the largest employers are spread across a number of industries, with an emphasis on technology. The largest employer in Sandy Springs is IBM Technologies (3,674 employees), followed by COX Enterprises (1,754 employees), Cisco Systems (1,750 employees) and UPS (1,620 employees).

Table 3-10

Largest Employers - Sandy Springs (2013)		
Employer	Industry	Employees
IBM Technologies	Technology	3,674
COX Enterprises, Inc.	Media	1,754
Cisco Systems, Inc.	Technology	1,750
United Parcel Service	Logistics	1,620
Oracle America Inc.	Technology	1,054
Airwatch LLC	Technology	912
Manheim Auctions, Inc.	Auctioneers	875
AT&T Mobility	Technology	730
National Account Svc, Co.	Professional and Business Services	690
Walden Security	Security	690

Source: City of Sandy Springs, Johnson Consulting

UNIVERSITY AND COLLEGE PRESENCE

Sandy Springs is in close proximity to a number of post secondary institutions in the metro area.

Atlanta is an established center for higher education with more than 30 colleges and universities located throughout the City. The most prominent institutions include:

- **Georgia Institute of Technology (GT):** A public research university offering degree programs in engineering, information technology, management, science, architecture and liberal arts. GT enrolls a total of 21,400 students.
- **Georgia State University (GSU):** A public research university offering more than 250 undergraduate and graduate degree programs in policy, arts and sciences, public health, education, nursing, law and business. GSU enrolls a total of 32,000 students.
- **Emory University:** A private liberal arts and research institute that operates Emory Healthcare, which is the largest health care system in Georgia. The university enrolls over 14,500 students and offers programs in arts and science, business, law, medicine, nursing, public health, and theology.
- **Atlanta University Center:** The largest consortium of historically black colleges and universities, including Clark Atlanta University, Spelman College, Morehouse College, and the Morehouse School of Medicine.

ACCESSIBILITY

Strategically located approximately 20 minutes (drive time) to the north of Atlanta, Sandy Springs is accessible by various modes of transportation and as such can draw visitors from a wide catchment area:

- **Airports:** Hartsfield-Jackson Atlanta International Airport (ATL) is located to the south of downtown Atlanta, approximately 30 minutes (drive time) from Sandy Springs. ATL is continuously ranked the nation's busiest airport, recording 68,000 aircraft operations serving 6.7 million passengers in January 2014. ATL provides services to 150 domestic and 80 international destinations, and is the major hub for Delta Air Lines.
- **Transit:** The Metropolitan Atlanta Rapid Transit Authority (MARTA) provides rail and bus serves throughout the Atlanta area. Regular services connect Sandy Springs with downtown and the airport, as well as the surrounding area.
- **Road:** Sandy Springs is well served by highways, with Interstate Highway 285 traversing the City in an east-west direction, and State Highway 400 running through the eastern part of Sandy Springs in a north-south direction.

HOTEL INVENTORY

The following table summarizes the largest hotels in the Sandy Springs area (properties with 150+ rooms). As shown, the largest hotel is the 495-room Crowne Plaza Atlanta at Rivinia, which also offers the largest amount of meeting space (30,000 square feet), followed by The Westin at Perimeter North (372 guest rooms and 20,000 square feet of meeting space).

Table 3-11

Inventory of Lodging Facilities (100+ rooms) - Sandy Springs Area (2013)			
Hotel	Location	Guest Rooms	Total Meeting Space (SF)
Hyatt Atlanta Perimeter at Villa Christina	Atlanta	287	13,000
Hilton Atlanta Perimeter Suites	Atlanta	224	6,000
Hilton Garden Inn Atlanta Perimeter	Atlanta	193	3,600
Crowne Plaza Atlanta at Rivinia	Dunwoody	495	30,000
Atlanta Marriott Perimeter Center	Dunwoody	341	18,400
Le Meridien Atlanta Perimeter	Dunwoody	275	10,000
Holiday Inn at Perimeter/Dunwoody	Dunwoody	250	8,305
Embassy Suites Atlanta - Perimeter Center	Dunwoody	241	4,732
Fairfield Inn	Sandy Springs	114	-
The Westin at Perimeter North	Sandy Springs	372	20,000
Hilton Suites	Sandy Springs	224	4,000
Wyndahm Atlanta Galleria	Sandy Springs	296	3,078
Hampton Inn	Sandy Springs	131	2,700
Sheraton Perimeter North	Sandy Springs	142	1,900
Courtyard Perimeter	Sandy Springs	154	1,274
Comfort Suites Hotel 6110 Peachtree Dunwoody	Sandy Springs	121	1,224
La Quinta	Sandy Springs	142	1,200
Hyatt Place Atlanta Perimeter	Sandy Springs	150	1,000
Sonesta ES Suites	Sandy Springs	122	726
Holiday Inn Express	Sandy Springs	107	576
Total		4,381	131,715

Source: Sandy Springs CVB, mpoint, Relevant Facilities, Johnson Consulting

IMPLICATIONS

The City of Sandy Springs has many of the key characteristics and requirements necessary to support a multi-PAC. Among the most important characteristics observed is a significant population base, over 100,000; a highly educated population; steady population growth; a strong corporate sector; accessible from a transportation perspective; and much higher median household income in comparison to the broader metropolitan area. While these factors won't guarantee the success of a PAC they are certainly necessary



ingredients. There is a strong correlation between education and the pursuit of arts and cultural activities. This is evident by the number of arts groups that have organized in the City. It also takes disposable income to participate in arts and cultural events, which the higher median household income in the City can support. Additionally, strong corporate participation in supporting these types of venues is also critical. The area chambers of commerce felt that there may be interest in potential naming rights and sponsorship opportunities that should be pursued. The PAC will also attract people from outside of the City limits and this will have a positive impact on local businesses and tax revenues.

SECTION IV

INDUSTRY TRENDS & COMPARABLE FACILITIES

INDUSTRY TRENDS

There has been a tremendous consolidation in the entertainment venues field, starting in 2005. Live Nation Entertainment Inc. (Live Nation), one of the world's leading live entertainment and ecommerce companies, controls bookings for approximately 70 percent of the talent available and owns or controls almost 200 venues around the country. This concentration of control has led to higher guarantees to the acts impacting the cash flow available for operation of venues, and has made it more difficult for the smaller, more regional promoters to succeed in large venues. Combine these factors with the fact that there are few artists who are able to draw enough concert goers to fill large facilities, along with recording sales of both Pop and Classical music being down, makes independent booking of large arenas and amphitheaters harder to compete and succeed.

Based on Live Nation's 2012 annual report, total tickets sales increased by 4.5 percent reaching almost 15 million tickets sold last year. Among those tickets sales, arts and theater represented 14 percent. For 2012, when compared to 2011, the company's amphitheater business in North America grew its show count and its attendance by 12 percent and 15 percent respectively. Total of tickets sold by Live Nation in 2012 were up 8.3 percent in 2012 from \$8.4 billion to \$9.1 billion. As of December 2012, Live Nation ticket sales for events to be held in 2013 were up by 3.5 million tickets, with a 36 percent increase in North America versus the prior year. At the midway point for 2012, average ticket prices have increased by 3.55 percent to \$61.91. In 2013, a record year, Live Nation reports that concert attendance is up 19 percent, revenue is up 11 percent to \$6.5 billion and report net income improved by \$120 million. Live Nation also reports that over 80 percent of fans it surveyed indicate they plan on attending the same or more events in 2014 as in 2013. 85 percent of Live Nation's fan growth came organically, from promoting more shows in amphitheaters, arenas and stadiums; launching new festivals; and from establishing operations in new markets. The downside of this consolidation and strong performance is that talent prices are at an all time high. Gaming venues have also been a big factor in talent price increases. The adage that the acts get all of the ticket revenue, and the buildings are really in the popcorn and parking business has never been more true.

Smaller venues of 500 to 5,000 seats are an important component of the entertainment industry. As Live Nation has gained dominance in the thinner large-venue market, the regional or smaller promoter has changed format. In order to adapt and survive, many of the local promoters are turning to smaller venues (500 to 5,000 seats) as baby boomers and other attendee categories are finding entertainment events and facilities more enjoyable. Many of these promoters, both for profit and not for profit, are returning to subscription based pricing strategies such as, buy one get one free or one mega ticket, which may even include parking costs in the ticket price and access to a multi day event for one price.

Many facilities are municipally operated and are provided as a service to residents and as a way to attract out of city visitors. Universities and the private sector also build facilities. While many shows at the larger venues can do well, the product is limited by the number of acts available. The number of small venues is on the rise

and the product diversification and more intimate atmosphere in a smaller venue have helped this sector of the live entertainment business grow.

TOURING BROADWAY TRENDS & IMPACTS

According to the Broadway League, Broadway touring shows are important to the Broadway industry, not only in terms of revenue, but also in terms of exposure to new audiences. Touring companies travel the country, performing for days or weeks in a particular city. Sometimes a second company of a show will open for an unlimited run in another city.

In general, these tours (mostly musicals) make up the "Broadway season" of a local theatrical presenting organization, usually consisting of four to six shows. Audiences for touring Broadway have some distinct characteristics and specific reasons for attending a show that vary from New York audiences and include the following attendee and economic impact highlights:

- In the 2011–2012 season, Broadway shows touring across North America drew nearly 13 million attendances.
- Seventy percent of attendees were female.
- The average age of the Touring Broadway theatregoer was 50.5 years.
- Eighty-nine percent of Touring Broadway theatregoers were Caucasian.
- Seventy-eight percent of the audience held a college degree and 30% held a graduate degree.
- Forty-six percent of national theatregoers reported an annual household income of more than \$100,000, compared to only 21% of Americans overall.
- Thirty-one percent of respondents were subscribers to the “Broadway Series” at their local venue.
- On average, Touring Broadway attendees saw 4 shows per year.
- Women continued to be more likely than men to make the decision to purchase tickets to the show.
- Forty percent of respondents said that different performance times would encourage them to attend Touring Broadway more frequently.
- In the 2008–2009 season, there were approximately 40 Broadway touring shows traveling across the country playing in 192 venues.
- Theatregoers who came to an area specifically to attend shows spent another \$687.2 million on ancillary activities such as dining and transportation.
- Total direct spending due to Touring Broadway amounted to \$1.49 billion.
- This money then generated another \$1.86 billion in secondary rounds of spending so that the full economic contribution of Touring Broadway totaled \$3.35 billion.
- On average, Broadway tours visiting cities contributed an economic impact of 3.5 times the gross ticket sales to the local metropolitan area’s economy.

After further review of the market place in Sandy Springs and in the broader metro area of Atlanta, the touring Broadway market in Atlanta is primarily served by the 4,600+ seat Fox Theater that hosts Broadway in Atlanta with a variety of shows ranging from national tours to seasonal options. The other major source of musical productions in the Atlanta market is the Atlanta Lyric Theater, which is currently at the Jennie T. Anderson Theater at the Cobb Civic Center. Given the presence of these two organizations in the market the demand for this type of programming is largely satisfied by these two sources, among others, and would be transfer demand rather than utilization by pent up demand. It would be a nice amenity for the Sandy Springs venue to have a fly loft to preserve its versatility in the events it can host and would be used, however, it is not an essential requirement if budget factors are an issue, but it would provide the Sandy Springs PAC with the ability to grow its role in the market as the facility is absorbed over the next 5 years. The Sandy Springs venue would primarily host other categories of live entertainment events and corporate events without a fly loft.

COMPARABLE FACILITIES ANALYSIS

In order to understand the market opportunity for a new PAC in Sandy Springs, this section presents case study profiles of a set of comparable facilities, regionally and nationally. The key operating characteristics of these facilities are provided in the following profiles, and include:

- Size and character of facility program spaces.
- Recent and/ or planned expansions.
- A demand and financial profile, including the number and types of events and operating revenues and expenses, where available.

Information about event demand and the financial performance of indicated facilities provides insight into the general parameters within which a new performing arts center could reasonably expect to operate.

The following table summarizes the key attributes of the facilities identified as part of this analysis that include:

- Buckhead Theater, Atlanta, GA.
- Ames Center, Burnsville, MN.
- Peace Center, Greenville, SC.
- Metropolis PAC, Arlington Heights, IL.
- Meydenbauer, Bellevue, WA.
- Gaillard PAC, Charleston, SC (this is not included in the table since it is being redeveloped and will not begin operations again until 2015).



Table 4 - 1

Key Characteristics of Regional Comparable Facilities and Markets						
	Proposed Facility	Meyedenbauer	Buckhead Theater	Ames Center	Peace Center	Metropolis PAC
Location						
Location	Sandy Springs, GA	Bellevue, WA	Atlanta, GA	Burnsville, MN	Greenville, SC	Arlington Heights, IL
Metropolitan Area	Atlanta	Seattle	Atlanta	Minneapolis-St Paul	Greenville	Chicago
Demographics Characteristics (2013)						
Population	5,531,558	3,500,026	5,531,558	3,455,348	852,106	9,557,901
Median Age (Years)	35.2	36.8	35.2	36.3	37.9	36.0
Median Household Income	\$55,347	\$65,677	\$55,347	\$65,309	\$44,874	\$60,318
Facility Attributes						
Year Built	-	1,993	1931 (update in 2010)	2009	1990	
Theater(s) Seating Capacity	Refer to Recommendations	410	700 to 1600	1,014-seat proscenium stage; 150-black box theater	2,100-seat Peace Concert Hall; 439-seat Gunter Theatre	309
Anchor Tenant(s)	Refer to Recommendations	0	Live Entertainment/Corporate	3	5	School of the Performing Arts
Ownership/ Management						
Owner	Refer to Recommendations	City of Bellevue	Charles Loudermilk	City of Burnsville	Peace Center Foundation	Village of Arlington Heights
Manager	Refer to Recommendations	Bellevue Convention Center Authority	Inhouse	VenuWorks	Peace Center Foundation	Performing Arts at the Metropolis
Demand (Most Recent Year)						
# Events (per annum)	Refer to Projections	353	-	624	300	347
Total Attendance (per annum)	Refer to Projections	211,107	-	123,028	250,000	65,864
Revenue & Expenses (Most Recent Year)						
Total Revenues	Refer to Projections	\$8,700,000	-	\$1,172,363	\$23,331,382*	\$3,034,128
Total Expenses	Refer to Projections	\$8,800,000	-	\$1,332,476	\$14,675,300	\$2,813,285
Net Operating Income (Deficit)	Refer to Projections	(\$100,000)	-	(\$160,113)	\$8,656,082	\$220,843

* Includes grants and contributions

Source: Relevant Facilities, DemographicsNow, JohnsonConsulting

COMPARABLE PROJECTS

BUCKHEAD THEATER ATLANTA, GEORGIA

LOCATION: Located in the heart of Bucktown on Roswell Road, the theater started out in the 1930's as a movie house and was later used as a music and entertainment venue known as the Roxy until 2008. At that time the venue closed and underwent a \$6 million renovation and reopened as the Buckhead Theater in 2010.



OWNERSHIP/ MANAGEMENT: The Buckhead Theater is owned by businessman Charles Loudermilk and is operated by the facility staff, which primarily includes 2 sales and booking staff, box office staff and a facility person. Staff for events is brought in by acts or hired on a contract basis per event.

FACILITIES: The Theater comprises two levels with a 790-seat capacity in a seated format ranging up to 1,600 in reception format. The figures below provide an overview of the space layout.

