

PERFORMING ARTS VENUE MANAGEMENT IN THE ERA OF THE
METROPOLITAN REVOLUTION: SUGGESTIONS FOR SUSTAINABLE CITY-
OWNED CULTURAL FACILITIES

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Major paper Submitted to the faculty of Goucher College in partial
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ABSTRACT

Title of Thesis: PERFORMING ARTS VENUE MANAGEMENT
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Today, no standard list of performance metrics exists for performing arts venues. Comparing performing arts venues is nearly impossible when each venue determines its individual performance metrics to define success. Research for this paper includes the management structures of city-owned performing arts centers as measured by variety of programming and community engagement opportunities. The argument that nonprofit management structures are naturally poised to represent the communities' audiences unlike city management, is explored. Various management structures are identified and the strengths and weaknesses within each are discussed.

Lack of standard performance metrics within the performing-arts venue-management industry ensures that differences in what defines success will vary from

community to community. Comparative data does not often tell the entire story of a community and more often is not applicable to another community. Through collaborations and resource sharing between municipalities, venue managers, and local arts organizations, city-owned performing arts centers are better suited to represent their communities.

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This paper is dedicated to my mom, Cindy Lekhy, for setting an example that you can work two jobs, raise two children, go to graduate school, and have a successful marriage.

Also to my dad, Suresh Lekhy, for providing a strong foundation for his three girls,
reminding us to seek adventure and take risks.

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Introduction

The Metropolitan Revolution is a theory of city management defined by Bruce Katz and Jennifer Bradley in their book of the same title. It posits that “real, durable reshaping” of the American economy and of our cities is led by networks of municipal leaders including elected officials, heads of companies, universities, civic organizations, cultural institutions, and philanthropists (3). The arts consistently bring together individuals from each of these sectors for a common goal of improving life for citizens. Specifically, performing arts centers are cultural infrastructure which unite municipal leaders, arts community members, tourism professionals, and urban planners due to the inclusive nature of the large budget construction projects. In the era of the metropolitan revolution, nonprofit performing arts centers (PACs) contain these existing networks which can elevate the communities they serve. PACs are examples to be noted when engaging in cross-sector collaboration in any industry. Examples throughout this paper have central themes such as collaboration, transparency, and resource sharing that are also key elements of the metropolitan revolution.

Set in Stone, a report by The University of Chicago’s Cultural Policy Center, examines the history of cultural facility construction over the period of 1990-2008. “In 1994, a total of 26 MSAs (metropolitan statistical areas) started at least one cultural building project. In 2001, 68 MSAs started at least one cultural building project. This figure remained fairly stable—oscillating between 54 and 66 projects—from 2001 on.”

Joanna Woronkiewicz and her collaborators posit that the cultural building boom during this time mirrored the unprecedented rate of economic growth that the United States was experiencing. As the US prospered, more cities began to compete with one another for talent, and creating culturally vibrant destinations was paramount. The theories introduced by *The Metropolitan Revolution* provides support to research of *Set in Stone*, that highlights the cultural infrastructure boom. Research in both studies complement the theory that collaborative arts communities supported by policy are part of the economic stories that cities leverage when competing for vibrant talent.

The arts economy supports local, state, and federal government through revenue-generating activity that exceeds the allocations that it receives. Overall, the arts “industry also generates \$22.3 billion in revenue to local, state, and federal governments every year—a yield well beyond their collective \$4 billion in arts allocations” (Americans for the Arts). Investment in the arts continues to grow as a division of municipal government. Yet, the promise that “if we build it, they will come” is repeatedly proven to be false. Delivering successful performing arts venues in today’s rapidly changing society requires a unique balance of venue management skills and artistic management. The authors of *Performing Arts Center Management* accurately sum up the responsibilities of today’s PAC leaders through the following statement,

Leaders of these organizations need to work seamlessly across governmental entities, diverse community groups, a wide array of nonprofit arts organizations, and numerous revenue-generating activities. They have to lead their organizations within complex and ever-changing environments, responding to shifting public expectations for what these

kinds of institutions should provide to their communities. They must embrace their leadership role within the community infrastructure and within the local arts community (Lambert and Williams preface).

The research in this paper explores the statement that performing arts centers managed by a nonprofit more accurately reflect their communities, as measured by variety of programming and community engagement opportunities, than do their municipally managed counterparts, thus exemplifying a preferable organizational structure for city-owned venues. The types of governance models used to operate PACs and to analyze their level of community involvement are examined to determine if a community-focused philosophy is essential to sustainability.

The performing arts employ a variety of professionals from many disciplines which is why better understanding of venue managements' structures can be helpful to professional performing arts groups. Nonprofit performing arts centers which have open dialogue with performing arts organizations will create environments for more efficient growth. Through the conclusions drawn, performing arts venue operators and arts organizations can create more sustainable collaborations that highlight the strengths of each organization while remaining a source of community pride.

Definitions

Research documenting the management of performing arts organizations primarily focused on producing companies, “organizations that fund and create their own artistic work, utilizing their own artistic, administrative, and production personnel” (Lambert and Williams 63). this paper, research focuses on the numerous variations of

one kind of performing arts center (PAC), the publicly-owned PAC. There are four main types of performing arts centers in the United States: mega-PACs, small market PACs, collegiate PACs, and major metropolitan PACs (Lambert and Williams 4). The research presented here focuses on a presenting or hosting organization, which is a facility “with multiple users, where there is a management organization in place that activates a building with some combination of rentals, presented events, producing, and community programming” (Webb, *Running Theatres* x). The research in this paper discusses performing arts management in terms of theatre management and PAC management interchangeably and either term may be used where necessary.

Programming includes, but is not limited to, performances presented by the venue, co-promotions, and rentals; many performing arts centers include community engagement opportunities, such as free concerts and public festivals, as part of the roster of events. Genres include everything from local professional performing arts, cultural programs, fine arts, and Broadway to comedy and contemporary music. If a venue chooses to present a performance, they “buy a show that already exists” by taking on the financial costs associated with promoting the actual performance and paying the artist. This is seen as high risk as the venue is responsible for earning back at least the expense it cost them to present the show. (Webb, *Running Theaters* 27) Although there is often pressure to present this type of programming, city leadership can underestimate the high risk for minimal reward associated.

