



FEASIBILITY ANALYSIS

Fargo Performance Center

FARGO, NORTH DAKOTA



SUBMITTED TO:

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1. Introduction and Executive Summary

Nature of the Assignment

The City of Fargo, North Dakota engaged HVS Convention, Sports & Entertainment Facilities Consulting (“HVS”), JLG Architects, Schuler Shook, and Acoustic Distinctions (“consulting team”) to conduct a study assessing the feasibility of repurposing the Fargo Civic Center into a performance venue. The proposed Fargo Performance Center could enhance the demand potential of touring concerts and theatrical productions in Fargo, and provide performing arts groups in the Fargo MSA a modern, state-of-the-art venue in which to perform.

Methodology

In accordance with the Scope of Services, the consulting team performed the following tasks:

1. The consulting team conducted a series of meetings and interviews in Fargo, North Dakota on April 13-15, 2015. During this visit, they met with the Civic Center committee, toured the Fargo Civic Center, interviewed several potential user groups and other key industry participants, and gathered relevant data.
2. Analyzed the economic and demographic data that indicate whether, and the extent to which, the local market area supports the proposed performance center.
3. Interviewed potential user groups to assess their venue needs and potential event demand they could generate.
4. Compiled data on 11 comparable performance centers to test the reasonableness of the building program recommendations and inform event demand projections.
5. Recommended a market-based facility program based on the above steps.
6. Evaluated the ability of the existing Fargo Civic Center to accommodate the building program recommendations.
7. Prepared event demand and attendance forecasts based on the implementation of the program recommendations.
8. Prepared conceptual plan alternatives based on proposed building recommendations.
9. Prepared a financial forecast for the proposed Fargo Performance Center operations.

10. Prepared an economic and fiscal impact analysis for the proposed Fargo Performance Center.
11. Identified alternative methods used to finance the construction of performance centers in the U.S..
12. Developed steps to implement the proposed building plan.

The consulting team collected and analyzed all information contained in this report. HVS sought out reliable sources and deemed information obtained from third parties to be accurate.

Role of Performing Arts in Cities

The presence of performing arts opportunities in a community directly affects the individual residents, as well as the quality of the community as a whole. A thriving performing arts culture increases the propensity of residents to participate in the arts, which in turn increases the attractiveness of the community to tourists, businesses, people, and investment. Since an interest in the arts is highly correlated to education level, the people that are attracted to live in communities with a strong arts presence tend to be an educated, highly-skilled work force. Communities with a robust arts identity tend to have a more favorable image and status while also enjoying reduced crime rates and a greater degree of cultural diversity. The arts also foster creativity among community residents that can spur economic growth in creative industries. The following figure identifies the various mechanisms of impact that performing arts can have on individual residents and a community as a whole.

**FIGURE 1-1
MECHANISMS OF PERFORMING ARTS IMPACT**

	Individual			Community		
	Material/ Health	Cognitive / Psychological	Interpersonal	Economic	Cultural	Social
Audience Participation	Increases opportunities for enjoyment	Increases cultural capital	Increases tolerance of others	Increases spending at local businesses and multiplier effects	Builds community identity and pride	Brings together people who might otherwise not interact
	Relieves stress	Enhances visuo-spatial reasoning (Mozart effect)			Increases diversity, tolerance and free expression	
Presence of Performing Arts in Community	Material/ Health	Individual Cognitive / Psychological	Interpersonal	Economic	Community Cultural	Social
	Increases individual opportunity and propensity to be involved in arts			Increases propensity of community members to participate in the arts	Improves community image and status	Promotes neighborhood cultural diversity
			Increases attractiveness of area to tourists, businesses, and people			
			Fosters creative spirit that spurs economic growth			
			Greater likelihood of neighborhood revitalization			

