



FEASIBILITY ANALYSIS

Fargo Performance Center

FARGO, NORTH DAKOTA



SUBMITTED TO:

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PREPARED BY:

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Re: Fargo Performance Center
Fargo, North Dakota

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Dear Mr. Grubb:

Attached you will find our Feasibility Analysis of a Fargo Performance Center in Fargo, North Dakota.

We certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

It has been a pleasure working with you. Please let us know if we can provide any additional services.

Sincerely,
HVS Convention, Sports & Entertainment
Facilities Consulting

Thomas A Hazinski
Managing Director

Catherine Sarrett
Project Manager



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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		Reduces neighborhood crime and delinquency
				Fosters creative spirit that spurs economic growth		
				Greater likelihood of neighborhood revitalization		

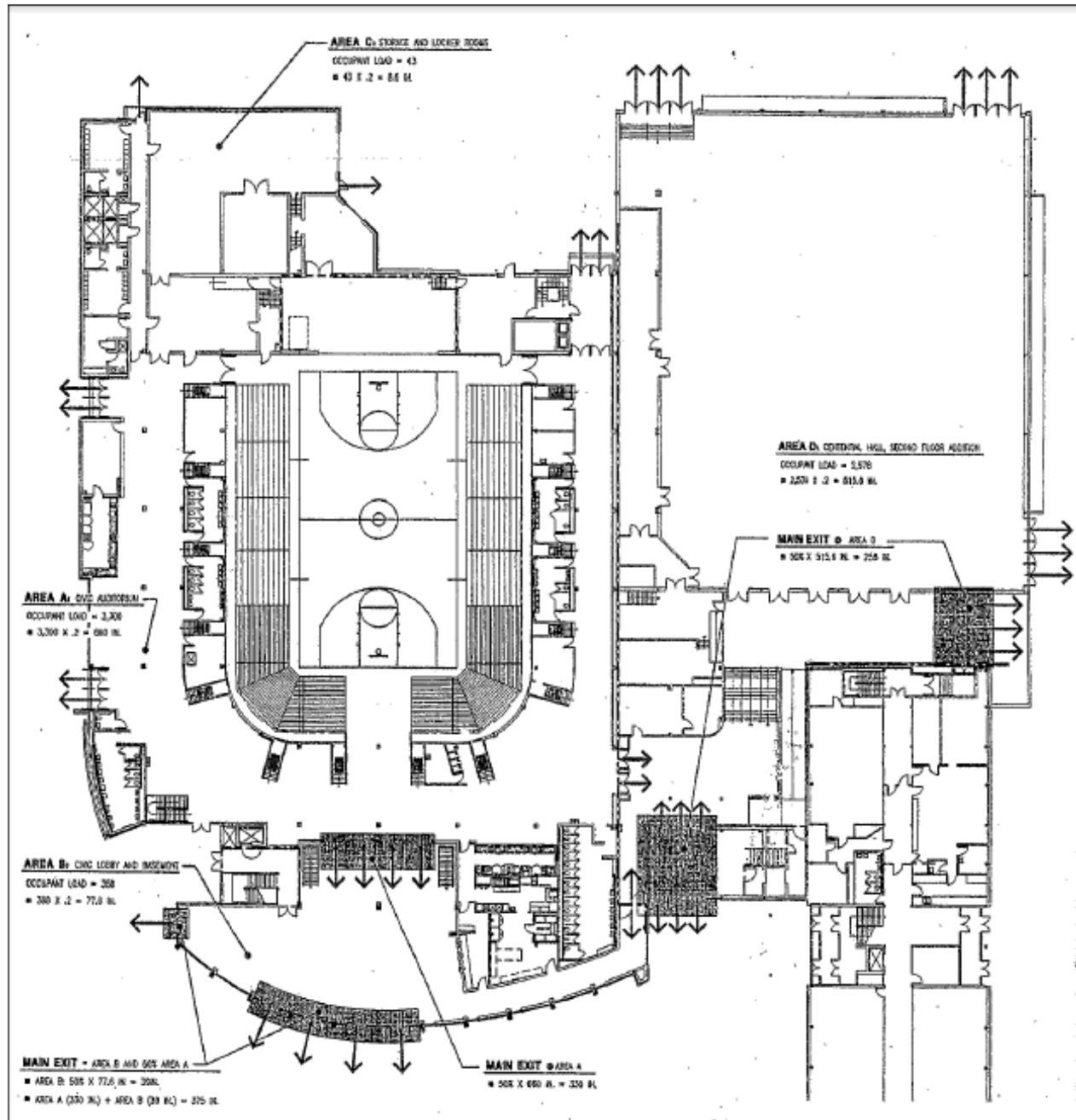
Source: Center for Arts and Cultural Policy Studies, Princeton University

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,

User & Stakeholder Interviews

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.

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

	Renovate Existing Civic Center	New Construction
Item		
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	25,000
Total	\$7,462,300
EVENT EXPENSES	
Promoter Costs	\$4,226,500
Food & Beverage Costs	811,500
Event Services Costs	96,600
Novelty Costs	497,100
Total	\$5,631,700
	\$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	223,900
Total	\$1,970,700
TOTAL NET INCOME (LOSS)	(\$140,100)

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 work force 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

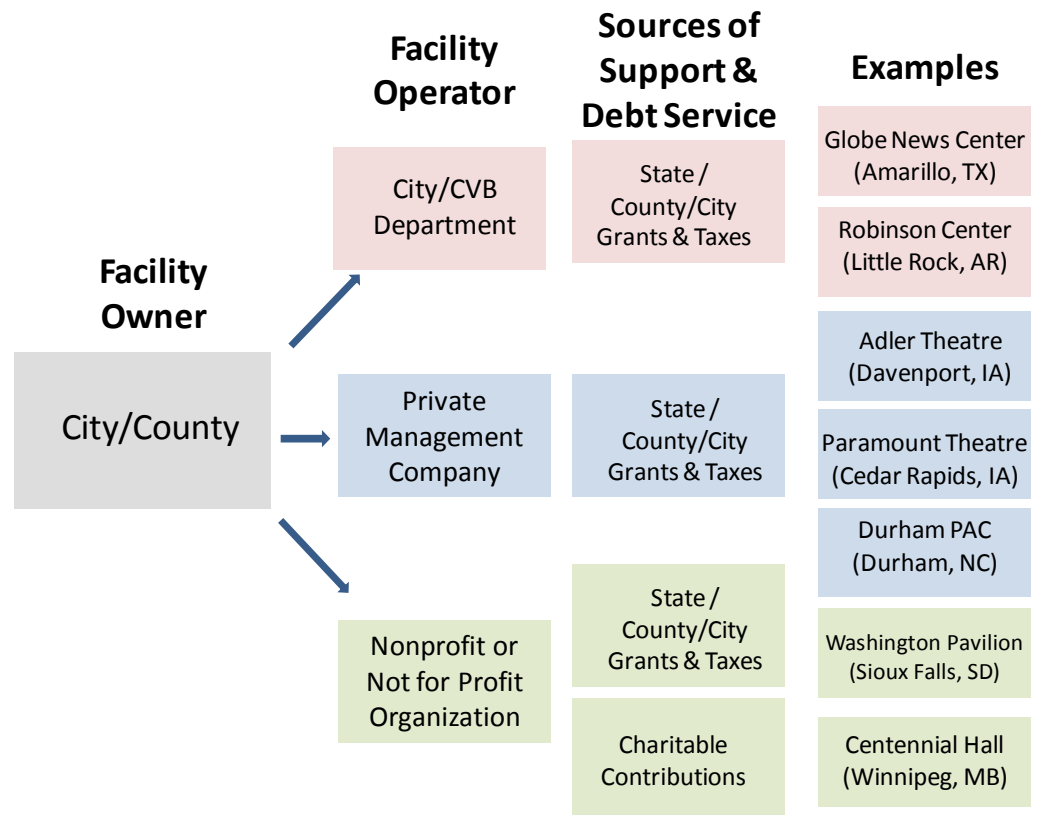
either before or after an event, enlivening the neighborhood beyond regular working hours.

- 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.

2. Market Area Overview

This market area analysis reviews economic and demographic data that describe the overall condition of the local economy in Fargo, North Dakota. The characteristics of the area economy and trends that indicate growth or decline provide indicators of the performance of a Fargo Performance Center. HVS analyzed the following indicators: population, income, sales, work force characteristics, employment levels, and downtown attractions.

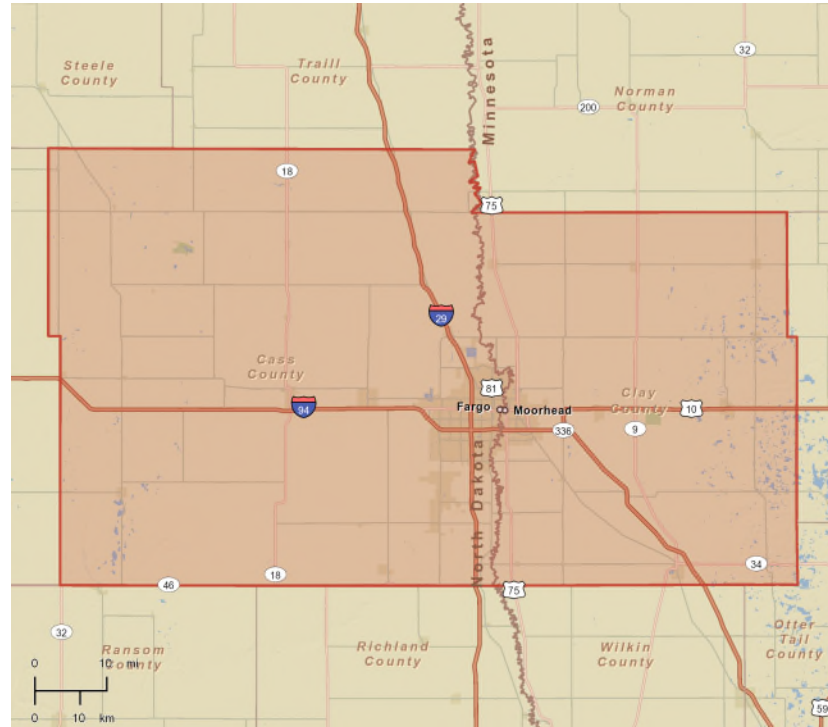
Fargo, North Dakota

Founded in 1871, the city of Fargo was originally named "Centralia," but was later renamed in honor of Northern Pacific Railway director and Wells Fargo Express Company founder William Fargo. The city forms the center of the Fargo-Moorhead Metropolitan Area, considered the crossroads and economic center of eastern North Dakota and northwestern Minnesota. Fargo is the county seat of Cass County, located in the Red River Valley region, and is one of the largest metropolitan areas between Minneapolis, Minnesota and Spokane, Washington. The area economy is based on education and the medical industry, as well as agricultural equipment manufacturing, retailing, and services. Agriculture has long been an economic anchor of Fargo, as the Red River Valley area contains some of the richest farmland in the world; related industries include agribusiness and agricultural research. Back office operations by financial institutions, such as Citi and the health care industry (Sanford) provide significant employment growth. Software companies have brought a touch of Silicon Valley to the area. In 2013, Fargo was ranked the #3 Best Performing Small City by the Milken Institute.

Market Area Definition

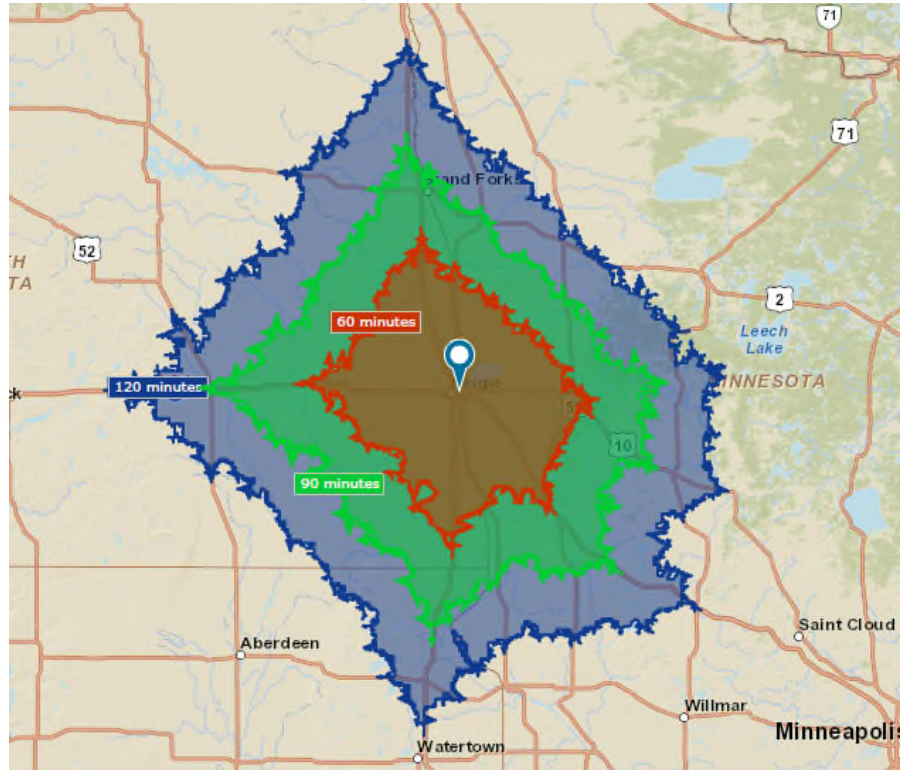
The primary market area for a performance center consists of the geographical region that offers residence, transportation access, and other amenities to users of the facility. For the purposes of this study, HVS defined the primary market area as the Fargo-Moorhead metropolitan statistical area ("Fargo MSA" or "MSA") which includes all of Cass County in North Dakota and Clay County in Minnesota. The following map shows the market area. The following map shows the market area.

MAP OF FARGO MSA



This section presents key demographic and economic data and trends that have implications for future demand and attendance at the proposed Fargo Performance Center. Demand for music and theatrical events typically come from beyond the immediate local market. HVS, therefore, evaluated data for market areas within 60, 90, and 120-minute drive times of the facility to provide a basis for determining its market potential. HVS assumes that the secondary market for events at the Performance Center would arrive from within 90-minutes with certain high profile events drawing from a wider area. The following figure maps these drive times.

MAP OF MARKET 60, 90, AND 120-MINUTE DRIVE TIME



Population Demographics

The resident population surrounding an entertainment venue is an important indicator of demand potential for all types of events including concerts, live theatre, lectures, and other group events. Moreover, population data can reveal trends in the overall economic climate of an area and its ability to maintain sufficient infrastructure and amenities to support a venue. High population or income growth rates can indicate significant demand potential for local attractions. Positive economic trends would also indicate that the venue would be able to sustain population growth over time.

HVS used Esri Business Analyst (“Esri”) to study the local Fargo market and markets surrounding downtown Fargo at various drive times. Esri is a well-regarded forecasting service that applies GIS technology to produce extensive demographic, consumer spending and business data analyses. Esri employs a sophisticated location-based model to forecast economic and demographic trends. Esri bases historical statistics on U.S. census data, the American Community Survey, and other primary research. The following figure presents the population data and trends for the Fargo MSA and the drive time areas presented above. For comparison, the figure also includes growth rates for the State of North Dakota and the entire U.S.

**FIGURE 2-1
POPULATION TRENDS**

Market	2015	2020	Annual Growth Rate
Fargo MSA	231,285	257,305	2.16%
60-minute drive time	278,205	303,234	1.74%
90-minute drive time	462,331	492,820	1.29%
120-minute drive time	622,603	655,414	1.03%
North Dakota	724,027	814,047	2.37%
United States			0.73%

Source: ESRI

Recent economic trends fueled by rapid growth in the energy and technology industries in North Dakota have led to strong population growth rates in the Fargo MSA, a growth trend which is expected to continue. While strong population growth is expected throughout the state of North Dakota, markets surrounding the Fargo MSA, should see weaker growth than that in Fargo.

To augment the Esri population analysis, HVS reviewed a recent demographic forecast study published in December 2012 for the Fargo Moorhead Council of Governments ("Metro COG Report"). The Metro COG Report includes Fargo MSA population projections through 2040 for higher- and lower-growth scenarios. The following figure provides these projections in five-year increments through 2040.

**FIGURE 2-2
FARGO MSA LONG TERM POPULATION PROJECTIONS**

Year	Scenario A		Scenario B	
	Population	Annual Growth	Population	Annual Growth
2010	208,777		208,777	
2015	225,830	1.58%	222,110	1.25%
2020	243,300	1.50%	234,760	1.11%
2025	258,900	1.25%	246,730	1.00%
2030	273,580	1.11%	257,370	0.85%
2035	286,990	0.96%	266,390	0.69%
2040	298,070	0.76%	273,230	0.51%

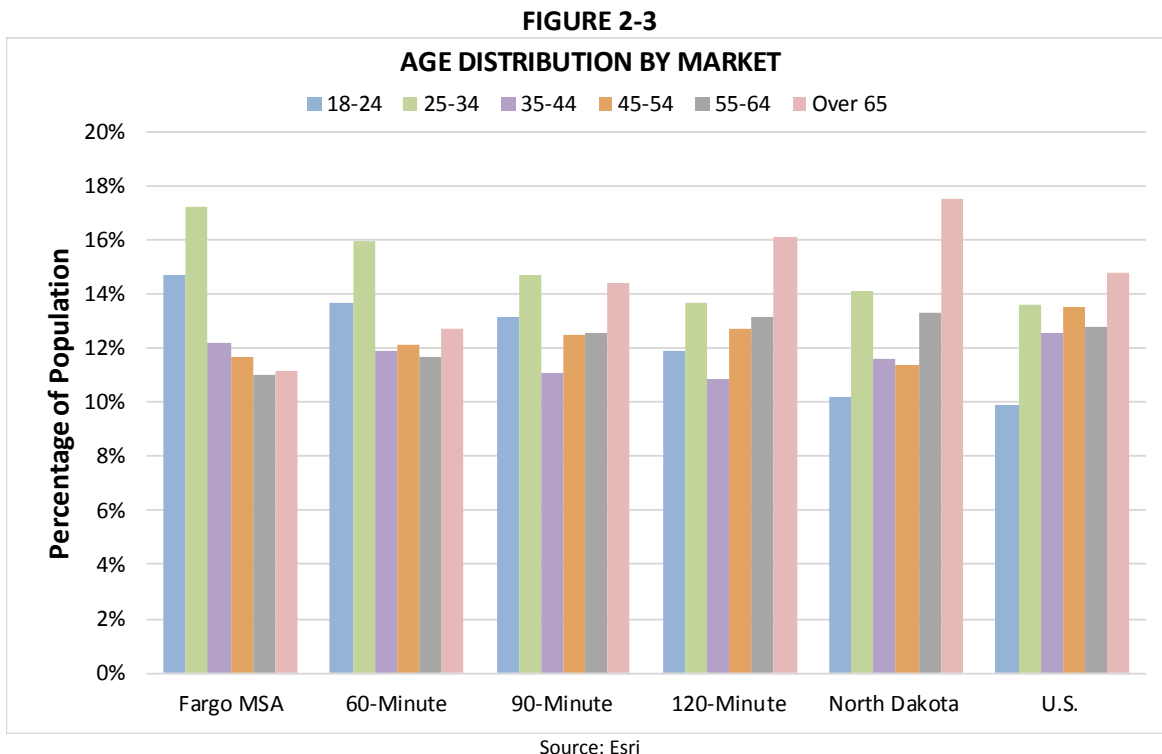
Sources: Ulteig and McKibben Demographics

The Esri 2019 population projections are slightly higher but roughly consistent with those in Scenario A, the higher growth projections in the Metro COG Report. Long-term population projections show strong but diminishing growth rates

through 2040. Over the 30-year period, the Metro COG Report projects the Fargo MSA population to grow between 31 and 43 percent.

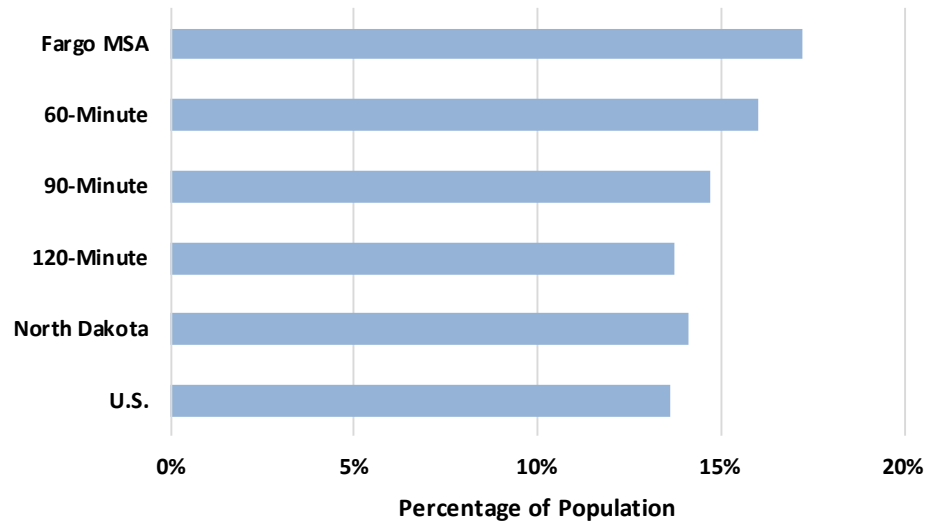
The success of an entertainment venue depends on its ability to develop programming that appeal to a broad cross-section of the marketplace. A market's age distribution can be a decisive factor in determining potential event demand, and provide insight into the types of events and programs that the market will support. A market with a strong young adult population indicates increased demand for contemporary concerts, modern theatrical productions, and other entertainment. In general, a younger population base is a positive sign for an entertainment facility's demand.

The following figure presents the population distribution by age for the Fargo MSA, the 60, 90, and 120-minute drive time areas, the State of North Dakota and the U.S. population as a whole.



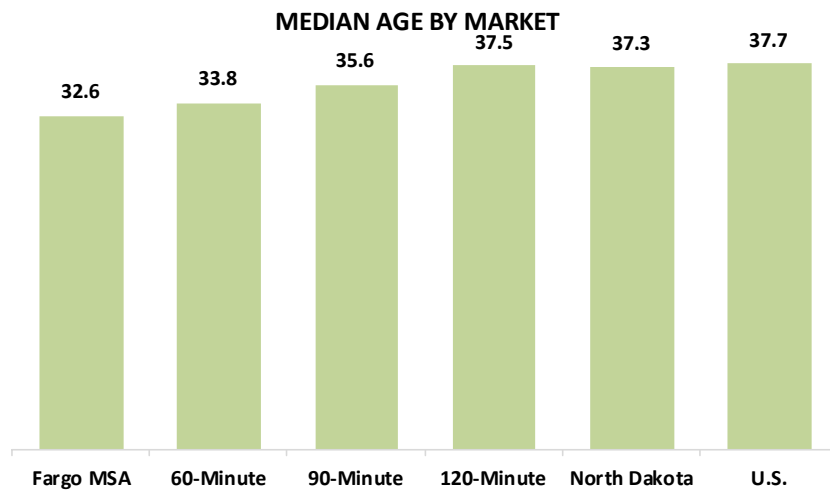
The following figures focus on the percentage of 25 to 34 year olds and the median age by the same markets above.

FIGURE 2-4
DISTRIBUTION OF 25 TO 34 YEAR OLDS BY MARKET



Source: Esri

FIGURE 2-5
MEDIAN AGE BY MARKET



Source: Esri

**Income and
Employment**

An analysis of the age demographic shows a much younger population base within Fargo MSA as compared to the wider drive time markets and the State of North Dakota. The Fargo MSA has a high percentage of residents in the 25 to 44 age demographic and a median age five years younger than state and national averages.