Performing arts centers are often built with a list of public benefits in mind that set priorities for the owners and the managers. These could include any number of the following reasons why a PAC is needed:

1. To contribute to the urban regeneration and/or revitalization
2. To enhance the vibrancy of the city center
3. To strengthen the community's quality of life
4. To promote access, inclusion, and participation in the arts
5. To provide homes for resident arts organizations
6. To strengthen the local arts and culture sector
7. To facilitate the integration of the arts sector within the wider community
8. To promote cultural tourism (Lambert and Williams 138)

Performing arts leaders who promise that their building will do any of the above actions must leverage community engagement opportunities to help achieve these objectives. Engagement programs include artist-in-residence programs, arts education, community partnerships, senior engagement events, master classes, or arts therapy.

In Memphis, the Cannon Center for the Performing Arts was built in response to a demand from the tourism industry for an expansion to the existing convention center. The convention center needed a facelift and through an expansion, 63,000-square feet ballroom and meeting space was added to the existing facility. The 2,100-seat Cannon Center replaced the former Ellis Auditorium which hosted such famous acts as Elvis, Ray Charles, Bob Dylan, and Jimi Hendrix. Ellis Auditorium had one 1,900-seat hall and one 4,000-seat hall and, for the first half of the century, functioned as convention space as well. The performing arts center expansion was built with a combination of bond debt and private contributions. (Landaiche) It is the second home to one resident, the Memphis Symphony Orchestra and operates on a rental-only model. The MSO splits its season between the Cannon Center and the Germantown Performing Arts Center which is

located in a suburb of Memphis about thirty minutes from the Cannon Center. The Cannon Center is owned by the city, and at the time of the expansion, was managed by a private, third-party venue management company, SMG. SMG is commonly contracted to manage municipally-owned arenas, stadiums, convention centers, and performing arts centers. Recent changes of the management company have put new pressure on the Cannon Center to generate more revenue for the local economy. Under the management of Memphis Management Group, a wholly-owned subsidiary of the Memphis Convention and Visitors Bureau, a new promise to activate the PAC more frequently has given rise to discussion of creating a foundation. The city wants to see more shows and more visitors going to the Cannon Center. Pierre Landaiche, General Manager, for the Cannon Center and Memphis Cook Convention Center, states that by creating a nonprofit foundation to offset costs, the Cannon Center can present more shows and actively engage with a wider variety of audiences. The current challenges of the Cannon Center inspire a closer look at the relationship between PAC management structures and their relationship with the community it serves.

The Cannon Center is not the only city-owned performing arts center that has experienced this same level of pressure from municipal leaders. It serves as a point of inspiration and reference for the research explored in this report. Aside from their city-owned ownership structures, there are few commonalities between the performing arts centers discussed in the following chapters. This fact affirms that no one model can work all of the time for any performing arts center no matter how similar cities seem to be. The research presented in this paper aims to affirm the influence that management structure has on variety of programming and community engagement opportunities.

Chapter I will identify popular governance models and illuminate alternative models that are not commonly found in text books on the subject matter of performing arts management. These alternative models, discovered through interviews with PACs, have unique opportunities and challenges in regards to engagement and programming. If a municipality is considering building a performing arts center, the various governance models discussed here can provide a framework for their operations. These examples are not inclusive of all performing arts centers and decisions for operating any performing arts center should not be solely based on these examples.

Chapter II will discuss the value of programming to mission fulfillment and how the current leisure entertainment culture influences decisions regarding programming. Addressing the advantages to presenting versus hosting performing arts centers, managers can decide which structure best compliments their mission objectives.

Chapter III will examine how performing arts centers are among the most diverse arts organizations in a city and therefore capable of reaching a variety of audiences through their community engagement activities. PACs often present the widest variety of performing arts genres in the community and when programming stretches beyond the theater space, the PAC becomes a destination for more arts opportunities.

Chapter IV will identify collaborative relationships between local arts organizations and the effect on programming at performing arts centers. Mutually beneficial relationships between city-managed performing arts centers and local resident groups are imperative to the sustainability of these facilities. Knowledge about governance and ownership models can also help arts organizations identify programming and community engagement opportunities at their PAC. The chapter will build on

specific examples for PACs to host and cultivate the arts community as a whole by exploring ways to share services.

Chapter I GOVERNANCE

Ownership and management models for a PAC vary just as much as size and location. The PAC's ability and effectiveness to serve the public interest is frequently influenced by ownership, governance, and management structure (Lambert and Williams 4). Duncan Webb notes in *Running Theaters*, PACs can be owned and operated by local government; a division, department, or agency of a city, county, or state government; an educational institution; a church or religious organization; a private nonprofit organization; or a commercial organization.

Of all cultural infrastructure construction from 1994-2008, "spending on PACs outweighed spending on museums" and made up fifty-four percent of total cultural infrastructure spending. (Woronkowicz et al.) PACs cost more to construct than other types of cultural infrastructure and more money is spent to build state of the art facilities. (Webb, *Running Theaters* 12) Regardless of the investment in PACs there is a lack of key performance metrics which compare these investments over the long run.

In the *Operating Expenses and Operating Revenues 2015* report, the International Association of Venue Managers (IAVM) collected expense and revenue data from twenty-one performing arts centers located throughout the country. Members of the IAVM consist of stadiums, arenas, convention centers, and performing arts centers. Benchmarking surveys are distributed to all IAVM members on an annual basis. The

twenty-one PACs that submitted data for the *Operating Expenses and Operating Revenues 2015* report represents 7% of the total IAVM member venues solicited. Ten of these PACs underwent a major expansion or renovation between 1994-2015. This trend in cultural infrastructure investment reflects the research discovered in *Set in Stone*. Regardless of source of income, “Both for-profit and nonprofit institutions must, over the long run, operate within the constraints imposed by their total revenues” (McCarthy et al. *The Performing Arts* 79). The figure below examines the operating expenses and operating revenues of three city-owned performing arts centers which are managed by a nonprofit organization. Operating revenues include box office revenue and contributed income and additional ancillary revenues such as food and beverage commissions, retail and parking. The report explains that operating expenses include sales and marketing, production and artist costs, development, education, and utilities among other expenses.

| FY 2015 | Seats | City Tier | Operating Expenses | Operating Revenues |
|----------------|--------------|----------------------|---------------------------|---------------------------|
| PAC 1 | 7,682 | 2 nd Tier | 16,298,118 | 15,607,699 |
| PAC 2 | 6,757 | 2 nd Tier | 15,321,954 | 5,180,379 |
| PAC 3 | 1,264 | 1 st Tier | 1,210,675 | 1,351,587 |

