

To: Board of Trustees

From: Dr. Chui L. Tsang, Superintendent/President

Re: Progress Report on Music and Performing Arts Complex, Madison Campus and Operational Planning Issues

July 12, 2006

INTRODUCTION

The Music and Performing Arts Complex, Madison Campus project is SMC's new comprehensive teaching, exhibit and performance facility for the arts. Within the framework of SMC's overall mission, the new facility will strive to promote artistic excellence, creativity, collaboration, and the free exchange of ideas in an open, caring, challenging yet supportive community of learners, thereby building new and future generations of artists and audiences.

The Music and Performing Arts Complex will serve as an academic institution, accommodating the arts education programs and departments of SMC and serving the College community through exceptional training in the performing arts. Throughout the academic year, the theater will serve as a large classroom or lecture hall suitable for screenings, performance workshops, guest speakers, and other classroom activities and College-related uses.

At the Music Academy located on the site, SMC will continue to offer a comprehensive and challenging curriculum that provides educational opportunities for students who wish to explore and increase their knowledge, performance skills and appreciation of music.

As a presenting and producing facility, the new complex has the potential to offer a broad spectrum of cultural programs and performing arts genres, and to feature artists from the local community, the nation and around the world. The theater would provide a high visibility stage for community presentations of opera, symphony, dance, solo voice and instrumental recitals, film screenings, children's theater, lectures, community events, and myriad other forms of performance art – the possibilities are as limitless as art itself.

One of the core aspirations for the facility has been that it become a spontaneous, artistic center where artists at all levels of creative learning and commercial success can contribute to the cultural life and profile of Santa Monica and the Westside; a place where component ensembles of larger, visiting performing arts companies may perform smaller avant-garde works; where well-established Southern California-area resident performing companies may find a Westside stage; or where emerging independent artists and performing groups may reach eager local audiences.

The facility also remedies a significant gap in local venues. Despite its appeal as a seaside Southern California vacation destination offering wonderful beaches, restaurants, other diverse amusements, and over 120 museums, galleries, and public art displays to tourists and area residents, the 8.3 square mile community of Santa Monica lacks a performance venue for theater, dance and music. The new facility will be a welcome and important addition to Santa Monica's cultural planning.

The new complex includes a state-of-the-art 541-seat multi-purpose main stage theater, a 4,000-square foot art gallery, a 99-seat classroom/rehearsal space, a flexible multi-purpose room, 29 student practice rooms, a complete music academy with specialized classrooms and offices, and on-site parking for 301 cars.

The facility's intent is to present programs and performances that reflect the cultural diversity, the multiplicity of interests, and the full range of ages that characterize the students of SMC and the residents of the region. The theater hopes to set a new standard for artistic excellence for SMC students and to attract the highest caliber of visiting artists to the venue.

A timeline of past activities and District actions regarding this project is provided in Appendix A.

An evaluation of the operating plan for this project, including strengths, weaknesses, opportunities, and threats, is provided in Appendix B.

EXISTING LEASE

In 2002-03, classes at Madison Campus generated slightly over 800 FTES (Full-Time Equivalent Students) in state revenue for credit classes, primarily for general education classes and nursing.

The site is leased from the Santa Monica-Malibu Unified School District for a term of 66 years with a start date of May 4, 1992. Lease payments are currently \$800,000 per year. After May 3, 2010, lease payments will be adjusted annually by the average value of the prior five years of community college COLA adjustments. This will have the practical effect of keeping lease payments constant with SMC state funding, if all other conditions are equal. The FTES generated at the site in 2002-03 was more than sufficient to cover the lease payment and other maintenance costs. Starting in 2007-08, class offerings at the site are again expected to generate at least 800 FTES annually.

NEW FTES

An operational study for the Madison Center Theater in 1998 and updated in 2004 assumed that revenue from new FTES would become available to support the activities of the performing arts complex due to the theater's use as a large lecture hall. However, the College is currently recovering FTES, and the revenue earned from new FTES must be used first to meet ongoing College expenses. As a consequence, revenue from FTES may not be used to provide new programs related to the use of the facility.

NEW HIRES

SMC is currently operating within a plan to reduce an ongoing operating deficit that limits its ability to fund new hires. Sources other than the District must be found to staff and operate this new facility.