Figure 4-1

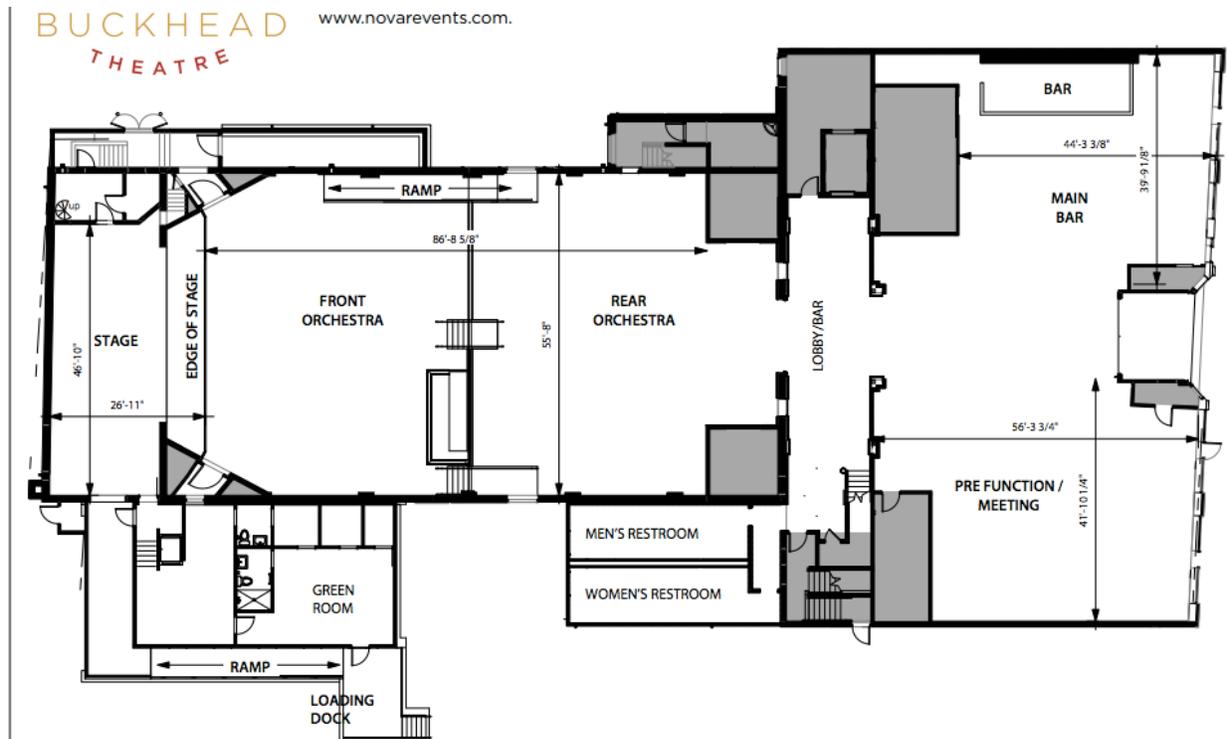
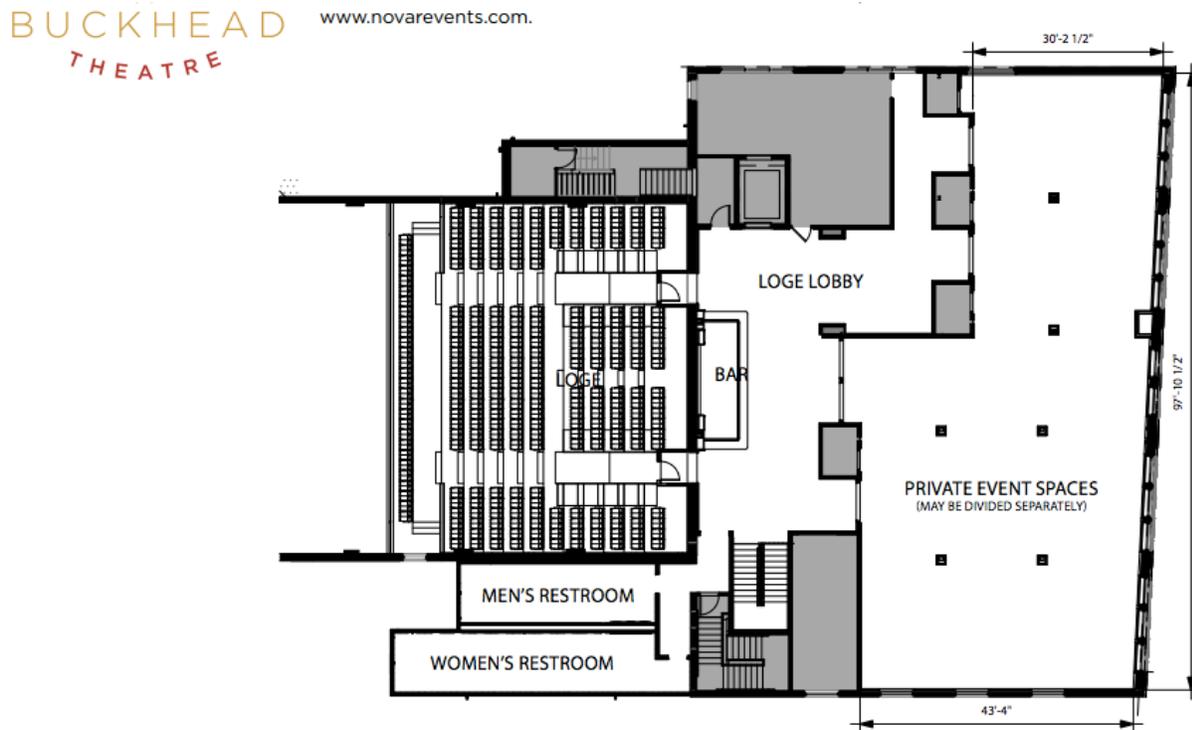


Figure 4-2



ANCHOR TENANTS: No anchor tenants.

DEMAND SCHEDULE / REVENUE AND EXPENSES: No demand or financial information was provided. Sales staff at the Theater stated that they have a number of multiple holds for the same date for live entertainment events and turned away corporate event demand, indicating that there is more demand than the Theater can accommodate. They also stated that rental fees and live entertainment box office revenues are a breakeven proposition and that the liquor sales are how the theater is able to make a profit.

RENTAL RATES: The following table summarizes rental rates at the Buckhead Theater.

Table 4 - 2

Buckhead Theater	
Special Event and Corporate Rental Rates (2014)	
Rates	
Full Theater Buy Out	
Sunday - Friday	\$7,500 Rental/No Beverage Minimum
Saturday	\$8,500 Rental/\$6,000 Beverage Minimum
Theater Only (Lower Level)	
Sunday - Friday	\$6,000 Rental/No Beverage Minimum
Saturday	\$6,500 Rental/\$5,000 Beverage Minimum
Upper Floor Meeting Space/Gallery Space	
Sunday - Friday	\$4,000 Rental/No Beverage Minimum
Saturday	\$4,000 Rental/\$4,000 Beverage Minimum
Addition of Wedding Ceremony	\$1,000
Extra Rental time over 8 hours	\$400 per hour

Source: Buckhead Theater, Johnson Consulting

OBSERVATIONS: The Buckhead Theater is a well operated entertainment venue that serves as a good case study of how a venue can operate successfully in this industry without the use of significant fly loft space or performing arts quality facilities. This venue is wildly popular and is ideally located to capture the disposable income that is present in the Buckhead area of Atlanta, which is known as one of the more affluent areas, as is Sandy Springs. The key to this venues success is that sales and booking team that is in place to program the venue with entertainment that its demand base wants to see and having a strong understanding of the corporate market and their particular event needs. The corporate and social market is able to fill in on off-peak demand periods during the week days, etc. and is a serious profit center for the Theater. It is envisioned that this similar dynamic will be at play in the Venue in the Sandy Springs City Center development.

AMES CENTER BURNSVILLE, MINNESOTA

LOCATION: Located in downtown Burnsville, the Ames Center (formerly the Burnsville Performing Arts Center) opened in January 2009 at a cost of \$20 million. The Center, which anchors the Heart of the City redevelopment area, is adjacent to Nicollet Commons Park, which incorporates a 250-seat outdoor amphitheater.



OWNERSHIP/ MANAGEMENT: The Ames Center is owned by the City of Burnsville and managed by VenuWorks. The

venue is integral to the City’s 2030 Comprehensive Plan, which states “arts and culture are increasingly recognized as integral and necessary components of our social fabric, contributing to the economy and quality of life in cities and communities. In our increasingly mobile and diverse society, investments in culture and creativity are essential to building vibrant, competitive and sustainable communities for the twenty-first century.”

FACILITIES: The Center comprises two theaters – a 1,014-seat proscenium stage (759 seats on the main floor and 255 balcony seats) and a 150-seat black box theater. Features and specifications of the proscenium stage include:

- **Stage:** 45’ deep (plaster line to upstage column) by 48’ from the center line to stage left wall and 48’ from the center line to stage right wall. Gridiron height is 68.9’. The stage opening is 47.8’ wide by 28’ high.
- **Stage Rigging:** Space on the rail for 60 line sets but only 48 line sets are installed (8” typical spacing).
- **Orchestra Pit:** 38’ cross stage width, with the floor of the pit being 9’ below stage level.
- **Dressing Rooms:** 1 star dressing room (capacity for 2 people), with private bathroom, 2 dressing rooms for principals (capacity for 4 people each), with private bathrooms, 1 chorus dressing room (capacity for 8 people), and a touring production office.
- **Green Room:** 750 square feet, located stage right.
- **Loading Dock:** Single bay accommodating a 53’ semi truck.

The venue also includes a 2,000 square foot art gallery, a 1,800 square foot rehearsal room, two meeting rooms with capacity for 100 people, and two VIP suites accommodating between 30 and 50 people. On the second floor, the Center features an open lobby space with capacity for up to 300 people and is commonly used for receptions, banquets, tradeshow, and special events.

Parking facilities include a 350-space parking deck on the north side of the venue, and a multi-deck garage half a block south of the venue. Parking is available at these parking facilities at no charge to Ames Center users and guests.

ANCHOR TENANTS: The Ames Center is home to three local non-profit organizations – Dakota Valley Symphony, Twin Cities Ballet, and The Chameleon Circle Theater.

DEMAND SCHEDULE: In 2013, the Ames Center hosted 624 events, down slightly (-3.7 percent) from 2012 figures (648 events), although the number of ticketed events actually increased to 139 events in 2013 from

137 events in 2012. The venue hosted 123,028 attendees in 2013, representing an increase of 11.4 percent over 2012 figures (110,423 attendees). The following table provides a summary of key demand indicators for 2012 and 2013.

Table 4 - 3

Ames Center			
Demand Schedule (2012-2013)			
	2012	2013	CAGR*
Events	648	624	-3.7%
Event Days	505	531	5.1%
Use Days	41	59	43.9%
Attendance	110,423	123,028	11.4%

* *Compounded Annual Growth Rate*
 Source: Ames Center, Johnson Consulting

RENTAL RATES: The following table summarizes rental rates at the Ames Center.

Table 4 - 4

Ames Center		
Rental Rates (2014)		
	Proscenium Stage	Black Box
Facility Rental		
Theater Rental (per day)	\$2,000	\$750
Load In Day	\$750	-
Rehearsal Day (per day)	\$1,500	-
Utilities (per day)		\$200
Custodial Services (per performance)	\$400	\$250
Ticketing Services (per event)		\$150
Credit Card Fees (% of ticket sales)		4%
Sales Tax (% of ticket sales)		7.125%
Facility Fee		\$3
Event Coordinator (per day)		\$125
Building Engineer (per day)		\$100
Usher Staff (per performance)		\$300
Box Office Staffing (per performance)		\$150
Staffing		
Stagehands (per hour)*		\$25.50
Stagehands - Technical Director (per hour)*		\$27.50
Security**		\$15.00
House Manager		\$20.00
Insurance Requirements		
Comprehensive General Liability	\$2,000,000	
Comprehensive Automobile Liability	\$1,000,000	
Workers Compensation	\$1,000,000	

* *Minimum of 3 technicians per performance.*
 ** *Minimum of 2 security staffers per performance.*
 Source: Ames Center, Johnson Consulting



REVENUE & EXPENSES: The following table provides the Ames Center’s revenue and expense statement for 2012 and 2013.

Table 4 - 5

Ames Center		
Revenue & Expense Statement (2012-2013)		
	2012	2013
Revenues		
Building Rent	\$243,396	\$256,883
Box Office Fees	64,401	79,167
Preservation Fee Income	60,959	79,224
Equipment Rental	55,224	60,802
Net Catering Revenue	13,459	21,210
Insurance Revenue	4,798	5,585
Other Event Revenues	0	44,131
Concession Sales	148,737	210,400
Net Merchandise Revenue	13,312	15,020
Advertising Revenue	34,311	39,827
Reimbursed Wages	316,944	337,067
Production Revenue	17,261	4,414
Sponsorship Revenue	2,585	18,633
Total Revenues	\$975,387	\$1,172,363
Expenses		
Advertising/ Marketing	\$69,436	\$81,543
Bank Service Charges	1,065	1,043
Concession Expense	81,396	67,023
Credit Card Fees	15,126	17,255
Dues and Subscriptions	2,585	2,371
Equipment Leasing	3,366	2,348
Other Event Expense	0	43,351
Employee Development/ Training	5,573	9,195
Insurance	30,168	17,568
Licenses and Fees	8,553	11,203
Miscellaneous Expense	42	0
Office Supplies	5,086	4,769
Postage/ Freight	1,020	1,254
Professional Services	131,016	134,947
Repairs/ Maintenance House	35,265	29,410
Repairs/ Maintenance Stage	3,054	4,235
Repairs/ Maintenance HVAC	7,831	5,967
Sponsorship Development	335	0
Supplies	25,036	31,160
Telephone	1,636	1,842
Travel	8,691	8,857
Uniforms	1,203	0
Utilities	76,751	80,010
Wages and Salaries - Full Time	412,097	407,497
Wages - Part Time Event Labor	174,020	206,313
Wages - Part Time Non-Event Labor	26,655	31,161
Taxes and Benefits	101,839	132,154
Total Expenses	\$1,228,845	\$1,332,476
Net Operating Income (Deficit)	(\$253,458)	(\$160,113)

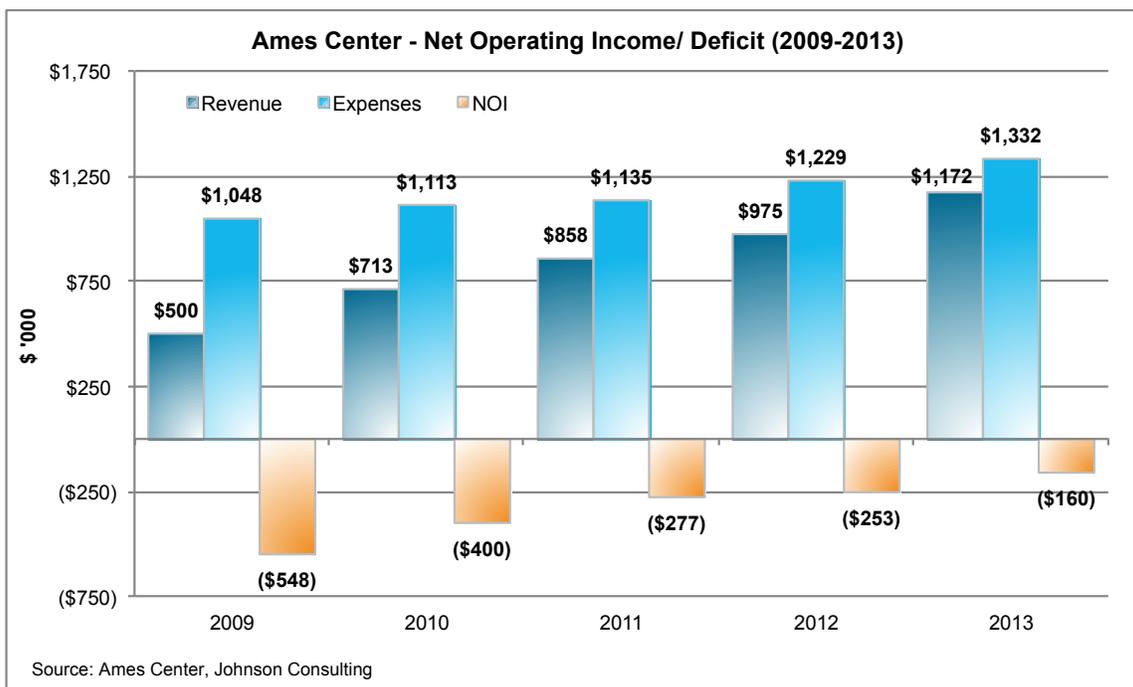
Source: Ames Center, Johnson Consulting

As shown, the Ames Center operated at net operating deficit of (\$160,113) in 2013, which represents a substantial improvement over 2012 when the venue operated at a net deficit of (\$253,458). It also represents a substantial improvement over the budgeted deficit of (\$275,994).