Figure 1 Operating Expenses and Operating Revenues 2015 (IAVM)

A first-tier city is one that has Major League sports, NCAA Division I, and is a touring or major national convention market. Second tier cities have a secondary sports league, NCAA Division II school(s), touring or smaller national or regional convention market (*Operating Expenses and Operating Revenues 2015*). PAC 3 is in a first-tier city and based on what we know about entertainment options there, we can assume that this PAC is one of at least one more PAC in the city. Whereas the other two PACs are located in cities with less entertainment options, and probably serve a larger geographical area

hence the larger budgets. It is not possible to determine if PAC 1 and PAC 2 include more than one venue as part of the total seat numbers. The point of analyzing operating revenues versus operating expenses is to determine the amount of additional funding necessary to subsidize the cost of presenting shows. The data in the *Operating Expense and Operating Revenue 2015* report does not indicate how many days the venue is used and by how many residents.

Ownership Models

Ownership and governance models for PACs can take many forms and overlap within those contexts. When governed as a nonprofit, the PAC can be owned and operated by a community nonprofit, or it can be publicly owned but operated as a nonprofit. When the PAC is owned and overseen publicly, the PAC can still be operated as an independent, arm's length nonprofit that reports to the government, or the PAC can be run within a department or division of the government. (Lambert and Williams 2)

The relationship between the ownership and the operating entity is decided through the mission development, community goals, programming, and anticipated funding streams. PAC owners can choose based on their needs, goals, and potential revenues if a nonprofit structure, commercial, or some hybrid version is best for the goals they wish to achieve. The eight reasons to operate a PAC listed in the Introduction are a starting point for municipal leaders. By asking what purpose or purposes the PAC is going to fulfill, the community and PAC leaders can determine what action is needed to achieve each goal.

“In all city-owned venues it is hard to compete with police and fire. You are going to lose every time if you have to compete with them for funding (Webb, “5 Pros and Cons”).” This makes it essential and imperative to diversify funding streams and offset reliance on public subsidies. Local option taxes can be used to fund the operations and maintenance of city-owned facilities and reduce the burden on nonprofit operators to generate funding for these high-budget items. On the other hand, PACs that are managed by a nonprofit have freedom to raise funds which directly support the PAC.

Government run PACs may have difficulty rallying financial support from the individuals or corporations who believe they are fully funded by the municipality. As quoted in *This Business of Concert Promotion and Touring*, Peter Luukko, president of Comcast Spectacor/Global Spectrum says, “In facilities now you need someone who knows how to partner with the [touring artist’s team], and that’s one of the issues that municipalities are just not suited to do” (Waddell et al. 227). Lack of understanding the demanding relationships with promoters or artist management is a disadvantage to municipally managed PACs. PACs which are rental only facilities cannot purchase shows thus preventing them from building relationship with local promoters. Promoters in turn are likely to take their business to other PACs which can share the costs associated with presenting a touring artist.

Publicly Managed PACs

In the book *This Business of Concert Promotion and Touring*, author Ray Waddell discusses the setbacks that historical PACs face. “Many older, historic buildings,

particularly theaters, are challenged with limited space to improve and expand, as well as inadequate funding for capital improvements. If the building holds a nonprofit status, fundraising opportunities and tax-exemption can assist” (228). Nonprofit managed PACs are driven by a mission statement that allows for a creative approach to funding and programming, so long as it supports the mission. PACs with a nonprofit status can independently raise money unlike municipally managed PACs. A benefit to independent 501(c)3 status of a municipally owned building is that the day-to-day decision making and operations are external from the municipality. In Chapter III, research examines how a hybrid city-nonprofit structure has resulted in positive community engagement and diverse programming. This structure allows for independent fundraising which supports the programming of the public building. In this instance, a separate, private nonprofit structure allows the municipality to fund maintenance costs which are often a burden to nonprofit PACs.

On the other hand, city-managed PACs enjoy the benefit of being closely tied to the ownership of the PAC. High visibility to public officials means leaders of city-owned PACs can keep their venues at the top of mind when it comes to budgeting and allocations. “[Government departments’] orientation towards public service can provide significant benefits to local cultural organizations in terms of cost and scheduling, including a relative guarantee of public funding to support ongoing operations” (Webb, “5 Pros and Cons”). Webb argues that by being closer, theoretically, to decision makers in the municipality, it is easier to gain or sustain funding which directly impacts the ability for community groups to present at the PAC. In the same article, Webb continues that it is “more difficult to convince the public to donate private funds to a government-

run facility, as they believe their tax dollars represent their contribution to operations.” Changing the public perception of this relationship takes time but, in the long run, can provide the greatest benefit to the PAC in terms of public engagement.

Paul Chandler, Executive Director of the Germantown Performing Arts Center (GPAC), said that once he changed the narrative between the GPAC administration’s relationship with the municipal owners, the message began to positively impact their fundraising. Chandler spent the past several years altering the public perception of his city-owned PAC. “Make sure that your naming conventions are aligned with your goals and that everyone on your team is using the same naming conventions,” he states. Training staff to describe the relationship between your owner and the operator in the same way across the board creates consistency and subconsciously affirms goals set by the mission statement. In regards to GPAC, the city funds a large percentage of the operating budget; therefore, the City of Germantown is the “largest grantor” of GPAC. Chandler explains, “By simply changing the naming convention; we begin to alter the perception of other big givers [to the PAC].” Altering the public perception changed how donors, individual and corporate givers, responded to fundraising requests and even community engagement opportunities. Once donors began to see the city as a peer in the pool of fundraising, the donor affirmed the value of their donation.

PACs and Third Party Operators

Fee-for-service managers like Comcast Spectacor, now Spectra, are increasingly managing nonprofit performing arts centers. However, “Third party operators are not

naturally inclined to manage access to facilities by local arts organizations, and there is often tension between nonprofit users and a commercial operator.” Webb explains that some city leaders may believe that collecting a rental fee from a third party manager means they are absolved from the performance results of the PAC. Although this might work well for some PACs, if the facility was constructed with the promise to be a destination for the community and a venue for local arts groups, a commercial operator may not fulfill mission promises. Also, pursuing this option does not necessarily reduce the city’s financial commitment to the theatre, as an outside operator will demand a fee-for-service (Webb, “5 Pros and Cons”).

