

# Arts and Culture Institutions as Urban Anchors

Livingston Case Studies  
in Urban Development



**PennIUR**  
PENN INSTITUTE *for* URBAN RESEARCH



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# Introduction

## Urban Anchors

The appeal of many of the country's most successful cities comes from their anchor institutions, geographically rooted entities that offer the jobs, services, entertainment options, social centers, and other necessities and amenities that make urban life attractive. These may be universities, hospitals, sports facilities, performing or visual arts and other cultural facilities, public utilities, and some large churches and local corporations.

Serving as engines of urban renaissance – and sometimes even survival – in many places, anchor institutions are also magnets for economic development. Their influence derives from their landholdings as well as from their capacity as large employers, revenue generators, and goods and services purchasers. They contribute to urban reinvention and civic pride, and attract knowledge-industry workers and suburban spenders. They often fill important vacuums when footloose industries leave a city.

Public policymakers and scholars have taken note of the value of anchor institutions: a growing body of knowledge about their worth has developed over the past ten years. Penn IUR is a leader in this field. Penn IUR Co-Directors Eugenie Birch and Susan Wachter are among the co-founders of the National Anchor Institution Task Force, an organization that develops and disseminates knowledge that helps create mutually beneficial anchor institution/community partnerships.

Additionally, Penn IUR convenes anchor institution leaders, their civic collaborators, and technical experts for intense, day-long roundtable discussions. These Penn IUR Roundtable on Anchor Institutions (PRAI) sessions offer an opportunity to engage with peers, strategize solutions, compare notes from the field, and build a community of anchor institutions. Prior to engaging in these sessions, institution leaders work with Penn IUR to develop a case statement that outlines a compelling local challenge.

Many of the case studies presented here originated with materials and discussions at PRAI 2008 (Arena Stage, Woodruff Arts Center) and PRAI 2010 (Art Institute of Chicago, High Museum) and reflect the challenges the institutions were contending with at that time. These materials have been supplemented with additional interviews and research, and addressed to a broader audience. Other case studies (Arsht Center, Martin Luther King, Jr. Library) are included here to illuminate lessons most useful to those in public policy fields.

These case studies illuminate the issues with which organizations grapple, whether they seek to build a new institution, or expand an existing institution, or simply find a place in an ever-changing metropolitan environment. We believe that sharing the processes that these institutions have gone through will help students of public policy understand the kinds of hurdles – both internal and external – that these institutions face in engaging with their cities. Our hope is that this improved understanding will facilitate coordination

among all parties involved in creating mutually beneficial relationships between institutions and civic communities.

### Arts and Culture Institutions

Much of the existing literature on anchor institutions focuses on educational and medical anchors (“eds and meds”) and stadiums, which – while important – are not the only urban anchor institutions in their communities. Penn IUR’s roundtable series has gathered representatives of less publicized types of anchors. Here we share case studies of arts and culture institutions.

- The **Adrienne Arsht Center for the Performing Arts** case study offers insights into the conditions that empower public, private, and institutional entities to create successful anchor institutions. This case study explores the factors that enabled the Arsht Center of Miami, Florida to mature as an organization in ways that serve its constituents.
- The **Arena Stage** case study explores the decisions that resulted in the development of the Mead Center, a new complex completed in 2010. It examines the issues that arose as Arena Stage weighed community interests with financial and political considerations while striving to grow as a nationally recognized theater company in Washington, D.C.
- The **Art Institute of Chicago** case study details the efforts the institute undertook to attract civic support during trying financial times.
- The **High Museum** case study explores the institution’s experience expanding and renovating its campus, looking back on the process of

developing and implementing a campus improvement plan and considering how to better meet the plan’s objectives, in particular the animating of the new central piazza.

- Philadelphia’s **Kimmel Center** opened in 2001 to mixed reviews: its design drew strong feelings, both positive and negative, and its acoustics were generally criticized. Over the next ten years it continued to face public criticism and internal challenges. This case illustrates the ongoing difficulties of creating an anchor institution from scratch.
- The **Martin Luther King, Jr. Library** serves as both the main library for the city of San José and the only library for San José State University. This case explores the challenges of melding the operations, missions, resources, and users of two distinct entities in order to develop and operate a single institution.
- The **Music Center** case study examines the institution during a decade of change – in the process of transforming its role within its community, which was itself undergoing a transformation.
- This case study describes how the **Woodruff Arts Center** has adapted to Atlanta, Georgia’s growth, focusing on the major changes the Woodruff implemented between 2000 and 2010, in order to provide insight into the relationship between the structure and culture of a city and the operations of an arts anchor institution.



## Acknowledgements

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Lawrence Nussdorf's contributions made possible Penn IUR's Roundtable on Anchor Institutions (PRAI), which convenes leaders of anchor institutions to discuss common issues, including (among others) leaders of Arena Stage and the Woodruff Arts Center in 2008 and the High Museum and the Art Institute of Chicago in 2010.

John Livingston supported the research and development of these case studies.

Thanks also to the many people who generously shared their time to help develop these case studies, including Adrienne Arsht, John Richard, and Valerie Riles at the Adrienne Arsht Center; Desiree Urquhart, Susan Haas-Bralove, Edgar Dobie, Molly Smith, and Alison Irvin at Arena Stage; Erin Hogan, David Thurm, and James Cuno at the Art Institute of Chicago; Susan Clark and Michael Shapiro at the High Museum; Natalye Paquin and Anne Ewers at the Kimmel Center; Jane Light at the Martin Luther King, Jr. Library; Josephine Ramirez, Howard Sherman, and Stephen Rountree and at the Music Center; and Joe Bankoff and Tara Perry at the Woodruff Arts Center.

## Contributors

Penn IUR Co-Director **Eugénie L. Birch** spearheads Penn IUR's anchor institution research; she convened PRAI, led site visits to many of the institutions, moderated discussions at each convening, and directed research and writing of these case studies. **Cara Griffin**, Penn IUR Editor and Publications Manager, coordinated the development of these case studies and researched and wrote the High Museum case study. **Amanda Johnson**, Assistant Professor in the Department of City and Regional Planning at Boise State University, researched and wrote the Art Institute of Chicago case study. **Jonathon Stover**, consultant at Jon Stover & Associates, a company specializing in partnerships between the public, private, and institutional sectors, researched and wrote the Adrienne Arsht Center, Martin Luther King, Jr. Library, Woodruff Arts Center, and Arena Stage case studies.



## **Case 1: Creating the Adrienne Arsht Center for the Performing Arts Miami, Florida**

The Adrienne Arsht Center for the Performing Arts of Miami-Dade County opened in October 2006 in a rundown neighborhood in downtown Miami. The \$472-million, 570,000 square foot, glass-encased complex came in \$247 million over budget and years later than scheduled. One of its five planned resident companies went bankrupt before the center's completion, and a second filed for bankruptcy two years later. In its first year, it ran a \$2.4 million operating deficit and drew only half the anticipated attendance.

Remarkably, five years after opening, the Arsht Center's story became a success story. Leadership had balanced its budget and covered its construction debt covered. The two failed resident companies were replaced in ways that responded to Miami's artistic needs and generated excitement about the center. Attendance soared and the Arsht Center shared a strong relationship with its three remaining resident companies – the Florida Grand Opera, the Miami City Ballet, and the New World Symphony. In addition, a unique partnership with the Cleveland Orchestra put Miami on the cultural map.

The first five years of the Arsht Center's history provide lessons not only on how to build, operate, and program a performing arts center, but also insights into the conditions that empower public, private, and institutional entities to create successful anchor institutions. This case will explore the factors that enabled the

Arsht Center to mature as an organization in ways that serve its constituents.

### **Case Summary**

#### ***Early History: Planning and Development of the Adrienne Arsht Center***

The Miami area's population grew tremendously over the twentieth century. With fewer than 5,000 residents in 1900, Miami-Dade County (known as "Dade County" until 1997) now comprises over 2.5 million people (U.S. Census Bureau 2010). Miami emerged as a major city in the 1950s and 1960s and, partly due to a wave of immigration from the Caribbean, tripled in size from just under half a million residents in 1950 to over 1.6 million in 1980.

As the population ballooned, artists, arts administrators, and patrons of the arts moved to Miami from all around the world. In the 1970s, interest in a city performing arts center began to grow. The question of how to create one became a frequent topic of conversation among civic leaders and those in the arts community, especially among leaders and patrons of the city's five most prominent performing arts organizations, which would later become resident companies: the Florida Grand Opera, the Miami City Ballet, the New World Symphony, the Concert Association of Florida, and the Florida Philharmonic (see side bar, below, for more information on the resident companies). These companies – which remained independent nonprofit organizations sharing the facilities of the

Arsht Center – joined the Arsht for access to world-class facilities as well as for the larger audiences and additional fundraising resources that come with the visibility of a prominent arts center (Bob Heuer 2010).

Over the 1980s, Miami-Dade County – and specifically its County Arts Commission – commissioned studies to explore the composition, location, and financing of a large-scale, state-of-the-art performing arts center; by the end of the decade, the County approved a plan to acquire land and construct a complex that would bring world-class performances to Miami. From the start, the county’s secondary objective was to use the center to promote economic development in downtown Miami. The promised social and economic benefits of the project helped garner widespread support, even from those who were not passionate about the arts. Originally called the Miami Performing Arts Center, it would later be named the Carnival Center and, finally, the Adrienne Arsht Center for the Performing Arts.

In early 1990, Miami-Dade County, in coordination with the City of Miami, appointed a task force of prominent community members to initiate the project. The task force, led by local attorney Parker Thompson, brought knowledge of institutional finance and operations and helped create the organizational structure. Based on the task force’s recommendations, the county created two organizational bodies to develop the performing arts center: one would raise money, the other would manage construction and, subsequently, operations. A joint Performing Arts Center Foundation (Foundation) – led by representatives from the original five performing arts organizations and chaired by local real estate developer

Sherwood “Woody” Weiser – would raise private funds. The Performing Arts Center Trust Board of Directors (Trust) – consisting of political appointees from Miami-Dade County, the City of Miami, and Miami Beach, and chaired by Thompson – would manage and operate the new center.

Miami-Dade County Department of Cultural Affairs took on the role of project manager to oversee planning and design, and soon took on the additional charge of managing the center’s day-to-day operations for the Trust. The Director of the Department of Cultural Affairs, Michael Spring, led the planning process for the center throughout the 1990s and became Acting Director until its first President and CEO was hired in 2002. According to Arsht Center Vice President of Board and Government Relations Valerie Riles, “as [the Arsht Center] grew and got its own legs, [Spring] was a point person for years. [His] office does a phenomenal job of reaching into the cultural communities, so he helps bridge us into the community” (Riles 2010).

An important design consideration was whether the center should have one multipurpose hall or a separate performance space for orchestras and operas or theater. Aiming high, Thompson persuaded other leaders that the performing arts center should have three separate performance spaces that would optimize artistic presentations: a concert hall for orchestral performances; a theater for operatic and large theatrical productions; and a smaller theater space for incubator and experimental productions. The team also incorporated arts education space and a restaurant into the building program.

As the design concept for the performing arts center took shape, leadership began searching for sites that

would fit the building program and cost criteria. For years, landowners had been in conversations with the county about donating land for a performing arts center. In 1993, Miami-Dade County issued a request for proposals for sites that landowners would be willing to donate to the County. The selected site – where the center currently sits in the Omni neighborhood north of downtown Miami – stood out due to its square footage and its centrality: its 5.9 acres covered two square blocks flanking historic Biscayne Boulevard, a major arterial road connecting to downtown. At that time, the neighborhood was run down and had little activity, but had already been targeted for a tax increment financing district in the area five years earlier.



Construction of the Arsht Center with downtown Miami beyond.

The selected site consisted of two parcels, one on either side of Biscayne Boulevard. On the first property stood an abandoned Sears Roebuck department store building. Constructed in 1929, it was the first example of Art Deco architecture in Miami (in 1997 it was added to the National Register of Historic Places, and its iconic seven-story tower was preserved). Sears, Roebuck & Co. had

attempted unsuccessfully to sell the land for decades and eventually donated the land to Miami-Dade County. The other parcel was across the street from the Sears Roebuck building and owned by Knight Ridder, the parent company of the *Miami Herald*. Knight Ridder donated the site with the idea that the construction of an arts center would increase the value of the other land the company owned in the immediate area. According to Michael Spring, both donations were not only “generous civic decisions, but also business decisions” (Spring 2010).

Civic leaders selected world-renowned Pelli Clarke Pelli Architects as lead architects through a March 1996 design competition. The staff of the resident companies worked closely with the design team and strongly influenced the facility design. “Often you hear people get into facilities after they’re built, and their needs weren’t taken into account,” said Spring. “But we were able to shape that inside agenda as well as outside agenda” (Spring 2010).

In 1998-99, the Trust hired staff for the performing arts center, relieving the County Department of Cultural Affairs of its makeshift role as operator. While no longer involved in day-to-day operations, the Department of Cultural Affairs continued to assist the center’s staff in both advisory and support roles. The center’s first President and CEO, Michael Hardy, was hired in 2002. The organization was on its third director by the time it opened its doors, both a cause and a result of early organizational instability.

While overseeing the center’s design, the Trust identified three primary revenue sources to both build and operate it. The county’s “Tourist and Convention Development Tax,” commonly referred to as a hotel tax or bed tax, was

the principal source of funding for construction. While previously used to fund sports facilities, convention centers, and other large public projects, the hotel tax had never before funded a “cultural” project.

The second funding source was also a major factor leading to the Arsht Center’s location: revenue from the Omni Tax Increment District. Created years before the performing arts center concept had gained momentum, the district needed a major redevelopment project within its borders before its tax increment financing (TIF) could be activated. The Trust worked with the county to designate the performing arts center as a “catalytic project” and allocate the resulting tax increment toward financing the center. The funds were conservatively projected because, at the time, the district was generating little property tax revenue. The TIF funds would pay off the center’s construction debt as well as help fund its maintenance reserve and endowment (Burgess and Munoz 2010).

Private sector money, raised by the Performing Arts Center Foundation, constituted the third source of funding. In the late 1990s, Ted Arison, the founder and chairman emeritus of Carnival Corporation (of Carnival Cruise lines), donated \$10 million, and the center was named in his honor. Dr. Stanford Ziff, the founder of Sunglass Hut International, contributed an additional \$10 million and the theater and opera stage became the Sanford and Dolores Ziff Ballet Opera House (Arsht Center *Backgrounder* n.d.). In addition, the John S. and James L. Knight Foundation has donated over \$10 million to the Center since 2000 and continues to actively give.

In May 2003, a year and a half after construction had begun, the Florida

Philharmonic Orchestra declared bankruptcy and suspended operations. Like many other Miami arts organizations, the Florida Philharmonic served not only Miami-Dade County but also Broward County (which includes the city of Fort Lauderdale) and Palm Beach County (which includes the city of West Palm Beach), both to the north. While the orchestra had problems with union issues and with general organizational mismanagement, most area arts leaders believed its downfall stemmed from spreading its audience base too thin (Thompson 2010).

In January 2006, the performing arts center found a creative way to fill the void left by the Florida Philharmonic’s bankruptcy: it signed a three-week residency agreement with the Cleveland Orchestra. This unique collaboration came to be a defining element of the center. The Cleveland Orchestra committed to a residency during the month of January each year and created a full-time, three-person office in Miami responsible for marketing, sales, community engagement and education, and fundraising in southern Florida. The concept of creating an entirely new office in another state was unheard of, but succeeded not only in selling out seats – benefitting both the orchestra and the Arsht – but also in collecting additional fundraising revenue and expanding the orchestra’s outreach programs into the Miami community.

This partnership, initiated by CEO Michael Hardy, brought a world-class orchestra to Miami and a new source of income to the financially struggling Cleveland Orchestra. The Cleveland Orchestra – plagued for years by deficits, declining corporate and individual giving, and a shrinking metropolitan population – was looking for new sources of income

(Rosenberg 2006). The Cleveland Plain Dealer wrote: “Mindful that Miami is a growing international city where wealthy arts patrons live and frolic, including many transplanted Clevelanders for the winter and longer, the orchestra is readying aggressive efforts to make up for what Northeast Ohio no longer seems capable of providing” (Rosenberg 2006).

Most of the Miami arts community welcomed the Cleveland Orchestra, though the partnership did generate some controversy at first. A Miami music critic, writing in the *South Florida Sun-Sentinel*, reported that former members of the Florida Philharmonic perceived the Cleveland Orchestra’s residency “as the last nail in the coffin for hopes of reviving a full-time local professional orchestra” (*South Florida Sun Sentinel*, in Rosenberg 2006).

Construction, which ran from the fall of 2001 to the fall of 2006, was marked by contractual disputes, cost overruns, and delays. Since it was built at the peak of the 2000s real estate boom, construction costs were far higher than anticipated. Projected to cost \$225 million (Wakin 2006), actual costs were more than double that, at \$472 million (Arsht Center *Fact Sheet* n.d.). The majority – \$387 million – came from public sources, most of which came from Miami-Dade County’s hotel tax; private, corporate, and foundation support totaled \$85 million. The project was the largest public-private partnership in South Florida’s history (Roco 2006). The Center was completed two years later than originally estimated.

### **Recent History: Bankruptcy, Partnerships, and Changing Roles**

The center hosted its grand opening from October 5 through 8, 2006, with a free extravaganza (Arsht Center *Backgrounder* n.d.) attended by over

### **Arsht Center Resident Companies**

*The Florida Grand Opera*, founded in 1941, performs in Miami at the Arsht Center’s Knight Concert Hall and in Fort Lauderdale; its administrative offices are housed ten miles west of downtown Miami. Of the three resident companies, the Opera’s finances are the least stable and largely as a result of its financial struggles, the opera has the closest working relationship with the Arsht Center.

*The Miami City Ballet* was founded in 1985 and, over the next ten years grew in experience and acclaim. The ballet changed studio space multiple times, but has consistently been headquartered in Miami Beach. In 2006, it debuted at what is now its primary performance venue: the Sanford and Dolores Ziff Ballet Opera House at the Arsht Center. The Ballet regularly performs in major venues across the country.

*The New World Symphony* is America’s only full-time orchestra dedicated to preparing music school graduates for a career in orchestra and music ensembles. Established in 1987, the highly selective orchestra offers students a three-year fellowship and provides a range of performance and instructional opportunities. The New World Symphony is the most financially secure of the Arsht Center’s resident companies. Of the resident companies, it performs least frequently at the Arsht Center, with the majority of performances – and training – occurring at its headquarters at the Lincoln Theater in Miami Beach’s Art Deco district.

*The Florida Philharmonic*, a full-time professional orchestra that was expected to be a resident company but went bankrupt before the Arsht Center opened, paving the way for the Arsht’s partnership with the Cleveland Orchestra.

*The Concert Association of Florida*, which presented music and dance, folded two years after the Arsht Center opened. The Arsht Center successfully assumed responsibility for the functions and finances of the Concert Association.

25,000 people (Tommasini 2007). While a few negative reviews surfaced, most of the early design reviews were positive. The acoustics and performance spaces were lauded by the resident companies, performers, critics, and audiences. In contrast, programming drew criticism: largely due to the bankruptcy of the Florida Philharmonic, the center emphasized orchestral music far less than other comparably large performing arts centers. “The Miami center is an anomaly,” wrote the *New York Times* a month before its grand opening. “There is no resident orchestra, although the Cleveland Orchestra will have a yearly three-week residency, and the New World Orchestra, a training group, will also play there regularly. Barely two-dozen classical concerts will be presented this season. The rest is mostly jazz, world music, Broadway shows and popular entertainers” (Wakin 2006).

The Carnival Center struggled to sell tickets its first season, which caused significant financial difficulties. “Consequently, there was a great deal of criticism both publicly and internally,” said CEO John Richard (Richard 2010). In the first season, the center sold 42 percent of available seats (Burnett 2010), well short of the anticipated 64 percent (Tommasini 2007). Classical performances, especially those by the Cleveland Orchestra, sold most briskly, while productions put on by the center were least popular. John Burnett, CFO at the Arsht Center, attributed lackluster attendance to sub-par marketing and “esoteric programs” that did not appeal to the public as expected (Burnett 2010). Hispanic attendance particularly lagged (Fleming 2007). In addition, the center had the widespread reputation of lacking parking, which may also have lowered overall attendance.

In its first year, the Center operated at a \$2.4 million deficit. Its exceedingly small endowment – about \$3 million – allowed little leeway in meeting financial projections. Just one year after it opened, the Board fired its president and chief executive and forced the programming director to resign. An interim CEO, Lawrence J. Wilker, a former president of the Kennedy Center in Washington, was brought in “to right the ship” (Semple 2007).

In January 2008, Adrienne Arsht, a national business leader and philanthropist, donated \$30 million. Renamed the Adrienne Arsht Center for the Performing Arts of Miami-Dade County (and commonly known as the Arsht Center), the center used the money to repay bank loans, expand programming, and enlarge the endowment (“Donation” 2008). Carnival Corporation, the center’s earlier namesake, was happy to relinquish its naming rights to the center (Arsht 2010), instead lending its name to the Studio Theater, bridge, and Art Deco tower (Arsht Center *Backgrounder* n.d.).

In December 2008, John Richard, the Executive Vice President and Chief Operating Officer at the New Jersey Performing Arts Center, was brought in as President and CEO. “Our management has changed since we’ve opened,” explained Valerie Riles, Vice President of Board and Government Relations. “Now we have community-based programming in addition to ‘mainstream programs’ such as a Broadway series, classical music series, and jazz series” (Riles 2010).

As the center found its programmatic and marketing niche in its second and third seasons, Hispanic attendance and overall attendance climbed. The center currently runs at about 70 percent capacity, nearly double



the occupancy of its first few months in operation. In the first couple of seasons, the Arsht Center cemented itself as the primary hub for the arts in Miami. Expectations that it would promote economic development were more than met: shortly after its construction the neighborhood was inundated with cranes to build new high-rise condominium buildings. The partnership with the Cleveland Orchestra proved to be one of the greatest successes of all. Miami embraced having a world-class orchestra in its own city: it created a buzz through the arts community, and ticket sales flourished. With the center having demonstrated its value over the course of its first season, Miami-Dade County strengthened its financial commitment by agreeing to fund all operations costs even if they surpassed the budgeted amount.

Despite its rocky first season, the Arsht Center found stability over years two and three. This stability, however, was short-lived: in February 2009, the second of its original five resident companies filed for bankruptcy. The Concert Association of Florida was the primary provider of world-class classical music to the Miami area. “The Concert Association was important in terms of the community’s sense of place and artistic desires,” said Bob Heuer, CEO of the Florida Grand Opera. “Unfortunately, the organization got to the point where it lost so much money partly because it didn’t keep up with the times” (Heuer 2010).

As a means to retain access to the arts for the Miami community, the Arsht Center agreed to take over the Concert Association’s performances and contracts for the season. The responsibility came with a financial dilemma: upcoming scheduled performances would incur significant expenses but the revenue from ticket sales had already been spent. The

Arsht Center, faced with the possibility of reneging on scheduled concerts, made an enormous effort to preserve as many shows as possible. Arsht Center Executive Vice President Scott Shiller remembered that, over a frenzied four-week period, Arsht Center leaders restructured financial deals with performers, putting on what he called an “unprecedented partnership” between the Arsht Center and the performing arts organizations.

Ultimately, the Arsht Center hosted every scheduled performance that season except one. Shiller noted that, despite the tumult behind the scenes, the Arsht Center’s adoption of the Concert Association’s duties was a big success: “The community was grateful, the artists were grateful, and all the performances sold out. We were able to turn a very difficult situation into a positive situation. The Concert Association’s [disbandment] was a unique situation where there was no change for the community. The back office function changed from one organization to the other” (Shiller 2010).

Over its first four seasons, the Arsht Center solidified its programming, marketing, finances, and role within the community. The Arsht Center was able “to create a strong mission statement and align our programming priorities and ... reach more broadly for arts education programs for the community,” said John Richard. We fashioned a couple of different symbols for Miami: to be Miami’s town square and to be world-class and community-based at the same time. And we realize that it is important for the community to understand that breadth and scope of what happens here” (Richard 2010).

### ***City and Regional Context***

Miami is the 42<sup>nd</sup> most populous city in the United States with just over

433,000 residents. Miami-Dade County is the 7<sup>th</sup> largest county in the country and has nearly 2.5 million residents (U.S. Census Bureau 2010). Miami-Dade County has historically been politically powerful, often taking on roles – such as advocating for the arts – typically handled at the municipal level in other regions.

Miami is a center for tourism, with people from around the world visiting to experience its tropical climate, white sand beaches, and vibrant nightlife; for over two decades Miami's port has accommodated more cruise ships than any other city in the world (Miami-Dade County website 2010). It is also a major center for finance, with one of the largest concentrations of international banks in the world, as well as a center for commerce, culture, media, fashion, and education.

Miami's population is characterized by its incredible diversity and tremendous growth. Since 1980, Miami-Dade County gained 900,000 residents (U.S. Census Bureau 2010). Many new residents come from outside the United States, especially from the Caribbean.

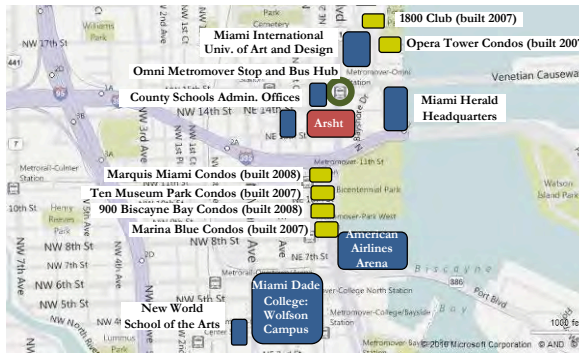
In the 1980s, Miami was known as much for public corruption and the drug trade as for its positive qualities. Growth in the 1990s and 2000s transformed its image, with an impressive skyline of high-rise condominiums and commercial skyscrapers sprouting in recent decades. "Boutique hotels, designer stores and high-end restaurants have all helped fluff up its stature to that of a glossy-magazine mainstay. Add to that the rich Hispanic flavour that permeates everything from music to menus and the overall package is attractive," writes Peter Moss, Director of Sales of the Greater Miami Convention & Visitors Authority. "Things are changing in the city almost by the month."

Located just north of downtown Miami, the Omni neighborhood lies directly across from the causeway to Miami Beach and a short drive from Miami's Little Havana, Little Haiti, and Little Buenos Aires neighborhoods (Roca 2006). Miami's "Metromover," a twenty-one-station elevated people mover system looping through the downtown area, has served the neighborhood since 1994.

The Arsht Center's Omni neighborhood exemplifies Miami's economic and social transformation. In the 1950s and 1960s the neighborhood shared the character of the nearby Overtown Neighborhood, a predominantly black community where some of the biggest names in music would stay when in town. The Sears Roebuck store, too, drew crowds. "The area has had a lot of history and life and color to it," explained Suzette Espinosa, Arsht Center Vice President of Public Relations (Espinosa 2010). But by the 1980s the neighborhood was largely abandoned: the Sears Roebuck building had closed and many of the surrounding blocks were entirely vacant. The *Miami Herald* headquarters and the Omni Bus Station were the only signs of life.

As *Where Miami* put it, "the very moment that ground was broken [on the Arsht Center]... downtown Miami's real estate marketed turned gold" (Arsht Center 2009). Property values were escalating throughout the city, but values in the Omni neighborhood rose even faster. Many area land owners had been waiting for the right time to build: and now that a prestigious performing arts center was being built in the vicinity, they were ready to capitalize. Between the center's groundbreaking and its opening in the fall of 2006, 35,000 condominium

units had been built within a fifteen-block radius (Wakin 2006). Wrote the *Washington Times*: “Certainly surprising is the vertiginous wave of urban renovation radiating from the Carnival Center” (Roca 2006).



Above, View of new residential construction and downtown Miami down Biscayne Boulevard. Source: Jonathon Stover. Below, Omni Neighborhood showing institutions and recent construction projects. Source: Bing maps.

But when the national real estate bubble burst around 2007, Southern Florida was one of the hardest-hit regions. Despite the crash, the Arsht Center’s role in stimulating economic development in its neighborhood is undeniable. While commercial development in the Omni neighborhood has lagged behind residential construction, there are still new parking garages, restaurants, shops, and two new museums in the area (Shiller 2010).

The Omni Redevelopment District had \$247 million in combined property value in the district’s base year of FY1998. By FY2010, total property value topped \$1.4 billion. District property tax revenue climbed from \$700,000 in FY1998 to nearly \$13.8 million in FY2010. Of the total 2010 Omni Redevelopment District revenue, \$5.5 million was allocated to Miami-Dade County and \$8.2 went to the City of Miami. (Miami-Dade County *Omni 2010*; Arsht Center *Fact Sheet* n.d.)

### **Facilities and Environs**

At 570,000 square feet, the Arsht Center is one of the largest performing arts centers in the world (Arsht Center *Fact Sheet* n.d.). The complex occupies one full block on either side of Biscayne Boulevard, a major arterial street that connects the Omni neighborhood to downtown Miami. The buildings on either side of the street are connected via a second-level pedestrian bridge stretching over Biscayne. The center’s contemporary design, often referred to as neo-cubist, takes on many different shapes through its stark angles, stepped-back terraces, and swooping curved edges. Clad in a combination of white stone and glass that appears blue as it reflects the Miami sky, the façade is in keeping with much of downtown’s architecture.



Arsht Center viewed from the east. Source: Arsht Center. Source: Arsht Center.

Critics have praised the Center's architecture for its proximity to the street, the prevalence of trees and signage along the sidewalks, and the variety of shapes and façade detail along every side of the structure. The *Washington Times* described the stretch of Biscayne Boulevard running through the Center in this way:

For a tiny, colorful stretch, that highway is at the heart of the new Carnival Center. The Plaza for the Arts, with its open embrace to the city and its people, is of a piece with the boulevard. Each theater's cozy relation to the other, their respective lobbies nodding to each other across the plaza, creates an intimate and urbane atmosphere. The welcome architectural oddity that there seem to be no back sides or blank walls anywhere in the complex, that each terraced side's unique juxtaposition of materials within each wall seems designed to surprise, means that "they will be functionally and architecturally activated on all sides." (*Washington Times*, December 30, 2006)

Michael Spring called it "a people-friendly place."

The building west of Biscayne holds the 2,400-seat Sanford and Dolores Ziff Ballet Opera House and the 300-seat Carnival Studio Theater design for small and experimental productions. A large open lobby stretches across the façade of the building, and the Art Deco Carnival Arts Tower – the only remaining portion of the historic Sears Roebuck building – connects to the front of the building, serving as the center's most iconic feature. The building east of Biscayne contains the John S. and James L. Knight Concert Hall, which seats 2,200. The center also includes a 3,500 square-foot

workshop and education space, an on-site restaurant, and public art installations from five different artists (Arsht Center *Fact Sheet* n.d.).



Carnival Arts Tower beyond the Ziff Ballet Opera House. Source: Jonathon Stover.

An outdoor social and performance space – the Parker and Vann Thomson Plaza for the Arts – is located on either side of Biscayne Boulevard, linking the two buildings across the busy street. While the center houses administrative space for its own staff, each company's administrative offices and day-to-day practice facilities are housed at independent headquarters off-site.

### ***Finance and Organization***

The Adrienne Arsht Center for the Performing Arts of Miami-Dade County is a 501(c)3 nonprofit. Miami Dade County owns its land and facilities and the Performing Arts Center Trust Board of Directors, a thirty-eight-member independent body of community and business leaders, manages it. Twenty-eight of the directors are appointed by elected officials from Miami-Dade County, with the remainder appointed by the City of Miami and the City of Miami Beach (Riles 2010; Richard 2010).

Operations are funded by the Miami-Dade Department of Tourism's hotel tax and overseen by the County Manager's Office. (The 6 percent hotel tax (Miami-Dade County website 2010) funds sports facilities, tourist development, and county-owned facilities such as the Arsht Center.) In all, the Arsht Center was projected to receive \$10.3 million in FY2010 (Arsht Center *Finance* 2010), approximately 15 percent of hotel tax dollars (Miami-Dade County *Tourist Revenue*).

TIF revenue from the Omni Redevelopment District constitutes another regular source of public funds. Managed and distributed by the City of Miami Omni Community Redevelopment Agency, TIF funds are used to pay off the center's construction debt (Burgess and Munoz 2010). In FY2010, the Omni District collected \$13.7 million in revenue, \$8.2 million of which went to the City of Miami and \$5.5 million of which went to Miami-Dade County. (Miami-Dade County *Omni*) About \$1.9 million, or 35 percent of the County's allotment, went to the Arsht Center (Glazer-Moon 2010). The Arsht Center will stop receiving TIF revenue once its debt is paid off, sometime between 2020 and 2030. A small amount of endowment revenue and hotel tax dollars also cover construction debt (Glazer-Moon 2010).

In September 2010, the Arsht Center reorganized its foundation in order to improve operations. The new Adrienne Arsht Center Foundation is the sole fundraising entity for the center and the Trust controls the Arsht Center's assets, including its endowment. An advocacy organization – called the Alliance – incorporates the perspective of the resident company representatives and community members who once sat on the former foundation.

The Arsht Center's President and CEO John Richard is also President of the Trust, CEO of the Adrienne Arsht Center Foundation, and principal liaison to the Alliance (Richard 2010). Six Vice Presidents (in marketing, finance, operations, advancement, government and board relations, and human resources) and an Executive Vice President in programming (Scott Shiller) report to Richard.

As of May 2010, the Arsht Center's endowment totaled \$9.9 million and total net assets totaled \$13.4 million (Arsht Center 2010a). In FY2009, the Arsht Center's budget topped \$30 million (Arsht Center 2010b); the budget grew to approximately \$40.6 million in FY2010 thanks to an increase in earned revenue, private support, and public support (Arsht Center 2010a). Earned revenue for FY2010 was expected to total \$20.5 million, including \$12.9 million in ticket sales, \$2.9 million in rental revenue, and \$2.5 million in box office fees. Total public support toward operations was projected to be \$10.3 million and private contributions were expected to total \$9.8 million (Arsht Center 2010a).

Projected expenditures of \$40.6 million for FY2010 broke down to \$13.8 million for events, \$9.4 million for salaries and benefits, \$7.6 million for occupancy costs, \$3.6 million in general and administrative functions, \$3.3 million in marketing, and \$3.0 in capital and other expenditures (Arsht Center 2010a).

### **Programming**

The Arsht Center's fundamental mission is to educate and entertain the Miami community through the arts. It achieves its mission by practicing two principles: presenting art at the highest level ("embracing excellence") and presenting art that reflects the diversity

and energy of the Miami community (“celebrating the difference, renewing the spirit, and engaging diverse communities”). Explains Scott Shiller: “our programmatic decision is that ‘world-class’ and ‘community-based’ isn’t mutually-exclusive. By bringing in good work from the artistic community and encouraging local artists to have dialogue, they can share in the creative process from outside of our community. ...Because we view ourselves as a twenty-first century performing arts center, we don’t want to just bring in work from other communities or work that’s already been created, but we want to be an incubator and creator of work” (Shiller 2010).

The Arsht Center delivers the performing arts by hosting and promoting its resident companies – the Florida Grand Opera, Miami City Ballet, and New World Symphony – and the Cleveland Orchestra. It serves its mission in three other ways as well: by bringing in world-class artists from South Florida and from around the world; by creating and producing new work; and by renting its facilities to third parties for corporate events, lectures, and other events. Many of these performances – over 300 each year – are presented as part of the “Adrienne Arsht Center Presents” program. These have included a broad range of performances, including a Broadway series, orchestral and jazz series, dance, pops concerts, world music presentations, a comedy series, and a celebrity chef series. The Arsht Center also hosts a variety of festivals, a series of one-act plays, and workshops and panel discussions by artists and arts executives.

In its first year of operations, its programming fell short of community expectations. “There was the feeling that the center didn’t come out of the blocks

the way it should have – criticism that the center wasn’t anchored in its community. And it wasn’t doing very interesting work,” says Shiller (Shiller 2010). But in the seasons that followed, the Arsht Center worked diligently to connect to the community by creating additional free programming, introducing nonverbal and bilingual performances, and bringing in more popular entertainment and big-name shows.

Now praised for its ingenuity and diversity, many of the Arsht Center’s current programs reflect local art forms not found in any other performing arts center. Free Gospel Sundays was developed in 2008 as a way to incorporate the culture of Miami’s African American community. Additionally, the Arsht Center now presents more Spanish and mixed Spanish-English programming than anywhere else in the country (Shiller 2010). The Arsht Center has hosted the International Hispanic theater festival, presented the U.S. premier of a Spanish version of Rob Becker’s comedic, one-man play *Defending the Caveman*, and produced two musicals itself: *The Life and Music of Celia Cruz* and *Miami Libre*. The Arsht Center’s programs have produced audiences of about 40 percent capacity in its first season to 70 percent capacity in the 2009-10 season (Burnett 2010).

