



Number 19

*Join Us in Our  
On-going Discussions*

On one level, it's quite simple: facility planning will never be as much fun as deciding on which "world-class" architect should be hired to design the building. Yet, in our work we have seen the results of paying insufficient attention to the many details of facility planning. Poor planning can take quite a toll. It can mean added construction costs, bad public relations, unhappy donors, and, in the worst cases, a facility that does not meet the organization's key needs.

But these problems need not plague your project. In this issue, we explore some of the best practices for starting off a capital project on the right foot. Do let us know what you think—e-mail us at [info@wolfkeens.com](mailto:info@wolfkeens.com).

# Working Paper

## Bricks, Mortar, and Planning

Marc Goldring  
*Vice President*  
*Wolf, Keens & Company*

There are few tasks as stimulating to a group of civic-minded individuals as the prospect of overseeing the creation—or renovation—of an arts facility. It is exciting to conceive of "world-class architecture" or "a major new icon for our community." There is a temptation though, to put the proverbial cart before the horse. The way a building will look architecturally is certainly important, but other decisions (and much research) must come first. Earlier steps involve some or all of the following:

*continued on page 2*

*continued from page 1*

- How will the building be used and by whom? Occasionally, new facilities are built for a single exclusive user. But more often, they depend on a number of users — nonprofit and commercial organizations and even individuals. Who are they? What do they plan to do in the building and how do internal spaces have to be configured to meet their needs? How often will they use these spaces and do their scheduling needs conflict? What can the users afford to pay?
- Where will the new facility (or facility expansion) be placed? Is the land available? Is it properly zoned? Are the neighbors (or local preservationists) in support of the idea? How much will the site cost? Will it be appealing to potential users — both those programming the building and the consumers? Is parking adequate, are there safety issues, and what are the nearby amenities that will draw people?
- What is the market for the facility? How many people can be expected to pay admission to come? How often will they come? What impact will this have on the sizing of internal spaces, especially if performing arts spaces are involved? If there is only sufficient audience to support 40-50 uses a year for a large theatre, should it even be built?
- Who will own the facility? How will it be managed? How much will it cost to operate and who will pay the operating subsidy that will be required? (Many arts facilities built today do not pay for themselves.)
- How much will it cost to build the facility? Is there sufficient money in the community to do so? How long will it take to raise it and how will that relate to building costs and debt service?

Even when things are done in the right order, we have seen how facility planning, if not managed carefully, can go awry. Consider these examples:

- Fund raising for a significant new concert hall has been on-going in this major American city for so long that some of the anchor tenants are no longer in business. The halls (and the projected operating budgets) have been designed for a reality that no longer exists. Now what?
- A museum bought a landmark building as its new, high visibility, and generously expanded home base without final approvals in place. Renovation was being blocked while preservation advocates battled the Landmarks Commission. The controversy has subsided but construction costs have escalated as a result of the delay.
- A city invested nearly a hundred million dollars in a complex that included a new city hall, a convention center, a museum, and a performing arts facility. The estimates of operating costs were wildly optimistic and now the arts component is hemorrhaging nearly two million dollars per year. It is too late to reverse any decisions— the buildings are built!

It is obvious that cultural organizations and communities must renovate, expand, and at times build anew. Often developing new facilities will contribute to urban redevelopment, economic rejuvenation, and civic pride and will produce major landmarks and tourist attractions. The art is in designing the planning process properly. The design of the building can come later.

We've invited three experts to comment on developing facilities and their comments follow.

**NEED HELP?** Chances are the “Portfolio” section of the Wolf, Keens website ([www.wolfkeens.com](http://www.wolfkeens.com)) can direct you to other organizations that have successfully used our consultants. You can find detailed descriptions of how projects were structured and their outcomes. For even more information, please e-mail us at [info@wolfkeens.com](mailto:info@wolfkeens.com) or call 617-494-9300.

## Clara Miller

*President & CEO, Nonprofit Finance Fund*

**T**ruly great facility projects must support the main thing—mission—first and fundamentally. When capital projects go awry, it's often because the huge investment of time, money, and institutional good will focused too early and too narrowly on getting the building built. If the vision, mission, and business strategy are not aligned first, risk increases exponentially.