In 2013, the largest revenue line items were reimbursed wages (\$337,067), rental fees (\$256,883), and concessions (\$210,400), representing 10 percent of gross sales. In 2013, the food and beverage department expanded their menu offerings, resulting in an additional \$16,400 in revenues, with the venue achieving a total net profit on concessions of \$96,816, compared to \$61,976 in 2012 and \$73,602 in 2011. This equates to a profit margin of 48.1 percent in 2013, up from 42.9 percent in 2012.

The following figure shows total revenues and expenses at the Ames Center between 2009, when the venue opened, and 2013.

Figure 4 - 3



As shown, total revenues and total expenses have steadily increased at the Ames Center since 2009, however the rate of growth in revenues (23.7 percent per annum) has far exceeded the rate of growth in expenses (6.2 percent), resulting in the steady contraction of the venue’s net operating deficit. The net operating deficit incurred in 2013 (\$160,113) is less than one-third of the size of the deficit incurred in 2009 (\$547,854).

FUNDING STRATEGIES: Operations at the Ames Center are subsidized by the City of Burnsville, in an amount equal to the annual deficit. Other funding strategies utilized by the venue include:

- **Naming Rights:** In August 2013 the City signed a 10-year naming rights contract with Ames Construction, worth \$100,000 per annum.
- **Angel Fund:** The venue is supported by the Angel Fund, which consists of private donations from VenuWorks, The Rixmann Family, Pepsi, The Friends of Burnsville Performing Arts Center, MGM Liquor, and Bolten & Menk. The Fund programs events at the Center, with the total balance of the Angel Fund being \$120,327 in 2013, less \$47,868 in commitments for upcoming shows. The Fund allows the venue to host one-off events that it otherwise would not be able to attract.

OBSERVATIONS: The Ames Center is an example of a successful performing arts venue that served as a catalyst for the redevelopment of downtown Burnsville. It also served to provide an entertainment offering to area residents that was lacking. The award winning 54-acre Heart of the City has exceeded the City's expectations in the redevelopment of its downtown. The demand mix for the facility is more oriented to symphonic and ballet performances, which Johnson Consulting views as more of a subset to a larger demand calendar that includes live entertainment, Broadway shows and musicals. This expanded demand profile will increase the revenue potential for the City Center PAC and allow it to attract a broader audience base.

PEACE CENTER FOR THE PERFORMING ARTS GREENVILLE, SOUTH CAROLINA

LOCATION: Located in downtown Greenville, adjacent to Falls Park on the Reedy River, the Peace Center for the Performing Arts opened in 1990. The Center, and its broader six-acre complex, is renowned as being a catalyst for the redevelopment of the downtown area.



OWNERSHIP/ MANAGEMENT: The Peace Center is owned and operated by the Peace Center Foundation, which is a 501(c)3 not-for-profit organization. The Foundation's mission is to "promote the performing arts through public performance, support of local arts and education."

FACILITIES: The Center comprises two theaters – the 2,100-seat Peace Concert Hall (which incorporates the 100-seat Sakas Rehearsal Hall) and the 439-seat Gunter Theatre. Features and specifications of the Concert Hall include:

- **Stage:** 43.5' deep (curtain line to back wall) by 54' from the center line to stage left wall and 52' from the center line to stage right wall. The stage opening is 58' wide by 34.3' high.
- **Stage Rigging:** 62 line sets.
- **Orchestra Pit:** 48.3' cross stage width, with the floor of the pit being 12.5' below stage level.

- **Dressing Rooms:** 1 star dressing room with private bathroom, chorus dressing rooms (capacity for 15 people) with private showers, and solo dressing rooms (capacity for 4-6 people) with sinks only. Wireless internet access is available throughout the backstage area.
- **Wardrobe Room:** 2,100 square feet.
- **Green Room:** 550 square feet.
- **Rehearsal Hall:** 2,300 square feet with double doors to the stage and mirrored walls.
- **Loading Dock:** Single bay with long-term parking for one full-size truck.

Features and specifications of the Gunter Theatre include:

- **Stage:** 32.3 deep (curtain line to back wall) by 44' from the center line to stage left wall and 42' from the center line to stage right wall. The stage opening is 38' wide by 22' high. Internet access is available onstage.
- **Stage Rigging:** 43 line sets.
- **Orchestra Pit:** 26.3' cross stage width, with the floor of the pit being 12.3' below stage level.
- **Dressing Rooms:** 2 chorus dressing rooms (capacity for 15 people) with private showers, and 2 solo dressing rooms (1 with capacity for 4 people and 1 with capacity for 8 people) with sinks only.
- **Green Room:** Accommodates up to 30 people.
- **Rehearsal Hall:** Mirrored walls, accommodates up to 30 people.
- **Loading Dock:** Single bay with long-term parking for one full-size truck.

The broader complex incorporates an amphitheater, as well as other event spaces that have been configured from former industrial buildings, as follows:

- **TD Pavilion:** 1,200-seat amphitheater (TD Pavilion).
- **Huguenot Mill:** A former textile plant that consist of the 8,400 square foot Certus loft; a 728 square foot conference room, and lobby space with capacity for 100 people.
- **Wychee Pavilion:** A former mayonnaise factor that serves as an open air facility used for a range of social gatherings and events.

- **Coach Factory:** A former wagon factory converted to accommodate 190 people in reception setting or 125 people for banquets.

ANCHOR TENANTS: The Center is home to five resident companies – Carolina Ballet Theatre, International Ballet, Greenville Symphony, Greenville Chorale, and South Carolina Children’s Theatre.

DEMAND SCHEDULE: The Center hosts, on average, approximately 300 performances annually, attracting 250,000 persons. The Center also conducts an outreach program that serves more than 70,000 students, teachers, parents, and other community members.

REVENUE & EXPENSES: The following table provides the Peace Center Foundation’s revenue and expense statement for 2011 and 2012, which is the most current data available.

Table 4 - 6

Peace Center Foundation Revenue & Expense Statement (2011-2012)		
	2011	2012
Revenues		
Contributions and Grants	\$10,677,901	\$10,518,085
Program Service Revenue	6,501,678	11,046,984
Investment Income	2,124,334	1,241,661
Other Revenue	524,428	524,652
Total Revenues	\$19,828,341	\$23,331,382
Expenses		
Salaries, Other Compensation and Employee Benefits	\$2,510,832	\$2,910,145
Professional Fundraising Fees	136,500	90,035
Other Expenses	7,719,179	11,675,120
Total Operating Expenses	\$10,366,511	\$14,675,300
Net Income (Deficit)	\$9,461,830	\$8,656,082

Source: Peace Center Foundation, Guidestar, Johnson Consulting

As shown, the Peace Center operated at net income of \$8.6 million in 2012, including contributions and grants, representing a slight decrease from 2011 when the venue recorded a net income of \$9.4 million. In 2012, the largest revenue source was program services, comprised of \$9.9 million in ticket revenues, \$574,423 in theater rental fees, and \$563,108 in other theater-related revenues. The next largest revenue source was contributions and grants, which totaled \$10.5 million in 2012, of which \$9.4 million (90 percent) came from private funding sources, and the remaining \$1.1 million (10 percent) was from government grants.

FUNDING STRATEGIES: The Peace Center is named for the Peace Family who donated \$10 million towards the development of the facility. Ongoing operations are supported through an empowerment campaign that was established in 1992.

OBSERVATIONS: The Peace Center provides an example of an attractive civic amenity that forms part of a broader complex offering a variety of event spaces. It was also a catalyst for the redevelopment of the downtown area in Greenville. Similar to what is envisioned in Sandy Springs, the facility is able to host a number of performing arts organizations while also hosting a broader calendar of events that includes Broadway plays, concerts and festivals. The use of the outdoor space as part of the Peace Center programming is also an important resource for the success of the Center.

METROPOLIS PERFORMING ARTS CENTRE ARLINGTON HEIGHTS, ILLINOIS

LOCATION: Located in the suburb of Arlington Heights, approximately 25 miles northwest of downtown Chicago, the Metropolis Performing Arts Centre (MPAC) opened in 2000 at a cost of \$22 million.

OWNERSHIP/ MANAGEMENT: In January 2005, the Village of Arlington Heights purchased the theater space, as well as a portion of the lobby, classrooms and office space for \$3.1 million. The venue is operated by Performing Arts at the Metropolis, a 501(c)3 nonprofit organization.



FACILITIES: MPAC comprises a 309-seat Main stage. Features and specifications of the Main Stage include:

- **Stage:** 21' deep (plaster line to upstage crossover). Gridiron height is 20.9' over stage from deck. The stage opening is 46.4' wide by 19.6' high.
- **Stage Rigging.**
- **Dressing Rooms:** 2 rooms accommodating 6-10 people each.
- **Rehearsal Rooms.**
- **Green Room.**
- **Wardrobe Room.**
- **Loading Dock:** Single bay.

Additional facilities at MPAC include 4 classrooms totaling 10,000 square feet, and a 3,000 square foot ballroom that can accommodate up to 250 people. The broader development includes retail uses and a restaurant.

ANCHOR TENANTS: MPAC incorporates a School of the Performing Arts (SOPA) that enrolls 2,500 students of all ages in extra-curricular arts classes and performances.

DEMAND SCHEDULE: The following table provides MPAC’s demand schedule for a typical year.

Table 4 - 7

Metropolis Performing Arts Centre Demand Schedule (Typical Year)		
Event Type	# Performances	Average Ticket Price
Theatre Subscription	135	\$23.00
Comedy	74	\$19.25
Childrens Theatre	111	\$9.00
Music	23	\$38.33
Dance	4	\$17.50
Total/ Average	347	\$21.42

Source: Metropolis Performing Arts Centre, Johnson Consulting

MPAC has over 2,200 annual subscribers, with theatre subscriptions totaling 135 performances in a typical year. The next highest concentration of events relates to children’s theatre (111 performances), followed by comedy (74 performances). Music events attract the highest average ticket prices (\$38.33), followed by theatre subscription (\$19.25). Overall, the average ticket price at all events at the venue is \$21.42.

The following table summarizes attendance and operating capacity at MPAC for a typical year.



Table 4 - 8

Metropolis Performing Arts Centre Attendance & Capacity (Typical Year)	
Event Type	#
Total Seats	309
Total Shows	347
Total Attendance	65,864
Average Attendance	190
Average Capacity	61%

Source: Metropolis Performing Arts Centre, Johnson Consulting

As shown, MPAC hosts 347 events and 65,864 people during a typical year. Based on an average attendance of 190 persons per event, the venue operates at 61 percent capacity. In addition to attracting attendees to performances at the venue, MPAC also has an Outreach Division that since 2007 has provided programs to 15,000 people in 94 communities and organizations.

REVENUE & EXPENSES: The following table provides MPAC’s revenue and expense statement 2011 and 2012, which is the most current data available.

Table 4 - 9

Metropolis Performing Arts Centre Revenue & Expense Statement (2011-2012)		
	2011	2012
Revenues		
Contributions and Grants	\$429,386	\$744,679
Program Service Revenue	2,189,589	2,103,822
Investment Income	614	799
Other Revenue	0	184,828
Total Revenues	\$2,619,589	\$3,034,128
Expenses		
Salaries, Other Compensation and Employee Benefits	\$1,309,551	\$1,212,164
Other Expenses	1,507,606	1,601,121
Total Operating Expenses	\$2,817,157	\$2,813,285
Net Income (Deficit)	(\$197,568)	\$220,843

Source: Metropolis Performing Arts Centre, Guidestar, Johnson Consulting

As shown, MPAC operated at a net income of \$220,843 in 2014, including contributions and grants, representing a considerable improvement over 2011 when the venue operated at a net deficit of (\$197,568). In 2012, the largest revenue source was program services, comprised of \$1.4 million in ticket revenues and \$698,838 education revenues. The next largest revenue source was contributions and grants, which totaled \$44,679 in 2012, of which \$460,000 (62 percent) came from government grants.

FUNDING STRATEGIES: Operations at MPAC are subsidized by the Village of Arlington Heights. In 2013, the Village allocated \$160,000 in subsidy. During the same year, MPAC’s Board of Directors commissioned the Metropolis Task Force, a group of volunteers, to undertake a review of operations at the venue, responding to criticism that the venue continues to receive increasing subsidy from the Village. The Task Force has presented the Board with 20 recommendations related to organizational structure, programming model, marketing, sponsorships and fundraising, community outreach, strategic planning, and finances and budgeting, however the report has not been released to the public.

OBSERVATIONS: MPAC is an important civic asset, but it is heavily reliant on ongoing subsidy from the Village. When Johnson Consulting worked on this project with the village, we recommended expansion to a minimum of 500 seats. The venue was built too small for the marketplace and has not performed to its full potential as a result.

MEYDENBAUER BELLEVUE, WASHINGTON

LOCATION: Bellevue is located three miles east of Seattle, between Lake Washington and Lake Sammamish, and about 20 miles west of the foothills of the Cascade Mountains. Bellevue has evolved from a smaller residential community into the economic and cultural hub of the Seattle-area’s Eastside. The city has developed its downtown core into a major business and retail center. The MCC opened in 1993 and serves as one of the major drivers for economic impact in the city.



OWNERSHIP/ MANAGEMENT: The Meydenbauer Convention Center (MCC) is owned and operated by the Bellevue Convention Center Authority.

FACILITIES: There is 36,000 SF of exhibit space which can be used to host a single event or separated into two 18,000 SF exhibit halls, A and B. The facility has 12,000 SF of meeting space among nine meeting rooms. The Center also has a theater that holds 410 guests and regularly hosts performing arts events within the community.

ANCHOR TENANTS: None

DEMAND & FINANCIALS: The following table provides Meydenbauer’s 2013 demand schedule.

Table 4 - 10

Meyedenbauer Demand Schedule (2013)		
Event Type	# of Events	Attendance
Convention	21	64,034
Meetings	175	50,129
Tradeshows	4	1,930
Consumer Shows	1	700
Events	18	25,433
Banquet/Receptions	63	29,351
Theater Performances	71	39,530
Total/ Average	353	211,107

Source: Meyedenbauer, Johnson Consulting

There were a total of 353 events in 2013 with attendance of 211,000 people. Conventions, meetings and theater performances were the largest categories of attendance. The facility had a direct economic impact of \$35.5 million in 2013 and generated 17,348 room nights.

The facility had \$8.7 million in revenue in 2013 with the largest revenue source being \$4.5 million in food and beverage sales, followed by \$2.1 million in event services and \$1.7 million in rent. Parking revenues totaled \$600,000. Operating expenses totaled \$8.8 million, resulting in an operating deficit of (\$100,000).

OBSERVATIONS: Below are observations provided by the director of operations at Meyedenbauer, Tim Carr:

“We have seen a significant change in the demand and success of local community arts. Since the great recession many of our local arts groups have struggled. There is also great competition among local performance venues, large and small. Since the creation of our theatre there have been numerous competing facilities built in our area. There is also competition among larger performance venues in the Seattle area. We have replaced many of our more traditional art groups with cultural art performances serving the growing diversity in our region.