The center also engages the community with a wide range of educational initiatives geared for students, teachers, families, adults, and artists. In one particularly successful program during the 2010 season, the Arsht produced an original musical production called *Rock Odyssey* for middle-school students. Beginning in April 2010, every 5<sup>th</sup> grade student in the Miami-Dade Public School District was bused in to see the performance – 28,000 people in all. The musical, which was



based on Homer's *Odyssey*, not only provided an opportunity for every child to experience a performance at the Arsht Center, but also incorporated age-appropriate math, science, history, and language lessons into the performance. All costs, including the development, production, student transportation costs, and educational materials were covered by the Arsht Center through county and foundation support. The production received highly positive feedback from students, teachers, and the greater community.

### **Why the Arsht Center is Successful**

At the time this case study was written, the Arsht Center was beginning its fifth season and its accomplishments were impressive. Area residents valued it, with attendance having grown markedly since its first year. Its resident companies and other arts organizations lauded it. Financially stable, the Arsht Center had a healthy continuing relationship with its major public, private, and institutional funders. It had helped transform a rundown portion of the city into a desirable living and entertainment destination, leading to additional local development, pedestrian traffic, and city tax revenue. It had improved the city's arts scene, helping make Miami a cultural center and destination. And it had strong education programs that reached thousands of families, teachers, and students.

What factors have enabled the Arsht Center to be a successful anchor institution? Some relate to external conditions at the time of its founding, others to internal decisions made later on. At the time of its founding, the need for a central arts institution in Miami was

strong. Fortuitously, the economic climate at the time made building an arts center politically popular and financially feasible. In addition, an optimally located site was available that met existing financial and political goals as well as aligned with the public vision for downtown Miami. These factors in turn created another critical condition: the political support for the public funding that helped build the Arsht Center. The sound decisions made by many of the center's leaders built on these preconditions. They chose to partner with a broad range of stakeholders, seeking, in particular, close relationships with the center's resident companies. Finally, by reflecting the needs and interests of Miami's diverse population, as well as adjusting for the strengths and weaknesses of Miami's arts scene, the Arsht Center created a center truly built to serve its community.

### ***Regional Social and Economic Conditions***

The fundamental reason the center has been successful is that it fulfills a need. Miami's performing arts scene grew along with the region's burgeoning population over the second half of the twentieth century. Starting in the late 1970s, political leaders and arts leaders alike began discussing the idea of building a major performing arts center in Miami. By the late 1980s, the organizations that would become the resident companies had grown in prominence. In the 1980s and early 1990s, studies demonstrated the feasibility of building a performing arts community. The clear, longstanding need for such a project likely minimized opposition and set the stage for the county-level support that would follow.

Miami's prosperity over the 1990s and 2000s supported the Arsht Center's

success. Dozens of new hotels, built over the last thirty years to cater to the growing number of tourists, inflated the county-wide hotel tax that, by the late 1990s, was able to support a new major public works project. The real estate boom of the early- and mid- 2000s provided additional momentum; new construction during the time period was so widespread that building a new cultural center seemed timely. In addition, real estate developers were eager to build residential buildings in the Omni neighborhood once they knew the area would be anchored with a destination and landmark. The residential construction that followed the approval of the Arsht Center increased the tax base in its TIF district considerably, providing funding for the center that far outweighed expectations.

#### ***A Location That Achieves Multiple Goals***

The two parcels of land on which the Arsht Center stands were donated to Miami-Dade County. Not having to pay for the property kept development costs low and helped create political and community support for the project. The Arsht Center's central location and proximity to a major highway, a major bus station, a monorail stop, and the causeway connecting Miami to Miami Beach makes the complex highly accessible and visible, and bolsters its role as a landmark.

The site's inclusion in the Omni redevelopment district may be its most valuable asset. Although the Omni neighborhood was largely abandoned before the performing art center's arrival, its proximity to key area destinations such as downtown and Miami Beach made it ripe for redevelopment. While the Omni Tax Increment District financing had already been defined, it had not been

activated. The Arsht Center seemed like just the public works project needed to turn around the neighborhood, and its potential as a catalyst for economic redevelopment brought it widespread political support.

The resulting construction boom surpassed expectations for neighborhood redevelopment. In addition to transforming a neighborhood and providing a stable revenue stream to pay off construction debt, the Arsht Center's role as the catalytic project for the Omni TIF has provided millions of dollars in additional tax revenue for both Miami-Dade County and the City of Miami.

#### ***Annual Public Sector Funding***

The Arsht Center could not have been built without the funding from Miami-Dade County, the City of Miami, and the City of Miami Beach that, combined, paid for 82 percent (\$387 million) of the center's construction costs. However, the public support that separates the Arsht Center from its peers is the annual funding Miami-Dade County provides for operations. The county contributed over \$10 million in FY2010—a number that grows as the Arsht Center matures. In 2009-10, when many performing arts centers struggled, the Arsht Center had an operating surplus of \$347,000. (Arsht Center *Financial Report*) "The public money keeps us on course," explains Arsht Center Vice President of Operations, Ken Harris. "It lets us go in to new areas and evolve into a more mature center at a very young age." (Harris 2010) Because the center does not have to fundraise for operations costs, as opposed to many performing arts centers, it has been able to allocate its private and foundational support towards its artistic and educational programs.



### ***Strong, Committed Leadership and Stakeholder Involvement***

Much of the Arsht Center's success is owed to strong leadership and, in particular, the fact that leaders consistently sought input from, and worked cooperatively with, people with a stake in the project. A variety of stakeholder entities – Arsht Center management, county officials, the directors of related arts organization, and members of the business and philanthropic community – were heavily invested in the project from its initial planning and design stages through its ongoing operations, resulting in a mission and a vision that have changed little over the years.

Such consistency did not happen by accident. Each of the key consultants and coordinators were retained throughout the entire process so that, according to Department of Cultural Affairs Director Michael Spring, “there’d be a line through planning and design based on [artistic considerations]... so those issues could continually be monitored while we continued to monitor cost.” (Spring 2010) In addition, Arsht Center leadership sought to create an environment conducive to cooperation among stakeholders, thereby guaranteeing their buy-in and willingness to partner. During the design phase, resident company staff met regularly with the center’s architects and consultants, and, as a result, had a real voice in shaping how the facilities would be designed and used. (Spring 2010)

Former Trust Director Parker Thomson’s leadership led to the center’s high quality design and separate orchestral and opera facilities, resulting in world-class acoustics and a critically acclaimed viewing atmosphere. “Parker

Thomson is one of most amazing civic leaders I’ve had the chance to work with,” said Michael Spring. “He had the confidence and courage to think bigger than others were thinking” (Spring 2010).

Arsht Center President and CEO John Richard is another outstanding leader. When hired in 2008, he became the fifth Director of the Arsht Center in nearly as many years. That rampant turnover had hindered the Arsht’s progress, stability, and the development of a unified vision, but all of this improved markedly once the strong leader the Trust and Foundation were looking for was found. Richard has emphasized strengthening the Miami community, leading to the center’s final success factor below (“innovative spirit that responds to Miami’s diverse population and unique arts climate”). Says Dennis School, Vice President of the Arts for the Knight Foundation in Miami: “I think John Richard is really the person who is making the Arsht worthy of a case study” (Scholl 2010).

### ***Strong Relationship with a Limited Number of Resident Companies***

Conflicts between performing arts center management and resident companies are commonplace in arts centers and often result from competition over funding sources, schedule dates, and audiences. While these conflicts arose at the Arsht Center, management was able to keep them in check for a variety of reasons. The resident companies’ early involvement in the center’s planning set the precedent for their continued collaboration. In addition, the relatively small number of resident companies at the Arsht Center – currently three – has allowed for greater venue flexibility and more open dates for Arsht Center programming and outside presentations

than found at many other comparable performing arts centers.

The New World Symphony is the only resident company to perform at the John S. and James L. Knight Concert Hall, but typically does so less than ten times a season (New World Symphony website 2010), since a majority of its performances are off-site at its own headquarters at the Lincoln Theater in Miami Beach. The Cleveland Orchestra also performs from the Knight Concert Hall less than ten times in a season (MacDonald 2010). The Ziff Ballet Opera House, on the other hand, hosted twenty-four Florida Grand Opera performances (Florida Grand Opera website 2010) and eighteen Miami City Ballet performances (Miami City Ballet website 2010) during the 2010-11 season. While each resident company has priority over third parties in booking dates at the Center, most evenings are still available for performances from other arts organizations or for other events. Since the facilities are frequently available, the center can bring in many arts experiences while still generating income by renting out space for such events as corporate activities and popular touring acts.

Until the Concert Association of Florida's bankruptcy in early 2009, the Arsht Center's involvement in programming was limited; while the Arsht Center did bring in productions of its own, during its first few seasons it focused on operations, marketing, and building its place within the community. Focusing on core operations in its early years helped the institution find its footing. Once the Arsht Center took over the Concert Association's responsibilities, not only did it benefit from having reliable finances and operations, but also it was able to build off of an existing performance program instead of building

one from scratch. And by continuing to bring in the types of performances that the Concert Association brought to the Center, its new role did not take the other resident companies by surprise or force them to adjust the direction of their programs.

### ***Innovative Spirit that Responds to Miami's Diverse Population and Unique Arts Climate***

The Arsht Center's critical and community acclaim is largely due to its programming – specifically, the way its programming responds to South Florida's unique culture and large Hispanic population. The organization, like most performing arts centers, aspires to create a programming mix that reflects its local population and that cannot be found elsewhere. And, like most performing arts centers, the Arsht Center struggled at first with how to realize this aspiration.

While responding to cultural diversity is a difficult and always-evolving task, the Arsht Center has done remarkably well in this regard. By incorporating a diverse range of programs – many of which are multi-language or nonverbal – the center has seen audience levels soar, including attendance from minority populations. "I think John [Richard] understands what a performing arts center's role is in the community, and he's going to make darn sure that everybody feels welcome here," said Dennis Scholl, the Miami Program Director and Vice President for the Arts at the Knight Foundation. "That's darn difficult in Miami. It's about making sure that novel things are done with ancillary programs: like Gospel Sundays or free presentations of [the classic opera production of] Carmen, or opening the Arsht for the inauguration and inviting everyone around to come to it. Those are

the kinds of things that make John and the Arsht successful. And the team is young, hip, focused. They know their role is being obligated to the community. It's not just about selling tickets" (Scholl 2010).

Programs geared toward minority populations have not only brought first-time audience members to the center, but many of those same audience members have then returned for other Arsht Center and resident company performances. "We're seeing an increase in attendance of African Americans to the opera because they've felt welcome at Arsht Center," said Florida Grand Opera General Director and CEO Robert Heuer. "It's a success story [getting] involved and becoming part of the entire community" (Heuer 2010).

Bringing the Cleveland Orchestra to Miami is another way the Arsht Center shows it understands the needs of its city. Although the Florida Philharmonic Orchestra lacked financial support, demand for quality orchestral concerts remained, as evidenced by the success of visiting orchestras brought to town through the Concert Association of Florida. The Cleveland Orchestra's residency gives Miami residents the opportunity to see one of the world's best orchestras. In addition, the number of performances in Miami – typically around six – better reflects the region's demand for classical orchestral concerts than a full-length season did. When asked what the lack of a full-time professional orchestra meant to Miami, Adrienne Arsht responded "It's totally irrelevant. It doesn't matter. You don't need your own orchestra. We're coming to a time, many people believe, that all these cities struggling to have their own orchestra should stop. You don't have to own your own orchestra. Today the great

orchestras tour the country" (Arsht 2010).

## Conclusion

The Arsht Center has experienced many of the plights common to performing arts centers: construction and operation costs that far exceeded expectations; perceptions of elitism and inaccessibility; and financially unstable resident companies. Where the Arsht Center has distinguished itself is in successfully adjusting to overcome these obstacles. The center's cost overruns are largely forgotten as the Omni neighborhood has become an active and attractive part of town and as the Omni Redevelopment Area's property tax base continues to grow. The potentially disastrous bankruptcies of two of its resident companies led to a partnership with one of the best orchestras in the world and enabled the Arsht Center to manage and improve additional programming within its facilities.

Most important is what the Arsht Center has meant to Miami. It has transformed local and outsider opinions about the region and helped make Miami relevant in the performing arts world. The Arsht Center mirrors its city in being modern, hip, and cutting-edge. Though it lacks a full-time orchestra, it hosts one of the country's best. Its diverse population makes fundraising and marketing a challenge, but the organization capitalizes on Miami's diversity by presenting an exciting and culturally relevant mix of programming.

The Arsht Center's experience raises numerous questions. Does it represent a new model for creating or operating a performing arts center? Will major performing arts organizations

across the country continue to go bankrupt and, if so, is the Arsht Center's process of filling those voids replicable? Or are the Arsht Center's practices a reflection of Miami's unique cultural environment, making them impossible or impractical to implement elsewhere?

Despite these unanswered questions, there are concrete lessons from which other institutions can learn – namely, that certain conditions and decisions will support a center's ability to thrive. Though not necessarily essential for every performing arts center, the factors conducive to the Arsht Center's success could also help other new institutions. The Arsht Center's success was predicated on suitable economic conditions during its construction, committed leadership, consistent stakeholder involvement including meaningful and longstanding involvement of its resident companies, substantial and ongoing public sector investment, the availability of an ideal site location, and a willingness to innovate in order to respond to the needs of Miami's diverse population and its unique arts climate.

The Arsht Center's success has implications for the state of the performing arts in major urban areas. As orchestras, operas, and many other types of performing arts organizations struggle to remain solvent, Miami offers a vision that includes fewer top-tier orchestras but shared access to those that exist. While some may see this as the waning of an art form, others may see it as the evolution of arts presentations.

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## **Case 2: Arena Stage, Washington, D.C. Developing The Mead Center**

Arena Stage is one of the nation's first nonprofit theaters and a pioneer in the regional theater movement. Founded in 1950, Arena Stage moved several times in its first eleven years. But, after its move to Southwest D.C. in 1961, the institution became a fixture in that community. That location, however, proved challenging. In particular, its 1961 complex did not fully accommodate all of the theater company's artistic and administrative functions; as a result, many of its workshops and offices were scattered throughout the city.

This distinguished theater company completed a major transition in 2010 with the construction of a massive, \$125 million complex called the Mead Center. Completed in the fall of 2010, the new building weaves together Arena Stage's campus structures into a single building that, for the first time, accommodates its many functions on site. The theater company sees the new facility as an important step towards emerging as a national leader for the production, development, and study of American theater (Smith 2009).

This case study explores the decisions that resulted in the Mead Center's development, examining the issues that arose as Arena Stage weighed community interests with financial and political considerations while striving to grow as a nationally recognized theater company.

### **Case Summary**

Founded in 1950 by three theater aficionados to fill a gap in Washington, D.C.'s cultural landscape, Arena Stage has become one of the country's most important and innovative theaters. It has a long tradition of groundbreaking work: it was the first regional theater to be recognized with a Tony Award and the first to tour behind the Iron Curtain. Since the late 1990s, Arena Stage has distinguished itself through its dedication to producing works by U.S. playwrights.

Arena Stage has had three homes in its six-decade history: a converted movie theater (1950-1955); a former brewery (1955-1961); and its current Southwest district campus (1961-present). Its 1961 move to Southwest D.C. was part of an urban renewal effort. This initiative incorporated plans by I.M. Pei and building designs from other prominent modernist architects. Then considered a slum, the area was redeveloped with wide streets, broad open spaces, and large "super blocks." Like other urban renewal initiatives at the time, the effort was ambitious: the city invoked eminent domain and almost entirely razed the area. The initiative led to the relocation or elimination of community landmarks and businesses and a decrease in neighborhood population and vitality (SWDC 2009). The building of the Mead Center was also intended to revitalize the Southwest district (its waterfront in particular), but the manner in which the expansion was planned and implemented reflected a very different public policy ethos.

## **Facilities**

The Mead Center expansion was necessary because the existing complex could not accommodate all of Arena Stage's activities; some were housed in off-site facilities throughout the city. The education and outreach departments were located north of the National Mall, while rehearsals and stage construction frequently took place off campus. Leadership's desire to consolidate activities gave impetus to the creation of the Mead Center since, by the late 1990s, the dispersion of activities had begun to hinder Arena Stage's emerging vision to more actively develop new work while also becoming a platform for workshops, institutes, and best practices.

Deciding how to expand and how to fund expansion took much work but, ultimately, the Mead Center opened in October 2010. Designed by Vancouver's Bing Thom Architects, the plan consolidated workspace for rehearsals, set design and construction, and administrative services. It featured a dramatic cantilevered roof aligned with the Maine Avenue axis as a salute to the Washington Monument and a glass exterior that opened the theater's activity to the community.

The design centered around three theaters: renovation of the two existing theaters and the addition of a third. The two existing theaters – the Fichandler Stage and the Kreeger Theater – were updated with modern technology and “elegant” décor. The Fichandler Stage, with 650 steeply raked seats, was intended for large-scale dramas and musicals. The 500-seat Kreeger Theater, shaped like a fan, was designed to be one of the most acoustically friendly spaces in the country. The third theater – the

Arlene and Robert Kogod Cradle – was designed to compliment the other two. That 200-seat, state-of-the-art facility was designed to support the development of new plays.

The design created a large common lobby with a grand staircase, a box office, and a café that linked the three theaters visually and spatially. The Mead Center's layout featured administrative and play development spaces next to the theaters and a workshop, as well as an education center that would allow students and professionals to engage with each other throughout the play development process. Finally, the design of the Mead Center created a large open space for artists to congregate.



Above, historic facilities. Below, Arena Stage exterior after renovation.



## **Organization**

Arena Stage is a private nonprofit 501(c)3 organization that is legally named – though rarely called – the Washington Drama Society, Inc. Artistic Director Molly Smith, who focuses on the artistic life of the organization including artistic development, productions, community engagement, and the 200-300 artists that work at Arena Stage, and Managing Director Edgar Dobie, who joined Arena Stage in the summer of 2009 and is charged with overseeing administrative matters, were both actively involved with the development of the Mead Center and the management of Arena Stage soon after the Mead Center opened. The previous Managing Director, Stephen Richard, had been with the organization for seventeen years, and was a leader in Arena Stage’s successful capital campaign for the Mead Center construction.

## **Programming**

Arena Stage is engaged in every step of the play production process, from bringing together artists from the area and around the country, to developing new plays and adaptations, play production and presentation, and hosting speaker series and events to discuss theater at the national level. Arena has gained national attention by devoting itself to producing work from the United States. According to Smith, “We focus on American plays and American voices. That includes all artists who are working in the theater, artists, actors, directors, designers, and etcetera. It’s all a reflection of the diversity we see in America. A particular focus of that is the diversity seen in D.C. We are at a crossroads of

America, and we have the ability to pull in the artists at the highest level in the U.S.” (Smith 2009).

## **Education and Community Engagement**

In addition to production and performance of plays, Arena Stage has a wide variety of education and community engagement programs. Arena Stage has always sought to reach out to the public. Edgar Dobie, speaking soon before the new Mead Center opened, said he anticipated that the expansion would further this effort: “Community engagement has been a core area for decades. This new building allows everything to be under one roof, and that supports even better programming” (Dobie 2009). Efforts to work with the local community created the goodwill that later proved invaluable in gaining political support when the organization needed it.

Arena Stage has demonstrated a spirit of collaboration in its partnerships with several of Washington, D.C.’s many universities, including through internship and other theater education programs; it has a particularly strong relationship with Georgetown University’s theater department, which was established in 2005.

## **City and Regional Context**

As the nation’s capital, Washington, D.C.’s economy and culture is primarily driven by the federal government, the many organizations and enterprises that support and depend on the federal government, and the tourism that its institutions and historical landmarks attract. The city is situated on the Potomac River and its tributaries,

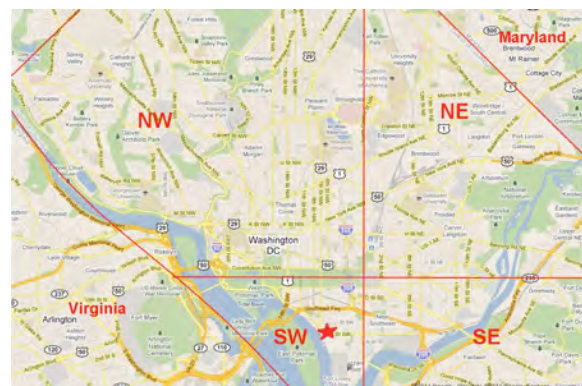
Rock Creek and the Anacostia River. When the Mead Center was under construction, the city's resident population stood at 601,723. This permanent population effectively doubled during workdays to over one million people, and the metro area, which includes parts of Maryland and Virginia, contained over five and a half million people (U.S. Census Bureau 2010).

Demographically, Washington, D.C. presents a complicated picture. It is racially diverse but often starkly divided geographically. It has one of the most highly educated populations in the country, with 46 percent of residents college graduates. On the other hand, D.C. also contains great income disparities: the District's poverty rate was 14.5 percent in 2008, two to four times the rate of bordering jurisdictions. Yet, according to the U.S. Census Bureau, Washington, D.C. had a median household income of \$56,428 in 2008, higher than any of the nation's fifty states (U.S. Census Bureau 2008). Real inequalities exist. According to a Washington Post report, "Non-Hispanic whites in the region have a median household income of \$94,290, but the figure drops to \$83,908 for Asians, \$58,945 for Hispanics and \$55,547 for blacks" (Keating and Aizenman 2007). Analysis by the Brookings Institution concluded that "although D.C. is in the midst of an economic resurgence, it is still home to a considerable number of low-income households and its poverty rate remains stubbornly high" (Derenzis 2008).

### **Environs**

Washington, D.C.'s four districts (Northwest, Northeast, Southwest, and Southeast) stem from Pierre L'Enfant's

original 1791 plan for the city. The Southwest district, where Arena Stage is located, lies adjacent to the National Mall and home to the city's commercially important waterfront. In the early 1900s, the area developed as a blue-collar community of low-rise townhomes. The *1950 Comprehensive Plan for the District of Columbia* identified the Southwest as one of several "Principal Problem Areas" and slated much of it for demolition. The plan called for housing "superblocks" and the construction of the Southeast/Southwest freeway (Interstate 695 and 395) as part of a highway system intended to connect the area to other parts of the city. The Southeast/Southwest freeway, the only part of the highway system to be completed, essentially prevented any further revitalization by cutting off the Southwest from the larger urban fabric, isolating the district. While several bus routes connect the southwestern quadrant to the rest of the city and the Waterfront/Southeastern University Station gives metro users access to the area, Arena Stage – like the Southwest district as a whole – has not fully benefited from its proximity (only seven blocks) to the National Mall and the Smithsonian Museums.



City context, with Arena Stage marked with a star.

Southwest D.C. was underserved by local restaurants and businesses when the Mead Center was being conceived. About half of the neighborhood's restaurants were mid-range to upscale establishments along the Potomac waterfront. Most of the remaining restaurants served fast-food or carry-out. Developments spurred by redevelopment plans for the area brought additional commercial offerings, including a grocery store, pharmacy, and bank, as well as a considerable amount of office space leased by the city government.

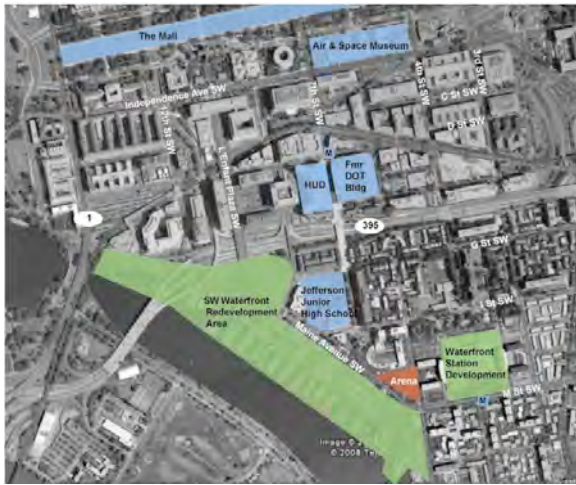
Two major institutions are located in or adjacent to the Southwest neighborhood: a federal military base and a major league ballpark. The McNair Military base has been a fixture in the Southwest neighborhood for decades. Since the military has been consolidating bases, the number of military personnel in Southwest D.C. has increased. Arena Stage has a working relationship with the base and offers reduced ticket rates to military member. Nationals Park, where the Washington Nationals play, is near the Southwest neighborhood along South Capitol Street SE. Completed in the spring of 2008, the ballpark brings thousands of visitors to the neighborhood most weeks, and its construction has spurred residential and commercial development in its vicinity (JDland 2011).

### ***Waterfront Revitalization and Redevelopment***

Anthony Williams, who served as Mayor of Washington from 1999 through 2007, made redeveloping the city's waterfronts one of his priorities on assuming office, a charge that has been supported by the City Council. The resulting Anacostia Waterfront Initiative

(AWI) includes a framework plan that guides the city's efforts. The plan spans thirty years and calls for \$10 billion of investment to restore and revitalize land along the Anacostia River. The Southwest district, which has significant frontage along the river, will benefit heavily. The AWI has also developed targeted area plans, including one for the Southwest Waterfront.

The Southwest Waterfront Plan, approved by the City in 2003, covers fifty acres of land along the Potomac River immediately adjacent to Arena Stage. This initiative directs \$2.4 billion of public and private investment to the development of housing, commercial real estate, and public plazas and riverside green spaces. The plan call for the conversion of existing parking lots and underutilized streets into two million square feet of new construction and the addition of fourteen acres of open space and waterfront parkland. Neil Albert, the Deputy Mayor for Planning and Economic Development, projected that "[this] project has the promise of becoming one of the East Coast's great maritime attractions while at the same time serving as a community anchor for a great new Southwest neighborhood" ("D.C. Signs Land Deal" 2008).



Neighborhood context.

The city’s efforts to revitalize its waterfront neighborhoods appears to be paying off a decade into the twenty-first century. The new baseball stadium is widely hailed as a success. Other major private developments are in the works in Arena’s Southwest neighborhood. These developments will most likely affect Arena Stage positively by making Southwest D.C. a more attractive and accessible neighborhood, which could help Arena Stage attract and retain audiences.

**Neighborhood Representatives**

Many Southwest D.C. residents are passionate about transforming their neighborhood and participate in organizations that work to improve it. When the Mead Center was being conceived and designed, organizations included: the Community Benefits Coordinating Council (CBCC), which finds jobs for residents; the Southwest Neighborhood Assembly, which conducts and promotes charitable and educational activities in the neighborhood; and the SW Youth Taskforce, which works with Arena Stage to identify students eligible

for scholarships for Arena Stage summer camp programs. The Waterside Mall/Waterfront Taskforce, comprised of forty community leaders, stakeholders, business owners, and city officials, includes three action groups that make recommendations on neighborhood retail, public works and street maintenance, and arts and culture. The Washington Waterfront Association (WWA) is a non-profit, nonpolitical neighborhood association that works to improve and promote the waterfront community and support the area’s dining, cultural, business, maritime, and residential climate.

Washington, D.C. has thirty-seven Advisory Neighborhood Commissions (ANCs), which serve as liaisons between communities and government agencies. They meet with neighborhood groups on zoning, traffic, economic development, police protection, and other issues, and then present communities’ positions and recommendations to various independent boards and commissions, District government agencies including the City Council and the Mayor’s Office, and occasionally the federal government. While ANCs have little formal power, they can strongly influence political decisions that affect their neighborhoods.

Each ANC is divided into subareas consisting of approximately 2,000 residents; each subarea is led by an unpaid locally elected representative called an Advisory Neighborhood Commissioner. Arena Stage lies in Ward6D-Subarea 4. When the Mead Center opened, Andy Litsky had been Commissioner of Ward6D-Subarea 4 for eleven years. Arena Stage works with the Ward6D ANC to ensure they have good communication with the ANC and the rest of the community organizations. Litsky

said, “We [consider] Arena Stage to be a focal point of this community” (Litsky 2010).

## **Arena as a Public Partner**

### ***The Decision to Stay in the Southwest***

Once the leadership at Arena Stage committed to building a new facility, an important consideration arose: the location of the center. Arena Stage leadership decided in 1998 that they needed an improved, centralized facility. At that point, they were unsure whether to build a new facility or to upgrade their existing facility. If they chose to build new, they could move to another place in the city; if they chose to upgrade, they would of course remain at their Southwest campus (with only a temporary displacement during construction).

When an attractive development site near other theaters opened up in 1999, Arena Stage strongly considered moving. This site – on 7<sup>th</sup> Street NW and G Street NW in downtown Washington – was located in an emerging theater district; the Woolly Mammoth Theatre, Ford’s Theater, E Street Cinema, and Gallery Place were all nearby (eventually another theater was built there – the Shakespeare Theater’s Harmon Center). Arena Stage responded to the General Services Administration’s (GSA’s) request for development proposals (GSA, which was in charge of this parcel of public land, was looking for a cultural arts organization and for retailers). Arena Stage’s proposal was shortlisted. At this point, Arena Stage’s Board of Trustees was divided: some felt that moving the

theater downtown was the right choice while others believed it should remain at its current location and rebuild.

Both positions had advantages and disadvantages. By moving downtown, Arena Stage would be in a highly visible and central location surrounded by businesses, Metro stations, pedestrian traffic, and numerous other theaters. However, the financial costs would be higher than renovating in place. Remaining in the Southwest would mean staying loyal to its neighborhood and being part of citywide waterfront revitalization efforts. Arena Stage already owned and occupied land in the Southwest, and remaining there meant enjoying lower development costs and the strong support of an existing constituency. On the other hand, the Southwest had more crime, meant more isolation, and offered far less glamour than downtown.

Feelings ran strong at Arena Stage. “This was a meaningful and heated debate within the Board,” said Edgar Dobie (Dobie 2009). Molly Smith remembered that “there were strong feelings on all sides” (Smith 2009). In the end, discussions with Mayor Anthony Williams and the City Council helped to persuade the Board to remain in the Southwest. The city was committed to revitalizing the Southwest waterfront. The Mayor and City Council advised Arena Stage that staying in the Southwest could be part of a larger revitalization of the neighborhood and that might help bring public funding to the construction of the new theater.

Financial considerations also played a role in Arena Stage’s decision to remain in the Southwest. “The decision was made that it was financially too onerous to move the theater downtown,”

says Smith. “We made the decision that if we were going to stay, we would develop something gorgeous for that area of the city. It was a galvanizing moment in the organization’s life... Ultimately, the best decision was made. The kind of center that we’ve now created in Southwest D.C. would never have been possible downtown” (Smith 2009).

Arena Stage pulled out of the bidding process for the GSA site a couple of days before the selection was to be announced. “It was a bold, brave move on so many levels on Arena’s part,” said Desiree Urquhart, Director of Government and Community Relations at Arena Stage. “It was interesting to me how leadership managed the public information on the situation. They called in the *Washington Post* to let them know their perspective and manage how the news hit the streets. That was big news, that we were going to stay in the Southwest, and I thought it was brilliantly handled. It could have been a negative piece in the paper” (Urquhart 2009).

While the *Washington Post* lauded the decision, others remained skeptical. Charles Dillingham, the President of a major national theater group in Los Angeles, the Center Theatre Group, said, “I thought that was a huge mistake at the time. That [decision] was a fork in the road, 180 degrees. But, if they could get some urban renewal, some redevelopment funds, they could really make it work, and it could be successful” (Dillingham 2009).

Neighborhood residents were relieved about Arena Stage’s decision to stay. Andy Litsky, the ANC commissioner for Arena Stage’s district, said “We in the neighborhood were furious at the notion that the trustees would even consider moving there. We considered Arena Stage

to be a focal point of this community. If Arena Stage left, that would mean we would be put behind the eight ball with development going forward. That would continue the trend of development happening north of Pennsylvania Avenue and we would languish. ... The area would’ve been a ghost town had Arena left” (Litsky 2009). Satisfying neighborhood residents helped Arena in the long run: passionate neighborhood support helped convince city officials to support the project.

### ***Securing Public Support for the Mead Center***

Early in his tenure, Mayor Anthony Williams focused city redevelopment efforts on the waterfronts, including the Anacostia Waterfront to the south of Arena Stage, and Arena’s own Southwest Waterfront. The timing of these efforts coincided with – and strengthened – Arena’s redevelopment plans.

Arena’s efforts were further strengthened by a realignment of the D.C. Ward boundaries. The neighborhood was previously part of Ward 2, which stretched northwest to the Georgetown neighborhood. The southwest portion of Ward 2 was very different than the rest of the ward.

Southwest district residents felt that the southwest portion of Ward 2 was neglected by Councilman Jack Evans. Early in the public debate about Arena Stage’s possible move, Evans defied popular sentiment in the Southwest by lobbying to move Arena Stage to the theater district, arguing that building new would be easier than rebuilding onsite.

But in 2002, the neighborhood became part of Ward 6, represented by then newly elected Councilwoman Sharon

Ambrose. Ambrose took a very different stance than Councilman Jack Evans: she actively supported the renovation of Arena Stage's Southwest campus as part of a waterfront redevelopment effort. She supported Mayor Williams in developing the AWI, including plans for the Southwest Waterfront.

Even after Arena Stage had committed to staying in the Southwest, the ANC lobbied on behalf of Arena Stage in an attempt to secure financial support for the project. It also brought neighborhood groups such as the Washington Waterfront Association and the Southwest Neighborhood Association to testify on behalf of Arena Stage during hearings before the City Council. Said Urquhart: "My goal was to make the neighbors feel like stakeholders in what was happening." The ANC represented the community in talks with city redevelopment agencies, explaining the positive impact a new theater would have on the community. "It was a collaborative effort to make this happen. We were talking about public money, and everybody had a stake in that" (Urquhart 2009).

In 2007, Sharon Ambrose declined to run for re-election as Ward 6 City Council representative due to health issues. Tommy Wells, her successor, adopted her position on Arena Stage. "Sharon [Ambrose] made sure to let Tommy [Wells] know that Arena was a project he needed to stick with until it got built," explained Urquhart. "She was sick and suffering from MS. But she still made it to groundbreaking, despite being frail and sick, showing the dedication she had. She showed that the city was behind the project. She turned the gauntlet to Tommy [Wells] at the groundbreaking.

[She said]: 'You make sure it gets done'" (Urquhart 2009).

Wells did continue Ambrose's efforts to secure funding for the Mead Center. Between 2002 and 2009 Arena Stage received \$30 million in city grant money and \$10 million in a tax-exempt loan for the Mead Center's construction. Urquhart pointed out that "no other arts organization in D.C. has ever gotten that much [money]." She credited Ambrose and Wells, who "fought tooth and nail to get the city to give them the first \$25 million because they saw the significance of the project within [the redevelopment of] the Southwest Waterfront, and what it meant in the community, and what a social and community anchor institution it would be" (Urquhart 2009). The city eventually contributed a total of \$30 million to the Mead Center via tax-exempt bonds.

Securing city funding for the Mead Center allowed Arena Stage to move forward with its other fundraising efforts. Arena received \$365,000 in federal appropriations and was also awarded funding in the form of Industrial Revenue Bonds (IRBs), a type of low-interest bond issued by the city and purchased by private investors. Two trustees of Arena's Board, Gilbert and Jaylee Mead, donated \$30 million to the project, and the rest of the Board combined gave an additional \$35 million. Corporate and individual giving accounted for the remainder of the construction budget.

According to many insiders, Arena's strong relationship with the Southwest community was essential to the development of the Mead Center. Community support for the project greatly facilitated the political process and helped overcome fundraising hurdles. Arena Stage's commitment to engaging



the immediate community – through community giving, discounted tickets for residents, school programs, and direct communication – had created this community support. According to Andy Litsky, community outreach efforts “made it clear that they were a part of the community, and the community is appreciative of that” (Litsky 2009). Added Nancy Newlin, President of the Washington Waterfront Association: “We are so fortunate to have Arena Stage in our association and community. The new building will be a landmark for our city and community. They will be a focal point in the new waterfront community now and for years to come” (Newlin 2009).

The very different attitudes community groups displayed toward other nearby developments highlights the importance of community engagement. While the Mead Center got nothing but support from the community, other developments planned for the neighborhood met strong opposition at times. Litsky said “that demonstrates that that’s the way to play. If you’re an institution such as Arena Stage, that’s the way you should work with the community. It has served them very well” (Litsky 2009).