The strength of a market's income level and employment opportunities can also indicate its potential to support cultural and entertainment venues. In general, higher income levels indicate that greater amounts of disposable income are available for expenditures on entertainment. Trends in per capita personal and median household income reflect the relative spending capacity of area residents, and provide another benchmark for assessing the region's ability to develop and maintain both public and private services and attractions that help make an area an attractive place to live and to visit.

The following figures present the current and projected median household income statistics for the Fargo MSA, the markets surrounding the proposed Performance Center, the State of North Dakota, and the entire U.S.

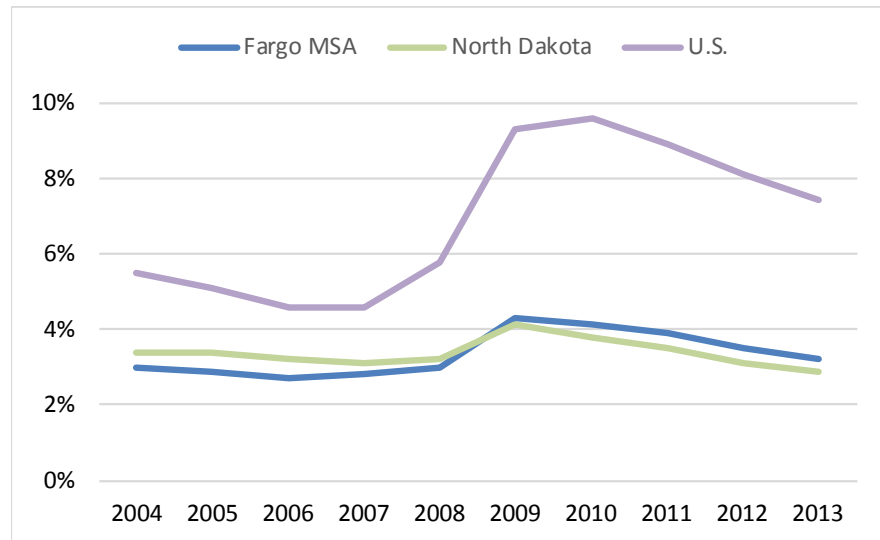
**FIGURE 2-6
MEDIAN HOUSEHOLD INCOME**

Market	Median Household Income (\$)		Annual Growth Rate
	2015	2020	
Fargo MSA	54,406	63,390	3.10%
60-minute drive time	52,730	62,963	3.61%
90-minute drive time	51,339	60,207	3.24%
120-minute drive time	50,962	58,607	2.83%
North Dakota	54,162	65,610	3.91%
United States	52,076	59,599	2.74%

Source: ESRI

The median household income in the Fargo MSA is higher than the surrounding drive time markets. All markets enjoy projected income growth rates above the national average. The income analysis indicates that all users served by the Fargo Performance Center would be part of a stable and growing economic base.

Unemployment statistics provide a measure of the health of the local economy and comparisons to state and national trends. The following table presents historical unemployment rates for the Fargo MSA, the State of North Dakota, and the U.S.

**FIGURE 2-7
UNEMPLOYMENT DATA**

The Fargo MSA along with the entire state of North Dakota has unemployment rates well below the national average. Like the rest of the country, the local population in Fargo experienced a spike in unemployment due to the national recession. Peaking at 4.3 percent in 2009, a level that would be considered full employment in most economies, Fargo's unemployment spike was considerably less severe than that experienced by the majority of the U.S. Recent unemployment data suggests that Fargo employment levels have returned to prerecession levels. Low unemployment can be a serious barrier to economic growth as companies are unable to find an adequate skilled labor force.

Retail Spending

Retail spending patterns indicate a market's ability to generate venue revenues through ticket sales, facility rentals, fees, and food and beverage sales. The following figure presents the annual spending index for the entertainment admission. The Spending Potential Index ("SPI") is household based and represents the amount spent for a product or service relative to a national average of 100.

FIGURE 2-8
SPENDING ON ENTERTAINMENT ADMISSIONS - 2014

Market/Drive Time	Spending Potential Index	Annual Spending per Household
Fargo MSA	98	\$160.82
60-minutes	96	\$154.20
90-minutes	89	\$143.50
120-minutes	84	\$134.78

Source: Esri

The relative affluence and income stability of the resident population in the Fargo MSA translates into a greater propensity to spend on entertainment admissions as compared to the broader drive time markets which have spending below the national average. Historical entertainment spending by Fargo residents has been consistent with the national average and proven consistent with household income level. Future income growth projections suggest that greater amounts of disposable income in the Fargo MSA could translate into higher spending should sufficient entertainment opportunities exist in the market.

Business and Industry

The Fargo Moorhead area has a diverse industry base of highly productive companies. Fargo's well educated population and business friendly policies make it an attractive location for a variety companies in technology, manufacturing, financial services, back of house operations, and healthcare.

The following table shows the historical and projected Fargo, ND-MN MSA workforce distribution by business sector.

**FIGURE 2-9
HISTORICAL AND PROJECTED EMPLOYMENT**

Sector/Geographic Area	Beginning Amount (thousands)					Ending Amount (thousands)
		2000	2010	2015	2020	
Fargo, ND-MN MSA						
Health Care And Social Assistance	14.7					23.9
Retail Trade	16.5					21.1
State And Local Government	12.8					16.6
Accommodation And Food Services	9.6					14.8
Construction	7.6					11.6
Wholesale Trade	7.7					10.6
Finance And Insurance	7.7					9.8
Administrative And Waste Services	5.3					9.7
Manufacturing	7.9					9.6
Professional And Technical Services	5.3					9.4
Other	31.8					44.5
Total Fargo, ND-MN MSA	126.8					181.8
U.S.	165,371					197,077

Source: Woods & Poole Economics, Inc.

Over the past decade, employment in healthcare, construction, and professional and technical services have seen the greatest gains with an overall increase in employment of approximately two percent annually.

Providing additional context for understanding the nature of the regional economy, the following table presents a list of the major employers in the Fargo MSA.

**FIGURE 2-10
MAJOR EMPLOYERS**

Firm	Number of Employees
Sanford Fargo Medical Center	6,020
North Dakota State University	4,464
Essentia Health	3,381
Fargo Public Schools	1,816
Noridian Healthcare Solutions, LLC	1,371
CNH Industrial	1,250
West Fargo Public Schools	1,248
Wanzek Construction	1,100
U.S. Bank	1,059
Eventide Senior Living	1,006
Veterans Affairs	1,000
Moorhead Area Public Schools	903
Blue Cross Blue Shield	882
Microsoft	859
Shooting Star Casino	854

Source: Fargo-Moorhead-West Fargo Chamber of Commerce

The Fargo MSA has a number of large employers in a variety of industries, including a strong healthcare base. Overall, the business and employment analysis indicates a strong and stable corporate presence as well as a potential source of demand for Fargo's cultural and entertainment amenities.

Entertainment and Event Infrastructure

The Fargo area has a variety of arena, auditorium, and theater venues suitable for music and dance performances, theater, and other entertainment. The FARGODOME is the largest event venue in Fargo. It offers a variety of seating configurations suitable for a range of events from a 19,000-seat football stadium to a 3,200-seat theater. The FARGODOME also houses 10 meeting rooms with approximately 13,500 square feet of total meeting space and a 140-seat auditorium which is used by NDSU for press conference and other meetings. Scheels Arena, located in southwest Fargo, is a 5,000-seat ice arena that also hosts concerts and other entertainment in lower seating configurations. Scheels Arena is currently planning an expansion that will include a second ice sheet and approximately 3,000 square feet of meeting space.

Smaller entertainment venues in the market include the theaters and amphitheaters owned and operated by the area's colleges and local non-profit organizations. The following figure provides a summary of event venues in Fargo MSA.

**FIGURE 2-11
FARGO MSA EVENT VENUES**

Venue	Location	Seating Capacity	Typical Event Types / Users
FARGODOME	Fargo	3,200 - 19,000	sports, tradeshow, concerts, assemblies, theater
Scheels Arena	Fargo	4,000 - 5,500	sports, trade shows, concerts
Memorial Auditorium	Moorhead (Concordia)	1,800 - 7,000	sports, Concordia programs
Fargo Civic Center	Fargo	1,500 - 3,000	sports ,concerts
Bluestem Center for the Arts *	Moorhead	3,000	Trollwood programs, concerts
Festival Concert Hall	Fargo (NDSU)	990	NDSU programs, symphony, opera
Fargo Theatre	Fargo	900	films, concerts, assemblies
Hanson Theater	Moorhead (MSUM)	850	MSUM programs, recitals
Francis Frazier Cornstock Theater	Moorhead (Concordia)	400	Concordia programs
Askane Auditorium	Fargo (NDSU)	380	NDSU programs
The Stage at Island Park	Fargo	330	community theater
Gaede Stage	Moorhead (MSUM)	322	MSUM programs, theater
Weld Hall	Moorhead (MSUM)	275	MSUM programs, classes
Recital Hall	Moorhead (Concordia)	250	Concordia programs
Beckwith Recital Hall	Fargo (NDSU)	200	NDSU programs, recitals
Fox Recital Hall	Moorhead (MSUM)	120	MSUM programs, classes
Theatre B	Fargo	72	professional theater
Walsh Studio Theater	Fargo (NDSU)	varies	NDSU programs

* outdoor amphitheater with fixed and lawn seating

Source: Respective Venues

While the area's colleges and other nonprofits offer a variety of performance spaces with less than 1,000 seats, the market does not contain an indoor venue suitable for performances which attract 1,000 to 3,000 attendees. Although some venues have the necessary seating capacity, they lack of necessary staging and acoustical capabilities and other amenities that support more sophisticated theater and concert events. While the market's larger venues, such as the FARGODOME, are capable of hosting performing arts, they are not well-suited to this use. Further, the FARGODOME and schools are often passed over by popular touring concert promoters, because they are too large for many of the events that Fargo could attract as an arena setting can seem cavernous with an attendance level well below venue capacity.

Downtown Fargo

Attractive retail, dining, and entertainment options are an important factor for entertainment and cultural event attendees when assessing the overall appeal of an event. Having these amenities near the venue can enhance the appeal of a performance venue and provide sources of visitor spending in the local market. Forbes Magazine recently recognized downtown Fargo as one of the nation's top ten most transformed neighborhoods. Anchored by Broadway Street, downtown Fargo features a lively mix of restaurants, retail boutiques, art galleries, antique shops, and nightclubs. The Civic Center site is within an easy walking distance to the Broadway Street amenities, allowing for patrons to conveniently park once and visit dining and other establishments either before or after a performance. Future parking development and streetscaping in downtown Fargo should encourage these activities.

DOWNTOWN FARGO



Conclusion

The Fargo MSA enjoys high population growth and a strong and growing economy. Despite the national recession, Fargo has 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 concerts and theatrical events which attract between 1,000 and 3,000 attendees. Downtown Fargo is a desirable visitor destination and provides an excellent backdrop and complimentary amenities for a performance venue. Future planning and development efforts in downtown Fargo should consider the interrelationship between a performance center, other civic buildings, retail and dining amenities, and parking and work to improve the pedestrian connections among them.

3. Industry Trends and Participation Analysis

In this section, HVS presents an analysis of the performing arts industry, including trends in the supply and demand of performance facilities. Analysis includes trends in attendance and data on recent participation rates in performing arts. The purpose of this trends and participation analysis is to provide background information necessary to assess the potential for a performance center in Fargo, North Dakota. This section of the report also provides definitions of industry terms used throughout the remainder of this report.

The Performing Arts

The term, performing arts, can include a range of art forms, from live arts, performed in a variety of venues, to non-live arts, consumed through all forms of mass media. In this section and throughout this report, we focus on live performing arts, which take one of three basic forms detailed below.

- **High Arts** – High arts are traditional performing arts, including symphonic music, opera, and ballet.
- **Popular Arts** -- Popular arts consist of contemporary music, theater, and musical theater.
- **Folk Arts** – Folk arts represent the traditional art and culture from the diverse ethnic communities of the U.S. Folk art can range from gospel music to cultural dances.

There are three sectors or types of organizations of performing arts events. These sectors apply to both performance organizations, such as theater companies and the venues in which performances are held.

- **Nonprofit Sector** – The nonprofit sector consists of organizations filed under Section 501(c)(3) of the Internal Revenue Code. They are typically mission-driven and may be self-sustaining or require philanthropic support. Nonprofits depend on income from ticket sales and other operating revenues. If these sources cannot sustain operations in a way that fulfills their mission, they turn to other sources of sponsorship. These organizations also benefit from contributions of volunteer and subsidized labor.
- **Commercial Sector** – Commercial organizations rely solely on operating profits and define success in terms of market profitability. Most for-profit arts groups are involved in the production and distribution of recorded performances rather than live performance.

- **Volunteer Sector** – Volunteer groups rely primarily on volunteer labor for organizational activities and performance talent. Contributions play a small role in supporting these arts organizations. They often have a mission to encourage participation or to serve a particular ethnic or cultural community. The volunteer sector includes folk art groups, church choirs, and local music groups.

The distribution system which delivers live performing arts to an audience is made up of three main groups.

- **Creators** – Creators, including composers, writers, and choreographers, are the artists the core of the creative process, delivering content for live performances.
- **Performers** – Performers, including musicians, actors, and dancers, can be both amateur and professional, and are not necessarily distinct from creators as many artists take on both roles.
- **Presenters** – Presenters are the organizations responsible for producing live performances. These groups include performing arts centers, theaters, event promoters, artist agencies, and management companies. It is not uncommon for performers and creators to self-present and operate a presentation venue.

Performing Arts Historical Background ¹

The 19th century world drew little distinction between high arts and popular arts. Professional and amateur artists typically performed to mixed crowds ranging from working class to the upper classes. Most performing arts groups were for-profit enterprises performing in large urban centers and as touring shows in smaller cities and towns. The emergence of movies in the early 20th century caused a decline in the number of commercial touring companies as the working classes began to gravitate toward movie houses for their entertainment. This diversion of a large group of attendees led to the division of performing arts into the high, popular, and folk arts that we recognize today. The resulting division also drove the prices paid for the high arts to increase and provided the upper classes and rising middle class a means to distinguish themselves from working class through their preferences in entertainment.

Nonprofit arts group which relied on contributions from the affluent urban elite began to emerge. Eventually, these individual charitable endeavors transformed into organizations run by a board of directors or trustees that provided funding and general oversight to these nonprofit groups. The government played little to no role in the performing arts until the 1960s when the state of New York established the first State Council for the Arts. Established in 1965, the National

¹ The Performing Arts in a New Era, 2001

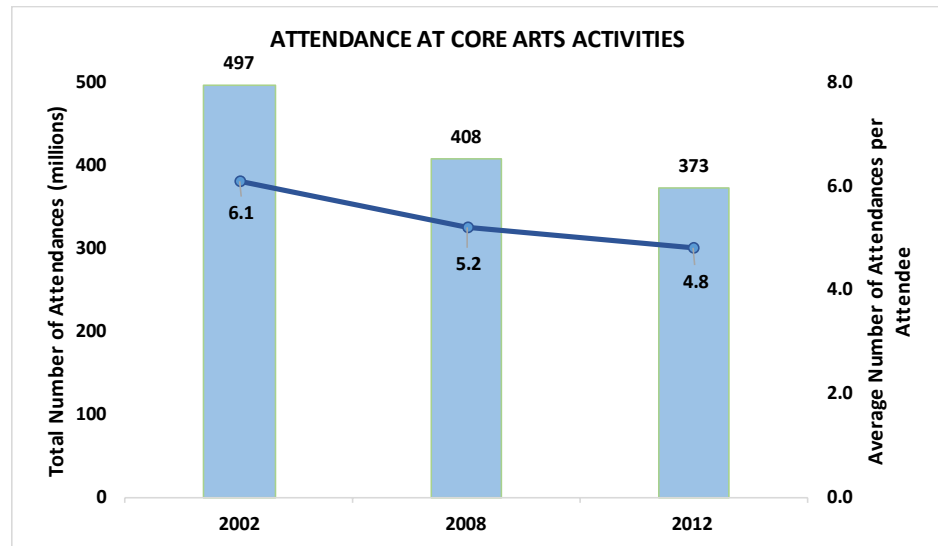
Endowment for the Arts (“NEA”) represented to first time in U.S. history in which the federal government took an active role in supporting the arts, including the performing arts. Within 15 years, every state had created a government supported arts council and thousands of local arts councils were organized as units of local government or as private nonprofit organizations.

The following decades saw a rapid increase in arts participation and a corresponding increase in nonprofit arts institutions. The growing market for the arts in recent decades can be attributed to several factors, including increasing prosperity, rising education levels, increased leisure time, and the baby boomer generation reaching adulthood. Despite its growing participation, the high arts in the U.S. continued to primarily attract the upper classes of society with the vast majority of Americans preferring the popular arts. Several recent recessions have led to reductions in federal funding of the arts and lower corporate and private donations. As a result, the distinctions between the commercial, nonprofit, and volunteer sectors have blurred. Many organizations now rely on hybrid organizational structures to survive the changing funding environment.

Demand Trends

Since 1982, the NEA has conducted a Survey of Public Participation in the Arts (“SPPA”) that tracks adult participation in the arts. The SPPA includes participation in visual and performing arts as well as other forms of art consumption, including electronic media, art education, reading, and film. Since 1982, the SPPA has tracked adult attendance at six “benchmark” performing arts events: Jazz performances, classical music performances, opera, musical plays, non-musical plays, and ballet. Because the NEA determined that attendance captured at these core events is not a comprehensive indicator of arts participation, over several years, the SPPA has added various other categories, including dance other than ballet, Latin or Spanish music events, outdoor performing arts festivals, other music, theater, or dance, and free music, theater, or dance. These additional categories broaden the base of events to include a better representation of attendance at the popular and folk arts. The most recent SPPA includes data collected in 2012.

According to the SPPA, over half of American adults attended at least one live or visual performing arts activity in 2012. Since 2002, attendance at the core set of performing arts has declined steadily from roughly 40 percent of U.S. adults in 2002 to 33 percent in 2012. The following figure shows similar declines in the total number of attendances and the average number of attendances per attendee for this same period.

FIGURE 3-1

The SPPA provides detailed participation data for each arts activity and also provides information on gender, age, education, family income, race/ethnicity, and the geographic region of attendees. For the purpose of this study, HVS focused on the data for the seven arts categories shown below. While a variety of art forms could use the proposed performance center in Fargo, these seven activities would likely make up the bulk of the performances.

FIGURE 3-2**HISTORICAL U.S. PARTICIPATION RATES**

Performing Arts Category	2002	2008	2012
Ballet	2.9%	2.8%	2.7%
Classical Music	11.6%	9.3%	8.8%
Musical Plays	17.1%	16.7%	15.2%
Non-Musical Plays	12.3%	9.4%	8.3%
Opera	3.2%	2.1%	2.1%
Other Dance ¹	6.3%	5.2%	5.6%

¹ "Other Dance" refers to dance other than ballet, such as folk and modern.

Source: National Endowment for the Arts, SPPA

Participation rates for most performing arts categories have declined steadily since 2002. Musical plays have the highest rate of participation among U.S. adults.

The following figure presents the average number of adult attendances for each event category in a year.

FIGURE 3-3
AVERAGE ANNUAL ATTENDANCES PER ATTENDEE

Performing Arts Category	2002	2008	2012
Ballet	1.7	1.6	1.5
Classical Music	3.1	2.9	2.6
Musical Plays	2.3	2.2	2.0
Non-Musical Plays	2.3	2.3	2.1
Opera	2.0	1.8	2.0
Other Dance	2.0	2.2	2.1

Source: National Endowment for the Arts, SPPA

Attendees at classical music performances attend these events most often. All event categories, with the exception of opera, have seen declines in the number of annual attendances since 2002.

The following figures present participation data by gender and race/ethnicity.

FIGURE 3-4
PERFORMING ARTS ATTENDANCE BY GENDER

Performing Arts Category	Male	Female
Percent of U.S. Population	48.1%	51.9%
Ballet	36.0%	64.0%
Classical Music	43.9%	56.1%
Musical Plays	40.7%	57.9%
Non-Musical Plays	42.1%	57.9%
Opera	41.3%	58.7%
Other Dance	39.4%	60.6%

Source: National Endowment for the Arts, SPPA

All event categories are skewed towards female attendees, especially those related to dance.

FIGURE 3-5
PERFORMING ARTS ATTENDANCE BY ETHNICITY/RACE

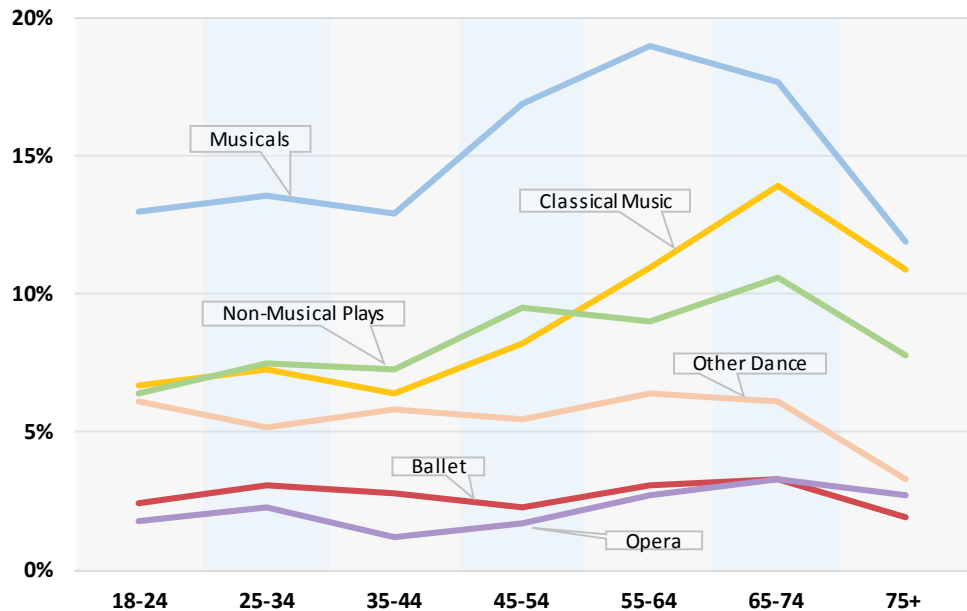
Performing Arts Category	White	African American	Other	Hispanic
Percent of U.S. Population	66.3%	11.4%	7.4%	14.9%
Ballet	79.4%	6.9%	4.5%	9.2%
Classical Music	83.2%	5.1%	6.2%	5.5%
Musical Plays	80.4%	8.5%	4.4%	7.1%
Non-Musical Plays	80.7%	8.5%	4.4%	6.4%
Opera	78.0%	6.2%	8.0%	7.8%
Other Dance	69.4%	10.7%	8.0%	11.9%

Source: National Endowment for the Arts, SPPA

Non-Hispanic whites comprise the majority of performing arts attendees, and participate in greater proportions than their share of the population as a whole.