If you asked my professional opinion you would want to build any theater space with as much versatility as possible. We are undergoing an interiors remodel and intend to add tablet arm seating in the theatre to serve our corporate clients. I would warn any community investing in performing art theater to carefully examine demand in relation to competing facilities and be prepared to invest or fundraise to support programming. The math for small performing arts rarely works, at least in our region. We have a few smaller regional Theatre's that are viewed as successful because they have decent programming and good attendance, but from a financial standpoint they typically operate hand to mouth. I agree with your premise, build your facility with corporate

meetings in mind and if they can support some performance elements with a limited investment, it's a bonus. We host a lot of concert and entertainment acts in our Center Hall on a flat floor.”

GAILLARD CENTER CHARLESTON, SOUTH CAROLINA

LOCATION: Located in downtown Charleston, the Gaillard Municipal Auditorium and Exhibition Hall opened in 1968. In September 2012, construction began on a \$142 million renovation and expansion project to better align the facility with the needs of the performing arts community and improve its competitive positioning. Construction is scheduled for completion in Spring 2015. Upon re-opening, the venue will become known as the Gaillard Center.



OWNERSHIP/ MANAGEMENT: The former Gaillard Municipal Auditorium and Exhibition Hall was owned and operated by the City of Charleston as part of a portfolio of venues. The same ownership and operating model is proposed for the new Gaillard Center. The Gaillard Center Foundation, which is a nonprofit 501(c)3, was established to oversee the renovation project. The Foundation’s mission is “to raise funds to contribute to the renovation, expansion, refurbishment, and re-equipment of the Gaillard Municipal Auditorium resulting in the new Gaillard Center. The Foundation receives revenues primarily from contributions directed in support of the project.”

FACILITIES: The original Gaillard Municipal Auditorium and Exhibition Hall comprised a 2,750-seat musical hall, a 12,800 square foot multi-purpose exhibition hall, and 3,800 square feet of meeting space. The renovated and expanded Gaillard Center will comprise a new performance hall, with a reduced capacity of 1,800 people, and approximately 16,000 square feet of meeting, exhibition and conference space, along with a 7,300 square foot outdoor terrace. The exhibition hall and adjoining outdoor terrace will have a maximum capacity of 2,000 people (reception).

ANCHOR TENANTS: The Gaillard Center will be home to the Charleston Symphony Orchestra (they have temporarily relocated to the College of Charleston’s Sottile Theatre while the renovation project is carried out.).

FUNDING STRATEGIES: The Gaillard Municipal Auditorium and Exhibition Hall was receiving, on average, \$1 million in annual operating subsidies from the City of Charleston. The renovation project is being funded through \$71 million in private contributions, \$71 million from the City, New Market Tax Credits and accommodations and hospitality tax revenues totaling \$20 million, Tax Increment Financing (TIF) district revenues of \$32 million, and \$19 million in General Obligation bonds.

OBSERVATIONS: The renovation and expansion of the Gaillard Municipal Auditorium and Exhibition Hall was prompted by the venue’s inability to meet the needs and requirements of the performing arts community. While the former facility was designed to offer a variety of spaces and appeal to a broad market, its success was ultimately hampered by outdated facilities and a lack of available staff to actively sell and promote the venue. With an expanded and upgraded facility, there is an opportunity for a more aggressive approach to sales and marketing, and this will be crucial to the ultimate success of the new Gaillard Center. Johnson Consulting conducted the analysis that led to the current redevelopment effort. The balance of performance space and conference/exhibition space is a key component of why this venue was included for analysis. A key use of the venue is as its role hosting the internationally acclaimed Spoleto Festival over a 17-day period in Charleston. This is the type of programming potential that could occur in Sandy Springs due to its rich arts and cultural community, but would need the leadership of a strong organization to recruit or develop such a festival.

IMPLICATIONS

These case studies are intended to provide a comprehensive overview of how these PAC facilities came to be and operate on an annual basis. As these case studies indicate there is a wide range in how venues operate, both from a demand and financial perspective. The Arlington Heights PAC is hampered due to its size limitations and costs the Village a lot of money on annual basis due to operating costs that aren’t borne or paid for by the PAC. The Peace Center has a large endowment and receives millions of dollars a year in donations and corporate support. This allows the venue to promote significant arts and cultural programming and education, while still hosting live entertainment and Broadway productions.

The Ames Center served as a redevelopment catalyst for the City and while the City hopes that facility will become revenue neutral or generate a small profit, it is willing to subsidize operations on an annual basis due to the impacts its had on redevelopment and the social benefit it provides to the community. The Buckhead is successful in hosting both entertainment and corporate clients and has significant turned away business that the City Center PAC can harness and the Meydenbauer operates with more of a conference and convention center focus with a theater and entertainment component.

The City Center PAC operating profile will be a cross between the Buckhead Theater and the Meydenbauer. It is our opinion that the strength of the market will allow for the City Center PAC to have a strong demand and revenue and expense profile and come close to a break even operation.

SECTION V

INTERVIEW SUMMARY, SUPPLY ANALYSIS & PROGRAM RECOMMENDATIONS



INTERVIEWS SUMMARY

In order to evaluate the market potential for a new Performing Arts Center (PAC) in Sandy Springs, Georgia, Johnson Consulting conducted in person and telephone interviews with potential users of the proposed facility, business leaders, economic development officials, operators of existing facilities, and show organizers and promoters, among others. This section provides a summary of feedback provided to Johnson Consulting.

Notable individuals, groups and organizations interviewed included:

- The City of Sandy Springs (the City)
- Act 3 productions
- Sandy Springs Tourism & Hospitality
- Atlanta Lyric Theater
- Area Chambers of Commerce
- Live Nation
- The Buckhead Theater
- Area Hotels
- Heritage Sandy Springs
- Arts Sandy Springs
- Regional Event Promoters & Meeting Planners
- Punchline Management
- Gwinnett Center Management

The above groups provide a broad spectrum of input in Sandy Spring's events, business, hospitality, and tourism sectors and are intimately familiar with the market area and sources of demand that may support a new performing arts center. Some of the key issues and observations identified by the interviewees are summarized under the following subheadings.

CURRENT MARKET DYNAMICS

- A number of arts and culture groups have developed in Sandy Springs organically. There are a limited number of facilities for these groups to use, and those that exist limit the number of people that can attend any one event.
- The private sector has utilized empty retail space as black box performance space for theater productions and classes. This space is at capacity and there are waitlists for classes. Space is typically limited to 100 people for productions and events.
- Lease rate increases in these retail spaces are a threat for existing venues. Increases in cost may result in some organizations leaving the market or closing. These groups are very important resources to the residents of the City.



- The community is also lacking space to hold art exhibitions and small art shows. The success of the Anne Frank Exhibit indicates the type of exhibits that could evolve to be part of the programming for the new facility. Arts Sandy Springs and Heritage Sandy Springs have also expressed interest in being able to develop programming for the new facility.
- Sandy Springs is home to Punchline, one of the oldest and most successful comedy clubs in the Atlanta region.
- Parking and traffic are major issues when deciding on entertainment and social outings. The ability to offer Sandy Springs residents entertainment and arts options closer to home with convenient parking will be a significant service that the City can help provide to improve the quality of life.
- The proposed City Center project will create a destination hub/Main Street corridor that is currently lacking in Sandy Springs. This concept was very important to the people and groups interviewed, as it will formalize a sense of place and destination.
- The City needs to use a component of the proposed facility for City Council and City meetings about 10 times per month (primarily on Tuesdays and Thursdays). Between the space provided at the PAC and the conference space this should not be a detriment to the financial viability of the project.
- Given the City's reputation for quality, it is important that the proposed venue be a first class facility.
- The Atlanta Lyric Theater is interested in being an anchor tenant at the facility, as well as in potentially operating the venue.
- A variety of arts groups and promoters think a venue with 500 to 1,000 seats would serve an area of opportunity for the market. They do not want to host events in other markets where they have to spend a good amount of time traveling to them.
- There are a number of PAC's and auditoriums in the greater Atlanta metro area that have 400 to 2,400 seats, however the vast majority are a good distance away and are not always viable options for weekend entertainment due to the drive time to reach these facilities.
- Management at the Gwinnett Center regrets not having a PAC that is larger than its current 700-seat size. They would recommend building a venue that the community can grow into rather than regret a smaller size at a later date.
- Heritage Sandy Springs hosts 3 concert series at Heritage Park that are very popular due to residents being able to go to performances in the local area. These events also draw in visitors from outside the city, which has a positive impact on area businesses. In addition to Heritage Sandy Springs, Arts



Sandy Springs thinks there is strong potential for a variety of film and arts festivals, as has occurred in Charleston, SC with Spoleto Festival USA. This festival occurs over a 17 day period and includes events that range from opera, jazz, theater, artist talks, dance and many more.

- Live Nation, one of the world’s leading entertainment promotion companies is not interested in programming talent into a venue in Sandy Springs due to the following reasons:
 - Thinks the Atlanta market is saturated for venues with over 2,500 seats.
 - Views venues smaller than that as more community oriented vs. promoter oriented.
 - Believes that the Energy Center has cannibalized Fox theater demand, resulting in neither venue performing well financially. Feels that a new venue greater than 2,500 seats would perpetuate this trend. Both of these facilities are 2,500 seats or greater.
 - Comedy Clubs have consolidated and aren’t attracting large names. Some type of relationship with Punchline might allow for the facility to attract the more than average comedy acts.
- Surprisingly the interview with the Buckhead Theater was more supportive of the proposed facility, even though it would be seen as a competitor for programming and its proximity to Sandy Springs. Some highlights from the interview are below:
 - This highlights the traffic and proximity dynamic that is at play in the market area and indicates that demand for entertainment events is very localized in nature.
 - The Buckhead Theater also indicated that for their event calendar there are a number of event holds, as many as four or five, for the same date throughout the year already on their schedule. They believe that a number of the events that can’t be accommodated could utilize the new facility. This is dependent on the quality of the talent buyer and management team at the City PAC.
 - Each act has their own following, with some overlap, but again if the right talent buyer was engaged the instances of booking an event that would compete against an event at the Buckhead Theater, or other area venues, would be greatly mitigated.
- In addition to comments about the PAC component of the City Center project, there was discussion about the need for multi-purpose conference space that could support social functions, classes, meetings, tournaments and other flat floor event types. These comments are summarized below:
 - There are limited places to hold events, banquets and weddings in the City. The venues that serve this demand segment are turning away business (Heritage Sandy Springs), hotels (which are



expensive and sometimes aren't available due to corporate demand) or are outside of the City (The Retreat and Villa Christina in Dunwoody).

- Sandy Springs Tourism and Hospitality can't accommodate certain categories of event requests due to a lack of facilities. These categories include tradeshows, corporate meetings, social events and sports tournaments.
- There is limited to no space to hold tradeshow type events in North Fulton County.
- For larger events, the Hilton uses a popup tent on the exterior of its property. Use of tents in a market is typically a key indicator of a supply constraint in facilities.
- Hotels are at capacity during the week due to the strong corporate presence in the City, which is headquarters to a number of Fortune 500 companies.
- The Chamber of Commerce holds a number of events during the year that it has to host outside of the City. Given its function of promoting the City, it would rather keep these events in the City.
- Heritage Sandy Springs developed indoor event space due to the volume of wedding requests it was not able to accommodate outdoors. They currently have to turn away over 25 percent of all event requests due to a lack of available dates. They believe more event space in the City would be very well utilized.
- Heritage Sandy Springs and management of area hotels also think some of their meeting business demand might decline due to a new facility but overall think that the proposed facility would be an asset to the community and help their operations in the long run.
- The concept of a rooftop outdoor event space was of interest to a number of parties interviewed.
- Slow months for flat floor event space at area hotels occurs in the months of August, November, December, and May.

PROJECT-SPECIFIC NEEDS

There was broad consensus that the City needs a PAC type facility that can serve the local community. While there was some difference in what the specifics of such a facility should include, there was also great consistency in the size of facility needed. The following summarizes desired program attributes of the facility:



- A strong majority of the groups interviewed for this analysis think that a PAC with 500 to 1,000 seats would serve the City very well. It is felt that a facility in this size range would be able to attract the type of quality events that they want to have in the market.
- The program elements that support the PAC are very important. Things that should be considered for the project include:
 - Proscenium Stage with orchestra pit, trap doors, and fly/wing space.
 - A fly loft would be needed if the facility will host Broadway and musical productions. The benefits of a fly loft need to be carefully considered compared to the cost of the fly loft.
 - A full service kitchen with high quality food and beverage service, including bar service for PAC events.
 - Ample lobby and pre-function space for pre and post event activities.
 - Box office for ticket sales.
 - Marquee for advertising upcoming events.
 - Ballroom/Multi-purpose space.
 - Meeting/class rooms.
 - Art exhibition space/gallery space.
 - Green rooms.
 - Rehearsal space with some of it being mirrored for dance classes.
 - Ample back of house space to support events and service ballroom space and meeting rooms.
 - There needs to be a strong connectivity with outdoor spaces that can also serve as event spaces. A rooftop garden space is also of interest and will contribute to the “greening” of the facility.
 - Programming of the outdoor space is as important as programming of the indoor space. Connectivity with the green space at Heritage Sandy Springs is important and can serve as part of the overall campus.
 - Facility must be a well designed and quality venue that can serve multiple generations of residents.



- The PAC or ballroom space of the venue needs to be designed so that it can host City Council meetings and other City events as needed.
- Ample free or low cost parking.

The groups interviewed for this project were all very vocal in their support for a new PAC venue that can serve as a gathering place for event activity in the market area and the City Center development. This facility will serve as an engine for attracting users to the retail, dining and entertainment options offered as part of the City Center development. It will also serve as a resource for area businesses and community groups when holding corporate events, social functions, and art exhibitions. Also important to note, it will provide the City with a formalized downtown that is currently lacking in the City.

There was also strong belief that there is event programming that can make the building successful. Further analysis in this report will determine if that will be from a community benefit perspective, a financial perspective or both. Groups that are in the business of operating these venues spoke very clearly about having a facility that is large enough to serve the community now and into the future.

REGIONAL FACILITY SUPPLY ANALYSIS

As the proposed PAC is further considered, it is important to understand the supply and demand dynamics operating within Atlanta's regional market area. Building on the demographic and economic analysis presented in Section 3 of this report, and the industry trends overview presented in Section 4, this Section provides an analysis of key supply indicators within Atlanta's PAC and event market, concluding with an assessment of the identified market opportunity for the proposed PAC.

PAC AND EVENT FACILITIES

Given the geographic size of the Atlanta region, its population base, and strong economic base, there are a large number of PAC event facilities in the region. Each venue serves a subset of the market place with there being only 1 or 2 that serve the entire market area for the largest events. The information below will establish the supply of venues that directly serve residents in the Atlanta area and those specifically in the size category that is being considered for Sandy Springs.

REGIONAL PAC/ AUDITORIUM FACILITIES

In order to analyze the inventory of facilities in the area Johnson Consulting first established some parameters for the analysis. Since it is apparent that the City can't support a very large facility, facilities with over 10,000 seats were excluded from the inventory analysis, as facilities with less than 200 seats. Facilities that are more than 35 miles from Sandy Springs are also not included in the analysis. Facility types that are included are arenas, PAC's, auditoriums, theaters, amphitheaters, and school facilities. The following table indicates the significant number of event venues that are in the market area.