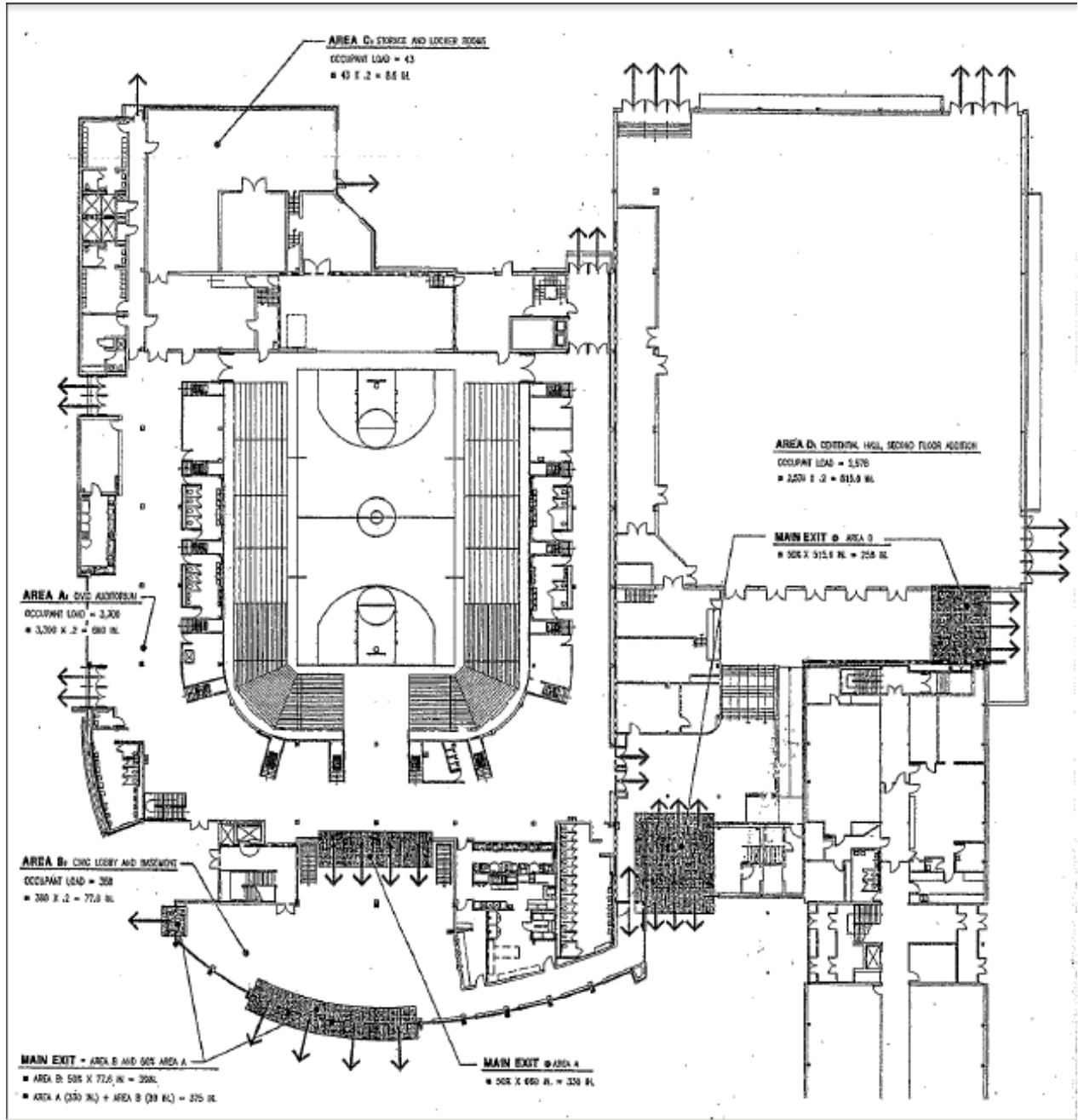
Source: Center for Arts and Cultural Policy Studies, Princeton University

Description of Existing Fargo Civic Center

The City of Fargo owns the Fargo Civic Center and operates the venue through an in-house management staff. Located in downtown Fargo, the Fargo Civic Center is a multipurpose venue capable of hosting sporting events, concerts, consumer shows, meetings, and social events. A proscenium stage faces a flat floor and U-shaped fixed seating. Movable risers can expand seating capacity. Seating capacity varies by event, but the Civic Center’s auditorium seats approximately 1,500 for sporting events and 2,500 for concerts with floor seating. The open floor in the auditorium contains approximately 12,500 square feet of flat floor space. The venue also houses an 11,000 square foot exhibition hall (Centennial Hall) and approximately 6,000 square feet of meeting space. The venue hosts around 70

event per year, primarily made up of consumer shows and sporting events. The following figure presents the existing Civic Center floor plan.

