



City of Lansing Final Report

January 2020

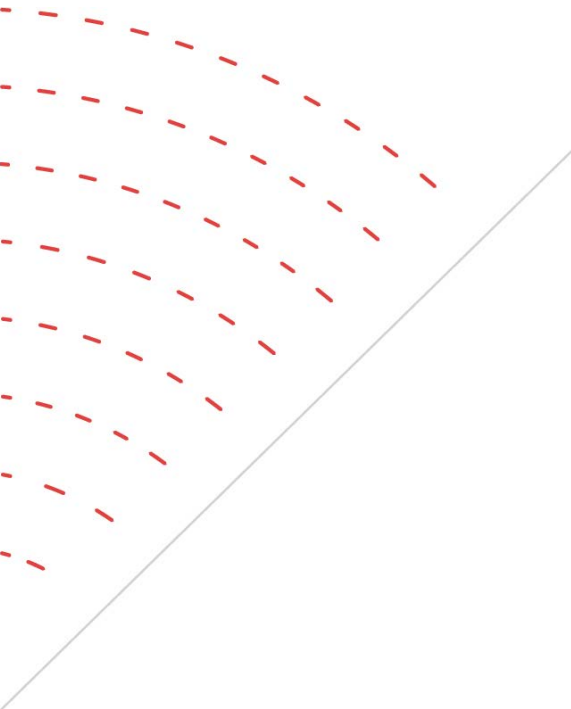




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Introduction

The City of Lansing Facilities & Infrastructure Committee of the Mayor's Arts & Culture Commission initially engaged AMS Planning & Research in February 2019 to conduct a feasibility study for a potential new performance venue located in downtown Lansing. The study sought to assist development partners by offering a recommended business model for operations, should a new venue be developed.

Key Questions

The study process was guided by a series of questions about the vision of success for a new music and arts facility, community composition and needs, competition, and opportunity:

- What groups, besides Lansing Symphony and Lansing Public Media (LPMC), would comprise the users? What are the needs within the community? What programming 'gaps' exist, and what is the demand in the marketplace?
- What is the competitive environment? What are the local and regional factors that may impact operations? What opportunities are present?
- What partnership opportunities exist? Is the funding environment conducive to long-term operations of a new venue¹?
- What is the best governance and operating model for a new venue with multiple users? What would be the cost of operations? What revenue streams would support the venue, and what amount of subsidy would be required?

¹ Though AMS did develop some understanding of the funding environment in Lansing for both capital dollars and potential ongoing operating dollars, detailed study of the funding environment is ongoing through the engagement of *Capitol Fundraising Associates*, under the leadership of CEO Rebecca Bahar-Cook

Study Methodology

In order to establish context for the study, AMS collected and reviewed over 35 background documents provided by area organizations and municipal governments, including the Lansing Symphony, Wharton Center, Downtown Lansing Inc., CVB, LEAP, Lansing Arts Council, and Lansing School District, as well as master planning documents from previous City studies. Patron files were obtained from the Lansing Symphony Orchestra and analyzed for comparative demographics, primary and secondary market definition, and development of the 'profile' of a typical arts patron in the Lansing region.

AMS engaged in stakeholder interviews to understand the degree of community leadership support for a new cultural hub in downtown Lansing, as well as expectations about the physical form of a new venue and the types of arts programming it would offer; factors at play in the regional marketplace; and challenges and opportunities; all in an effort to define a successful venture. This leadership perspective was supplemented by a community survey measuring current and projected consumption of arts and entertainment activity in Lansing², and inviting perspective on current arts and cultural offerings in Lansing.

Using patron records obtained from the Lansing Symphony Orchestra³, AMS then created and studied primary and secondary market areas⁴ to understand demographic composition and affinities toward certain types of arts engagement. AMS also conducted a survey of area arts and cultural organizations' current and potential needs, and inventoried area competitive content and venues, to understand the landscape of arts and cultural resources in the region and the demand for a new venue. Conversations with local, regional and national promoters provided

² Including how often respondents attend, where they attend, the types of programming they engage with, and what factors drive or prevent attendance at performance events.

³ LSO Patron records 2015-2018 (combined)

⁴ A primary market area was defined as a 30-minute drive time; expanded/secondary market was defined as a 60-minute drive time

insight to the opportunities for available touring content and perceptions of gaps that a new venue might fill.

With the study of cultural assets, perspectives, and market in hand, AMS offered comparable case studies and generated an outline of potential activity at the venue utilizing survey responses from potential users and feedback from regional concert promoters. Theater planning firm *Fisher Dachs Associates* was hired to construct a preliminary building program for a space which fit the needs of the various stakeholders. AMS created a model for operations, including a pro forma revenue and expense budget, and governance and operating recommendations. Using the results from the building program and operating estimates, subconsultant *Americans For the Arts* created a report outlining the anticipated economic impact from the construction and operation of the potential new venue. The City of Lansing has now engaged *Capitol Fundraising Associates* to study the feasibility of undertaking a capital campaign to fund a new venue, as defined in this study.



I. Definition of Success

A cutting edge, flexible performance venue with dynamic and versatile programming to engage residents and visitors of the City of Lansing and the greater mid-Michigan region.

Working with AMS, and informed by stakeholder inputs and community research, the Facilities & Infrastructure Committee of the City of Lansing Arts & Cultural Commission established a definition of success for a new arts and cultural venue in Lansing. Stakeholders cite the importance of a cultural stimulus which drives creative output and engagement, programmed by a variety of local presenters and producers. They emphasize that a flexible-form venue will accommodate many user types, without compromising amenities. A target capital budget of \$40-\$60 million was established, with a recommended public/private partnership for capital development and operations. With these **guiding principles** in mind, a specific vision of a facility and its parameters has been created and tested.

Consumer demand aligns with the facility needs of potential users in Lansing and the greater region to recommend a highly flexible, music-oriented venue with a capacity of 1,400 seats and 1,800 patrons in a standing-room configuration. Flexibility is the key to activating the space regularly, as it will serve as a home to Lansing Symphony Orchestra rehearsals and concerts, supplemented by a variety of regional users and touring shows. Robust concessions with accommodations for multiple points of sale will entice commercial acts and ensure their economic success. An additional small black box space, known as a “performance lab” with a capacity of about 200 seats would serve a large array of Lansing’s local arts and events. The Lansing Public Media Center and Visual Arts Center would also house their operations in dedicated spaces in the new venue complex.