NEW 501C3 OPERATING ENTITY

This facility's greatest potential lies in empowering its many passionate supporters to combine their efforts within a single organizational entity to promote, operate, finance, and endow this new cultural center. This will accelerate the full use of the center, given the current financial constraints of the College.

With this new organizational entity in place, a carefully thought out operating plan can lead to operating self-sufficiency and the ability to sustain outstanding artistic performances.

The board members of this new non-profit entity can provide a wide range of expertise, from business, to production expertise, to connections to the entertainment and performing arts industries. Board members bring the capability of building a sizable donor base and of attracting strong artistic talent.

Such a model is in place at most performing arts centers in Southern California, including UCLA Royce Hall, CSU Long Beach Carpenter Center, LA Downtown's Grand Performances, Pepperdine Smothers Theater, Thousand Oaks Performing Arts Center, and many others.

The formation of the new entity can assure the project's stakeholders that the project can continue to fulfill its commitment of service to community.

As extensive fundraising for this project has been successfully administered through the SMC Foundation for the past seven years, the SMC Foundation is the proper agency to form the new non-profit theater company. This new non-profit can assume trusteeship of the assets held by the SMC Foundation on behalf of this project at the appropriate time.

IMMEDIATE TERM ACTIONS

- Establish the new 501c3 to operate and finance facility, responsible for preparing an annual work plan with Board of Trustees approval
- Use private funds to support operational staffing needs
- Secure opening season grant funding
- Secure "angel" opening season support funding
- Establish naming opportunity levels and ticket pricing levels
- Produce and present the opening season (main stage presenting series, free arts education dress rehearsals, ticketed children's programming, small hall emerging artist series), using raised funds to meet staffing and presentation expenses
- Secure other producing partners for the opening season
- Secure other non-profit and commercial rentals

The opening season presents several unique opportunities for funding.

First, SMC project staff has already prepared several grant applications specifically requesting funds to offset some of the operational expenses for the opening season. These applications are under submission at the request of the granting foundations. Results will be known by October 2006.

Second, several special artists' appearances and performances are in planning for the opening season, and project staff believes that existing project supporters and others within their circle of influence will assist in underwriting parts of the cost of the opening season by becoming project angels, providing additional support beyond the cost of the tickets. The operational budget being prepared for the opening season includes revenue from this activity and also the expenses that will be needed to assure its success.

Fundraising for the opening season and for the following years will require a significant dedication of time by existing staff. Therefore, operational responsibilities (performance contracts, preparation and monitoring of presentation and rental budgets, sales outreach to commercial and non-profit users, etc.) will require additional staffing supported through private funding sources.

OPENING SEASON

The opening season schedule currently being planned includes the launching of:

- Main stage presenting series
- Free arts education and dress rehearsals
- Ticketed children's programming

- Small hall emerging artist series

The main stage first season includes classical, jazz, folk, lecture, dance, opera, choral, semi-staged theater, cabaret, and world. Efforts are underway to secure three signature events in voice, chamber, and theater. In coming years, presentation programming will expand to include orchestral, fully staged theatrical and musicals, larger dance ensembles and film.

SMC fulfills its free arts education commitment with monthly Friday performances designed for pre-school, K-12, college students, Emeritus and other underserved audiences. These will be at 9:30 am and 11 am, intended to reach about 1,000 audience members per event. These art education events are coordinated with the presentation programming events.

Presentation programming also includes high-level family and children's programming in both the main stage and the smaller hall to serve pre-school aged children and above. Performances will be sold both as single ticketed events and as series that will introduce young community members to theater, music, story telling and more.

The small hall emerging artist series include low- to moderately-priced "salon" performances of emerging artists across all arts disciplines. The salons are intended to showcase a wide variety of programming, from jazz, small dance ensemble, guest speakers and folk.

INTERMEDIATE TERM ACTIONS

- Build active board
- Secure naming opportunity gifts to build endowment
- Secure sponsorship revenue
- Secure producing relationships with partner organizations
- Begin reducing SMC developmental phase support
- Build membership base
- Produce and present follow-on seasons
- Maintain other activities

An active board will be a significant resource to efforts to promote, operate, finance, and endow this new academic institution and cultural center. Board members who have a wide range of production expertise and industry connections to the entertainment and performing arts industries will enhance the teaching and training provided through the project. Members who are able to attract strong artistic talent will add to the credibility of the presentation programming and to the ability to form strong partnerships. Board members also add capability to the program's efforts to establish a sizable donor base.