FARGO CIVIC CENTER FLOOR PLAN



While the Civic Center's auditorium regularly hosts popular concerts and comedy shows, it lacks the staging capabilities to host touring Broadway performances, symphony, and other fine arts performances. These events typically require a larger stage, stage wings, and a fly loft with adequate height for rigging, catwalks, and other systems.

The following figure provides an aerial view of the Civic Center and developments immediately surrounding the site.

AERIAL VIEW OF THE FARGO CIVIC CENTER



A selection committee has recently named the site just east of the Civic Center and currently occupied by the north end of the Civic Center parking lot as the site for the new Fargo City Hall building. In the current plans, construction of the proposed City Hall facility would require the removal of Centennial Hall from the Fargo Civic Center. Losing this exhibit hall from its building inventory would result in the loss of over half of the events currently hosted by the Civic Center and roughly half of its annual attendees.

In addition to the Fargo City Hall project, the Fargo Civic Center site is also proximate to other major developments in Fargo, including the Second Street Flood Control Project, the potential development of a downtown Fargo Convention Center, and other downtown initiatives. While it is not included in the scope of this study, these interrelated development projects should be viewed in the overall context of a master plan for development of the civic plaza area and potential impacts and mutual benefits should be investigated.

Market Area Analysis

The Fargo MSA enjoys high population growth and a strong and growing economy. Throughout the national recession and subsequent recovery period, Fargo maintained a low unemployment rate and has had significant growth in employment levels during the past decade. The market benefits from these encouraging employment statistics and a well-diversified employment base with a number of corporations in a variety of industries. The local Fargo and surrounding populations are clearly able to support performance venues in Fargo and provide a strong source of local and out-of-town demand for a variety of events.

Fargo's entertainment and event infrastructure lacks an indoor performance venue suitable for events which attract between 1,000 and 3,000 attendees. Downtown Fargo is a desirable visitor destination and provides an excellent backdrop for a performance venue. Future planning and development efforts in downtown Fargo should consider the interrelationship between a performance center, retail and dining amenities, and parking and work to improve the pedestrian connections between them.

Comparable Venue Assessment

HVS analyzed the following eleven comparable performance centers in small metropolitan markets throughout the U.S. This analysis provides a basis for building program recommendations by comparing the function spaces and other amenities in each of the facilities along with other characteristics of the markets relevant to the success of the venue.

**FIGURE 1-2
COMPARABLE VENUES**

Name of Venue	Location		Year Opened or Renovated	Seating Capacity
Paramount Theatre	Cedar Rapids	IA	2012	1,690
Adler Theatre	Davenport	IA	2006	2,400
Globe News Center	Amarillo	TX	2006	1,300
Clay Center	Charleston	WV	2003	1,883
Fox Cities Performing Arts Center	Appleton	WI	2002	2,072
Orpheum Theatre	Sioux City	IA	2001	2,459
Washington Pavilion	Sioux Falls	SD	1999	1,900
Lied Center for Performing Arts	Lincoln	NE	1990	2,000
Alberta Bair Theatre	Billings	MT	1987	1,410
Chester Fritz Auditorium	Grand Forks	ND	1972	2,384
Centennial Concert Hall	Winnipeg	MB	1968	2,305

Sources: Respective Venues

Theater seating in comparable venues ranges from 1,300 to nearly 2,500 seats with an average of just under 2,000 seats. In addition to entertainment and theatrical performances, most venues offer their stage and lobby areas for private rental for weddings, receptions, expositions, corporate meetings, and other group events. Several of the comparable venues house additional function spaces which allow them to expand these private rentals and create a higher amenity level for patrons attending their performance events. These spaces include meeting rooms, art galleries, black box theaters, restaurants, green rooms, and outdoor plazas. Five of the comparable venues are operated as part of larger integrated developments which include museums, convention centers, and other public facilities.

Local residents comprise a significant portion of a performance center’s primary attendee market. Local population characteristics, therefore, can provide insight into event and attendance potential and also provide evidence of a community’s overall economic size and ability to support public services and visitor amenities that are important for theater users. When compared to the comparable markets, the size of Fargo’s metropolitan population is below average. But, Fargo residents prove more affluent, younger, and more highly educated than residents of the comparable markets, indicating that they are more likely to attend the types of high arts and popular arts performances which would be presented at the Fargo Performance Center. This conclusion is consistent with data that shows that Fargo residents spend above average amounts per capita on symphony, theater, and other performing arts.