The ANC supported Arena Stage even as construction on the project wound down. When planning for PN Hoffman’s waterfront development began in 2009, the ANC lobbied PN Hoffman to ensure that the view sheds of the waterfront from the Mead Center’s main plaza would not be obstructed. “Arena has a broad expanse, an open space where people can gather. Whatever they develop across the street, I want to make sure that from Arena Stage on the balcony, people have a view of the water.... I told [PN Hoffman] ‘Just make sure that that

happens.’” When the developer casually brushed his concern aside, Litsky stood firm, knowing he had the support of the community:

In this community we can galvanize opposition in a heartbeat – neighborhood, political, media, and etcetera. If the [views from Arena Stage’s balcony] are blocked, we will oppose it and block it. When we have a larger community discussion, that will come up. The economic development committee in council will embrace that. And zoning and the office of planning will make sure that [views are protected]. We can exert pressure. (Litsky 2009)

When the economy slowed from 2007 through 2009, many of the development projects planned for the Southwest were put on pause or cancelled. Still, optimism ran high as the Mead Center’s opening drew near. Urquhart said, “Whatever we do now will serve as a catalyst for the waterfront revitalization. [The city] realized what that meant, to be able to bring visitors and tourists to this section of D.C.” (Urquhart 2009).

### ***Arena as an Economic Engine***

While the Mead Center was being built, most of Arena Stage was temporarily housed a five-minute drive away in Crystal City, a business district in Arlington, VA. The company’s larger musicals were staged at the Lincoln Theatre on U Street NW, and some staff positions (including those housed at technical shops) were located throughout Arlington and D.C.

But most of Arena Stage’s performances and its community



engagement activities occurred in Crystal City. There, Arena Stage occupied the Crystal Forum: an old, 460-seat movie theater. Arena Stage occupied this space rent-free, though it did invest \$750,000 to renovate the space to accommodate its range of performances. (When Arena Stage returned to the Southwest, Crystal City was left with a state-of-the-art theater.)

Arena Stage's presence in Crystal City exemplified the economic impact a theater can have on its surrounding neighborhood. The President and Chief Executive Officer of the Crystal City Business Improvement District (Crystal City BID), Angie Fox, and Arena Stage's Artistic Director Molly Smith were long-time friends; their friendship had grown from a mutual passion for theater. When Fox learned that Arena Stage needed temporary space during the construction of the Mead Center, she proposed to Smith using the Crystal Forum. Fox brokered the deal: the BID would contribute \$250,000 to the renovation (Arena Stage would contribute \$750,000) and would act as liaison between the real estate and arts entities.

Once Arena Stage moved into the Crystal City facilities, the BID helped market performances by putting up banners and advertising in local publications; connected the theater with local businesses; and studied and communicated Arena Stage's impact on the neighborhood.

One BID study, published in March 2009 in conjunction with the Arlington Commission for the Arts, reported the economic impact of two theaters within the county:

Arlington's theaters are a major part of the county's social fabric as they

provide inspiration and enjoyment to their patrons – both residents of Arlington County and visitors to the area. Patrons of the theater benefit from its beauty and vision and its ability to connect people regardless of age, race, or background. Most importantly, theaters are economic drivers in Arlington communities, supporting jobs, generating government revenue, and promoting tourism. This study supports this claim and provides strong and credible data demonstrating the economic benefits of theater facilities to a neighborhood (“The Economic Impact of Theaters” n.d.).

The study demonstrated the significant, positive financial impact of Arena Stage. Sixty-seven percent of patrons at Arena Stage ate dinner at a neighborhood restaurant either before or after the show; on performance nights, area restaurants experienced a 7 to 20 percent increase in sales. Overall, theatergoers spent more than \$2 million in Crystal City over the course of the 2008-09 season, generating over \$80,000 in tax revenue for the county. The study concluded that theaters in general – and Arena Stage in particular – are major local economic drivers (“The Economic Impact of Theaters” n.d.).

The Mead Center was designed to have a positive influence on its surroundings. The new facilities have a variety of open public spaces, and also offer meeting spaces for community groups and gathering spaces for visitors to the waterfront. The construction of the center was primarily completed with local labor and, after its completion, Arena remained a significant employer of local administrators, technicians, craftspeople,

and service providers. (In Washington, the arts industry alone supports over 26,000 full-time jobs and directly contributes more than \$1.24 billion to the city each year (Arena Stage 2009c).)

A large part of Arena's continued contribution to the Southwest waterfront redevelopment was expected to be its impact on area restaurants. Angie Fox expressed a view held by many when she said that Southwest waterfront "needs better restaurants." While Crystal City was saturated with restaurant options, Southwest D.C. remained underserved. And the restaurants that existed did not necessarily appeal to many of Arena Stage's patrons. The Mead Center was expected to help support new restaurants, with those new restaurants in turn supporting Arena Stage by increasing the desirability of the neighborhood and adding to the experience of spending an evening at the waterfront. However, the addition of a multitude of new restaurants would also depend on the neighborhood's economic development and population growth. So, Arena Stage had a vested interest in the development of its neighborhood. Soon before the Mead Center's opening, Arena Stage's website read: "With deep roots in the community, Arena Stage will make the waterfront neighborhood and the

Southwest community a more desirable place not only to visit, but also to live. Perhaps most importantly, Arena Stage will continue to attract workers, tourists and residents to the area by making a major contribution to the region's high quality of life" (Arena Stage 2009c).

## **Conclusion**

Arena Stage transformed its artistic direction and its physical space in the years preceding the Mead Center's opening. Its community partners provided the support needed for the organization to grow as an arts institution, with stakeholders providing fundraising for new programs and construction, fighting to secure political backing, and other assistance. This support grew from the collaborative and mutually beneficial relationships that Arena Stage cultivated for years.

The decision to stay in the Southwest to help revitalize a struggling neighborhood was not without complications, but it exemplified how an anchor arts institution can influence a range of important city stakeholders and gain strong public support.

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## Case 3: The Art Institute of Chicago, Chicago, Illinois Attracting Civic Support

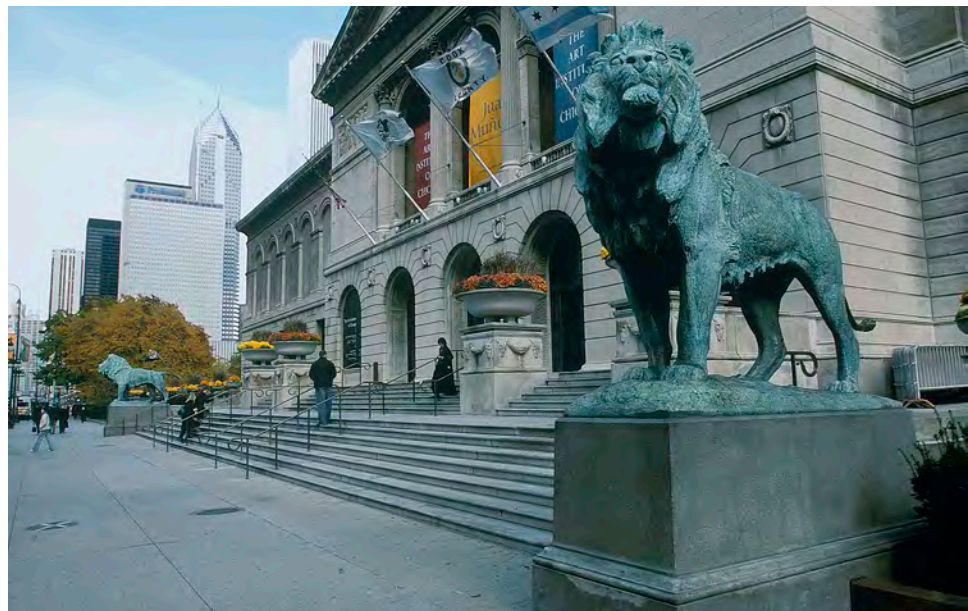
The Art Institute of Chicago (AIC), the second largest encyclopedic art museum in the United States, has been an important anchor in downtown Chicago for more than a century. Esteemed for its internationally renowned collections, strong research program, and leading conservation department, it also has an associated fine arts school and is a civic landmark in the heart of the city's commercial, residential, and civic centers.

Located on public parkland, the museum has undertaken several expansion projects, including the 2009 opening of its 264,000-square-foot Modern Wing designed by Renzo Piano. That facility is situated next to the highly successful Millennium Park.

The opening of the Modern Wing coincided with the global financial crisis, which exacerbated the organization's existing financial difficulties. Between 2008 and 2010, the AIC's endowment dropped 25 percent and corporate giving fell to unprecedented lows. Institute leaders made the strategic financial decision to lay off employees and freeze salaries, which created public relations problems at an

inopportune time. Leadership argued that these decisions were necessary to protect the long-term investments in the AIC's core areas of work, including curatorial activities, education, and conservation.

When the Institute took part in PRAI 2010, it had emerged from managing this crisis and was addressing the challenge of obtaining a civic commitment to the organization for the next fifty years. To this end, the Institute was identifying new civic leaders and cultivating corporate giving. Its corporate relationships had eroded over the first decade of the twenty-first century, making it challenging for the museum to sustain its position as a robust anchor institution. Significant funding from corporate donors would make it easier for the AIC to manage its finances, secure other sources of support, grow its profile within the international arts community,



Art Institute of Chicago

and attract new audiences reflective of Chicago's new demographics. This case details the efforts the AIC was undertaking as it sought to attract civic support during trying financial times.

### **Case Summary**

Local artists founded the Chicago Academy of Design (CAD) in 1866 as an art school and gallery. The successful Academy quickly outgrew its original studio space and, in 1870, moved to a new, five-story building in downtown Chicago. The following year, the Great Chicago Fire destroyed the facility, leaving CAD financially bereft and physically destitute (Art Institute of Chicago 2012). Unable to rescue the organization, a cadre of CAD's trustees established the Chicago Academy of Fine Arts in 1879, taking over many of the assets and programmatic functions of the bankrupted organization (Art Institute of Chicago 2012a).

In 1882, with the leadership of Charles Hutchinson, this organization changed its name to the Art Institute of Chicago and, at the same time, expanded into a new facility on the corner of Michigan Avenue and Van Buren Street (two blocks from the AIC's current location). During the 1893 World's Columbian Exposition building boom, Hutchinson and other Institute leaders successfully lobbied the city for a new arts facility along the lakefront – a building that would be occupied by the World's Congress Auxiliary Building during the fair and afterward by the AIC (Art Institute of Chicago 2010a). As part of the deal, the Parks Department donated the land; the city secured the building's title and agreed to lease it to AIC at no cost under three conditions: first, AIC had to appoint the mayor and

comptroller as ex-officio board members; second, it had to provide free public access; third, it had to remain a public arts institution (Deloitte and Touche 2009).

The new structure – designed by Boston architectural firm Shepley, Ruten and Coolidge – epitomized the City Beautiful movement with its majestic, neoclassical Beaux Arts style (Art Institute of Chicago 2012). By leveraging grand plans for Chicago, the Institute established itself as an important local civic institution with the potential to rival New York's Metropolitan Museum of Art, the Philadelphia Museum of Art, and the Boston Museum of Fine Art (Art Institute of Chicago 2010). The new location also made the museum an integral asset of the parks system, a relationship that continues today.

The building underwent improvements with the addition of Fullerton Auditorium (1898) and Ryerson Library (1901). AIC then turned its attention from facility improvements to growing its collections. Chicago philanthropists were eager to build a world-class arts facility; many eventually donated their personal acquisitions of contemporary (Impressionist) art to the museum. The Institute also prioritized growing its libraries, and the founding of the Ryerson (1901) and Burnham (1912) libraries marked the start of establishing a research identity.

In the first quarter of the twentieth century, the museum experimented with ways to overcome the drawbacks of being landlocked. Museum leaders decided to build over the Illinois Central railroad tracks to the east, which opened up development possibilities. Later, in the late 1950s and 1960s, the Institute constructed the B.F. Ferguson Memorial Building, which still serves as the museum's



administrative wing. The museum also added the Morton Wing to house its modern art collection and to restore symmetry to the complex, as well as landscaped gardens to connect the facility to neighboring parks. In the 1970s, the AIC built the Rubloff Building, which added new studios, classrooms, and a film center (Art Institute of Chicago 2010a).

From 1980 through 2004, Director James N. Wood steered the museum through one of its most successful eras in acquisition, attendance, and expansion. He brought popular traveling exhibitions, championed new presentation modes, and aggressively acquired artwork. Furthermore, he pursued several capital campaigns. AIC updated the Allerton Building, the Kraft Education Center (1993) and the Fullerton Auditorium (1993) and restored the Ryerson Library (1994). It built the Rice Building (1988) and added a suite of galleries to house its Asian collection (1990s) (Art Institute of Chicago 2012). In 1999, Wood also conceived of building a new gallery for Asian art, which would later evolve into the highly acclaimed Modern Wing. Following Wood's death in 2010, *The New York Times* referred to Wood, who had moved on to become CEO and President of the J. Paul Getty Trust, as "one of the most respected museum leaders in the country" (Kennedy 2010).

### **Organization**

The Art Institute is a 501(c)3 corporation that encompasses two entities: the public art museum and the post-secondary educational institution. The two entities are largely independent: they have their own leadership teams; separate financing and budget structures; and their own endowments. They do share some administrative services

(human resources and legal) and the facilities staff works for both. When the Institute participated in PRAI 2010, the school, with its diversity of revenue sources, was profitable but the museum was struggling.

At that time, its governing board of trustees (which governed both the school and the museum) comprised ninety-two members. The pool of trustees was split between the school and museum, although they governed the Institute jointly. The museum employed 700 people and retained numerous volunteers. Staff reported to the board's executive committee. Each of the ten curatorial departments had an advisory committee and every museum department had a "support society" that raised funds for that department acquisitions. The advisory committees and support societies reported to the executive committee.

Museum leadership changed in 2004 when James Cuno was appointed President and Eloise W. Martin Director of AIC after serving as Director of the Courtauld Institute of Art and Director of the Harvard University Art Museums. Under Cuno's leadership, the museum raised \$400 million in capital and endowment funds for the new Modern Wing, showed more of the Institute's permanent collection, and renovated outdated galleries throughout the museum. These changes reflected the museum's commitment to focus on the Institute's assets rather than relying on outside collections, such as traveling exhibitions (Kinzer 2004; Mullaney 2006; Finkel 2008).

In August 2011, AIC underwent further changes when Cuno left the museum after seven years to serve as CEO and President of the J. Paul Getty Trust (Finkel 2011). In 2011, the AIC

announced that its Interim Director, Douglas Druick, an arts scholar and former curatorial chair who had been with the museum for twenty-six years (Art Institute of Chicago 2011a), would become Director.

### **Finance**

The museum's 2010 operating budget was \$105 million, with investments at that time totaling \$504 million and debt totaling \$206 million (note that the school and the museum shared a balance sheet). In 2009, the museum had \$93,605 million of revenue (government and other contributions brought in a third of the revenues) but \$97,968,000 million of expenses, resulting in a deficit of \$4,363,000.

The AIC has a unique financial arrangement, with the Parks Department acting as the primary municipal funder. The Parks Department uses a portion of property taxes to fund park assets through the Chicago Parks District Tax. From this funding stream, the AIC receives (on average) \$6.5 million in exchange for it offering days of free admission. The City of Chicago also waives water fees although it does not provide any maintenance or operating support to supplement the Parks Department.

### **Facilities**

The AIC has resided at 111 South Michigan Avenue for over 125 years. As noted, the Chicago Parks District owns the land on which the museum sits and allows the AIC to occupy it rent-free. Although the AIC benefits from the central location in many ways, the site comes with numerous restrictions. The

site is parkland, which comes with many regulations, and is landlocked, with few affordable opportunities to grow. Operating railroad tracks (Metra Electric, South Shore lines) split the complex in half, which creates design and continuity challenges.

The museum has largely overcome these physical limitations through creative expansion projects. It has grown primarily through aggressive eastern expansion over the tracks. Lake Michigan runs against the train tracks at the back of the original building; the Institute expanded onto new parkland when that opportunity arose.

The museum's 1 million-square-foot complex consists of the following elements (only museum, not school, facilities are on this list):

- Allerton Building (original structure) including three auditoriums (Fullerton is the largest and most prominent) and the Ryerson & Burnham Libraries
- East Building including McKinlock Court, Rubloff Auditorium, and the Stock Exchange Trading Room (which attaches to the school)
- Gunsaulus Hall including Alsdorf and Upper Gunsaulus Galleries (which connect the east and west buildings over the railroad tracks)
- Ferguson Memorial Building (which serves as the administrative wing)
- Morton Wing
- Southeastern Building including Regenstein Hall and the Sculpture Court (Rice Wing)
- Modern Wing including Ryan Education Center, Griffin Court, and the Modern Shop
- Three gardens including South Garden, North Garden, and Pritzker Garden

- One sculpture terrace: Bluhm Family Terrace

Together, these facilities house the Institute's approximately 260,000-work collection, administrative offices, public spaces, and educational programs, and some spaces shared with the school.

The AIC also controls sixteen other properties in downtown Chicago. The museum uses one building for storage; the rest are used by the school (as classrooms, administrative space, student housing, or storage) or leased to other tenants (Deloitte and Touch 2009). This arrangement underscores the unique relationship between the museum and school. While together they comprise a single non-profit organization, they operate largely as separate financial, programmatic, and administrative entities. This system allows for flexibility, but does suggest a fairly independent, as opposed to an especially collaborative, relationship.

The Modern Wing, the Institute's most recent capital project, was built to leverage two of the museum's assets: its extensive contemporary arts collection and its prime location next to the lakefront and Millennium Park. The \$294 million expansion significantly increased exhibition space and added a state-of-the-art education facility, making the Institute the second largest encyclopedic art museum in the United States (Art Institute of Chicago 2008). Conceived in 1999, the project broke ground in 2005 and opened in May 2009 on the southwest corner of Columbus Drive and Monroe Street. It replaced the Goodman Theater and School, which had moved to new facilities within Chicago's Loop. Consistent with Chicago's reputation as a "green city," the U.S. Green Building Council awarded the Modern Wing with LEED (Leadership in Energy and Environmental Design) Silver

certification (Art Institute of Chicago 2008).

Pritzker Prize-winning architect Renzo Piano designed the 264,000 square foot building to engage more directly with both AIC visitors and the surrounding urban environment. It comprises two three-story pavilions, one on each side of Griffin Court, a large open hall. The wing has several public spaces: Nicholas Bridgeway (a footbridge linking Millennium Park to the museum), Bluhm Family Terrace (a sculpture park), Griffin Court, retail shops, and a cafe and restaurant (Pogrebin 2005). The project was privately funded, with a majority of funding coming through a mix of bonds and corporate and individual support; less than \$1 million came from municipal contributions.

### ***Collections***

The AIC has one of the largest collections in the country but was only showing 8 percent of it due to facility restrictions. Although landlocked, the Institute was capitalizing on the space it had by emphasizing the quality of its collections.

The Ryerson and Burnham Libraries are a comprehensive art and history resource with particular strengths in archival material on regional architecture. The Alsdorf galleries display Indian, Southeast Asian, and Himalayan art. The Upper Gunsaulus galleries feature Impressionist and Post-Impressionist work. The Modern Wing presents modern European painting and sculpture, contemporary art, architecture and design, and photography. The rest of the complex showcases American art before 1950, prints and drawings, Indian and Islamic art, American and European decorative arts, and Asian art, to name a

few of the collections. In the fall of 2010, the museum opened its Japanese Art Galleries in the Roger L. and Pamela Weston Wing, and in the spring of 2011, the museum opened galleries for African Art and Indian Art of the Americans in the lower Morton Wing (Art Institute of Chicago 2010b; Art Institute of Chicago 2011b).

With the new Modern Wing, the museum has not only been able to show its extensive and renowned contemporary arts collection, it has been able to reshuffle and program other facility areas. The new galleries provide the opportunities to give every one of the museum's ten curatorial departments an average of 35 percent more space to show its collections.

### **Programming**

AIC welcomes 1.8 million visitors annually and programs forty-plus exhibitions a year. Most visitors come from the metropolitan region or from other parts of the country. The AIC offers free admission fifty-two days a year as part of a municipal agreement, although this public benefit represents a loss of potential revenue.

The Institute prioritizes arts education and is lauded as a model of accessibility. AIC's Department of Museum Education works closely with public and private schools, community and business organizations, and senior groups. The AIC hosts approximately 2000 school groups from Chicago and Illinois annually, serving approximately 115,000 students a year in 2011 (Art Institute of Chicago 2012b). The 20,000 square foot Patrick G. and Shirley W. Ryan Education Center "doubles the museum's previous [education] center and includes five cutting-edge classrooms, three

studios, programming, and a library for families, children, and students" (Art Institute of Chicago 2012b). The educational facility consists of many interactive spaces including the David and Marilyn Fatt Vitale Family Orientation Room, *Curious Corner*, and the Crown Family Educator Resource Center, which supports arts integration across curricula and museum learning.

In addition to its education and exhibition programs, the museum is also a renowned research and conservation institution. Many of the approximately thirty curators at the museum are recognized as leaders in their fields, actively curating exhibitions and publishing scholarly resources. The AIC also has three separate conservation laboratories: for paintings, objects, and works on paper. The museum is one of very few museums in the country to employ conservation scientists as well as conservators, and together the conservation teams are responsible for groundbreaking state-of-the-art conservation research leading to such exhibitions as *Matisse: Radical Invention 1913–1917*, *Watercolors by Winslow Homer: The Color of Light*, and the upcoming *John Marin's Watercolors: A Medium for Modernism*. The museum has its own publications department with a title list of approximately twelve to fifteen catalogues, including an *Online Scholarly Catalogue Initiative* funded by the Getty Foundation in 2009, a forty-five-year-old research journal, *Museum Studies* (which stopped publication in 2011), and other publications on exhibitions and on the permanent collection (Art Institute of Chicago 2012c).

The museum collaborates with local cultural organizations, the Chicago Park District, and Chicago colleges and

universities on many different programming initiatives.

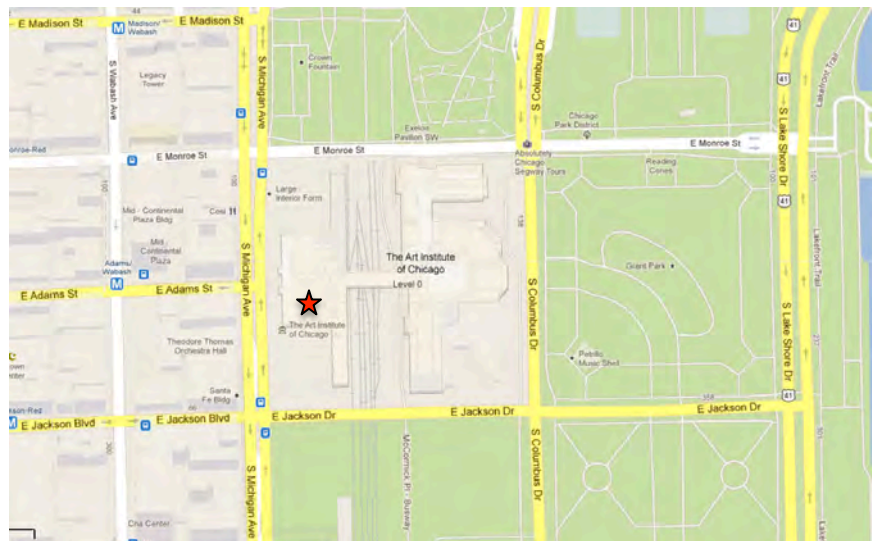
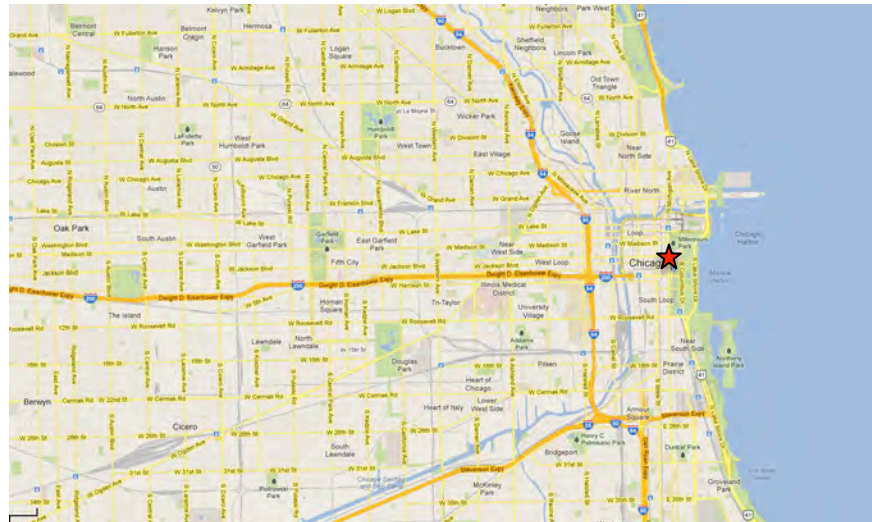
In addition, every year the AIC works with cultural partners – most often the Chicago Symphony Orchestra, the Poetry Foundation, and Hubbard Street Dance Chicago – to present themed seasons in which all organizations cross-program and cross-promote their offerings. Through such partnerships the museum offers a broad range of programs – lectures, readings, concerts, symposia, performances – and draws upon the city’s general arts audience. The first of these seasons, Silk Road Chicago (2007–08), was organized with Yo-Yo Ma’s Silk Road Ensemble and the City of Chicago. Other themed seasons have treated the topics of American identities, globalism, and modernism (Cuno and Thurm 2010).

### **Environs**

The AIC’s museum is an urban museum in a popular area of downtown Chicago that draws commercial, tourist, retail, and residential activity. James Cuno has employed the words “village within a city” to describe the museum’s surroundings (Cuno and Thurm 2010). AIC’s central location is a prized asset, since it benefits from the activity generated by nearby government offices, parkland, commercial headquarters, private residential development, and public

arts infrastructure. It sits at the center of urban activity.

The Institute forms part of an informal, central business district (CBD) arts cluster: the Chicago Symphony Orchestra is across the street, the Lyric Opera of Chicago



Above, the Art Institute of Chicago in Chicago. Below, the Art Institute of Chicago in relation to Millennium Park.

is at the corner of Madison Street and Wacker Drive just a few blocks to the west, and the theater district covers much of downtown. Millennium Park houses the Harris Theater, Pritzker Pavilion, interactive public arts features, and other creative venues. Combined, these performance and visual arts offerings reinforce and enhance

the city's cultural stature while also drawing coveted knowledge workers and high-performing businesses.

### **City and Regional Context**

Located in northeastern Illinois at the southwestern edge of Lake Michigan, Chicago, with a population of 2.75 million, is the largest city in the Midwest and the third most populous city in the United States (U.S. Census Bureau 2010). This international city anchors the Chicago-Joliet-Naperville metropolitan statistical area: the third most populous region in the United States after New York and Los Angeles (Office of Management and Budget 2008). The City of Chicago covers 234 square miles and envelops all of Cook County and a small part of DuPage County while the MSA spans three states and fourteen counties. Chicago is ethnically and racially diverse, with Hispanics and African Americans accounting for a significant proportion of the total population.

Chicago is the primary economic engine for its metropolitan region, for the state of Illinois, and for the Midwest, as well as being a significant contributor to the U.S. economy (generating the largest Real Gross Metropolitan Product after New York and Los Angeles with a Real GDP per capita of \$45,363) (Bureau of Economic Analysis 2009). The city's transportation network – which links air, water, and rail – has driven its economic success. O'Hare is the second busiest airport in the country for commercial passengers and freight shipments. Six Class-1 railroads, six highways, and the country's second largest public transportation system converge in the city. It has one of the top five container ports in the world due to its waterway connections to the Atlantic and the Gulf of

Mexico, and it is the third largest inter-modal port after Hong Kong and Singapore (World Business Chicago 2010a).

Chicago has fared well compared to other industrial cities because of its diverse economy, which spans both traditional and emerging industries. Compared to other U.S. metro areas, it ranks in the top five of Gross Regional Product for business and financial services, health services, manufacturing, and transportation and distribution. The city is also a leader in cutting-edge, high-growth industries such as biotechnology, information technology, and green technology (World Business Chicago 2010b). It houses eleven Fortune 500 companies including Boeing Corporation, Abbott Laboratories, Exelon, United Airlines, Aon Corporation, R.R. Donnelly, Integrys, Smurfit-Stone, and Telephone & Data Systems (parent company of US Cellular) (*Chicago Tribune* 2009). Also, the city is home to a number of important urban anchors including universities (Northwestern University's downtown campus, University of Chicago, and the University of Illinois-Chicago, among others), hospitals and medical institutions, and entertainment centers (McCormick Convention Center, Navy Pier, and four sports stadia, in particular).

### **Developing New Civic Leadership**

The AIC is an internationally renowned museum in a dynamic urban area. It has made many smart, strategic choices about expansion projects that not only allow the opportunity to showcase its collection but also create physical connections to other nearby public and private assets. Despite a history of savvy positioning, the Institute, when it took

part in PRAI 2010, was still seeking to remain on a financially sustainable path – an ongoing challenge that has been exacerbated by the economic crisis.

Through discussions at PRAI 2010, museum leadership made clear that they believed that their best strategy for confronting this challenge was to develop new civic leadership. Broadly speaking, civic leaders are engaged people or groups who try to address a problem in society, advocate on behalf of a specific community, and/or try to increase the economic, cultural, or environmental health of their community. They do this in many ways, including volunteering on boards; contributing money; convincing other groups or corporations or individuals to donate resources; raising public awareness; and offering their professional expertise. Civic leaders can be wealthy patrons, corporations, philanthropic foundations, community-based organizations, elected officials, or individual citizens. When AIC employed this term, they were interested in securing these diverse civic resources and voices; however, their discussions centered primarily on attracting corporate leaders who were willing to give their own time and money and to direct resources from their corporate philanthropic and marketing efforts to the museum.

Museum leaders who took part in PRAI 2010 were confident that the museum’s cultural reputation, geographic location, and public values would help them attract and retain civic leaders; nonetheless, they recognized that they faced challenges: corporate consolidation had diminished opportunities to attract local elites, arts organizations were competing against essential social services for limited public and private resources, and city leaders were

promoting community-based and/or commercial arts industries and workers over traditional arts activities.

### ***Developing Local Responses to Changes in Corporate Philanthropy***

The global economic crisis profoundly affected the museum, as it did many cultural institutions. Nonprofits, in general, struggle to bring in earned and non-earned income in periods when the economy is not doing well. Experts differ on whether larger, better-funded groups are better off than smaller organizations (since they can access resources that lower-profile groups cannot) or if they are worse off (since they rely heavily on their endowments, annual giving, and corporate support – all of which diminish when the economy is struggling) to survive. When large nonprofit arts organizations undertake when the economy is strong capital campaigns to build or expand their facilities– generally multi-year endeavors that take off when the economy is strong but may founder when a downturn occurs – problems ensue, including public relations problems, since the institutions are then recruiting public and private dollars in an environment of high unemployment, where individual and household basic needs often cannot be met, and public agencies often struggle to provide services.

When AIC leadership participated in PRAI, the museum was facing exactly these types of challenges. It had kicked off “The Building of the Century Campaign” for the Modern Wing in the flush early years of the 2000s, meeting its \$410 million capital fundraising goal for the expansion and covering the costs of design, construction, and an operating endowment. However, it opened right



after the 2008 financial collapse, which created an image problem, raising questions about whether investments in architecture and arts were a good use of public and private dollars. These image problems were compounded by a decision to increase admission fees (from \$12 to \$18) on non-free days, which amplified the controversy as community members and the media incorrectly inferred that the public was paying for an elaborate expansion. This controversy highlighted some of the challenges that the Institute's leadership faced, and also pinpointed an ongoing issue with how the museum could position itself as a valuable public asset that would attract investment and support from corporate philanthropists.

While the Institute successfully paid for and endowed the expansion, the market crash created a new set of problems for the Institute. The museum lost 25 percent of its endowment in eighteen months as its investments lost value and, at the same time, corporate giving dropped to unprecedented lows. Economic forecasts suggested that recovery would be far in the future and budgetary analysis showed that museum income would not fully cover expenses. AIC was forced to undertake two rounds of layoffs (sixty-five workers in 2010 and twenty-two workers in 2009), to freeze salaries, and to cut other parts of the budget (Viera 2010).

While the 2008 financial crisis exacerbated AIC's financial situation, the organization's problems predated the broader financial crisis. Being located in a global city has many advantages (such as being able to tap support from the corporations, entrepreneurs, and "creative class" workers that congregate in such cities) but it also makes an organization vulnerable to global

economic changes: large structural changes, such as deregulation and consolidation, affect the local economy, which in turn influences the financial health of the public and nonprofit sectors on which the museum relies.

From the museum's perspective, financial and retail consolidations had weakened corporate ties to the museum, resulting in the disengagement of the corporate community (Thurm 2010). In 2010, Cuno, then Museum Director, and David Thurm, AIC Chief Operating Officer, noted as evidence several patterns: corporations that were once headquartered in Chicago had moved elsewhere, outside investors with little loyalty to Chicago had acquired or merged with local corporations, and Chicago corporate leaders had diversified their portfolios by buying assets outside of the region, which weakened their ties to the local community (Cuno and Thurm 2010). According to these museum leaders, these changes diminished the strength of the business community's connection to the AIC. Large corporations – such as investment firms and retail groups – continued to support capital campaigns but were less likely to give to exhibitions and programs.

Meanwhile, Institute leaders found that smaller businesses – such as law firms and accounting firms – were not increasing their contributions or corporate memberships. In fact, some firms had stopped broad-based support of civic institutions in favor of concentrating their resources on organizations that supported social services.

In the museum leadership's view, corporate philanthropy for the arts and other cultural institutions had eroded. In the past, corporate giving had been a significant source of income; AIC wanted to recapture this support.



Factoring out the impact of the capital campaign activities in FY09, corporate giving declined by about 11 percent in five years' time (down from about \$2 million in FY04 to \$1.8 million in FY09). The exhibition schedule had suffered most – in FY04, seven exhibitions received corporate support totaling \$525,000, compared to two exhibitions receiving support totaling \$125,000 in FY09. At PRAI 2010, the museum was in the midst of determining how the new landscape of corporate giving would affect their organization long term and how they should adapt their fundraising strategies in response. They were particularly interested in discussing how to recruit emerging civic leaders as supporters.

Museum leaders were working to identify strategies for cultivating civic supporters from the pool of local leaders with wealth, political will, and community connections, especially corporate leaders. Because the corporate landscape had changed and continued to evolve, AIC was struggling to define the case they needed to build in order to secure support.

In 2010, AIC appointed Thurm, former *The New York Times* Senior Vice President for Operations, as the museum's COO to address these issues. Trustees recruited the experienced financial and development leader to “strengthen the museum's financial position and ease its transition to a more complex institution” (Art Institute of Chicago 2010c). Thurm focused on raising the Institute's profile to increase corporate philanthropic giving and to nurture new civic leaders for the museum. To do so, he sought to uncover the factors driving corporate philanthropic giving and to identify effective strategies for building new relationships with industry leaders.

As part of this effort, Thurm and his team worked with Penn IUR to study three factors that shape museum finances: economic cycles, corporate arts philanthropy trends, and socio-demographic trends. In a 2010 Penn IUR report, *The Changing Face of Museum Philanthropy: Trends and Strategies for Accessing Corporate Support*, the author posited three major findings about the health of art museums (Kwatinetz 2010). First, the economic crisis's negative impact on the art museum's health was temporary and would return to pre-crash levels; however, to ride out these shocks, museum leaders should alter their financial management. Second, the museum's share of corporate support was diminishing even though corporate giving was increasing in general. The author suggested that in an increasingly competitive environment corporations were wary of developing partnerships with arts organizations because their goals were not well-matched and were unable to meet the needs of corporations. Finally, the report suggested that changing demographics and technological advancements meant that art museums were going to have to operate differently if they wanted to grow their audience base and attract new earned and non-earned revenues, including corporate giving (Kwatinetz 2010).

### ***Reinforcing “Public” Identity to Attract Philanthropic Support***

At PRAI 2010, the museum also considered how to use its central location as a way to build civic leadership and attract corporate philanthropic dollars. Even though the Institute had long held a central place in Chicago, it was just beginning to leverage its proximity to other urban assets; it was doing this

largely in tandem with the development of Millennium Park. Initially, museum leaders designed the Modern Wing as a smaller, more internally focused structure, but changed the building and the layout to capitalize on the large park investment next door. Trustees, museum administrators, and designers envisioned linking these civic spaces by expanding the wing's size and by building a physical bridge between the wing and the adjacent park.