II. The Need for a New Facility

The effort to understand the marketplace and potential for a new venue in Lansing is segmented into two categories: the marketplace for touring content at regional arts venues, and the marketplace for audiences. This two-pronged study helps to determine the level and types of demand for a new facility.

Market for Content

An inventory of regional competitive venues reveals that the corridor between Detroit and Grand Rapids has a notable lack of venues with capacity between 1,500 and 1,999 seats. Anecdotal feedback from area content providers cited the lack of a sufficient venue of appropriate capacity and availability to serve both local groups and small to mid-size commercial music performances. This inventory confirmed the gap and represents an opportunity for Lansing to better serve the demand in the marketplace with new development.

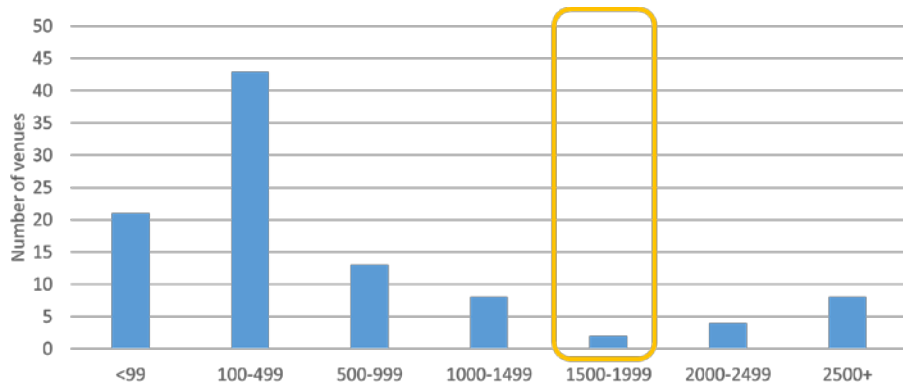


Fig 1: Regional venue inventory by capacity

A user survey garnering response from 86 potential facility user group participants across greater Lansing⁵ reveals a strong need for a new venue downtown. Respondents decidedly say that the venue must be able to distinguish itself from others in the marketplace in order to be a useful asset to the community; Lansing needs a *unique* new venue, different from the Wharton Center, Lansing Center, and other Lansing area performances spaces – not just ‘another venue’ to fill the inventory.



Fig 2: User survey – additional comments

⁵ 30% of respondents are performing arts producers, among other categories including commercial enterprises, not-for profit service organizations, educational institutions, performing arts presenters, performing arts service organizations, and performing arts facilities operators.

Survey respondents are most interested in flexible spaces, including flexible proscenium theaters, flat floor multi-use spaces, and black box theaters. Of those who responded to a question regarding venue type, nearly 90% suggested the need for a flexible large theater space, and over 70% suggested a black box theater space.

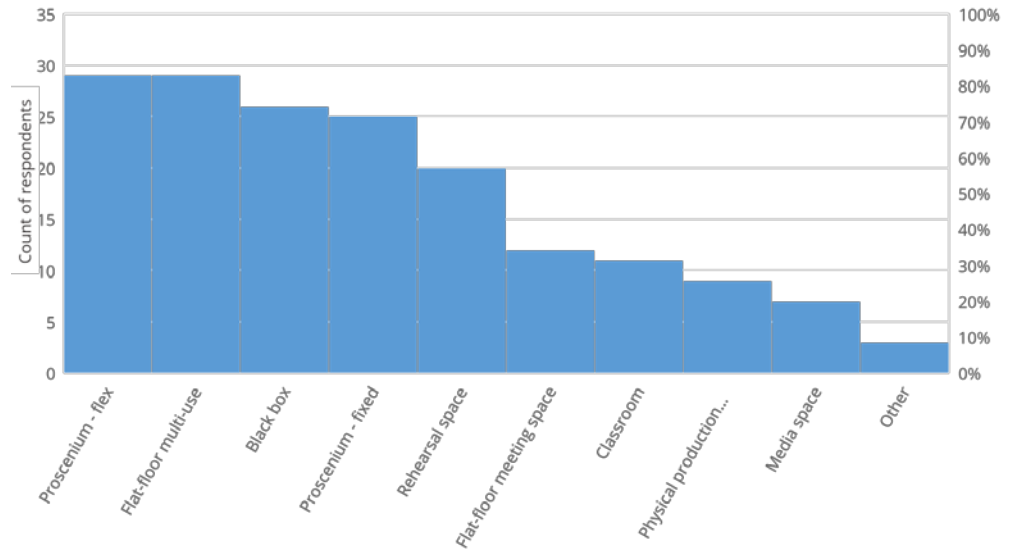


Fig 3: User survey – desired venue type

There are several important factors which area organizations consider in deciding to rent a space for their programming. Parking, availability of dates on the calendar, and the affordability of rental rates were all mentioned by over 85% of respondents as important or essential factors in choosing to rent spaces.



Fig 4: User survey – rental factors

Lansing Symphony Orchestra

As a potential anchor tenant of the new venue, AMS carefully examined the current and projected activity and needs of the Lansing Symphony Orchestra. The orchestra has successfully penetrated the local market, with untapped patrons of a similar profile being located in nearby Grand Rapids and Ann Arbor -- cities which already have symphony orchestras to serve those patrons. In order to grow its market, the LSO must expand its existing footprint within Lansing, by diversifying its offerings to entice a wider audience. A new venue, which provides opportunities for various collaborations, and flexibility for formal and informal audience configurations, can assist in attracting new audiences to the symphony's programming, transcending the traditional symphony crowd⁶.

Currently, the LSO plays their season of about 25 nights at the Wharton Center, but the orchestra struggles to book dates at Wharton due to a full calendar of presentations, student recitals and concerts, and other content at the Center. Additionally, the Wharton Center began a five-year rental rate increase in the 2016/17 season, which will result in a total rate increase of 77% by the 2020/21 season. Between difficulty with scheduling, increasing costs for rental space, and a desire to centralize operations in Lansing to contribute to the revitalization of downtown, a new home for the Symphony is increasingly justified.

⁶ Most LSO patrons are wealthy, working white collar jobs or retired, highly educated, and living in suburban or rural communities. The patron file also consists of students and young professionals living in Lansing and East Lansing, many of whom are highly educated but are earlier in their careers, and thus do not represent high levels of personal wealth



Fig 5: Wharton Center blackouts and LSO dates (green)

The LSO cannot fill the calendar of a new venue with its own season of programming however. Though it would be an important anchor tenant in the venue, the orchestra must rely on other local arts groups and commercial content to fill dates and activate the building throughout the daytime hours.