This comparable analysis also suggests that the seating capacity in Fargo should be in the higher end of the range created by the comparable venues. If possible,

programming of the performance hall should consider the inclusion of complementary function spaces and integrated development to improve the event demand potential, expand the possible uses, and enhance the overall visitor experience.

User & Stakeholder Interviews

The consulting team interviewed the following representatives from local organizations which could potentially use the proposed performance center for their events. These interviews helped inform building program recommendations and demand estimates.

Potential Users

- Jade Neilsen, Jade Presents
- David Hamilton, Executive Director, Fargo Moorhead Opera
- Linda Boyd, Executive Director, Fargo Moorhead Symphony Orchestra
- Scott Sampson, VP of Programming, Jam Theatricals
- Bonnie Haney, Bonnie Haney School of Dance
- Haylee Thompson, Red River School of Dance

The consulting team also interviewed the following community stakeholders and performance venue operators

Community Stakeholders

- Dana Del Val, Director, The Arts Partnership
- Carrie Wintersteen, Director, Theater B
- Charley Johnson, President/CEO, Fargo Moorhead CVB
- Mike Hahn, Executive Director, Downtown Community Partnership
- Jim Gartin, President, Fargo Moorhead Economic Development Corporation
- Craig Whitney, President/CEO, Fargo Moorhead West Fargo Chamber of Commerce
- Doug Burgum and Mike Allmendinger, Kilbourne Group

Local Venue Operators

- Eloise Breikjen, Director, Fargo Moorhead Community Theater

- Kathy Anderson, Executive Director and Joel Farren, Technical Theatre Specialist, Trollwood Performing Arts School
- Jon Kram, General Manager, Scheels Arena
- Emily Beck, Fargo Theatre
- Bill Law and Ana Rusness-Petersen, North Dakota State University – Festival Concert Hall, Beckwith Recital Hall, Arkanase Auditorium, Walsh Studio Theater
- Elizabeth Evert-Karnes and Ryan Jackson, Minnesota State University Moorhead – Hanson Theater, Gaede Stage, Weld Hall, Fox Recital Hall
- John Roberts and David Wintersteen, Concordia College – Memorial Auditorium, Frances Frazier Cornstock Theater, Recital Hall

Civic Center Committee Members

- Dave Piepkorn, City Commissioner
- Mike Williams, City Commissioner
- Bruce Grubb, City Staff
- Bob Getz, City Staff
- Rob Sobolik, Fargodome Manager
- Deb Mathern, Fargodome Board
- Dan Armbrust, Civic Center Board
- Jade Nielson, Local Events Promoter

Building Program Recommendations

The consulting team developed building program recommendations for a proposed Fargo Performance Center. The recommended facility program can serve as a guide for subsequent physical planning aimed at providing the desired program elements.

The consulting team's program recommendations could place the proposed Fargo Performance Center in a position to attract a variety of touring concerts and theatrical productions to Fargo. These events could include those productions currently held in the Fargo Civic Center and the FARGODOME and new events which existing venues in the market cannot accommodate. The proposed venue could also serve local arts groups, such as the Fargo Moorhead Symphony Orchestra ("FMSO"), allowing them to present their performances in a venue with superior acoustics, back of house accommodations, and attendee amenities than found in the multipurpose facilities they currently use. In addition, a smaller performance space could serve performances by arts groups with lower



attendance needs and provide all groups space for rehearsals, receptions, and other uses. The development of the proposed venue could result in a significant increase in the number of events and the attendance generated by arts and entertainment performances in Fargo.

Our building program recommendations include elements required for the front of house, house and stage, and the back of house areas. The building program presented in the following figure would create a 2,200-seat state-of-the-art performance venue in Fargo that would be capable of supporting the multiple performance types required by the market.

**FIGURE 1-3
PRELIMINARY BUILDING PROGRAM**

Area	Seats	Floor Area (sf)
Front of House		
Lobbies		24,800
Rest Rooms		2,723
Box Office		440
Concessions & Catering		2,540
Ushers & Security		1,150
Admin Offices and Conference		940
Equipment and Storage		992
	Net floor area	33,585
	Gross factor	1.4
FRONT OF HOUSE GROSS FLOOR AREA		47,018
House and Stage		
House - Orchestra (Main)	1300	13,000
House - Balcony	500	5,000
House - Gallery	400	4,000
Stage and wings		6,400
Orchestra Pit		1,980
Support and Technical		1,080
	Net floor area	31,460
	Gross factor	1.5
HOUSE AND STAGE GROSS FLOOR AREA		47,190
Back of House		
Dressing Rooms & Green Room		6,150
Rehearsal/Event Room & Support		3,960
Offices		1,200
Loading		900
Equipment & Storage		3,182
	Net floor area	15,392
	Gross factor	1.4
BACK OF HOUSE GROSS FLOOR AREA		21,549
TOTAL GROSS FLOOR AREA		115,757