Museum leaders agreed that the institution's location was a major asset in their efforts to recruiting new civic supporters, including corporate leaders, because of its visible centrality in the city's economic, physical, and cultural landscape. Tourists, workers, and residents were drawn to the museum's neighborhood by the lakefront and the area's commercial, residential, recreational, and retail activity. The city's larger investments and AIC's central position had strengthened its ability to be a more diversified urban anchor – and the museum was considering using these as a way to draw new civic leadership and also as a mechanism for this leadership to employ in making the case for AIC as a valuable civic landmark that justified public and private resources.

## **Conclusion**

In many ways, the Art Institute of Chicago was in an enviable position when it took part in PRAI: it was an internationally renowned arts museum

and research institution with a rich history that was surrounded by many of Chicago's prized commercial, recreational, and cultural assets. Yet, as with many large visual arts organizations in the United States, AIC faced an uncertain future due to changing demographics in urban areas; shifting patterns of philanthropic giving; evolving priorities for supporters of arts, economic, and community development; and emerging new technologies that made it harder to attract and retain audiences.

The Institute was emerging from a tumultuous period marked by high-profile controversies, severe budget cuts, and significant staff downsizing, and it was attempting to overcome one of its most formidable barriers – diminished corporate support from philanthropists and corporate marketing – to create a financially sustainable nonprofit model. Leaders believed that by nurturing a new cohort of civic leaders they would attract more corporate financial support. However, AIC staff and leaders were unsure of how to create a comprehensive strategy that could counteract trends in philanthropic giving and could raise revenues without corporatizing their art collection or mission.

This situation is a common one for many arts anchor. The AIC's story demonstrates the complexity of wrestling with such challenges in ways that acknowledge a larger societal context and also incorporate local and regional realities in identifying potential solutions.

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## Case 4: The High Museum of Art, Atlanta, Georgia Expanding the Museum

The High Museum of Art in Atlanta is the leading art museum in the southeastern United States. With renowned buildings by Richard Meier and Renzo Piano, the High houses over 11,000 works in its collection. The High is a major player in Atlanta's arts and cultural scene, independently and as a division of the Woodruff Arts Center (WAC), a nonprofit arts center with four divisions: the High, the Atlanta Symphony Orchestra, the Alliance Theater, and Young Audiences.

In 2005, the High Museum expanded into three new buildings and a central piazza, all designed by Renzo Piano. The configuration of the 2005 expansion was meant to create a "village for the arts" – an art-driven urban campus. While the design garnered numerous accolades, museum leaders who took part in PRAI 2010 felt that its potential had not been met, as its central piazza remained underutilized several years after its 2005 completion.

This case illustrates the High's experience expanding and renovating its campus, looking back on the process of developing and implementing a campus improvement plan and considering how to better meet the plan's objectives.

### Case Summary

The High Museum of Art emerged from the work of the Atlanta Art Association, founded in 1905 to promote fine arts in the city. This association, established by women volunteers, initially sponsored exhibitions, classes,

and lectures and later evolved into a museum. In 1926, the Atlanta Art Association found its first permanent home when philanthropist Mrs. J. M. High donated her home; several decades later, the institution would be named "The High Museum of Art" in her honor.

Over the middle decades of the twentieth century, the institution's art collections grew, though funds were scarce and the museum relied heavily on the donation of artwork, which resulted in a collection of uneven quality. In 1955, the Kress Foundation offered a valuable collection of Renaissance and Baroque paintings to the Atlanta Arts Association on the condition that it construct a fireproof and climate-controlled building in which to house the works (Abrams 2002: 8). Spurred by this offer, the museum built a new brick structure alongside the original High house. The acquisition of the Kress Collection and the construction of the new building reflected the museum's growing professionalism.

Tragedy drove the institution's next major growth period when 106 Atlanta arts patrons died in a plane crash on a museum-organized European tour in 1962. The victims included many of Atlanta's top civic leaders. The Atlanta Arts Association built the Atlanta Memorial Arts Center in their honor in 1968 and, at the same time, dropped the name "Atlanta Arts Association" in favor of the "High Museum of Art." The Atlanta Memorial Arts Center consolidated four of Atlanta's cultural facilities on one campus: the High Museum of Art, the Atlanta Symphony Orchestra, the Atlanta

College of Art, and the Alliance Theater (Abrams 2002: 214-215).

The High Museum's 1955 structure became the cornerstone of the new Memorial Arts Center campus: the Atlanta Memorial Arts Center expanded that structure to include additional gallery space as well as facilities for the other three arts organizations.

The Atlanta Memorial Arts Center resembled arts centers built in other cities – such as Lincoln Center in New York, Kennedy Center in Washington D.C., and the Los Angeles Performing Arts Center in Los Angeles – in that it consolidated many of the city's cultural facilities; it did, however, differ from others in its inclusion of a *visual* arts organization in addition to performing arts organizations. In 1982, its board renamed it the Woodruff Arts Center, after Coca-Cola magnate Robert W. Woodruff (Abrams 2002; High Museum 2010d).

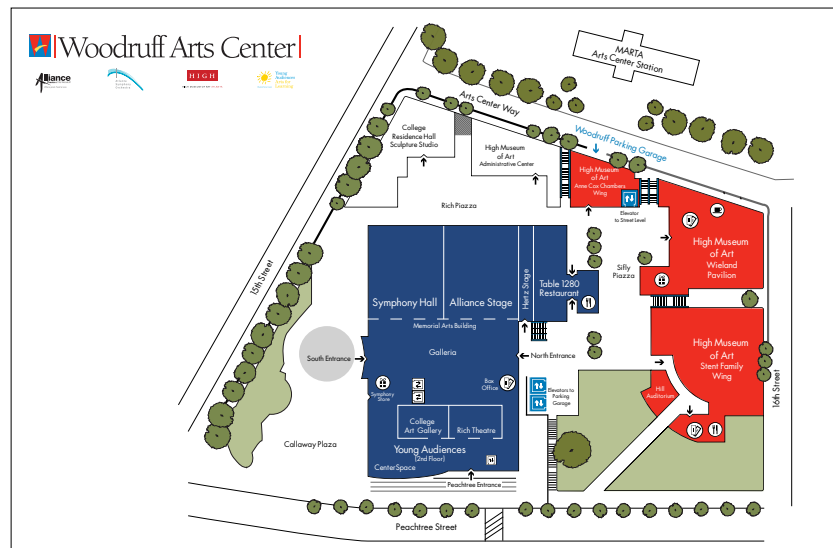
In 1983, the High expanded again: this time adding a prize-winning white porcelain-paneled structure designed by architect Richard Meier. Funded in part by a successful \$7.5 million challenge grant from Robert W. Woodruff with the museum raising a total of \$20 million, the 135,000-square-foot structure tripled the size of the museum, providing generous space for exhibitions, collections, and programs. The new complex stimulated higher attendance and raised the organization's profile, bringing national attention to both the museum and to Atlanta.

The 2005 addition, designed by award-

winning architect Renzo Piano, marked another turning point for the High. It more than doubled the museum's size, adding 177,000 square feet to the Meier building for a total of 312,000 square feet. This critically acclaimed addition, described in detail below, aimed to create a village for the arts at the Woodruff Arts Center (High Museum 2010b, 2010c).

### Organization

The High Museum is a division of the Woodruff Arts Center, a nonprofit organization that comprises four visual and performing arts divisions on one campus. These include: the High Museum of Art, the Alliance Theatre, Atlanta Symphony Orchestra, and Young Audiences. While there are many performing arts centers in the country, the Woodruff is unusual in two respects: 1) as noted previously, it is the only arts center to include a *visual* arts organization and 2) most arts organizations that belong to an arts center are themselves independent nonprofit organizations – in the Woodruff's case, each organization is a division of the Woodruff Arts Center,



Map of Woodruff Campus

rather than an independent nonprofit organization.

The High Museum (as well as each of the other three divisions) has its own board, staff, and budget, and determines its own programming. The Woodruff Arts Center, however, owns the High Museum's facilities as well as the rest of the buildings on the campus; five percent of the High's annual operating budget comes from the Woodruff's annual corporate campaign (Clark 2010). The Woodruff Arts Center also has its own board, staff, and budget; it is responsible for human resources, information technology, facility maintenance, limited joint marketing (each division also does its own marketing), limited fundraising (divisions also fundraise independently), and accounting for all four of its divisions. Each division is represented on the Woodruff Arts Center Board.

### **Finance**

The High's annual operating budget in FY09, the year preceding the High's participation in PRAI, was \$24.6 million (up from \$18.9 million in FY05, with a high during that period of 30.9 million in FY 2007) (High Museum 2010a). In that year, the largest categories of expenses were: \$10.5 million for staff; \$4.8 million for installation of exhibitions; \$1.6 million for membership; \$1.5 million for marketing and communications; and \$1.4 million for facilities. Additional expenses included those for administration, fundraising, and publications, among others.

The High's major sources of revenue included earned income, private donations, and endowment income, with very limited public funding. The endowment, as of Fall 2010, was approximately \$81 million (down

approximately 20 percent from previous years due to the recession). At that time, High leadership believed the endowment should stand at around \$200 million and efforts to increase planned giving in particular supported that goal.

Because of its relatively small endowment, the High relied heavily on income from memberships and admissions (\$4.9 million and \$3.8 million, respectively, in FY09). The High Museum's traditional supporting demographic was skewed female, older, white, and affluent (as with most American museums). But, with a diverse local population and an aging base of supporters, the High was working to increase its following among younger, more diverse audiences.

To this end, the museum had increased its outreach to younger potential donors, experimenting with marketing and programs. Marketing for the 2010 Salvador Dali exhibition exemplified this: an emphasis on the iconic mustache – and a downplaying of the High Museum branding – was meant to emphasize the off-beat nature of the show and create a buzz that would attract a younger audience.

The High was also making efforts to reach out to African Americans. For a 2008 exhibition of Civil Rights era photography – entitled "Road to Freedom" – the High met with African American community groups during the planning stage and brought in an advertising firm that targets African American audiences (Penn IUR Staff notes 2010). The David C. Driskell Prize, named after a renowned African American artist and scholar, is an award for excellence in African American art or art history; proceeds from an annual dinner to announce the prizewinner go toward the David C. Driskell African American Art

Acquisition Fund and Endowment. In the three years preceding the drafting of this case study, African American visitorship was up approximately 5 percentage points from previous years (Clark 2010).

### **Facilities**

After the 2005 expansion, the High Museum totaled 312,000 square feet. The complex comprised four buildings and a piazza: the modernist 1983 building, designed by Richard Meier, and the three 2005 wings situated around the piazza, all designed by Renzo Piano. Offsite storage and a conservation facility lay twenty minutes away.



Aerial View of Woodruff Campus Showing High Museum in the center right.

The 1983 building is a white, porcelain-clad modernist building described by the American Institute of Architects as one of the “ten best works of architecture of the 1980s.” The 2005 addition, which has also been widely praised, included three new buildings situated around the Sifly Piazza: the four-

story Wieland Pavilion, the three-story Anne Cox Chambers Wing, and an administration building.

The Wieland Pavilion is connected to the Meier building (now called the Stent Family Wing) by footbridges, and houses African Art, photography, works on paper, modern and contemporary art, and major temporary exhibitions. The Anne Cox Chambers Wing exhibits special collections. The Stent Family Wing includes the permanent collection and folk art collections, as well as a café and the new Greene Family Education Center and Gallery.

The renowned 2005 addition was part of an overall upgrade of the

Woodruff Arts Center campus. The campus improvement project also included the opening of an upscale restaurant, a five-level parking garage, and a new dormitory and sculpture studio for the art students (the Atlanta College of Art, an original division of the Woodruff Arts Center, joined the Savannah College of Art and Design (SCAD) in 2005 – SCAD students use the new dorm and sculpture studio, which replaced ones razed for the 2005 campus renovation).

Of the \$180 million Woodruff Arts Center renovation, leaders marked \$110 million for the High Museum’s three new buildings and new piazza and \$15 million for the High’s endowment. The High raised \$140 million of the \$180 million, with the Woodruff raising the remainder. The monies raised were entirely private and came from well over 5,000 donors (Clark 2010).



**Collections**

At the end of the first decade of the twenty-first century, the High’s collection totaled approximately 11,000 works, including nineteenth- and twentieth-century American and decorative art, European pieces, modern and contemporary art, photography, African art, and folk art. The High was known particularly for its strength in works by artists from the South and by folk artists and also for its collection of civil rights-era photography.

Additionally, the High had distinguished itself by pursuing partnerships with more established museums with larger collections and international reputations. In 2006, the High began a three-year partnership with the Louvre to create “Louvre Atlanta,” in which the Louvre lent artworks to the High for nine special exhibitions. The high-profile exhibitions resulted in a significant increase in memberships and in attendance (Penn IUR Staff Notes 2010).

The High had also organized the Georgia Art Museum Partnership (GAMP) with the Albany Museum of Art, the Columbus Museum, the Telfair Museum of Art, and the Georgia Museum of Art. Initially, this three-year collaboration, launched in 2010, was expected to facilitate the sharing of collections among Georgian museums, but at first it centered mainly on professional development activities (Pousner 2010).

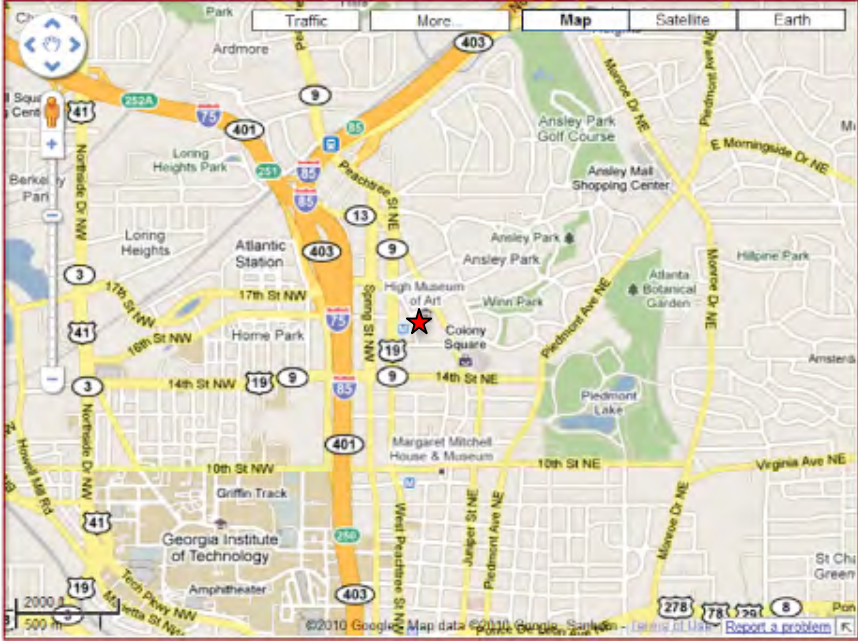
**Programming**

The High’s programming included an established school program, adult educational programs, and a growing emphasis on attracting younger audiences. While the High offered some off-site programs (such as membership events in supporters’ neighborhoods, attendance at city festivals, and neighborhood marketing partnerships), education programs were only on site (Penn IUR Staff 2010).

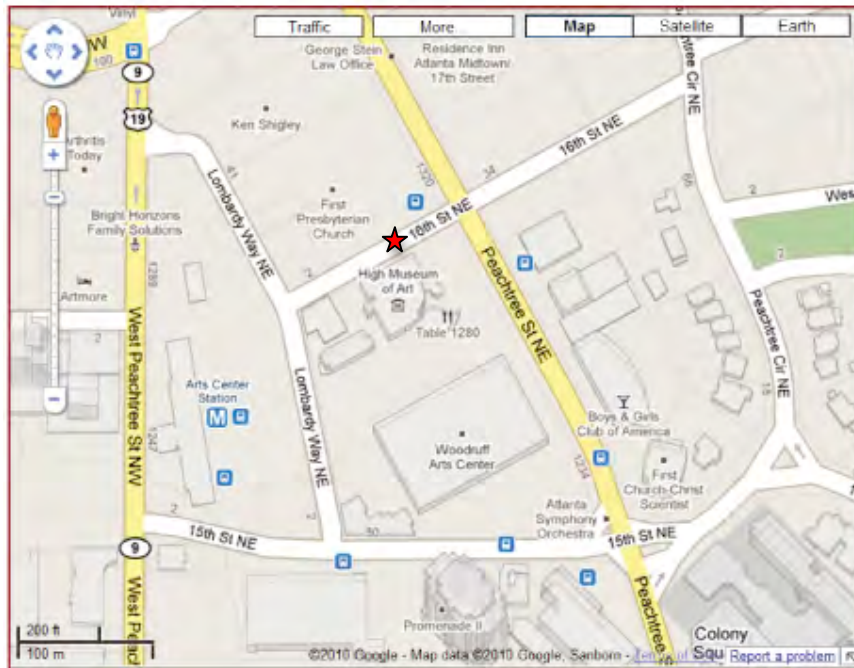
**Environs**

The High Museum lies in Midtown Atlanta, an area of about four square miles in northeastern Atlanta that is one of the city’s three major business districts (the others are downtown Atlanta and Buckhead). Peachtree Street – the historic street around which Atlanta developed – runs through Midtown. The High and the Woodruff lie on Peachtree toward its northern Midtown end.

During the period in which the



The High Museum lies in Midtown Atlanta.



The High Museum's immediate surroundings.

High Museum was undergoing its expansion, Midtown was a high-density, mixed-use area with major corporate and professional offices, a high concentration of arts and cultural organizations, and a growing residential population.

The Midtown Alliance – a nonprofit business and community planning organization – characterized the area as “a cosmopolitan center where people, business, and culture have converged to create an authentic live-work-play community with a personality all its own” (Midtown Alliance 2010b). The Midtown Alliance advocated for the district, undertaking community planning and administering the Midtown Improvement District (MID), which provided additional security, sanitation, and beautification services to the area with funding from a special assessment on commercial property in the district.

Midtown changed dramatically over the last decades of the twentieth century. Ginny Kennedy, Director of Urban Design at the Midtown Alliance,

attributed much of the change to the presence of arts institutions in the district: “[in the 1960s, Midtown was] someplace you’d drive by quickly – then arts took a foothold. The arts were a huge catalyst in transforming Midtown” (Kennedy 2010a). A 2009 *Atlanta Journal-Constitution* article described much of Midtown’s Peachtree Street as being “unrecognizable” from its state in the 1990s, when it could be “dicey” (Ramas

2009). The area’s residential population increased by 76 percent between 2000 and 2007 to 30,000 (Midtown Alliance 2010c).

The area’s more recent revitalization has been attributed in part to the “Blueprint for Midtown Atlanta,” developed by the Midtown Alliance (Pendered 2007). This plan, first drafted in the late 1990s and updated in 2005-06, envisioned the area as a cosmopolitan, pedestrian-friendly urban core. The plan aspires to turn Peachtree Street into the “Midtown Mile,” a “high-end shopping destination”; to spur the creation of new parks and greenery; to inspire and guide the development of eight million square feet of new development mainly in mixed-use buildings including 30,000 housing units; and to make the area an active, pedestrian-friendly district with numerous transportation options (Midtown Alliance 2010a).

The High’s 2005 addition furthered this pattern of pedestrian-friendly development. Other nearby initiatives also aspired to embody this model: a 2007 market report by the

Midtown Alliance reported forty mixed-use real estate development projects either under construction or planned for delivery by 2012 (Midtown Alliance 2010c). However, development slowed dramatically since then (Kennedy 2010b).

### **City and Regional Context**

Atlanta, Georgia's capital, anchors a growing Southeastern megaregion that stretches from Raleigh, North Carolina in the east to Birmingham, Alabama in the west (America 2050 2010). The U.S. Census Bureau defines the smaller metropolitan statistical area (MSA) as the twenty-eight-county Atlanta-Sandy Springs-Marietta region, which, according to the 2006 U.S. Census Bureau's American Community Survey, had a population of 5.25 million. At that time, the city's population was a little over 445,000 (U.S. Census Bureau 2006).

In the late twentieth century, growth occurred outside the city limits while Atlanta itself lost population. Since 2000, however, the population of the city has grown. As with many other places, both city and regional growth slowed with the recession (Atlanta Regional Commission 2010).

The rise of Atlanta's suburbs and exurbs in the late twentieth century was due in large part to out-migration by middle- and upper-middle-class whites, leaving the center city with a higher proportion of lower-income and African American residents (Atlanta Regional Commission 2010). By 2010, Atlanta's population was about 56 percent African American and about 38 percent white, compared to the MSA's 31 percent and 58 percent. Median household income in Atlanta was approximately \$47,500 and per capita income \$35,500 (in comparison, corresponding figures for the

MSA were almost \$60,000 and \$30,000). About one in five people in Atlanta lived in poverty, compared with about one in nine in the MSA overall.

Historically, civic leaders, policymakers, and developers spurred Atlanta's national economic profile by investing in its airport – by the end of the first decade of the twenty-first century, Hartsfield-Jackson Atlanta International was the world's busiest airport. Further, Atlanta housed a number of major corporations, including Coca-Cola, Delta, and UPS. Hosting the 1996 Olympics also boosted Atlanta's economy and profile, increasing local spending during the event and marketing the city to businesses and tourists (French and Disher 1997).

### **Creating an Arts-Driven Urban Campus**

The High's 2005 expansion more than doubled the museum's size and greatly enhanced the museum's ability to exhibit temporary exhibitions and to display its permanent collection. In addition, the 2005 expansion reconfigured the flow of people and changed the museum's interaction with its campus and neighborhood. Designed around architect Renzo Piano's idea of building a village for the arts – a bustling, busy environment that would encourage foot traffic and bring an urban buzz to the campus – the piazza lay at the heart of the addition both physically and conceptually. The piazza, modeled after the urban plazas found in Italian towns, was meant to be the heart of the High's public life.

While the design of the 2005 expansion garnered numerous accolades, fulfilling its potential was difficult; in particular, utilizing the central piazza to

its full potential was challenging. Museum staff worked diligently to program the space: opening day of the addition, for example, included non-stop bands, films, and musicians on the piazza.

But when activities weren't planned, the piazza did not live up to expectations for it. Museum Director Michael Shapiro reflected: "We designed the piazza for urban life. Urban life does not just happen, I thought it would. We have had these wonderful moments but they are separated by long dry spells" (Penn IUR Staff notes 2010).

### ***Developing the Concept***

The concept of a village for the arts originated with the architect, Renzo Piano. Piano's concept for the campus master plan and High addition resonated especially well with those at the High. Said Michael Shapiro: "He helped us to discover what we could be. We weren't trained or experienced to conceptualize the project. He held up a mirror and we liked what we saw." The idea for a piazza – a town square – that would tie together and create common space for the Woodruff's four entities made perfect sense (Shapiro 2011).

### ***Obstacles***

But obstacles stood in the way of the design living up to its full potential. These included characteristics of the natural environment, the built environment, and of the organizational structure within which the High operated.

Atlanta's climate is not conducive to socializing outdoors. In July and August, in particular, the city is hot and humid and people do not want to be outside. While September, October,

March, April, and May can be lovely, the winter months do not draw people outside. So, for seven months of the year, the piazza had to be so attractive that it would draw people to linger outdoors when they would not typically be seeking an outdoor setting (Clark 2011).

The surrounding built environment also worked against the concept of a town square. Used to a city with wide streets and a car culture, Atlantans are not in the habit of walking when they can drive. As a result, drawing foot-traffic to campus was difficult (Clark 2011). Street trees in the surrounding neighborhood were few and small and offered little shade. Both the High and the Midtown Alliance worked to change these habits by changing the built environment – the piazza itself was an effort to do so – but these kinds of changes may take decades.

The organizational structure within which the High functioned also posed a hurdle. Opportunities to work cooperatively with other divisions were limited due to scheduling differences. The High, open mainly during the day (with some evening programs and extended hours), attracted visitors at any point during its open hours; the other divisions were performing arts organizations that attracted people only around performance times, giving them much shorter and less flexible schedules in terms of attracting visitors. Arts schedules differed, too: theater runs are generally much shorter than exhibition runs, which limited the opportunities for collaboration. Partnerships had mainly been in terms of marketing, particularly to the tourism industry.

Facilities shared with the other divisions included the piazza and the restaurant: the piazza being used mainly when the High programmed it, and the

restaurant – which lay on the piazza – also mainly frequented by High visitors except immediately before or after performances at the other divisions. While the High had its own iconic buildings, the Symphony and the Theater lay within a building whose shape did not relate to what was inside and whose functionality had been outlived. If each arts component had its own structure, the notion of village might be more apt and function better. The basic structure of one administrative 501(c)3 covering four creative entities also created tension, with the Woodruff Arts Center responsible for administration and the High responsible for creative output (Shapiro 2011).

## Conclusion

Despite these hurdles, High leadership believed that the design was “absolutely the right vision for a museum that’s part of an institution with other components” (Shapiro 2011). They noted no design flaws, praising the scale and aesthetic. They did note that changes to the restaurant might improve the function as a town square. If the restaurant on the piazza were an attraction in itself – it was not at the time of High leadership’s participation in PRAI – they believed it could have helped animate the plaza. The space’s design, developed by a restaurant consultant, required a heavier use of staff than appeared to be economically viable (Shapiro 2011; Clark 2011). Because the restaurant had an exclusive contract, adding a lower-cost option that might have drawn a wider audience (a food cart, for example) was not an option. High

leadership posited that improved restaurant management might have solved some of those problems (Shapiro 2011; Clark 2011).

Most important, said Shapiro and Clark, was programming: on the days there were programs, the piazza was an animated, magical place. The facility was well respected and well crafted. “It’s a perfect house for fabulous programming,” said Clark. On weekends, when most programs took place – whether those were parades, or art installations, or musical events – the design worked perfectly. “It feels fabulous and wonderful on Saturday afternoon, but it’s a little bit more of a challenge on a weekday afternoon” (Clark 2010).

The expansion itself allowed the High to do more programming. The Greene Family Learning Center, in particular, enabled the High to put on more programs and those programs brought people to the publicly accessible spaces like the piazza. In that sense, the expansion design could be thought of as initiating positive feedback, where animated spaces and attractive programming reinforced one another.

But with limited resources, finding the personnel and funding to continually program the piazza was not a top priority. If there was money to hire someone to focus exclusively on animating the piazza, that could have worked for the High (bringing in people who might then visit the museum) and for the neighborhood (creating an vibrant attraction for the local community), but the High is first and foremost an art museum, and resources are limited.

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## Case 5: The Kimmel Center, Philadelphia, Pennsylvania Facing Challenges

Philadelphia's preeminent performing arts center, the Kimmel Center, opened in December 2001 to mixed reviews. The Philadelphia Daily News' headline read, "Crown Jewel of Avenue of the Arts Hailed as Beautiful, Yet Flawed" (Stearns 2001) and the front page of the Philadelphia Inquirer read, "Critics' Thumbs Up and Down" (Subykovsky 2001). Although the public was happy to have a new landmark and arts anchor, reactions to its design ranged from love to hate. In addition, due to hurried construction, the center lacked interior finishes and the acoustics were sub-par for its opening performances.

Kimmel Center Incorporated (KCI) – and the Kimmel Center building in particular – faced public criticism and internal challenges even after opening night. At the time this case was written, some challenges had been resolved, while others had not; still, KCI had made progress and the nature of the issues it faced evolved. Early on, the Kimmel Center struggled with fundamental management issues: creating programming, defining operational agreements with the resident companies, and establishing operations. As these fundamental issues began to be resolved, leadership became increasingly concerned with the center's financial viability. Overwhelming construction debt, unexpectedly large operational costs, and a very small endowment threatened the Kimmel Center with insolvency. This case, written in 2010, examines the Kimmel's state after it retired its construction debt and turned

its attention to fine-tuning operations, with leadership focused on brand expression, audience development, fundraising, and capital improvements. Along the way, the Kimmel Center battled high staff turnover, a poor public image, and conflicts with its resident companies.

This short history of the Kimmel Center offers insights into the early evolution of a performing arts institution, addressing what it means to be a newly created cultural anchor institution and the challenges that such an institution may face.

### Case Summary

#### *History*

When Ed Rendell became Mayor of Philadelphia in 1992, he quickly became a proponent of focusing arts activities along Broad Street, a major arterial north-south street in Center City Philadelphia (Rendell 2010). Broad Street already housed two arts venues: the Academy of Music and the Merriam Theater. Philadelphia City Hall stands only two blocks north of those venues, at the city's symbolic center. Despite these attractions and the abundance of offices and rowhomes, the area lacked the vitality found elsewhere in Center City. Majorie Rendell – a Federal U.S. Court of Appeals judge and Ed Rendell's wife and, eventually, a Kimmel Center Trustee – described Broad Street as "... pretty dead at night" (Marjorie Rendell). Still, she, Mayor Rendell, and other leaders saw Broad Street's potential

as an arts district and formulated a strategy to invest city money in arts venues and arts-oriented educational institutions to stimulate commercial, retail, and residential development. The redeveloped Broad Street would be called the “Avenue of the Arts.”

In his first two years in office, Rendell secured \$60 million from the state of Pennsylvania toward this idea. Of this money, \$34.5 million was designated for a concert hall (Kimmel Center 2010). Throughout 1995, Mayor Rendell and Marjorie Rendell met with some of Philadelphia’s business leaders to envision what the performing arts center could be, settling on the idea that it would house the Philadelphia Orchestra, which was at that time lobbying for better facilities.



The Kimmel Center’s Relationship to Center City Philadelphia and the Avenue of the Arts

Ed Rendell believed that by creating one consolidated project – rather than a spate of smaller, competing projects – Philadelphia would be in a better position to access public funding (Rendell 2010). In September 1996,

Mayor Rendell’s plan merged with the Philadelphia Orchestra’s efforts to obtain a new concert hall, and a multi-company, arts-based, nonprofit organization named the Regional Performing Arts Center (RPAC) was formed to plan and manage the complex. RPAC, later renamed Kimmel Center Inc. (KCI), invited a series of proposals for the design and development of a new center to house the orchestra as well as other arts offerings: ballet, modern dance, musicals, opera, theater, and chamber music.

Although the idea of an arts center found support from politicians and business leaders, performing arts organizations that would perform in the center still had to be found. While numerous arts organizations needed a home, most were hesitant to align themselves with the Kimmel Center. Marjorie Rendell explained: “Here we were arriving on the scene. There was uncertainty as to whether we were friends or foe. Were we going to zap their money? Who were we? [These organizations] weren’t sure about putting their fate in our hands. There was fear and uncertainty – the two most crippling states that can exist” (Rendell 2010).

Performing arts organizations were not confident that RPAC would serve their needs. In addition to this basic mistrust, organizations feared that if RPAC developed its own programming it would compete with their own for fundraising. RPAC’s leadership met repeatedly with numerous arts organizations to convey RPAC’s primary purpose: to support the resident companies financially without interfering programmatically. While some organizations that were approached declined to make the facility their home (two of the more prominent organizations that declined to join were the American



Music Theater Festival and the Philadelphia Theater Company), others believed the partnership would be beneficial. Ultimately, eight joined the Kimmel Center as resident companies: the Philadelphia Orchestra, the Philly Pops, American Theater Arts for Youth, the Chamber Orchestra of Philadelphia, PHILADANCO, the Philadelphia Chamber Music Society, the Opera Company of Philadelphia, and the Pennsylvania Ballet.

### Resident Companies

**The Philadelphia Orchestra**, founded in 1900, is one of the world's leading orchestras. The Orchestra plays in Verizon Hall, having moved from its long-time home at the Academy of Music when the Kimmel Center opened. As the most popular resident company with the largest operating budget, it serves as the face of the resident companies. The Orchestra is facing financial hardship; in April 2011 it filed for Chapter 11 bankruptcy. While it continues to perform, it has reduced the size of its ensemble and decreased the musicians' salaries.

**The Philly Pops** was founded in 1979 and, like the Philadelphia Orchestra, performed in the Academy of Music before moving to Verizon Hall with the opening of the Kimmel Center. The Pops, led by pianist and conductor Peter Nero, performs a range of musical styles, from classical orchestral music to jazz improvisation, Broadway hits, to rock 'n' roll.

**American Theater Arts for Youth (ATAFY)** is the nation's largest presenter of curriculum-related theater for children. Each season ATAFY produces musicals geared towards school-age children, and presents to nearly a million students at locations across the country. ATAFY is based out of the Perelman Theatre.

**The Chamber Orchestra of Philadelphia**, founded in 1964, is a thirty-three-member ensemble that performs orchestral pieces on an intimate scale in the Perelman Theatre, including classics, little-known works, and performances featuring guest soloists from around the world.

**PHILADANCO** started as a community arts organization based in West Philadelphia in 1970 and has grown to become internationally recognized. The organization blends African American-based dance with jazz, ballet, and modern. PHILADANCO performs nationally and internationally about forty weeks each year, and has dance education programming aimed to cultivate and develop young, emerging dancers and choreographers. PHILADANCO performs in Perelman Theatre.

**The Philadelphia Chamber Music Society (PCMS)** was founded in 1986 to build enthusiasm for classical music in the Philadelphia region, as well as to provide artistic opportunities and exposure to gifted performing musicians and composers. Located at the Perelman Theatre, PCMS presents leading international chamber music ensembles, including piano, string and woodwind recitals, singers, guitarists, and more.

**The Opera Company of Philadelphia** performs in the Academy of Music, its home since its establishment in 1975, as well as occasionally at the Perelman Theatre, which offers a more intimate setting. Five different operas will be performed during the season.

**The Pennsylvania Ballet** is one of the most critically acclaimed ballet companies in the United States. Established in 1963, it performs at the Academy of Music. (Kimmel Center 2010)

In order to demonstrate to arts organizations their desire to promote the highest level of artistic performance, RPAC promised to include a small, 600-seat venue that would appeal to organizations that drew smaller crowds; the theater that was eventually built was named Perelman Hall, after its primary funder. The decision to build such a small venue would have negative long-term financial implications. Rick Perkins, the Kimmel Center's CFO and VP of Finance, explained: "We wanted to assuage [resident company] fears, so we made the

Perelman Hall way too small. It should have been double that size. It's tough to sustain performances with that many seats. However, small arts organizations don't want to play in a house that's 25 percent full. That design helped us assuage their fears, but in the long run it became problematic" (Perkins 2010a).

RPAC leadership approached lease negotiations, held during the summer of 2000, in the same spirit of appeasement. To convince arts organizations to sign, lease terms were highly favorable to the resident companies; rental rates did not fully cover the cost of facility operations and maintenance. The Kimmel Center would need to find other sources of revenue to subsidize the resident companies' use of its facilities.

While RPAC leadership was searching for resident companies, they were also working to design, fund, and build the facility itself. Renowned architect Rafael Viñoly, who had recently completed Tokyo International Forum, a concert hall and conference center in Tokyo, Japan, designed the new center. The project received wide financial support: the state contributed \$63 million; foundations contributed \$40 million; and the remainder came from individual and corporate donors (Jones Apparel Group founder Sidney Kimmel, for whom the Center was named, gave a gift of \$15 million; and Ruth and Raymond Perelman, the William Penn Foundation, and the Verizon Foundation also made major contributions).

Construction began in 1998 and the Kimmel Center opened in Winter 2001. Construction overruns caused the project to go over budget by \$30 million, for a total cost of \$265 million (Rendell 2010). To cover the \$30 million in unexpected costs, the city floated a variable rate tax-exempt municipal bond.

The center opened with a modest endowment of \$10 million (Associated Press 2003).

The Kimmel Center opened with this mission statement: "to operate a world class performing arts center that engages and serves a broad audience from throughout the Greater Philadelphia region" (Kimmel Center 2010).

### ***Organization and Finance***

KCI operated the Kimmel Center building, the adjacent Academy of Music facility, and the Merriam Theatre at the University of the Arts. It owned the Kimmel Center building but leased the Academy of Music from the Philadelphia Orchestra and the Merriam Theatre from the University of the Arts.

KCI, a 501(c)3 organization, was led by President and CEO Anne Ewers during the time period covered by this case. Each resident company was a separate 501(c)3 corporation that operated, marketed, and fundraised independently from KCI. While facility management on behalf of the resident companies was a primary task, KCI also oversaw several other activities, including presenting its own programming and running an educational outreach initiative. It partnered with the Philadelphia Orchestra to own and operate the ticket sales company Ticket Philadelphia (this collaboration stands in contrast to an otherwise troubled relationship between KCI and the orchestra, with a history of on-again-off-again agreements to share human resources, marketing, ticketing, and IT services). KCI also partnered with the Schubert Organization to bring Broadway presentations to the Schubert-owned

Forrest Theater on Philadelphia's Walnut Street.