Municipally managed PACs are close to policy makers, thus can advocate for funding or maintenance support. Nonprofit managed PACs are ruled by a mission which provides boundaries to programming decisions and flexibilities of funding sources. One disadvantage to a nonprofit structure is lack of direct access to policy makers who could potentially influence funding allocations to the city-owned building.

In *Running Theaters*, managers from a variety of operating companies discuss the delicate balance of keeping the resident groups happy and presenting commercial performances that will generate revenues. From fighting resident groups for dates to being the pariah if you choose a national touring company to perform *The Nutcracker* over the local ballet, striking the perfect harmony in programming is a different challenge for each manager. By taking a look at these operational structures, it is determined that each structure has weaknesses. Third party operators are often disconnected from the community and lack experience with the local arts ecosystem. The great challenge to nonprofit operators is mainly due to the perception of funding resources within the

community. Specifically, city-owned buildings are challenged by the notion that operation expenses are funded by tax-payers. The next chapter examines how nonprofit managed PACs address programming for their community within the confines of their revenue structures.

Chapter II VARIETY OF PROGRAMMING

The art of successful programming is a challenge that every arts leader is faced with regardless of discipline. Of the four PAC leaders interviewed for this paper, all said that programming was their biggest challenge and the decisions that they spend the most time making. However, “it is precisely this flexibility in hosting various performance and non-performance groups that make PACs attractive to [city] leaders to build” (Lambert and Williams 104).

The governance models presented in Chapter I lay the groundwork to better understand programming decisions of local PACs. PAC managers are continually challenged by filling the calendar with events that fulfill a multitude of requirements. Nonprofit PACS are led by missions that serve to provide the community with artistic performances that they may not be able to enjoy otherwise. Hager and Pollack distinguish that a PAC that hosts or presents the performing arts is an organization which “works to facilitate exchanges between artists and audiences through creative, educational, and performance opportunities” (9). Performances must vary by content, challenge audiences, excite viewers, generate revenue for the PAC, and offer an escape for audiences by providing an experience that they cannot attain in any other leisure activity all while supporting their own missions.

PAC leaders today are pressured to respond to the diverse range of activities that are available for families and individuals to spend their leisure time. “The programming role of the PAC – that is, reflecting the artistic mission and curatorship responsibility of the entity – only rarely appears to be a focus of the *hosting* PACs. *Presenting* PACs embrace their curating role to a much greater extent as a way to support their mission...” (Lambert and Williams 7). Lambert and Williams distinguish that presenting PACs are more inclined to stick with their mission by choosing performances that reflect their mission and communicate their values to the public. Hosting PACs can often be theaters or PACs that are part of complexes or convention centers which rely on rental to generate revenue. These buildings can sometimes struggle with booking commercial touring performances because they do not have the funding to purchase shows. The ability to purchase shows allows nonprofit presenting PAC leaders to choose which performances actually reflect the mission and reinforce the vision of the PAC. Due to the risk associated, PACs that present a series or a number of performances are expected to continually weigh expenses against the potential revenues. PACs which utilize any public funding face scrutiny from elected officials and are responsible for maintaining a positive public trust. It can become a common pattern for programming to include blockbuster touring shows which attract mainstream support from audiences and less community-based programming when challenged to balance the budget.

PACs differ from professional performing arts groups by being equally focused on bricks and mortar as they are on guest experience and services. “When a visitor comes to the Dr. Phillips Center, they encounter twenty-nine points of sale before they enter the performance hall.” From the parking garage, to the front entrance, box office, will call,

and concessions, these are all opportunities to not only connect with your visitor but also to gain revenue that positively impacts the bottom line. All of these points of sale communicate something to your visitor about what kind of building you are and your values. (Ramsberger) As a result, this means that PAC leaders often require a number of competencies “at the nexus of public administration, nonprofit management, and for-profit entrepreneurship” (Lambert and Williams 7). The priorities of PAC leaders indicate that as much as programming for the community was important, being financially sustainable is still the top priority.

Communities that support performing arts facilities do so with the expectation that these facilities will contribute to the life and prosperity of the community on an ongoing basis (Webb, *Running Theaters*). “Many of the government-sponsored venues, for example, are built with the expressed purpose of providing space for small arts groups to perform but, ironically, many small groups cannot perform there because the facilities were established as union houses and these low-budget groups cannot afford to pay union wages” (McCarthy et al. *The Performing Arts* 75). Subsidizing rental for resident groups is not the only way that PAC leaders can reduce the financial burden on these groups.

Resident and Nonresident PACs

Michael Fresher, President and CEO of the Tobin Center in San Antonio, Texas, states that it costs more for him to turn on the lights for a resident group’s rehearsal than he makes from the group in rental. This perspective makes managing a nonprofit performing arts center an insurmountable challenge if operators are not willing to

subsidize some of the costs for resident users. At Portland's Centers for the Arts, many services are subsidized with the explicit expectation that costs are infrequently recovered. Robyn Williams, Executive Director, Portland's Centers for the Arts states that, "By holding the costs down, that allows [the residents] to put money into producing their art form and enables them to hold down ticket prices at very low levels" (Lambert and Williams *Performing Arts Center Management* 194).

"Resident PACs are facilities whose primary purpose is to provide a home to community arts groups. These groups perform at the PAC facility and in additional facilities in the community, or in the PAC facility exclusively. But the PAC does tend to provide a stable base out of which the arts group or groups can operate" (Lambert and Williams 5). Fresher continues that he has ten residents who take up eighty percent of his available dates, yet eighty percent of the revenues for the building come from the remaining twenty percent of programming which are mostly shows that he presents. He also states that he does not choose to make the fundraising story about their need to present nonresident programming. Fresher says if he went to his funders with that argument, he would be taking money away from the resident companies. Instead he provides certain residents with the marketing services they need and in turn, they provide programming and outreach programs to fill community engagement needs of the PAC.

Nonresident PACs work with the arts community on a more short-term basis and forego building deep relationships with the performing arts ecosystems.