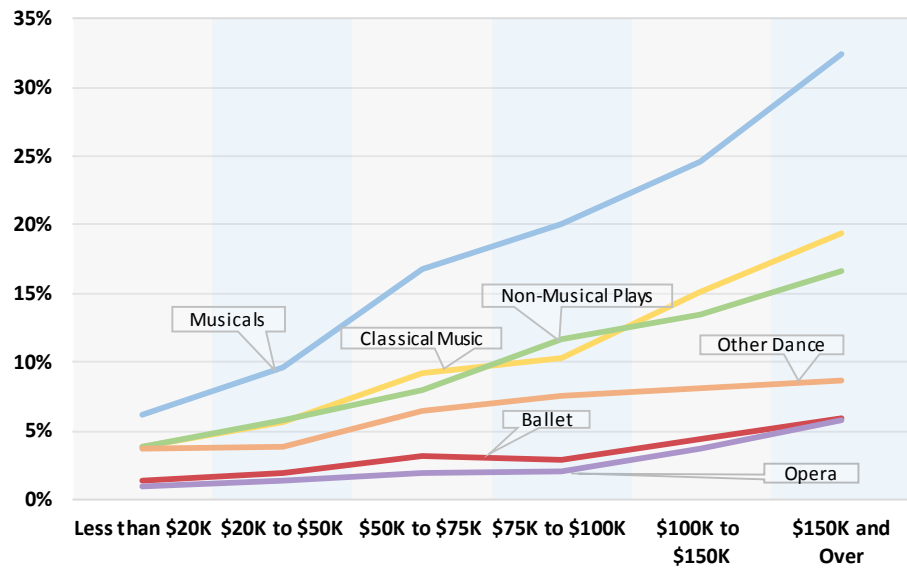
As the following figures demonstrate, attendance at performing arts events is highly dependent upon age, income, and education level.

FIGURE 3-6
PERFORMING ARTS PARTICIPATION BY AGE



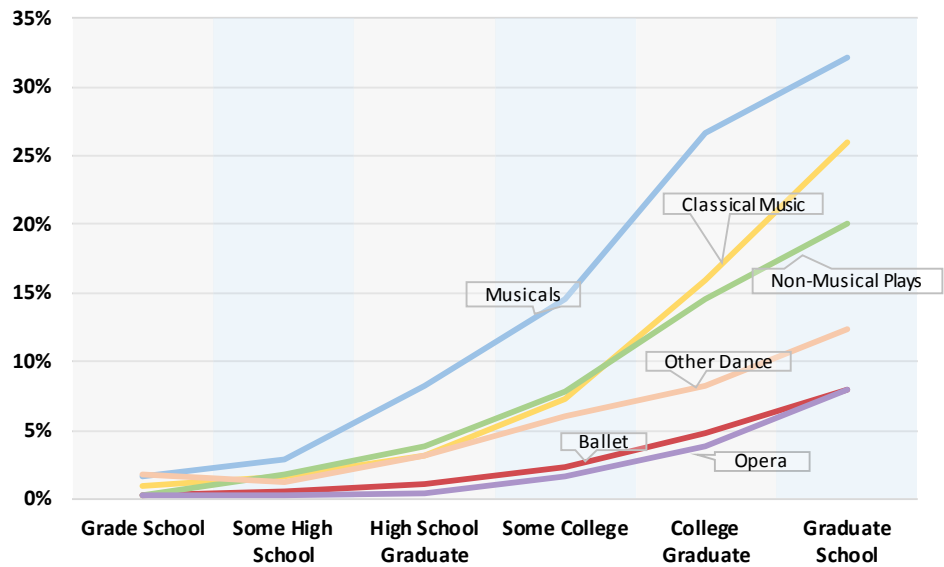
Source: National Endowment for the Arts, SPPA

FIGURE 3-7
PERFORMING ARTS PARTICIPATION BY INCOME LEVEL



Source: National Endowment for the Arts, SPPA

FIGURE 3-8
PERFORMING ARTS PARTICIPATION BY EDUCATION LEVEL

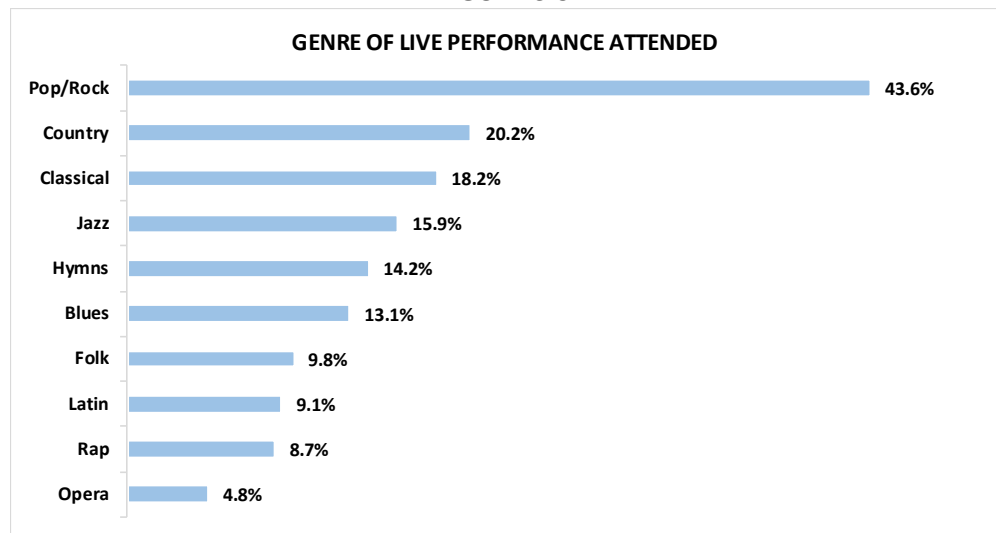


Source: National Endowment for the Arts, SPPA

While older adults generally prefer performances of classical music, musicals, and non-musical plays, other forms of dance, theater, and music attract a higher percentage of younger adults. Participation in all event categories is directly related to income and education level with the strongest correlations between education level and attendance at the high arts.

For respondent who reported attending a live music performance, the SPPA asked them to identify the genre(s) of music they attended. The following figure presents these results. Some respondents reported more than one genre, so the cumulative percentage is greater than 100 percent.

FIGURE 3-9



Source: National Endowment for the Arts, SPPA

For adults who attended a live music performance, nearly 44 percent attended a pop/rock concert, by far the most common genre of music attended. The least attended genre was opera at just under five percent.

Geographic Trends

The SPPA also tracked regional trends in arts participation. While the survey also concludes that adults living in metropolitan areas are much more likely than non-metro area residents to attend live performing arts shows, the survey sample size is not large enough to provide meaningful data for individual states. Therefore, the survey provides data by U.S. census data regions. For this analysis, North Dakota is in the West North Central Region along with South Dakota, Minnesota, Nebraska, Iowa, Kansas, and Missouri. Survey results are tabulated by respondents' residence. A Fargo resident may have attended a performance in New York City, but that attendance would be counted in the West North Central Region. The following figure presents the percentage of West North Central residents who

attended each performing arts category as compared to the percentage for the U.S. population as a whole.

FIGURE 3-10
PERCENTAGE OF ADULTS WHO ATTENDED EVENT AT LEAST ONCE IN LAST 12 MONTHS

Performing Arts Category	National Average	West North Central Region	Region as % of National
Ballet	2.7%	2.2%	81.5%
Classical Music	8.8%	8.6%	97.7%
Musical Plays	15.2%	19.5%	128.3%
Non-Musical Plays	8.3%	9.7%	116.9%
Opera	2.1%	2.4%	114.3%
Other Dance	5.6%	6.6%	117.9%

Source: National Endowment for the Arts, SPPA

The West North Central Region outperforms national average participation in all performing arts categories except ballet and classical music. The region has the highest demand for musical plays and other music, theater, and dance performances.

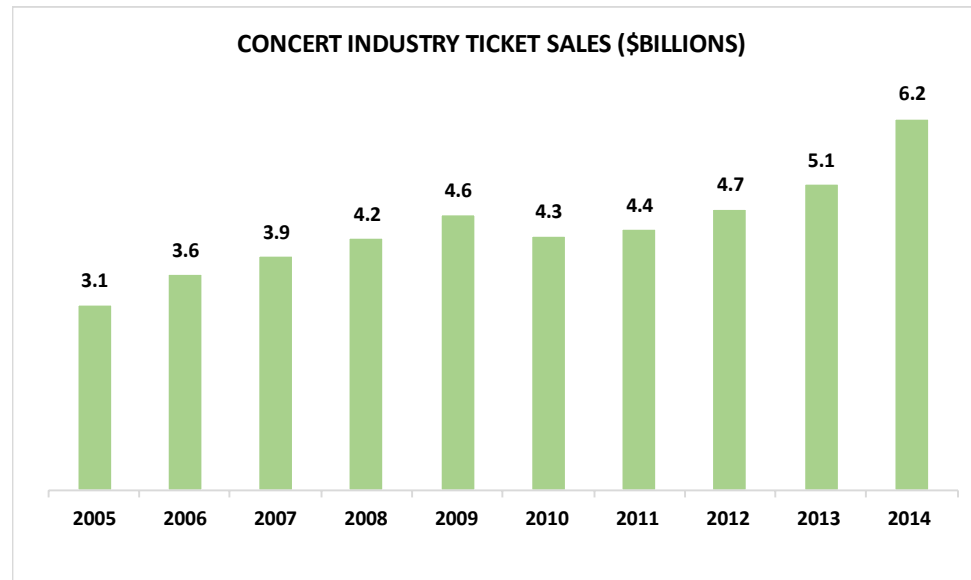
Touring Concerts

Concerts, comedy shows, and other entertainment would provide an important source of event demand for the proposed performance center. Concerts and entertainment events are typically booked through a third party promoter who pay some combination of fixed rent and a percentage of gate receipts to the venue. Some venues may promote or co-promote events, but concert promoters drive the majority of events in the industry.

Concert promoters and talent buyers form agreements with artists and concert venues to book live music acts. Under most circumstances a promoter offers the artist a guaranteed fee or a share of gross ticket revenues in exchange for the exclusive rights to book and promote an act on a certain date. The promoter also books an event venue and pays a rental fee or offers a share of gross ticket revenues in exchange for use of a concert venue on a certain date. Hence, the promoter assumes the financial risk and must sell enough tickets at high enough prices to pay the artist, the venue, and make a profit.

The North American concert industry had \$6.2 billion in ticket sales during 2014. As shown below, ticket revenues suffered declines due to the national recession, but have recovered to reach all time highs.

FIGURE 3-11



Source: Pollstar

The growth in concert ticket sales is due, in part, to an emerging economic model in the industry. Digital sales and streaming have replaced CDs and other recordings. Revenues from digital sales do not match the lost income from reduced recording and publishing sales. Recording artists, therefore, must rely more heavily on earning revenue from live performances. This trend may change if artists are able to secure higher profits from their digital recordings.

The concert industry is seasonal. Approximately two-thirds of acts tour during the months of May through September, allowing them to book outdoor venues. If a show has success in a particular market, it may re-book during the winter to take advantage of this popularity. Small markets, such as Fargo, typically book events that are in route to a larger market or that are touring multiple small markets in the region. Pollstar reports that 2014 saw a decline in ticket sales from the largest 100 shows in North America, suggesting that the overall growth noted above is largely attributed to these smaller touring events.

Prior to the recent recession, the live music industry experienced tremendous growth. The proliferation of arenas and the renovation of historic theaters and concert halls provided an increasing supply of potential concert venues. The increasing supply of venues and strong consumer demand for live entertainment gave talent the upper hand in contract negotiations. Acts have been able to demand large guarantees from concert promoters, often as large as the maximum potential ticket sales revenue for an event. This leaves the promoter and the venue

to share in concession, novelty, and other revenue. This dynamic helped to push ticket prices to record highs, as promoters attempted to maximize revenue in any way possible. Recent data on concert industry performance suggests that it has run into price resistance and declining consumer demand. Average ticket prices have remained relatively flat in recent years.

The recent proliferation of large, multi-day outdoor festivals has changed the manner in which acts books tour dates. As festivals seek to quickly secure dates and lineups, they have been willing to offer substantial guarantees to popular artists. Instead of squeezing festival dates into a summer tour, festivals are increasingly routed first, leaving solo dates to fill in the gaps.

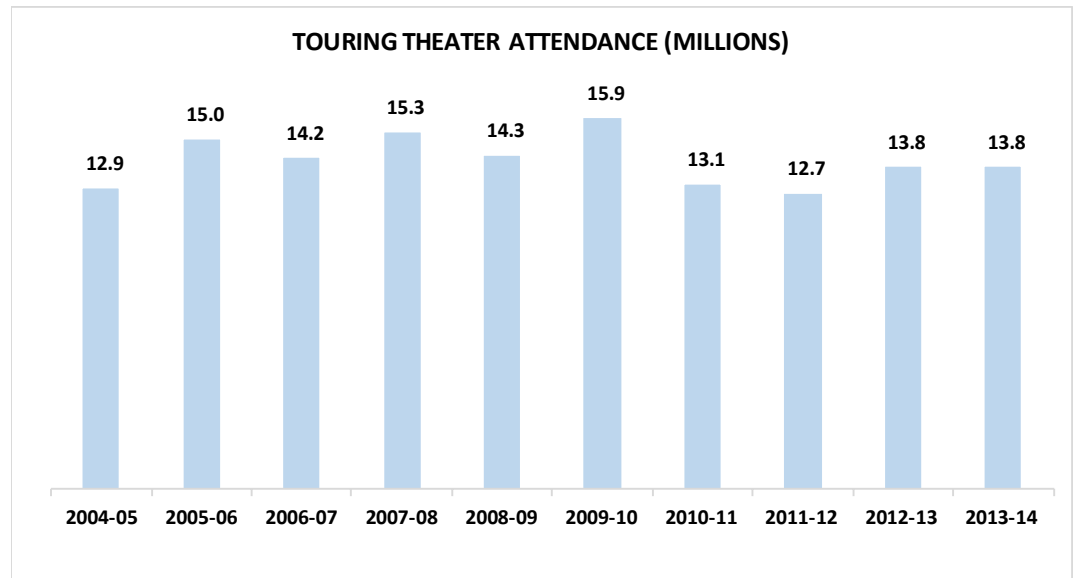
Touring Theater

There are several types of theatrical productions that tour throughout North America during a season which usually runs from September through May, including blockbusters, second or third year tours, and non-equity tours. Small markets, such as Fargo, typically book non-equity tours which employ non-union actors and often reduce other production costs through limited set designs and fewer pit musicians. These shows are often late runs of popular productions that have already played larger markets. Like concerts, event promoters typically present touring theatrical production in small markets based on a show's touring schedule in larger markets. According to event promoters, Fargo's location is not ideal for routing, and promoters typically must catch shows moving from performances in Minnesota north to Canada or further west in the U.S. Runs are often single performances with some more popular shows presenting two performances.

Booking procedures are similar to that for concerts. Straight rental deals are possible if a promoter is familiar with a market and comfortable projecting the attendance. Other deals, in which the venue shares in the risk, may include a mix of a flat rate rent, a percentage of gross ticket sales, and a percentage of profit after accounting for expenses. These percentages vary, but typically a promoter would never accept less than a 50/50 split of a venue.

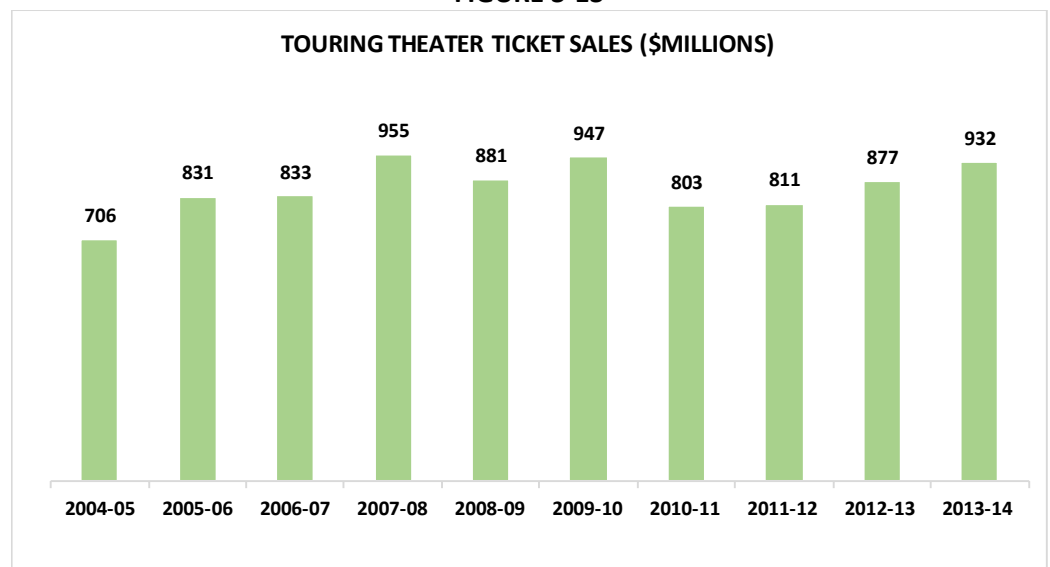
Touring theater takes place in over 200 cities throughout North America. The 2013-14 season attracted approximately 13.8 million attendees and earned a gross ticket revenue of around \$932 million. The following figure provides attendance and revenue statistics for the past decade.

FIGURE 3-12



Source: The Broadway League

FIGURE 3-13



Source: The Broadway League

Attendance and revenue data suggests that the North American touring theater industry experienced recessionary declines during the 2010-11 season. Since then, attendance and revenues have steadily improved towards prerecession levels.

Performance Venue Trends

Although GDP growth has surpassed prerecession levels, a small share of upper income earners have benefited from that growth, while middle class incomes have stagnated. Consequently, disposable income available for entertainment spending has lagged during the recovery.

During early 21st century, there was a substantial increase in the development of all types of cultural facilities, with performing arts centers leading the building boom. Many smaller markets, with fewer than 500,000 residents were building cultural venues for the first time. Rising populations and increasing average levels of education seem, in part, to have fueled the building boom. Recent projects have highlighted certain trends in the design and utilization of performance venues.

Successful projects tend to be those which understand and promote the collective impact on multiple organizations and the community as a whole. Coordination between several user groups creates a more powerful constituency to advocate for a project. As a result, these facilities tend to be more flexible and able to adapt to a variety of uses, reversing a 1990's trend towards single purpose performance halls. New and quickly changing technologies in the areas of seating, staging systems, and acoustics have also promoted this multi-use, flexible venue trend.

Over the decades, the growing size of the average human body has affected the design of performance venues. Combined with patrons' greater emphasis on comfort, recommended standard seating widths have grown from 19 inches in 1900 to 22 inches today. Increases in row spacing have been even more dramatic with a minimum recommended row spacing of 25 inches in 1900 to 36 inches today. The resulting seating density is about half of that found in the early 20th century. The floor area that holds ten seats today could have fit 13 seats in 1990 and about 20 seats in 1900. Lower seating densities has resulted in an increase in development and operating costs associated with each seat. With show promoters and presenters focusing on maximizing the revenue associated with each seat, the idea of the "cheap seat" is in jeopardy. While, the range of the lowest to highest ticket prices has shrunk, the percentage of tickets available at the lowest prices has drastically been reduced, further reducing the ability of less affluent patrons to purchase a ticket.

For many years, a performance venue's lobby was an afterthought during design and often the first target for a budget reduction. Current trends indicate that facility operators recognize the importance of lobbies for revenue generation. Not only does a large, well-designed lobby affect food and beverage sales during a show, lobbies are also a valuable amenity for pre- and post-show events thus generating rental income. They also provide supplemental non-event related income from private rentals for meetings, weddings, and receptions. As lobbies become larger and more popular as function spaces, the need for corresponding

support spaces also increases to provide for catering, audio-visual, and storage needs.

4. Comparable Venues

This analysis of comparable performance venues provides a basis for developing program recommendations and forecasts of event demand and financial operations. The analysis compares the seating capacities, stage size, other function spaces, and characteristics of the markets relevant to the success of the venues.

A performance center in Fargo would attract both locally-generated events and shows which tour throughout North America. The venue would compete directly with performance centers in other cities in the state of North Dakota and the upper Midwest region for a share of touring concerts and theatrical productions. Event presenters often book a market due to its ability to generate ticket sales, which depends on seating capacity. Several market characteristics also indicate the potential to generate ticket sales, including population size, median income, spending, age, and education level.

HVS analyzed a set of comparable venues that includes performance centers in small metropolitan markets throughout the U.S. that are similar to Fargo in population size and presence in their greater regional markets. HVS analyzed competitive venues shown in the figure below.

FIGURE 4-1
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

As shown in the following figure, comparable venues include those with public and private ownership and a variety of operating structures.

FIGURE 4-2
COMPARABLE VENUE OWNER AND OPERATOR

Name of Venue	Owner	Operator
Orpheum Theatre	Nonprofit	Nonprofit
Adler Theatre	City of Cedar Davenport	VenuWorks
Chester Fritz Auditorium	University of North Dakota	University of North Dakota
Centennial Concert Hall	Manitoba Centennial Center Corp.	Manitoba Centennial Center Corp.
Fox Cities Performing Arts Center	Nonprofit	Nonprofit
Lied Center for Performing Arts	University of Nebraska-Lincoln	University of Nebraska-Lincoln
Washington Pavilion	City of Sioux Falls	Nonprofit
Clay Center	Nonprofit	Nonprofit
Paramount Theatre	City of Cedar Rapids	VenuWorks
Alberta Bair Theatre	Nonprofit	Nonprofit
Globe News Center	City of Amarillo	City of Amarillo

Sources: Respective Venues

While nonprofit operations collect revenues through private and corporate contributions, many also support venue operations through city and other government funding in the form of designated tax collections, grants, and direct subsidies.

Primary Tenants

The following figure presents the primary tenants of each of the comparable venues.

**FIGURE 4-3
COMPARABLE VENUE TENANTS**

Name of Venue	Symphony	Opera	Ballet	Broadway Series	University
Orpheum Theatre	✓			✓	
Adler Theatre	✓			✓	
Chester Fritz Auditorium					✓
Centennial Concert Hall	✓	✓	✓		
Fox Cities Performing Arts Center	✓			✓	
Lied Center for Performing Arts	✓				✓
Washington Pavilion	✓				
Clay Center	✓			✓	
Paramount Theatre	✓	✓		✓	
Alberta Bair Theatre	✓			✓	
Globe News Center	✓	✓	✓	✓	

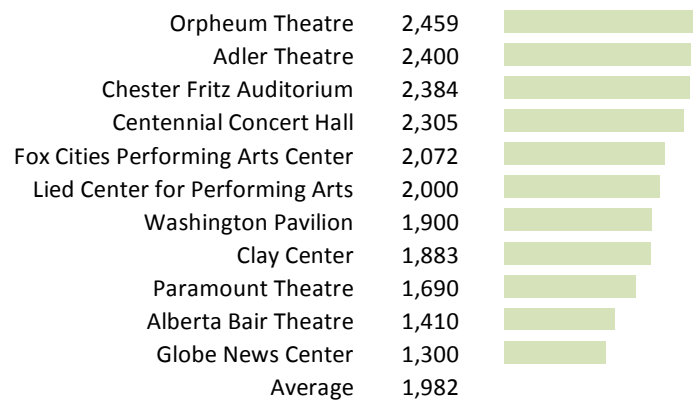
Sources: Respective Venues

With the exception of the Chester Fritz Auditorium in Grand Forks, all of the comparable venues have a local symphony orchestra tenant. The next most common tenant is a Broadway theatrical series which typically brings three to six shows to a market each season.

Theater Seating Assessment

Theater seating capacity is the critical element for determining a venue's ability to attract concerts, comedy shows, touring theater performances, local community performances, and other local event rentals. The following figure presents the seating capacity available at each of the selected comparable facilities.

FIGURE 4-4
THEATER SEATING IN COMPARABLE VENUES



Source: 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. Seating capacity is extremely important to event promoters who seek to balance maximizing ticket revenue with booking the appropriate venue. A lower seating capacity not only limits the potential attendance, but also the types of events that management can book at the venue. Booking an event in a venue with seating capacity well in excess of an event's potential ticket sales can make a venue seem cavernous and detract from the attendee experience.

Other Function Spaces

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. The following figure identifies function spaces available for private rental at the comparable venues.