Other Potential Users

Two other local organizations in need of improved and expanded spaces are expected to be potential leaseholders in the new venue. The **Lansing Public Media Center (LPMC)**, Lansing’s government access TV station, would bring regular daytime activity to a new facility as it produces TV broadcasts of council meetings and other events for the City of Lansing. The LPMC has expressed a need for additional office and studio space for its programming. LPMC is also responsible for the annual Capital City Film Festival, which runs for five days in April and offers over 45 film and music events across the city. Additional concerts, fundraisers, and popup film events associated with the festival occur throughout the year. The festival’s leadership says that, given the right space, they could see notable audiences for screenings every weekend throughout the year, but the only space that can currently be booked is a 375-seat venue called the *Loft*, which is too small. To meet increasing demand by expanding the film offerings to most weekends throughout the year, a

larger space offered by a new venue would better serve the festival and its expansion.

The **Lansing Art Gallery & Education Center** currently operates in a 7,000 square foot facility in the basement of Lansing's downtown YMCA. Offering seven annual exhibitions and education programs for students, as well as works for sale by local and Michigan artists, the gallery has outgrown its current space and desires to have a presence at street-level to attract more walk-ins. With growing interest in its education programming, the Lansing Art Gallery is also in need of larger, discipline-specific classrooms.

Relocating these two civic institutions into a new facility which is part of the proposed venue would provide additional daytime activation of the venue on both weekdays and weekends. Further, it creates synergistic educational opportunities for youth and adults alike.

The Common Ground Festival runs for one week in June and offers over 25 popular music acts at Adado Riverfront Park⁷. Representatives of the primary concert promoter for the festival, *MiEntertainment Group*, say that the festival procures some content that may be better suited in a commercially oriented⁸, right-sized indoor venue, which is currently missing from the marketplace. With the addition of such a venue, *MiEntertainment Group* would be interested in booking more acts in the region on secondary tour legs, including hip hop, rock, jazz, bluegrass, and country.

Conversations with various other regional and national promoters⁹ reveal notable opportunity for Lansing. Promoters recognize the venue gap in Lansing, saying that a lack of mid-sized regional venues between 1,000-

⁷ The Common Ground Festival has an estimated economic impact of \$70m annually

⁸ 'Commercially-oriented' spaces cater to the needs of promoters, artists, and audiences, providing VIP amenities, multiple points of sale for food and beverage, etc.

⁹ Promoter interviews: Madison House (Adam Bauer), Live Nation (Dave Clark), Indigo Road Entertainment (Denny Baxter), Meridian Entertainment Group

2,000 seats has created a 'depressed' market. They recognize the presence of the Wharton Center, but say that bringing popular content there is impossible due to the curated nature of their presented programming and Michigan State University's other priorities for the venue. In spite of some concern about competition from the local Soaring Eagle Casino and existing radius clauses¹⁰, promoters see the potential in mid-sized and smaller music concerts in Lansing, including mid-range rock, pop and country that would frequently play a 1,500-2,000 capacity venue on the way from Detroit to Grand Rapids. Recent examples of these include The Verve Pipe, Colin Hay, Get the Led Out, Bone Thugs N Harmony, Ben Rector, and Justin Moore. Overall, promoters express interest in bringing programming to a new venue in Lansing, but do not have any interest in capital investment in, or operation of, a new facility.

Market for Audience

In addition to content and venue supply, AMS studied the propensity of audiences to attend events in Lansing. To understand the demographic and psychographic constitution of the region, AMS determined a primary area of study based on a 30-minute drive time¹¹, and a secondary market area based on a 60-minute drive time¹². This primary market area is projected to grow in next five years by 2.1%¹³, and interestingly sees high levels of education, yet lower income than the secondary market, likely due to a young and well-educated, but early-career population living in

¹⁰ Depending on touring contracts negotiated by artists, some artists may have blackouts after playing at venues within a certain radius; this is more likely to impact higher-profile acts, preventing them from playing in Lansing after having played in Detroit or Grand Rapids due to the proximity of competitive venues.

¹¹ Primary market area encompasses 58 zip codes with a total population of 512,500, and represents 81% of the aggregate LSO patron file.

¹² Secondary market area encompasses 244 zip codes with a total population of 2,188,500, and represents a total 89% of the aggregate LSO patron file.

¹³ 1.3% growth in the total market area

the city and East Lansing¹⁴. The average age in the primary market is 38.5, and 79% of the market area identifies as white.

Segmentation of the primary market reveals a diversity of socioeconomic groups living in the region, but a significant portion of the primary market consists of low-income singles and families without kids¹⁵. The expanded market, including suburban Lansing, sees higher incomes and more family households.

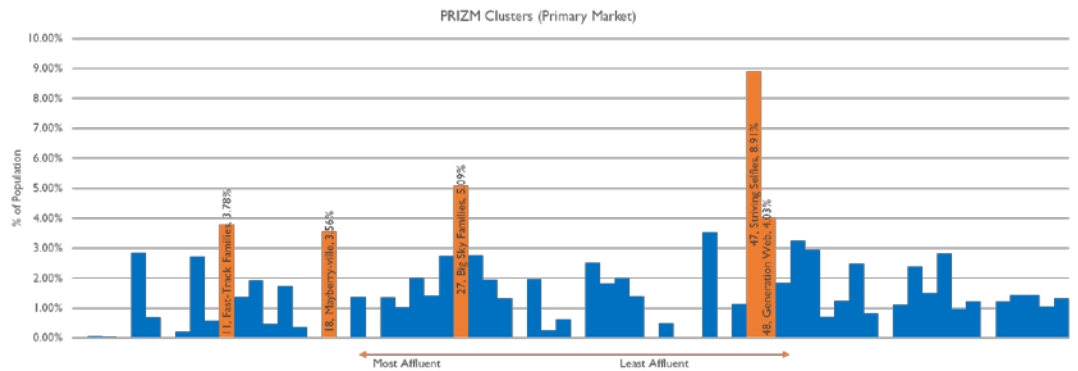


Fig 6: Primary Market segment composition

When compared to national averages, primary market residents are slightly more inclined to attend specific events like country music concerts, but index lower than the national average in likelihood to attend more traditional arts and cultural events including dance and symphonic music.