The above program includes a total gross floor area of 116,000 square feet, which would require a building footprint of approximately 70,000 square feet. Based on market and programming recommendations detailed above, JLG Architects prepared conceptual plans and cost estimates for the two options for the Fargo Performance Center, 1) renovation of the existing Fargo Civic Center and 2) new construction on the Civic Center site. These plans are included in the Appendix to this report.

The following figure provides a summary of estimated development costs for both performance center options.

**FIGURE 1-4
ESTIMATE OF DEVELOPMENT COSTS**

Item	Renovate Existing Civic Center	New Construction
Demolition	\$3,000,000	\$1,000,000
Unit Cost (\$ per Sq Ft)	345	360
Building Area (Sq Ft)	115,757	115,757
Renovation/Construction Cost	\$39,936,165	\$41,672,520
Soft Costs and FF&E	19%	16%
	7,588,000	6,668,000
Owner's Contingency	10%	5%
	3,994,000	2,084,000
Total Cost	\$54,518,000	\$51,425,000
Skyway Allowance		\$4,000,000
Seating Wagon Option		\$2,700,000

The renovation option would require higher architectural and engineering design fees. Owner's contingency estimates are higher for the renovation option due to the unknown conditions that could require additional design, material, and labor costs.

Demand Projections

HVS based event demand projections at the proposed Fargo Performance Center on the following research and analysis:

- The program recommendations presented Section 5 of this report,
- An analysis of historical estimated demand versus demand potential in the market,
- User and stakeholder interviews,
- Event promoter interviews,
- Industry data and trends reports,
- Key market and economic indicators outlined in Section 2, and
- Comparable venue program and demand data.

The following figure presents the demand projections for a stabilized year, which would occur approximately four years after the opening of the venue in 2020.

**FIGURE 1-5
EVENT DEMAND IN A STABILIZED YEAR**

Event Type	Number	Average Attendance	Total Attendance
Concerts & Entertainment	28	1,650	46,200
Touring Theater	16	2,000	32,000
Symphony	6	1,100	6,600
Opera	4	600	2,400
Ballet/Dance	10	350	3,500
Local Theater	30	100	3,000
Assemblies	10	1,000	10,000
Banquets & Social	45	150	6,750
Other	5	1,000	5,000
Total	154		115,450

The new construction scenario includes an optional configuration which provides for flat floor space at the front of the auditorium seating. Auditorium seats would be on seating wagon which can be removed and stored under the lower level seating. The flat floor would allow for additional standing attendees at concerts and create additional opportunities to host wedding and dinner theater performances. HVS projects that this option would increase average concert attendance by 150 attendees. It would also allow for 10 additional local theater performances and increase the average attendance at the performances by 50 attendees. Banquet and wedding demand would also increase by 10 events. By a stabilized year of demand, the total number of annual events at the Fargo Performance Center would increase by 15 and the number of annual attendees would increase by approximately 8,000.

Financial Analysis

HVS applied a series of revenue and expense assumptions regarding the facility utilization and operations to develop a comprehensive operating financial statement for the proposed Fargo Performance Center. The figure below presents the stabilized year of operating projections. All revenues and expenses are for a stabilized year of demand in inflated dollars.

**FIGURE 1-6
INCOME AND EXPENSE IN A STABILIZED YEAR (INFLATED)**

	Stabilized Year
OPERATING REVENUE	
Theater Rental	\$462,100
Gross Ticket Sales	4,696,100
Facility Fee	221,500
Function Space Rental	38,500
Food & Beverage (Gross)	1,159,200
Event Services (Gross)	113,600
Novelty (Gross)	621,400
Advertising	124,900
Other Revenue	<u>25,000</u>
Total	\$7,462,300
EVENT EXPENSES	
Promoter Costs	\$4,226,500
Food & Beverage Costs	811,500
Event Services Costs	96,600
Novelty Costs	<u>497,100</u>
Total	<u>\$5,631,700</u>
	\$1,830,600
INDIRECT EXPENSES	
Salaries & Benefits	\$700,100
Administrative & General	174,400
Contractual Services	99,600
Repair & Maintenance	111,900
Supplies & Equipment	62,300
Utilities	473,600
Management Fee	124,900
Capital Maintenance Reserve	<u>223,900</u>
Total	<u>\$1,970,700</u>
TOTAL NET INCOME (LOSS)	<u><u>(\$140,100)</u></u>