FIGURE 4-5
FUNCTION SPACES AVAILABLE FOR RENTAL

Name of Venue	Lobby	Meeting/ Function Rooms	Art Gallery	Black Box Theater	Café/ Restaurant	Green Room	Outdoor Plaza
Orpheum Theatre	✓						
Adler Theatre	✓						
Chester Fritz Auditorium	✓						
Centennial Concert Hall	✓		✓				
Fox Cities Performing Arts Center	✓	✓		✓			
Lied Center for Performing Arts	✓	✓		✓			
Washington Pavilion	✓	✓	✓	✓	✓	✓	
Clay Center	✓	✓		✓	✓		✓
Paramount Theatre	✓	✓					
Alberta Bair Theatre	✓						
Globe News Center	✓	✓					

Sources: Respective Venues

Several venues rent their lobbies, meeting rooms, art galleries, flexible black box theaters, and other spaces for private events and to support pre- or post-event receptions. Art galleries are typically appropriate for receptions and other social events. Black box theater and other function rooms can accommodate catered dinners, business meetings, and private parties.

Integrated Development

Five of the comparable venues operate as part of larger integrated developments which include museums, convention centers, and other public facilities. The following figure identifies those venues within an integrated development and the types of complementary facilities.

FIGURE 4-6
COMPARABLE VENUES WITHIN INTEGRATED DEVELOPMENTS

Name of Venue	Art Museum	History Museum	Science Center	Planetarium	Cinema	Convention Center	Arena
Adler Theatre						✓	
Centennial Concert Hall		✓		✓			
Washington Pavilion			✓		✓		
Clay Center	✓		✓	✓			
Globe News Center						✓	✓

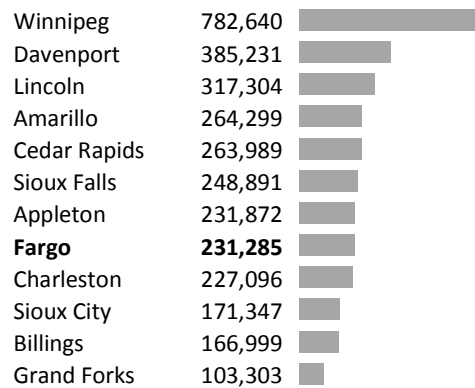
Sources: Respective Venues

**Market Population
Characteristics**

Performing arts complexes provide additional opportunities for event rentals and offer other amenities to event attendees. Shared operations allow for economies in staffing and other administrative expenses.

Local residents comprise a significant portion of a performance center's primary attendee market. Certain local population characteristics indicate event and attendance potential and provide evidence of a community's ability to support public services and visitor amenities that are important for theater users. While performance centers attract out-of-town users, population data provides a basis for understanding a community's ability to support and sustain a theater.

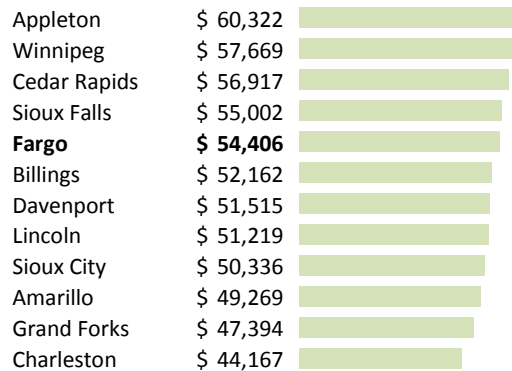
FIGURE 4-7
MSA POPULATION OF COMPARABLE MARKETS



Source: Esri, Statistics Canada

Compared to the metropolitan markets surrounding the comparable venues, Fargo's population is slightly below average. Fargo's proximity and highway access to the larger population base in Winnipeg make it an attractive stop for touring shows en route to or returning from Canada.

FIGURE 4-8
MEDIAN HOUSEHOLD INCOME IN COMPARABLE MARKETS

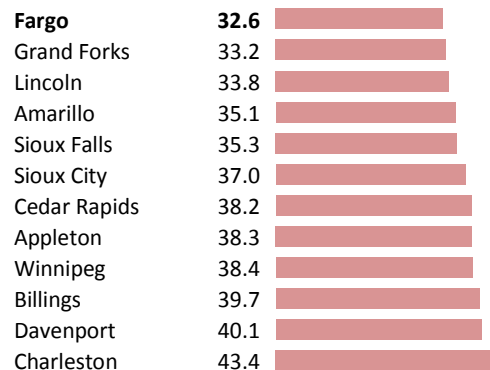


Source: Esri, Statistics Canada

Income level is directly related to attendance in all categories of performing arts. Household income level provides an indicator of disposable income available for entertainment expenses. Fargo's median income is above the average of the comparable markets, suggesting a greater propensity of Fargo residents to spend on cultural and entertainment events.

Age plays an important role in determining the propensity to attend entertainment events. In general, popular arts, such as contemporary music concerts, appeal to younger audiences, while high arts, such as classical music, draw older audiences.

FIGURE 4-9
MEDIAN AGE IN COMPARABLE MARKETS

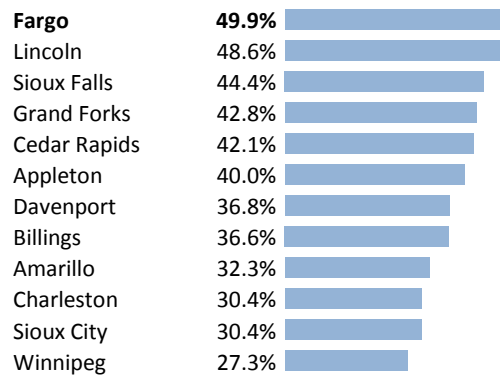


Source: Esri, Statistics Canada

Fargo's median age is the lowest of the comparable markets and is approximately 5 years younger than the median age of the total U.S. population of 37.3, suggesting a greater propensity to patronize the popular arts.

The following figure presents the percentage of college graduates in each of the markets.

FIGURE 4-10
PERCENT COLLEGE GRADUATES IN COMPARABLE MARKETS

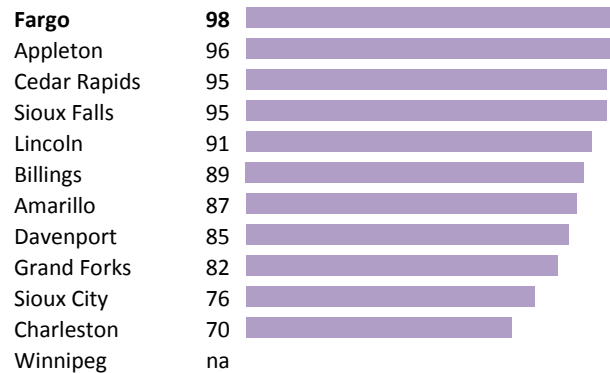


Source: Esri, Statistics Canada

Education level plays an important role in performing arts attendance. College graduates are significantly more likely to attend high and popular arts performances. At nearly 50 percent, Fargo has the highest percentage of residents (over 25) who have earned a college degree.

The above analyses suggest that Fargo has a relatively affluent and well-educated population with a high percentage of young adults. These factors indicate that Fargo residents should have a greater propensity to spend on arts entertainment. The following figure, which compares spending on admission to theater, opera, and ballet performances, corroborates this assessment.

FIGURE 4-11
ARTS ENTERTAINMENT SPENDING INDEX* OF COMPARABLE MARKETS



* An index of 100 represents the U.S. average level of spending.

Source: Esri

On a per capita basis, Fargo residents spend the greatest amount on arts entertainment. This spending is not necessarily all within the Fargo market.

Conclusions and Implications for Fargo

When analyzed in the context of the overall market characteristics presented in Section 2 of this report, a study of comparable cities and venues indicates the appropriate building program for the proposed performance hall in Fargo and the potential event demand. When compared to the comparable markets presented in this section, 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 historical spending patterns. 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.

5. Building Program Recommendations

The building program recommendations presented herein describe the seating capacities and floor areas of various types of function spaces and other important performance center amenities. To formulate the recommendations for a Fargo Performance Center, the consulting team relied on a market analysis, an analysis of participation trends in the arts, user interviews, an analysis of event space programming in comparable venues, and knowledge of standard industry practices. This facility program should serve as a guide for subsequent physical planning aimed at providing the desired facility program elements.

User and Stakeholder Interviews

The consulting team interviewed representatives from several local organizations which could use the proposed performance center for their events or are community stakeholders in Fargo. The consulting team also asked representatives to project any new events or growth of existing events that could occur as a result of the proposed performance center. We further discussed building capacities and the front and back of house amenities that would allow the proposed performance center to better serve their needs.

Key user interview findings include the following.

Jade Presents

- Jade Presents promotes and produces entertainment events throughout the Fargo metro area, including concerts, comedy shows, theatrical performances, and lectures.
- Jade Presents uses all venues in the area for its events and has an exclusive agreement with the 900-seat Fargo Theatre for all its live concert events.
- The Fargo Civic Center with its 1,590 balcony seats and 1,200 floor seats only hosts a handful of entertainment events each year.
- The recent renovation of the Avalon West Event Center into a private conference and wedding facility removed a 2,400-seat performance venue from the market.
- The Fargo market lacks a modern indoor performance venue suitable for touring shows with a seating capacity between the 900-seat Fargo Theatre and the 5,000-seat Scheels Arena.

- An ideal venue would contain approximately 2,500 seats. A seating capacity below 2,000 would reduce the potential gross revenue generated by the venue and thus negatively impact demand. A venue with a seated balcony and flat floor for general admission seating on the lower level would maximize the event demand potential.
- The Fargo touring concert market displays little seasonality albeit a minor reduction in events during the months of December and January.
- The market for touring shows in Fargo depends on the show, but would typically extend from Grand Forks, ND to the north, Brookings, SD to the south, Alexandria, MN, and Bismarck, ND to the west. A properly-sized venue should be able to attract 4 to 5 national touring acts each year. These shows would have an extended regional draw.
- A VIP seating area with 100 to 200 seats located in the first few rows of the balcony would be popular with bands and patrons.

Fargo Moorhead Symphony Orchestra ("FMSO")

- The FMSO currently performs its Masterworks Concert Series at the Festival Concert Hall ("Festival Hall") on the NDSU campus. This series consists of five concerts each with two performances.
- The FMSO also performs a Holiday Pops concerts at the Fargo Theatre and a Chamber Music Concert Series at other venues in the market, including the Stage at Island Park and the First Presbyterian Church.
- The FMSO feels that Festival Hall has a number of shortcomings as a symphony venue primarily due to its principal role as a multipurpose university auditorium.
- The FMSO cites inferior acoustics for both performers and audience and an inadequate stage size.
- The NDSU facilities also lack adequate rehearsal space and equipment storage space for piano and organs.
- Festival Hall does not offer a well-appointed lobby suitable for pre and post-performance functions. In addition, as an NDSU venue, alcohol sales are prohibited during FMSO events.
- For each of its five masterworks shows, the FMSO currently rents an entire week on the Festival Hall stage to accommodate both practices and performances. This weeklong rental would not be required if there were available rehearsal space.

Fargo Moorhead Opera ("FMO")

- The FMO currently performs a spring and fall show in Festival Hall on the NDSU campus. Each show consists of two performances.
- Fargo lacks a venue suitable for opera performances.
- Festival Hall has a number of shortcomings as an opera venue primarily due to its principal role as a multipurpose university auditorium.
- The FMO cites inferior acoustics and the need to use amplification.
- Festival Hall does not offer a well-appointed lobby suitable for pre and post-performance functions and intermissions. In addition, as an NDSU venue, alcohol sales are prohibited during FMO events.
- Festival Hall does not have a hydraulic pit, necessitating a paid crew to open for FMO's use.
- For both its spring and fall shows, FMO rents an entire week on the Festival Hall stage to accommodate both rehearsals and performances.
- While FMO struggled with attendance, loge seating on the balcony level sells well.

Jam Theatricals

- Jam Theatricals currently promotes between four and eight productions in the FARGODOME's Gate City Bank Theatre. Each production consists of a single performance.
- As a large domed arena, the FARGDOME is not an ideal venue for theatrical productions. Jam Theatricals would welcome a more suitable venue in the market. A seating capacity between 2,000 and 2,500 would be ideal. A seating capacity below 2,000 would reduce the ability to attract some shows.
- With little options to the west, Fargo is not an ideal location for touring theatrical shows, but captures some shows performing in Minnesota and heading north the Canada.
- As a tertiary market, Fargo is able to book later run shows which have already played the larger markets.
- With a properly-sized, modern theater, Fargo could attract approximately six shows with multiple performances for 10 to 12 performances per year. Shows would typically run from September through May with some summer performances.

- Occasional week-long engagements would be possible for more popular tours, such as “Wicked”.

Dance Schools

- The three primary ballet schools in the market typically host several performances of The Nutcracker during the Christmas season.
- Other performances include spring shows and those during other holidays such as Halloween and St. Patrick’s Day.
- Securing performance space during the busy holiday season is often difficult as demand for event space from a variety of groups is high.
- Groups currently use Festival Hall and local high school auditoriums.
- Attendance at Nutcracker performances ranges from approximately 700 to 1,000. Attendance could expand with a larger venue.
- Dance schools would like to expand performance schedules if an affordable venue is available.

In addition to user interviews, the consulting team also interviewed the following community stakeholders.

- Dana Del Val, Director, The Arts Partnership
- Eloise Breikjen, Director, Fargo Moorhead Community Theater
- 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
- Kathy Anderson, Executive Director and Joel Farren, Technical Theatre Specialist, Trollwood Performing Arts School
- Jon Kram, General Manager, Scheels Arena
- Doug Burgum and Mike Allmendinger, Kilbourne Group
- Civic Center Committee Member
 - 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

The consulting team also met with representatives and toured the following performance facilities in the market:

- 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

Key findings from these interviews and tours include the following.

- A downtown parking study is underway, which is reviewing several potential sites for a downtown parking garage.
- A workforce report is underway which will outline important strategies necessary for Fargo to attract and maintain a high-quality, skilled workforce to the market.
- In addition to Fargo Moorhead Community Theater events, the Stage at Island Park rents space to other community theater groups and corporate clients. The 330-seat venue is active throughout the year and regularly turns away business due to scheduling conflicts.
- Professional theater has the potential to grow in Fargo with the hope to bring regular equity theater performances to the market in 5 to 10 years.
- Performance schedules at the areas universities and colleges roughly follow the academic calendar. All venues are very active serving the needs of their respective music and theater programs. Community groups are able to rent

facilities; however, availability is often limited and these rentals are often difficult for venues and staff to accommodate.

- Management at NDSU's performance facilities notes that they have the mission to serve and support the Fargo community. These venues have greater utilization by local groups outside of the university, including ongoing agreements with FMSO and FMO. Consequently, Centennial Hall suffers from overuse and a new venue in Fargo would relieve scheduling pressure.
- The 3,000-seat outdoor amphitheater at the Bluestem Center for the Arts represents phase one of the master plan. Future plans include the development of a 500 to 750-seat indoor theater.
- Enhancing the quality of life in Fargo is an important aspect of attracting and retaining a skilled workforce in the market. A market's cultural attractions, such as a state-of-the-art performance venue, are a key consideration for future corporate executives and employees in deciding where to live.
- Several existing events sponsored by Fargo corporations and community groups are limited by Fargo's small and outdated venues and would benefit from the use of a large space for general assembly with modern technical amenities.
- The potential development of a Fargo Performance Center should not be investigated in isolation. Other projects, including the replacement of Fargo City Hall, the construction of the flood wall, and the potential development of a Downtown Fargo Convention Center are interrelated and planning should consider this interaction.

Building Program Recommendations

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 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, 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 consulting team projects that 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.

Based on its market analysis, the consulting team recommends the following house seating capacities.

- A 2,000 to 2,500-seat proscenium theatre; designed to support Broadway tours, popular music, the Fargo-Moorhead Symphony Orchestra, Fargo-Moorhead Opera, local dance and theatre companies, lectures and special events,
- Flexible event space / black box theatre / rehearsal room sized slightly larger than the proscenium stage and therefore ideal for full-stage rehearsals. This room should also provide an appropriate acoustical volume for Symphony rehearsals or chamber music performance. This room would support an audience of approximately 150 depending on the seating and stage configuration, and
- Public lobbies and back of house spaces, including a green room, dressing rooms, and control rooms to support all event types.

Detailed Building Program

Based on the above market recommendations, Schuler Shook developed the following detailed program for the proposed Fargo Performance Center. Program includes elements required for the front of house, house and stage, and the back of house areas. The building program presented in the following figures 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.

Detailed descriptions of theater elements follow.

**FIGURE 5-1
FRONT OF HOUSE DETAILED PROGRAM**

Level	Area	Quantity	Unit sf	Floor Area sf
0	Elevator Equipment	1	48	48
0	House Manager	1	120	120
0	Ushers' Room	1	180	180
0	Concession Storage	1	300	300
0	Catering Storage	1	200	200
1	Lobby - Orchestra (Main)	1	15,600	15,600
1	Box Office	1	200	200
1	Box Office Will-Call Area	1	120	120
1	Box Office Manager	1	120	120
1	Coat Room	1	550	550
1	Catering Prep Area	1	600	600
1	Security Office	1	150	150
1	First Aid Room	1	150	150
2	Lobby - Balcony	1	6,000	6,000
2	Executive Director	1	180	180
2	Administration Offices	3	120	360
2	Copy Room	1	100	100
2	Conference Room	1	300	300
3	Lobby - Gallery	1	3,200	3,200
0-3	Elevator - Public	2	200	400
0-3	Public Rest Room - Men	1	28 fixtures	963
0-3	Public Rest Room - Women	1	44 fixtures	1760
0-3	Janitor	3	48	144
0-3	Concession Areas / Bars	8	180	1440
0-3	FOH Storage	2	200	400
			Net Floor Area	33,585
			Gross factor	1.40
			Gross Floor Area	47,019

FIGURE 5-2
HOUSE AND STAGE DETAILED PROGRAM

Level	Area	Quantity	Unit sf	Floor Area sf
0	Orchestra Pit	1	780	780
0	Orchestra Pit Access	2	600	1,200
0	Trap Room	0	1,200	-
1	House - Orchestra (Main)	1	13,000	13,000
1	Stage	1	2,400	2,400
1	Stage Wings	2	1,280	2,560
1	Stage Apron	1	480	480
1	House Audio Mix Position	1	200	200
2	House - Balcony	1	5,000	5,000
2	Box Boom Lighting Positions	4	100	400
2	Control Room	1	240	240
3	House - Gallery	1	4,000	4,000
3	Follow Spot Room	1	240	240
4	Catwalks	1	2,880	*
4	Stage Galleries	3	720	*
5	Forestage Gridiron	1	4,000	*
5	Stage Gridiron	1	4,960	*
1-3	Vestibules	12	80	960
			Net Floor Area	31,460
			Gross factor	1.50
			Gross Floor Area	47,190

**FIGURE 5-3
BACK OF HOUSE DETAILED PROGRAM**

Level	Area	Quantity	Unit sf	Floor Area sf
0	Crew Room	1	240	240
0	Elevator Equipment	1	48	48
0	Production Storage	1	600	600
1	Green Room	1	750	750
1	Star Dressing Room	2	300	600
1	Principal Dressing Room	4	600	2,400
1	Janitor	1	48	48
1	Acoustic Shell Tower Storage	1	180	180
1	Piano Storage	1	96	96
1	Technical Director's Office	1	180	180
1	Visiting Production Office	1	300	300
1	Loading Dock	1	300	300
1	Loading Area / Scenery Handling	1	600	600
1	Trash Room	1	150	150
1	Wardrobe / Laundry	1	600	600
1	Rehearsal / Event Room	1	3,000	3,000
1	Rehearsal Vestibules	2	80	160
1	Rehearsal Storage	1	600	600
2	Chorus Dressing Room	2	1,200	2,400
2	Production Staff Offices	4	120	480
2	Lighting Dimmer Room	2	150	300
2	Lighting Storage	1	400	400
2	Audio Amps / Video Room	1	200	200
2	Audio / Video Storage	1	200	200
2	Rehearsal Control Room	1	200	200
3	Mechanical / Electrical Rooms	0	-	-
0-2	Freight Elevator	1	360	360
Net Floor Area				15,392
Gross factor				1.40
Gross Floor Area				21,549

Theatre Configuration

The proscenium theatre auditorium would include three levels: orchestra, balcony and gallery. Floor areas in the concept plan are approximations and these areas would be further refined during the design process. The concept plans seating capacities include an orchestra of 1,200, a balcony of 600, and a gallery of 400. The 1,200-seat orchestra includes approximately 500 seats nearest the stage and 700 seats in the tiered, "parterre" section located behind across aisle. This allows the room to be "scalable" with mid-sized events such as a Symphony concert to be seated entirely on the orchestra level while the balcony or gallery are opened only

when additional capacity is needed. The exact configuration and capacity of the auditorium will require further discussion and refinement as the project moves forward.

The auditorium would provide patron sightlines that are appropriate for ballet and patrons on every level would have a view of the dancers' feet at the proscenium curtain line. This sightline for dance requires a slightly steeper seating rake, particularly on the orchestra level. The advantage of this steeper rake, beyond dance, is that it will offer excellent sightlines for all performance types and therefore provides patrons with a strong visual connection with the performers.

The proscenium theatre would contain traditional, fixed auditorium chairs with self-rising seats. Seat-end LED aisle lighting fixtures will be included to provide the egress illumination required by code. Wood and upholstery choices should be coordinated with auditorium finishes.

Some user groups prefer a flat floor option at the orchestra level where the fixed seating may be removed to allow standing room, cabaret or banquet seating. For this study, we explored the option of placing the first twelve rows of fixed seating (approximately 500 chairs) on seating wagons that could be removed from the auditorium to reveal a flat floor area of approximately 3,200 square feet. Using a building code guideline of six square feet per patron, this area would accommodate up to 530 standing patrons. Seated audience members at the orchestra cross aisle and parterre are elevated above the flat floor and will have a clear view of the performance. The additional expense of the seating wagons, a large elevator to move the wagons, and a dedicated basement storage room to hold the wagons are included in the preliminary cost estimate.

The event space / black box theatre would be equipped with portable audience chairs and portable seating platforms to allow flexibility in room configuration and capacity. The seating platform system would include hand rails and guard rails as required by code and for patron comfort. A large storage area adjacent to the black box would allow audience chairs and seating platforms to be completely removed for rehearsals or other special events.

Theatrical Lighting

Both performance venues should include a theatrical dimming and control system that is integrated with the architectural "house" lighting controls. Centralized dimming and relay panels would allow control of traditional incandescent and quartz lighting as well as LED sources and allow flexibility to accommodate future technologies.

The proscenium venue would provide both dimmed and switched / relay lighting circuits above the stage, at the perimeter walls, orchestra pit, on catwalks above the auditorium, and at side wall box boom positions. The black box will provide lighting circuits overhead and at the perimeter walls. Dimmed circuits may be easily converted to switched operation as desired in the future.

State of the art, computerized lighting control consoles, appropriately sized for each venue, would allow complex lighting cue sequences to be created and saved. The architectural lighting control system will provide user-friendly access to commonly used presets for rehearsals and performances. Architectural lighting control panels should be located adjacent to selected auditorium and stage entry doors to facilitate ease of operation for all staff.

Lighting control data, primarily on a dedicated Ethernet network, should be provided at specific locations on stage, catwalks, box booms, and at primary console locations to allow the connection of in-house equipment as well as rented consoles, dimmers, automated fixtures, and lighting effects equipment. The theatrical and architectural lighting controls will be designed to provide one cohesive system for each performance space.