An online survey of the community gathered information on the current and projected consumption of arts and entertainment by residents, community perception of existing performance offerings in Lansing, and

¹⁴ 62% of the primary market earns under \$75k; 44.5% have completed college degrees

¹⁵ Dominant segment – striving selfies (8.9%): “Striving Selfies is a segment of younger singles and couples that show signs of greater potential. They are among the most tech savvy segments with some college credits under their belt. More often than not, they are renters who have not yet been able to purchase their first home.”

drivers and barriers involved in attending arts and entertainment events in the city¹⁶. Most respondents call Lansing or East Lansing home, but other surrounding towns¹⁷ were also represented. It is important to note that the demographic composition of these 'likely to participate in arts and cultural activities' survey respondents differs from the general public in a few key ways, which have bearing on the survey results: Survey respondents are more frequently college educated, earn greater household incomes, and are older than the primary market area¹⁸.

An overwhelmingly positive 87% of community survey respondents are supportive of a new venue for arts and entertainment in Lansing. Though supportive, questions were raised about the appropriate venue form, issues that may arise with downtown parking, and economic feasibility and ongoing cost to taxpayers. Negative respondents said they believe the Wharton Center is adequate to fill the need, or that the city should be engaged first in solving other priority issues like fixing roads.

Do you support the idea of a new venue in the City of Lansing?

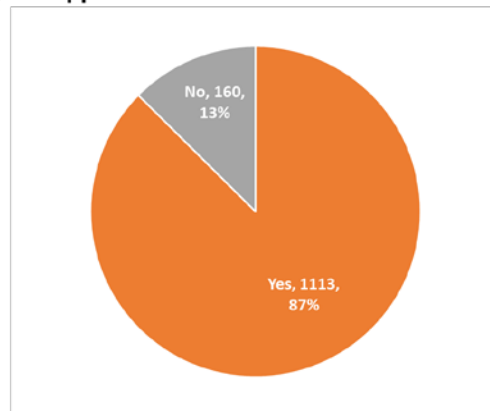


Fig 7: Support of a new venue in Lansing

¹⁶ Community survey was distributed to Arts & Culture commission member contacts, Lansing Arts council members, etc. It received 1,311 total responses.

¹⁷ Haslett (46 responses), Holt (32), Grand Ledge (30), Mason (28), Dewitt (26), Williamston (23), etc.

¹⁸ 88% of survey respondents completed college, vs 43% of primary market; 49% of survey respondents earn under \$100k in household income, vs 75% of the primary market; 34% of survey respondents are over age 60, compared to 15% of the primary market.

When asked about their perception of the level of performances and entertainment offerings in Lansing and the surrounding area, 70% of respondents said they believe that Lansing is undersupplied, indicating a demand for more entertainment options and a desire to see more volume and diversity of content.

How do you perceive the level of performances/entertainment offerings in Lansing and the surrounding area?

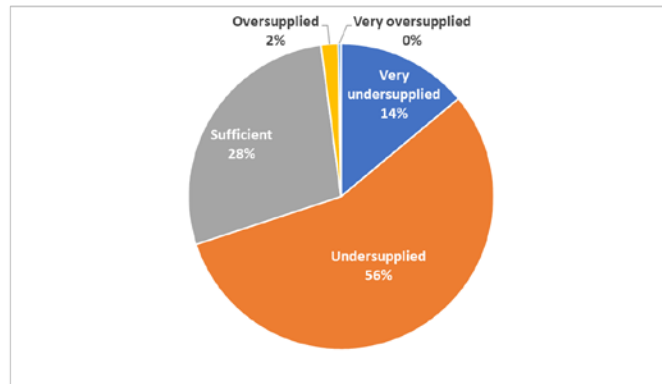
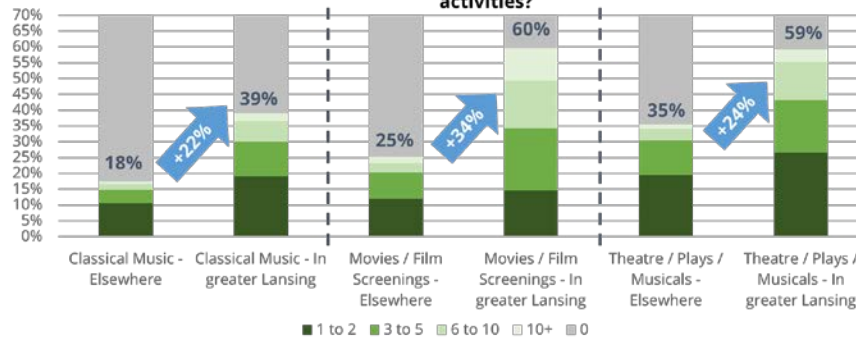


Fig 8: Perceived level of performances/entertainment offerings in Lansing

Respondents were also asked to share their actual attendance in the past year both in greater Lansing and elsewhere. Results show that respondents more frequently attend classical music, film screenings, and theater in greater Lansing, while there is opportunity to offer more comedy and popular music events which are less frequently attended (or available) in greater Lansing.

In the last 12 months, about how many times and where did you attend or experience the following activities?



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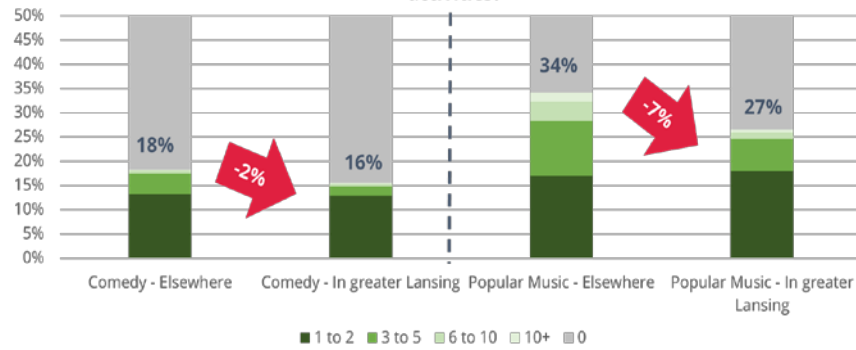


Fig 9: Actual attendance in greater Lansing and elsewhere (2 figures)

When asked specifically what they expect to see in a new venue in Lansing, over 75% of respondents say they would expect theater events of some kind (which can be accommodated in a black box space), and over 65% expect various kinds of music and family-oriented performances.

Respondents were also asked about the factors that influence the decision to attend arts and entertainment events. Over 90% of respondents say that the content of the program is paramount to this decision. Convenience factors, including the date and time of the event, ticket availability, ticket price, and ease of parking and traveling to the venue, are also important in determining whether to attend an event.

How important are the following factors in influencing your decision to attend live performances/events?