Table 5-1

Regional Facilities - Sandy Springs PAC					
Facility - 10,000 Seats & Under	City	Miles from Sandy Springs	Facility Type	Seats	
1 Georgia Tech Hank McCamish Pavillion	Atlanta	14	Arena	9,191	
2 Chastain Park Amphitheater	Atlanta	6	Amphitheater	6,700	
3 Fox Theater	Atlanta	15	Theater	4,678	
4 Atlanta Civic Center	Atlanta	15	Auditorium	4,591	
5 Georgia State University Arena	Atlanta	17	Arena	4,500	
6 Cobb County Civic Center - Romeo Hudgins Memorial Hall	Marietta	14	Arena	3,000	
7 Cobb Energy PAC	Atlanta	8	PAC	2,750	
8 The Tabernacle	Atlanta	16	Theater	2,600	
9 Dekalb Events Center	Atlanta	8	Arena	2,400	
10 Mable House Barnes Amphitheater	Mableton	18	Amphitheater	2,000	
11 Woodruff Arts Center - Symphony Hall	Atlanta	14	Theater	1,831	
12 Georgia World Congress - Marcus Auditorium	Atlanta	16	Auditorium	1,740	
13 Ferst Center for the Arts - Georgia Tech	Atlanta	16	Theater	1,150	
14 Center Stage Theater	Atlanta	13	Theater	1,100	
15 Variety Playhouse	Atlanta	17	Theater	1,000	
16 Georgia State University - Rialto Center for the Arts	Atlanta	17	PAC	833	
17 Atlanta Convention Center - Penthouse Theater	Atlanta	16	Theater	800	
18 Presser Hall	Decatur	30	Auditorium	800	
19 The Buckhead Theater	Atlanta	9	Theater	790	
20 Woodruff Arts Center - Alliance Theater	Atlanta	14	Theater	770	
21 Marietta PAC	Marietta	16	PAC	727	
22 Gwinnett Center - Gwinnett Performing Arts Theater	Duluth	22	PAC	700	
23 The Loft @ Center Stage	Atlanta	13	Theater	650	
24 Cobb County Civic Center - Anderson Theater	Marietta	14	Theater	600	
25 Roswell Cultural Arts Center	Roswell	7	Theater	600	
26 Murray Arts Center - Kristi Lynn Theater	Kennesaw	22	School	570	
27 Morehouse - Ray Charles PAC	Atlanta	19	PAC	550	
28 Oglethorpe University - Conant Performing Arts Center	Atlanta	7	PAC	500	
29 Mable House Barnes Arts Center	Mableton	18	Theater	500	
30 Georgia Perimeter College - Cole Auditorium	Clarkston	18	Auditorium	498	
31 Clayton State - Spivey Hall	Morrow	31	PAC	400	
32 14th Street Playhouse	Atlanta	14	Theater	389	
33 Center for Puppetry Arts	Atlanta	13	Theater	350	
34 Winter Theater	Decatur	19	Theater	300	
35 Vinyl/Vinyl @ Center Stage	Atlanta	13	Theater	300	
36 Red Clay Theater	Duluth	18	Theater	260	
37 Morris and Rae Frank Theater	Dunwoody	17	Theater	253	
38 Eyedrum Arts & Music Gallery	Atlanta	17	Theater	250	
39 The Shakespear Tavern	Atlanta	15	Theater	250	
40 Aurora Theater	Lawrenceville	26	Theater	248	
41 Theater in the Square	Marietta	22	Theater	225	
42 7 stages	Atlanta	18	Theater	200	
43 Herren's Theatrical Outfit	Atlanta	16	Theater	200	
44 Woodruff Arts Center - Hert Studio Theater	Atlanta	14	Theater	200	
Total		16		62,944	

Source: Johnson Consulting, Respective Facility, Aud Arena Guide



In the size category analyzed there are 44 facilities with over 62,000 seats in the metro area, or 1 seat for just under every 100 people. If adding a new venue of 1,000 seats, it would only increase overall supply by 1.6 percent. Additionally, these venues are on average over 16 miles from Sandy Springs, which given the traffic issues in the region forces many potential attendees from Sandy Springs to only attend an event if it is a top priority. This results in a lack of entertainment options for residents of Sandy Springs forcing them to leave the City and also does not induce outside visitors to the City. With a City population of over 100,000 and growing, Sandy Springs is large enough to have a facility of its own to fulfill the civic, arts, and entertainment needs of its residents as has been expressed in the interviews conducted for this project and through the City's own efforts that have culminated in the City Center project.

SUBSET OF REGIONAL PAC/ AUDITORIUM FACILITIES

Given the input received by area promoters and others in the research process, we have identified a further subset of facilities that are in the size range of what is being considered for the City. This range includes facilities in size from 400-seats to venues with as many as 2,750 seats.

Table 5-2

Regional Facilities - Sandy Springs PAC				
Facility - 2,750 to 400 Seats	City	Miles from Sandy Springs	Facility Type	Seats
1 Cobb Energy PAC	Atlanta	8	PAC	2,750
2 The Tabernacle	Atlanta	16	Theater	2,600
3 Dekalb Events Center	Atlanta	7.5	Arena	2,400
4 Mable House Barnes Amphitheater	Mableton	17.5	Amphitheater	2,000
5 Woodruff Arts Center - Symphony Hall	Atlanta	13.5	Theater	1,831
6 Georgia World Congress - Marcus Auditorium	Atlanta	16.0	Auditorium	1,740
7 Ferst Center for the Arts - Georgia Tech	Atlanta	15.5	Theater	1,150
8 Center Stage Theater	Atlanta	13.0	Theater	1,100
9 Variety Playhouse	Atlanta	17.0	Theater	1,000
10 Georgia State University - Rialto Center for the Arts	Atlanta	16.5	PAC	833
11 Atlanta Convention Center - Penthouse Theater	Atlanta	15.5	Theater	800
12 Presser Hall	Decatur	30.0	Auditorium	800
13 The Buckhead Theater	Atlanta	9.0	Theater	790
14 Woodruff Arts Center - Alliance Theater	Atlanta	13.5	Theater	770
15 Marietta PAC - Marietta High School	Marietta	16	PAC	727
16 Gwinnett Center - Gwinnett Performing Arts Theater	Duluth	21.5	PAC	700
17 The Loft @ Center Stage	Atlanta	13.0	Theater	650
18 Cobb County Civic Center - Anderson Theater	Marietta	13.5	Theater	600
19 Roswell Cultural Arts Center	Roswell	7.0	Theater	600
20 Murray Arts Center - Kristi Lynn Theater	Kennesaw	21.5	School	570
21 Morehouse - Ray Charles PAC	Atlanta	18.6	PAC	550
22 Oglethorpe University - Conant Performing Arts Center	Atlanta	6.5	PAC	500
23 Mable House Barnes Arts Center	Mableton	17.5	Theater	500
24 Georgia Perimeter College - Cole Auditorium	Clarkston	18.0	Auditorium	498
25 Clayton State - Spivey Hall	Morrow	31.0	PAC	400
Average		16		1,033

Source: Johnson Consulting, Respective Facility, Aud Arena Guide

When looking at the list of facilities of a similar size as to what is proposed in the City, it may seem that there is an over supply of facilities in the market, but when you look in detail at the orientation and demand profile for each facility it becomes apparent that there is a market opportunity for Sandy Springs to provide a facility to serve its resident's needs. A number of these facilities are associated with schools and as a result have a priority on providing the teaching needs of its students and that consumes the majority of the schedule for those facilities. As a case in point, the closest venue to Sandy Springs is the Conant PAC at Oglethorpe

University, which is the home of the University’s Theater Department and the Georgia Shakespeare Festival. The programming offered here is not the type of event that would draw large numbers of City residents to the venue and serve their cultural needs.

Aside from facilities with an educational orientation, which are not included in the competitive analysis, there are a number of venues that will compete with the Sandy Springs PAC. By evaluating size, proximity and demand orientation of these competitive venues it will establish the market needs for a venue in Sandy Springs and its role in the larger portfolio of facilities. The table below refines the facility list down to the competitive environment that the Sandy Springs PAC will operate in.

Table 5-3

Competitive Environment - Sandy Springs PAC					
Facility	City	Miles from Sandy Springs	Facility Type	Seats	
1	Woodruff Arts Center - Symphony Hall	Atlanta	13.5	Theater	1,831
2	Center Stage Theater	Atlanta	13.0	Theater	1,100
3	Atlanta Convention Center - Penthouse Theater	Atlanta	15.0	Theater	800
4	The Buckhead Theater	Atlanta	9.0	Theater	790
5	Woodruff Arts Center - Alliance Theater	Atlanta	13.5	Theater	770
6	The Loft @ Center Stage	Atlanta	13.0	Theater	650
7	Cobb County Civic Center - Anderson Theater	Marietta	13.5	Theater	600
8	Roswell Cultural Arts Center	Roswell	7.0	Theater	600
Average			12		893

Source: Johnson Consulting, Respective Facility, Aud Arena Guide

WOODRUFF ARTS CENTER: Located and opened in 1968 as the Memorial Arts Center, and renamed after its largest benefactor in 1982, the Woodruff Arts Center is the home of the Atlanta College of Art, the Atlanta Symphony Orchestra and the High Museum of Art, all of which were combined into a single entity. As the arts community grew the Alliance Theater was added to the campus in 1970, followed by the Young Audiences division in 2005. Also in 2005, a major expansion of the facilities was undertaken to add two new exhibit buildings, an administrative building, a residence hall, sculpture studio, full-service restaurant, and a public piazza and parking structure, all designed by Renzo Piano.

The campus sits on 12.25 acres and has a variety of spaces that include reception, meeting and theater spaces. The largest reception space is the two-level Galleria with 15,500 square feet of space and the ability to host 1,300 in a reception format and 600 seated. There are also 11 other event rooms that can host both meetings and reception events that range in size from 622 square feet to 5,293 square feet. There are 5 theater spaces that range in capacity from 200 to 1,800 seats. The Alliance Theater (number 5 in the above table) with 765



seats is most comparable to what is envisioned at the Center City PAC. Given the number of organizations that the Woodruff campus hosts, the facility is at capacity from a programming perspective.

CENTER STAGE THEATER: Originally opened as Theater Atlanta in 1966, Center Stage Theater is located in midtown Atlanta and is comprised of three venues offering a variety of event spaces. Center Stage Theater is a Ticketmaster venue and can accommodate 1,050, the largest theater in the complex, with 750 permanent seats with the balance of capacity coming from standing room in front of the stage. The Loft (number 6 in the above table) opened in 2005, which is located on the second floor of the complex and has four full service bars and a capacity of 650 with standing room only. Opening in 2003, Vinyl has a capacity of 300 and hosts mostly local and regional acts, with the other two spaces hosting larger touring acts.

PENTHOUSE THEATER AT ATLANTA CONVENTION CENTER: This venue is more corporate and meeting oriented given its location at the Convention Center. It is used for meetings, banquets, fashion shows and corporate events. It has a seating capacity of 828 and its demand mix highlights the dual-purpose nature that some venues can have. It is anticipated that the corporate and meetings market will be very important to the City Center PAC and will provide a closer alternative than the Penthouse Theater for the Sandy Springs business community.

ANDERSON THEATER AT THE COBB CIVIC CENTER: This 606-seat performing arts venue is fairly basic and is community oriented with a number of performing arts camps in the summer and other programming during the balance of the year, including the Atlanta Lyric Theater. This facility will be non-competitive with what is proposed in Sandy Springs.

BUCKHEAD THEATER: Built in 1930 and operated as a movie theater until the mid-1980s, the theater was converted into the Coca-Cola Roxy and became a significant concert venue in the 1990s and most of the 2000s until the Roxy closed after LiveNation and Clear Channel ended their lease in 2008. The Roxy was bought by Charles Loudermilk and over the next two years he renovated the theater, bringing the theater back to its original design. It was reopened in 2010 as the Buckhead Theater. Depending on configuration the theater can accommodate 790 people seated or 1,100 in a standing room only capacity given that the seats in the venue are removable. There is also a balcony that has fixed seats as well as bar service during events. The primary revenue generators for the venue are bar earnings and corporate events that use the venue for product launches, client recognition events and speeches.

As noted in the interview summary, the Buckhead Theater is one of the closest venues of similar size and demand orientation to the City Center PAC, however management at the Buckhead Theater was supportive of the new venue in Sandy Springs given the large number of date conflicts that occur on an annual basis for both concert/performance events, as well as corporate events. It was also noted that the new facility should anticipate a ramp up period over the first few years of operation. This venue should serve as a model of how a successful theater/PAC should operate and book events at its facility. The critical ingredient that makes the



Buckhead Theater work well is the booking and sales team that has the network of talent and corporate contacts to continually bring in fresh performances and corporate events. The flexibility of the venue to configure the main theater and the lobby space into a variety of different formats also makes the theater attractive to a cross range of renters. Management was not able to provide specific demand and financial information, as it is a private for-profit operation.

ROSWELL CULTURAL ARTS CENTER: This 600-seat venue is community oriented and hosts a wide range of events from artist spotlight series, music performances, a summer puppet theater, classes and recitals. As a result of this orientation the venue has not performed well from a financial perspective or caused the type of vibrant draw that is hoped for the City Center project. To put this in perspective, revenue at the Roswell Cultural Arts Center in 2013 is estimated to have been \$212,000 with 382 events. This is the revenue volume that could be earned in 1 month or less at a venue that is business and profit driven versus community oriented. There should be some space and opportunity for the local arts community to use the facility in Sandy Springs, but not at the expense of placing a financial burden on the larger community. Additionally, community based arts events are not a major draw to the local population compared to having nationally recognized live entertainment or as revenue generating as corporate and social functions. Given the objective of the City Center PAC to be an event destination, this venue is viewed as non-competitive with the project in Sandy Springs.

After reviewing the above venues it is clear that there are 3 primary venues that the proposed PAC will compete with for event demand and they include the Woodruff Arts Center, Center Stage Theater, and the Buckhead Theater. Given the fairly fixed program of events at the Woodruff, it is anticipated that competition for booking talent will mainly be between Center Stage and the Buckhead Theater (both of which have more event demand than they can accommodate during peak times). This competition will be primarily focused on touring acts and corporate events and does not reflect the potential to host other events such as Broadway shows, musicals and other cultural events, which will be a distinctive advantage of the City Center PAC. It was requested that the seating capacity for North Springs High School and Riverwood High School be included in this analysis. North Springs auditorium seats 500 and Riverwood High School auditorium was not able to provide their capacity due to summer break. These venues typically do not allow non-school associated events to use their facilities and are not appropriate for the demand opportunity present in Sandy Springs.

MEETING FACILITIES IN SANDY SPRINGS

The other key component of the City Center PAC should be the event spaces that will support flat floor events such as banquets, weddings, meetings, tournaments and City meetings. The table below profiles the hotels with meeting space in the area.

Table 5-4

Inventory of Lodging Facilities (100+ rooms) - Sandy Springs Area (2013)			
Hotel	Location	Guest Rooms	Total Meeting Space (SF)
Hyatt Atlanta Perimeter at Villa Christina	Atlanta	287	13,000
Hilton Atlanta Perimeter Suites	Atlanta	224	6,000
Hilton Garden Inn Atlanta Perimeter	Atlanta	193	3,600
Crowne Plaza Atlanta at Rivinia	Dunwoody	495	30,000
Atlanta Marriott Perimeter Center	Dunwoody	341	18,400
Le Meridien Atlanta Perimeter	Dunwoody	275	10,000
Holiday Inn at Perimeter/Dunwoody	Dunwoody	250	8,305
Embassy Suites Atlanta - Perimeter Center	Dunwoody	241	4,732
Fairfield Inn	Sandy Springs	114	-
The Westin at Perimeter North	Sandy Springs	372	20,000
Hilton Suites	Sandy Springs	224	4,000
Wyndahm Atlanta Galleria	Sandy Springs	296	3,078
Hampton Inn	Sandy Springs	131	2,700
Sheraton Perimeter North	Sandy Springs	142	1,900
Courtyard Perimeter	Sandy Springs	154	1,274
Comfort Suites Hotel 6110 Peachtree Dunwoody	Sandy Springs	121	1,224
La Quinta	Sandy Springs	142	1,200
Hyatt Place Atlanta Perimeter	Sandy Springs	150	1,000
Sonesta ES Suites	Sandy Springs	122	726
Holiday Inn Express	Sandy Springs	107	576
Total		4,381	131,715

Source: Sandy Springs CVB, mpoint, Relevant Facilities, Johnson Consulting

The largest amount of meeting space is located at the Crowne Plaza in Dunwoody with a total of 30,000 square feet of meeting space and its largest space is the ballroom with 12,000 square feet of space (seating approximately 800 people). The largest hotel with meeting space in Sandy Springs is the Westin with over 20,000 square feet of space of which the largest is the grand ballroom with 8,064 square feet (seating approximately 540 people). In total there are 4,381 rooms and 132,000 square feet of meeting space in Sandy Springs and the surrounding area. During the week these hotels are largely booked due to the high volume of corporate demand in the area, with weekends having more capacity. Area hotels were largely supportive of the PAC project but were less excited about the meeting event space due to its potential impact on their business. In addition to the hotel based meeting space, there is also meeting space at Heritage Sandy Springs, The Retreat and Villa Christina in Dunwoody. Heritage Sandy Springs and Villa Christina's largest space is 3,000 square feet (seating approximately 200 people) while the Retreat's largest space is 10,000 square feet (seating approximately 670 people).