A comprehensive inventory of theatrical lighting fixtures should be provided to light each stage and to offer programming flexibility and efficiency. Fixtures would include ellipsoidals, pars, Fresnels, and backdrop / cyclorama lights. Follow spots would be provided for the proscenium venue. LED fixtures would be extensively integrated into this fixture inventory, but quartz fixtures will be provided where white light or higher lumen output is beneficial.

Extension cables and other common accessories including template holders and barn doors should be provided for use with the lighting fixtures. All fixture connectors and cable types should be standardized to allow equipment to be shared between performance spaces when necessary. Auxiliary "Company Switch" power disconnects should be provided in both venues for touring or rental equipment including automated lighting fixtures, video walls or stage automation. Dedicated Company Switches with isolated ground conductors should be provided for touring audio equipment. Cable sleeves and hooks should be provided to facilitate the installation and routing of temporary cables between the stage, control areas, and loading dock. This would allow touring Broadway or musical acts to pull data lines or an audio snake to mixing locations and would also facilitate temporary camera locations or a broadcast truck if necessary.

Theatrical Rigging

A traditional, manual counterweight rigging system should be provided for the proscenium theatre. That system should allow curtains, lighting, and scenery elements to be raised and lowered above the stage. Motorized winches should be provided to support portable acoustic shell ceiling panels that would store in the fly loft when not in use. The rigging system would be accessed from pinrail galleries on both sides of the stage, a loading gallery to service the counterweight arbors, and a full gridiron above the stage as well as a partial, forestage gridiron. The gridiron structures would allow technicians to locate rigging attachment points, usually chain motors or point hoists, anywhere above the stage or forestage area as individual productions require. Lighting or audio trusses may be installed above the orchestra level seating for popular music or Broadway tours, with power and data available at the forestage gridiron or auditorium catwalks.

A complete set of black masking curtains, as well as proscenium traveler curtains and white backdrop / cyclorama should be provided for the stage to comply with current fire-resistance standards. A motorized fire curtain with both automatic and manual release systems should be installed at the proscenium opening as required by code. Smoke hatches, fire sprinklers and standpipes would be required for the proscenium stage and would be fully coordinated with the design team.

The event space / black box theatre should include a series of catwalks that allows easy technician access to all lighting fixtures and rigging structure. Movable pipes should be located between catwalks to support light fixtures and small scenic elements. Two motorized roll-drops are proposed that may be used as projection surfaces or as a backdrop behind a performance. The black box should also include a small inventory of portable masking curtains and a series of perimeter curtain panels on a continuous curtain track that would conceal performer circulation and provide acoustic absorption.

Orchestra Pit

An automated orchestra pit lift should be provided at the stage apron. The lift platform can be easily raised or lowered for use as a stage extension, audience seating area, pit musician platform, or for basement / trap room access. A complete set of guard rails and safety interlocks should surround the pit lift and be integrated with the pit lift control system. The floor finish of the pit lift platform should be designed to match the stage floor finish discussed later in this report.

If the orchestra seating wagon option is approved, a similar lift with a larger footprint should be provided to move seating wagons between the orchestra floor and basement wagon storage room.

Stage Floor

In both performance venues, a resilient floor system is required. The resilient or “sprung” floor is designed to protect performers, particularly dancers, from injury. The resilient subfloor assembly typically includes neoprene pads below wood sleepers. Additional blocking is provided to prevent the pads from being over-compressed under large loads such as personnel lifts, pianos or scenery.

We recommend a painted hardboard / Plyron floor surface on the proscenium stage. This has become the most common solution for multi-purpose theatre venues; please note that this floor would require regular repainting to maintain a good appearance. Schuler Shook would work with the design team to detail the desired floor and flush thresholds where necessary. The orchestra pit lift platform would be finished to match the stage floor for a uniform appearance.

The event space would benefit from something more attractive than a painted floor. We suggest a maple or oak strip floor with a medium-value, burnished oil finish. This would provide a warmth and quality appropriate for special events or rehearsals, but would not be excessively reflective and distracting for a theatre performance. It may be desirable to provide a temporary vinyl dance surface or groundcloth for theatre to further darken the floor and protect it from paint or other damage. This floor would require further discussion as the project moves forward.

Production/Control Areas

Dedicated, accessible lighting, audio, and video control locations should be developed for each venue. There should be an option for a mid-auditorium audio control location to facilitate live mixing for concerts and touring Broadway in the proscenium theatre. Elevated follow spot locations should be provided, usually above the gallery seating or at a rear catwalk. Empty conduits should be provided between the control areas, stage and dimmer room to facilitate future technologies.

Audio/Video/Acoustics

Audio and video system designs and acoustic recommendations should be provided by other specialty consultants as the project progresses. Schuler Shook would coordinate work with those consultants throughout the design and construction process. Production intercom and monitor systems should be provided in control areas as well as selected back of house support areas.

Back of House Support Areas

Back of house support areas including a loading dock, scenery handling areas, green room, and dressing rooms should be carefully coordinated to provide efficiency and flexibility for different performance needs. The arrangement of these spaces is critical to a successful project, allowing easy circulation while at the same time providing acoustic isolation where necessary.

Dimmer rooms and audio amplifier rooms should be located to minimize conduit and wiring lengths. These rooms would require dedicated cooling to protect the equipment. Costume / wardrobe spaces, including a dedicated laundry room, should be provided. Lighting and audio repair areas should be located near the stage or control rooms.

Finally, every performance facility requires storage for scenery, props, lighting, audio and video equipment. A 30 foot or taller storage bay is required adjacent to the proscenium stage for the portable acoustic shell towers that would be deployed for Symphony concerts. Piano storage requires temperature and humidity control year-round. These areas would be defined in greater detail in upcoming design phases.

Adaptive Reuse of Fargo Civic Center

The consulting team was asked to compare the cost and suitability of a reuse of the existing Civic Center as compared to a completely new construction project on the same site. While the cost and planning considerations will certainly vary between the two options, we expect the stage and auditorium design and production equipment to be nearly identical. Support spaces such as the lobby or loading docks may be organized differently if the existing Civic Center is completely demolished, but the building program and operation are expected to be the same. It is possible that the new construction plan can be slightly more efficient as support spaces are ideally sized and located for their intended use.

Below is a brief overview of the steps in the design process that were taken to study the option of repurposing the existing Fargo Civic Center to the new Fargo Performance Center as well as the option for all new construction:

- The design team visited the Fargo Civic Center several times to review the existing conditions of the building and visit with the director and staff to understand the nature of the existing structure and systems. We obtained background drawings of the original building as well as the subsequent additions for review and inclusion in our understanding of the building.
- Due to its proximity to the Fargo Civic Center, the design team obtained current plans and site plans of the new City Hall project as a reference to

understand its scope of work that affects the existing Civic Center and Centennial Hall as well as to provide context for the design work of the Performance Center's remodel option and new construction option.

- JLG Architects and Schuler Shook created preliminary design concept plans that fit within the existing roof volume with the exception of the demolition of the existing stage roof to accommodate the higher and deeper stage dimensions required by the program. This concept had only one balcony which did not meet the program.
- The Fargo Civic Committee directed the design team to further study what would need to be done to accommodate the second (upper) balcony that the Phase 1 market demand and the Program required. This required assuming removal of the entire existing arena roof and associated structure.
- JLG Architects met with Heyer Engineering to review the existing buildings structural layouts and the feasibility of removing the existing roof in order to build and building a new roof at an increased height. It was determined that this would be possible but would require extensive additions of steel to the existing columns and likely increased concrete footing sizes. This information is included in our construction costs assumptions for the remodeling.
- Schuler Shook developed the auditorium plans and sections to provide a design that has optimum site lines needed for the types of performances identified in the program. An option to create a partial flat floor and movable/flexible seating tiers was studied. It was determined that this option is only feasible in the all new construction option and not in the remodel option.
- JLG Architects and Schuler Shook developed the design and diagrammatic layout of the lobbies and support spaces surrounding the auditorium space.
- JLG Architects and Schuler Shook developed a concept for a completely new facility to study how the existing site to study how this could fit on the site, analyze advantages and disadvantages to the program, and determine a cost comparison based on square foot costs.

The consulting team determined that the recommended program could fit within the existing structure but not without significant additions and remodeling. The floor plans and sections showing this design concept can be found in the Appendix

of this report. The consulting team determined early in the architectural study that it would be necessary to maintain the entry point to the facility along the south and southwest side of the building due to its proximity to the Civic Plaza, the new City Hall, 4th Street N., and the rest of downtown. Also, due to the nature of how the existing arena and stage is arranged as well as its structure, the existing arena was assumed to be the natural location for the Performance Center's main auditorium and stage even with its height limitations.

The following issues were addressed in the design of the remodeled facility:

- An addition would be required to provide the needed support spaces, recital and rehearsal space and the stage depth required by the program.
- Significant remodeling of the existing 1958 arena structure would be required due to its low roof height and horse-shoe shaped seating arrangement in order to provide the volume of space that is needed to accommodate the height and width required by the programmed main level, balcony and upper balcony seating within the main auditorium.
- The existing stage would need to be expanded in width and height to accommodate the recommended stage dimensions and features for the remodeled facility.
- The southern portion of the existing building which consists of existing main floor Civic Lobby, Ticketing and 2nd floor City Hall Offices built in 2001 would need significant remodeling to create the volume and amenities needed for the type of Lobby that a Performance Center of this nature would require.
- The existing skywalk connection passes through the 2nd floor of the 2001 addition. This would require that the skywalk be reconfigured within the building to maintain the planned connections between the overall skywalk system and the new City Hall building. This connection also causes challenges to the design in order to allow security and separation between the skywalk and the Performance Center while not functionally or visually disrupting the lobby spaces which it passes through.
- While the amount of remodeling needed to make the existing structure work with this program is significant, there is some value in reusing as much of the existing structure and envelope as necessary.
- Due to the age of the heating and cooling systems in the original portion of the building, an entirely new mechanical and electrical system would be

needed to accommodate the new program, and the intensive HVAC and electrical needs of a Performance Center.

There are also architectural issues that come with the repurposing of a building from one use to another. The nature of the architecture and aesthetic of the existing building is appropriate given that its current and past use is for a multi-purpose municipal arena and offices as well the aesthetic response of the additions to the original architecture of the arena. However, with the design of a community Performance Center, the study team recommends that an update be made to the exterior design and appearance through the use of updated exterior cladding materials. Also, our team recommends the introduction of more glass and windows to enhance the interior environment through daylight and enhancing the visibility between interior lobby spaces and the street and plaza at the exterior. This would activate the environment of both the building's interior spaces as well as the public spaces at the street and plaza while also creating an awareness and excitement about the activities taking place inside the facility. The scope of this study did not include the detailed design required to show a proposed exterior appearance; however, the design team included pricing to accommodate significant re-skinning of the building's exterior assuming updated materials and increased glass.

New Construction Option

The all new construction option is based on the same program of spaces used in the design for the addition and remodeling of the existing building. If the existing facility was completely demolished, a new facility of the same program, seating capacity and general size can fit within the existing site. The new construction option also assumes a similar auditorium design in plan and section to that used in the remodeled option. But, the concept plan included in this study rotates the auditorium to an east-west orientation with the stage located at the east side. The lobby is oriented towards both 4th Street North, and the Civic Plaza while locating the support, service and load-in spaces at the northeast side of the building where they are further away from the street. This allows the building to activate the street and the plaza through the visibility between the lobby and the exterior. The multi-purpose recital and rehearsal space is located along the south side of the building adjacent to the lobby and oriented towards the civic plaza. There is potential for restaurant or retail spaces to be located along the south side of the building with patios and windows that will activate the civic plaza. The orientation of the auditorium also allows the building to be located further north than its current location to increase visibility towards the river and the new City Hall from along the 2nd Avenue view corridor. The administration offices are located at the northwest corner of the Lobby for ease of access and visibility. This also addresses the street and activates the northwest corner of the building more than its current layout.

Seating Wagon Option

New construction would allow for the option of providing a flat floor at the front portion of the auditorium with removable/flexible seating. With auditorium seats removed, this configuration would allow for cabaret style seating at the front of the house. Additional events using this configuration could include weddings and dinner theater performances. In addition, flat floor space would allow for additional standing attendees at concerts. Demand and financial projections presented in this report include an optional scenario which considers this flat floor space and impact on event demand, attendance, and operating performance.

Cost Estimate

We based construction costs for the reuse and new construction options on preliminary information available to the design team at the time of this study. These costs are subject to change and must be studied further as more detailed design information is available. The costs assume a typical level of design contingency given the nature of costs typically seen in remodeling projects which contain more unknown existing conditions versus new construction.

The following describes the information and process used to determine the construction costs listed in this study:

- The construction for the reuse option was established through a combination of cost-per-square foot analysis and detailed take-offs of the selective demolition required to accommodate the new program.
- The design team worked with a construction firm that is highly experienced in the construction of performance centers in our region to review our cost estimates and assumptions. They provided recommendations on cost and provided comparable case studies with associated cost-per-foot pricing for comparison.
- Current cost-per-foot assumptions for mechanical, plumbing and electrical in facilities of this nature and in our region were reviewed with a mechanical and electrical engineer.

Estimated construction costs consider the following:

- Schuler Shook provided a detailed list of theatrical equipment and systems cost which are included within the construction cost estimate totals for both options.
- Acoustical treatments include flexible/variable acoustic treatments for varying performance types and enhanced acoustical separation of the auditorium from adjacent spaces and mechanical/electrical equipment. Acoustical treatment cost estimates do not include a double-roof structure.

- We included typical site costs based on preliminary understanding and concepts of the design.
- For the new construction option, we assumed structural pile work to excavate, cut off existing piles, and provide new pile caps based on existing drawings.
- We assumed removal of portions of the existing building exterior envelope and re-skinning of the structure with updated materials and glass systems.
- All new HVAC, plumbing, electrical, and data systems would be installed in a reused facility. New construction assumes comparable new mechanical and electrical systems.
- We did not include hazardous material removal in the cost estimates, but do provide an allowance for removal. Further study will be required to confirm the presence and extent of remaining hazardous materials within the existing facility.
- Construction of new or remodeled skywalk connections that are not part of the City Hall scope of work are included in the estimates for this study.

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

FIGURE 5-4
ESTIMATE OF DEVELOPMENT COSTS

	Renovate Existing Civic Center	New Construction
Item		
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
Hazardous Material Removal *	\$1,000,000	\$1,000,000
Total Cost	\$55,518,000	\$52,425,000
Skyway Allowance		\$4,000,000
Seating Wagon Option		\$2,700,000
* Costs vary, but would be the same for either option. City would need to contract with removal specialist to determine scope and cost.		

Conclusions

The information in this study shows the viability and the positive impact that a Performance Center can have in our community and that the existing building and/or site can accommodate the program needed to create it. The estimated costs of a new build are less than a reuse, but the difference is small and well within the range of error in estimates at this early stage of the project. The new build option would provide several advantages: 1) better functionality, 2) superior site organization, 3) the option for flexible seating, and 4) more certainty with respect to cost estimates. The existing building lacks historical or architectural significance and could be replaced by one with superior aesthetic appeal. For these reasons, we recommend replacement of the Civic Center.

6. Demand Analysis

The purpose of this section is to analyze the demand potential in numerous performing categories, and to compare estimates of demand potential to reported demand at several performance venues in Fargo. HVS relied on proprietary models and national and regional participation statistics from the National Endowment for the Arts (“NEA”) as a basis for evaluating demand potential in the market. We obtained estimates of reported demand by interviewing performing arts groups and venue operators. Demand potential is a measure of the total number of events and attendees for each of the following performing arts category.

- Ballet,
- Classical music,
- Musical plays,
- Non-musical plays,
- Opera, and
- Other dance.

HVS defined the primary market as the population within a 90 minute drive time of downtown Fargo. Based on population growth rates forecasted for the defined market area, HVS projected demand potential, based on current market conditions, for each of the selected performing arts categories outlined above. In order to identify opportunities for growth, we compare these projections of demand potential to current levels of demand that take place in the existing supply of performance facilities throughout the market.

HVS measures demand potential for performance facilities in terms of total paid attendance for a stable operating year. Demand for each performing arts category may represent attendance at one or more facilities presented by multiple performance groups. For example, demand potential for classical music would include not only the FMSO performances, but other classical musical performances hosted by NDSU, MSUM, and Concordia College.

Estimates for demand potential, defined as the number of event attendees, derive from calculating the product of each market’s population in an age, income, or education cohort, that population’s average participation rate for each category of performing arts, and each population’s average frequency of participation. HVS

used three market indicators to determine demand potential- age, income, and education level. HVS used the average of these three indicators to determine the overall demand potential for each performing arts category.

HVS used economic and demographic data previously discussed in the Market Analysis section, categorized by age, income, and education level. We relied on regional arts participation rates for the West North Central Region detailed in Section 4. Assumptions regarding the frequency of participation relied on national averages.

The following figure shows the primary market's potential demand based on each of the three indicators of demand for each of the selected performing arts categories.

FIGURE 6-1
DEMAND POTENTIAL BASED ON MARKET INDICATORS

Event Category	Demand Potential			
	Age	Income	Education Level	Average
Ballet	13,581	15,360	12,823	13,921
Classical Music	92,349	101,678	86,678	93,568
Musical Plays	159,160	178,239	146,868	161,423
Non-Musical Plays	83,803	66,363	55,034	68,400
Opera	20,927	22,884	20,127	21,313
Other Dance	57,847	61,678	48,198	55,908

Sources: Esri, NEA

HVS collected event and attendance information from performing arts organizations and venues throughout the Fargo MSA. We categorized this information into annual attendance estimates for each of the performing arts categories. The following figure compares these attendance estimates to potential demand shown above.

FIGURE 6-2
DEMAND POTENTIAL VERSUS ACTUAL ATTENDANCE ESTIMATES

Event Category	Demand Potential	Estimated Attendance	Current Capture Rate
Ballet	13,921	12,040	86%
Classical Music	93,568	56,083	60%
Musical Plays	161,423	45,176	28%
Non-Musical Plays	68,400	27,526	40%
Opera	21,313	5,950	28%
Other Dance	55,908	2,138	4%

Sources: Performing Arts Organizations, Local Venues, Promoters

The above capture rates are not intended to provide a calculation of under-performance or over-performance by existing arts groups. Rather, the comparison will provide general guidelines about which art forms are likely to represent the greatest opportunity for demand growth. They are not intended as precise projections of how much demand could be added in the Fargo market.

In addition, estimated attendance figures derive from attendance estimates at several performance venues located throughout the Fargo market area. HVS acknowledges that these estimates do not account for all of the attendance at performing arts events in the market area.

Each of the selected performing arts categories exhibits some growth potential. The categories that exhibit the greatest potential for demand growth are musical plays and other dance performances. Some small potential for growth exists in the classical music, opera, and non-musical plays performance categories.

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.

In developing the demand projections, HVS assumes that all recommendations throughout this report are completed by January 1, 2020. HVS estimates that event demand would stabilize in the fourth year of operation—calendar year 2023. Demand projections also assume the presence of a highly qualified, professional sales and management team for the Fargo Performance Center. The following figures presents demand projections through 2024, one year following stabilized demand. Descriptions and assumptions for event types follow.

FIGURE 6-3
FARGO PERFORMANCE CENTER DEMAND PROJECTIONS

	2020	2021	2022	2023	2024
Events					
Concerts & Entertainment	20	22	25	28	28
Touring Theater	10	12	14	16	16
Symphony	6	6	6	6	6
Opera	4	4	4	4	4
Ballet/Dance	10	10	10	10	10
Local Theater	20	25	30	30	30
Assemblies	7	8	9	10	10
Banquets & Social	32	36	41	45	45
Other	5	5	5	5	5
Total	114	128	144	154	154
Average Attendance					
Concerts & Entertainment	1,650	1,650	1,650	1,650	1,650
Touring Theater	2,000	2,000	2,000	2,000	2,000
Symphony	1,100	1,100	1,100	1,100	1,100
Opera	600	600	600	600	600
Ballet/Dance	350	350	350	350	350
Local Theater	100	100	100	100	100
Assemblies	1,000	1,000	1,000	1,000	1,000
Banquets & Social	150	150	150	150	150
Other	1,000	1,000	1,000	1,000	1,000
Total Attendance					
Concerts & Entertainment	33,000	36,300	41,250	46,200	46,200
Touring Theater	20,000	24,000	28,000	32,000	32,000
Symphony	6,600	6,600	6,600	6,600	6,600
Opera	2,400	2,400	2,400	2,400	2,400
Ballet/Dance	3,500	3,500	3,500	3,500	3,500
Local Theater	2,000	2,500	3,000	3,000	3,000
Assemblies	7,000	8,000	9,000	10,000	10,000
Banquets & Social	4,800	5,400	6,150	6,750	6,750
Other	5,000	5,000	5,000	5,000	5,000
Total	84,300	93,700	104,900	115,450	115,450

Event Types

HVS classified events in the following categories.

- **Concerts & Entertainment**—Concert and entertainment events include performances by national and regional touring music and comedy acts that would book the venue through a local event promoter, such as Jade Presents. This event category would also include performances by local musical groups. Fargo is an attractive destination for regional and national tours. The proposed 2,200-seat Fargo Performance Center would fill a void in Fargo's existing supply of event venues. HVS projects that the venue

would attract performances throughout the year with the primary event season occurring in the spring, summer, and fall. As a modern, state-of-art venue, the Fargo Performance Center would displace a small number of events from existing venues; however, most events would be those that would not otherwise book Fargo if not for the new venue.

- **Touring Theater**—Touring theater events include theatrical productions by national and regional touring groups that would book the venue through an entertainment company, such as Jam Theatricals, that presents Broadway productions in venues throughout North America. HVS projects that Fargo would continue to attract late run shows that are touring secondary and tertiary markets in the northwestern U.S. and Canada. As a superior venue for theatrical performances, the Fargo Performance Center would accommodate the Broadway events currently held at the FARGODOME and be able to expand the market by attracting additional shows and multiple performances.
- **Symphony**—HVS projects that the FMSO would move its existing Masterworks Concert Series from NDSU’s Festival Concert Hall to the proposed Fargo Performance Center. HVS assumes that the number of performances would remain consistent with historical levels. With a superior venue, HVS projects that attendance would increase modestly.
- **Opera**—HVS projects that the FMO would move its existing productions from NDSU’s Festival Concert Hall to the proposed Fargo Performance Center. HVS assumes that the number of performances would remain consistent with historical levels. With a superior venue, HVS projects that attendance would increase modestly.
- **Ballet/Dance**—HVS projects that the Fargo’s ballet schools would move some of their existing productions from NDSU’s Festival Concert Hall and other venues in the market to the proposed Fargo Performance Center. The proposed venue would not be able to accommodate the high demand for booking ballet performances during the holiday season and some events would continue to book other venues in Fargo. The Fargo Performance Center would provide a venue for dance groups to expand performances to other dance types throughout the year. HVS assumes that the average attendance at ballet events would remain consistent with historical levels.
- **Local Theater**—Local theater events would include professional and community theater groups that would book the Fargo Performance Center. While some groups would book the main auditorium, most would book the

flexible, multipurpose space which could be set up in a variety of seating and stage configurations.

- **Assemblies**—Most assembly events would take place in the main auditorium and include lectures, general assembly meetings, religious ceremonies, and graduation ceremonies.
- **Banquets & Social**—Banquets are stand-alone social events, weddings, luncheons, and other meals typically booked by local corporations, social and civic organizations, and private clients. Banquets could be held in either the flexible, multipurpose space or the lobbies. Some events would also use the main auditorium for larger ceremonies.
- **Other**—Other events would include a variety of locally-oriented facility rentals, which include such events as health screenings, fundraising drives, civic ceremonies, press conferences, support for other local events, and other community uses.