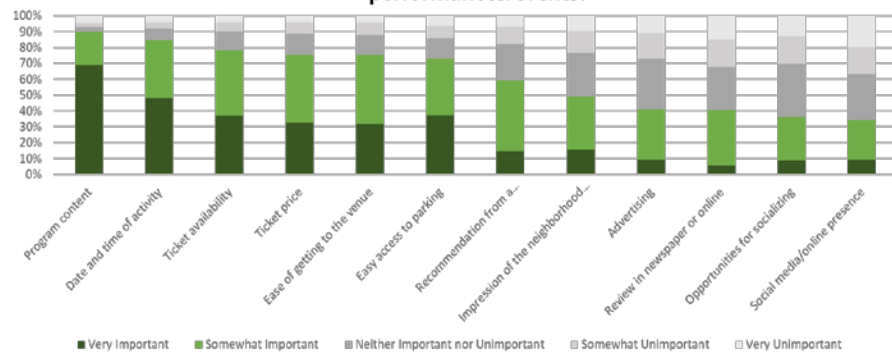


Fig 10: Attendance factors

The combination of a marketplace venue gap, interest in space from local and regional users, and a supportive community response bode well for a new, carefully planned venue in downtown Lansing.



III. Case Studies

AMS selected a series of exemplar case studies to learn from as the City considers the features of a new performance facility. Case study venues meet some or all selection criteria, including: a modest capital cost; support of diverse programming centered around a variety of musical genres; adaptable acoustical environment for multiple performance uses; and, accommodation of a symphony orchestra for some uses. After considering both *flexible form venues* accommodating a wide variety of entertainment forms, and more *traditional fixed-seat venues* intended for symphonic music (but adaptable to host commercial music concerts), the Arts & Culture Commission chose to pursue a more flexible form venue. AMS selected the following “flexible” case study venues for further study:

- *SoundBox* – San Francisco, CA
- *The Anthem* – Washington, DC
- *Octave 9* – Seattle, WA
- *Paristown Hall* – Louisville, KY

SoundBox

As the experimental and affordable alternative home of the San Francisco Symphony, the *SoundBox* offers over 30 annual low-cost performances of experimental music ranging from a classical chamber ensemble to electronic folk. With a capital cost in 2011 of \$10 million¹⁹ and a capacity of 500, the space features a Meyer Sound Constellation electronic acoustical system, a full-service bar, and a sunken art exhibit.

¹⁹ \$10 million renovated space

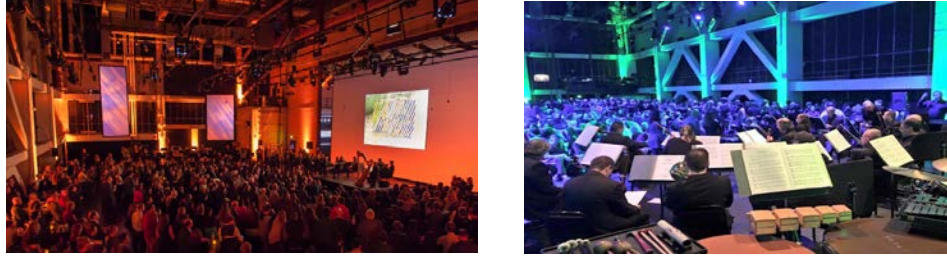


Fig 11: SoundBox

The Anthem

The Anthem was built in 2017 for \$60 million and has a capacity that extends from 2,500 to 6,000, depending on the configuration. Promoter I.M.P, who also owns and operates other regional venues, brings over 130 popular music concerts to the venue annually, as well as three National Symphony Orchestra pops programs and private event rentals. The venue is 90% flexible, with state-of-the-art sound and lighting, broadcast video production capabilities, an exclusive caterer, 54,000 square feet of lobby and seating areas, and 7 dressing rooms.

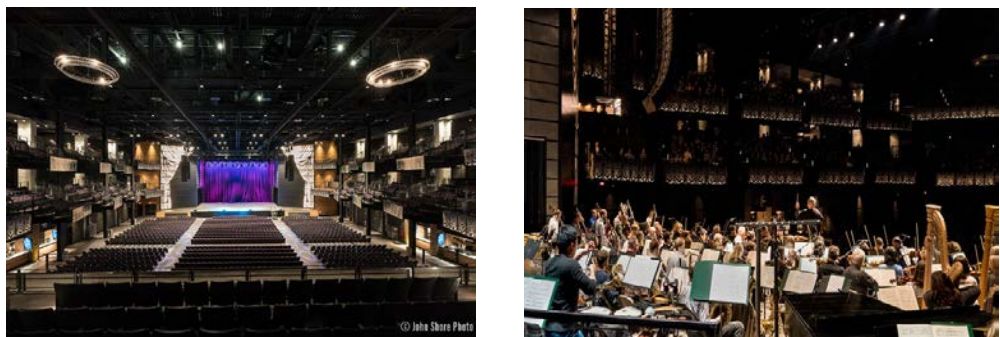


Fig 12: *The Anthem*

Octave 9

Octave 9 is a small, flexible experimental music incubation space owned and operated by the Seattle Symphony. The renovation of the space was completed in 2018 for a total cost of \$6.7 million. The 2,500 square foot venue has a total capacity of 150 standing, and offers 30 annual programs including jazz, classical music, contemporary music and electronic music. The space features 13 curved panels and 10 HD projectors, a variety of floor configurations including banquet, reception, theater, and in-the-round arena style, a Meyer Sound Constellation system, and an exclusive caterer.

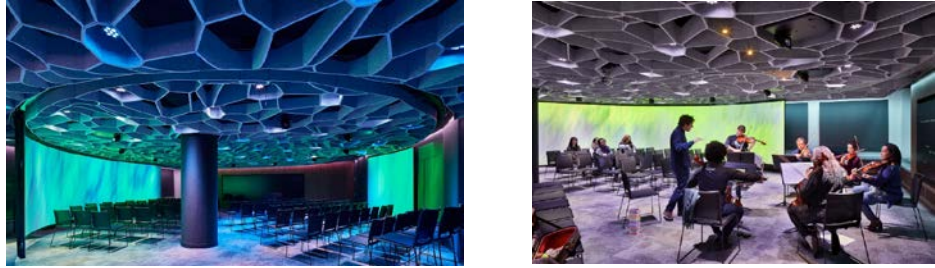


Fig 13: Octave 9

Paristown Hall

Old Forester's Paristown Hall is a new venue owned and operated by *Kentucky Center for the Arts*. The hall opened in 2019 at a total capital cost of \$12 million. It features 28,000 square feet and accommodates 2,000 in a standing room configuration which caters primarily to national touring bands, collaborative projects, local and regional artists, new works, and nontraditional performance experiences. The *Kentucky Center's* resident Louisville Orchestra has plans to hold a series of annual experimental performances in the space. The venue has three large bars, two VIP lounges with outdoor patio access and private bars and restrooms, various visual art curation spaces, and a green room for artists. Plans are in the works to incorporate a large outdoor screen which will broadcast other *Kentucky Center* programming to the public.