The business plan for this project calls for a transition of funding for staff from the current situation, in which the District has supported the development phase, underway since 1998, to an operational phase in which staff will be funded from the programming and fundraising activities of the project. A phased transition will begin in 2007-08, with 25% of the staff cost to be assumed by the project, concluding in 2010-11, with 100% of the staff cost to be assumed by the project, with increases of 25% each year.

First year funding relies on start up grants, a first year angel program based upon existing levels of support, ticket sales, and commercial and non-profit rentals and labor charge-backs.

Intermediate years funding will be based on memberships, producing partnerships with other organizations, sponsorships, increased endowment support due to increases to endowment from naming opportunities, increased commercial sales, and ticket sales.

LONG TERM ACTIONS

- Secure operational partnerships to extend season
- Secure new revenue streams through consortium-building activities
- Secure new revenue streams through project participation agreements
- Continue board development and build endowment
- End SMC developmental phase support
- Produce and present follow-on seasons
- Maintain other activities

The new facility is of exceptional quality. Its theatrical capability and support spaces exceed those found in many, if not most, Broadway theaters in New York City, for example. Its voice characteristics are expected to rank it among houses with the highest standards available anywhere. It boasts a premium location, near Santa Monica's downtown and on the Westside of Los Angeles. And, to be frank, it has parking!

As such, it is an attractive partner for the development of Broadway-bound theater productions and for musical and performance artists showcasing original works. Such arrangements can include participation agreements, with residual fees accruing to the benefit of the facility if the work is performed in other venues. This revenue stream can range from nominal to significant. College staff is currently exploring such arrangements.

Additionally, revenue streams created through consortium agreements support many similar facilities. This facility has both superior academic educational value and local economic benefit as a cultural arts facility. Future arrangements may be possible with the City of Santa Monica, for example, as it develops its own cultural master plan and proposes funding mechanisms for the identified projects. Additionally, a performing institutions alliance is a mechanism that can share certain costs of marketing, data collection, and presentation programming. College staff is currently participating in the formulation of a local cultural plan and is exploring alliances with other performing institutions.

SPONSORSHIPS

College staff is currently working with Premier Partnerships, a boutique corporate placement and sponsorship company that has generated over \$1 billion in corporate sponsorship revenues for facilities, events, and properties. The company will create an inventory analysis of the facility, develop commercial strategies, assess sponsorship levels, and create corporate and for profit facility usage recommendations. The information from this study will be available this Fall for use by the College.

RESERVING NAMING OPPORTUNITIES

The sponsorship analysis will guide the District to best understand the naming opportunities for this facility. The goal of operational self-sufficiency indicates that the best use of future funds from naming opportunities is to increase the operating endowment for the project.

SUMMARY

This report on the new Music and Performing Arts Complex, Madison Campus, project provides an update on planning issues needed to be addressed in order to transition from a developmental phase for the project to the long-term operational phase. This report also outlines planning efforts underway for first-year presentations and art education activities.

Following Board of Trustees discussion, staff will prepare a more detailed timeline for Board information and will respond to Board suggestions and questions brought forward in tonight's discussion.

APPENDICES

Appendix A – Timeline of Prior District Actions and Activities

Appendix B – Evaluation of Operating Plan and Assessment Analysis

APPENDIX A

TIMELINE OF SMCCD (DISTRICT) ACTIONS AND ACTIVITIES REGARDING MUSIC AND PERFORMING ARTS COMPLEX, MADISON CAMPUS

September 24, 1990 – SMC begins leasing the Madison campus from the Santa Monica-Malibu Unified School District, changing the use of the property from elementary school classrooms to community college classrooms. A 66-year lease begins May 4, 1992.

November 3, 1992 – Improvements to the Madison campus are authorized with funding from Measure T, a \$23 million bond measure, approved by a two-thirds majority of district voters.

Spring, 1996 – The School District, which had continued to use one-half of the property for the Olympic High School program, vacates the property.

Fall, 1996 – The classroom building is renovated including new heating, elevator access, handicap-accessible bathrooms, internet access, and remodeling. Exterior improvements include a new linear park on the Arizona side, landscaping, and security lighting. The existing auditorium is not renovated.