For many years, Nonprofit Finance Fund has observed the rule of thirds. About one-third of facility projects are big successes (they cradle the organization's programs, lead to new heights, allow for expansion of audience, energize leadership, look great). Another third are a real disaster (huge overruns, an overly large building that needs to be sold, failure to raise adequate dollars, layoffs of staff). And the final third create a sort of organizational limbo (not great, not a complete bust, but definitely struggling against a difficult current, financially speaking).

How to be in the top third? The best leadership teams ask many questions, including the cardinal one: what mix of real estate, technology, skills, and cash (and other capital assets) do we need to accomplish our mission? Then there are a series of related questions. How will we balance capital investment, growth, and operations so that the mission is enhanced? When we are done with the new building, what resources will be at hand to make sure that what we do is done better? Will we have adequate amounts of working capital and growth capital? Will our audience diversify and grow (through adequate funding of marketing and development staff)? Will those who use the facility be provided an environment in which they can thrive and live decently (regular payrolls, health benefits, decent working conditions)?

It's easy to say but not so easy to do. Just bear in mind: it's not a capital project; it's a capitalization strategy to advance the mission. And that's the main thing!

Copyright 2006, Nonprofit Finance Fund

---

## Mary Campbell

*Senior Vice President - Community Development Banking, Bank of America*

**I**t takes energy and discipline to corral all the disparate pieces involved in planning a cultural facility. It is too easy to focus on design, fundraising, and other details to the exclusion of the larger context of development. From the outset, this larger context—community impacts, economic benefits, and synergies with area businesses and residents—should be a prominent part of the case for the facility as well as a key analytic tool.

Sports venues characterize their capital needs as economic development, generating studies presenting potential local and statewide benefits. Cultural organizations are less adept at framing the economic and community value of their facility, the new business activity that will result, potential real estate development, increased tax revenue, and less tangible quality-of-life benefits.

Context linking a proposed facility and the community can become a critical component of planning in other ways. Parking and highway access are two obvious areas of intersection. Facility planners should always secure a

city or town's long range plan and assess how their plans can align and whether it might be possible to leverage ancillary developments such as restaurants and shops by the promise of the economic benefit that the facility will bring.

If such amenities are absent and there is no plan for their development, it will be important to decide whether it is worth pioneering a facility in an area where convenience, safety, or attractiveness is questionable and the predominant dining option is still the local social service agency. Planners must assess the sustainability of a facility that is bolstering the surrounding area rather than benefiting from pre-existing neighborhood amenities and businesses that complement the effort to draw people and interest. Finding a site that enhances the organization's attractiveness may make the search for a site more difficult initially, but the bolstering effect on the operations and attendance will warrant this more disciplined focus.

*continued on page 4*

## Eliot Pfanstiehl

*President & CEO, The Music Center at Strathmore*

Today, any hope of developing a major arts facility will depend upon a successful and enduring collaborative effort. This can include public/private partnerships, consortia of arts organizations, an expanded base of corporate and private givers, and multi-term, bi-partisan political support at the local and state levels.

A well-conceived plan is essential to the effort not because every assertion must be proven accurate — indeed, most plans only prove partially so — but because of what these assertions demonstrate about the reliability of leadership. In addressing many questions and issues, the leaders demonstrate due diligence and provide the first public indicator of how well the enterprise will be managed. Obtaining funding, creating broad public support, surviving press scrutiny, building future audiences, and getting the facility built on time and on

budget will depend in large measure upon the trust established during this early phase.

Most often neglected in early planning is the need to find a few deeply committed leaders who will give up a decade of their lives to the project. A project manager, a persuasive political or corporate leader, and a dedicated future operator (the “trinity” of new art facilities) must consistently outpace, outperform, and even outlive their critics to get to opening day. Finding and keeping such leadership may be the hardest part of the process.

In addition to the expertise, influence, and ability these leaders will bring, even the best of plans will require their enthusiasm as well. As Ralph Waldo Emerson remarked, “Every great and commanding event in the annals of the world is a triumph of enthusiasm. Nothing great was ever accomplished without it.”

Wolf, Keens & Company  
10 Rogers Street, River Court, Suite 102  
Cambridge, Massachusetts 02142