Seating Wagon Option

The new construction scenario described in Section 5 includes an optional configuration which provides for flat floor space at the front of the auditorium seating. Approximately 500 auditorium seats would be on a removable seating wagon revealing a flat floor that 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. We assume 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.

Comparable Analysis

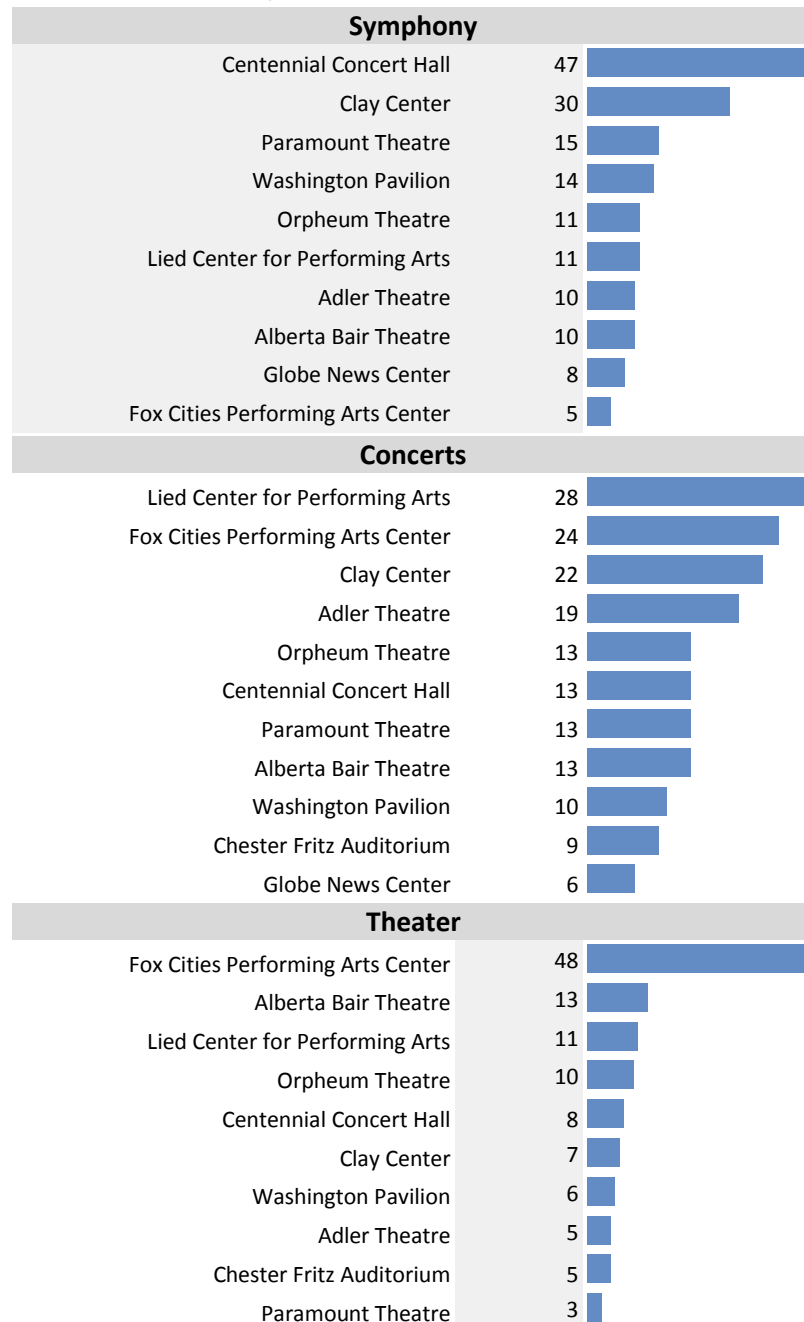
We tested the reasonableness of our demand projections by comparing them to demand at comparable facilities and markets. The following figure presents demand data, where available for the comparable venues studied Section 4 of this report. Because of the unique operating characteristics of a performance venue, no single facility or market can be considered a direct comparable to Fargo and the proposed Fargo Performance Center. The range of events from a large set of event data provides evidence for the reasonableness of the demand projections for the Fargo Performance Center. The following figures compare historical event data from the comparable performance venues.

FIGURE 6-4
COMPARABLE PERFORMANCE CENTER EVENT DEMAND

Name of Venue	Symphony	Opera	Ballet / Dance	Theater	Concerts
Orpheum Theatre	11			10	13
Adler Theatre	10			5	19
Chester Fritz Auditorium			6	5	9
Centennial Concert Hall	47	6	15	8	13
Fox Cities Performing Arts Center	5		2	48	24
Lied Center for Performing Arts	11		3	11	28
Washington Pavilion	14		4	6	10
Clay Center	30			7	22
Paramount Theatre	15	2		3	13
Alberta Bair Theatre	10		5	13	13
Globe News Center	8	7	9		6
Minimum	5	2	2	3	6
Maximum	47	7	15	48	28
Average	18	5	7	14	16

Sources: Respective Venues, Pollstar

**FIGURE 6-5
SYMPHONY, CONCERT AND THEATER DEMAND**



Taking historical performance and market factors into consideration, the demand projections for the proposed Fargo Performance Center are consistent with event demand currently found in similarly-sized venues throughout the U.S.

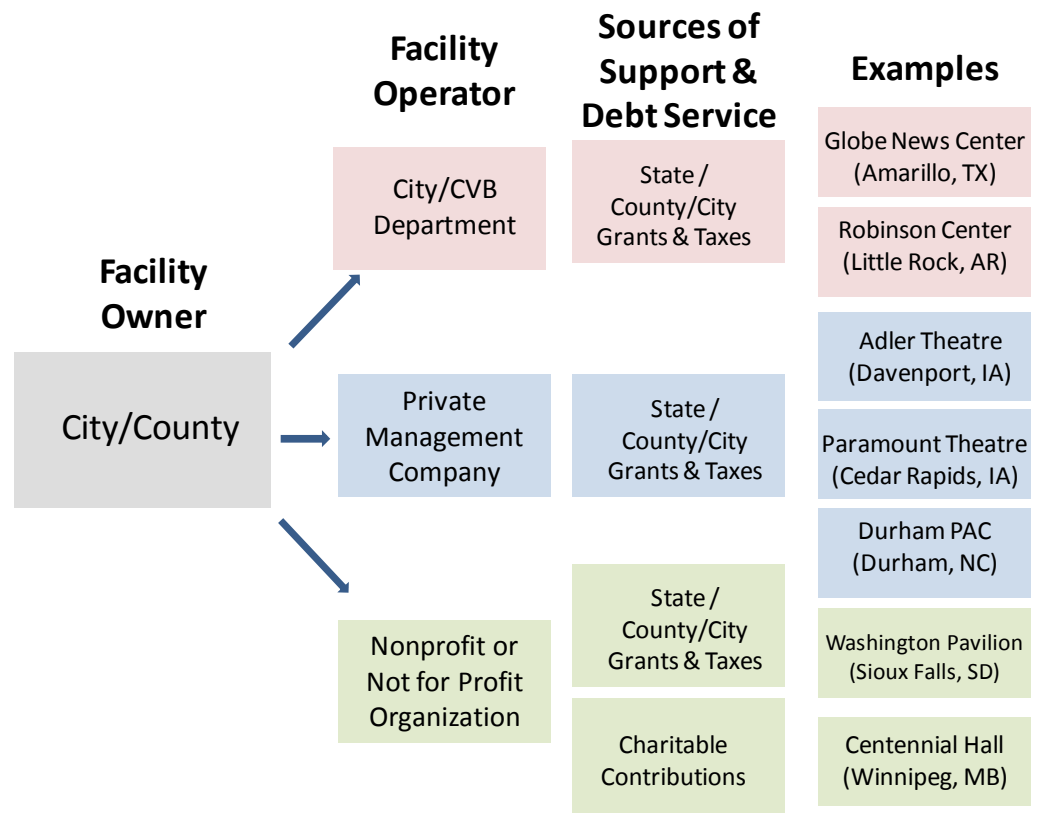
HVS intends for demand projections to show the expected levels of event numbers and attendance. Projections show smooth growth over time. However, event demand and booking cycles do not always run smoothly. Unpredictable local and national economic factors can affect businesses. Event demand often moves in cycles based on rotation patterns and market conditions. Therefore, HVS recommends interpreting the demand projections as a mid-point of a range of possible outcomes and over a multi-year period, rather than relying on projections for any one specific year.

7. Financial Analysis

Approach to Management

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 7-1
MANAGEMENT OF CITY-OWNED PERFORMANCE CENTERS

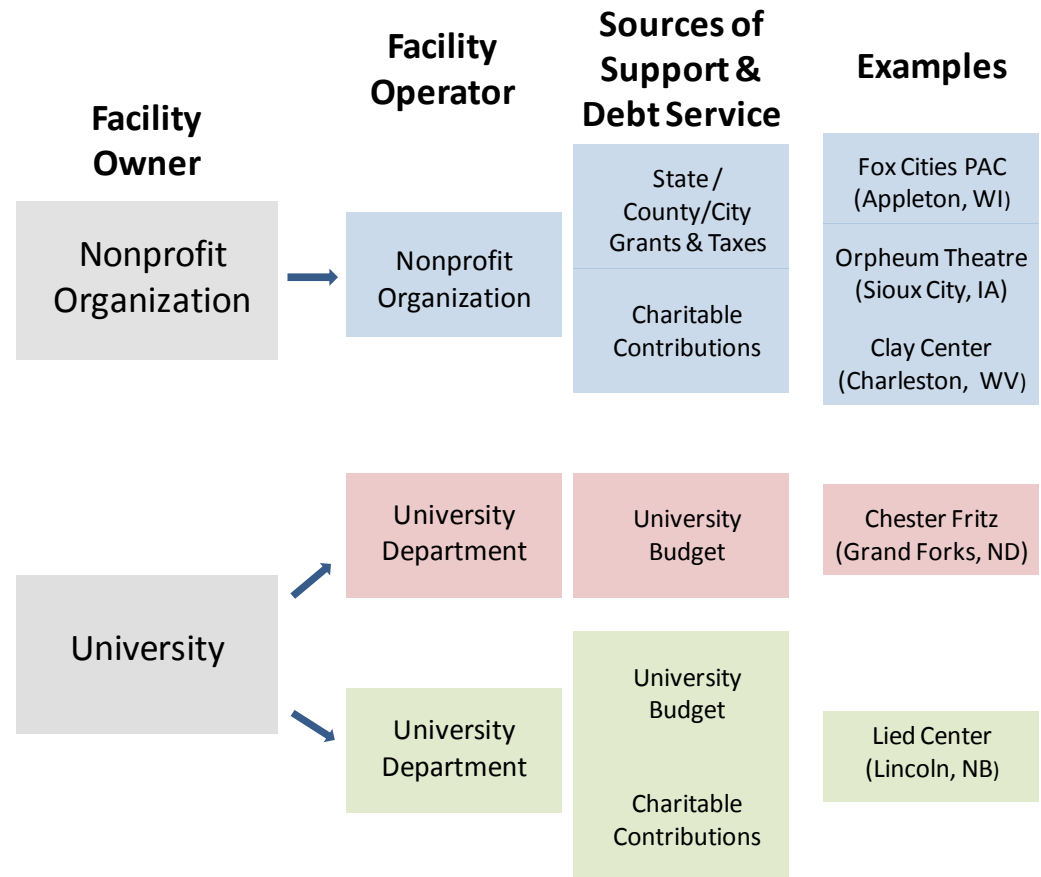


Regardless of management structure, publicly-owned venues rely on public support typically in the form of taxes and grants. Venues operated by a nonprofit

organization also have active fundraising programs for both private and corporate donations.

The following figure provides a summary of management structures for performance centers owned by nonprofit organizations and universities.

FIGURE 7-2
MANAGEMENT OF NONPROFIT AND UNIVERSITY-OWNED PERFORMANCE CENTERS



Nonprofit organizations and universities typically operate their own venues. While nonprofits rely heavily on charitable contributions, most also receive some form of public subsidy. University-owned venues can rely solely on internal university support, but often collect charitable contributions for direct support of their operations.

Financial Analysis

For the purpose of this analysis, HVS assumes that the City of Fargo would own the proposed Fargo Performance Center and contract with a private management company for its operation. HVS further assumes that the performance center would operate as a stand-alone venue.

HVS uses a proprietary financial operating model to estimate revenues and expenses at performance centers. This model quantifies the key variables and operating ratios that determine revenue potential and expense levels. Unless otherwise indicated, the model assumes an annual inflation rate of 2.5% applied to both revenues and expenses.

The performance center industry does not use a standardized set of accounting principles for reporting financial performance. Performance center operators employ a variety of accounting formats. Financial statements from different performance centers organize revenues and expenses differently. However, a few major revenue and expense categories are common to most performance facilities. HVS developed a financial operating model that organizes financial operations according to these primary revenue and expense categories.

Operating Revenues

Event operating revenue line items include theater rental, gross ticket sales, function space rental, food and beverage sales, event services, and novelty sales. The model uses a series of revenue assumptions based on attendance or the number of events.

To formulate the revenue assumptions, HVS relied on historical operations data from comparable venues, industry information, and information on price levels from local area sources. We adjusted the assumptions for inflation and other anticipated trends in price levels.

The figure below summarizes the event revenue assumptions for the proposed Fargo Performance Center by type of event. A brief description of the each revenue item follows.

FIGURE 7-3
EVENT REVENUE ASSUMPTIONS

Type	Theater Rental per Event	Gross Ticket Sales per Attendee	Facility Fee per Attendee	Function Space Rental per Event	Food & Beverage (Gross) per Attendee	Event Services (Gross) per Event	Novelty (Gross) per Attendee
Concerts & Entertainment	\$5,000	\$51.40	\$2.00	\$240.00	\$10.50	\$0.00	\$10.25
Touring Theater	5,000	43.30	2.00	240.00	4.50	-	0.75
Symphony	4,000	-	1.00	-	4.50	3,000.00	-
Opera	4,000	-	1.00	-	4.50	3,000.00	-
Ballet/Dance	3,000	-	1.00	-	2.75	1,000.00	-
Local Theater	1,000	-	1.00	-	2.75	500.00	-
Assemblies	2,500	-	-	-	-	750.00	-
Banquets & Social	-	-	-	450.00	32.00	300.00	-
Other	1,000	-	-	-	-	-	-

Theater Rental—Theater rental revenue includes fees paid by event promoters and performing arts organizations for the use of the performance center’s main theater or multipurpose space for use in a performance setting. Theater rental rates depend on the type of event and the rental organization. Rental fees for local nonprofit performing arts groups would be negotiated via long term contracts for multiple performances over several years.

Gross Ticket Sales—HVS projected gross ticket sales revenue only for those events in which the performance center would share in the ticket sales. HVS assumes that local performing arts groups would collect and maintain 100 percent of ticket sales to their events. Gross ticket sales revenue is based on historical ticket pricing in Fargo for similar events and adjusted for inflation.

Facility Fee—HVS projects that the proposed performance center would collect a \$2 per ticket fee for concerts and touring theatrical events. This fee would reduce to \$1 per ticket for locally-based performances, including symphony, opera, ballet, and local theater.

Function Space Rental—Facility rental revenue includes the revenue the performance center would receive from clients that reserve the multipurpose room or lobbies for their non-performance events. These events may include weddings, parties, receptions, and corporate meetings. In addition, HVS assumes that the facility would charge entertainment promoters a fee for use of these spaces before, during, or after their events.

Food and Beverage—Food and beverage sales include event concessions for performances and catering for banquets, meetings, and other social events. HVS

projects estimated gross food and beverage revenues on a per attendee basis depending on the type of event. HVS further assumes that alcohol sales would be permitted at most performance events.

Event Services—Event Services include the fees charged to tenants for services that could include technical assistance, stage and pit set-up, and the set up and take down of function spaces. The HVS model estimates event services revenues per event varying by the type of event.

Novelty—Novelty sales include merchandise purchases at concerts and touring theatrical productions.

In addition to the above event related revenues, HVS also projects that the proposed performance center would generate the following operating revenues.

Advertising—This revenue category could include proceeds from advertising on fixed signage within the venue and other event sponsorships. HVS assumes that any major naming rights or sponsorship agreement would be tied to project financing and has not included the potential revenues in operating revenues.

Other—Other revenue may include damages billed to tenants, interest income, special fees, and other non-recurring ancillary income.

Operating Expenses

HVS estimated event operating expenses as a percentage of operating revenues as summarized in the figure below. HVS based these variable assumptions on multiple years of comparable venue revenue and expense data and other industry standards. A brief description of each expense line item follows.

FIGURE 7-4
EVENT OPERATING EXPENSE ASSUMPTIONS

Expenditure	Percentage Revenue
EVENT EXPENSES	
Promoter Costs	90.0% of Gross Ticket Sales
Food & Beverage Costs	70.0% of Food & Beverage (Gross)
Event Services Costs	85.0% of Event Services (Gross)
Novelty Costs	80.0% of Novelty (Gross)

Promoter Costs—Promoter costs are the percentage of gross ticket sales remitted to the event promoter. From these proceeds, a promoter must cover talent fees and other costs associated with the production and marketing of an event.

Food & Beverage Costs—HVS assumes that the food and beverage services would be operated by a third party food service operator. This operator may be a single entity that contracts with the facility to provide all catering and concessions services or a list of approved caterers that would contract directly with event organizers. HVS assumes the average commission paid by food service operators at 30 percent of gross sales. Food service operators would be responsible for all costs, including sales staff, event labor, raw materials, and other supplies.

Event Services Costs—Event services costs are the costs incurred by the facility for client reimbursed expenses such as audio visual set-up, security, cleaning, and event set-up. HVS estimated event services costs as a percentage of gross event services based on industry standards.

Novelty Costs—Novelty costs are the percentage of gross novelty sales revenue remitted to the event promoter.

Indirect Expenses

Indirect expenses are costs that would be incurred by the operation of the proposed performance center that are not directly related to an event. HVS estimated indirect revenues as a blend of fixed costs and a variable percentage of operating revenues as summarized in the following figure. A brief description of each indirect expense line item follows.

FIGURE 7-5
INDIRECT EXPENSE ASSUMPTIONS

Expenditure	Percentage Revenue	Fixed Expense
INDIRECT EXPENSES		
Salaries & Benefits		\$560,625
Administrative & General	1.5% of Total Operating Rev	50,000
Contractual Services	1.0% of Total Operating Rev	20,000
Repair & Maintenance	1.5% of Total Operating Rev	
Supplies & Equipment	0.5% of Total Operating Rev	20,000
Utilities	3.0% of Total Operating Rev	200,000
Management Fee		100,000
Capital Maintenance Reserve	3.0% of Total Operating Rev	

Salaries & Benefits—HVS estimated the staffing level, salaries, and associated benefits for permanent full- and part-time employees dedicated to administration, marketing, building operations, and other functions. This category does not include part time food & beverage staffing, which is included in vendor costs. The following figure provides a summary of the staff positions and associated salaries.

FIGURE 7-6
PROPOSED VENUE STAFFING

Position	Number	Salary	Total Salary (\$)
ADMINISTRATION/FINANCE			
Assistant GM	1	60,000	60,000
Office Manager/Accountant	1	40,000	40,000
EVENT SALES & SERVICE			
Event Services Manager	2	40,000	80,000
BOX OFFICE			
Box Office Manager	1	50,000	50,000
BUILDING OPERATIONS			
Operations/Tech Manager	1	55,000	55,000
Engineer	1	50,000	50,000
Housekeeping/Set-up Manager	1	40,000	40,000
TOTALS	8		375,000
Benefits		30%	112,500
TOTAL FULL TIME SALARY & BENEFITS			487,500
Part-time Non-Event Labor		15%	73,125
TOTAL SALARY & BENEFITS			560,625

Administrative & General—Office and administrative operations incur day-to-day facility expenses. Such expenses typically include travel, telephone, printing, permits, insurance and professional services.

Contractual Services—Contractual services include any outsourced operations and maintenance services, such as snow and trash removal.

Repair & Maintenance—This category includes both routine and one-time facility maintenance expenses that are primarily the responsibility of in-house facility operations personnel. It also includes more specialized activities, such as HVAC system maintenance, electrical work, and maintenance of other mechanical systems often contracted out to third parties.

Supplies & Equipment—This category includes items such as computers, office machines, furniture, consumables, and chemicals that are required to support and maintain the operations of the facility.

Utilities—Utilities, including electricity, gas, water, and other charges often represent one of the largest expenses incurred by facility operators.

Management Fee—HVS assumes that Fargo would contract with a third party facility operator to handle day to day operations of the facility. Management fee is based on fees paid for facilities of similar size to that of the proposed performance center.

Capital Maintenance Reserve—HVS assumes the establishment of a capital maintenance reserve equal to 3 percent of operating revenues. This reserve would fund the long-term maintenance and replacement of facility furnishings and systems.

Operating Pro Forma

The figure below presents the five-year financial projections for the proposed performance center. The projections are in inflated dollars beginning January 1, 2020, the assumed opening of the proposed performance center.

FIGURE 7-7
FARGO PERFORMANCE CENTER PROJECTED FIVE YEAR OPERATIONS

	2020	2021	2022	2023	2024
OPERATING REVENUE					
Theater Rental	\$319,600	\$359,500	\$407,100	\$450,800	\$462,100
Gross Ticket Sales	2,898,900	3,368,900	3,961,500	4,581,500	4,696,100
Facility Fee	142,600	163,600	189,600	216,100	221,500
Function Space Rental	24,400	28,300	33,100	37,500	38,500
Food & Beverage (Gross)	758,600	862,500	997,400	1,131,000	1,159,200
Event Services (Gross)	90,300	97,800	105,900	110,900	113,600
Novelty (Gross)	399,700	452,400	527,600	606,200	621,400
Advertising	113,100	116,000	118,900	121,800	124,900
Other Revenue	22,600	23,200	23,800	24,400	25,000
Total	\$4,769,800	\$5,472,200	\$6,364,900	\$7,280,200	\$7,462,300
EVENT EXPENSES					
Promoter Costs	\$2,609,000	\$3,032,000	\$3,565,300	\$4,123,400	\$4,226,500
Food & Beverage Costs	531,000	603,700	698,200	791,700	811,500
Event Services Costs	76,800	83,100	90,000	94,200	96,600
Novelty Costs	319,700	361,900	422,000	485,000	497,100
Total	\$3,536,500	\$4,080,700	\$4,775,500	\$5,494,300	\$5,631,700
DIRECT EVENT INCOME (LOSS)	\$1,233,300	\$1,391,500	\$1,589,400	\$1,785,900	\$1,830,600
INDIRECT EXPENSES					
Salaries & Benefits	\$634,300	\$650,200	\$666,400	\$683,100	\$700,100
Administrative & General	128,100	140,100	154,900	170,100	174,400
Contractual Services	70,300	77,900	87,400	97,200	99,600
Repair & Maintenance	71,500	82,100	95,500	109,200	111,900
Supplies & Equipment	46,500	50,600	55,600	60,800	62,300
Utilities	369,400	396,100	428,700	462,100	473,600
Management Fee	113,100	116,000	118,900	121,800	124,900
Capital Maintenance Reserve	143,100	164,200	190,900	218,400	223,900
Total	\$1,576,300	\$1,677,200	\$1,798,300	\$1,922,700	\$1,970,700
TOTAL NET INCOME (LOSS)	(\$343,000)	(\$285,700)	(\$208,900)	(\$136,800)	(\$140,100)

For a stabilized year of demand, the operation of the proposed performance center would require a subsidy of approximately \$140,000. This is significantly lower than similarly-sized, stand-alone performance centers as shown in the figure 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 could be handled by the management team already in place at the FARGODOME.