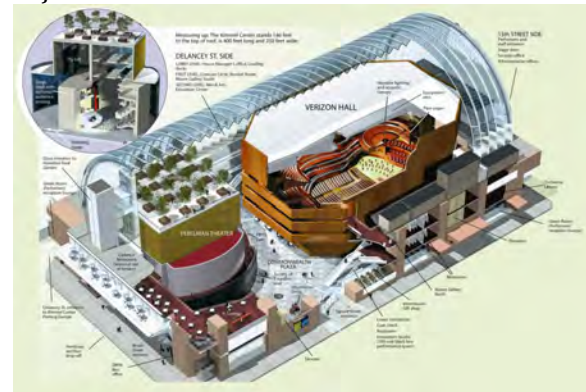
In 2009, KCI's operating budget was \$36 million. That year the center had total revenues of \$30.5 million (down from \$50 million in 2006-2007) and \$42.7 million in expenses, for an operating deficit of \$12.2 million (the 2007 season saw a surplus of \$6.8 million). The largest sources of revenue were performances and events (\$28.0 million) and contributions, memberships, and subscriptions (\$6.6 million).<sup>1</sup> The largest expenses were performances and events (\$32.7 million); marketing and communication (\$5.1 million); management and administration (\$3.5 million); and fundraising (\$1.3 million). The \$12.2 million fiscal deficit (after depreciation)<sup>2</sup> is largely a result of net losses in KCI investments. Unrealized net gains (losses) on investments and the change in interest agreements caused the Kimmel Center to lose more than \$6.5 million in 2009. KCI's endowment was \$59.4 million (down from \$73 million in 2007 due to the economic downturn) (Kimmel Center 2009a).

### **Facilities**

When it opened in 2001, the Kimmel Center building totaled 450,000 square feet and occupied an entire city block. It consisted of three performance venues (Verizon Hall, the Perelman Theater, and a black box theater called Innovation Studio), an education center

and exhibit space (the Merck Arts Education Center), an indoor public plaza, an indoor garden space, administrative offices, a restaurant, a lounge, and a parking facility. Verizon Hall, home to the Orchestra, included 2,547 seats and the Perelman Theater for chamber music, dance, and drama performances.

Viñoly's design for the Kimmel Center sought not only to provide a visually appealing and acoustically exceptional space for performers and audiences, but also to make the center a space open to and enlivened by the public even during non-performance times. The two main performing venues were designed as essentially freestanding enclosures beneath the dramatic glass canopy of the center's roof. The two theaters were separated by Commonwealth Plaza, a space meant to make the building, in the words of one of the center's past presidents and CEOs, "open, public, porous, and accessible" (Kimmel Center 2010). Viñoly intended to make the performance spaces private, paid-entry spaces within the larger, functionally public space of the center. After its execution, however, the Kimmel Center's design was criticized for failing to draw the public to its open spaces, a failing often ascribed to its street-level façade.



The Kimmel Center's Interior Plan

<sup>1</sup> The sum of the two listed revenue sources total more than the overall revenue because some of the listed revenue sources actually lost money during the year. Investments lost \$4.8 million and interest value changes led to a loss of \$1.7 million.

<sup>2</sup> When not accounting for investment and cash depreciation, the Kimmel Center's 2009 operating deficit was a less-alarming \$230,000.

## ***Programming***

In the 2007-08 season more than 800 performances took place at the Kimmel Center, Academy of Music, and Forrest Theater, drawing more than one million visitors. Of those events, 289 were resident company performances. The remaining presentations were brought in and organized by KCI, and included Kimmel Center Presents programs, which ranged from performances from classical musicians to stand-up comedians; a Broadway series featuring musicals; and a variety of free events and performances, many of which showcased local artists performing classical, jazz, pop, dance, and a variety of other styles for people to experience in either passive or more active ways. KCI also reached about 7,000 adults and 7,000 students through its educational programs that year (a fairly typical year) (Kimmel Center 2009b).

Over the course of the 2000s, KCI refined its programming as it learned what worked and what did not. While the Broadway Series was a stable source of revenue, most other programs did not break even and were funded through grants or from Kimmel Center fundraising efforts. Unfortunately, a severe budget crunch forced KCI to dramatically reduce its programming (this is discussed further in “2008 to 2010: Refining an Institution,” below). At the time this case was written, KCI expected the cuts to be permanent.

## ***City and Regional Context***

The Kimmel Center sits in Center City Philadelphia at the corner of Broad Street and Spruce Street. It lies within several blocks of City Hall and of several dense, mixed-use areas of office space, restaurants, shopping, and residences.

The Kimmel Center is one arts-based institution in a city that has long had a strong reputation in arts and culture. The Academy of Music – located next to the Kimmel Center building – is the oldest operating grand opera house in the country; the Academy of Music, like the Kimmel Center building, is now managed by KCI and the facilities are collectively referred to as “The Kimmel Center” (KCI, too, is referred to colloquially as “The Kimmel Center”). Philadelphia also houses one of the world’s great art museums – the Philadelphia Museum of Art, which contains priceless collections from the Middle Ages to the modern era. Arts institutions near the Kimmel Center include the University of the Arts, the Curtis Institute of Music, and the Moore College of Art and Design, among others.

Philadelphia’s unique place in American history makes it a reliable tourist destination. Approximately 20 million people visit the Philadelphia area annually. The Independence Visitor Center and the Liberty Bell Center each host more than two million visitors in a typical year. Philadelphia is the sixth most populous city in the United States, home to a little over 1.5 million people (U.S. Census Bureau 2010). The surrounding Delaware Valley metropolitan area – with 6 million people, the fifth largest metropolitan region in the United States – comprises a significant part of the northeastern megalopolis between Boston and Washington, D.C. (U.S. Census Bureau 2010). Higher education and other research-driven institutions are numerous in both the Philadelphia metropolitan area and the city proper (the University of Pennsylvania, Drexel, Temple, and Thomas Jefferson Universities are all within city limits, in or near Center City; Villanova University and

Haverford, Swarthmore, and Bryn Mawr colleges are all located in nearby suburbs).

In 2000, the median household income of Philadelphia was \$30,746. Research carried out by PriceWaterhouseCoopers ranks the Philadelphia metropolitan area as the ninth richest metropolitan area worldwide, with a GDP of \$312 billion. However, the population within Philadelphia varies dramatically by neighborhood. Center City Philadelphia is relatively affluent and ethnically diverse, while other areas in West Philadelphia and Northeast Philadelphia are lower-income and consist of African-American and Latino-American enclaves.

### **The Maturation Process of a Newly Created Performing Arts Institution**

The Kimmel Center evolved in stages. At first, its leadership focused on the fundamentals: developing programming and establishing operations. By 2005, the Kimmel Center had established its core programming and operations but was struggling to remain solvent; for the next three years, the Kimmel Center created and successfully implemented its first strategic plan, which focused on strategies to establish financial stability (such as paying off debt and developing a sizable endowment). Once financially secure, at least for the time-being, the organization moved to another stage of development, concentrating on other fundamental, if less urgent, tasks – many of which had lingered since the Kimmel Center’s opening. At the time this case was written, the organization was in this third stage of development.

### **2001 to 2005: Establishing the Kimmel Center**

#### *Operations*

“This organization was a construction management organization until December 14, 2001,” said Kimmel Center CFO and VP of Finance, Rick Perkins. “On December 15<sup>th</sup> we had eight resident companies who expected us to be a venue management company. Yet the people running the organization didn’t know anything about that” (Perkins 2010a). Kimmel Center management faced a steep learning curve. They used existing performing arts centers as a reference. Said Vice President of Facilities and Operations, David Theile, who joined the Kimmel Center six months before it opened: “We’re a young organization. We measure ourselves against organizations that are older. When we opened this place up we modeled ourselves off of older institutions such as the Kennedy Center” (Theile 2010).

The resident companies and the Kimmel Center were all still determining their roles and relationships; this caused a lot of friction. The Kimmel Center staff felt that the Philadelphia Orchestra was trying to claim Verizon Hall as its own, and struggled to secure theater availability for their own programs. The resident companies and the Kimmel Center occasionally clashed over fundraising and marketing as well: the resident companies felt that the Kimmel Center directed money and audiences to their own programs rather than to the resident companies.

Financially, the Kimmel Center failed from the outset to meet its budget. The \$30 million in construction cost overruns meant substantially greater debt payments than expected. To make

matters worse, facility maintenance costs were much higher than expected. The projections for maintenance costs were based on average costs of other performing arts centers in the country. However, the giant glass roof led to higher-than-average costs: heating, cleaning, and repair costs were exorbitant. In addition, Philadelphia was a strong union town and the hourly rates for janitorial, maintenance, and security staff exceeded that of other performing arts centers of its size.

On top of that, it became clear that the Perelman Theater, with only 600 seats, was too small to financially break even; even when all 600 seats were full, ticket sales simply did not cover performance costs. Though the Kimmel Center was losing money rapidly, it was locked into lease agreements with the resident companies, which had been structured to encourage the organizations to sign on as resident companies and so were quite generous. "You couple all of that together and it's a prescription for financial nightmares," said Perkins (Perkins 2010a). In its first year, the Kimmel Center overspent its operating budget of \$24 million by \$3.8 million (Associated Press 2003).

### *Programming*

The Academy of Music turned out to be an important asset for the Kimmel Center. The Kimmel Center began presenting Broadway productions from the Academy of Music's theater in 2003; within a year, revenue from the Academy's Broadway shows began to offset the organization's financial woes. Programs produced by the Kimmel Center itself, on the other hand, required substantial fundraising. The biggest draws to the Kimmel Center, of course,

were the resident companies. While the Kimmel Center for the Performing Arts was new, the resident companies (anchored by the 100-year-old orchestra) already had supporters.

In its first few seasons, the Kimmel Center developed new programs, learning from its experiences. Programming was also refined in response to market research by organizations such as the Greater Philadelphia Cultural Alliance. GPCA research showed that while African American and Hispanic populations were the city's fastest growing, they were under-represented at the Kimmel Center. With this in mind, the Kimmel Center brought in more presenters that catered to minority demographics.

### *Design*

During the funding process for the Kimmel Center, the city and the architect promised that the building would be an icon and an architectural attraction for Philadelphia. Though many were receptive to the design, it was clear that the building failed to meet its lofty expectations. People commonly complained that the Kimmel Center was not built on a human scale. "It's too big and blocky and difficult to relate to," wrote the Philadelphia Daily News (Flander 2001). Added President and CEO of the Greater Philadelphia Tourism Marketing Corporation, Meryl Levitz: "It's not the warmest and most engaging building. The brick wall wasn't animated with the banner until recently, and the lobby was cold and uninspiring to people" (Levitz 2010).

The Kimmel Center eventually filed a lawsuit against architect Rafael Viñoly for "deficient and defective design work," as well as for delays that boosted the project's final cost by \$23 million. The

suit read “This action arises from an architect who had a grand vision but was unable to convert that vision into reality, causing the owner to incur significant additional expenses to correct and overcome the architect’s errors and delays.” The two sides agreed to an out-of-court settlement in March 2006; the terms of the deal were undisclosed (Dobrin 2006a).

During the design phase of the Kimmel Center the interior lobby had been marketed as a bustling public space. But from the time the Kimmel Center opened, the space was rarely used. The city and architect promised four levels of public space but, in practice, one of the four – the rooftop garden – was usually closed to the public and was often uncomfortably hot when open. In addition, security guards positioned at the entrances of the building intimidated people from entering.

### *Public Image*

A *Philadelphia Inquirer* review of the Kimmel Center on its one-year anniversary summed up public sentiment: “Yes, the city finally has an ambitious arts center inching up to those of New York and Washington in quality of programming and scale of activity. But there have been some troubling stumbles. Among the more serious issues: paltry attendance at some concerts, steep fundraising goals, and an inconsistent visitor experience that has not yet inspired a wide, ardent consensus” (Dobrin 2006a). Preliminary problems with acoustics, though remedied, had left the public thinking of the facilities as second-rate. In addition, people over-identified the Kimmel Center as the home to the orchestra, which left the Kimmel Center for the Performing Arts without a strong,

identifiable, public image. In addition, the Kimmel Center’s marketing and outreach was not doing enough to convince people to attend programs or, once they did see a show, to cater to them. Meryl Levitz put it this way:

If people weren’t fans of the orchestra, they saw no reason to go. The Kimmel Center audience development and outreach wasn’t quite there yet, even though [the performances] at the Kimmel Center were... But people didn’t really know about it. It’s the challenge of these architect-designed buildings that don’t communicate the joy of what can happen in them. (Levitz 2010)

Attendance levels consistently fell short of expectations from 2001 through 2004.

### ***2005 to 2008: Becoming Financially Sustainable***

By 2005, the Kimmel Center had worked out the fundamentals of operations and programming, though its public image and attendance remained less than desirable. Kimmel Center leadership began to focus its attention on the organization’s growing debt. The Kimmel Center’s first strategic plan, spearheaded by CEO Janice Price, was adopted in 2005. The plan articulated objectives for the following few years, with a focus on paying off the Kimmel Center’s debt.

Since the construction of the building, Kimmel Center leadership had asked the major Philadelphia arts foundations to help increase its endowment and pay off its loans. Securing foundation support was challenging, however, because three of the major foundations – the William Penn

Foundation, Lenfest Foundation, and Joe Newbauer foundation – had recently supported the center during its construction, and were reluctant to give again so soon. The fourth major foundation – the Pew Charitable Trust – had previously declined to contribute, and so was unlikely to support the organization now. Board Chair Bill Hankowsky and Kimmel Center CEO Janice Price met with the foundations independently and together.

The William Penn Foundation stepped up as an advocate and helped bring the other major Philadelphia foundations to the table. "It is such an important community asset. We need to make sure it flourishes," Pew Charitable Trust President Rebecca W. Rimel said (Dobrin 2006b). The foundations gave a unified response to the Kimmel Center: they would pay off its debt if it could prove that it had a sustainable business plan. The Pew Charitable Trust and the Lenfest Foundation commissioned a study by Deloitte & Touche USA to outline a way for the Kimmel Center to remain solvent. Completed in 2006, the study cited the following parameters as a necessary starting point:

- Pay off the approximately \$30 million remaining construction debt.
- Raise the endowment from a little over \$30 million to \$72 million.
- Reduce annual cost-revenue liabilities by \$1 million.
- Create a capital improvement plan with \$13 million over a five-year period.

Anne Ewers became CEO of the Kimmel Center in July 2007. Her charge was clear: find this money. One of the first things she did was to approach the foundations to ask what the Kimmel Center needed to do to ensure their

pledge to pay off the construction debt. "I met with foundations one by one, and most said the [Kimmel Center's] Board doesn't do enough personally. So I went back to the Board and said 'I need 100 percent involvement, and everyone must contribute towards the endowment'" (Ewers 2010). Ewer's hard stand worked. Each Board Member contributed<sup>3</sup> and the sum totaled \$13.7 million dollars. Kimmel Center leadership then approached Sidney Kimmel, the largest private donor during the construction of the Kimmel Center. Kimmel contributed the \$25 million needed to create a \$72 million endowment. This fundraising occurred in the summer and fall of 2007.

Acquiring the funds for capital improvements happened almost as swiftly, thanks to the Kimmel Center's high-profile advocates. The City of Philadelphia contributed \$2 million, and the Governor of Pennsylvania – Ed Rendell, the ex-Mayor and original champion of the project – helped bring in \$5.5 million in capital improvement funds from the state to be matched on a one-to-one basis with private donations. Rendell was vocal about why donors should contribute the matching funds: "the city is at an enormously exciting plateau, and we certainly couldn't let the Kimmel Center fall into disrepair. It's just too important" (Dobrin 2006b).

In addition to raising money, Ewers was also serious about cutting costs. In September, Ewers restructured the Kimmel Center's staff, saving \$500,000. At the time, the Kimmel had over 500 employees, including 110 people in administration and an excess of

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<sup>3</sup> The fact that each Board Member contributed was particularly impressive because 25 percent of the Board was comprised of representatives of the resident companies, and did not have as direct an allegiance to the Kimmel Center



ushers. Operations costs were trimmed by addressing inefficient energy, security, and maintenance spending (Ewers 2010). The Kimmel ended the 2007-08 fiscal year with a \$1.2 million surplus, which was applied towards capital improvements. In addition, by this time the increasingly popular Broadway series had cemented itself as a cornerstone of operational revenues.

When Anne Ewers joined the Kimmel Center in the summer of 2007, the organization was in a state of financial disarray. Three months later the institution had met its \$72 million endowment and \$13 million capital improvement thresholds, and was well on its way toward balancing its annual operating budget.

On October 26, Ewers met back with the foundations: “I said ‘okay, we’ve made Deloitte’s suggested changes to our business model, we’ve gotten the Board more involved, we’ve gotten the endowment to 72 [million dollars], and we’ve allocated the capital improvement funds. Now we respectfully request the \$30 million to retire the debt” (Ewers 2010). It took the foundations a few months to assemble the funds, but in April of 2008 they collectively put down the remainder of the Kimmel Center’s debt.

### ***2008 to 2010: Refining an Institution***

By 2009, the Kimmel Center had raised its endowment, paid its debt, and streamlined its operations. “[Anne Ewers] accomplished the major things that the first [strategic] plan laid out as imperative,” said Perkins. “So what’s next? She’s a very visionary type of CEO. So it was time to start doing a new strategic plan” (Perkins 2010a). Vice President Natalye Paquin, who led the

strategic planning initiative, explained: “the first plan was about taking root and surviving. We’re new. The second plan is about growing and thriving. We’ve taken root. We’ve been embraced by the community, we’ve settled the debt: now how do we thrive? What are our aspirations and how will we continue to maintain our relevancy in the community?” (Paquin 2010b)

Paquin worked closely with the Kimmel Center’s Board, management, and resident companies to develop a new strategic plan, released in June 2009. The plan was meant to guide the Kimmel Center from 2010 to 2015: “This strategic plan sets forth an agenda to meet the needs of an evolving society in a dynamic and increasingly complex climate. It reaffirms the Kimmel Center’s mission, articulates its vision, and identifies core values which will underpin the organization’s culture” (Kimmel 2009). The plan articulated eight strategic priorities, and outlined the current position, goals, and strategic approach to address each. These are outlined in the table that follows and discussed further below.

<b>Strategic Priority</b>	<b>Goal</b>
Brand Expression	Create a clear and unified brand expression for all venues; improve communications and our institutional image
Audience Development	Strengthen audience development and loyalty
Programming	Expand our reach through high quality and diverse programming
Arts Education	Expand our arts education programs and experiences for children and adults
Business Model and Operating Structure	Strengthen the business model and operating structure for optimal effectiveness
Leadership and Talent	Establish the Kimmel Center as a magnet for dynamic and talented professionals and volunteers
Fundraising and Development	Enhance the fundraising resources with a robust and sustainable infrastructure
Capital Improvement Program	Build our capital resources, properly maintain the center, transform our public space and embrace green opportunities where feasible

Kimmel Center 2010-2015 Strategic Plan Priorities (Kimmel 2009)

### *Brand Expression*

Articles in the *Philadelphia Daily News* or *Philadelphia Inquirer* often focused on the design flaws and financial instability of the center and its resident companies. In addition, despite the vast improvements to Verizon Hall's acoustics – most critics and musicians agreed the facility was world class – newspaper articles still referenced acoustical problems. A 2006 marketing study confirmed what most at the Kimmel Center already knew: the Kimmel Center had a negative public image. In addition, the public was unaware of the Kimmel Center's functions and did not associate the institution with some of its most popular programs, such as the Broadway series.

To turn this around, the Kimmel Center's strategic plan committed the institution to the development of a branding strategy.

### *Audience Development*

Marketing studies conducted between 2006 and 2009 showed that the organization did an adequate job recruiting new audiences each year and had an adequate subscription base for such a young organization, but that it needed to bring back audiences for a second show. First-time attendees constituted 84 percent of the gate.

The Kimmel Center's reaction was to seek to increase overall attendance, bring attendees back for multiple performances, and attract an audience reflective of the Philadelphia area's diverse population. Arts enterprise software (named Tessitura) would help the center to track its progress by gathering data on audience demographics, likes and dislikes, ticket buying patterns, and donation history.

In 2009, the Kimmel Center contracted with the University of the Arts

to manage the Merriam Theatre (see following section for more detail), a 1,800-seat theater on the University of the Arts' campus, which afforded the Kimmel Center much more space to bring in performers. Kimmel needed this added space, since Verizon Hall was almost always booked with resident company and *Kimmel Center Presents* productions. With the addition of the Merriam Theater, the Kimmel Center could bring in more independent presenters – everything from large, commercially run concert presenters (like LiveNation and AEG) to small nonprofits – that might draw in new audiences or inspire existing audiences to return.

Kimmel Center leadership believed that it could also strengthen and increase the audience base by achieving other strategic plan objectives: creating a clear brand expression; expanding arts education experiences for children and adults; and expanding the Kimmel Center's reach through high-quality programming that consistently engaged broad and diverse audiences.

### *Programming*

Over the 2000s the Kimmel Center's programs grew in number and in attendance. By the end of the decade its programming was diverse, provided arts education to thousands each year, and had solid corporate and foundation support. However, the Kimmel Center continued to fall short of its goal to bring in young and ethnically diverse audiences (Kimmel 2009).

The Kimmel Center committed to developing creative strategies with the resident companies and other performing arts organizations, and undertook two major strategies to enhance programming and further draw in audiences:

incorporating the Merriam Theater to provide space for additional presenters (discussed in the previous section); and launching an annual city-wide arts festival. However, due to new pressures to cut costs, the Kimmel Center's focus on expanding its programs shifted to cutting its least cost-effective programs. Starting in the 2010-11 season programming was dramatically reduced (see "Business Model and Operating Structure" section below).

Lease agreements allowed the resident companies to first rights to hold and use prime dates for all of their performances and rehearsals in the various halls. While resident companies typically program their season one or two years in advance, commercial artists often route tours with just a few months, or even weeks, of lead time. "These practices create natural tension between KCI and its resident companies, and a constant challenge for KCI to program a cohesive and fiscally competitive season" (Kimmel 2009). Frequently, the Kimmel Center had to reject opportunities to present or to rent its venues due to a lack of available dates. The license agreement with the University of the Arts to manage and operate the Merriam Theatre was intended to allow KCI to present a more diverse range of shows than previously possible, an important step towards bringing in new audiences.

From April 7 to May 11, 2011 the Kimmel Center hosted the inaugural Philadelphia International Arts Festival, involving about 100 arts organizations from across the region and the world. The festival was initiated by Anne Ewers shortly after arriving at the Kimmel Center (July 2007) as a way to bring the resident companies together in a collective effort. The festival was funded primarily through a \$10 million gift from

a major local philanthropist, Lee Annenberg. Explained the Festival's Executive Director, Ed Cambron: "For the Kimmel Center, this is an opportunity to position ourselves as a leader for the community, and add luster to our brand as a significant arts and cultural institution in Philadelphia. It is an opportunity to forge more relationships with the arts and cultural community; an opportunity to bring more people to its spaces; an opportunity to bring a lot of tourists to the Kimmel Center; and an opportunity to show funders that it is a valuable asset beyond brick and mortar" (Cambron 2010).

A major question that remained for the Kimmel Center was how to fund the festival in future years. "The Annenberg gift was a blessing but still an artificial way to start," says Cambron. "We were 100 percent funded, but just for one year. Big question – how do we sustain the festival?" (Cambron 2010)

### *Arts Education*

The City of Philadelphia had a city-wide vision to provide additional arts and cultural experiences to its community (Steuer 2010). Yet the city's public schools lacked adequate arts programs. Twenty-eight percent of elementary schools and 19 percent of high schools in the Philadelphia School District did not offer music or arts instruction. The Kimmel Center believed its educational outreach could help fill this gap in arts education while also building future audiences for itself and its resident companies.

The Kimmel Center's 2010-15 Strategic Plan included the following charges: deepening its relationship with the School District of Philadelphia; developing and continuing strategic

partnerships with resident companies, community organizations, and other arts partners; coordinating the provision of arts education and cultural experiences with Philadelphia's city-wide Arts for Youth Initiative; and developing a robust Arts Education Program for adults (Kimmel 2009).

### *Business Model and Operating Structure*

The Kimmel Center managed to balance its budget for the first time from 2007-09 despite the declining economy. Most of the resident companies did not share the same fortune, and found it difficult to pay the rent.

The Kimmel Center differed from many major performing arts centers in other cities in two important ways: the level of public funding, and the size of the endowment. Many similar organizations in other cities had larger amounts of city, county, or state funding, which allowed them to charge below-market rents to their resident performing arts organizations. In addition, other performing arts centers were formed with a large endowment or an affiliated foundation to generate additional income. "Here we have none of that," said Ewers (Ewers 2010).

Not only did the Kimmel Center have less income than similar performing arts centers, it had more resident companies, which meant higher costs. "Some performing arts centers have a couple of resident companies. We have the largest number of resident companies outside of the Lincoln Center: eight resident companies," said Ewers (Ewers 2010). The Kimmel Center provided \$4.6 million annually to subsidize resident company leases (with the orchestra receiving the most support). Historically, the resident companies accounted for 55

percent of Kimmel Center performances but generated only 12 percent of Kimmel Center revenues (Ewers 2010).

Despite these subsidies, the resident companies found it hard to pay rent throughout the 2000s. The economic decline made the situation dire. By 2009, the orchestra verged on bankruptcy (the orchestra would go on to file for Chapter 11 bankruptcy in April 2011 as part of an organizational restructuring). Said Ewers, “the [resident companies] were struggling so mightily that we knew we needed to make a change. We all have one spine. If one has a cold, we all sneeze” (Ewers 2010).

The William Penn Foundation commissioned an independent consultant to find a solution. The study found that the rents deemed too generous by the Kimmel Center were still far too high to allow the resident companies to thrive, and in some cases even to survive.

KCI recognized the need to restructure. “We’re all interconnected,” explained Paquin. “It’s not in our interests for [the resident companies] to go under. You don’t want a vacant building: you still need your tenants. We had to figure out: if they have to survive, and the only way for them to survive is to lower the rents, what do we have to do to make that possible?” (Ewers 2010) Rents were reduced dramatically: between 30 percent and 65 percent for each resident company for the 2010 season (Ewers 2010).

In return, the Kimmel Center received some concessions. The resident companies agreed to produce fewer performances, freeing up performing space for KCI to bring in more popular, and more profitable, offerings. The Kimmel Center also rented this newly available space for corporate meetings,

weddings, and college graduations (Paquin 2010b).

To offset rent reductions, the Kimmel Center was forced to reduce both programs and staff. It agreed to reduce its *Kimmel Center Presents* programs from eighty programs in 2010 to fifty, and to condense or restructure many of the ones that would continue. Only the most popular programs, such as the *Orchestra Series*, were left unchanged. The Kimmel Center also dismissed fifteen employees (13 percent of all staff), including the Vice President for Programming and Education and the Vice President of Marketing and Communications (Dobrin 2010).

The Kimmel Center sought to bring in more popular performances starting in the 2010-11 season. “We needed to figure out what the public wants to see most,” said Paquin. “So we’re putting more emphasis on Broadway and on popular programming – still fine art, just finest of art that resonates with more people” (Paquin 2010b).

“The restructuring is forcing us to do more with fewer resources,” said Rick Perkins. “...Less shows, programming, less people. We’ll have to find bigger audiences and more donors. And that’s something for the long term” (Perkins 2010b).

### *Leadership and Talent*

The Kimmel Center had 100 full-time staff members in 2006 and 65 in Spring 2010 – a 35 percent decrease. But even as it trimmed its staff to reduce costs, the Kimmel Center sought to improve leadership and reduce rampant staff turnover. The Kimmel Center’s strategic plan identified three strategies toward this end:

- Recruit and retain diverse talent at various levels throughout the organization.
- Create an environment that fosters diversity, creativity, innovation, and excellence.
- Create an infrastructure that develops talented future leaders.

The Kimmel Center – and several of its resident companies – had been plagued by extensive staff turnover at almost every level. “One of the roadblocks will be building a stable, talented organization. We don’t have a culture, or a very old culture. And the culture has constantly evolved because the people keep changing. And it’s something that we really need to stabilize so that we have a stable core of stable people running the place. It’s a very important thing,” said Perkins (Perkins 2010a).

To retain strong staff, KCI instituted a comprehensive staff development program, including paid training, workshops, and leadership seminars. The Kimmel Center intended to invest in staff with the highest potential and develop more effective staff incentives and a stronger team culture in order to retain quality staff (Perkins 2010a).

The Kimmel Center also wanted to bring in new leaders. “We must compliment our current team with creative and entrepreneurial professionals that don’t look like us or are pedigreed like we are,” explained Paquin. “Today, performing arts centers need people highly skilled in technology around the leadership tables talking about how people communicate and get their entertainment. If you want creative leaders, you have to think creatively about leadership. Your leader of a music school doesn’t have to be a musician. It’s a

necessary and different way of thinking” (Perkins 2010a).

### *Fundraising and Development*

When Anne Ewers first arrived at the Kimmel Center, fundraising was by far her primary focal point. In the fall of 2007, she restructured the development department, eliminating the VP of Development position, and spent more than half of her time fundraising – a model more typical of university fundraising than that of performing arts organizations (McManus 2010). The recession of the late 2000s brought a sharp decrease in donations. Bill Hankowsky addressed how fundraising had changed: “I think that every nonprofit in America has to adapt to the new normal, which is to say that corporate fundraising is down, individual fundraising is down, endowments are down, and in the performing arts world ticket sales are flat to down” (Hankowski 2010).

With resident companies struggling to pay rent and with donations dropping off, Ewers had to focus on development. She hired a consultant to assess Philadelphia’s donor base. The study determined that there were 7,900 households with the capacity to give \$100,000 each. “So that let us know ‘yes, there is capacity here’ ... but then you have to figure out if they have inclination,” said VP of Institutional Advancement and Planning, Rosemary McManus (McManus 2010).

As part of the staff reorganization in February 2010, Ewers created two additional development positions to aid her and then-Managing Director of Development McManus.

## *Capital Improvements*

“Eight years after the Kimmel Center opened we need to sit back and say ‘why did we build such an impractical building?’” said Rick Perkins. “‘Why didn’t we build something that’s way more effective?’” (Perkins 2010). Heating and cooling the space underneath the large glass roof was extremely expensive. In 2009, it cost the Kimmel Center \$15.4 million to operate and maintain its facilities. The Kimmel Center was continually looking at ways to save money, and building maintenance had taken a hit: carpet cleaning became less frequent and the center relied on the rain to clean the dome. Finding private support for building maintenance and upkeep (necessary tasks, but not glamorous) was difficult.

In addition to finding outside funding for maintenance and upkeep, the Kimmel Center investigated other ways to cut costs and increase cash flow, including installing photovoltaic cells on the roof that would provide energy and shading; broadcasting performances and charging outside audiences to watch; and offering venues for audio recordings. “It’s all about the money, so we have plans and numbers attached to those plans,” said Ewers. “We’ve visualized them, but haven’t actually been able to actualize them yet. We’re refining how to run the building and find those sources of income” (Ewers 2010).

In addition to finding ways to generate funding for the capital budget, the Kimmel Center also hoped to improve the building’s public image. “We’re looking to transform our building,” said Ewers (Ewers 2010). In 2007 the Kimmel Center hired PennPraxis, an arm of the School of Design at the University of Pennsylvania that offered design advice

through a process of community engagement and facilitation. In early 2008 PennPraxis hosted three public forums at the Kimmel Center, asking the public what the Kimmel Center’s public spaces were lacking, and what could be done to improve them. The process confirmed what most at the Kimmel Center already knew: the façade was perceived as imposing and uninviting and most people saw no reason to enter the space unless they were attending a concert.

PennPraxis identified three overall strategies for improving the public space: make the space more comfortable (or “humanized”); connect the public space to the arts and the activities being programmed at the center; and provide a stronger “sensory experience” to entertain and engage people once inside (furniture was installed as a result of the study).

The Kimmel Center hired a design firm to create a master plan to redesign the space using the PennPraxis feedback (not yet released at the time this case was researched). Said Ewers: “we have a plan to transform the space. But it all gets back to money. It’s about finding the cash or grant funding to make changes to the way the building looks, works, the way the public reacts to its exterior, and it all relates back to making the place a smoother functioning machine” (Ewers 2010).

## **Conclusion**

The Kimmel Center matured considerably since its 2001 opening. The issues it faced evolved from (a) establishing operations, to (b) becoming financially sound, to (c) refining its structure and operations. This case

documents the Kimmel Center's state at the beginning of the third stage.

Through strategic planning the Kimmel took the important step of determining the process for establishing itself as a world-class performing arts center. Kimmel Center staff and stakeholders were firmly optimistic about its future. Its level of success in accomplishing its outlined goals promised to have a monumental influence on the arts in Philadelphia.

Many of the Kimmel Center's greatest problems simply stemmed from the structure of the organization. While most aspects of the Kimmel Center's structure were relatively common, examples of alternatives were also abundant. The Kimmel Center was solely responsible for funding its operations, unlike numerous centers in other metropolitan areas, many of which received steady income streams from either public sources (for example, the Los Angeles County owned the property of, and covered all costs for, the LA Music Center) or associated foundations (for example, the Adrienne Arsht Center Foundation supported the Arsht Center of Miami-Dade County in Florida). The Kimmel Center also had more resident companies to support than any other performing arts center with the exception of Lincoln Center (in comparison, the Mead Center in Washington, D.C. hosts only Arena Stage, and the Arsht Center does not house the primary administrative or practice facilities for any of its resident companies). In addition, the Kimmel Center devotes much of its resources to its own programmatic efforts (as opposed to the Woodruff Arts Center in Atlanta, which offers no programming outside of its divisions, which are its equivalent to resident companies).

Other critical issues that the Kimmel Center faced were found in nearly every performing arts center: owning a large building that was exceedingly expensive to maintain and struggling to remain at the forefront of arts and culture despite changing public interests.

Numerous major performing arts centers have been built from scratch in the twenty-first century, even though traditional artistic organizations – like the Kimmel Center's resident companies – are not as popular as they once were. Despite today's unique cultural climate, the Kimmel Center, and many other newer centers, replicated the same organizational structure and physical features as performing arts centers built in the mid-twentieth century. The Kimmel may have passed up a rare opportunity to respond to the realities of today's artistic preferences and financial climate. Possibly, the center was outdated the day it opened.

Of course, a better alternative may not exist. Developing a new model is not only a huge risk in-and-of itself, but making different choices at the center's inception might have curtailed its development in the first place. Regardless, the string of issues that arose for the Kimmel Center raises important questions about how an anchor performing arts institution should be formed.



## Participants' Comments

*Comments from the participants and other observers illustrate the many different perspectives and concerns that must be taken into account in the creation of a major cultural institution.*

*I've been pleading for people to stop building impractical buildings. Don't build a small theater. Don't build a dome that you have to heat and cool. Don't get into long-term leases until you know what your costs are. Build buildings that will break even. Don't build buildings that look spectacular but will hamper the future of the organization with costs that can't be covered by the arts.*

*- Rick Perkins, Vice President of Finance and CFO, Kimmel Center*

*In terms of the niche population that has great wealth – Board Members and individual philanthropists – [Philadelphia has] a thin layer. There is a specific group that has a particular interest in arts and culture. The fear is that those same people are already being asked to support all of the arts organizations, and that there is donor fatigue. Is that base capable of supporting that scale of institutions that we have now in the city?*

*- Gary Steuer, Chief Cultural Officer, City of Philadelphia Office of Arts, Culture, and the Creative Economy*

*At the birth of the Kimmel Center some believed that it should primarily enhance the resident companies. The secondary function was to support itself. Now it has its own artistic image... You open the Kimmel Center brochure and it doesn't mention the orchestra. That idea got rebuked.*

*- Jim Undercofler, past President and CEO of the Philadelphia Orchestra*

*A lot of people don't even see the Kimmel Center as their parents' venue, but [as] their grandparents' venue, and I think that's really scary.*

*- Meryl Levitz, President and CEO, Greater Philadelphia Tourism Marketing Corporation*

*The people who were involved with the building of the [Kimmel Center] engaged a brilliant architect who had no sense of the practical. We've spent so much time and money with taskforces, workgroups, and studies, and [considered] so many solutions. Why was this not worked out from beginning? We must now rise to the challenges inherent in this building.*

*- Anne Ewers, President and CEO, Kimmel Center*

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## Case 6: The Martin Luther King, Jr. Library, San Jose, California Developing a Joint Library

When the Martin Luther King, Jr. Library in San José, CA, opened its doors to the public for the first time on August 1, 2003, over one hundred people were already waiting in line. At the official grand opening celebration two weeks later, nearly 12,000 people visited the library (Albanese 2003).