Fig 14: Paristown Hall

Though differing slightly in intended uses, capacity, and cost, some common takeaways exist in each of these flexible performance spaces. The City of Lansing has an opportunity to deliver a space for its community at the vanguard of a new venue form: flexible, experimental spaces serving both traditional music forms like the symphony, as well as

experimental and commercial forms of music, represent a trend in adaptable, non-traditional spaces which are reinventing typical orchestral settings, as well as serving other performances and community events. The multipurpose function of many of these spaces, which host activities ranging from banquets and events to general admission concerts to symphonic or chamber performances, necessitate flexibility in both space configurations and acoustical environments. Also notable is the presence of concession and catering capabilities within each venue, which assist in accommodating different types of programming and special events. In particular, multiple points of sale for food and beverages within the performance space are necessary to attract commercial content and fulfill the economic demands of venue operators and promoters alike.



IV. Recommendations

Equipped with an understanding of the market for content and audience, and a review of comparable facilities nationwide, AMS created a projection for the facility program and financial operation²⁰. Other recommendations and analysis include operating and governance structure, staffing, and economic impact of construction and operation of a new venue.

Building Program

Under the advisement of AMS, Fisher Dachs Associates crafted a preliminary building program, including the primary flexible music venue²¹ with a capacity of 1,400 seated and 1,800 in a standing room configuration. The facility has significant patron amenities including multiple points of sale for food & beverage throughout and surrounding the space. The program also incorporates a small 'performance lab' black

²⁰ With the help of subconsultants Fisher Dachs Associates (FDA) and Americans for the Arts (AFTA)

²¹ Presumably including variable acoustics systems

box with a capacity of 200 seated, a media center with multiple studios and offices to accommodate the Lansing Public Media Center, and a visual arts center space with classrooms and galleries, intended for the Lansing Art Gallery²².

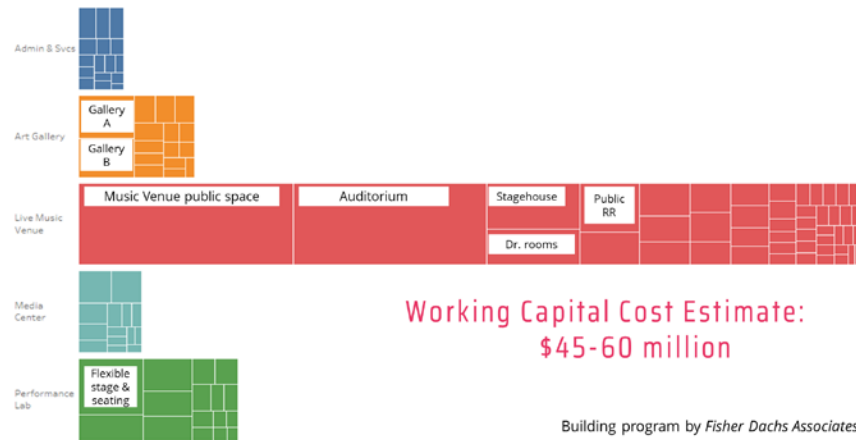


Fig 15: Preliminary building program (FDA)

The building as defined is 79,900 net square feet (125,500 gross square feet)²³. At 53,700 square feet, the Live Music venue with all of its public and back of house accommodations comprises 67% of the total net square footage (NSF) of the facility. The Performance Lab black box theater has a total NSF of 10,900 square feet (14% of the total facility). The Media Center has a total NSF of 4,300 square feet (5% of the total facility), and the Lansing Arts Center has a total NSF of 7,900 square feet (10% of the total facility). The remaining 3,100 square feet are allocated to administrative offices²⁴ and services²⁵. The estimated total capital cost of the building program is \$45-\$60 million²⁶.

²² While the venue would serve as the primary venue for the Lansing Symphony Orchestra, the Symphony's administrative offices would not relocate and therefore are not included in the building program.

²³ 1.57 multiplier for the ratio of gross to net

²⁴ In addition to working offices, includes: reception/security, kitchenette, copy & supply, IT room, staff restroom, etc.

²⁵ Includes: janitorial supply, crew lockers, closet, etc.

²⁶ As part of a larger development project some costs may be shared.

Activity & Operations

Informed by user survey results, interviews with regional promoters, existing levels of activity, and learnings from comparable facilities, AMS crafted an activity profile for the rentable spaces²⁷ of a new venue, which include the Live Music Venue and the Performance Lab. A full slate of activity is projected in both venues: 250 annual use days are anticipated in the Live Music Venue, driven by commercial performance rentals. 296 annual use days are modeled in the Performance Lab, driven by nonprofit performance rentals. Overall, $\frac{3}{4}$ of the use day activity anticipated across the facility will be nonprofit use, while the remaining $\frac{1}{4}$ of use days are expected from commercial users. 78% of use days across the facility are expected to be for public facing activities like performances and events, while 22% of days are allocated to various rehearsals, generally held by nonprofit rental users like local theaters and the symphony.

| Use Type | Live Music Venue | Performance Lab |
|-----------------------------|------------------|-----------------|
| Rehearsal Days | 70 | 50 |
| Commercial Performance Days | 75 | 11 |
| Nonprofit Performance Days | 58 | 159 |
| Other Nonprofit Days | 27 | 43 |
| Other Commercial Days | 20 | 33 |
| TOTAL USE DAYS | 250 | 296 |

Fig 16: Activity Profile

²⁷ AMS' presumption in modeling is that the venue will be operated by a private nonprofit or commercial operator under contract with the city as owner of the venue. Facility users (i.e. Lansing Symphony) and tenants (Media Center and Visual Arts Center) would be under separate lease agreements with the operator, and their operating expenses are not included in the model.

Using the modeled activity and venue capacities, the Live Music Venue has a gross annual capacity of 186,200, and the Performance Lab has a gross capacity of 34,000. Assuming a standard average of 70% sold across all ticketed events, a projected 154,140 will be served annually in both venues: 130,340 in the Live Music Venue, and 23,800 in the Performance Lab.