For a stabilized year of demand, the operation of the proposed Fargo Performance Center would require a subsidy of approximately \$140,000. This is significantly lower than similarly-sized, stand-alone performance centers as shown below. The primary source of costs saving would be in the labor costs required to manage the facility. HVS assumes that the operator of the FARGODOME would also manage the Fargo Performance Center. As a result, several staff functions that would be required in a stand-alone operation would be handled by the management team already in place at the FARGODOME.

HVS projects that the additional events and attendees attracted by the flat floor space created by the seating wagon option would reduce the annual operating subsidy by approximately \$40,000 in a stabilized year of demand.

**FIGURE 1-7
COMPARABLE VENUES OPERATING SUBSIDIES**

Venue	Location	Seating Capacity	Operating Loss	Year
Flynn Center	Burlington, VT	1,400	(\$1,283,000)	2014
Carson Center	Paducah, KY	1,800	(\$1,136,000)	2014
Fox Cities PAC	Appleton, WI	2,070	(\$862,000)	2014
Centennial Hall *	Winnipeg, MB	2,300	(\$831,000)	2014
Alberta Bair Theater	Billings, MT	1,400	(\$422,800)	2013

* Loss stated in \$CAN.

Source: Respective Venues

HVS projects that the additional events and attendees attracted by the flat floor space created by the seating wagon option would reduce the annual operating subsidy by approximately \$40,000 in a stabilized year of demand.

Economic and Fiscal Impacts

HVS identified the new direct spending that would occur in the local economy due to the operations of the proposed Fargo Performance Center. HVS used the IMPLAN input-output model to estimate indirect and induced impacts as well as jobs created on the direct spending. HVS investigated the incremental impacts on the City of Fargo.

HVS direct spending estimates include only new spending that originates from outside the market area defined above. Spending by attendees who live within the market area is a transfer of income from one sector of the area’s economy to another; therefore, this analysis does not count spending by local residents as a new economic impact. HVS further removes attendee spending from groups which would transfer business to the Fargo Performance Center from another venue in a market area.

The following figure summarizes the results of this analysis for the new, annual incremental spending projected in the market area. The figure also contains the corresponding fiscal or tax revenue impacts of this spending in the City of Fargo. All dollar figures represent a stabilized year of demand in 2015 dollars.

**FIGURE 1-8
ANNUAL ECONOMIC AND FISCAL IMPACTS**

	City of Fargo
Economic Impact	\$6.8 Million
Fiscal Impact	\$123,500
Jobs	83

In addition to the quantitative impacts presented above, the presence of the proposed Fargo Performance Center would also have a number of softer, qualitative benefits to the surrounding neighborhood and the greater Fargo community.

- The presence of a high-quality performance center in Fargo would create additional opportunities for residents to attend and participate in cultural activities. Participation analysis suggests that additional demand potential exists in the Fargo market and that current supply does not satisfy this potential.
- Workforce development has been the primary impediment to economic growth in Fargo. A new performing arts venue could increase the attractiveness of Fargo to people considering relocation. While not a panacea, the availability of entertainment options is an important lifestyle consideration.
- A Fargo Performance Center would afford the local symphony and opera a more suitable venue for their performances, allowing them to potentially expand programming and increase attendance.
- Multiple performance spaces in the proposed performance center would allow local theater and other arts groups additional space for productions and rehearsals. These groups currently face restrictions from inadequate supply of available space.
- Increased cultural activity in a market offers numerous benefits to residents and makes a community a more desirable place to live and work. Fostering Fargo’s reputation of having a well-educated and creative workforce is a major selling point that differentiates Fargo for corporations looking to relocate in the region.
- The presence of a downtown performance center would enhance ongoing efforts at revitalizing Fargo’s downtown. Evening performances would encourage attendees to patronize restaurants and retail establishments