The library stands eight stories tall and has 477,000 square feet of interior space (MLK Library 2007). Built of pre-cast concrete and blue-tinted glass, the contemporary building has a large central atrium and two-story light wells that allow natural light to spread throughout the library, including to its underground level. The building contains special collections rooms, computers that provide access to all visitors, a young children's area, a teen center, a coffee shop, and a bookstore (Storar 2001). Thirty-three imaginative art installations by renowned conceptual artist Mel Chin lie throughout the structure.

The library has won numerous awards, including the 2004 Library of the Year award from Thomson Gale and *Library Journal*, the 2004 CAPIO Award of Excellence from the California Association for Public Information Officials (CAPIO), the 2004 Silver Anvil Award for best practices in public or governmental relations from the Council for Advancement and Support for Education, the 2005 James C. Howland Gold Prize for municipal enrichment from the National League of Cities, several green building awards, and at least eight other awards commending the building's design,

creation process, and functionality (MLK 2007a).



Above, Martin Luther King, Jr. Library exterior.  
Below, interior. Source: [www.sjsu.edu](http://www.sjsu.edu).

The Martin Luther King, Jr. Library has received such attention because it is the only large-scale joint city-university

library in the country. It serves as both the main library for the city of San José and the only library for San José State University. According to the April 29, 2007 edition of the *San José Mercury News*, the “city, university partnership is one success on the books” (Ostrom 2007).

The partnership did not always seem to be headed for success, however. The process required powerful leadership and fortuitous timing to belie the strong doubts about whether the tenth largest city in the nation and the fifth largest university in the California State University (CSU) system would be able to meld their operations, missions, resources, and users. Only a few years after opening, however, the library received between 8,000 and 13,000 daily visitors when school was in session and about 2.5 million visitors annually, with over 1.5 million items available to anyone who entered the building (Light 2007b).

This case explores the challenges of melding the operations, missions, resources, and users of two distinct entities in order to develop and operate a single institution.

## Case Summary

### Site Context

The library is located in the heart of San José, within a cluster of the city’s anchor institutions, including San José State University and other academic institutions, a hospital and two large medical centers, the HP Pavilion sports arena, and the San José Repertory Theater. The library has become a new type of anchor institution, merging town and gown for the good of the greater community. In doing so, the building has

not only improved library facilities for the city of San José and San José State University, but has also helped revitalize an area of downtown San José and become a source of pride for its residents.



The MLK Library’s relationship to Downtown San Jose.

When discussions of the joint library project began in 1996, the City of San José had a population of 870,000 (MLK 2007b). San José is often referred to as the capital of the Silicon Valley, and in the late 1990s the high-tech industry was booming. The city population was growing rapidly but the main library, also called the Martin Luther King, Jr. Library, was small and out-of-date. Relative to the size of San José, the library system had little funding. Four blocks west of campus, the old MLK Library was sandwiched between, and over-shadowed by, a high-rise hotel and the city convention center, which was expected to expand.

San José State University (SJSU) is located on the eastern edge of the central business district in downtown San José. Within blocks of the campus lie City Hall, a pedestrian mall, and Santa Clara Valley Transportation Authority (VTA) light-rail lines connecting downtown with the greater San José metropolitan area. The university had 1,153 faculty members and 19,291 full-time students for the 1997-98 school year (Berry 2004), most of whom

were from the San José area originally and most of whom drove to campus.

San José State University is one of twenty-three schools in the CSU System. It prides itself on providing wide access to teaching and avoids being insular and overly research-based. But prior to the MLK Library project, the university had a history of interacting only minimally with the city and had a relatively poor relationship with the area's community. The discovery of common interests, however, provided a solution to these town-gown tensions. Much like the city, SJSU wanted to upgrade its library system. And like the city, SJSU was short on funds to do so (Breivik 2007).

Property taxes in San José were at an all-time high in 1997. One beneficiary of this increase was the San José Redevelopment Agency (SJRA), a public entity overseen by the mayor and the city council and charged with revitalizing the city physically, socially, and economically. In 1997, the SJRA had a five-year budget of \$539 million – half as much as the city had spent on redevelopment over the previous forty-one years all together (Bonanza 1997). With this ample funding, one of the agency's primary goals was to expand the downtown. Other projects included a \$30 million theater, a \$51 million library and parking lot complex, and a \$10 million expansion of the city convention center. In addition, the SJRA was partnering with multiple developers to build new residential buildings downtown. The property tax base was projected to grow even further, from \$75 million in 1996-97 to \$129 million in 2002-03 (Bonanza 1997).

### ***A Library Vision Emerges***

“We brainstormed about some ideas over breakfast,” said San José's Mayor Susan Hammer about an initial meeting in 1995 with then-new SJSU president Robert Caret. Caret thought the city and university could work together more closely than they had in the past and Hammer welcomed the overture. “And we got together again about a month or two later. Caret said, ‘You know, we need a new library.’ And I said, ‘You know, we do, too’” (Hammer 2007).

As both President Caret and Mayor Hammer took to the idea of a joint library, they talked to their advisors and formed teams to further investigate the idea. These investigations were, however, kept fairly quiet. The public, and even most people who would end up working on the project, did not know it was being considered until the February 3, 1997 State of the City Address, given by Mayor Hammer:

...In true spirit of Silicon Valley, government must continue to be less bureaucratic and more entrepreneurial. ... That's why my proposals tonight are invitations for partnerships – where a creative government works in concert with others to solve problems. ... I offer the following partnerships for our future: First, San José's public library system is grossly inadequate for a city whose residents and businesses must confront global competition. ...The stacks in our main library contain mostly popular subjects and current fiction, and we have less than half of the material that is available in many other big city libraries. Because of budget limitations, the idea of a state-of-the-art library, with materials worthy of Silicon Valley, has seemed

an unreachable dream. ... At the same time that our city needs improved library services for our knowledge-hungry public, San José State University is struggling to find resources for an expansion of its library. University President Robert Caret and I believe we can satisfy both our needs by joining forces. ...I propose the construction of a single new library on the edge of the San José State University campus to make 21<sup>st</sup>-century knowledge available to the residents of our city and the students and faculty of the university.

Mayor Hammer went on to argue that, by pooling resources, city residents would gain access to the university's collection – with a million volumes and thousands of periodicals – while the university would gain financial support from the City and the Redevelopment Agency. She envisioned a main library, second to none in information technology, that would be part of a long-term plan to improve the entire city library system.

While the public may have been impressed with the idea, those affiliated with both library systems were startled. The proposal had not yet been discussed with either the library board or the faculty at San José State University. President Caret was not even in town for the announcement. University Library Dean Patricia Breivik noted, "The Mayor said she wanted to announce it at the State of the City Address, but you just don't do that!" The abrupt announcement had the potential to upset key figures at the library and derail the project entirely. Breivik continued, "Right there, the project should not have worked" (Breivik 2007).

### ***Existing Facilities***

When the idea for a joint library was being formulated, the two library systems were entirely separate. Each was, in its own ways, lacking.

#### *City Library System*

After over thirty years in an old downtown post office building, the city's central library moved to the Main Library building in April of 1970. While San José had the largest library system between San Francisco and Los Angeles, it was relatively small for the city's population. At the time, the system had seventeen local library branches in addition to the Main Library, with the main branch handling system-wide administration, management, cataloging, acquisitions, outreach, and interlibrary loans (MLK 2007a).

In 1986, construction began on the convention center, located next to the Main Library. Two high-rise hotels were erected next to the site, overshadowing the library. In the mid-1990s, talks began about enlarging the convention center. The library site was the logical place to expand. Meanwhile, the library's atrium design and escalator system created numerous functional problems; at only 118,000 gross square feet, it drastically needed to expand as well.

#### *University Library System*

Before the creation of the joint facility, San José State University split its collection between two buildings: the Wahlquist building and the Clark Library. Most of the older materials were stored in Wahlquist, on the current site of the King Library, on 4<sup>th</sup> and San Fernando streets. Wahlquist also contained non-academic campus offices and services. In 1982,



newer publications were moved to Clark Library, located near Wahlquist on the northern side of the campus. Wahlquist had roughly 96,000 square feet of library space and Clark had approximately 103,000 square feet of space. (MLK 2007a) With the University's collection growing, administrators expected shelf space to be exhausted by the year 2005. In the meantime, expanding aisles of books were competing with already-limited seating space. Clark and Wahlquist had only enough seats for one in every twelve students – by far the lowest rate among the six largest campuses of the CSU System.

### *Vastly Differing Systems*

SJSU and the San José Public Library System (SJPL) had similar problems: they both needed technological upgrades and room to expand. Meeting these needs together permitted both institutions to realize economies in funding the construction and maintenance of the combined library building. SJPL's operating budget of \$32,367,000 was merged with the SJSU library budget of nearly \$6,800,000 and the 356 full-time staff of SJPL was combined with the 82 staff members at SJSU (MLK 2007b).

Despite the mutual benefits of this cooperative enterprise, the two organizations' missions, cultures, and operating systems differed significantly. The university collection was intended to be comprehensive and cumulative, focusing on acquiring and retaining materials essential to support the university's academic programs. Circulation was light relative to the gate count, and services were academic in nature. The city library, on the other hand, had a more popular and utilitarian

collection. Items had to demonstrate continual use by users in order for them to remain in the collection and circulation was high relative to the gate count. SJPL spent only 12 percent of its funds on materials, while SJSU spent 22 percent. (Light 2007b) Table 1 below outlines some of the basic differences between the library systems.

	University System	Main City Branch	Entire Public System
Total Collection Items	1,458,000	301,000	1,426,939
Acquisitions Processed	12,833	39,093	260,623
Use Gate Count	1,280,184	577,092	-----
Out of Building Circulation	287,000	842,314	6,034,303
Reference Transactions	122,344	195,626	670,636
ILL to and from other Libraries	22,000	3,719	-----
Staff Full Time Employment	110	163	318
Total Square Feet (Gross)	199,000	118,000	-----

Comparative Annual Data for Year 1996-97, San Jose University and Public Libraries (MLK 2007b)

## **Developing the MLK Library**

### ***The Planning Process***

#### *Feasibility Taskforce*

Mayor Hammer and President Caret demonstrated strong leadership from the start by vocalizing their support for the project. In April of 1997, Jane Light, Director of SJPL, and Jim Schmidt,

Director of the SJSU Library, put together a taskforce of about fourteen staff from both libraries to analyze the feasibility of the project. Light and Schmidt asked their group to determine whether there were any insurmountable obstacles that would render the project infeasible. Jim Schmidt believes the phrasing of the charge was particularly clever: "It meant not giving [Hammer] a list of difficulties. [We were to] determine if there's a great, big immovable rock" (Schmidt 2007). Susan Hammer made sure to use the same forward-thinking language to her advisory committee. Jim Webb, a member of the feasibility taskforce, agreed with Schmidt, "You have to understand the value of the question," he said. "She didn't ask if there were problems with the idea...you don't come back with a list of problems" (Webb 2007).

Preliminary committee meetings set the tone for the organization yet to come. The feasibility task force included representatives from both the city and university libraries, which demonstrated that both sides were serious about working together. The optimistic, proactive nature of discussions continued throughout the project. The task force reported back to Hammer two months later: there were many glaring obstacles, but nothing insurmountable. Hammer and Caret signed a letter of intent shortly thereafter.

Hammer continued to champion the project, saying that it was "a personal priority and a fabulous thing" (Hammer 2007). This attitude filtered down to library staff on both sides, as well as to everyone else working on the deal. Hammer met regularly with leadership from the San Jose Redevelopment Agency and with the Deputy City Manager, Darrell Dearborn.

### *Mayor's Advisory Committee*

Hammer gathered the support of the City Council. In March of 1997, the City Council authorized the City Manager and staff to participate with staff from the SJRA and SJSU to develop a plan for the joint library. The City Council appointed a seventeen-member Joint Library Advisory Committee, chaired by Councilwoman Charlotte Powers. The committee was charged with (a) collecting public input, (b) identifying potential delivery and operational issues, and (c) generating proposals to ensure the library met the needs of both the city and university communities. The Advisory Committee met for the first time in April of 1997 and agreed to an initial, but extendable, six-month time frame to make recommendations.

### *Additional Meetings*

Four other groups began meeting concurrently.

1) Mayor Hammer and President Caret continued to get together. SJRA Director Frank Taylor soon joined the conversations, and at the suggestion of SJPL Director Jane Light the San José City Manager, Regina Williams, began to attend the meetings as well.

By June of 1997, many questions remained to be answered. The SJRA anticipated a project budget of around \$90 million, while the university expected a figure closer to \$120 million. And while the SJRA favored a one-third city, two-third university financing split, the university expected to split costs fifty-fifty.

2) More frequent meetings included members of the SJSU administrative staff, including Library Director Jim Schmidt and Vice President

Don Kassing; SJPL Director Jane Light; SJRA staff; and Mayor Hammer's Chief of Staff (who also worked for the City Budgetary Office). The City Manager's office joined these discussions as well. The group focused on how to conduct a feasibility study; explored financing options; planned for parking issues and the replacement of existing campus functions and buildings. Light also met regularly with SJRA staff to keep them up-to-date on the dialogue between the two library directors and the Mayor's Advisory Committee.

3) The most frequent meetings were between SJPL's Jane Light and SJSU's Jim Schmidt, with the two often accompanied by various consultants. Schmidt and Light began to develop a "preprogram" of each library's needs and determine what areas of overlap could reduce the total size of a combined reference collection. At the time, the two libraries occupied 370,000 square feet at three locations. Initial estimates of combined needed space within twenty years fell between 500,000 and 600,000 square feet.

Light researched how other joint libraries were operated, though all existing co-owned libraries in the United States were of a much smaller scale. The SJSU and SJPL had consultants study necessary site size, square feet, and cost. Light and Schmidt worked to meld the findings. As each side worked together, the spirit of the collaboration began to take form. The building, and even its creation process, was according to Light, "not a merger, but a marriage" (Light 2007). Each side was a separate entity that sought to keep its identity. However, each entity not only cooperated with but also supported and made concessions to the other.

Though the library staffs were initially quite skeptical about the project, the attitudes of Light and Schmidt helped change the perception of the joint library. Also, its benefits were becoming more clearly defined:

- Expanded floor plan
- The ability to provide the latest technology
- A 67 percent increase in collection capacity
- Up to 3,000 user seats, more than twice the combined capacity of the two individual libraries
- Increased space for public meeting rooms
- Improved library parking
- Increased opportunities for SJPL programming due to greater use of multi-media and the close proximity to the university and its variety of on-campus speakers and activities
- Expanded collections and services for both city and university users

Planning teams analyzed feasibility at three levels. Preliminary discussions centered on the size, cost, and funding sources of the project. Most involved agreed that if these first issues could not be resolved, then the project should not progress to the next stage: examining whether the two libraries could fulfill their somewhat different missions at least as well, if not better, with a joint facility. Finally, planners focused their attention on how the facility would operate day-to-day, including policymaking, staffing, budget, and maintenance.

#### *A More Efficient Process*

After Mayor Hammer announced her proposal for a joint library building, confusion among the members of the

planning teams persisted for a few months. The scope of the Mayor's Advisory Committee's responsibilities was unclear and "some thought maybe it was window dressing," said Light (Light 2007).

Additionally, some of the library systems' consultants were not as optimistic as Mayor Hammer. One university-appointed consultant, a real estate negotiator, came to a meeting and completely altered its tone and temperament. The consultant was not invited back, but it took some time before dialogue resumed between the university's President's Office and the SJRA. (Light 2007b)

The SJRA hired Anderson Brule Architects (ABA) as group process consultants in August of 1997. ABA President Pamela Anderson Brule began working with the Advisory Committee to clarify its role and strengthen its organizational structure. Light worked especially closely with Brule and told her to "be a cheerleader for the project. Don't ask why, but how.' It was never *should* we do it, but *how* should we do it," Brule said (Brule 2007). Light and Brule met at Brule's home. The two brainstormed and mapped out the organizational process needed to make the library a reality. "We had to be careful not to step on toes. At this point [the Mayor's Advisory Committee] was the agency making city decisions, but we wanted it to be more of a joint effort" (Brule).

ABA devised a planning process that was primarily staff-driven, with staff from both sides having regular input. A new organizational structure was created. At the top of Brule's organization was the "Core Team," which consisted of the San Jose Redevelopment Agency's Executive Director, the City Manager, Mayor Hammer, and President Caret, as well as

leadership from city, SJRA, and SJSU administrative staff. The goal of the core team was to present a finalized plan to the City Council in six months.

The Mayor's Advisory Committee became the Joint Library Advisory Committee, consisting of the fourteen original members and joined by seventeen administrative staff support members from SJSU, the city library, the SJRA, and the Mayor's Office. Consultants for the city and university were present at these meetings, as were Brule and her assistant. The role of the Joint Library Advisory Committee remained largely the same: to secure public input, identify the service-delivery issues and public impacts of the project, and work with staff and consultants to generate a proposal that best met the needs of the city and university communities.

Two new subcommittees were created: an Operations Subcommittee and a Public Input Subcommittee. Each consisted of a few members of the Advisory Committee, administrative staff (including Light and Schmidt), and a variety of consultants. The Operations Subcommittee reviewed operational issues, library staff focus group findings, public process input, and consultant recommendations. The Public Input Subcommittee reviewed the proposed public process, implemented focus groups and public surveys, and notified the community of meetings and presentations open to the public. Each of the other groups occasionally met in public forums as well.

Brule not only set the structure of organization, but the tone and ground rules for each meeting. Before she arrived, the meetings were unorganized and often started late. She quickly emphasized the importance of starting meetings on time, documenting

proceedings carefully, making sure everyone shared a clear sense of the aim of each meeting and a commitment to accomplishing it. She also created an atmosphere that was open to discussion, where input was welcome from every person. Brule believes that this “inclusive” method of dialogue helped dissolve the boundary between the two entities, create more interaction, allow for creativity, and enable viewpoints from both sides to mix.

As Brule noted, “From a natural biology standpoint, there were two organizations being brought together that could reject each other: very different cultures, leadership, IT, everything” (Brule). ABA created detailed charts outlining the overall planning process, the structure of each committee, and even the way in which each meeting built towards a final goal. In-depth documentation was kept throughout the process. An absolute solution was still a long ways off, but they were “getting the essence of what would happen to make the library operationally effective. We became aware of what info they needed, and we were able to feed that information to them.” The prospect of merging two such different organizations was an exciting challenge for Brule. Says Brule: “This was the most fascinating period of my life” (Brule).

Meanwhile, Schmidt and Light continued to refine the building program and features. Basic ideas, such as complete access to the library for every visitor, became cemented. The size of the library was reduced from 630,000 to 530,000 square feet. The Mayor’s Office felt the building was still out of the budget and size was reduced further, to 485,000 square feet. (Light 2007b)

ABA was invited to stay on during the design process as local architects that worked with the design and executive

architects, Carrier Johnson and Gunnar Birkets. Schematic design began to help provide visual support for the University as it lobbied for funding from the California State University System. While Light and Schmidt had the final say on operations decisions, the SJRA and university architects and project managers dealt with design issues that did not directly affect operations. SJSU Vice President Don Kassing showed the latest designs to the CSU Chancellor and trustees and worked to get influential members of the California State University System excited about the project.

### ***The Memorandum of Understanding***

Between May 1997 and May 1998, the Joint Advisory Committee met eight times. Technical teams had created an operations mission statement and draft recommendations, and SJRA, city, and university staffs had defined the physical aspects of the project and their targeted sources of funding. On May 7, 1998, a Memorandum of Understanding (MOU) was submitted to the City Council and Redevelopment Agency board. The document was written by the SJRA and signed by its Executive Director, Frank Taylor, SJSU President Caret, City Manager Regina Williams, and their attorneys.

The MOU outlined the terms and conditions under which the university, city, and SJRA “agree to continue the feasibility of the development and operation of a joint City/University library.” The MOU provided detailed descriptions of four main areas: the site and ownership; the development process; apportionment of costs; and operations (MLK 1998a). The MOU would be followed by two other major legal

agreements in the years to follow: an Operating Agreement and Development Agreement.

### *Site Location and Ownership*

The preferred site was the corner of 4<sup>th</sup> and San Fernando Streets, on the northwest corner of San José State University's campus where the Wahlquist Library stood. The location, on the downtown-facing side of campus, lay a few blocks from a pedestrian promenade with retail, restaurants, and a light-rail line and about a mile from the downtown Amtrak train station. The area adjacent to this corner of campus was an SJRA-designated enterprise zone, intended to revitalize the area by increasing residential development. The SJRA helped fund six new residential developments within a few blocks of the proposed site, including a 314-unit condominium development called the Paseo Plaza and Villas, built directly across the street.



Site before demolition of Wahlquist Library. Source: King Library Archives.

The MOU set out language for future use of the land as “tenants in

common,” an irrevocable grant as long as the operating agreement (yet to be created) remained in effect. By sharing the land as tenants in common, the university would retain ownership of the land, but both parties would fully own the building and have complete access to the land. The MOU also specified that the university would pay all relocation expenses and that ownership and operational responsibilities would be outlined in the operating agreement.

### *Development*

The building was to have 145,000 gross square feet of space for city use, and 320,000 gross square feet for the university, approximately a 31-69 percent split, for a total of approximately 465,000 square feet of programmed space. It would be between six and eight stories tall, with a basement, an atrium, and retail space, and would have entrances on both the city and university side of the building (MLK 1998b).

The MOU specified that the university would pay for an environmental impact report (EIR) and be reimbursed by the SJRA. To expedite the process, Requests for Qualifications (RFQs) for architects had already been prepared; a joint panel of SJRA/city and university staff would select consultants. SJSU, the SJRA, and the city would jointly sign off on designated “design milestones” and cost estimates to continue with each phase. While a construction management system had not yet been decided upon, both parties agreed that its cost would be

fronted by the SJRA and reimbursed by the university. The SJRA would have total control over the construction bidding process, and the university and the SJRA would oversee all change orders.

The total budget for the joint library was estimated at \$171 million. The SJRA would provide \$70 million, subject to board approval. SJSU would provide \$10 million in fundraising and an additional \$91 million conditional on approval from the university Board and the passage of a higher education capital bond measure scheduled for a vote in November 1998 (MLK 1998b).

#### *Apportionment of Costs*

The MOU detailed cost breakdowns under two scenarios. If the university bond funding were to be approved and binding development and operations agreements were to be executed, predevelopment cost apportionment would be the nearly same as the construction break-down: approximately 41 percent for the SJRA and 59 percent for university. The discrepancy between space usage and funding amount was due to the fact that San José State already owned the land; by paying a higher proportion of development costs relative to their building usage, the city was, in essence, paying the university for their share of the land. In addition, the SJRA wanted to fund a higher level of building finishes than the CSU standard. If the bond measure were not to be approved, or the Development Agreement or Operations Agreement was not executed, then the cost apportionment for costs incurred up to that point would be 50 percent-50 percent. Additionally, if any design changes were made by only one party, the

party requesting the change would pay for it in its entirety (MLK 1998b).

#### *Operations and Development*

The MOU clearly stated the library's purpose: to provide access to all, promote intellectual freedom, and offer high-quality services and materials. All collections would be accessible to the public and to the student body, with limited exceptions.

The city and university would retain authority to maintain and manage their respective collections. Operating budgets for both libraries would remain the same, and neither side would lay off staff due to the merger. The most heavily used materials would be located on the lower floors, and the circulating university and city materials would be largely separated, with university collections positioned in the upper levels of the building. Any cardholder would be able to check out any circulating material. Non-circulating materials such as reference books and special collections would be available for in-house use by all users.

Library governance was to be decided prior to the Operations Agreement. Security was to be paid for jointly, and utilities and building maintenance would be split on a square-foot basis. The hours of operation were still undecided, but would be no less than eighty hours a week during semesters and sixty-three hours a week in the rest of the year. A preliminary project schedule, budget, project description, program, and square footage allocation were described (MLK 1998a).



### ***Issues, Concerns, and Opposition***

As library planning became more defined and more public, a variety of obstacles emerged. Determining how the library would work operationally was especially difficult because precedents did not exist. The needs of users – community members, students, and faculty – differed; staff differed in abilities and professional focus; and expenses needed to stay below what separate facilities would have cost. Finally, San José State University academic faculty, library staff on both sides, and the public all created significant opposition to the library.

#### *Faculty*

Many faculty members believed that a joint library offered the city benefits, but did not benefit the university. Three faculty groups influenced the library's development process: the Academic Senate; SOUL ("Save Our University Library"), the faculty-created organization in support of a university-only library; and the campus faculty union. They were primarily concerned with library conditions for the students, worrying that the public would be noisy, disruptive, and take more than their fair share of seats, computers, and other resources. Some professors were convinced that university books and assigned reading would be taken out by the public and thus be unavailable to the student body, or returned in poor condition. Other major concerns were that homeless visitors would detract from the academic environment, and that the public library system would try to censor materials that it deemed racist, homophobic, or pornographic. Lastly, many faculty members were upset that

they were not involved early on in the planning process.

Numerous actions were taken to try to involve SJSU faculty in the process and address their concerns. Anderson Brule Architects added a Faculty Task Force to the planning structure, ensuring the faculty a voice in the decision-making process. Concessions to the faculty included a no-sleeping rule designed to prevent homeless people from sleeping in the library; the agreement that library material and Internet access were to remain entirely uncensored; and the promise that at least 50 percent of the circulation of university materials would be for students and faculty and that the library program would be reassessed every five years. An all-afternoon panel was arranged for the Academic Senate to meet with Deputy City Manager Darrell Dearborn, the university's lawyer, university library staff, University Facilities, and Vice President Kassing. The panel answered questions for upwards of three hours before the Academic Senate went to vote. The measure passed by a two-thirds margin.

#### *Staff*

The administrative staff housed in the Wahlquist Building was strongly opposed to temporarily relocating to the university parking garage on 10th and San Fernando Street during construction. In addition, much animosity was created by one of the most basic requirements of creating a new library – that library faculty members did not want to change how they did their jobs and did not want to have to merge ideologies and workspace. Patricia Breivik, Dean of the university library, said, "The University staff doesn't want to be outnumbered by City staff. And City staff doesn't want to be



out-stubborned by University staff” (Breivak 2007). Each library staff had its stereotype of the other. University librarians have faculty status, do research, and publish, “and they can be snooty about it,” Jobell Whitlatch, SJSU Faculty Union Head, said, while “academic librarians also have the reputation of thinking they’re too good to work at a joint reference desk” (Whitlatch 2007).

Staff reservations were dealt with decisively. Breivik explained, “People were entrenched in what they were doing for twenty years, and then suddenly they have a new job! A lot of the fear was emotional, and irrational, almost” (Breivik 2007). Input was sought through meetings and surveys by consultants. A grief counselor was brought in to work with the staff. But the message was clear: the library would be built no matter what.

### *The Community*

While some community members joined the “Save Our University Library” picket lines, the greater community generally welcomed the idea of a joint library. Some people were worried that they would not feel welcome at a joint university-public library. But frequent community meetings demonstrated that the public’s concern was less with the joint venture between the university and the city than with the effect a new central library would have on the local branches, which were responsible for most of the system’s circulation.

City Council members in San José not only represent the community in local politics; they also serve on the board of the SJRA. Mayor Hammer worried that if the project did not have widespread public support, then it would be halted. She promised that in addition to the joint library, neighborhood branches would be

upgraded as well. Hammer began working with the City Council to create support for a general obligation bond measure to rebuild the entire branch system and add additional branches in neighborhoods that had no library. “I worked collaboratively with council members,” Hammer said. “You scratch my back, I’ll scratch yours. I interacted with them at lunch and dinner. Everyone came on board quickly” (Hammer 2007).

The City Council approved placing the bond measure on the November 2000 ballot, after Hammer had left office. It required a two-thirds vote and received over 75 percent support. As a result, new local branches were created, significant rehab of the existing branches was funded, and the community had little reason to oppose a new downtown library.

### *The Operating Agreement*

The Operating Agreement and Development Agreement were both approved on December 17, 1998. Most aspects of both documents mirrored the MOU signed seven months earlier. The terms of the Operating Agreement “govern the rights and liabilities of the university and the city with respect to the joint library and the library building.”

The two parties agreed that the joint ownership of the library would be in the form of tenants in common, not a partnership, which would allow the university and city library finances to remain separate. The allocation of space, laid out in the agreement, was: the library has approximately 475,000 gross square feet, with the university occupying 66.5 percent of the total and the city occupying the remaining 33.5 percent. The building has four types of space: city, university, common space, and shared space. The

shared space could potentially change in use in the future, although both parties agreed that if at any point either party disagreed that the space should be used as shared space, the party requesting the change would have to pay for any improvements or alterations (MLK 1998c).

As laid out in the Operating Agreement, the university is the sole owner of the land, but grants the city an exclusive easement over the entire property. The easement is irrevocable and will remain in place as long as the Operating Agreement is in place. All personal property on the site is jointly owned as tenants in common. Proceeds are shared, with 59 percent going to the university and 41 percent to the city. Each party retains the right to determine its own selection of materials, collection management, budget, program services, and lending policies. In shared sections of the library, the two parties act as co-managers. The agreement created a joint library committee that shares information between the two entities, with a six-member subcommittee advising the co-managers on joint policy issues.

All collective bargaining agreements within both entities were kept. Therefore, the university and city each retained authority and responsibility for its own employees. The square-foot usage proportions of 33/67 percent divided library maintenance expenses; other areas, such as the elevators, were split 50/50 percent. The agreement specified that the Friends of the Library and the University Library's Donations and Sales Unit run the library bookstore, with both the university and city needing to agree to the use and management of the retail space and all advertising.

Changing the Operating Agreement requires approval of both the SJSU President and the City Council (MLK 1998c).

### ***The Development Agreement***

The Development Agreement, also signed on December 17, 1998, set forth the rights and obligations of the SJRA, the city, and SJSU with respect to the design and construction of the project.

A third of total space would be allocated for the city, and the SJRA agreed to fund 41 percent of the cost of the joint library, plus enhancements for public art, escalators, and the San Fernando entryway. Again, this gap between space allocation and project funding resulted from the university's contribution of the land and was meant to cover the city's share of acquisition costs. The university agreed to fund 59 percent of project costs in exchange for approximately 66.5 percent of library space (MLK 1998b).

While the SJRA funds were secured at the time of the Development Agreement, university funds were not. The university expected its money to come with the signing of the 1999-2000 state budget by the governor of the State of California. The university's obligations set forth in the Development Agreement were contingent upon the signing of the state budget. However, even after the CSU System received its funding, SJSU still needed to compete with the other UC state schools to have funds allocated towards the joint library. If funding from the university side was not received, the Development Agreement would be terminated.

The Development Agreement outlined four project phases: the construction of temporary replacement spaces for facilities; the relocation of current occupants of the Wahlquist

building; the demolition of the existing Wahlquist buildings; and the construction of the new joint library building.

The city and the university agreed that the joint library should be eight stories, not including a lower level with skylights, and have two entrances, one facing the corner of 4<sup>th</sup> and San Fernando streets and another facing the campus. Both the University and the SJRA directed and worked daily with the architects. The Gilbane Building Company was selected for construction management, overseeing demolition, engineering, and construction. The general contractors were selected through a competitive bid process (MLK 1998b).

The Development and Operating Agreements were signed by the Assistant City Attorney; SJRA Executive Director Frank Taylor; SJSU President Bob Caret; and City Manager Regina Williams.

### **Library Funding**

The estimated total project cost for the joint library was \$171 million. The city’s contribution of 41 percent came to \$70 million, and was to be paid by the SJRA. As described above, the \$101 million in funding for the university was slightly more complicated. The university was able to contribute \$5 million of its own money and hoped for \$86 million from the CSU System. The remaining \$10 million would be raised through private fundraising, directed by the university Library Development Office (MLK 1998b).

#### City Funding

Redevelopment Agency	\$70M
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#### University Funding

University Funds	\$5M
Private Fundraising	\$10M
Proposition 1A Bond	\$86M

<b>Total Cost</b>	<b>\$171 M</b>
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### *Redevelopment Agency Funding*

The SJRA obtained its funding through tax increment financing. A base amount of property taxes within project areas went towards schools, the city, and Santa Clara County, but as property assessments increased above that level, the additional funds paid off debt service issued to redevelopment projects. There were three factors that led the SJRA to approve 41 percent of the expenditure, or \$70 million, towards the project:

1. The SJRA determined that a joint library would benefit the area and the surrounding redevelopment projects in downtown San José, including the Century Center, San Antonio Plaza, the Park Center Redevelopment Areas, and the community at large.
2. Without agency contribution, there would be no other reasonable means of financing the new public library.
3. The SJRA contribution would assist in the elimination of various blighted conditions in the downtown area.

The SJRA Board approved one-year and five-year construction budgets for the project. The agency worked as the developer and project manager during the development process.

### *University Funds*

San José State University had roughly \$5 million available for capital spending, and, after numerous discussions with Mayor Hammer, President Caret was willing to spend it all on the library. “Susan Hammer was a really, really good negotiator,” said then SJSU Vice President (who later became President) Don Kassing (Kassing 2007).

### *Proposition 1A Bonds*

In 1998 a statewide Higher Education Capital Outlay Bond was passed, creating \$209 million in general obligation bonds to be split among twenty-four projects and twenty-three total schools in the CSU System (California LAO 1999). These funds were to be used in the 1999-2000 budget, with the trustees of the CSU System deciding which projects were worthy of funding.

Early on, Don Kassing spoke with CSU trustees about the project, as well as with CSU CFO Richard West. As Schmidt and Light refined the library program and operations, Kassing kept the trustees updated through multiple briefings. Leadership at SJSU knew that the only way to get the library built would be through significant funding from the 1998 Capital Outlay Bond. It helped the cause that matching funds from the SJRA were in place, but they needed concrete plans and images to impress the CSU board. Thus, even before the Memorandum of Understanding was signed, consultants and architects had begun design work. Starting design so early in the process not only helped sell the idea but also helped expedite the development process. The swift pace would be continued through fast-track construction.

### *Private Fundraising*

Private fundraising at SJSU was overseen by the Office of University Advancement, and led by the Development Office of the University Library, headed by Director of Development Caroline Panches. Punch's office was charged with obtaining the gap financing for the University. The University pledged to contribute \$101 million. The CSU System secured \$86

million for the project, and President Caret allotted \$5 million from San Jose State University coffers. The Development Office of the university library was to obtain the remaining \$10 million.

This task was made especially difficult because of the fast-track nature of the project. Construction began only a couple of years after the initial idea had been posed. Typically, large donors are reluctant to give to a project that looks as though it will be constructed regardless of their contribution. To make things even more difficult, the local economy went into a marked and prolonged downturn in early 2001 with the end of the Internet boom.

In some ways, though, the unique nature of the project mitigated the threat posed by the economic downturn. Caroline Panches and the Development Office targeted a wide array of potential financial contributors, including major San José employers; SJSU faculty and staff; and individuals and foundations with a history of giving to SJSU, libraries, literacy campaigns, or unique collaborations. The fundraising was a success from each targeted area. The largest contribution, \$2 million, came from The Koret Foundation. The Koret Foundation supports organizations in Israel and in the Bay Area that "help build vibrant communities, promote personal initiative, and encourage creative thinking." Said foundation president Tad Taube, "This valuable community resource will serve more than a million people in the Silicon Valley, and it will further one of the key goals of the Koret Foundation: to advance educational opportunities for the people of the Bay Area" (Koret 2003).

The gift was the largest ever received by the university library and the second largest ever received by the university. The Development Office raised

\$16 million, greatly exceeding its original goal of raising \$10 million. The excess money went towards special collections and the library “wish list,” a list of elements the library directors hoped for but deemed inessential.

At first it appeared that naming rights to the library would go to the largest donor, but it soon became clear that would be unpopular with the press and with city residents. The library retained the name of the Main Library, the Dr. Martin Luther King, Jr. Library.

### ***Building the Library***

After the Operations and Development Agreements were approved, ABA continued working on the project, now in the design phase, concentrating on the interior design of operational areas. ABA also designed space for special collections and the multi-cultural center, and assisted the design architects with furniture, fixture, and equipment design. Because they had been working so closely with both libraries, ABA understood the nuances and implications of their designs very well. Communication was highly efficient, which saved time in the design process.

SJSU architect Art Heinrich acted as project manager until the responsibility was transferred to Frank Taylor and Dolores Montenegro of the SJRA in March of 1999. The SJRA initiated the design team selection process, and seven teams, all with nationally recognized architects, competed and presented their ideas for the library. In June of 1998, the SJRA chose Carrier Johnson, Gunnar Birkerts, and ABA. Gordon Carrier, a Principal at Carrier Johnson, had studied under Gunnar Birkerts, and maintained a good relationship with him. Because the two

firms had experience worked on previous projects together, the SJRA thought they would be a particularly good fit for this complicated venture.