FIGURE 7-8
COMPARABLE STAND-ALONE VENUE 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	(\$752,720)	2014
Alberta Bair Theater	Billings, MT	1,400	(\$422,800)	2013

Source: Respective Venues

Seating Wagon Option

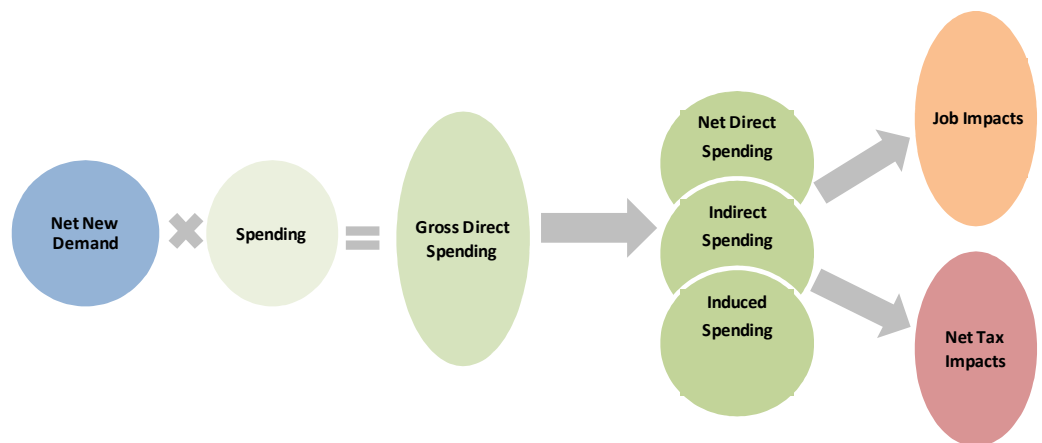
HVS projects that the additional events and attendees attracted by the flat floor space created by the seating wagon option would reduce the annual operating subsidy by approximately \$40,000 in a stabilized year of demand.

HVS intends for financial projections to show the expected levels of revenues and expenses. Projections show smooth growth over time. However, event demand and booking cycles are not always smooth. Unpredictable local and national economic factors can affect business. Event demand is often cyclical, based on rotation patterns and market conditions. Therefore, HVS recommends interpreting the financial projections as a mid-point of a range of possible outcomes and over a multi-year period rather than relying on projections for any one specific year.

8. Economic Impact

The proposed Fargo Performance Center would generate economic impact by attracting new visitors and importing their spending or new income into the local economy. Public investment in the project would increase visitors that would not otherwise come to Fargo. To measure this impact HVS calculated net new demand—the difference between event and attendance in the do-nothing and performance center development scenarios. The figure below outlines the process in which HVS translates this net new demand in the market to economic and fiscal impacts.

**FIGURE 8-1
ECONOMIC AND FISCAL IMPACT PROCESS**



HVS identified the new visitors and associated spending that would occur in the local economy due to the proposed Fargo Performance Center. Based on the demand projections presented in this report, HVS estimated the amounts of income and employment that new visitors and event promoters would generate in the City of Fargo.

Direct, Indirect, and Induced Spending

- **Direct spending** includes the new spending of event attendees and promoters. For example, an attendee's expenditure on a restaurant meal is a direct spending impact. Direct spending includes only new spending that originates from outside Fargo. 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.

- **Indirect spending** follows from the business spending resulting from the initial direct spending. For example, an event attendee's direct expenditure on a restaurant meal causes the restaurant to purchase food and other items from suppliers. The portion of these restaurant purchases that remain within count as indirect impacts.
- **Induced spending** represents the change in local consumption due to the personal spending by employees whose incomes change from direct and indirect spending. For example, a waiter at a local restaurant may have more personal income as a result of an event attendee dining at the restaurant. The amount of the increased income that the waiter spends in the local economy is an induced impact.

To generate direct spending estimates, HVS applied assumptions about the amounts of new spending generated by the proposed Fargo Performance Center events. HVS used the IMPLAN input-output model of the local economy to estimate indirect and induced spending. The sum of direct, indirect, and induced spending estimates make up the total estimated spending impact of the proposed Fargo Performance Center.

Some refer to indirect and induced impacts as multiplier effects. The relationship between direct spending and the multiplier effects vary based upon the specific size and characteristics of a local area's economy.

Sources of Direct Spending

HVS identified three sources of new direct spending impacts:

- **Overnight Guests:** Visitors to Fargo who require overnight lodging, including performance and other event attendees. Overnight visitor spending includes the spending on performance admissions, lodging, meals, shopping, and other services.
- **Daytrip Attendees:** Visitors to the proposed Fargo Performance Center who do not require paid lodging. In addition to event admissions, day-trippers typically spend money on meals, shopping, local transportation, and other goods and services while in town.
- **Event Promoters and Organizers:** Individuals, associations, or other organizations that plan, sponsor, organize, and coordinate events that would take place at the performance center. In addition to facility spending, event organizers also spend on facility rentals, equipment rentals, and other goods and services required to plan and organize a successful event.

Estimation of new spending of each of these sources involves three sets of assumptions: 1) the number of new visitors to the market, 2) the geographic location of their spending, and 3) the amounts typically spent by each of the sources.

New Visitors

HVS estimated the percentage of each visitor type that would come from outside the market rather than from the local area. The spending estimates only include new visitor spending because non-residents import income, whereas residents transfer income already in the market area.

- **Overnight Guests** – HVS assumes that 90% of overnight guests attending an event at the Fargo Performance Center would require hotel or motel lodging in the local market. Some overnight guests may stay with friends and family or outside the market.
- **Day Trips** – Estimates are based on the percentage of the population for the market area as a percentage of the Fargo Metro population and the total drive time population defined as the 90-minute drive time.

The product of the visitor forecasts and the percent of demand new to the market yields an estimate of the sources of impact shown in the table below. That is:

$$\text{Total Overnight Guests} \times \text{Percent New} = \text{New Overnight Stays}$$

$$\text{Total Day Trips} \times \text{Percent New} = \text{New Day Trips}$$

The figure below shows the number of new visitors to Fargo that generate new spending.

FIGURE 8-2
SOURCES OF SPENDING IMPACTS

Event Type	Overnight Visitor Days	Day Trips
City of Fargo		
Concerts & Entertainment	4,160	24,750
Touring Theater	2,400	9,240
Symphony	60	740
Opera	10	150
Ballet/Dance	20	210
Local Theater	0	0
Assemblies	1,350	5,110
Banquets & Social	510	1,970
Total	8,510	42,170

Spending Parameters

Attendees spend locally on admissions, lodging, meals, local transportation, and other goods and services.

The “Daily Spending Parameters” include the daily spending by individual overnight attendees and day-trippers. For spending on lodging and performance admissions, HVS used its primary research and analysis. To develop other spending estimates in the Fargo market, HVS used the 2010 Arts & Economic Prosperity IV National Statistics Report and adjusted data for inflation and local pricing. The figure below states all daily spending parameters in 2015 dollars.

FIGURE 8-3
PER PERSON DAILY SPENDING ESTIMATES

Daily Spending Per Overnight Stay	Amount in \$2015 Dollars	\$117.16	
Hotel Average Daily Room Rate	\$52.83	45%	<div></div>
Food services and drinking places	\$13.71	12%	<div></div>
Retail stores - general merchandise	\$8.25	7%	<div></div>
Transit and ground passenger transportation	\$6.61	6%	<div></div>
Performing arts companies	\$31.40	27%	<div></div>
Other personal services	\$4.36	4%	<div></div>
Total	\$117.16	100%	
Daily Spending Per Day-trip Visitor		\$64.33	
Food services and drinking places	\$13.71	21%	<div></div>
Retail Stores - General Merchandise	\$8.25	13%	<div></div>
Transit and ground passenger transportation	\$6.61	10%	<div></div>
Performing Arts Companies	\$31.40	49%	<div></div>
Other personal services	\$4.36	7%	<div></div>
Total	\$64.33	100%	

Sources: Arts & Economic Prosperity IV, STR, and HVS

Facility Revenue from Outside Spending

Event promoters, organizers, and attendees would create additional spending impacts through spending at the performance center through facility rentals, the purchase of event food and beverage services, and other spending at the venue. Note that performance admission fees paid to the venue are captured in attendee spending detailed above.

Theater Rental—Theater rental revenue includes fees paid by event promoters and performing arts organizations for the use of the performance center’s main theater or multipurpose space for use in a performance setting. Theater rental rates depend on the type of event and the rental organization. Rental fees for local nonprofit performing arts groups would be negotiated via long term contracts for multiple performances over several years.

Function Space Rental—Facility rental revenue includes the revenue the performance center would receive from clients that reserve the multipurpose room or lobbies for their non-performance events. These events may include weddings, parties, receptions, and corporate meetings. In addition, HVS assumes that the facility would charge entertainment promoters a fee for use of these spaces before, during, or after their events.

Food and Beverage—Food and beverage sales include event concessions for performances and catering for banquets, meetings, and other social events. HVS projects estimated gross food and beverage revenues on a per attendee basis depending on the type of event. HVS further assumes that alcohol sales would be permitted at most performance events.

Event Services—Event Services include the fees charged to tenants for services that could include technical assistance, stage and pit set-up, and the set up and take down of function spaces. The HVS model estimates event services revenues per event varying by the type of event.

Novelty—Novelty sales include merchandise purchases at concerts and touring theatrical productions.

Advertising—This revenue category could include proceeds from advertising on fixed signage within the venue and other event sponsorships. HVS assumes that any major naming rights or sponsorship agreement would be tied to project financing and has not included the potential revenues in operating revenues.

The following figure shows the estimated new event promoter, organizer, and attendee spending at the venue for a stabilized year. HVS excluded spending for events which are already established in the Fargo market. The following figures are for a stabilized year in 2015 dollars.

FIGURE 8-4
NEW SPENDING AT VENUE IN STABILIZED YEAR

SPENDING CATEGORY	Stabilized
Theater Rental	\$240,500
Facility Fee	\$133,050
Function Space Rental	\$21,567
Food & Beverage (Gross)	\$213,493
Event Services (Gross)	\$80,080
Novelty (Gross)	\$373,163
Total	\$1,081,852

Gross Direct Spending

HVS applied the previous sources of spending impacts and spending parameters to estimate gross direct spending for a stabilized year. See the figure below.

**FIGURE 8-5
GROSS DIRECT SPENDING**

City of Fargo					
Direct overnight visitor spending =	8,510	overnight visitors	x	\$117.16	= \$1.0 M
Direct day trip spending =	42,170	daytrip visitors	x	\$64.33	= \$2.7
Facility Revenue =					<u>\$1.1</u>
Total Gross Direct Spending =					\$4.8 M

The figure below shows the annual gross direct spending generated by the development of the Fargo Performance Center over a five-year period beginning in the first year of operation.

**FIGURE 8-6
GROSS DIRECT SPENDING BY SOURCE**

	2020	2021	2022	Stabilized Year
City of Fargo				
Delegate Overnight Spending	687,170	778,200	887,960	996,390
Daily Delegate Spending	1,900,370	2,132,570	2,424,460	2,713,530
Facility Revenue	782,660	862,170	965,920	1,061,850
Total	<u>3,370,200</u>	<u>3,772,940</u>	<u>4,278,340</u>	<u>4,771,770</u>

**IMPLAN Impact
Modeling**

HVS uses the IMPLAN input-output model to estimate indirect and induced spending and employment impacts. IMPLAN is a nationally recognized model developed at the University of Minnesota and commonly used to estimate economic impacts. An input-output model generally describes the commodities and income that normally flow through the various sectors of a given economy. The indirect and induced spending and employment effects represent the estimated changes in the flow of income, goods, and services caused by the estimated direct spending. The IMPLAN model accounts for the specific characteristics of the local area economy and estimates the share of indirect and induced spending that it would retain.

HVS categorized new direct expenditures into spending categories that we provide inputs into the IMPLAN model. Specifically, the IMPLAN model relies on spending categories defined by the U.S. Census according to the NAICS. Because the spending data from the spending surveys used by HVS do not match the NAICS spending categories, HVS translates the spending categories into the NAICS spending categories that most closely match.

Annual Net Direct Spending

Not all of the gross direct spending counts as an economic impact because some of the spending does not generate income within the market. HVS adjusts gross direct spending to account for income that leaks out of the local economy by estimating retail margins and local purchase parentages. As a result, the realized direct spending ("net direct spending") is lower than the gross direct spending in the market area.

Retail Margins

Spending at retailers creates a smaller economic impact compared to spending in other industries. Retailers add value equal to the margin or price increase of the goods above the original price paid to obtain the goods. The IMPLAN model is product based, so HVS uses IMPLAN margin numbers to account for the discrepancy between retail purchaser prices and producer prices.

Local Purchase Percentage

To accurately measure spending impacts, HVS counts spending on products and services located in the market area. Some of the direct spending demand in the market area cannot be accommodated. This effect occurs for direct, indirect, and induced spending. HVS uses the IMPLAN SAM model values to track the percentage of a good purchased within the market area.

Indirect and Induced Spending

The relationship between direct spending and the multiplier effects can vary based on the specific size and characteristics of a local area's economy. HVS enters the gross direct spending estimate into the IMPLAN input output model of the local economy to estimate the net direct, indirect and induced spending. HVS obtained the most recent available data from IMPLAN for the City of Fargo.

The following figures present the output of the IMPLAN model—the net new direct, indirect, and induced economic impacts and that are attributable to the development of the Fargo Performance Center. HVS also used IMPLAN to estimate the jobs created based on the direct, indirect, and induced spending estimates.

Annual Net Spending Impacts

The figure below shows the annual net direct, indirect and induced spending generated for the City of Fargo.

FIGURE 8-7
NET DIRECT, INDIRECT, AND INDUCED SPENDING*

	2020	2021	2022	2023	2024
City of Fargo					
Net Direct	3,063,320	3,429,390	3,888,760	4,337,260	4,337,260
Indirect	1,189,220	1,331,330	1,509,660	1,683,770	1,683,770
Induced	517,330	579,150	656,730	732,470	732,470
Total City of Fargo	4,769,870	5,339,870	6,055,150	6,753,500	6,753,500

*Stated in constant 2015 dollars.

Present Value of Net Spending

The proposed capital investment in the development of the Fargo Performance Center would likely be repaid over a 20- to 30-year period that coincides with the useful life of the asset. As a point of comparison with the capital investment, HVS calculated the present value of the net spending that it would generate over a 20-year period. We assumed a 5% discount rate that approximates weighted cost of public sector capital.

Over a 20-year period, the present value of net spending impact on Fargo would be approximately \$100 million. The amounts of impact should be compared to the potential capital investment in the project.

Employment Impacts

HVS calculated the full-time equivalent jobs supported by the spending in each economic sector. The figure below summarizes the results.

FIGURE 8-8
NET DIRECT, INDIRECT, AND INDUCED FULL-TIME EQUIVALENT JOBS

	2020	2021	2022	2023	2024
City of Fargo					
Net Direct	46	51	58	65	65
Indirect	10	11	12	14	14
Induced	3	4	4	4	4
Total City of Fargo	59	66	75	83	83

By a stabilized year of operation, the project would support approximately 80 new permanent full-time equivalent jobs in Fargo.

Fiscal Impacts

Fiscal impacts represent the public sector share of the economic impacts from tax collections on new spending. The previously discussed spending estimates provide a basis for estimating potential tax revenue, as City of Fargo would collect some of the spending through taxation.

The IMPLAN analysis results in direct, indirect, and induced spending classified into hundreds of detailed spending categories. HVS evaluated each of these spending categories to determine which taxes would apply to each type of spending output. HVS then used the appropriate tax rates to estimate the amount of tax revenue.

For the purpose of this analysis, HVS evaluated the projected collections of the 2.0 percent city sales and use tax and the 3.0 percent city lodging tax. Resulting collections of other city taxes including those collected by electricity, telecommunications, natural gas, and cable providers are negligible in this analysis.

HVS applied these nominal tax rates to a detailed breakdown of spending and income categories that result from direct, indirect, and induced spending in Fargo as a result of the operation of the proposed performance center. HVS then estimated the potential annual revenue from each tax source as shown in the following figure.

FIGURE 8-9
FISCAL IMPACTS FOR CITY OF FARGO IN 2015 DOLLARS

Tax Category	Nominal Tax Rate	Estimated Tax Revenue
Local Sales & Use Tax	2.00%	\$113,400
City Lodging Tax	3.00%	\$10,100
		<u>\$123,500</u>

Sources: , IMPLAN, ESRI, and HVS

Two tax sources would generate approximately \$124,000 in annual tax revenue to the City of Fargo in a stabilized year of operation. The estimated present value of fiscal impacts over 20 years of the expansion project would be approximately \$1.8 million.

These economic and fiscal impact estimates are subject to the assumptions and limiting conditions described throughout the report. Numerous assumptions about future events and circumstances form the basis for these estimates. Although we consider these assumptions reasonable, we cannot provide assurances that the project will achieve the forecasted results. Actual events and circumstances are likely to differ from the assumptions in this report and some of those differences may be material. The readers should consider these estimates as a mid-point in a range or potential outcomes.

Other Impacts

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 work force 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.

9. Approach to Financing

Performance Center Ownership

This section provides an overview of common strategies for performance center ownership and funding, highlighting alternate funding structures currently in place at centers throughout the U.S. and the impact of funding mechanisms on facility operations.

As detailed in the previous section, performance centers employ a variety of ownership options. Many are publicly owned in which municipal or county ownership is the most common ownership arrangement. Many communities have established quasi-governmental or non-profit authorities to own and operate their performance facilities on behalf of the local and/or state governments. Regardless of ownership structure, a performance center board of directors or other advisory committee is typically responsible for the operation and long-term maintenance of the facility. The primary benefit of a public ownership arrangement is that the local government would maintain control of:

- Future site development,
- Continued presence of a performance center,
- Maintenance and capital improvements to the facility,
- Operating strategy for the performance center, and
- Access to tax exempt debt.

The primary risk associated with public ownership concerns ongoing investments in the performance center. To remain competitive, the facility would likely require ongoing capital improvements. Moreover, local government bears the risks associated with financial operating losses at the facility.

Performance Center Funding Models

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.

General Obligation Bonds

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.

Municipalities sell two primary types of tax-exempt bonds, General Obligation Bonds or Revenues Bonds, to finance projects such as performance centers.

One possible revenue source to repay bonds would be general fund revenue, backed by the full faith and credit of the government, to make scheduled payments over the life of the bonds. These general obligation bonds (“GO bonds”) primarily rely on real property taxes for repayment. This type of debt would provide a strong credit and relatively low borrowing costs for the project.

GO bonds typically fund projects perceived to benefit the population as a whole, such as educational, environmental, transportation, or correctional facilities. Because performance centers have a narrower group of users and people who benefit from these projects, GO bonds are seldom used as a funding source. Based on: 1) the lack of historical precedent in other cities, 2) the availability of alternative financing methods, HVS does not recommend the use of GO debt to finance the proposed Fargo Performance Center.

Some alternative uses of GO debt might include;

- restricting it to a portion of the project costs such as site preparation, transportation improvements, and utilities;
- creating a short-term means of paying for some or all construction costs until revenues triggered by the new facility are realized; and/or,
- providing a guarantee to back-stop a new revenue source that is not initially creditworthy on its own or results in a lower bond rating without the backing of the gross receipts tax.

Revenue Bonds

Municipal governments can pledge revenue from existing or projected taxes and fees to support the repayment of tax-exempt debt on performance center projects. Bonds that are backed by such sources are called “revenue bonds” because the revenue from these taxes and fees provide the ability to repay debt. The interest rates paid on revenue bonds would vary depending on the reliability of the chosen revenue source. Interest rates also vary from one municipality to another depending on their credit ratings.

Counties and cities often target taxes or fees derived from the activities or businesses that are most likely to use or otherwise benefit from the facility. Hotel room occupancy taxes, sales taxes, car rental fees, parking taxes, food and beverage taxes, airport access fees, and development fees are the revenue sources most commonly used to repay debt service for performance center revenue bonds. In addition, municipalities frequently use these tax sources to finance the ongoing operating and marketing needs of their facilities. Most of the recent performance center projects throughout the U.S. have used this financing structure, which can be tailored to fit the specific requirements and debt structure of state and local governments.

The types of bonds used for particular projects depend on the size of the investment, lending rates, the creditworthiness of the borrowing entity, and the availability of revenue sources to repay the debt. The mix of revenue sources selected for particular projects depends on the comparative level of existing taxes or fees, as well as what is considered to be both fair and feasible under the unique political and economic circumstances of each development.

Case Studies

HVS investigated the operating structures and funding mechanisms for six stand-alone performance centers in small to medium-sized markets throughout the U.S. The following case studies include stand-alone performance centers and facilities within a larger multi-use complex. All venues have either opened or renovated within the past two decades or are currently in the planning stages.

**Globe News Center –
Amarillo, TX**

Having discussed a performance center in downtown Amarillo for several years, a group led by a local philanthropist began fundraising efforts in 1999. Within three months, their efforts had raised \$12 million and the architectural design phase began. Amarillo's *Globe-News* newspaper donated an additional \$3 million in return for the venue's naming rights. In 2006, the 1,300-seat Globe-News Center was completed with a final development cost of around \$32 million. The majority of funding was from private donations; however, the City of Amarillo donated the land and committed an additional \$1.8 million to the project. The City of Amarillo assumed management of the facility using the Amarillo Civic Center's management team, which is located across the street. Approximately 30 months after its opening, the full cost of the Globe-News Center was paid off and the ownership of the facility was transferred to the City.

In 2007, the City established a Tax Increment Reinvestment Zone ("TIRZ") surrounding the Globe-News Center and Civic Center properties. Several projects have received TIRZ funding, including the renovation of an historic building into a hotel, a mixed-use development, and a residential loft development. Other major projects planned for downtown Amarillo include a minor league baseball stadium, an expansion of the Amarillo Civic Center, a headquarters hotel, and an aquarium.

GLOBE-NEWS CENTER

**Fox Cities Performing
Arts Center –
Appleton, WI**

Local arts groups and civic leaders began imagining a performing arts center in the Fox Cities in the 1970s. This group of supporters found their much needed catalyst in 1999 when Thrivent Financial for Lutherans made an \$8 million gift the project. In addition to ongoing fundraising, 14 cities in the Fox Cities community dedicated a total of \$8 million to the construction of the project through hotel room taxes. The City of Appleton also pledged an additional portion (one percent) of their lodging tax to cover the operational needs of the facility. The City of Appleton also designated a site and, through its Economic Redevelopment Authority, committed \$4.2 million towards site acquisition and preparation. Other major donations include \$3 million from the Kimberly-Clark Corporation towards the construction of the 450-seat Kimberly-Clark Theater within the Fox Cities PAC. In total, the groups raised \$45 million from local businesses, individuals, and foundations.

The Fox Cities PAC opened in 2002. The facility includes the 2,100-seat Thrivent Financial Hall, the 450-seat multipurpose theater, and a 25,000 square foot lobby. It is owned and operated as a 501(c)(3) organization and continues to solicit donations to support the ongoing operation of the facility.

FOX CITIES PERFORMING ARTS CENTER

**Washington Pavilion -
Sioux Falls, SD**

The City of Sioux Falls, SD took possession of the empty Washington High School and completed a \$30 million renovation on the facility, opening the Washington Pavilion of Arts and Sciences in 1999. The City contracts with Washington Pavilion Management, Inc. ("WPMP"), a 501(c)(3) nonprofit corporation which manages the day to day operations of the facility. The facility houses the 1,900-seat Husby Performing Arts Center, the Kirby Science Discovery Center, and the Visual Arts Center. A one percent city entertainment tax pays the debt service on bonds used to fund the construction of the Washington Pavilion and the Sioux Falls Convention Center. In addition, the City contributes around \$1.2 million annually towards the operation of the Washington Pavilion in addition to around \$50,000 in state and federal grants.