By contrast, non-resident PACs host other art groups as renters. In other words, the relationship between the facility and the arts group is significantly more distanced...than that between resident groups and

PACs. The nonresident PAC provides space on an as needed basis and doesn't invest in nurturing renters, thus leading to a more business focused relationship. (Lambert and Williams 105)

This risk with nonresident PACs is that community arts organizations might not feel any sense of ownership or access. The nonresident PAC remains at the mercy of the financial performance of local performing arts groups. Local groups which are unable to pay rental at the PAC are not able to expand their audiences by growing into a new space.

The sustainability challenges that face resident and nonresident PACs are part of what Steve Wolff would call the Fourth Generation of PACs. The following section explains the four Generations of PACs and why nonprofit PACs are perfectly suited to achieve the goals of this current era of PAC management.

Steve Wolff's Generations of the PAC

In Steve Wolff's article "The Evolved Performing Arts Center" he states that, "A highly visible and complex enterprise, the contemporary PAC is often one of the largest and most diverse arts organizations in a community...but the environment in which PACs operate is one of dramatic change." Diversifying communities, economic barriers, higher customer expectations, more sophisticated audiences, more activities/experiences competing for the same leisure dollars all present challenges to PAC managers. Another common problem is the sense that performing arts facilities are long-term assets with significant value to the owner. There are two problems with this argument. First of all, these assets do not generate operating profits. (Webb, *Running Theaters* 83) Identifying

rental opportunities by corporate, civic, and private renters can provide financial return while the PAC subsidizes performances. Second, theaters have only limited asset value as anything other than a theater. They are not easily converted into other types of facilities, and thus, their value is limited by that lack of utility. Buildings with outdated technology are often brushed aside once they pass their prime. This is true with sports venues, old malls, and movie theaters that sit empty long after their doors close. Facilities which utilize public funding for construction are especially susceptible to criticism and public fallout when they close. Cities risk losing sports franchises to newer buildings if they are not competitive in promising to upgrade facilities. Although this threat doesn't exist for PACs, performing arts groups won't leave a city for a new PAC, the purpose is to create a space that can be activated in many ways for the entire community to have a stake in.

Steve Wolff discusses his theory of the four generations of performing arts centers in "The Evolved Performing Arts Center". He states that the fourth generation of performing arts centers "must be nimble...to meet its audience where it wants to engage and be able to take risk to supplement programs already present in the community." By doing so, venue managers can "support ideas of artistic expression". In this new era of performing arts venue management, it is incumbent on managers to take a critical look at all potential users of the space. Performing arts organizations, meeting planners, city departments, local cultural organizations, artists, and visitors alike should all discuss the use of cultural assets. These resources provide content while welcoming different audiences that might not have otherwise visited the venue. The previous generations of PACs provide insight into how performing arts management have evolved and adapted to the diversified expectations of new audiences.

Generation One – PAC as Opera House

The first generation of performing arts centers were primarily built for one purpose. These buildings were genre specific, home for the classical performing arts: the symphony, opera, ballet and the occasional theatre company. They were targeted to the elite by bringing the “best” of fine arts and marketed towards the wealthy. Classism in the performing arts begins to emerge with the first iterations of PACs.

Generation Two – PAC as Arts Center

In the second generation of PACs, facilities become catalysts for attracting businesses and people. Density of activity and people inside the performing arts center resulted in secondary development in the surrounding areas. “Cities around the world recognized that performing arts centers could drive activation or revitalization of their urban cores at a time when many residents and businesses were leaving for the suburbs” (Wolff “The Evolution of the Performing Arts Center”). Noticing that generation two PACs were mostly dark during the daytime, there was a strong effort to scale up education initiatives to activate the building more frequently than performance times. Season subscriptions become a central priority in order to secure funding for touring artists. PACs were built as a way to attract established, touring artists and companies from out-of-town, to bring culture into the area. This was done to add diversity in programming but PACs in the same market quickly found that they were all presenting the same shows and the same artists. The basic goals of generation two PACs brings us to contemporary time and the transition from previous to current generations of PACs.

Generation Three – PAC as The Community Center

The evolution of the third generation closely follows the changes in the cultural facility construction boom of the 1990s. As a result, their activities became about deeper community access, serving more children and families, and bringing diverse communities together. The goal was to make the PAC more accessible to a broader audience than before. They began to offer school-time performances, master classes, pre-and post-performance events and more. Collaboration with national performing arts groups, inclusive engagement activities, and “mission-critical” programs created performing arts centers that were highly engaged in their community’s success. The result was a PAC with multiple points of entry which offered a wide range of activities for all members of the community and a strong focus on enjoying the PAC as a family.

Generation Four – PAC as Creator and Innovator

“The contemporary PAC can be an incubator of new ideas, an innovator of new types of delivery, and a thought leader facilitating civic discourse and critical dialogue” (Wolff “The Evolution of the Performing Arts Center”). Fourth generation PACs must be nimble in order to meet its audiences where they want to engage and be able to take risk to supplement programs already present in the community. A highly collaborative and transparent organization, the fourth generation of performing arts centers “provides essential support to emerging ideas of artistic expression” and “creates public value by making diverse programs accessible to diverse audiences.” Smart technology and social media make audience development and targeted marketing campaigns the number one

focus in finding new supporters. (Wolff, “The Evolution of the Performing Arts Center”)
The Fourth Generation of PAC is socially engaged, inclusive, and a welcoming space for all individuals. The greatest challenge of this PAC is providing access to all communities while not disengaging with any one specific audience.

Denver and the Performing Arts

Discussed in *The Metropolitan Revolution*, crucial public collaboration in Denver has a lasting effect on the performing arts community throughout the years and to today. In 1983, the Denver Art Museum, the Botanic Gardens, the Museum of Nature and Science, and the zoo advocated for a new tax district. The Scientific and Cultural Facilities District (SCFD) was created to levy a sales tax of one-tenth of one percent. Two-thirds of the proceeds pay for the cultural powerhouses including the Denver Center for the Performing Arts (DCPA) (Katz and Bradley 52). Five years later, voters agreed to create a \$40 million fund to pay for cultural facilities including funding the Denver Performing Arts Complex (DPAC). Currently, the Denver Center for the Performing Arts manages all but three performance venues located in the DPAC and operates as a separate 501(c)3 which produces and presents performances for these spaces. Three largest venues in the Denver Performing Arts Complex are owned and operated by the City and County of Denver. It is overseen by the joint city/county Denver Arts and Venues. Mark Najarian, venue director for Arts and Venues, City and County of Denver, notes that the business model “feels like a governmental agency/commercial/nonprofit blend” with the ability to be entrepreneurial. (Lambert and Williams 136)