Carrier Johnson served as the executive architect. They documented the entire project, designed the public interior spaces, developed construction drawings, and supervised construction. They were led by project design leader Kevin Krumdieck. Gunnar Birkerts worked as the design architects, creating the overall massing and external aesthetics.

In early 1999, the SJRA hired Gilbrane Building Co. as the construction management company. Patricia Breivik was hired as SJSU Library Dean in August 1999, still during the design phase. Shortly after taking her new position, Breivik caused a slight stir by requesting a couple of design changes. However, Breivik “realized the greater goal, and made concessions to keep things on track and not cause too much disruption” said Montenegro (Montenegro 2007). The city also requested change orders, deciding to add a teen center. Both sets of design changes went off without a hitch, and did not delay the construction process.

The efficiency of the process was a result of good prior planning. The different players were on the same page because of the democratic process utilized, where communication flowed easily. On a typical project, Montenegro, as project manager, would have any information sent to her, and she would send it out to everyone else. Because of the complexity of the project, power was decentralized. People called each other on the phone and emailed. This allowed people to ask questions quickly and cheaply. The city, the SJRA, the university, general contractors, and builders allowed people to trust each other and work

collaboratively; and time, money, and relationships were saved as a result.

Conflicts were dealt with quickly. At one point, due to a clash of personalities, the SJRA told the general contractor that they did not want to work with a certain subcontractor. The subcontractor was fired, eliminating a problem before it became a large issue. Numerous other difficulties were easily bypassed as well, despite there being no precedent for this type of project. There were a total of four unions working on the project: city management, city non-management, university faculty, and university staff. Employees could not be merged because the unions had different contract agreements. Also, city and university employees were covered by different city and state personnel regulations, including salary schedules and pension plans. However, there was no backstabbing, and the payoffs of this truly collaborative effort showed. According to Montenegro, "personalities just meshed" (Montenegro 2007).

Brule, President of ABA, believed that luck had little to do with the success of the project as a whole or of the construction process in particular:

Art Heinrich, Dolores Montenegro, and Jane Light were highly responsible for setting down the pattern of behavior and cultural framework...They had an infectious culture of trust. Attention to detail, to process, and to the needs of others created a better method and system. Involving everyone's input created fewer barriers later on. By having detailed documentation, it allowed us to remove people from the process when they weren't a good fit, if they weren't optimistic enough or good enough. And that was good. And the

lack of bickering and competition, and the good communication and shared goals, made it easier for other people, such as the general contractor and project managers, to do their job. The mindset filtered down to them as well. (Brule 2007)

Construction began in July of 2000 and ended in July of 2003. Books and staff were completely moved into the building a week before its opening. Despite fast-track construction and a complicated and unique project, the library was completed on time and under budget.

## Conclusion

The Martin Luther King, Jr. Library opened to the public only seven years after the initial idea was discussed – a very short time period for a project of its size. The efficiency of the planning and development process is even more remarkable when considering the large number of diverse stakeholders who each had a role in the process and the fact that there was no pre-existing model for a joint city-university library.

Since its completion, the Martin Luther King, Jr. Library has been considered a success almost unanimously. Most of the people involved in its development agree on the factors that made the project possible, but they are split on whether they think the process can be duplicated. In addition, opinions vary on how the process, in hindsight, could have been improved and on what the future has in store for the library. (See sidebar.)

The creation process of the library was successful for three main reasons:

- It met specific needs
- It was backed by strong will

- It was helped by fortuitous timing  
Both existing libraries were out-of-date, too small, and had little funding. Additionally, the same site happened to be the optimal location for both libraries.

The political climate allowed for partnerships and funding opportunities that would not have been possible had the proposal happened any earlier or later. The SJRA had a surplus of money due to all-time high property values in Silicon Valley (a couple years later the bubble burst and the SJRA became much weaker financially); the university was able to raise private funds at the time of construction; the university bond measure passed in the state vote; the SJRA was hoping to expand downtown in the direction of SJSU; and the city and university were hoping to mend their relationship.

Most of the people who were instrumental in creating the Martin Luther King, Jr. Library agree that its creation process was far from flawless. It got off to a rocky start with public concerns for the local library branches, an angry Academic Senate, and Save Our University Library pickets. The frantic pace in which the university, city, and SJRA attended to the project caused some people to feel left out of the decision-making process. In hindsight, the public, the Academic Senate, and the student body might have been consulted shortly after the idea was formed. However, others believe that this may have ended up taking away from the initial momentum that led to the project's success.

The MLK, Jr. Library serves as a model of how university-municipal collaboration can succeed. But certain preconditions must be in place for it to work. Both entities must have a need for a new building, available funding, and a

strong willingness to collaborate. The missions of the two groups must align as well. Finally, there must be a site where both institutions want the building to be located.

### Participants' Comments

*Comments from the participants and other observers illustrate the collective wisdom about the reasons for the success of the project: it met the specific needs of both the university and the city, enjoyed the support of determined leaders, and benefited from fortuitous timing.*

*There had to be a site that was geographically suitable for both the university and the city. I would guess it would be rare that a city can afford to have its main library located on a university campus. By the same token, the university must have ground on campus that's located right from their perspective."*  
- Darrell Dearborn, Deputy City Manager

*One of the impetuses to this is that both bodies needed a new library. So that's necessary. You have to have the need. If the circumstances are right, and the need is there, it could happen again. The model we used to bring constituencies and leaders together – it can work. Obstacles, challenges, and the site... there are a lot of factors. I can't imagine this would be able to happen in a [rural or suburban] environment. The geographical connect (is necessary).*  
- Susan Hammer, San José Mayor

*I've never been involved in a project that had so much strong leadership, buy-in and commitment. And that filtered down to everything. It was contagious. Even the folks screaming and against it called us later and said 'We were wrong.' We always made it solution-driven and never worried about the problem. It became a contagious culture. We became a culture, which is interesting. The cultural tie is that everyone is passionate, driven, optimistic.*  
- Pamela Anderson Brule, Consultant and Architect

*There was unambiguous commitment from the top of both organizations. Bob Caret was artful and tactful with the Academic Senate, and never ambiguous about his support for the project. Susan Hammer's intramural politics didn't waver her posture or demeanor: it was never 'should we back off?' but 'how can we fix this fire?' There were a number of places along the way where if they hadn't acted this way, it could have hit the ground.*

*- Jim Schmidt, SJSU Library Director*

*I've never worked on a team quite like that, where people were just making it happen. That was, to me, one of the amazing things. I said to Pam [Brule], 'that was the best team I've ever worked with.' I don't think I'll ever see one like that again. The reality is that there was something special going on.*

*- Jane Light, San José Library Director*

*I don't know if you'll see it again. [The project was made possible by the] mix of needs that converged; the collection of people involved; and the innovative nature of this city.*

*- Don Kassing, SJSU VP*



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## Case 7: Music Center, Los Angeles, California Taking on New Roles

On October 8, 2009, the Los Angeles Philharmonic Orchestra played its much-anticipated first concert of the season in the world-famous Walt Disney Concert Hall in Downtown Los Angeles. As the Orchestra played, more than 2,000 people watched a projected simulcast of the performance on the nearby Music Center Plaza along Grand Avenue. The excitement of the night extended beyond Los Angeles, as the performance was broadcast worldwide on the Internet. It was Gustavo Dudamel's first night as the conductor of the Los Angeles Philharmonic. With his youth and energy, the exuberant twenty-eight-year-old prodigy from Venezuela signaled a symbolic changing of the guard to the Los Angeles Philharmonic and to the classical music world in general. The concert ended with a ten-minute standing ovation. The next day the *Los Angeles Times*, observing the confidence of the conductor and the enthusiasm of the audience, wrote that "what the Gustavo Dudamel gala Thursday night at Walt Disney Concert Hall [meant] for the Los Angeles Philharmonic ... was an embrace of a new generation and cultural point of view, which is no small thing" (Swed 2009).

To the public, the role of the Philharmonic that night was obvious: to perform. But another organization – the Performing Arts Center of Los Angeles County (PACLAC), known as the Music Center – also played a central, if less publicly visible, role. The Music Center operated the Walt Disney Concert Hall where the Orchestra performed that night as part of the campus that housed its

resident companies, four world-class performing arts institutions: the Philharmonic, the Los Angeles Opera, the Center Theatre Group, and the Los Angeles Master Chorale. These institutions operated independently, but all relied on the Music Center to manage the venues in which they performed.

This case examines the Music Center in the decade between 1999 and 2009, while it was in the process of transforming its role within its community, which was itself undergoing a transformation. During that period, the Music Center's role comprised two components. The first responsibility – and the one for which the Music Center was historically and popularly known – was to manage and sublease the facilities in which the four resident companies performed. But a second component, as important to the organization as the first, was also emerging: running a broad array of popular performing arts programs intended to fill the gaps in performing arts left by the four resident companies. In line with these expanded responsibilities, the Music Center was contemplating taking on additional responsibilities – including potentially programming a public park – to further its engagement with its community.

### Case Summary

#### *History*

The vision for the Music Center arose in 1955 when a citizens' group

appointed by the Los Angeles County Board of Supervisors sought a permanent home for the LA Philharmonic. The effort was led by arts advocate and fundraiser Dorothy Buffum Chandler, who raised \$18.5 million in private donations. In addition to raising a large portion of the necessary funds, Chandler articulated her vision for a performing arts center that would be made up of multiple venues. Rather than a single, all-purpose concert hall, Chandler successfully pushed for three separate facilities to allow the Music Center to host a wider variety of events – chamber music and experimental theater alongside traditional theater, opera, and symphony performances – in appropriate venues.

Los Angeles County provided the site in the Bunker Hill neighborhood of downtown Los Angeles, and helped secure funding by floating \$14 million in mortgage revenue bonds. In 1961, the informal citizens' committee Chandler headed formed the official corporate entity formally called the Performing Arts Center of Los Angeles County (PACLAC) but commonly known as the Music Center. The Music Center opened its first venue, the Dorothy Chandler Pavilion, on December 6, 1964. This opening was followed by the openings of the Mark Taper Forum and the Ahmanson Theatre in 1967.

It wasn't until 2003 that the Music Center opened its fourth venue: the long-awaited \$274 million Walt Disney Concert Hall, designed by Frank Gehry. Planning for the Concert Hall had begun in 1987 with the receipt of a \$50 million gift from Walt Disney's widow, Lillian Disney (the Disney family would later donate an additional \$50 million to the project). Los Angeles County provided the land they had set aside for this purpose, as they had done for the Music Center's original

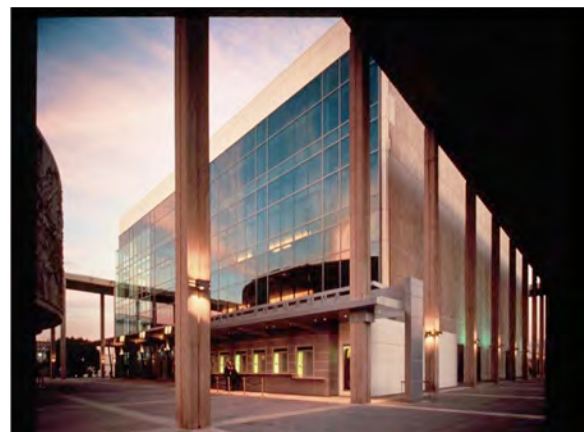
venues, and installed an underground parking garage. The Music Center held primary responsibility for raising the balance of funds required for construction; fundraising was complete at the time the Concert Hall opened in 2003.



Dorothy Chandler Pavilion



Mark Taper Forum



Ahmanson Theatre

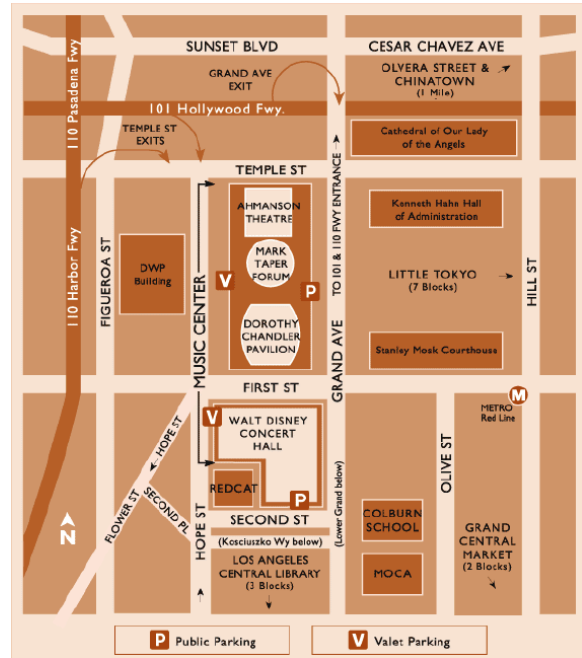


Walt Disney Concert Hall

### Facilities

During the period covered by this case, the Music Center’s eleven-acre Welton Becket-designed campus comprised four primary venues. The Los Angeles Opera performed in the 3,197-seat Dorothy Chandler Pavilion; the Tony Award-winning Center Theater Group performed in both the 750-seat Mark Taper Forum and the 2,200-seat Ahmanson Theater; the Los Angeles Philharmonic and the Los Angeles Master Chorale performed in the 2,265-seat Walt Disney Concert Hall. The Walt Disney Concert Hall occupied a full city block and fronted Grand Avenue. This newest addition to the Music Center also had two outdoor amphitheaters totaling 420 seats and a 3,000-square-foot gallery operated and programmed by California Institute of the Arts. In addition to the four primary venues, the campus also included the Music Center Plaza, a 225,000-square-foot public gathering space at the center of the complex that hosts festivals and other events. (See sidebar for a description of the resident companies.) The narrative of this case study is set while renovations of the original campus were underway: specifically, during the first stage of the project, the \$30 million

renovation of the Mark Taper Forum. Later stages would include the renovation of the Dorothy Chandler Pavilion and the Plaza.



The Music Center occupied four buildings spanning two city blocks.



## Resident Companies

*While the resident companies supported the Music Center's initiatives, they generally agreed that the new programs had little to do with their own interests. Said Music Center CEO Stephen Rountree (who also served as the COO for the LA Opera), "there is a sense from the resident companies that the Music Center shouldn't stray too far from having a mission of serving them" (Rountree 2009).*

*The **Los Angeles Philharmonic Orchestra** is one of the world's premier orchestras, presenting classical music, jazz, world music, organ recitals, holiday programs, and pop performances. By far the largest resident company at the Music Center, a typical year's budget hovers around \$90 million (LA Philharmonic 2008). The LA Phil plays in both the Walt Disney Concert Hall as well as the Hollywood Bowl, an outdoor amphitheater in Hollywood, about 10 miles northwest of Downtown Los Angeles, which is not leased by the Music Center.*

*The **Los Angeles Opera**, the youngest resident company, joined the Music Center in 1986. It presents eight or nine productions per season and has a budget that ranges between \$40 and \$50 million per year (Stern 2009), including educational and community programs.*

*LA's preeminent nonprofit theater company, the **Center Theatre Group**, develops and produces year-round theater in the Ahmanson Theatre and the Mark Taper Forum at the Music Center, as well as the Kirk Douglas Theatre in Culver City. Like the other resident companies, the Center Theatre Group has educational programs to build future theater audiences and to bring theater to the schools. Its 2009 budget approximated \$52 million (Center Theater Group 2009).*

*The **Los Angeles Master Chorale** is the smallest resident company with a budget of just under \$4.5 million in 2009. The innovative professional vocal ensemble presents a range of traditional and contemporary choral music in the Walt Disney Concert Hall.*

## Organization

The Music Center, a 501(c)3 corporation governed by a Board of Directors, was lead by the Center's President and CEO Stephen D. Rountree. As outlined above, the Music Center had two functions. First, it operated and managed the Music Center campus, renting venues and event spaces to the resident companies and to a wide array of third parties (for awards luncheons, non-resident performances, graduation ceremonies, etc.); that it did under contract to the county (which owns the facility). The landlord/tenant relationship best described the Music Center's relationship to its four resident companies. The Music Center provided use of a venue and some office space to each resident company. In return, each resident company gave the Music Center rent and treated the Music Center as its principal performance home (several of the resident companies also performed in secondary venues). In operating the four venues, the Music Center broke even: rent, county funding, and other revenues (e.g. from restaurants) supported operation of the resident companies' venues, but did not contribute to the Music Center's other activities. Funding for these other activities – primarily programming and events – came from a combination of grants and private donations. While the Music Center operated the venues in which each resident company performed, each resident company remained responsible for its own administration. Each performance organization had its own artistic/music director, executive/general director, and Board of Directors.

The Music Center's second role was as producer of its own programs and events, including a K-12 arts education

endeavor, a series of family concerts and festivals, a professional dance series, and a year-round calendar of participatory performing arts events known as “*Active Arts*.”

The opportunity for the Music Center to take on this second function came as a result of a major change in its relationship with its resident companies in the early 1990s. Originally, the Music Center raised funds for all the resident companies and the Music Center; LA County funded the facility operations. After a protracted struggle during the 1980s, the resident companies eventually won control of their own fundraising. While the Music Center initially resisted relinquishing fundraising responsibilities, when the resident companies began raising their own funds the Music Center was freed to expand programming and reinvent its role within Los Angeles County.

Initially, that new structure created competition among the resident companies and the Music Center. Music Center Chief Operating Officer and Vice President of Operations Howard Sherman, who had been with the organization for twenty-three years, put it this way: “There was a lot of territorialism. In the beginning it was ‘give [the money] to me!’” He added, “The hardest thing about making that transition was that it was hard for the donors. They were now being solicited by four or five entities. But it [did increase] the fundraising capacities” (Sherman 2009a).

According to Howard Sherman, fundraising at the Music Center and the resident companies quintupled since being decentralized. However, vestiges of the old system remained. With the exception of the Philharmonic, the resident companies’ endowments were

small compared to similar organizations elsewhere (Sherman 2009a). Donors faced competing requests and had to decide: should we contribute to the Music Center or a resident company?

Despite these problems, relations between the Music Center and the resident companies improved dramatically throughout the 2000s. “There is more of a connection and affinity now. That was the good thing that came out of [decentralized fundraising]: there’s much better collegiality between development departments,” said Howard Sherman (Sherman 2009a).

## **Finance**

In fiscal year 2009, the Music Center’s budget totaled just over \$60 million.<sup>1</sup> The Music Center managed to balance its budget and even record a surplus in fiscal year 2009, despite the losses of over \$7 million in earned income and investments attributed to the recession. The recession, however, did devalue the Center’s net assets by over \$20 million from 2007 to 2009.

Stephen Rountree explained that funding for the Music Center’s programs could be unreliable, which could interfere with its ability to pursue its mission. “There are a few obstacles. The first is money, and that’s always at the top of the list. It’s more than a greater quantity. Some sense of reliable income is needed. The Music Center has a very small endowment, and most is restricted to certain programs” (Rountree 2009). While County funding for the operation of

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<sup>1</sup> The Music Center’s budget was larger in fiscal year 2009 (the most recent year for which numbers are available) than typical due to \$38 million in capital improvements made during fiscal years 2008 and 2009. For comparison, the Music Center’s budget in fiscal year 2007 was \$50.8 million.

the facilities at the Music Center was consistent and reliable, the programs relied heavily on individual giving and grants. The Program Director for the Arts at the Irvine Foundation, John McGuirk, summed up the challenge: "...they have to come up with a business model for how they fund [a program area]. Is it private or individual philanthropy? Can they get the people who have been coming for free to start paying, or to become annual members? Or are these programs valid enough to cover with giving and public funding? Now they need to move forward and develop their business model" (McGuirk 2009).

State policy affected the Music Center's funding as well. During Arnold Schwarzenegger's tenure as Governor, the State reduced the annual budget for the California Arts Council from \$30 million in 2003 to \$5 million in 2010. A more positive development was the State's approval in 2006 of new funding for arts education through the California Department of Education; the measure was at first a major catalyst to help local school districts rebuild their arts programs, but progress was held up by enormous budget cuts for K-12 schools enacted in 2009.

### **Programming**

As noted, a central component of the Music Center's evolution was to present programming beyond the resident companies' performances. Programs included arts education, dance, a series of free and low-cost participatory events referred to as the *Active Arts*, and a variety of other initiatives.

### **Education**

The Music Center Education Division (MCED) began in 1979 in response to widespread cuts in arts programs in local school districts. In the first decade of the twenty-first century, it continued to provide leadership to make quality arts education a central part of school curriculums throughout the county. These programs were supported by donations from private funders, government agencies (such as the Los Angeles Arts Commission, the California Arts Council, and the National Endowment for the Arts), and fees paid by the schools.

Music Center education programs brought professional artists in music, dance, theater, and the visual arts to schools for performances, workshops, long-term residencies, and teacher professional development. In addition, the Music Center produced festivals, award programs, and curriculum resources for teachers. During the 2008-09 school year, the Music Center produced 13,000 activities, involving 110 artists and ensembles in over 600 schools (Music Center 2009). After the Kennedy Center, it is the second largest arts education program in the country.

In addition to school-based programs, the Music Center also produced free programs for children and families at the Center's downtown campus. *Performing Books* was a family performance series developed in collaboration with the *Los Angeles Times* featuring professional storytellers and artists that brought children's books to life. *World City*, a free Saturday performance series, was designed to celebrate the diverse cultural traditions reflected in the Los Angeles population.



## Dance

*Glorya Kaufman Presents Dance* at the Music Center had become one of the premier presenters of dance in Southern California, featuring some of the world's most illustrious dance companies. The program, which featured a wide variety of types of dancing, also provided learning opportunities at the Music Center and throughout the county for adults and children, as well as post-performance talks, school lectures, and classroom demonstrations.

## Active Arts

Launched in July of 2004, *Active Arts* was a series of programs designed to expand the public's experience of performing arts centers and give people opportunities to actively engage in different creative activities. Josephine Ramirez explained the premise further:

One of the things we have to come to grips with now and for the future is – how do we evolve our programming and our spaces in anchor institutions like the Music Center? We began our exploration not with the assumption that we all of sudden have to invest billions of dollars with a high-tech varnish on what we already do, but by adjusting our assumptions about how we build community via the arts – growing from a place that not only provides great art but that also enables the creative capacity of the public. With that premise we turned to the glaring truth that in what constitutes “the public” there are far more people out there who make art not for money than there are those who do it professionally. So why not let the Music Center be their venue, too, somehow? Our idea in

establishing *Active Arts*, the series of programs that followed this line of thinking, is to profile and validate non-professional artists and art-making. We're not de-emphasizing the worth and contribution that professional artists and the art they provide to the public, we're adding to and enriching the idea of how important it is for every person to exercise their artistic creative muscle. (Ramirez 2009c)

*Active Arts* had established an ongoing series of free or low-cost recreational art-making events that encouraged people to sing, dance, play music and tell stories together (Music Center 2009). *Dance Downtown* was a free “dance party” on Friday nights where beginners, experts, and professionals could learn and practice different styles of dance. Instrumental music programs included *Public Practice*, where participants can practice their instruments in spaces around the Music Center; *Drum Downtown* was a group drumming experience; and *Get Your Chops Back*, a series of music lessons, allowed people to relearn instruments and play in ensembles with others in the same situation. Other *Active Arts* programs created opportunities to tell and listen to stories (*LA Storytellers*), or to participate in sing-alongs.

## Other Programs

The *Global Pop* concerts brought pop stars from countries that represented LA's diverse immigrant population. The *Grand Avenue Festival*, an all-day family event led by the Music Center and Downtown BID, was the collaborative product of eleven Grand Avenue cultural organizations and restaurants. The Music

Center also provided lecture series by internationally recognized figures.

### ***City and Regional Context***

The City of Los Angeles, at the time this narrative is set, had a population of 3,833,995 (U.S. Census Bureau 2011) and was the second most populous city in the United States and covered 469 square miles. It lies within Los Angeles County (one of the largest counties in the United States), with 4,060 square miles and eighty-eight other cities including Beverly Hills, Pasadena, and Long Beach. (LA County 2009), LA County's population had grown from a little over six million when the Music Center opened in the early 1960s to 9.8 million in 2010 (U.S. Census Bureau 2011).

Los Angeles' extraordinary ethnic and racial diversity reflected its history and its status as a primary gateway for immigration (both legal and illegal). LA County had the largest Latino and Asian populations of any county in the United States, with more than ninety languages spoken in it. Los Angeles' economy was also diverse: financial and business services, high-tech manufacturing, craft and fashion industries, and, most famously, the entertainment industry were its drivers.

Los Angeles is infamous for its sprawling footprint. Although the State of California created the Los Angeles County Metropolitan Transportation Authority (MTA) in 1993 to build and operate a public transportation system incorporating buses, light-rail lines, and a subway, the city was still struggling to create a balanced mass transit system during the time period covered by this case. Angelinos continued to rely heavily on the automobile. Los Angeles

International Airport was one of the world's largest airports.

Downtown LA attracted thousands of people to its cultural, government, and commercial buildings. Although downtown was relatively crowded during working hours, on weekends and evenings its population fell as many residents and tourists were attracted to the region's unique neighborhoods and locales. Downtown lost most of its department stores, theaters, restaurants, and housing when freeways were constructed in the 1950s and 1960s. Since the 1980s, the city, other government entities, and private developers have sought to redevelop downtown LA through various projects such as California Plaza, Library Tower, LA Live, and, currently, the Grand Avenue Project. In recent years, downtown has expanded as a residential community as well, gaining about 16,000 new units of market rate housing (Downtown Center BID 2009).

The Grand Avenue Project was one step in a long and ongoing attempt to revitalize the Music Center's Bunker Hill neighborhood in LA's downtown. Once home to elegant Victorian mansions and LA's upper classes, Bunker Hill began to decline with the pre-WWII construction of freeways, which enabled the city's population to live in increasingly dispersed patterns. In 1955, Los Angeles began a renewal effort that involved large-scale slum clearance and the construction of modern office buildings and plazas. By the early 2000s, many of these original buildings and older high-rises were being converted into residential properties, many with city-sanctioned mixed-income requirements.

The Grand Avenue Project targeted redevelopment on the parcels of land located directly across the street from



not. And the changes within the city and neighborhood over this time period have presented new needs for the Music Center to address.

The 2009 update of its mission statement encapsulated its change of focus. While the old mission reflected its role as both landlord and administrator of the resident companies, the new mission emphasized its role in public outreach as well as retaining its primary role as landlord. The 2009 mission reads:

On behalf of the County of Los Angeles, the Music Center is committed to building civic vitality by strengthening community through the arts. We accomplish this by bringing to life one of the world's premier performing arts centers and by providing distinctive leadership and diverse opportunities for lifelong learning and engagement with arts and culture.

We advance our mission through three core strategies:

- Operate and vitalize the Music Center through resident company relationships and services; presentation of dance and unrepresented performing arts genres; creation of participatory arts engagement programs; and fostering creative experiences and engagement in and through the arts.
- Create, develop, and implement diverse educational and participatory arts programs for children, families, and adults in schools, neighborhoods, and at the Music Center.
- Provide leadership to advance the arts as part of the core curriculum in K-12 schools and as central to the larger civic agenda, to underscore the essential value of creativity, and to

highlight the role of the arts in society. (PACLAC 2009a)

Once the updated mission was adopted, Music Center staff were tasked with developing programs to realize their goal of engaging the community in active and progressive ways. Fortunately, they were not starting from scratch but were building on existing dance, education, and community engagement programs – but while major strides had been taken to create bold new programs that addressed the artistic needs of Los Angeles, many of these ideas still had to be fleshed out. The Music Center was also trying to enhance its role in the community by engaging with the city directly.

### ***Developing Successful Programming and Linking It with the Active Arts***

The Music Center provided the public with opportunities to actively engage with the arts. The Music Center's biggest challenge in fulfilling that role was that people were not used to coming to a set location to engage in the arts. Instead, they played the guitar, sang in a choir, acted in a school play, listened to music on their iPods, and went to concerts in their neighborhoods. "We are trying to find how to be more relevant to how people are engaging in the arts now and in the future," said Josephine Ramirez. "[This] means more participation, more technology, spectacle, large gatherings, celebrations, use of outdoor space, large ephemeral structures. It doesn't demand formal attention, but it does capture your imagination and force you to pay attention. It will, through that, bring all types of people there and in a more interactive way" (Ramirez 2009c).

The Music Center's education programs formed a strong foundation off

which the organization could build. The Music Center's lauded education programs had a long history of success. And, these programs shared with their *Active Arts* program (launched in 2004) a similar mission: to engage a larger segment of the public in the arts, and to fulfill a void by reaching out in ways that best met the public's needs and abilities. In addition, existing education programs directly strengthened the *Active Arts* by building interest and a connection to the arts for students and families, and by informing participants about other Music Center activities.

The Music Center's leadership saw opportunities to grow educational programs by fostering cross-collaboration among different arts institutions. Rountree noted in 2009 that difficulties remained, however: "... everyone is afraid to give up their own education programs out of fear of losing fundraising dollars. It's much easier to collect money if it's for children's education" (Rountree 2009). Nonetheless, such collaborations were starting to emerge. For example, the Music Center had convened the resident companies and other Grand Avenue cultural organizations (such as REDCAT and the Museum of Contemporary Art) to collaborate in support of the new downtown Arts High School and its feeder middle schools. Together, these "Grand Avenue Partners" helped expand and strengthen the scope and quality of the arts programs in the local middle schools.

Developing great programming that catered to the needs of people in LA in the twenty-first century was an essential first step in attracting users. But public outreach and marketing to advertise these programs was also necessary. Said City Councilwoman and Music Center Board Member Cindy Misciukowski: "The Music Center does

suffer in part from an identity complex: who and what is it? Most people know the Music Center through the resident companies. And the Music Center is there, but is it just the buildings?" Misciukowski said that construction of the Walt Disney Concert Hall has increased the Music Center's visibility: "Since [it] was built, there has been more dialogue about what the Music Center is and what it accomplishes" (Misciukowski 2009).

### ***Addressing the Needs of Greater Los Angeles***

One way for the Music Center saw to cement its place within Los Angeles was to assist the city in addressing improving urban infrastructure problems that directly and indirectly affected the arts. After all, said Rountree, "the areas around [arts institutions] can't crumble, or their missions would be undermined" (Rountree 2009). Traffic congestion was a major problem that affected not just the Music Center, but the Music Center's stakeholders and the City of LA in general. Michelle Clark, the Music Center's VP of Development, reported that "we hear daily from people who rarely come to the Music Center any more because they find the traffic unbearable" (Clark 2009). The same could be said for many people's attitudes toward downtown Los Angeles in general.

Representatives from the Music Center, including President and CEO Rountree, took a leadership role by working with the City Council and various Transportation Committees on transportation problems, and the Music Center established itself as a player in the field by donating money for studies to help solve transportation problems. "Traffic and transportation is a huge deal – a big city issue," said Rountree. "The

Music Center's future and fate depends on LA solving traffic issues. Big chunks of the audience are alienated from the Music Center because they can't get there without spending huge amounts of time and effort. The city is key in helping reform this. The county is big here, too, since the metro rail system is a county thing. ... The key to getting people to the Music Center? Improve access. We have to be prepared to take a leadership role" (Rountree 2009).

Another role the Music Center was considering playing to help tackle greater Los Angeles' issues was finding ways to add to the LA nightlife. For a city of its size and energy, Downtown Los Angeles was surprisingly quiet at night. While downtown had become livelier after the construction of the Staples Center sports arena in 1999, the groundbreaking in 2005 of the nearby LA Live development to the south, and especially due to a larger residential population resulting from the development of dozens of apartment and condominium buildings in the late 1990s and 2000s, it remained relatively subdued at the end of the first decade of the twenty-first century. Downtown LA did have a supply of bars, restaurants, and nightclubs, in addition to music, sports and theater activity – however, most agreed that there was room for improvement.

Still, the resurgence of downtown LA was underway, though far from complete. City Councilwoman Cindy Misciukowski said the Music Center had contributed to its nascent renewal. "The Music Center is becoming known in the broader public and in some of the governmental entities as an operator of a place that is open to the public." She added: "There's a sense that after a decade of LA asking 'where is the center, where is the core, where do things

happen?' LA is maturing, and the Music Center is a natural leader" (Misciukowski 2009).

Developments in the Grand Avenue Project toward the end of the first decade of the century supported Misciukowski's vision of the Music Center's leadership role in promoting activity along Grand Avenue: the Music Center was the potential future manager of the public park being developed as part of the Grand Avenue Project. The Music Center was, in 2009, discussing this possibility with the county, with the outcome far from settled. The result of these negotiations was anticipated to have a dramatic impact on the future of the organization. Said Ramirez, "It's a possible game changer. It helps add culture to public space. It could help to solidify the direction we want to go."

The willingness to take on the responsibility of operating, and adding civic life to, park space in downtown LA demonstrated just how serious the Music Center was about expanding its existing role. This expanded role would change the institution's responsibilities, the way it was perceived, and its position within Los Angeles. It was, however, just one opportunity, albeit a major one, that the Music Center was considering in support its new vision.

## **Conclusion**

Between 1990 and 2009 the Music Center experienced dramatic changes in its leadership, operational structure, and core responsibilities. In some ways things began to settle down for the Music Center toward the latter end of the decade under consideration, with the development of a new mission and vision. At the same time, some things were just getting started:

*Active Arts* programming was still being tested and was at the time financially unsustainable; relations with the resident companies were evolving; and a new role of park operator was being considered that could radically change the face of the Music Center.

The changes at the Music Center created some turmoil, but also allowed for a level of creativity, self-reflection, and progressiveness that is rare for an established institution. When its fundraising role was greatly diminished, the Music Center sought new responsibilities to fill that gap. That allowed the Music Center to try to figure out where it was truly needed, and how to grow into its new role.

Los Angeles was a very different place in 2009 than it was in the early 1960s when the organization was created. The Music Center transformed in part to reflect and cater to its new metropolis. The city's evolution allowed the Music Center to make monumental changes. By thinking about the state of its own affairs, the state of Los Angeles, and the state of the arts in society, the Music Center created a bold new vision. In 2009, it remained to be seen how successful it would be in reaching its goals but by serving as a national leader at the forefront of a movement to bring the arts into the twenty-first century, by aspiring to engage the public in new ways that best met public needs, and by attempting to do so by tackling fundamental urban problems that are not normally associated with the arts, the Music Center was demonstrating the many possible impacts of an anchor institution.

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## Case 8: The Woodruff Arts Center, Atlanta, Georgia Adapting to a Changing City

The Robert W. Woodruff Arts Center bills itself as “the heartbeat of Atlanta’s arts community” (Woodruff Arts Center 2010). The center has come a long way since its humble beginnings nearly half a century ago: originally home to a fledgling art collection, a volunteer youth orchestra, a large stage (but no theater company to perform on it), and a small, unaccredited arts school, the Woodruff is the region’s preeminent arts organization. It houses Georgia’s top orchestra, theater, and art museum, and contributes more financially to arts education initiatives than any other organization in the state, including the state government itself (Woodruff Arts Center 2010).

The Woodruff’s transformation coincided with that of its metropolitan and immediate environments. In the 1960s, Atlanta was surrounded by farmland; the Midtown neighborhood in which the Woodruff opened was run down, marked by decaying two-story retail buildings and aging single-family homes. Four decades later, the Atlanta area was the archetype of booming population growth and uncontrolled sprawl while Midtown Atlanta had become a second downtown.

This case study explores Atlanta’s transformation, its effect on the Woodruff, and the Woodruff’s response, focusing on the major changes the Woodruff implemented between 2000 and 2010; some of these changes responded to relatively recent events and others to trends that had developed over decades. Four trends in particular influenced the Woodruff: population growth in outlying counties; cuts in public sector spending

on arts education; growing diversity within the Atlanta area; and a burgeoning number of arts organizations throughout the region. The changes undertaken by the Woodruff in the first decade of the twentieth century provide insight into the relationship between the structure and culture of a city and the operations of an arts anchor institution.

### Case Summary

#### *History*

The Woodruff Arts Center, originally called the Atlanta Memorial Arts Center, was created in 1968 in honor of 106 Atlanta civic and arts leaders who perished in a 1962 airplane crash in Paris. When founded, the center contained three arts organizations: the Atlanta Symphony Orchestra (ASO), the High Museum of Art (High Museum), and the Atlanta College of Art. In 1969, the Alliance Theatre joined the arts center as a fourth division.

Prior to their co-location, these were small organizations occupying scattered, substandard space. The High Museum was founded in 1905 as the Atlanta Arts Association, assuming its current name after moving its small collection of donated works into a residential home donated by Mrs. Joseph M. High in 1926. The Atlanta College of Art, established in 1905, offered studies in drawing, painting, photography, and other mediums. The Atlanta Symphony Orchestra debuted as a city youth orchestra in 1945 and evolved into an all-adult, professional organization. The

orchestra originally did not have a concert hall in which to perform and used a rundown municipal auditorium as its primary venue. The Alliance Theatre, established in 1968, presented two productions at the Atlanta Memorial Arts Center in its inaugural year before joining the arts center as a division the following season.