IMPLICATIONS

It was very clear through the interview process that there is broad based support for the PAC facility in Sandy Springs and that there are many potential users of the facility. There is also capacity in the market for a new facility. A new facility would only expand the supply in the market by less than 2 percent, which can be absorbed quickly and will have tremendous positive impacts for the City Center project, the residents of Sandy Springs and allow the City to have a formalized destination for people coming from outside of the City. There are risks with the proposed project but recruiting top-tier management and talent buyers for the project can mitigate these challenges. The role the PAC plays in the corporate and flat floor events market will also be very important, as it will be a significant revenue generator for the complex. As a final point it says a lot when groups that will face increased competition support a project such as this. It indicates that the overall benefit of the project will help their operations in the long-run and benefit the community.

FACILITY PROGRAM RECOMMENDATIONS

In our judgment, the affluence and accessible convenience of Sandy Springs commands quality. In a way, the proposed City Center project will start to intensify and organize the density and concentration of development in Sandy Springs, along the lines of Buckhead's evolution. Quality of life investments must complement any environment set forth in City Center.

The market analysis demonstrates a competitive market, but busy buildings in Sandy Springs can carve out a niche in this environment. The market indicates a business model that is close to the Buckhead Theater's operational approach. The theater will not be a concert/music house per se, but will be a general building that can do a variety of events. An anchor tenant could evolve, but such tenants are often hard to work around and non-economic. And unless such a tenant has a large endowment, we would discourage a not-for-profit tenant.

Meanwhile, a very active building is expected. The program is crucial for success, and again the Buckhead Theater serves as a guide. Program targets are:

- 750 to 1,000 seats, leaning towards 1,000 seats as a larger theater broadens market opportunities and allows the market to mature into the facility as the community continues to grow.
- The notion of removable seats on at least half the lower level should be explored. The dance/concert format for events has been very popular in Buckhead, and this format creates a larger social space for non-theater events as well.
- A proscenium stage, orchestra pit that can be raised/lowered, fly and wing space, trapdoors and the other program elements that are found in a top tier facility should be considered for inclusion in the project. As these features are evaluated from a cost perspective, we will counsel the City and design team on the most critical elements for the project. After initial cost estimates have



- come back for the venue with a fly loft and additional input provided by the City, Johnson Consulting believes that a venue in Sandy Springs will be successful without a fly loft, it will just be more focused on live entertainment and corporate demand. As the market grows a fly loft would be desirable, but is more of an amenity versus an integral part of the business case for a performing arts venue in Sandy Springs.
- A large lobby/concourse is essential. It must be able to host at least as many patrons as will be seated in the theater in a comfortable cocktail format.
 - We encourage the inclusion of a full service kitchen to serve primarily social and conference oriented demand and be able to provide limited food service options for entertainment events, as the cost of operating this type of concession during a show is not profitable for the complex. Given the orientation of the facility and character of the community, anything less than a 1st class food and beverage operation will not be sufficient for the building.
 - We strongly encourage a full service bar/lounge as part of the lobby area, which will have significant revenue potential. The theater should retain and self perform the kitchen and lounge operations in order to have the greatest revenue potential.
 - Parking is also a critical factor for the facility if it is to be successful. We believe that there should be a minimum of 1 parking spot for every 3 seats dedicated to the complex as part of the larger parking portfolio for the City Center development.
 - The conference center will get utility out of the theater and its lobby and concourse. We recommend the following program for the conference center: a 15,000 square foot ballroom, divisible; a 7,500 square foot junior ballroom, also divisible; and 7,500 square feet of additional meeting space should be provided.
 - Some of this meeting space should be designed to support the operations of the theater with classroom space and rehearsal space. The rental rate structure for theater use of these spaces needs to be considered very carefully. If these spaces are compromised by lower rent paying uses versus higher paying users it will adversely impact the financial viability of the complex.
 - It is recommended that the ballroom or Jr. Ballroom be utilized for the City Council and City meetings and allow for the PAC component to be available for use 7 days a week.
 - The complex should also be served by a rooftop garden that can be used for social events. This is in addition to the outside lawn spaces, which we believe should be operated and programmed as an additional event space that the complex management team controls.



- The corporate market will be a big source of demand and revenue. Their relationship with the building for corporate, social and product launches will help both the theater and the district in many different ways. Ideally, the presence of the theater asset will even help corporations continue to justify locating in Sandy Springs.
- Social and banquet business will also be a major user of the conference center space given that this facility will now provide the largest contiguous space in the City. The amenity that the proposed rooftop garden will offer will also be highly desirable as it will offer these users the ability to flow from space to space as their event progresses, e.g. cocktail reception on the roof followed by a seated dinner in the Jr. Ballroom, etc.
- To serve the corporate market, (and today’s millennials) we recommend distinguishing the venue with the best in video, WI-FI, RFIO, and other technological amenities.
- City Center and the PAC project will help to diversify the demand profile of existing hotel properties over the weekend, which is needed. This project should set the stage for a private sector developed hotel in the vicinity of the City Center site. We would anticipate the ability to support up to 300 total rooms split between 2 properties of 4-star quality. If this level of quality is cost prohibitive a limited service at the very upper quartile should be considered, such as the Westin “Element” or the Marriott “AC Hotel” brand.

SECTION VI
DEMAND & FINANCIAL PROJECTIONS

DEMAND AND OPERATING PROJECTIONS

Based on the consulting team’s analysis and judgment, a performing arts and conference center venue has a role to play in Sandy Springs. An entertainment venue is consistent with development assets seen in the surrounding market and the desire to diversify the existing visitor base.

Our interviews reveal a strong desire to use arts and entertainment as a platform for economic and social growth and other regional gaming entities are doing so too. So, in a way it is essential for entertainment to be deepened in the offerings of the market, if the area is to compete effectively. Our analysis reveals a good base from which to build, strong supply of hotel facilities, existing concert and entertainment activity, and an interested arts community locally.

A new facility will have two categories of demand.

- The first category is performing arts events, such as plays, musical concerts, dances, shows, and other performances.
- The second category is events that will be driven by the community, such as graduations, community meetings, festivals, and a variety of meeting events.

The classic debate regarding arts and entertainment venues is who pays for facilities and who has priority. As a rule, local arts groups feel they have a social mandate to use facilities. They also have political connections and often navigate their way to this end. Meanwhile, city/ business leadership and others wish to see a responsible bottom line and as much programming in the venue as possible.

The two operating models in play nationally are:

- **Civic Venue** – is commercially available on an as-available basis, but local arts groups have a preference for their productions, rehearsals and needs. Most events in the region operate in this format.
- **Commercial Venue** – is managed by an operator who sells subscription series or event tickets and tickets to entertainment events, manages meeting and other event bookings, and basically fills the venue with commercial productions and meeting events, allowing civic use on a space-available basis or during negotiated periods.

Ultimately, most venues arrive at a hybrid of these two broad models, but usually one format or the other dominates. It is unlikely that the small market of Sandy Springs can sustain operations for such a venue, especially because most acts will require some one to take the promoter/ presenter risk, even if the events are profitable. Therefore, this analysis assumes the operating model as a commercial venue.



This section provides demand and operating projections of the proposed Sandy Springs Performing Arts Center (PAC), based on the facility recommendations outlined in Section 6 of this report, as summarized in Table 6-1 below.

Table 6-1

Sandy Springs Performing Arts Center Seating Capacity and Facility Size		
Capacity, Size		
Theater		
1 Seating Capacity	750 to 1,000	seats
2 Gross Area	63,228	SF
Conference Center		
Net Function Space		
3 Ballroom	15,000	SF
4 Junior Ballroom	7,500	SF
5 Meeting Rooms	7,500	SF
6 Total	30,000	SF
7 Gross Area	65,664	SF

Source: Johnson Consulting

As shown on the table, the PAC is planned to have a 750 to 1,000-seat theater and a conference center with a 15,000 square foot ballroom, 7,500 square foot junior ballroom, and 7,500 square feet of meeting rooms. As has been discussed previously, many other types of users may consider the complex, and the event calendar should grow organically, once space is provided. It is expected for example, if a strong general manager is recruited and the talent of the staff at the CVB are engaged, that a variety of commercial events and a subscription series will be attracted or developed.

DEMAND PROJECTIONS FOR PAC WITH A FULLY EQUIPPED THEATER

Table 6-2 shows an estimate of demand for the proposed Sandy Springs PAC with a fully equipped theater. The demand estimate is based upon market research, an examination of comparable facilities, and interviews with the CVB, meeting and event planners, show promoters and organizers, and a number of potential facility users. Our projections show that the proposed venue will be less heavily booked than other buildings in the marketplace, such as the Buckhead Theatre. This indicates that the new facility will fit comfortably into the market and that there is sufficient demand to support a venue of this size without adversely impacting other facilities in the marketplace.

Table 6-2

Sandy Springs Performing Arts Center with a Fully Equipped Theater Projected Demand										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Theater-Based Uses										
1 Elaborate Entertainment Productions	16	18	20	22	24	24	24	24	24	24
2 Simple(r) Entertainment Events	16	18	20	22	24	24	24	24	24	24
3 Subtotal	32	36	40	44	48	48	48	48	48	48
Conference Center-Based Uses										
4 Corporate Events	30	35	40	45	50	50	50	50	50	50
5 Seminars and Meetings	12	14	16	17	18	18	18	18	18	18
6 Banquets	30	35	40	45	50	50	50	50	50	50
7 Community Events and Others	18	20	22	23	24	24	24	24	24	24
8 Subtotal	90	104	118	130	142	142	142	142	142	142
9 Total	122	140	158	174	190	190	190	190	190	190

Source: Johnson Consulting

Examples of elaborate entertainment productions are Broadway productions, ballets, plays, and other theatrical performances with substantial scene-changing, lighting, and stage-setting requirements, which can be produced at fully equipped theaters. Examples of simple(r) entertainment events are stand-up comedy, musical concerts, mimes, puppetries, and others with minimal staging requirements. Corporate events include product launches, awards ceremonies, and others that can take place in the theater or the conference center. Seminars, meetings, banquets, community events, and others take place mostly in the conference center.

The table shows that in Year 1, Sandy Springs PAC with a fully equipped theater has the potential to attract 16 elaborate productions and 16 simple productions, plus 90 events at the conference center, for a total of 122 events at the facility. By Year 5, the facility is projected to attract 24 elaborate productions and 24 simple productions, plus 142 events at the conference center, for a total of 190 events.

Table 6-3 shows the estimated ticketed performance days at the theater component of the PAC. It is assumed that on average, an elaborate production runs 8 shows while a simpler production runs 3 shows.

Table 6-3

Sandy Springs Performing Arts Center with a Fully Equipped Theater Projected Ticketed Performance Days at the Theater										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Theater-Based Uses										
1 Elaborate Entertainment Productions (a)	128	144	160	176	192	192	192	192	192	192
2 Simple(r) Entertainment Events (b)	48	54	60	66	72	72	72	72	72	72
3 Total	176	198	220	242	264	264	264	264	264	264

Notes:

a) Assuming an average of 8 shows per production.

b) Assuming an average of 3 shows per production.

Source: Johnson Consulting

As shown on the table, the theater is projected to accommodate 176 shows in Year 1, growing to 264 shows in Year 5, which is at 72 percent utilization of the theater.

Table 6-4 shows the estimated number of total used days for the Theater component of the PAC, including event days and preparation days (set-up and tear-down).

Table 6-4

Sandy Springs Performing Arts Center with a Fully Equipped Theater Projected THEATER Used Days*										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Theater-Based Uses										
1 Elaborate Entertainment Productions (a)	152	171	190	209	228	228	228	228	228	228
2 Simple(r) Entertainment Events (a)	64	72	80	88	96	96	96	96	96	96
3 Subtotal	216	243	270	297	324	324	324	324	324	324
Conference Center-Based Uses										
4 Corporate Events (b)	11	13	15	17	19	19	19	19	19	19
5 Seminars and Meetings (c)	na									
6 Banquets (c)	na									
7 Community Events and Others (c)	na									
8 Subtotal	11	13	15	17	19	19	19	19	19	19
9 Total	227	256	285	314	343	343	343	343	343	343

Notes:

*Including days for set-up and tear-down.

a) Assuming additional 1.5 days for set-up/ tear-down of elaborate productions and 1 day for set-up/ tear-down of simple(r) productions.

b) Assuming that 25% of corporate events take place in Theater, while the remaining 75% in Conference Center. Average length of event is 1.5 days.

c) These events are accommodated in the Conference Center.

Source: Johnson Consulting

As shown in the table, the theater component of the PAC is projected to be used for 227 days in Year 1, growing to 343 days in Year 5.

Table 6-5 shows the estimated number of total used days for the Conference Center component of the PAC, including event days and preparation days (set-up and tear-down). The estimate assumes that theater-based

productions also use the conference center facility for a pre- and/or post-production events, such as actors' meet-and-greet, press conferences, post-production discussions, et cetera.

Table 6-5

Sandy Springs Performing Arts Center with a Fully Equipped Theater Projected CONFERENCE CENTER Used Days*										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Theater-Based Uses										
1 Elaborate Entertainment Productions (a)	32	36	40	44	48	48	48	48	48	48
2 Simple(r) Entertainment Events (a)	32	36	40	44	48	48	48	48	48	48
3 Subtotal	64	72	80	88	96	96	96	96	96	96
Conference Center-Based Uses										
4 Corporate Events (b)	34	39	45	51	56	56	56	56	56	56
5 Seminars and Meetings (c)	18	21	24	26	27	27	27	27	27	27
6 Banquets (d)	30	35	40	45	50	50	50	50	50	50
7 Community Events and Others (c)	27	30	33	35	36	36	36	36	36	36
8 Subtotal	109	125	142	156	169	169	169	169	169	169
9 Total	173	197	222	244	265	265	265	265	265	265

Notes:

*Including move-in and move-out days.

a) Assuming that each entertainment production also uses a Conference Center facility, for an average of 2 days each for pre- and/ or post-production events.

b) Reflecting 75% of corporate events that take place at the Conference Center. Average event length is 1.5 days.

c) Average event length is 1.5 days, which include 1 day of actual event and 0.5 day for move-in/ move-out.

d) Average event length is 1 days, which include 0.5 day of actual event and 0.5 day for move-in/ move-out.

Source: Johnson Consulting

As shown in the table, the conference center component of the PAC is projected to be used 173 days in Year 1, growing to 265 days in Year 5.

Table 6-6 shows the estimated average attendance by event type for the PAC.