In an email exchange with Greg Lowery, Assistant Director of Sales/Events for the Bellco Theatre, he highlights the sometimes-awkward relationship between city-owned DCPA and his city-owned venue. The Bellco Theatre is part of the Colorado Convention Center which is owned by the city and operates under a management contract with SMG, a third-party facility management company which operates on a fee-for-service model. He states that while SMG is the contracted management firm, it sometimes finds itself competing for the same shows as Denver Performing Arts Complex. Most performances at Bellco Theatre are rentals, but two or three times a year, SMG will purchase shows or co-produce with independent promoters for shows at the Bellco. Lowery explained that most of their use is by convention tenants for general sessions. Since their configuration is more like an arena, touring concerts, comedy shows, and family shows are also popular. In the past twelve months, performances included sold out shows of Adam Sandler and Friends, Paul Simon, Meghan Trainor, Amy Schumer, Keith Sweat, and Louis CK.

Denver is a notable example of a large metropolis with strong community arts and also numerous social activities that distribute leisure dollars among many entertainment options. Within one city and relatively close in proximity to each other, there are two examples of city-owned performing arts facilities with vastly different management structures. Since the Bellco Theater operates as a rental facility most of the shows which take place in the building tend to be touring performances that are not rooted in the Denver community. The nonprofit structure of the Denver Performing Arts Center lends itself to curated programming which includes more community-based groups and resident performers.

Chapter III
COMMUNITY ENGAGEMENT OPPORTUNITIES

Tom Borrup acknowledges that *community* is an increasingly difficult word to define given that local communities are becoming more globally diverse. In *The Creative Community Builder's Handbook*, he defines community as “the social, civic, and economic bonds, among people who reside, work, or otherwise consider themselves part of a geographical area” (4). Performing arts venue managers face challenges with providing programming which answers the cultural, emotional, and intellectual needs of communities that are rapidly diversifying. Shifts in demographics can also impact how performing arts centers provide community engagement opportunities. Since performing arts centers are permanent physical fixtures, becoming flexible community partners is essential to their long-term sustainability. The research found in *Set in Stone* discovered that, “It was not the size of a city’s population that influenced how much it invested in cultural infrastructure, rather...how fast a city’s population was increasing (or decreasing)” (17). For the Germantown Performing Arts Center it became apparent to Paul Chandler that there was an untapped audience of foreign-born residents who were moving into the community and who also enjoyed the arts. The GPAC now adds multiple world genre shows to its season, and by keeping the ticket costs low, he effectively reduces one barrier of entry for audiences.

When a venue can present sell-out shows it is not commonly scrutinized for audience development, expense habits, or programming decisions. Yet a continual obstacle between city owners and the private operators of cultural facilities is generally around the different language and tools they use to define success. “Cities—and we mean elected officials—tend to care about things like economic development, effective

management, positive media coverage and happy taxpayers. Building operators and their boards tend to be more concerned with booking great acts, ticket sales, expense controls and fundraising events” (Webb, “Measuring Success in Performing Arts Facilities”). Differences in semantics take time and effort to overcome but the PAC manager’s ability to communicate and deliver the correct story to the appropriate audience can result in more support in terms of audience members and financial support.

Each of the concerns are influenced by many of the same actions. For instance, ticket sales affect economic development, expense controls are influenced by management decisions, and fundraising can be positively or negatively impacted by audience growth. Nonprofit leaders of city-managed PACs are gatekeepers and with a different perspective on the community, can communicate to elected officials with their constituents in mind. At the Germantown Performing Arts Center, Paul Chandler changed the naming conventions for performance reporting and effectively built transparency by creating common ground for both elected officials and private donors.

Germantown Performing Arts Center

The Germantown Performing Arts Center (GPAC) is located in Germantown, a wealthy suburb of Memphis, Tennessee, and was constructed by the city of Germantown in 1994. In an interview with Executive Director, Paul Chandler, he states that at the time, there were very few city-owned performing arts venues around the country and the

city marketed it as an amenity to its citizens and visitors. “Within the first year, [the city] realized after researching other PACs that it needed a 501(c)3 to accept contributions to help support the programming.” The city elected that they would pay for the maintenance of the building, the employees within and all of the benefits of the employees. Much like other PACs, this amounts to around fifty percent of the budget. A separate foundation was established with the sole purpose of raising money for programming and community engagement opportunities.

The city of Germantown pays for the maintenance and overhead of the public building, thus allowing donors to directly impact programming and engagement opportunities with their support. The staff of the GPAC are also city of Germantown employees which frees up even more funds for programming, education, and engagement opportunities. Low overhead costs allow Chandler to take more risk on high profile shows which subsidize costs of the rehearsal time for residents, such as the Memphis Symphony Orchestra. The ability to focus solely on funding programming and eliminating the burden of maintenance costs, communicates a couple different things. First, that the city of Germantown identifies the public value of the arts in their community enough to make generous investment in its PAC. Second, the public views the venue as a place for their community and sees municipal investment as a positive reinforcement of their contribution. The GPAC has also enjoyed supportive relationships with some of classical music’s most important contemporary musicians which Chandler attributes to the willingness to ask. As a result, GPAC’s educational programming continues to remain strong.

GPAC and Community Engagement

The youth arts education program, Peanut Butter and Jam (PB & J) began when the executive director wrote a letter to Yo-Yo Ma. In it, was a plea: “Your presence at this concert with MSO and very first PB & J would launch this program and have a lasting effect on its success.” Yo-Yo Ma agreed to perform with the Memphis Symphony Orchestra but wanted his own conductor, Michael Stern, for the performance. Michael Stern was then asked and agreed to be the musical director and lead conductor for IRIS Orchestra. IRIS Orchestra is a per service orchestra created seventeen years ago, all musicians are on residency. Ten years ago, it became its own orchestra and now they are a resident of GPAC and GPAC is its largest contributor. The year that IRIS was formed Peanut Butter and Jam began as a community engagement program to encourage children under ten and their parents to get excited about classical music. One \$8 ticket covers admission for one child and up to two adults—requiring that at least one adult per ticket be present. Paul Chandler, stated that “we did something more than just hire Yo-Yo Ma for a big fee to put on a concert, we launched programs that have been around for nineteen years.” As GPAC evolves into multi-genre programming, Peanut Butter and Jam expands to offer more than classical arts.