Fall, 1998 – SMC conducts an operational feasibility study on replacing the auditorium with a new facility to focus on the classical presentation of theater, voice, chamber, and dance; and to provide the community with an opportunity to interact with new emerging artists. The study confirms the viability of a 500-seat theater and also confirms the viability of the College's intent to use the new facility as a classroom to meet operating costs.

Fall, 1998 – Based on this report, the Board of Trustees establishes a new position and hires a Director of Special Projects to develop an educational arts program, to begin identifying private sources of funds, and to begin community outreach.

May 7, 2001 – After nearly three years of follow-on programming development, program offerings, fundraising, conceptual design studies, campus outreach, and community outreach, the Board of Trustees approves the Madison Site Theater approval process and community outreach process. The proposed 500-seat theater facility is designed to operate as a classroom with the necessary facilities to provide for the professional presentation of theater, dance, voice, and chamber orchestra. The project will require approval from the School District and CEQA environmental reviews.

2001–2003 – Privately secured funds are used to prepare working drawings for approval by the State Architect and to prepare bid documents for construction.

March 5, 2002 – Measure U, a \$160 million bond measure, is approved by the voters of the district under Proposition 39, requiring a 55% majority yes vote. Bond funds are used to purchase the Bundy Campus site and the Emeritus College site. College planning includes the relocation of Nursing, Non-Credit ESL, and Continuing Education from the Madison Campus to the Bundy Campus; the relocation of the Emeritus College program to the Emeritus site; and the relocation of the Music Department and the Applied Music program from the Main Campus to the Madison Campus. The intent is to provide the Music programs with increased access to the benefits available from the proposed Madison Theater project.

August 4, 2003 – The Board of Trustees approves the Final Environmental Impact Report for the Madison Theater Project, adopts a mitigation monitoring plan, and approves the Madison Theater Project following extensive public outreach and review. The Madison Theater Project

provides for the teaching and practice in the performing arts in support of Santa Monica College's transfer program, and assists the College in meeting new University of California (UC) and California State University (CSU) admission requirements in Visual and Performing Arts. The project additionally provides for public cultural programming in a time of scarce funding for arts education and provides a needed community resource for community programs.

June 7, 2004 – The Superintendent/President proposes a bond measure for Board of Trustees consideration to fund a number of facility projects including a performing arts complex using bond measure funds in lieu of privately raised capital funds to be able to operate the theater component at rental rates affordable to community organizations.

July 7, 2004 – The Board of Trustees considers the results of a public opinion poll that reports that 66% of the survey respondents believe there is a great need or some need for a performing arts complex to meet new admission requirements to the University of California and that 60% of the respondents are more or somewhat more inclined to support the bond knowing this purpose.

August 6, 2004 – The Board of Trustees approves a resolution calling for a bond election and approving a facilities list that includes a new Music and Performing Arts Complex to support new University of California admission requirements.

November 2, 2004 – Measure S, a \$135 million bond measure, is approved by the voters of the district under Proposition 39, requiring a 55% majority yes vote.

November 15, 2004 – The Board of Trustees approves the award of construction bid for the New Music and Performing Arts Complex, Madison Campus, to FTR International, Inc., in the amount of \$30,780,000. The project provides for a renovation of the Madison Campus for a new Music and Performing Arts Complex for use by the Music Department, other College programs, and community groups. Funding sources are Measure S, Measure U, Federal Transportation Grant, and the SMC Foundation. A feasibility study for the 2006-07 operation of the theater, updated from the 1998 study, is considered in the award of bid.

January 19, 2005 – SMC holds a public groundbreaking ceremony.

October 10, 2005 – SMC holds a public “topping off” ceremony.

May 8, 2006 – The Board of Trustees approves payment for architectural services associated with the New Music and Performing Arts Complex, Madison Campus based on the construction bid less remodel costs, with total Measure S payments not to exceed \$1.58 million.

APPENDIX B

EVALUATION OF OPERATING PLAN AND SWOT (STRENGTHS, WEAKNESSES, OPPORTUNITIES, AND THREATS) ANALYSIS

Evaluation of the Music and Performing Arts Center's operating plan occurs naturally in the form of a response to a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) that was conducted in conjunction with the project's initial feasibility study. The SWOT analysis provides a glimpse into the external and internal driving forces of the project. The most significant factors affecting the project's impact on the creative communities of Santa Monica and Malibu include: the size, location and built-in infrastructure of the College; student participation; and a lack of other significant, easily accessible cultural venues in the areas.