Table 6-6

Sandy Springs Performing Arts Center with a Fully Equipped Theater Projected Average Attendance										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Theater-Based Uses										
1 Elaborate Entertainment Productions	850	875	900	925	950	950	950	950	950	950
2 Simple(r) Entertainment Events	850	875	900	925	950	950	950	950	950	950
Conference Center-Based Uses										
3 Corporate Events	850	875	900	925	950	950	950	950	950	950
4 Seminars and Meetings	200	225	250	275	300	300	300	300	300	300
5 Banquets	650	675	700	725	750	750	750	750	750	750
6 Community Events and Others	400	425	450	475	500	500	500	500	500	500

Source: Johnson Consulting

Table 6-7 shows the estimated total attendance by event type for the PAC.

Table 6-7

Sandy Springs Performing Arts Center with a Fully Equipped Theater Projected Total Attendance										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Theater-Based Uses										
1 Elaborate Entertainment Productions	108,800	126,000	144,000	162,800	182,400	182,400	182,400	182,400	182,400	182,400
2 Simple(r) Entertainment Events	40,800	47,250	54,000	61,050	68,400	68,400	68,400	68,400	68,400	68,400
3 Subtotal	149,600	173,250	198,000	223,850	250,800	250,800	250,800	250,800	250,800	250,800
Conference Center-Based Uses										
4 Corporate Events	25,500	30,625	36,000	41,625	47,500	47,500	47,500	47,500	47,500	47,500
5 Seminars and Meetings	2,400	3,150	4,000	4,675	5,400	5,400	5,400	5,400	5,400	5,400
6 Banquets	19,500	23,625	28,000	32,625	37,500	37,500	37,500	37,500	37,500	37,500
7 Community Events and Others	7,200	8,500	9,900	10,925	12,000	12,000	12,000	12,000	12,000	12,000
8 Subtotal	54,600	65,900	77,900	89,850	102,400	102,400	102,400	102,400	102,400	102,400
9 Total	204,200	239,150	275,900	313,700	353,200	353,200	353,200	353,200	353,200	353,200

Source: Johnson Consulting

Total attendance for the PAC with a fully equipped theater is estimated at approximately 204,200 in Year 1, increasing to approximately 353,200 in Year 5.

OPERATING PRO FORMA

In order to illustrate the potential of the Sandy Springs PAC based on execution of the physical recommendations, Johnson Consulting prepared projections of performance. The above outlined demand projections, including use days, and attendance were used to produce estimated financial operating projections for the Sandy Springs PAC. Table 6-8 shows the projected proforma of the PAC.

Table 6-8

Sandy Springs Performing Arts Center with a Fully Equipped Theater Projected Operating Revenues and Expenses (\$000)										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues										
1 Rents	\$1,102	\$1,287	\$1,483	\$1,688	\$1,906	\$1,963	\$2,022	\$2,083	\$2,145	\$2,209
2 Ticket Fees	67	81	95	112	129	133	137	141	146	150
3 Box Office Fees	34	40	48	56	65	67	69	71	73	75
4 Net Food and Beverage	424	517	620	732	854	880	906	934	962	990
5 Reimbursed Event Labor	1,378	1,608	1,854	2,110	2,382	2,454	2,527	2,603	2,681	2,762
6 Donations/ Memberships	15	15	16	16	17	17	18	18	19	20
7 Advertising/ Sponsorships	12	12	13	13	14	14	14	15	15	16
8 Naming Rights	30	31	32	33	34	35	36	37	38	39
9 Total	\$3,061	\$3,592	\$4,161	\$4,760	\$5,401	\$5,563	\$5,730	\$5,901	\$6,078	\$6,261
Expenses										
10 Salaries and Wages	\$381	\$393	\$404	\$417	\$429	\$442	\$455	\$469	\$483	\$497
11 Benefits	127	131	135	139	143	147	152	156	161	166
12 Administrative and General	258	266	273	282	290	299	308	317	327	336
13 Production-related Wages	1,102	1,287	1,483	1,688	1,906	1,963	2,022	2,083	2,145	2,209
14 Event Expenses	551	643	742	844	953	981	1,011	1,041	1,072	1,105
15 Maintenance and Repairs	200	234	269	305	342	352	363	374	385	397
16 Building Operation	322	332	342	352	363	374	385	396	408	420
17 Marketing	150	155	159	164	169	174	179	184	190	196
18 Utilities	120	140	161	183	205	211	218	224	231	238
19 Other	134	149	165	182	200	206	212	219	225	232
20 Total	\$3,345	\$3,728	\$4,134	\$4,555	\$5,000	\$5,150	\$5,304	\$5,464	\$5,627	\$5,796
21 Net Operating Income (Loss)	(\$284)	(\$136)	\$27	\$205	\$401	\$413	\$425	\$438	\$451	\$465

Notes

Line 6 - Donations/ Memberships may be significantly higher based upon marketing efforts of the facility management and community support for the facility.

Line 16 - Includes insurance, license, equipment leases, etc.

Source: Johnson Consulting

As shown in the table, in Year 1, the PAC with a fully equipped theater is projected to start off with \$3.1 million of operating revenues, \$3.3 million of expenses, and \$284,000 of net operating deficit. In Year 5, the PAC is projected to generate \$5.4 million of operating revenues for \$5.0 million of expenses, hence generating net operating income of \$401,000. Operating income is projected to stay at this level in Year 6 and after.

REVENUE ASSUMPTIONS

Key revenue assumptions used for the proforma are described as follows.

- **Rent** – is the main source of the income for the PAC. Rental revenue includes any charges for using various areas of the facility. For ticketed performance events, rentals are based on flat rates plus a percentage of ticket revenues. For all other events, only flat rates are charged. The assumptions for a rental scenario are summarized in Table 6-9. All rental rates are inflated at three percent annually.

Table 6-9

Sandy Springs Performing Arts Center with a Fully Equipped Theater Ticket and Rental Rate Assumptions

	Average Ticket Price	Rental Rate	
		Per Used Day	+ Ticket Rev. %
Theater-Based Uses			
1 Elaborate Entertainment Productions	\$50.00	\$4,000	3.0%
2 Simple(r) Entertainment Events	\$20.00	\$3,000	3.0%
3 Subtotal			
Conference Center-Based Uses			
4 Corporate Events	na	\$3,500	na
5 Seminars and Meetings	na	\$1,000	na
6 Banquets	na	\$1,000	na
7 Community Events and Others	na	\$1,000	na
8 Subtotal			
9 Total			

Source: Johnson Consulting

Other key assumptions used for Ticket Fees through Naming Rights on the revenue side of the proforma are shown on Table 6-10 and described on the following bullet points.

Table 6-10

Sandy Springs Performing Arts Center with a Fully Equipped Theater Other Revenue Assumptions

Assumptions (Year 1)	
1 Ticket Fees	\$0.50 / ticketed attendees
2 Box Office Fees	\$0.25 / ticketed attendees
Food and Beverage	
3 Elaborate Entertainment Productions	\$7.50 / attendee
4 Simple(r) Entertainment Events	\$5.00 / attendee
5 Corporate Events	\$15.00 / attendee
6 Seminars and Meetings	\$15.00 / attendee
7 Banquets	\$25.00 / attendee
8 Community Events and Others	\$7.50 / attendee
9 Net-to-Gross Ratio	20.0% of gross
10 Reimbursed Event Labor	125.0% of rents
11 Donations/ Memberships	\$15,000 / year
12 Advertising/ Sponsorships	\$12,000 / year
13 Naming Rights	\$30,000 / year

Source: Johnson Consulting

- **Ticket Fees** – The Events Center is expected to receive a \$0.50 per ticket fee for all ticketed events at the facility. This figure is conservative relative to regional facilities (by way of example, the ticket fees at Florence Civic Center in South Carolina range between \$2 per sold ticket for family shows and \$4 per sold ticket for concerts). In Year 1, ticket fee revenue is anticipated at \$67,000, increasing to \$129,000 at stabilization in Year 5.
- **Box Office Fees** – Similar to the ticket fee, we have conservatively assumed that the PAC will charge \$0.25 per ticket for all events requiring use of the box office. In the performing arts industry, box office fees are very price sensitive, and depending on the services provided, a higher box office fee could be charged. Revenue from the box office fees are projected at \$34,000 in Year 1 and increases to \$65,000 in Year 5.
- **Net Food and Beverage** – Revenue for net food and beverage sales are assumed for events within the PAC at per attendee rate shown in Table 6-10. Net-to-gross ratio is estimated at 20 percent. The level of F&B projected is comparatively high for such an entertainment venue. The reason we have projected this level of business, is because of the travel distances people must come for this venue. It is assumed that they must eat while visiting the center. Another reason for an above average per capita spend is the cabaret opportunity on the upper tier of the venue.



- **Building Labor** – Additional labor required for show productions is assumed to amount to 1.25 times rental revenues. In Year 1, building labor is expected to generate \$1.4 million, increasing to \$2.4 million by Year 5.
- **Donations/ Memberships** – Donations and memberships are conservatively estimated at \$15,000 in Year 1, increasing by three percent annually to \$17,000 by stabilization in Year 5. This amount has the potential to be significantly higher based upon the marketing efforts of the facility management and also by community reception of and support for the PAC.
- **Advertising/ Sponsorships** - The advertising/sponsorship revenue is estimated at \$12,000 in Year 1, inflated by three percent annually to \$14,000 by stabilization in Year 5. Depending on strategy, these numbers could be higher.
- **Naming Rights** – Naming rights of the Events Center is expected to generate \$30,000 annually for a period of ten years.

EXPENSE ASSUMPTIONS

Johnson Consulting has generated estimated expenditures for the facility, based upon comparable facilities and other knowledge of the industry.

- **Salaries and Wages** – The PAC is expected to employ a total of 8 full-time equivalent staff. Table 6-11 displays the number of personnel at the PAC, including salaries. Total salaries and wages are estimated at \$381,250 in Year 1, increasing to \$429,000 in Year 5. Salaries and wages are adjusted at three percent annually for inflation.

Table 6-11

Sandy Springs Performing Arts Center with a Fully Equipped Theater Estimated Staff Structure

Position	FTEs	Salary	Total
1 Executive Director	1.0	\$100,000	\$100,000
2 Box Office/ Rental Manager	1.5	\$50,000	75,000
3 Sales/ Talent Bookers	1.5	\$37,500	56,250
4 Admin.	1.0	\$35,000	35,000
5 Security	1.0	\$35,000	35,000
6 Maintenance	1.0	\$35,000	35,000
7 Engineering/Technical	1.0	\$45,000	45,000
8 Total	8.0	--	\$381,250

Source: Johnson Consulting

Other key assumptions used for Benefits through Marketing and Others on the expense side of the proforma are shown on Table 6-12 and described on the following bullet points.

Table 6-12

Sandy Springs Performing Arts Center with a Fully Equipped Theater Expenses Assumptions		
Assumptions (Year 1)		
1	Salaries and Wages	\$381,250 / year (see Staff table)
2	Benefits	33.3% of Salaries and Wages
3	Administrative and General	\$2.00 / gross SF
4	Production-related Wages	80.0% of Reimbursed Event Labor
5	Event Expenses	50.0% of building rents
6	Maintenance and Repairs	\$500 / use days
7	Building Operation	\$2.50 / gross SF
8	Marketing	\$150,000 / year
9	Utilities	\$300 / use days
10	Other	4.0% of Total Expenses

Source: Johnson Consulting

- **Benefits** – Employees benefits are estimated at 33.3 percent of total salaries and wages, for a total of \$127,000 in Year 1 increasing to \$143,000 in Year 5.
- **Other Administrative and General** – Other administrative and general expenses include any general office expenditures related to day-to-day operations of the PAC. It is estimated at \$2.00 per square foot of the PAC for a total of \$258,000 in Year 1 and adjusted at three percent annually thereafter for inflation.
- **Passthrough Labor/ Production-related Wages** – Includes expenditures for any additional labor required for event production and is estimated to be 80 percent of the building labor revenue line item or \$1.1 million in Year 1.
- **Event Expenses** – Event expenses are estimated to amount to 50 percent of building rents, which translate to a total of \$551,000 in Year 1, growing to \$953,000 in Year 5.
- **Maintenance and Repairs** – Maintenance and repair expenditures are estimated based upon the number of used days at the PAC. For each used day, \$500 is estimated for maintenance and repair expenditures.
- **Building Operations** – Building operations include insurance, license, equipment leases, et cetera, and are estimated to amount to \$2.50 per gross square foot or \$322,000 in Year 1. Insurance is

anticipated to increase at a rate of three percent annually for inflation. This amount could be saved if the City self-insures the property.

- **Marketing** – The expenditure for advertising is estimated at \$150,000 in Year 1, adjusted at three percent annually for inflation.
- **Utilities** – Utility expenditures are estimated at \$300 per use day of the PAC, starting at \$120,000 in Year 1 and growing to \$205,000 in Year 5.
- **Other Operating Expenses** – Other operating expenditures include any additional expenses not accounted for in the above categories. Other operating expenditures are estimated at four percent of expenses, which is \$143,000 in Year 1.

DEMAND PROJECTIONS FOR PAC WITH A SCALED DOWN THEATER

Table 6-13 through Table 6-16 shows the projected demand and profroma for a Sandy Springs PAC with a scaled down cost option for the theater component, at the same seating capacity but without a fly loft and only minimal backstage amenities. Basically, this scaled down facility will not able to attract elaborate productions, but will have a greater number of simple performance events and conference center-based events.

Table 6-13

Sandy Springs Performing Arts Center with a Scaled Down Theater Projected Demand										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Theater-Based Uses										
1 Elaborate Entertainment Productions	0	0	0	0	0	0	0	0	0	0
2 Simple(r) Entertainment Events	24	27	30	33	36	36	36	36	36	36
3 Subtotal	24	27	30	33	36	36	36	36	36	36
Conference Center-Based Uses										
4 Corporate Events	40	45	50	55	60	60	60	60	60	60
5 Seminars and Meetings	24	28	32	34	36	36	36	36	36	36
6 Banquets	30	35	40	45	50	50	50	50	50	50
7 Community Events and Others	18	20	22	23	24	24	24	24	24	24
8 Subtotal	112	128	144	157	170	170	170	170	170	170
9 Total	136	155	174	190	206	206	206	206	206	206

Source: Johnson Consulting

As shown on the table, the PAC with a scaled down theater is expected to accommodate 24 performance events plus 112 events at the conference center, for a total of 136 events at the facility. By Year 5, the facility is projected to attract 36 productions plus 170 events at the conference center, for a total of 206 events.

Table 6-14 shows the projected used days at the theater.

Table 6-14

Sandy Springs Performing Arts Center with a Scaled Down Theater Projected THEATER Used Days*										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Theater-Based Uses										
1 Elaborate Entertainment Productions	0	0	0	0	0	0	0	0	0	0
2 Simple(r) Entertainment Events (a)	96	108	120	132	144	144	144	144	144	144
3 Subtotal	96	108	120	132	144	144	144	144	144	144
Conference Center-Based Uses										
4 Corporate Events (b)	15	17	19	21	23	23	23	23	23	23
5 Seminars and Meetings (c)	na									
6 Banquets (c)	na									
7 Community Events and Others (c)	na									
8 Subtotal	15	17	19	21	23	23	23	23	23	23
9 Total	111	125	139	153	167	167	167	167	167	167

Notes:

*Including days for set-up and tear-down.

a) Assuming an average of 3 shows and additional 1 day for set-up/ tear-down per production event.

b) Assuming that 25% of corporate events take place in Theater, while the remaining 75% in Conference Center. Average length of event is 1.5 days.

c) These events are accommodated in the Conference Center.

Source: Johnson Consulting

Table 6-15 shows the projected used days at the conference center.