A third demographic change that we can expect will occur in the ethnic composition of the population. Currently, close to forty percent of America’s total population growth is attributed to immigration. (McCarthy and Vernez 34) At GPAC, Paul Chandler responds to the increase in ethnically diverse audiences by presenting more world music programs.

The influx of families and individuals who have moved to the area who are from other nations has [resulted in] a measurable increase in the number of patrons, and on the board level, supporters. I attribute that to the advanced cultural opportunities in other nations, particularly Europe. As a result, the kids' programs are more and more successful as the number of families with young kids has increased. (Chandler)

Chandler feels that foreign-born audiences have a different expectation and experience with performing arts based on accessibility in their home countries. Nonprofit PAC leaders have a unique opportunity to observe and understand community demographics and cultural shifts in a way that is inaccessible to elected officials. With this responsibility comes a level of public accountability that many citizens can feel personally invested in.

PACs and Public Accountability

City-owned performing arts centers must be continuously aware of the public perception of their facility and reputation while also maintaining favorable relationships with the nonprofit arts organizations that use their spaces. Public funding for a PAC, can take resources away from other arts organizations. Artists and residents in Dallas, Texas protested the proposed bailout of the AT&T Performing Arts Center in 2016. The arts community rallied with the argument that a bailout would redirect funding away from multiple arts organizations in various parts of the city. Protestors argued that "helping the

performing arts center won't help small theatre companies without a venue to perform in and it won't help individual artists grow within their communities" (Mawajdeh).

The bailout was proposed to be paid through the Office of Cultural Affairs in increments of \$1.5M per year for ten years. ATTPAC would be required to provide e-ticketing and marketing services to small and mid-sized arts organizations (Hostetter). The ATTPAC leadership is building a new community stage and working to free up space and dates for small performing arts groups to utilize (Mawajdeh). The ATTPAC is managed by a private nonprofit which became responsible for the bond debts when the building was opened. The lack of funding from the city of Dallas has caused other private donors to pause on their decision to fund the facility. This example of nonprofit managed, city-owned building absolves the city from any responsibility of the building in the long-term. The ATTPAC is left to absorb the expenses of a costly building to operate and program, in the long run this affects the programming decisions and what community engagement they can provide.

Chapter IV OPPORTUNITIES FOR LOCAL NONPROFIT ARTS ORGANIZATIONS

“Cities and metro areas are defined by the quality of the ideas they generate, the innovation they spur, and the opportunities they create for people living within and outside the city limits.” (Katz and Bradley vii)

In their book, Katz and Bradley argue that the revolution of the American economy will be spurred by cities and metropolitans that are “uber-networked”, containing “interlinked firms, institutions, and individuals working together across sectors, disciplines, jurisdictions, artificial political borders, and even political parties” (6). This theory prescribes that cross-sector relationships are essential to the productivity of the entire economic region. A rising tide raises all ships. The same can be said for performing arts centers which are open to collaborative relationships with a wide variety of arts organizations, municipalities, and private corporations to serve the community. Performing arts centers in the fourth generation are poised to be deeply ingrained in the success of the communities they serve when operating from the lens of the metropolitan revolution.

In the previous chapter, the PACs discussed present various opportunities and challenges based on their operational and ownership structures. Both the GPAC and ATPAC are buildings owned by the city and managed by nonprofit entities. The city of Germantown agrees to share some of the inherent costs associated with operating a

cultural facility by funding the maintenance, staff, and overhead. This allows the leadership to focus on providing a variety of programming which reflects residents and community engagement activities which extend from the beyond the stage.

PACs and theaters are also considered public assembly facilities which implies that they are “accessible” to the entire public of a community. As quoted in *The Creative Community Builder’s Handbook*, Robert Putnam, social scientist, asserts that “an active cultural environment, including activities that help people better share their cultures and stories, is one of the best ways people develop their capacity to cooperate and build social and civic connections.” (Borup 7) Performing arts centers provide a place for storytelling and an environment for the public to live their life within the community. As quoted in *Running Theaters*, Judith Allen states, “The only way you can be a center of the community is to provide access. So the primary reason for corporate meetings, weddings, bar mitzvahs, spelling bees, schools, etc. to come is because those people need to understand that they have access to their center” (Webb, *Running Theatres*). Building civic connection manifests in various ways for every person and group of people. Therefore, creating a safe space for community groups to interact in ways that reflect their cultural norms becomes an important factor to developing sustainability of a performing arts center.

The rapid growth of small, nonprofit, nonprofessional performing groups suggests the growing vitality of community-based performing arts in America. These groups, many of which have revenues well under \$100,000, tend to emphasize local participation and rely heavily on volunteer labor provided by local artists and administrators...Almost by

definition, these groups do not feature big-budget productions or celebrity artists. (McCarthy, *The Performing Arts* 75)

As discussed in previous chapters, resident companies continually rely on subsidies from the PACs in which they perform. For PAC operators, the challenge continues to be maintaining positive associations with residents while selecting commercial or mainstream performances which provide financial sustainability. Resources sharing is an effective way to build trust while also ensuring that a group remains in business and able to provide content for the PAC. Determine what strengths the PAC has and discuss the chance to utilize those resources to reduce costs and to expand audiences.

City-owned performing arts centers benefit from sharing resources with their residents and also splitting the costs associated with overhead and maintenance. Both the municipality and the PAC agree to take on a certain amount of risk for the benefit of the audience and artists. Many PACs around the country have adopted shared service models which could include labor, human resources, finance management, and development for their resident groups and rental customers. PACs might offer marketing, accounting, or fundraising services to other small arts groups for a fee. The figure below shows the various levels of interconnected relationships that the PAC can provide with the most oversight to least oversight. The closer the circle is to “PAC” the more internal staff resources are needed to execute that service. For example, a small performing arts group decides to host a performance of *The Chronicles of Narnia: The Lion, The Witch, and The Wardrobe* and the venue provides printing and service for the tickets. The venue eliminates a cost to the performing arts group through a service that is already set up

within their venue. On the other hand, shared administrative services means that the venue might share personnel to manage the performing arts group while also working for the performing arts center. The more interconnected a PAC is with its groups the more reliant they are on each other to succeed, and as a result, both entities feel ownership for the facility and the programming that they deliver to the community.