This activity profile, coupled with regional economic realities and operational data sourced from other organizations, forms the basis for financial pro forma modeling. Assumptions made in the creation of the model, include a combined local, state and federal tax rate of 13.2% of gross payroll, benefits totaling 27% of gross payroll, an average ticket service fee and surcharge of \$3.50²⁸, and a standard operating contingency of 5.0% of total expenses²⁹.

The financial operating model, which details results from a base year of operations³⁰ results in annual earned revenues of \$2,014,000 and operating expenses of \$2,654,000. Earned revenues cover 76% of operating expenses, and the net operating result is an annual deficit of (\$640,000), which must be subsidized by contributed revenue from government, foundation, and/or private giving.

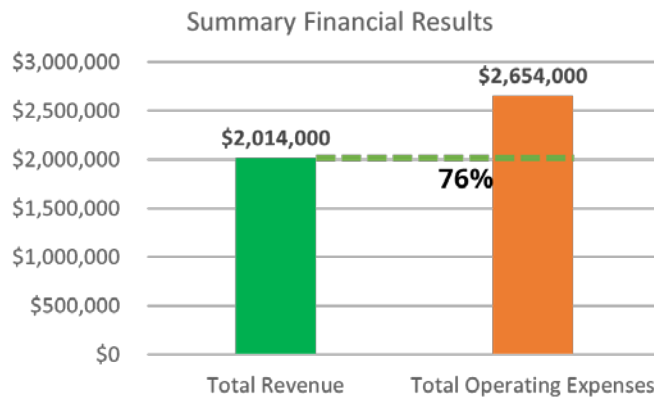


Fig 17: Total earned revenue as a percentage of operating expenses

²⁸ Based on local comparable rates, including Wharton Center

²⁹ All assumptions are made in 2019 dollars and do not account for future inflation

³⁰ A base year of operations is understood to be year 3 after operations, in which regular income and expenses have settled from any residual opening spikes

Earned revenue is driven by facility rentals, comprising over 50% of total earned revenue at a projected \$1,026,000 annually. Rental rates for use of the Live Music Venue range from \$1,500 for a load in/rehearsal day to market rate of \$4,500 per performance. Rental rates for use of the Performance Lab range from \$150 for a load-in/rehearsal day to market rate performance at \$1,600³¹. Lease income is calculated at \$8.25 per square foot³². Other earned revenue sources include ticket fees and surcharges (\$456,000; 23% of earned income), rental additions and chargebacks (\$409,000; 20% of earned income) and net income from concessions (\$123,000; 6% of earned income).

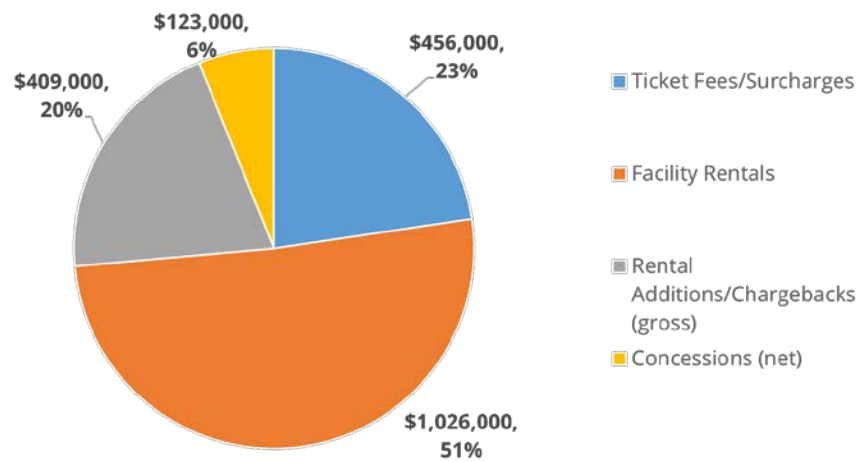


Fig 18: Earned Income breakdown

Expenses are driven by building operations and the compensation of 7 FTE personnel. Building operations, which includes utilities, insurance, building security, cleaning and maintenance, and annual capital improvements, is estimated at \$1,035,000 annually, or 39% of total expenses. Compensation comprises 27% of expenses at \$728,000. Other

³¹ Rental rates are sourced from study of the local competitive environment and comparable facilities. Nonprofit rates are less than half of market rates.

³² \$8.25/square foot is equal to the calculated cost to operate the building

expenses include theatre operations³³ (\$659,000; 25% of expenses), administrative expenses (\$106,000; 4% of expenses), and a 5% expense contingency totaling \$126,000.

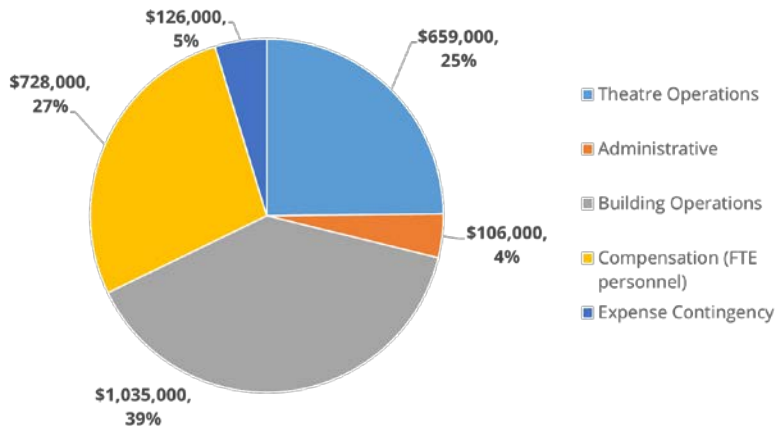


Fig 19: Expenses breakdown

AMS recommends a staff of 7 full time equivalents, including an Executive Director to whom a Finance Director, Facilities Director, Development Director and Production Director report. In addition to an administrative assistant serving the ED, the Production Director would have an assistant to shoulder the burden of coordinating rentals with outside groups.



Fig 20: Recommended staffing structure

³³ Theater operations includes the cost of contracted hourly event staff, ticketing software, box office, programs, repair and maintenance of box office tech equipment, etc.

Rentals are the line of business which will produce the most revenue and likely require the most attention and coordination. The production team, with the input of the ED, would be expected to coordinate booking, scheduling and rental contracting for local nonprofits performance users; private, community, government and nonprofit event users; and commercial music acts.