Table 6-15

Sandy Springs Performing Arts Center with a Scaled Down Theater Projected CONFERENCE CENTER Used Days*										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Theater-Based Uses										
1 Elaborate Entertainment Productions	0	0	0	0	0	0	0	0	0	0
2 Simple(r) Entertainment Events (a)	48	54	60	66	72	72	72	72	72	72
3 Subtotal	48	54	60	66	72	72	72	72	72	72
Conference Center-Based Uses										
4 Corporate Events (b)	45	51	56	62	68	68	68	68	68	68
5 Seminars and Meetings (c)	36	42	48	51	54	54	54	54	54	54
6 Banquets (d)	30	35	40	45	50	50	50	50	50	50
7 Community Events and Others (c)	27	30	33	35	36	36	36	36	36	36
8 Subtotal	138	158	177	192	208	208	208	208	208	208
9 Total	186	212	237	258	280	280	280	280	280	280

Notes:

*Including move-in and move-out days.

a) Assuming that each entertainment production also uses a Conference Center facility, for an average of 2 days each for pre- and/ or post-production events.

b) Reflecting 75% of corporate events that take place at the Conference Center. Average event length is 1.5 days.

c) Average event length is 1.5 days, which include 1 day of actual event and 0.5 day for move-in/ move-out.

d) Average event length is 1 days, which include 0.5 day of actual event and 0.5 day for move-in/ move-out.

Source: Johnson Consulting

Table 6-16 shows the projected attendance.

Table 6-16

Sandy Springs Performing Arts Center with a Scaled Down Theater Projected Total Attendance										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Theater-Based Uses										
1 Elaborate Entertainment Productions	0	0	0	0	0	0	0	0	0	0
2 Simple(r) Entertainment Events	61,200	70,875	81,000	91,575	102,600	102,600	102,600	102,600	102,600	102,600
3 Subtotal	61,200	70,875	81,000	91,575	102,600	102,600	102,600	102,600	102,600	102,600
Conference Center-Based Uses										
4 Corporate Events	34,000	39,375	45,000	50,875	57,000	57,000	57,000	57,000	57,000	57,000
5 Seminars and Meetings	4,800	6,300	8,000	9,350	10,800	10,800	10,800	10,800	10,800	10,800
6 Banquets	19,500	23,625	28,000	32,625	37,500	37,500	37,500	37,500	37,500	37,500
7 Community Events and Others	7,200	8,500	9,900	10,925	12,000	12,000	12,000	12,000	12,000	12,000
8 Subtotal	65,500	77,800	90,900	103,775	117,300	117,300	117,300	117,300	117,300	117,300
9 Total	126,700	148,675	171,900	195,350	219,900	219,900	219,900	219,900	219,900	219,900

Source: Johnson Consulting

OPERATING PRO FORMA

Table 6-17 shows the estimated operating proforma.

Table 6-17

Sandy Springs Performing Arts Center with a Scaled Down Theater Projected Operating Revenues and Expenses (\$000)										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues										
1 Rents	\$470	\$549	\$631	\$714	\$802	\$826	\$851	\$876	\$902	\$929
2 Ticket Fees	17	20	24	28	32	33	34	35	36	37
3 Box Office Fees	9	10	12	14	16	17	17	18	18	19
4 Net Food and Beverage	325	396	475	559	652	672	692	712	734	756
5 Reimbursed Event Labor	588	686	789	893	1,002	1,032	1,063	1,095	1,128	1,162
6 Donations/ Memberships	15	15	16	16	17	17	18	18	19	20
7 Advertising/ Sponsorships	12	12	13	13	14	14	14	15	15	16
8 Naming Rights	30	31	32	33	34	35	36	37	38	39
9 Total	\$1,465	\$1,719	\$1,992	\$2,270	\$2,568	\$2,645	\$2,725	\$2,806	\$2,890	\$2,977
Expenses										
10 Salaries and Wages	\$320	\$330	\$339	\$350	\$360	\$371	\$382	\$394	\$405	\$418
11 Benefits	107	110	113	117	120	124	127	131	135	139
12 Administrative and General	161	166	171	176	181	187	192	198	204	210
13 Production-related Wages	470	549	631	714	802	826	851	876	902	929
14 Event Expenses	118	137	158	179	200	206	213	219	226	232
15 Maintenance and Repairs	74	87	100	112	125	129	133	137	141	145
16 Building Operation	129	133	137	141	145	149	154	159	163	168
17 Marketing	150	155	159	164	169	174	179	184	190	196
18 Utilities	45	52	60	67	75	78	80	82	85	87
19 Other	66	72	78	84	91	93	96	99	102	105
20 Total	\$1,639	\$1,789	\$1,946	\$2,104	\$2,269	\$2,337	\$2,407	\$2,480	\$2,554	\$2,631
21 Net Operating Income (Deficit)	(\$174)	(\$69)	\$46	\$167	\$299	\$308	\$317	\$327	\$337	\$347

Notes

Line 6 - Donations/ Memberships may be significantly higher based upon marketing efforts of the facility management and community support for the facility.

Line 16 - Includes insurance, license, equipment leases, etc.

Source: Johnson Consulting

As shown on the table, the PAC with a scaled down cost option for the theater is expected to generate an operating profit of \$299,000 in Year 5.

Table 6-18 through Table 6-21 summarize the key assumptions utilized in the proforma. Some differ from the fully equipped theater option, because the scaled down option requires less staff, has less equipment leases, needs less repairs, utilities, et cetera.

Table 6-18

**Sandy Springs Performing Arts Center with a Scaled Down Theater
Ticket and Rental Rate Assumptions**

	Average Ticket Price	Rental Rate	
		Per Used Day	+ Ticket Rev. %
Theater-Based Uses			
1 Simple(r) Entertainment Events	\$20.00	\$3,000	3.0%
2 Subtotal			
Conference Center-Based Uses			
3 Corporate Events	na	\$3,500	na
4 Seminars and Meetings	na	\$1,000	na
5 Banquets	na	\$1,000	na
6 Community Events and Others	na	\$1,000	na
7 Subtotal			
8 Total			

Source: Johnson Consulting

Table 6-19

Sandy Springs Performing Arts Center with a Scaled Down Theater Other Revenue Assumptions

		Assumptions (Year 1)
1	Ticket Fees	\$0.50 / ticketed attendees
2	Box Office Fees	\$0.25 / ticketed attendees
Food and Beverage		
3	Elaborate Entertainment Productions	\$7.50 / attendee
4	Simple(r) Entertainment Events	\$5.00 / attendee
5	Corporate Events	\$15.00 / attendee
6	Seminars and Meetings	\$15.00 / attendee
7	Banquets	\$25.00 / attendee
8	Community Events and Others	\$7.50 / attendee
9	Net-to-Gross Ratio	20.0% of gross
10	Reimbursed Event Labor	125.0% of rents
11	Donations/ Memberships	\$15,000 / year
12	Advertising/ Sponsorships	\$12,000 / year
13	Naming Rights	\$30,000 / year

Source: Johnson Consulting

Table 6-20

Sandy Springs Performing Arts Center with a Scaled Down Theater Estimated Staff Structure

Position	FTEs	Salary	Total
1 Executive Director	1.0	\$100,000	\$100,000
2 Box Office/ Rental Manager	1.0	\$50,000	50,000
3 Sales/ Talent Bookers	1.0	\$37,500	37,500
4 Admin.	0.5	\$35,000	17,500
5 Security	1.0	\$35,000	35,000
6 Maintenance	1.0	\$35,000	35,000
7 Engineering/Technical	1.0	\$45,000	45,000
8 Total	6.5	--	\$320,000

Source: Johnson Consulting



Table 6-21

Sandy Springs Performing Arts Center with a Scaled Down Theater Expenses Assumptions

Assumptions (Year 1)	
1 Salaries and Wages	\$320,000 / year (see Staff table)
2 Benefits	33.3% of Salaries and Wages
3 Administrative and General	\$1.25 / gross SF
4 Production-related Wages	80.0% of Reimbursed Event Labor
5 Event Expenses	25.0% of building rents
6 Maintenance and Repairs	\$250 / use days
7 Building Operation	\$1.00 / gross SF
8 Marketing	\$150,000 / year
9 Utilities	\$150 / use days
10 Other	4.0% of Total Expenses

Source: Johnson Consulting

ECONOMIC AND FISCAL BENEFIT

Table 6-22 summarizes the estimated economic and fiscal benefits of having a Performing Arts Center in Sandy Springs, based on the \$45.1 million cost. The assumptions and methodology of the impact are discussed in Section 7 of this report.

Table 6-22

Sandy Springs Performing Arts Center with a Scaled Down Theater Summary of Economic and Fiscal Impact		
	ONE-TIME Impact of Construction	ANNUAL Impact of Facility Operations
On-Site Construction Jobs (FTE)	550	na
Economic Impact		
Direct Spending	\$16,240,000	\$20,670,000
Indirect Spending	3,250,000	4,130,000
Induced Spending	2,440,000	3,100,000
Total Spending	\$21,930,000	\$27,910,000
Increased Earnings	\$5,410,000	\$6,890,000
Employment (in FTE Jobs)*	290	372
Fiscal Impact		
Sales Tax	\$1,040,000	\$1,954,000
Hotel/ Motel Occupancy Tax	na	288,000
Total	\$1,040,000	\$2,242,000
<p><i>*Reflects increased employment in the area as a result of (or commonly referred to as "ripple effect" from) direct spending.</i></p> <p><i>Source: Johnson Consulting</i></p>		

As shown on the table, the estimated economic and fiscal benefit of Sandy Springs PAC for the scaled down theater option also far exceeds the projected operating deficit.

CONCLUSION – OPERATING RESULTS

The Sandy Springs PAC is expected to operate in the upper quartile of similar facilities, in terms of demand. While many variables are still to be defined, there is a genesis of good events in the marketplace and if a seasoned manager is recruited and cost structures are not unduly influenced by unions or other factors, the facility should be competitive. The market will support a facility of this size and stature, if located in proximity to the existing hotel supply, and the management team works to adequately penetrate the regional market and attract a high enough caliber of entertainment acts to achieve regional demand. The resort and community are of high enough stature to attract demand.

Operationally, the PAC is estimated to require an annual subsidy in the initial years of operation and then reaching breakeven status as the facility stabilizes. However, as previously noted a portion of an annual operating subsidy could possibly be reduced with higher amounts of private donations received by the PAC through the marketing efforts of the PAC staff. Also, the quality of events at the PAC will help to drive community support for the facility and further enhance the level of private monetary support the PAC could earn.

There are two scenarios for facility management for either venue that is built. The first assumes management does not take risk in developing show productions- it is a for rent facility only. This puts less pressure on the management of the facility but inhibits revenue potential and the facility incurs an annual operating deficit. The second is a facility that self-promotes the majority of its events. This scenario puts the facility at greater risk if events do not perform as projected but maximizes revenue potential and can result in the facility achieving an operating profit if successful.

Further discussion is needed on how shows will be produced at the PAC; any support from the PAC itself towards the initial production of a show will increase the risk/reward profile of the facility. Acts will be speculative about potential until the market proves itself, so the funding plan should consider adding a “risk fund” to allow the venue to promote and co promote acts. This will enhance the likelihood of attracting events and could help improve bottom line performance.

FUNDING AND OWNERSHIP CONSIDERATIONS

The development of performing arts facilities typically rely on several funding sources as the facilities themselves rarely generate sufficient revenue to cover their own operations – let alone capital funding costs. In addition, the proposed ownership of the facility requires consideration, whether it is public, non-profit, or private. The following paragraphs outline the types of funding and ownership options available.

FUNDING OPTIONS

Few event center developments rely solely upon one type of funding source for facility construction and subsequent operations. Typically, event center construction garners as much private funding as possible, with the remaining costs utilizing net operating income, if any, and either general or dedicated public subsidization. The following points outline the major categories of typical funding sources, including public support and several categories of private monies.

- **Fundraising** – The use of fundraising will not only be necessary to support the annual operations of the proposed facility, but also crucial for the initial capital development of the facility. Fundraising prior to the construction of the facility will directly enable the City and County to reduce the amount of funding required for the outright capital development of the facility. As such, it is crucial that a capital campaign for the facility is conducted by individuals or entities familiar to capital campaigns for such facilities.

The role of fundraising will not end with the construction of the facility. In addition to the annual operating subsidy that the facility will require, any donation received after facility construction could be dedicated to debt service, capital improvements, and an operating endowment fund.

- **Sponsorship/ Naming Rights** – Along the same lines as fundraising, sponsorships and naming rights would be solicited from those throughout the area, but too a much higher contribution amount.



While individuals could potentially be a source for a substantial on-time donation to receive naming rights for the proposed facilities, such contributions have typically come from private companies.

Sponsorships are typically revenues derived from advertising space located within the facility. Some limited space within lobby areas may be reserved for this, although this will be limited at best, as this revenue source is not usually attained at substantial levels for smaller community facilities, as is proposed for this project.

Naming rights represent a substantial source of possible revenue for the facility. Revenues from naming rights can be received up front in a lump sum or over a set period of years. Depending upon the level of contribution, naming rights could be sold for the entire facility or in smaller increments distributed throughout the facility. Often, sponsors are benefactors that donate funds in order to support the project's development.

- **Grants** – A myriad of state and federal grants have been achieved for performing arts facilities. The State of Indiana has invested in such facilities in downtown Indianapolis, at the University of Indiana as well as elsewhere in the State. Federal grants have been achieved for both capital and operating programs for facilities throughout the nation.
- **Public** – Construction costs that are not covered through private donations require public subsidization. Typically, public support will be provided by a bond issue, which will be in turn supported by a source of public revenue, or a dedicated revenue source.
 - **Revenue Bond** – Revenue bonds are a dedicated and pledged flow of revenue coming from sources identified as rents or authorized tax or fee which can be used for a statutorily approved purpose. The dedicated flow of these revenues can determine the amount of a bond issue which will be supported by this revenue source.

In addition to a well-conceived fundraising and grants development program, a mix of any of the above funding strategies will be required to meet a public contribution of the project. This will be determined by considering which options will best achieve the goals of the project at the most appropriate financial strategy for the community.

OWNERSHIP/OPERATION OPTIONS

As with funding options, several options are possible for ownership and operation of the proposed facility. Options for public, non-profit, and private ownership/operation are presented below.

- **Public** – At this point, it is generally assumed that the City or a not for profit entity will serve as project sponsor through the center's development. As with other cities, particularly smaller communities similar to Sandy Springs, ownership has been retained after completion of construction

through operation. A number of event center facilities are owned by municipalities throughout the nation. However, ownership of a facility does not necessarily mean municipal operation. Typically, when a municipality engages in facility operation, the facility is operated as part of the parks and recreation department, as an autonomous enterprise fund, or by a not-for-profit corporation that distances the city's influence and brings arts and entertainment business expertise to the project. The funding plan that is devised typically addresses ongoing operational support and the not-for-profit corporation then undertakes capital and operating program campaigns. We suggest an enterprise fund format for accountability purposes, if municipal operation is decided upon. A not-for-profit corporation could then be established to guide operations.

- **Non-Profit** – As mentioned above, a non-profit would require the establishment of a separate legal entity for ownership and/or operation of the facility. Benefits of a non-profit would include reduced responsibility by the City. Typically, the City would retain ownership of the facility, with responsibility for maintenance and capital improvements, with a non-profit responsible for event management and booking and other day-to-day operations. Arrangements between the City and non-profit could include annual subsidization required by City and annual fundraising targets for the non-profit to meet to continue operating the facility. In addition, the City could maintain some control over the facility by making board appointments. As stated above, we recommend establishment of a non-profit entity for operation of the facility.
- **Private** – Private ownership would require development of the facility by the private sector, an unrealistic expectation for this market. Operation by a private management company could be considered. A private management company would not be expected to take capital risk on this project, due to operational economics. If an anchor tenant is secured, such as a home location for an act, a capital investment could be achieved. As previously envisioned, the facility is designed to enhance the well-being of the community with ancillary economic benefits. While it would be possible to retain a private management company and still enjoy these benefits, some community groups may not be able to utilize the facility, as higher revenue generating tenants will be more desirable to the private operators of the facility.