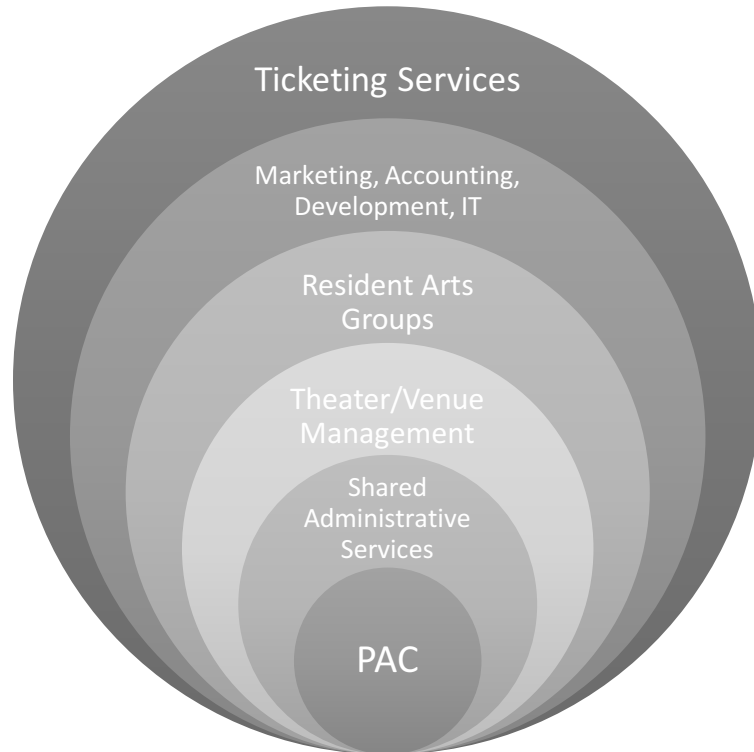


Fig. 2. Performing Arts Center/Organization Ties (Lambert and Williams 203)

PAC as Arts Incubator

Arts incubators are increasing in popularity across the country as a place for nonprofit arts organizations to grow and gain a valuable business foundation. An arts incubator is defined as “a facility that creates a nurturing environment for small and emerging arts organizations by offering low-cost or subsidized space and services” to

facilitate their organizational growth and development (Kahn 2). Performing arts centers are naturally poised to become viable spaces where an arts incubator model would support mutual goals. The fourth generation of PACs is one step closer, and in some cases, ahead of this contemporary trend. The Portland's Center for the Arts is already subsidizing many of the services such as marketing, for their large, high budget performing arts residents. An arts incubator goes one step further.

The PAC as arts incubator would provide, for a small fee, a selection of skills training, access to hard goods such as copiers, printers, and postage machines, and continuing education training. Reducing the operating costs to the arts incubator allows more open sharing of services between the incubator participants. Performing arts centers with unused office spaces or dressing rooms could convert these spaces to temporary offices for resident groups. The benefit to the nonprofit PAC is the ability to directly impact the mission and, in turn, help resident groups remain sustainable for continued performances.

Through these examples, it is evident that by diversifying their revenue streams and facilitating more partnerships with community organizations PACs can do two things: create a wider variety of engagement opportunities at their facility and offset their operating expenses. Fostering environments for open sharing of services and transparency builds trust and support between PACs and their residents.

Conclusion

Successful performing arts centers listen to the needs of the community, are advocates for the arts, and also understand the need for additional revenue streams to subsidize use of the venue by local nonprofit groups. Mastery of these, sometimes competing goals can help PACs be mindful when achieving sustainable success. Contemporary PACs are in the fourth generation of their evolution and, as such, create a space for diverse populations to engage with one another and with their community.

The research in this paper does not provide enough conclusive evidence to state that nonprofit PACs are the best option for city-owned performing arts centers. However, there are some best practices and advantages that nonprofit PACs have over third party and city managers. Nonprofit PACs are more collaborative with local nonprofit performing arts groups. Communicating frequently with resident groups allows PAC managers to identify how to best allocate donations for operating costs. Resident PACs can program their venues to more accurately reflect their mission statement and changing audience demographics.

Further research should consider deeper exploration of the operating expenses and operating revenues of various organizational structures of city-owned performing arts centers. By analyzing board structures, funding sources, bond debt, and management contracts research can begin to identify patterns which might influence decisions such as programming and community engagement.

Opportunities for the Field

Performing Arts Center Management released in January 2017 by Routledge and edited by Patricia Dewey Lambert and Robyn Williams is the first book of its kind to discuss the nuances of performing arts center management in its entirety. Research and data collected in this book comes from theater managers, performing arts organizations, venue managers, and presenters many of whom are already quoted throughout this paper. It scratches the surface of potential data that is yet to be collected on performing arts centers. This book helps to shed light on the topic of performing arts venue management inclusive of arts management and venue management--and the various structures which exist. It presents data collected from field leaders over the past twenty years and provides distinction for the critical look at performing arts venue management independent of theatre management.

Research to support the next generation of performing arts leaders should include more quantitative data collected over several years. PACstats by AMS Planning & Research and VenueDataSource from the International Association of Venue Managers are two benchmarking programs currently leading efforts to collect comparative data of PACs. A comprehensive database of performing arts venues is essential for venue managers and performing arts organizations.

In an article published in January 2017, Duncan Webb addressed the main issue stated in the introduction of this paper. Sometimes city leaders and task forces ask all the right questions and yet a new performing arts center is not always the right answer for their community. When the sector can subjectively admit that costs to build a PAC can outweigh the benefits after an extended period of time, it is possible to prevent

municipalities from failing the cultural sector. PACs that close or cost too much to rent and operate do more damage to the arts ecosystem in the long run.

Joanna Woronkiewicz postulates,

Regarding new PAC buildings, there is still a lot to discover. PAC leaders still do not know whether or not PACs are the most effective means by which to share space among a group of performing arts organizations... There may be more cost effective ways to collaborate on space—ones that reduce the amount of overhead that [new] PAC facilities tend to generate. (Lambert and Williams 117)

The contemporary PAC is one of deep impact, and after the research presented in this paper, it would be foolish to state that any specific model can work in any community. The only certainty in regards to management is that continual, transparent dialogue with key players and investment in the community are hallmarks of financially self-sufficient PACs.

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