The High, the Orchestra, and the Alliance Theatre remain divisions of the Woodruff. The fourth original division – the Atlanta College of Art – left in 2006 to merge with the Savannah College of Art and Design. In 2005, a new division – Young Audiences, which brought arts education to schools – joined the center, dramatically expanding the Woodruff’s educational programming. (See the sidebar for more information on the Woodruff’s divisions.) Individually, the divisions were the region’s preeminent arts organizations; taken together, the Woodruff dominated the arts scene.

### **Organization**

The Woodruff Arts Center is unique in that its constituent arts organizations are equal members, or “divisions,” of one single organization. In most other cities’ arts centers, the constituent arts organizations are independent organizations that share a campus. The Woodruff’s unique organizational structure was established at the center’s founding and, while some responsibilities have shifted as the center and its divisions have grown, the divisions remain independent organizations with control over their own artistic and operational management.

Each division has its own Board of Directors. A common Board of Trustees – with eighty members composed of the heads of large and small business owners,

### **Woodruff’s Divisions**

*The **Atlanta Symphony Orchestra (ASO)** is one of the country’s leading orchestras. The orchestra’s primary home since 1968 has been the Atlanta Symphony Hall, an outdated venue that there have been numerous unfulfilled plans to replace. For thirty-five years the orchestra has also presented summer concerts at the outdoor Chastain Park Amphitheatre in northern Atlanta. Starting in 2008, the orchestra also performed at the Verizon Wireless Amphitheatre at Encore Park, twenty-one miles from Midtown Atlanta*

*The **High Museum** dominates Atlanta’s visual arts scene. Although its collections total only about 11,000 pieces, a relatively small collection for a major art museum, it has made up for this by instigating partnerships with more established museums and by presenting innovative exhibitions.*

*The **Alliance Theatre** develops, produces, and performs plays. The Alliance won acclaim throughout the 2000s, having launched three Tony Award-winning hits to Broadway and, in 2007, becoming the only regional theater in the Southeast to win a Regional Tony Award. But although its audience levels had grown markedly, it faced more competition from other arts organizations than did the other divisions (Fox 2010).*

***Young Audiences of Atlanta** joined the Woodruff in 2005, becoming the center’s first new division in thirty-five years. A local chapter of the national Young Audiences organization, which brings educational arts experiences to schools, Young Audiences originally came to Atlanta in 1983. The addition of Young Audiences bolstered the Woodruff’s ability to expand arts education regionally.*

university presidents, other important community leaders, and representatives from each division – oversees the divisions’ Boards. The Woodruff’s senior

management team consists of a president and chief executive officer, four vice presidents, and a director of strategic planning. Its President and CEO Joseph R. Bankoff, a former senior partner at a leading Atlanta law firm, has been actively involved in Atlanta's arts and civic life for many years.

Although each constituent organization has its own Board of Directors charged with programming and some fundraising, the Woodruff owns the real estate (land and buildings) and approves its constituents' budgets. Division staff report to the division Board Chairs, who are represented on the Woodruff Board. The divisions do not pay rent, but do pool their finances. Most programmatic revenues are raised directly by the individual divisions. The Woodruff Center central fundraising campaign raises money for administrative expenses.

Unlike many other performing arts centers, programming at the Woodruff is done exclusively through its divisions. The Woodruff Arts Center, Inc. does, however, develop initiatives, such as its focus on arts education and diversity, and undertake leadership roles, such as political involvement in public sector arts initiatives or legislation, that do not always directly involve a division. It develops strategies and priorities that influence the direction of the divisions.

The unique structure of the Woodruff Arts Center and its divisions has advantages and disadvantages. Paul Hogle, the VP for Institutional Advancement at the ASO, explained that sharing one 501(c)3 has "meant mixed things. It's a great theory ... Who could argue with the argument that there's efficiency to be had? The challenges are that efficiencies aren't what propel arts organizations to greatness. It's passion

and resources. So when you succumb to the collective you submit to everything that the policies of communism require, which is kind of the greater common good: shared resources, shared growth, [and] shared risk. This is the challenge of the theory, not that it's fatal" (Hogle 2010).

### **Finance**

The recession profoundly affected the Woodruff, helping account for a \$4.7 million operating deficit in fiscal year 2009. Revenues totaled \$103 million, while expenses reached \$108.5 million; the High Museum was the only division with an operating surplus. Earned revenue (ticket sales, memberships, merchandise, etc.) constituted the greatest source of revenue (accounting for 44 percent of the Woodruff's income), followed by contributed revenue via WAC and division corporate campaigns (26 percent), interest and investment income (9 percent), distributions from the endowment (4 percent), and other support income (2 percent). City, state, and federal support totaled \$900,000, or a little less than 1 percent of the Woodruff's FY2009 revenue – an extremely small proportion for a major performing arts center. (Woodruff Arts Center 2009-2010).

The Woodruff Arts Center maintained several financial interests located off of its campus: it owned the 14<sup>th</sup> Street Playhouse as an investment, though its divisions did not perform there; held a 50 percent interest in a joint venture with a private firm (Live Nation) in the lease of the city of Atlanta's Chastain Park Amphitheater; and owned the Verizon Wireless Amphitheatre at Encore Park in Alpharetta, Georgia.

Division	Total Revenues and Gains	Percent of Budget	Operating Expenses	Percent of Budget
Atlanta Symphony Orchestra	\$40.3 million	39%	\$44.5 million	41%
Alliance Theatre	\$9.3 million	9%	\$9.9 million	9%
High Museum	\$24.7 million	24%	\$24.1 million	22%
Young Audiences	\$1.5 million	2%	\$1.5 million	1%
WAC Admin.	\$13.4 million	13%	\$13.8 million	13%
SD&A Teleservices	\$14.7 million	14%	\$14.7 million	14%
<b>TOTAL</b>	<b>\$103.8 million</b>	<b>100%</b>	<b>\$108.5 million</b>	<b>100%</b>

FY2009 Woodruff Operating Expenses. Source: Woodruff Arts Center 2009.

The Woodruff also owned an additional, and more unusual, asset: a for-profit company that provides telemarketing fundraising services for nonprofit cultural organizations. WAC acquired this company, called SD&A Teleservices, Inc. (SD&A), in 2004 as a way to provide additional revenue streams to the Atlanta Symphony Orchestra. Based in California, SD&A is separately managed and financed. Owning a for-profit company is extremely rare for a nonprofit organization and can be quite complicated legally and financially. Despite this, and although SD&A produce minimal profits initially, the Woodruff hoped its expertise in the arts industry would create a competitive advantage enabling the company to thrive (Merz 2010).

The Woodruff's ownership of an off-campus and a for-profit company expanded the center's influence. In 2010, however, SD&A was operating at a slim deficit and the debt payments for its new facilities were hindering the already cash-strapped institution. While the Woodruff's overall operating budget shortfalls were a reason for concern, the declining value of the organization's investments and endowment was even

more worrisome. Woodruff Arts Center assets declined from \$761 million in 2006 to \$621 million in 2009 – an 18 percent reduction. Over that same period of time, liabilities grew from \$199 million to \$227 million – a 14 percent increase. The Woodruff's endowment declined by \$48.9 million in the 2009 fiscal year alone. Eighty-three percent of the Woodruff's liabilities were bond payments, which stemmed primarily from the construction of the Verizon Amphitheatre, the expansion of the High Museum's buildings, and debt refinancing that took place in 2009 (Woodruff Arts Center 2009).

### ***Facilities and Environs***

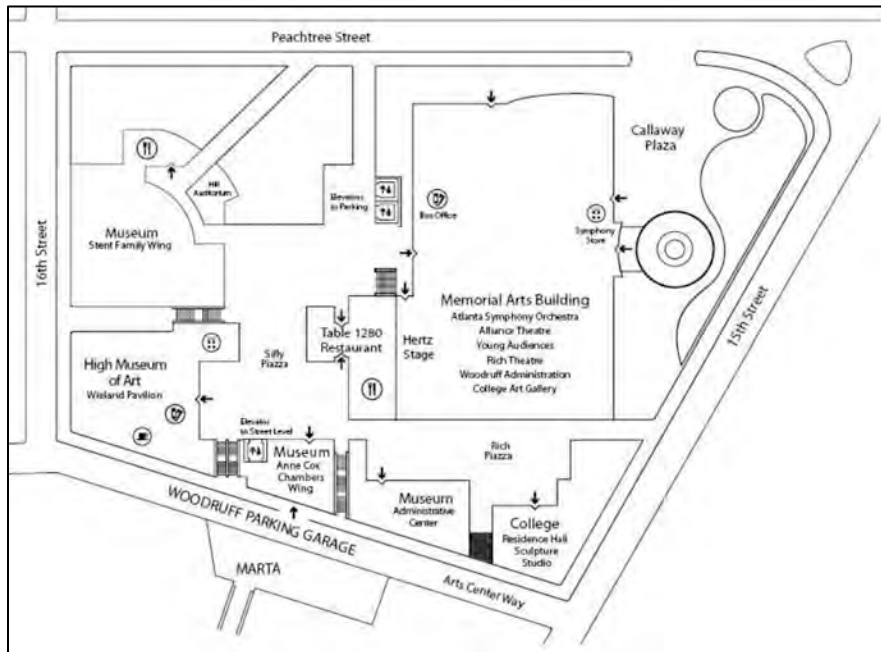
The Woodruff's constituent organizations share a campus in Midtown Atlanta, an area that has experienced near-continuous office construction for the past twenty years and has come to function as the city's second downtown, employing some 65,000 people. The Midtown area is located between downtown to the south – with its concentration of corporate headquarters, office space, and historic landmarks – and the generally affluent, residential areas to the north.

The twelve-acre campus contains nearly one million square feet of facilities, including the Memorial Arts Building, the High Museum of Art buildings, and three plazas. The Memorial Arts building houses the 770-seat Alliance Theater, the 1,762-seat Atlanta Symphony Orchestra Hall, the 200-seat Rich Theater, space for Young Audiences, an art galley, a restaurant, a store, patron lounges, Woodruff Arts Center's administrative offices, and a 400-car underground parking garage. Also on the site are a residence hall and sculpture studio leased



Delta Classic Chastain at Chastain Park Amphitheatre in northern Atlanta and the Verizon Wireless Amphitheatre at Encore Park, twenty-one miles from Midtown Atlanta in town called Alpharetta. The orchestra has performed at Chastain during the summers since the early 1980s and at Verizon amphitheater since 2008.

The Woodruff's campus has been greatly expanded and improved since the center's founding. When the art center was established, the Atlanta Symphony Orchestra and the Alliance Theatre were housed in the Memorial Arts Building and the High Museum occupied the original High family home and an adjacent facility constructed in 1955. In 1983, the High Museum's original facilities and its 1955 addition were replaced with a critically-acclaimed building designed by Richard Meier. As its collections grew further still, the



Above, Birds Eye View of the Woodruff Campus. Below, Woodruff Site Plan.

by the Savannah College of Art and Design.

In addition to the central campus, the Woodruff has two off-campus venues that serve to spread the Symphony Orchestra's reach to residents living further out in the metropolitan area:

museum opened a new addition, designed by Renzo Piano and constructed in 2005, which doubled the existing exhibit space and included an educational center.

The Woodruff and the orchestra's efforts to replace the orchestra's facilities – which, by the late 1990s, were obsolete – have been less successful. The WAC got

as far as securing initial financing, purchasing a six-acre site near the campus, and, in February 2005, unveiling designs for the new symphony hall to great fanfare. Financial and real estate complications, however, halted the plan. While corporate and foundation gifts were secured, cash-strapped city and state governments declined to contribute a hoped-for \$100 million. By 2006, the capital campaign stalled at \$120 million, far short of the estimated cost of \$300 million.

The Woodruff was forced to consider other options – specifically the construction, in partnership with Fulton County, of the \$36 million 12,000-seat summer facility, the Verizon Wireless Amphitheater, in nearby Alpharetta. How this project was conceived and built is discussed below, in “Addressing a Changing Community.”

### ***City and Regional Context***

At the time of the Woodruff’s founding, Atlanta was a relatively small city, surrounded by farmland. Though recognized as one of the nation’s economic and transportation centers, it was not known for the arts.

Since then, the city and the larger metropolitan region changed dramatically. Between 1973 and 1999, Atlanta’s metro area expanded 247 percent (Yang 2002). The region’s geography includes few natural obstacles to expansion, and the strong corporate presence in Atlanta – home to the headquarters of Home Depot, Coca-Cola, UPS, AT&T, Turner Broadcasting Systems, and the Center for Disease Control and Prevention – has drawn residents to the area.

Atlanta is located in the center of Fulton County, which stretches seventy

miles in length and has a population of 1,034,000 (U.S. Census Bureau 2008). Populations in the Atlanta MSA skyrocketed from 1.5 million in 1960 (Demographia 2010) to 5.4 million in 2008 (U.S. Census Bureau 2008); almost all this growth lay outside of Atlanta’s city limits. As the region’s outlying areas ballooned in population, Atlanta became infamous for its poor transportation networks, its lack of mixed land uses, and an overall lack of density.

In 2009, ninety percent of the metropolitan area’s population lived outside of the city’s boundaries (U.S. Census Bureau 2009). The city’s population effectively doubled during each workday, creating “a clog of traffic that hinder[ed] suburban access and a sense of connection to the cultural institutions in the city” (Bankoff 2010b). Much of the region’s population rarely entered the city limits.

Although the greater metropolitan area had grown, between 1970 and 2000 the population in the city itself declined 16 percent (from 497,000 to 416,000) (Demographia 2010). The city started to see an increase in population in the 1990s, and over the course of the 2000s it increased 29 percent to its current population of 537,958 (U.S. Census Bureau 2008).

Regional growth patterns affected arts in the city and throughout the region. Hundreds of nonprofit arts organizations formed throughout the region to serve the dispersed population. As county governments grew, many created arts councils that promoted arts through marketing and coordination. Fulton County Arts Council (FCAC), created in 1979, went beyond this to also directly fund and operate arts centers and organizations (Njoku 2010). With the exception of Fulton County, the



Woodruff's relationships with counties was informal, except through their school systems. The FCAC contributed to the Woodruff, and partnered with it on the Verizon Amphitheater project.

### **Addressing a Changing Community**

When it opened, the Woodruff (then called the Memorial Arts Center) was a small performing arts center in a city with little history with large arts organizations. Over the decades the divisions prospered and the Woodruff established itself within the Atlanta region, though the dramatic changes in the Woodruff's environment complicated this maturation process. Staggering sprawl, changing demographics and tastes in the arts, decreased arts funding in Georgia public school systems, and an influx of area arts organizations led the Woodruff to reexamine its role and significantly alter many important aspects of its organization. In the first ten years of the twenty-first century, the Woodruff built a state-of-the-art venue twenty-one miles away from its existing campus, altered its programming to reflect changing demographics, became the largest arts education supporter in the state of Georgia, and reevaluated its arts leadership role to more actively support other arts organizations.

### ***Sprawl***

Atlanta is infamous for its poor transportation networks, its lack of mixed land uses, and an overall lack of density. According to Smart Growth America, Atlanta was the fourth most sprawling area of the country in 2000 (Smart Growth America 2010). Most people in the Atlanta MSA lived too far away to

regularly enter the city limits. Said Joe Bankoff, "Atlanta has grown and the transportation burdens have made it undesirable for people to figure out if they have the emotional courage to drive 45-60 minutes to get back from work, and then drive another 45-60 minutes back to the downtown to see a show" (Bankoff 2010).

However, starting in the mid-1990s, the city of Atlanta started to densify as more people – especially young professionals – started to move downtown. In the early 2000s residential and mixed-use construction boomed in both the historic downtown and in the Woodruff's Midtown neighborhood, which, as noted earlier, had emerged as a second city center. In 2008, planning theorist and researcher Christopher Leinberger wrote "We are witnessing the beginning of the end of sprawl. Like much of the rest of the country, the overproduction of automobile-driven suburban development at the fringe of the Atlanta metropolitan area has reached its limits" (Leinberger 2008).

The Woodruff, as the preeminent performing arts organization in the Atlanta area, sought to engage populations from the entire region. Long distances and congested traffic, however, were obstacles. Additionally, as Atlanta's suburban population had grown, hundreds of additional performing arts organizations had emerged, competing with the Woodruff for attendance, influence, and financial support, a phenomenon discussed more fully below.

### ***Woodruff Response***

Since the early 1980s, the Atlanta Symphony Orchestra has presented a summer concert series at a city-owned amphitheater in the city's 268-acre

Chastain Park, about eight miles north of Midtown, Atlanta. According to John Sparrow, Vice President of Orchestra Initiatives and General Manager at the ASO, Chastain Park was difficult to reach for people living in Atlanta's outlying areas, and the venue itself was less than ideal: a portion of the seats were table seating with drinks and conversation, and some patrons viewed the performances as more of a background than a focal point (Sparrow 2010). In the late 1990s, the Atlanta Symphony Orchestra recognized the need to expand its footprint beyond Midtown, explained ASO CFO and interim CEO Don Fox (Fox 2010), a realization reinforced by the findings of the orchestra's long-range strategic plan that called for developing new audiences.

A consultant hired to identify potential locations for a new facility recommended partnering with Fulton County on its plans to build a performing arts venue in the northern part of the county. These plans for a new facility were part of the County's efforts, begun in the 1990s, to develop arts in the northern and southern parts of the seventy-mile-long county, rather than leaving them concentrated exclusively in Atlanta, explained Veronica Njoku, Director of the Fulton County Arts Council (Njoku 2010). By 2000, many towns had benefited from the county's efforts to create nonprofit arts organizations and performing arts venues and citizens in northern Fulton County were lobbying for similar treatment. After successfully convincing Fulton County Arts Council (FCAC) to undertake a feasibility study, the idea of Encore Park (initially called the North Fulton Center for the Arts) was born.

The County chose Alpharetta, an affluent suburb twenty-one miles north of Atlanta, as the location for the new venue. With input from community leaders and

real estate developers, plans for Encore Park evolved; the county envisioned a state-of-the-art rock venue with considerable potential for associated real estate development (Fox 2010).

While this vision differed from what the orchestra would have come up with itself, many aspects fit nicely with the orchestra's aspirations: as an amphitheater it would easily accommodate the orchestra, and as a commercially driven concept it would provide a welcome source of revenue at a time when the orchestra was struggling financially (Fox 2010). Additionally, the area's demographics reflected the orchestra's target demographic – affluent, diverse, and with a high proportion of families – and was growing rapidly (from 13,000 residents in 1990 to 35,800 in 2000 to 49,900 in 2008 (U.S. Census Bureau 2008)).

Fulton County initially rejected the orchestra's suggestion to partner. But leadership persisted, knowing that the opportunity was an excellent one. John Sparrow recounted that "We pressed hard and ultimately convinced them we were the right partners" (Sparrow 2010). Ultimately, Fulton County and the orchestra combined visions and aptitudes and work began.

The County created a 501(c)3 to acquire land – a forty-five-acre parcel adjacent to north-south Route 19 – and to commission a design that would accommodate both rock-and-roll and symphony concerts. The project cost \$38 million: the city of Alpharetta contributed a \$14.5 million tax exempt bond; Fulton County and the city of Alpharetta each contributed \$1 million; and the Woodruff raised the remaining \$21.5 million. The Woodruff's share consisted of approximately \$8.5 million from internal debt, a \$5 million Woodruff Foundation

grant, a \$5 million gift from the Woodruff's endowment, and a \$3 million gift from two Woodruff Board members. A gift from Verizon in 2007 resulted in the venue's name change.

The county-led 501(c)3 transformed into a new 501(c)3 – with orchestra and Fulton County representatives – that owned, operated, and managed the center's development. According to Don Fox, ASO's Vice President for Business Development, the orchestra had "the strongest hand" as the amphitheater was developed and in its operations once built (Fox 2010). Leadership decided to rent the facilities at cost for performances and for special events such as high school graduations.



Above, Delta Classic Chastain Park Amphitheater. Below, Verizon Wireless Amphitheater.

The Verizon Wireless Amphitheater opened in May 2008. In both of its first two years the facility was

nominated as one of the United States' best outdoor venues.

The amphitheater was an overwhelming success for the orchestra. In its first year, audiences totaled 25,000 people, sixty percent of whom had never been to a symphony concert before (Fox 2010). In its second year, 2009, audience levels decreased slightly, but the orchestra still drew much larger audience throughout the season than it had prior to building the amphitheater. "It's been a great experience for us and economically rewarding," said Fox. "And it's been a real opportunity for us to brand the symphony in a different way and in a rapidly-growing part of our community" (Fox 2010). The venue also provided a valuable marketing opportunity for the Woodruff as its name was printed across numerous signs and printed materials at the amphitheater. Also important: the creation of the amphitheater did not decrease attendance at the orchestra's midtown venue, Symphony Hall.

### ***A Changing Population***

The Woodruff was taking stock of and reconsidering its role in its community while being situated in one of the country's most dynamic regions, a fact that posed both challenges and opportunities. The region's population was highly transient and increasingly diverse, phenomena that contributed to a lack of widespread support for the arts. The city's population was also becoming younger, and younger audiences demanded different types of cultural and arts engagement than Woodruff had traditionally offered.

The Atlanta region's highly transient population included many individuals who had spent most of their lives in other areas of the country and of

the world. According to Joe Bankoff, it was much more difficult to draw attendance and financial support from people who did not view a performing arts center as part of their past nor part of their future: “It’s a completely different mindset. If you’ve lived in Atlanta for years you’re thinking about supporting something that will be there for your children. If you’re moving in three to five years, you’re not. You have to find ways to reach out and capture these people” (Bankoff 2010).

The Woodruff also had difficulty reflecting the needs and interests of the region’s population, in part because the region’s demographics were changing rapidly. The Atlanta MSA’s African American population had grown faster than the population overall: in 1970, African Americans constituted 20 percent (376,000 people) of the total population (Black, Kolesnikova, and Taylor); in 1990, 26 percent (736,000 people); and in 2008, 31 percent (1.6 million people). And, since 1990, Hispanic and Asian populations increased from 2 percent to 13 percent of the population (U.S. Census Bureau 2008).

Historically, the Woodruff offered few performances and programs aimed at black audiences, leading to its reputation as elitist and uninviting, a perception that affected the level of public funding. Camille Love, Director, City of Atlanta Office of Cultural Affairs, explained: “The Woodruff doesn’t get a lot of public sector funding. That’s the major reason why these major institutions have gotten more diverse: it’s because the public sector funders made them do it [to compete for the limited available public funds]. If you want our money, you have to open yourselves up to the community” (Love 2010).

Another important aspect of Atlanta’s changing population was the influx of people moving into the Atlanta city limits. After 2000, Atlanta became one of the country’s fastest-growing cities (Leinberger 2008). Camille Love explained that many of those new residents were young, and looking for entertainment and social opportunities. She noted that the Woodruff could work to attract these audiences when they were young, with the hopes they would remain loyal supporters: “The Woodruff should consider how they can program differently so that young people – who will get old, and hopefully be cultured by then – can hopefully look at culture as part of their entertainment mix” (Love 2010).

#### *Woodruff Response*

Joe Bankoff said that, to make the Woodruff relevant to Atlanta’s population now and in the future, it had to change its image and work harder to engage new audiences. “It has to change from your grandmother’s museum – white, old, uninteresting. People are interested in diverse things. Classical arts programs are one thing, but there’s a whole crowd of people who are interested in socializing and meeting face-to-face” (Bankoff 2010).

Strategic planning initiatives, started after Joe Bankoff’s arrival in 2006, identified specific ways to turn the aspiration toward inclusivity into reality. For example, to promote awareness of and access to the arts, the Woodruff developed adult education programs. To improve its branding and marketing to youth, the Woodruff and its divisions conducted studies between 2007 and 2009 that recommended incorporating spontaneity and social interaction into more programs, implementing more web-

based and social networking advertising, and concentrating branding efforts on a more youth-oriented image, all of which the Woodruff has since worked to implement.

The Woodruff also strengthened its relationship with the National Black Arts Festival, a national organization with a strong presence in Atlanta that celebrates the art, music, and culture of people of African descent. In 2007, the Woodruff teamed with the National Black Arts Festival to fund The Atlanta Dialogue, a program hosted by the Woodruff in which local families developed performances expressing their perspective on what it means to be an American in Atlanta in a post civil-rights period. Two years later, in 2009, the Woodruff hosted the National Black Arts Festival's annual summer music festival at the Arts Center's campus. The Woodruff volunteered its performance spaces and petitioned the city to close off 15<sup>th</sup> Street, which borders the Woodruff's campus, for a stage, vendors, and art stalls. The festival celebrated African-based culture through film, art, dance, theater, and musical performances. Both organizations agreed the festival was successful and planned to make it an annual event.

To better engage the public, the divisions introduced new programming. Susan Booth, Artistic Director at the Alliance Theater, for example, said that the Alliance was "striving to have our audience look like our community, but not sequential: not white audiences to a white play, black audiences to a black play" (Booth 2010). Booth, who became Artistic Director in 2001, took over from Kenny Leon, who had also initiated more diverse programming at the Alliance when he was appointed Artistic Director in 1988.

In March 2010, the High Museum opened *The Allure of the Automobile*; an exhibit of eighteen of the world's rarest cars. Flora Maria Garcia, President and CEO of the Metropolitan Atlanta Arts and Culture Coalition (MAACC), which promotes and advocates for Atlanta's arts and culture, said the exhibit contrasted starkly with the more traditional art collections typically presented at the Museum, instead "appealing to the NASCAR people" (Garcia 2010). The exhibit generated positive buzz throughout the region.

Camille Love reported that the Woodruff's efforts to be inclusive made a difference. "The Woodruff partnered with the National Black Arts Festival to make it the home for that festival. That has been very positive and perceived so. The High Museum has a series of film festivals that are diverse and that's important. And the programming within all of their divisions has diversified... There are a lot of positive things that have gone on. The Woodruff has reached out and the community has reached in" (Love 2010).

### ***Decreased Arts Funding in the Schools***

Georgia's underperforming public schools were particularly weak in art education. In the mid-2000s, the state had the nation's second lowest public high school graduation rate (Georgia Budget and Policy Institute 2005) and ranked 46<sup>th</sup> in SAT scores (Woodruff Arts Center 2007). This educational weakness created pressure for school districts to improve at the same time the recession created a shortfall in educational funding. As a result, schools emphasized the core curriculum and, in many districts, decreased spending on the arts. While the City of Atlanta public schools managed to retain their arts programs and personnel,

almost every other district made cuts. “The arts funding is being so drastically cut in every school system,” said Carol Fuller, a drama specialist in Cobb County. “I’m in a county that has zero arts initiatives. Every high school has a drama teacher here, but it’s the idea ‘we need some place to dump kids’ not the mentality of ‘we need a strong arts program in our county’” (Fuller 2010).

While most districts reduced staff, tightened programs, and instituted mandatory furlough days for arts personnel, Fulton County set a new precedent. Facing a \$120-million deficit, the Fulton County School Board voted six to one in favor of massive cuts to its 2011 budget. Measures included a reduction of nearly 1,000 personnel (including 500 teachers), increased class sizes, a shortened school year (by three days), and the elimination of the instrumental music program in the schools (Staples 2010).

#### *Woodruff Response*

As schools’ emphasis on the arts diminished, the Woodruff paid more attention to education. The divisions at the Woodruff had always had educational programs but, until the 2000s, these consisted of class field trips to an ASO or Alliance performance or to a High Museum exhibit; while useful, these programs were almost an afterthought. The Woodruff’s 2008 strategic plan shifted education from an afterthought to a top priority. “The focus on education moved from an activity to the core of our mission as part of this strategic plan,” explained Bankoff. “Our mission was more than just entertaining patrons. The Center needs to be useful. The most useful thing we can do is help kids. The fact is, the arts are a critical and missing

component of public education” (Bankoff 2010).

One of the most visible and dramatic moves in this direction was the incorporation, in 2005, of Young Audiences as a new division. Woodruff leadership initiated this partnership, believing that adding this experienced arts education entity would allow the Woodruff Arts Center to reach new counties and increase the organization’s ability to raise education-related funding. For Young Audiences, joining the Woodruff promised to increase their visibility within the general community and to schools and to generate additional funding.

Young Audiences developed “Arts for Learning Lessons,” an arts integration program that derived from arts literacy standards and goals. Said Executive Director Tony Kimbrell, “Over the years we’ve seen that schools are much more focused on outcomes and achievement tests and the time they’re willing to spend on things that don’t directly correspond with their goals is limited... [as a result] we’ve seen schools that have eliminated all of their arts specialist positions. So what we do has become more important.” In response, Young Audiences worked more closely with classroom teachers to design programs whose outcomes can be more easily quantified using standardized measures (Kimbrell 2010).

The Woodruff’s other three divisions also added arts education programming. Susan Booth created an innovative Alliance Theatre program called “the Collision Project” that enabled high school students to study a classic play, deconstruct the themes, and then write, develop, and perform it over the course of a three-week workshop (Woodruff Arts Center website 2010). The Alliance also developed a set of

programs targeted at the region's growing immigrant population to expand literacy efforts for young students. The orchestra and the High Museum developed additional educational programming aimed at teachers, adults, families, and students. In all, through its four divisions, the Woodruff produced hundreds of programs for both students and teachers each year, reaching 700,000 students in seventy-six counties annually (WAC website 2010).

The Woodruff became one of the largest providers of pre-K-12 arts education in the nation, and aimed to remain a leader in the field. The Woodruff began working in 2008 with the Atlanta City School District to create an arts magnet high school. While Atlanta already had several arts schools, they had set catchment areas; the Woodruff's magnet school would use Woodruff facilities and artists-in-residence and draw students from the entire district. Director of Fine and Performing Arts at the Atlanta City School District Cynthia Terry said that the partnership between the Woodruff and the district had developed into a strong one: "It went from a peripheral partnership to a one-on-one partnership. We meet monthly to decide how to make this school come into being" (Terry 2010).

The Woodruff joined arts education proponents nationwide in pointing to the strong correlation between engagement in the arts and academic success. A National Assembly of States Arts Agencies (2006) study identified three primary types of benefits associated with the study of the arts and student achievement:

- Improved academic proficiencies including reading, language skills, and mathematics skills

- Improved basic abilities including thinking skills, social skills, and motivation to learn
- A tendency to view school as a positive environment

Joe Bankoff expounded on the value of arts education in a 2008 letter to *The Atlanta Journal Constitution*:

Our children need to practice working together and solving problems in groups. They need to discover that they can learn from others different from themselves. Finally, our children need to learn how to keep on learning. In short, in an economy where the highest value is moving to innovation, design, and creativity, we need to be teaching these skills. (Bankoff 2008)

By focusing on art education, the Woodruff performed a valuable service to the community and further established itself as an arts leader. In addition, introducing the schoolchildren of Atlanta to its divisions would help build the next generation of Woodruff audience members and supporters.

### ***Increased Number of Atlanta Arts Organizations***

As the Atlanta region grew, hundreds of new arts organizations were created. However, the Woodruff remained the most recognized arts institution and received by far the most private financial support. Explained Veronica Njoku, "For many years, a lot of the big companies give to the Woodruff fund and feel that they've given" (Njoku 2010). The Woodruff's dominance on the fundraising scene – aided by the fact that the Board is composed of the biggest corporate leaders in the region – had created a legacy of resentment among other Atlanta arts organizations, despite the fact that

specific organizations exist to support small- and medium-sized arts organizations.

The Woodruff, on the other hand, did not see the multiplication of arts organizations as a threat. Said Bankoff: “We have a large collection of arts organizations – an explosion of nonprofits. We have a lot of little new cities popping up, and they want their own arts center. To energize people about the ownership of the arts is a good thing. No one will confuse the Cobb Symphony Orchestra with the ASO. Those who get into their own band and then want exposure to others will find their own way to us. As I go back to it, we need an ecosystem. The Cobb Symphony Orchestra is not a competitor. Our competitors for funding are the private universities and faith-based institutions” (Bankoff 2010).

Starting in the mid-2000s, arts organizations struggled to obtain prior levels of private funding. Partly due to increased competition, part of the struggle to raise funds could also be explained by a change in philanthropic attitudes. Explained Njoku, “the shift towards less private sector funding for the arts started with [Hurricane] Katrina. People shifted giving from culture to social services. The pattern of private sector giving has gone down for the arts” (Njoku 2010).

The recession that followed made matters much worse. Giving declined dramatically – approximately 25 percent less than in healthy years (Njoku 2010). Budget deficits forced the public sector to pull back funding as well. The effect was catastrophic for many arts organizations. Said Njoku in 2010: “I have 50-60 [examples of struggling organizations]. It’s bad. They’re terminating staff, they’re cutting programs, they’re closing down.

Some have maybe one more year left to live” (Njoku 2010).

#### *Woodruff Response*

The Woodruff’s response to the proliferation of arts organization stemmed in large part from the character of its chief executive, Joe Bankoff. “The previous CEO [Shelton Stanfill] treated the arts center...as a bank to raise funds, distribute it to the divisions, and stay out of the way,” said Paul Hogle. “He was both acclaimed and criticized for that. That’s a different approach than [the one] Mr. Bankoff is currently taking. We’re going to be the building, the relationship, and part of the decision. That’s the major difference over the past decade” (Hogle 2010). Joe Bankoff, a partner at one of Atlanta’s preeminent law firms, brought his experience as a major community business leader and as a collaborator to the Woodruff.

Bankoff came to the Woodruff with the idea of increasing its leadership role within the greater Atlanta community; that included working more directly with other arts organizations. Bankoff named three reasons a performing arts center needs a thriving arts community to survive. First, “one quality theater in a town will never make it. You need a community of people who care about theater... You need to collaborate to build and sustain an ecosystem.” Second, one organization cannot possibly do everything: it should do what it does well and let others excel in other areas. Third, a collaborative environment in which organizations are thriving improves the art.

With Joe Bankoff’s arrival, the Woodruff began to reach out to smaller arts organizations, offering assistance in areas such as ticketing and marketing.



One effort that created a lot of good will toward the Woodruff was a collaboration on ticketing (Garcia 2010). The Woodruff used a specialized – and expensive – computer program to manage ticket sales, fundraising, and marketing. Licensing costs exceeded the capacity of most small- or even mid-sized arts organizations; sublicensing, however, was a possibility. The Woodruff, at the behest of a small arts organization and with help from MAACC, offered to act as the master license holder in a consortium sharing the service, devoting a full-time staff member to manage the service. Smaller organizations that belonged to the consortium pay a share of the licensing costs. “None of this could’ve happened if everyone had acted in their own,” said Flora Maria Garcia (Garcia 2010).

Joe Bankoff also established himself, and the Woodruff, as a community leader and advocate through his involvement in state-level arts-related political issues. Bankoff helped draft a preliminary proposal for House Bill 1049: legislation that would enable Georgia counties to increase their county sales tax a fraction of a percent to go toward supporting arts and cultural organizations (Saporta 2010). The bill had widespread support in the arts community. The proposal would have allowed each county to decide whether to institute the tax at all, the rate at which it would be levied, and the way it would be used. While the bill ultimately did not pass that year, the Woodruff demonstrated its ability to advocate not only for itself and for the arts in general, but also as a leader and supporter of other area arts organizations.

## Conclusion

Atlanta transformed dramatically in the forty years since the Woodruff Arts Center’s founding and, to maintain its place as the region’s preeminent performing arts center, the Woodruff adjusted to those changes. By responding to its environment, the Arts Center grew dramatically and gained influence in Atlanta’s arts and culture world. The Woodruff addressed some major problems facing the city – difficulty accessing city arts facilities, less arts education in the schools, a scarcity of artistic programming geared toward minority populations, and insufficient arts leadership – and in doing so benefited the community. Bankoff described it this way:

Major arts institutions – whether you’re talking about the Lincoln Center, Kennedy Center, LA Music Center, Kimmel Center or us – if they are to survive, they have to be adaptive to their community. The thing they have in common is their form of the art and their aspiration to excel in that art. The thing that differs is the community, the politics, and the desire. Darwin said the most adaptive survive. So we have to be adaptive. A standalone organization may flourish then go away. But if you have a cluster of things which you’re trying to serve a community over time, you have to be sensitive to those things in the community. (Bankoff 2010)

For an institution to survive it must adapt to its environment. The Woodruff Arts Center is an anchor institution for northwest Georgia because it not only adapted to, but also responded to these changes in ways that both grew the organization and made Atlanta a better place.

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