The project's specific, proven Strengths exist in the tangible and intangible assets of SMC. They include:

- Desirable and accessible site location, on-site parking and easy pedestrian access.
- Introduction of a flexible, mid-size, state-of-the-art theater.
- Community desire for a Westside performance space. Community support is evidenced by the passing of a Santa Monica College educational facilities bond that prominently featured the performance arts complex.
- Award-winning SMC Music and Theater programs.
- Successful seven-year track record of the *Madison Performance Series*.
- Tried and true arts education programs that will transition to the new project.
- Support of the College's Marketing and Events staffs.
- Existing media outlets, including KCRW, a community service of Santa Monica College, and KMOZART 105.1, the Official Classical Radio Station of the project.
- Number of high quality local artists from which to draw.
- Arts and Entertainment industry connections of SMC staff members.
- Successfully completed capital funding.

The impact and success of the project will be quantifiable by tracking the annual number of theater experiences it makes available to students, artists and audience members. Experiences may be measured by recording the number of tickets sold to performances, estimating the number of audience members attending free events such as the *Madison Performance Series* and free children's programming, tallying class enrollment and number of classes per academic term, monitoring participation in formalized site tours, and calculating parking fees on a per car basis. Marketing impressions may be determined based on the number of promotional mailings dispatched (advertising and informational), as well as estimating the listenership of advertising radio stations, viewership of television promotional spots, and readership of print ads and press releases. Programming records will reflect the number and diversity of presenting artists in the theater and in the classroom, as well as the Industry contacts approached for presenting and partnership opportunities. As a part of the operational follow-through, questionnaires will be developed and distributed to students and artists to ascertain the positives and negatives of each individual participant's experience. Suggestions taken from audience members and visitors will be considered in ongoing efforts to improve service to students and the community.

Weaknesses include:

- Staffing shortage and hiring freeze at SMC.
- Lack of funding to support the production of promotional materials that will support a broad-based marketing campaign for its Gala Opening Season.
- Unrealized branding opportunity related to theater naming (theater naming rights in perpetuity are available for a gift of \$5 million).

- Pending institutional acceptance of operations and programming plan.

The first two above-referenced weaknesses will be in great part addressed and eliminated with specifically-targeted grant applications that are intended to support opening season start-up costs. Efforts continue to identify motivated prospects for the theater-naming rights and to develop an attractive package of donor benefits for this unique, high-profile tribute opportunity. Resolution of the project's operational and programming plan is anticipated shortly.

Opportunities afforded by the project include:

- To be the premier performing arts center for SMC and the Westside community.
- To evolve the facility into an organic, spontaneous cultural center for SMC students, local artists, area schoolchildren, and all residents of the L.A.'s Westside.
- To provide a technologically-advanced, state-of-the-art performance space for SMC students and talented local artists and ensembles.
- To reach an untapped base of higher-proficiency music students, thereby increasing full-time enrollment and creating an international reputation for student musicians.
- Potential to expand arts-based curricula.
- To attract new donors to the College.
- Potential to centralize events, box office and facility booking for the College as a whole.

It is anticipated that each of these present opportunities will be realized within the first three to five years of the facility's operation, as the College develops a well-rounded and sustainable programming plan for the project. Moreover, other *as yet unimagined* opportunities are expected to be identified and capitalized upon, as well.

Finally, the main Threat to the project's long-term well-being was not considered to be insurmountable or defeatist, but was acknowledged in the broader context of the field of the cultural arts as: The ever-changing state of the local and U.S. economies, and its effect on (1) annual fundraising for program support, and (2) vacillating demand for facility rental (i.e. income) by College- and community-based arts groups.

In an effort to minimize the inevitable shifts in the charitable priorities of corporate, foundation and individual donors to the College over time, College staff is engaged in a \$5 million campaign for Programming Endowment. The Endowment will provide a reliable source of funding that will stabilize the annual income stream for the project, and buffer any losses from unforeseen decreases in facility rental, ticket sales, and other revenue sources.