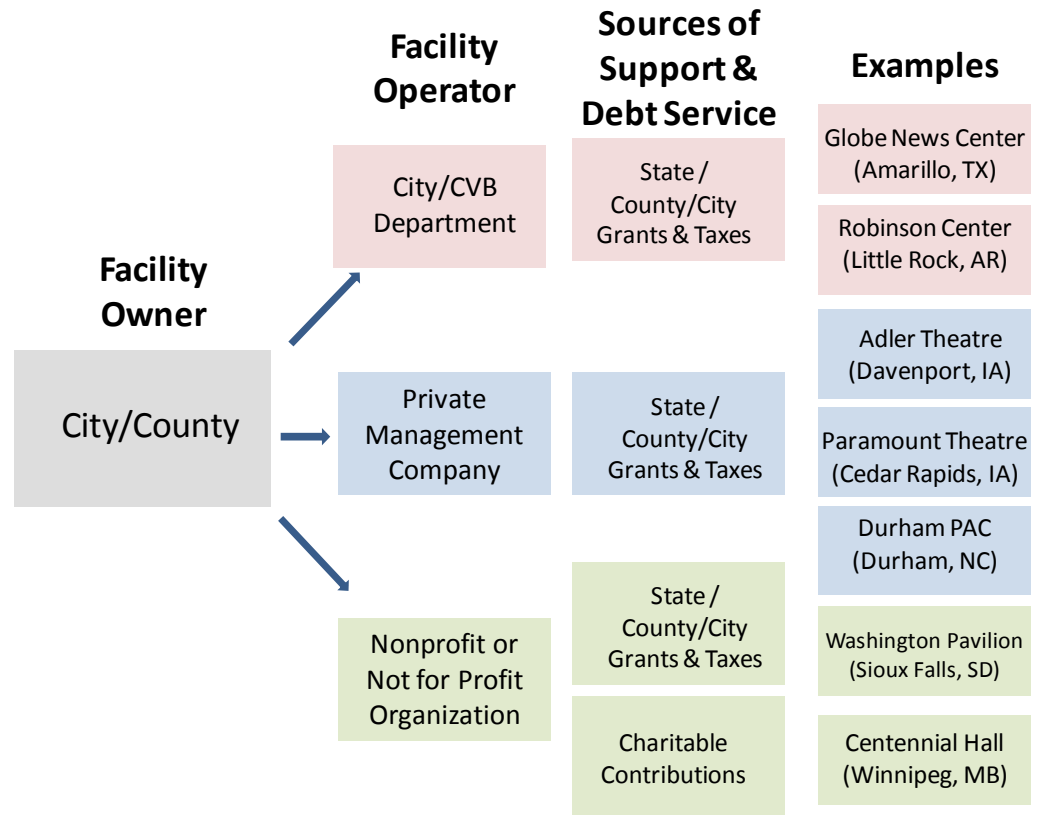
either before or after an event, enlivening the neighborhood beyond regular working hours.

- The development of the Fargo Performance Center at the site of the Fargo Civic Center could be a catalyst to the redevelopment the City’s Riverfront. With the performance center and new City Hall as prominent anchors, collateral lodging, retail, dining, and entertainment development would provide a strong boost to the Riverfront renewal.

Approach to Management and Financing

Performing arts centers operate under a variety of ownership and management structures, ranging from public municipal ownership to ownership by a nonprofit organization. Venues can be stand-alone performance centers or part of a larger cultural and entertainment complex which may include museums, movie theaters, and convention centers. The following figure provides a summary of the most common management structures for city- or county-owned performance centers.

**FIGURE 1-9
MANAGEMENT OF CITY-OWNED PERFORMANCE CENTERS**



Regardless of management structure, publicly-owned venues rely on public support typically in the form of taxes and grants. Venues operated by a nonprofit organization also have active fundraising programs for both private and corporate donations.

In the United States, funding for performance centers includes a range of methods from private, nonprofit groups employing a fundraising campaign to state or local governments using public debt to finance construction and subsequent operating needs. Many facilities use a combination of the two in which activities by a nonprofit owner or manager are complemented by state and local government pledges of annual funds to maintain the ongoing viability of a performance facility.

Local governments which finance the construction of performance facilities with public debt, usually do so over a 20- to 30-year period. Municipalities justify public investment either on the basis of the potential economic impact of a project or because it represents the development of a community asset with broad support that would not be developed without public spending.