Management & Governance

AMS recommends that the City of Lansing contract with a commercial or not-for-profit management company to operate the facility. This model assumes that the City owns the property, with relationship existing between City and developer of record. Under contract, the management company would have operational objectives to meet, and the contract would be renewed at a predetermined interval, contingent upon performance. The management company would be responsible for coordinating rental users for the Live Music Venue and the Performance Lab, filling a quota of annual uses. Meanwhile, the LPMC and the Lansing Art Gallery would be leaseholders in their portions of the facility, responsible for their own programming but paying rent in accordance with their agreement.

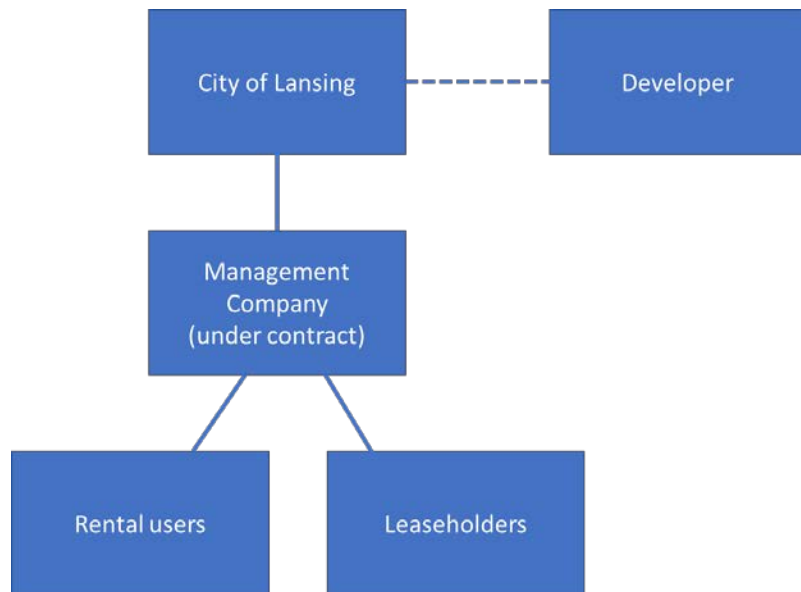


Fig 21: Recommended management structure

Economic Impact

The City of Lansing's Arts & Culture Commission also engaged AMS Planning & Research to produce a report detailing the projected economic impact of a potential new music venue in Lansing. Working with Americans for the Arts and their proprietary economic impact methodology, the team estimated the impact of the potential facility's construction and operation based on a \$45 million capital cost estimate provided by Studio Intrigue Architects, and financial and attendance projections for operation of the building. Other inputs included employment, incomes, and government revenues provided by U.S. Dept of Commerce, local tax data, and audience expenditures and residency estimates generated by AFTA's audience-intercept surveys.

The report is divided into three channels of spending which drive economic impacts in the local economy (Ingham and portions of Eaton and Clinton Counties): 1) one-time spending on facility design and construction, 2) recurring spending on facility operations, and 3) impacts from audience members' spending on attendance-related activities including meals, transportation, lodging, etc. The report details the direct impacts of spending on or from the Lansing Music Hall in the local economy to build and operate the hall, and ancillary spending by audience members, but not the ticket sales or operating budgets of those who use the facility (i.e. Lansing Symphony) as those impacts are considered to be already present in the market.

In addition, the report details the *indirect* impact of local businesses and residents who have benefited from direct spending then re-spending some of those dollars in the local economy, creating a ripple-effect. The total impact is the sum of the direct impacts plus all indirect impacts on the local economy.

The building project, including costs of design, construction and management, has an estimated *direct impact* of 281 full time equivalent (FTE) jobs which will earn an estimated \$11.3 million in wages and pay \$1.5 million in taxes and fees to local and state government. As these dollars are re-spent, *the total industrial activity generated* is estimated at

\$39 million, which creates 465 FTE jobs earning \$18.5 million and paying \$2.8 million in total taxes and fees to local government.

Similarly, a stable base year of operations at the music hall (year 3 after opening) will generate *direct impact* of 13 FTE jobs which will earn an estimated \$589,000 in wages and pay \$121,000 in taxes and fees to local and state government annually. As these dollars are re-spent, *the total industrial activity generated* by operating the building is estimated at \$4.7 million, which creates 30 FTE jobs earning \$1.2 million and paying \$269,000 in taxes and fees to local government annually.

Finally, in a stable base year of operations, attendance-related activity and spending has a *direct impact* of 65 FTE jobs which will earn an estimated \$1.6 million in wages and pay \$317,000 in taxes and fees to local and state government annually. As these dollars are re-spent, *the total industrial activity generated* by audience-related spending is estimated at \$6.9 million, which creates 109 FTE jobs earning \$2.7 million in wages and paying \$546,000 in taxes and fees to local government.

In sum, the total impact of the capital project is estimated at \$38.9 million, resulting in \$2.8 million in government revenues. The recurring impact of facility operations and audience-related spending is \$11.6 million annually, resulting in \$815,000 in annual government revenues.

The community impacts of a new music venue in Lansing transcend the calculated direct and indirect spending to include other less quantifiable benefits like increased quality of life for residents, spin-off development, rising real estate values, new and increased visitation to the city, and service as an anchor for community revitalization.

Summary

Lansing is well positioned for a new performance venue in its downtown. An identified venue gap has created a programming opportunity for local organizations and commercial arts and events. Many local organizations need flexible, available, and affordable spaces for their performances and events. As potential anchor tenants, the Lansing Symphony Orchestra, Lansing Public Media Center, and Lansing Arts Gallery are poised to contribute to revitalization of Lansing with the potential move into new space downtown. Commercial promoters cannot currently play in Lansing

due to a lack of venue, but they do want to bring small and mid-sized acts to the city.

This study also reveals strong community support for a new venue, and the perception of undersupply of arts and entertainment offerings in Lansing. In conjunction with a growing trend of flexible spaces serving varied performance and community event types, the City of Lansing has the opportunity to develop a unique, multi-use flexible facility downtown to serve an array of audiences and arts organizations.

With the completion of this feasibility study and recommendation, the next steps for this project involve an analysis of project funding strategies, and engagement of a project development team, including various specialty building-type experts. Using the recommendations made throughout this study, testing for fundraising feasibility has already begun with *Capitol Fundraising Associates*. AMS also recommends the development of a small community leadership team to advance the project by working to determine financing and operating support strategies, engaging in site visits to develop greater understanding of emerging flexible venue trends, and selecting theater consultants and acousticians to assist with design.