WPMP continues active fundraising efforts, collecting around \$1 million in contributions, donated goods and services, and earnings from special fundraising events. The private funds go towards the operating needs of the facility. The City of Sioux Falls pays for capital improvements.

WASHINGTON PAVILION

**Durham Performing
Arts Center –
Durham, NC**

Opened in 2008, the \$48 million, 2,700-seat Durham PAC is owned by the City of Durham and operated under management contract with Nederland Organization and Professional Facilities Management. The City borrowed \$33.7 million for the Durham PAC's construction through Certificates of Participation ("COPs"). Debt service payments on COPs are subject to annual appropriation by the City. This payment structure allows the City to consider COP debt service as an annual operating expense rather than a long-term capital obligation, thereby avoiding a voter referendum for their approval. Other sources of funding include a \$7.5 million contribution from Duke University and other contributions. The facility has attempted to secure a major naming rights sponsor, but has been unsuccessful to date. Smaller sponsorship deals bring in around \$200,000 annually.

The Durham PAC's operation has far exceeded projections for events, attendance, gross revenue, and net operating income. The City of Durham collects a 40 percent share of net income from operations. In 2014, this share reached around \$1.6 million.

DURHAM PERFORMING ARTS CENTER

**Richmond CenterStage –
Richmond, VA**

Originally opened in 1928 as a Loew's Theater, the Carpenter Theater in Richmond, Virginia underwent a \$25 million restoration by the CenterStage Foundation. In addition to restoring the 1,800-seat theater, the project also included the construction of a new 80,000 square foot facility which houses a 200-seat theater, a multipurpose jazz/cabaret space, an education center, visual arts gallery, meetings rooms, and offices. In total the CenterStage development cost around \$85.5 million. Sources of project financing include an \$8.5 million grant from the Commonwealth of Virginia, a \$25 million grant from the City of Richmond, \$18 million in federal and state historic tax credits, \$2.3 million in new market tax credits, and \$18 million from other sources.

CenterStage officially opened to the public in 2009. Nine resident performing arts groups use CenterStage for performances and educational programming. CenterStage is a 501(c)(3) nonprofit organization and has an active fundraising campaign to fund ongoing operations of its venues. The complex has a somewhat controversial management structure in which SMG Richmond, a for profit private management company, operates the complex under a city-appointed board of local executives.

CENTERSTAGE RICHMOND

**The Palladium at the Center
for Performing Arts –
Carmel, IN**

The Palladium is a 1,600-seat, 151,000 square foot performance hall in Carmel, Indiana. The Palladium's design is based on the traditional shoe-box shaped concert hall and also features moveable panels that can adjust the acoustics of the main hall. Owned by the Carmel Redevelopment Commission, the Palladium has been plagued by controversy since its opening in 2011, when the original \$80 development budget had ballooned to \$175 million and \$40 million in projected fundraising efforts failed to materialize. In addition, operations have not met expectations. Promised a worst-case scenario of around \$300,000 in annual public support, the City of Carmel currently pays around \$2 million annually to subsidize the Palladium's operation. Original operating projections failed to accurately estimate artist fees and production costs, relying on event promoters to assume all the risks of a production. In reality, these costs make up around one-third of the venue's operating budget.

The Palladium is operated by the 501(c)(3) nonprofit organization and is home to six resident performing arts groups. Other venues in the complex include a 500-seat proscenium theater and flexible studio theater.

THE PALLADIUM AT THE CENTER FOR PERFORMING ARTS

**Tanger Performing Arts
Center –
Greensboro, NC**

With groundbreaking anticipated in late 2015, the Tanger Performing Arts Center in Greensboro, North Carolina is scheduled to open in 2017. The 3,000-seat venue will replace the 2,400-seat War Memorial Auditorium in the Greensboro Coliseum Complex. A public-private partnership will fund the \$65 million project with the City committing \$30 million and the Community Foundation of Greater Greensboro funding the remaining \$35 million. The City's \$30 million pledge will be paid over 28 years through a portion of the City's hotel tax revenue, ticket and user fees, and premium parking fees. With corporate and private donations lower than anticipated, the start of construction has been delayed from original plans. The Greensboro Community Foundation recently secured a \$25 million bridge loan which it will repay over 10 years from future donations. These funds will provide \$5 million in preconstruction costs.

The City of Greensboro will own and operate the facility, which is expected to attract 149 events in a stabilized year.

TANGER PERFORMING ARTS CENTER

**Federal Way
Performing Arts &
Events Center –
Federal Way, WA**

Groundbreaking and opening dates for the Federal Way Performing Arts & Events Center ("PAEC") in Federal Way, Washington are uncertain. The 700-seat venue will include a public- assembly lobby and generous outdoor plaza space. A private developer has also committed to developing a 125-room hotel and managing PAEC on behalf of the City of Federal Way. The City intends to fund the \$32 million project through a combination of City funds, state and county grants, sponsorship agreements, donations, and federal New Market Tax Credits. With only \$20 million identified thus far, the City has not ruled out selling bonds backed by City revenues. The City purchased a four-acre site in 2010 for \$5 million in state funds.

FEDERAL WAY PERFORMING ARTS & EVENTS CENTER

10. Statement of Assumptions and Limiting Conditions

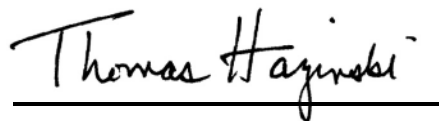
1. This report is to be used in whole and not in part.
2. No responsibility is assumed for matters of a legal nature.
3. We have not considered the presence of potentially hazardous materials on the proposed site, such as asbestos, urea formaldehyde foam insulation, PCBs, any form of toxic waste, polychlorinated biphenyls, pesticides, or lead-based paints.
4. All information, financial operating statements, estimates, and opinions obtained from parties not employed by HVS are assumed to be true and correct. We can assume no liability resulting from misinformation.
5. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject property.
6. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and only when our standard per-diem fees and travel costs are paid prior to the appearance.
7. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
8. We take no responsibility for any events or circumstances that take place subsequent to the date of our report.
9. The quality of a performance facility's on-site management has a direct effect on a facility's economic performance. The demand and financial forecasts presented in this analysis assume responsible ownership and competent management. Any departure from this assumption may have a significant impact on the projected operating results.
10. The impact analysis presented in this report is based upon assumptions, estimates, and evaluations of the market conditions in the local and national economy, which may be subject to sharp rises and declines. Over the projection period considered in our analysis, wages and other operating expenses may increase or decrease due to market volatility and economic forces outside the control of the facility's management.

11. We do not warrant that our estimates will be attained, but they have been developed on the basis of information obtained during the course of our market research and are intended to reflect reasonable expectations.
12. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded. Thus, these figures may be subject to small rounding errors.
13. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client, and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.
14. Although this analysis employs various mathematical calculations, the final estimates are subjective and may be influenced by our experience and other factors not specifically set forth in this report.
15. This report was prepared by HVS Convention, Sports & Entertainment Facilities Consulting. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of this organization, as employees, rather than as individuals.
16. This report is set forth as a feasibility study of the subject facility; this is not an appraisal report.

11. Certification

The undersigned hereby certify that, to the best of our knowledge and belief:

1. the statements of fact presented in this report are true and correct;
1. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
2. we have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved;
3. HVS is not a municipal advisor and is not subject to the fiduciary duty set forth in section 15B(c)(1) of the Act (15 U.S.C. 78o-4(c)(1)) with respect to the municipal financial product or issuance of municipal securities.
4. we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
5. our engagement in this assignment was not contingent upon developing or reporting predetermined results;
6. our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
7. Thomas A Hazinski and Catherine Sarrett personally inspected the property described in this report.



Thomas Hazinski
Managing Director



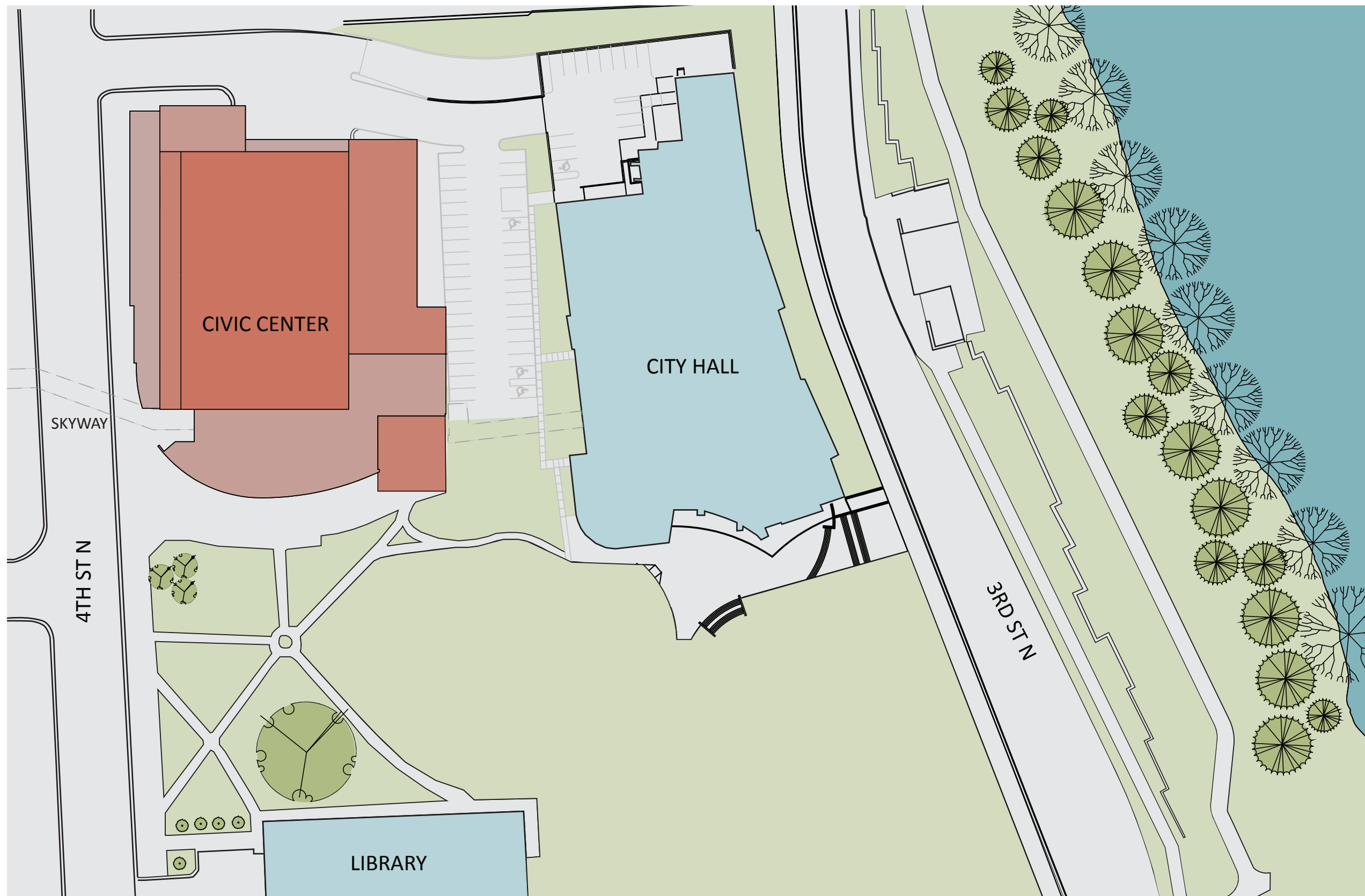
Catherine Sarrett
Senior Project Manager



A. Appendix - Concept Plans

Option A – Renovation and Addition to Fargo Civic Center

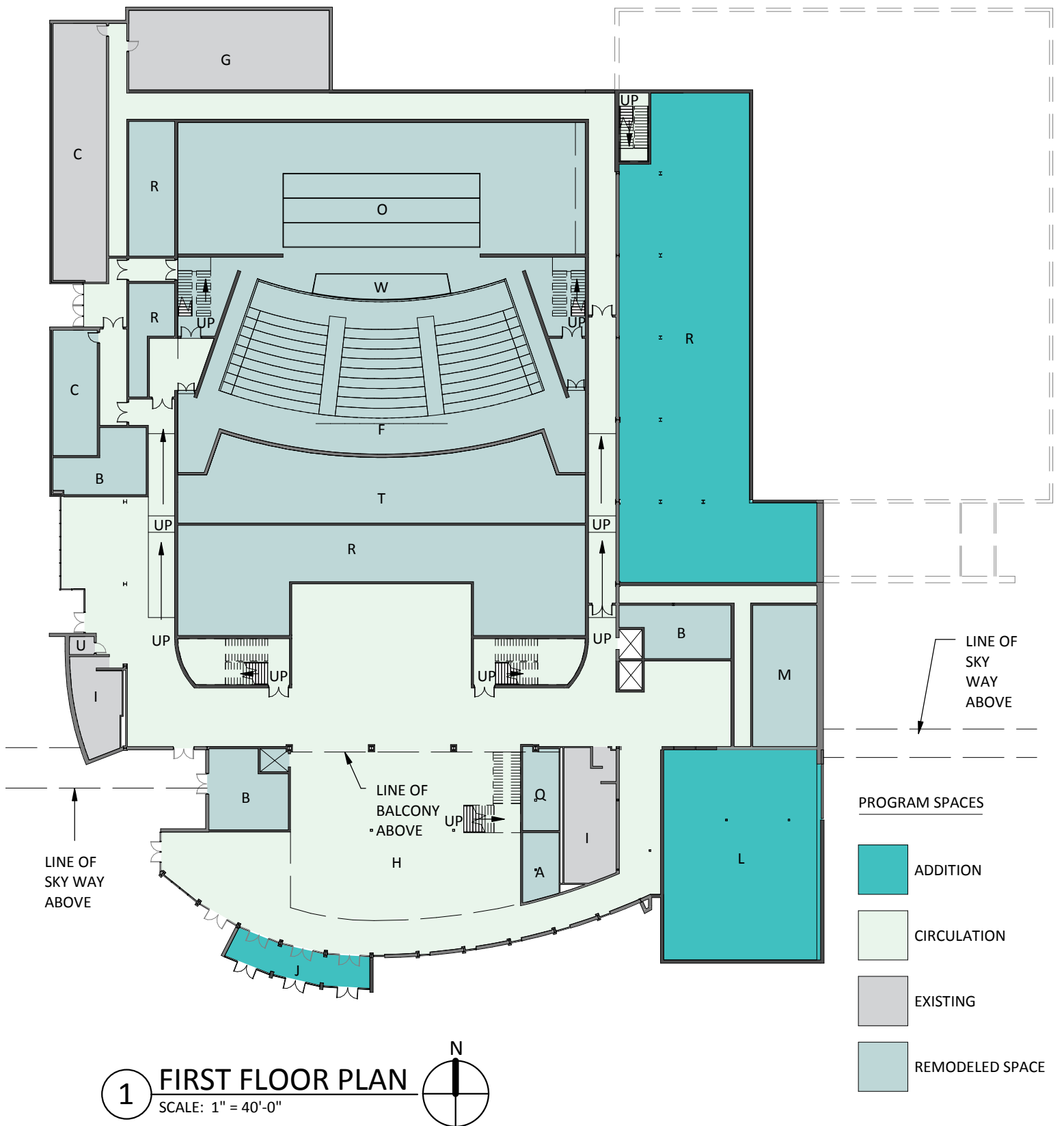
Option B – New Construction



OPTION A - EXISTING RENOVATION & ADDITION
FARGO CIVIC CENTER FEASIBILITY STUDY
SCHEMATIC SITE PLAN

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Option A - Existing Renovation & Addition Fargo Civic Center Feasibility Study

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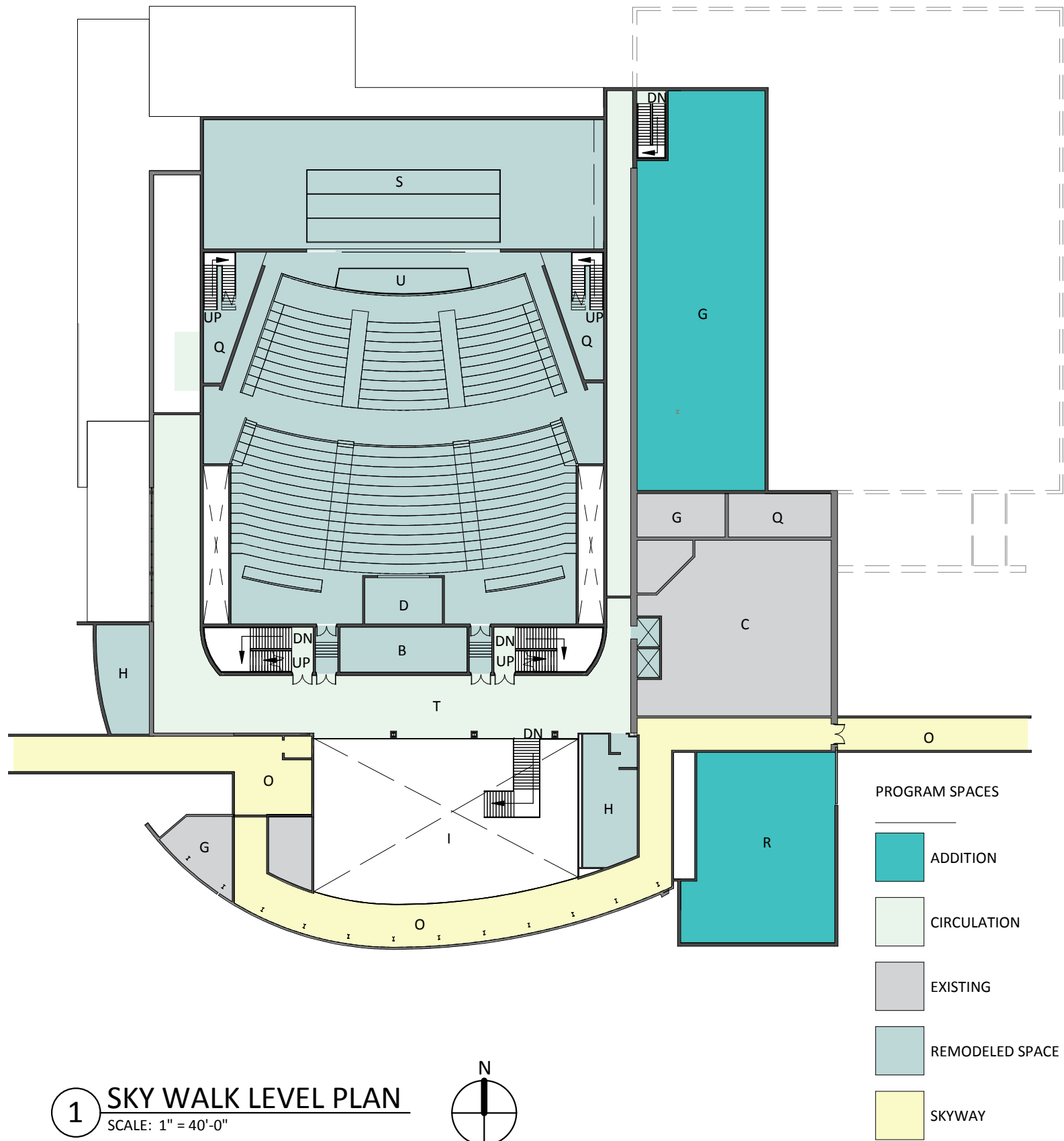
PROGRAM KEY

A	BOX OFFICE
B	CONCESSIONS
C	DRESSING
D	ELEV.
E	HALLWAY
F	HOUSE
G	LOADING
H	LOBBY
I	RESTROOM
J	NEW VESTIBULE
L	REHEARSAL / EVENT ROOM
M	REHEARSAL SUPPORT
O	STAGE
Q	STORAGE
R	SUPPORT
W	ORCHESTRA PIT

Option A - Existing Renovation & Addition Fargo Civic Center Feasibility Study

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Option A - Existing Renovation & Addition Fargo Civic Center Feasibility Study

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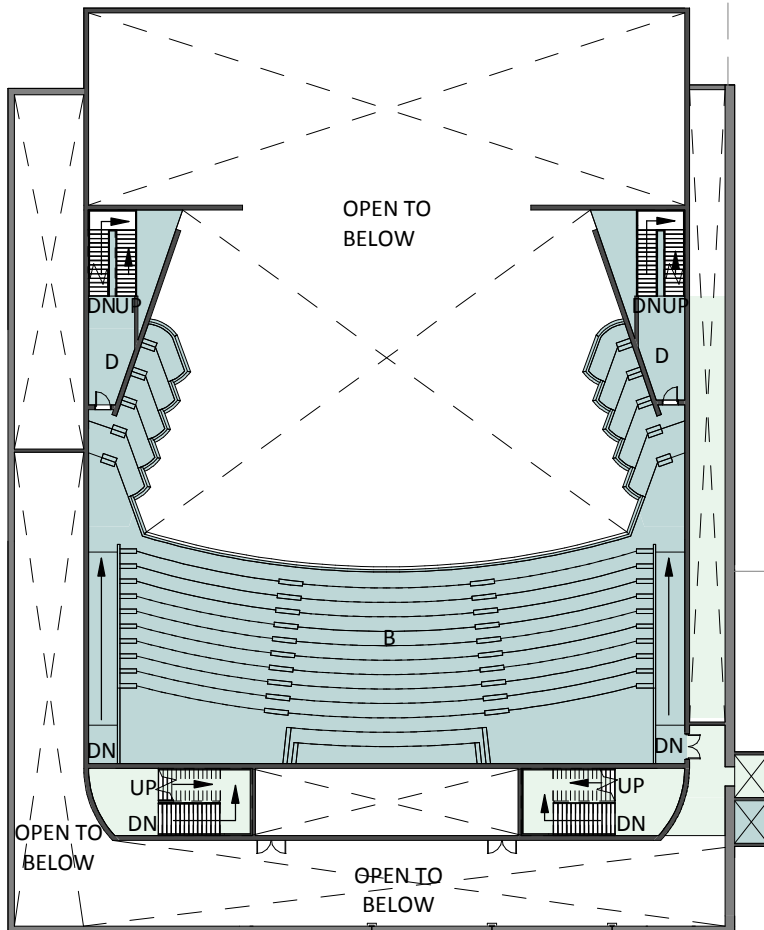
PROGRAM KEY

A	A/V ROOM PROJECTION
B	CONCESSIONS
C	CONFERENCE
D	CONTROL ROOM
F	HOUSE
G	MECHANICAL/SUPPORT
H	RESTROOM
H	RESTROOM
I	OPEN TO BELOW
O	SKY WAY
Q	STORAGE
R	UPPER REHEARSAL / EVENT ROOM
S	STAGE
T	SKYWALK LEVEL LOBBY
U	ORCHESTRA PIT

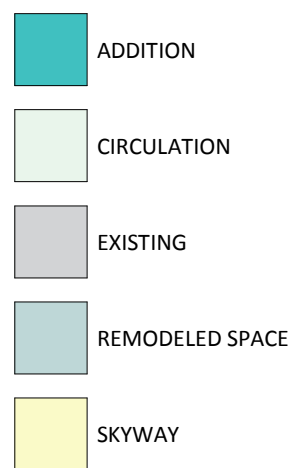
Option A - Existing Renovation & Addition Fargo Civic Center Feasibility Study

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PROGRAM SPACES



PROGRAM KEY

A	CONCESSIONS
B	LOWER BALCONY
C	RESTROOM
D	SUPPORT
E	UPPER BALCONY
F	HOUSE
G	UPPER BALCONY LOBBY
H	RESTROOM

1

LOWER BALCONY FLOOR PLAN

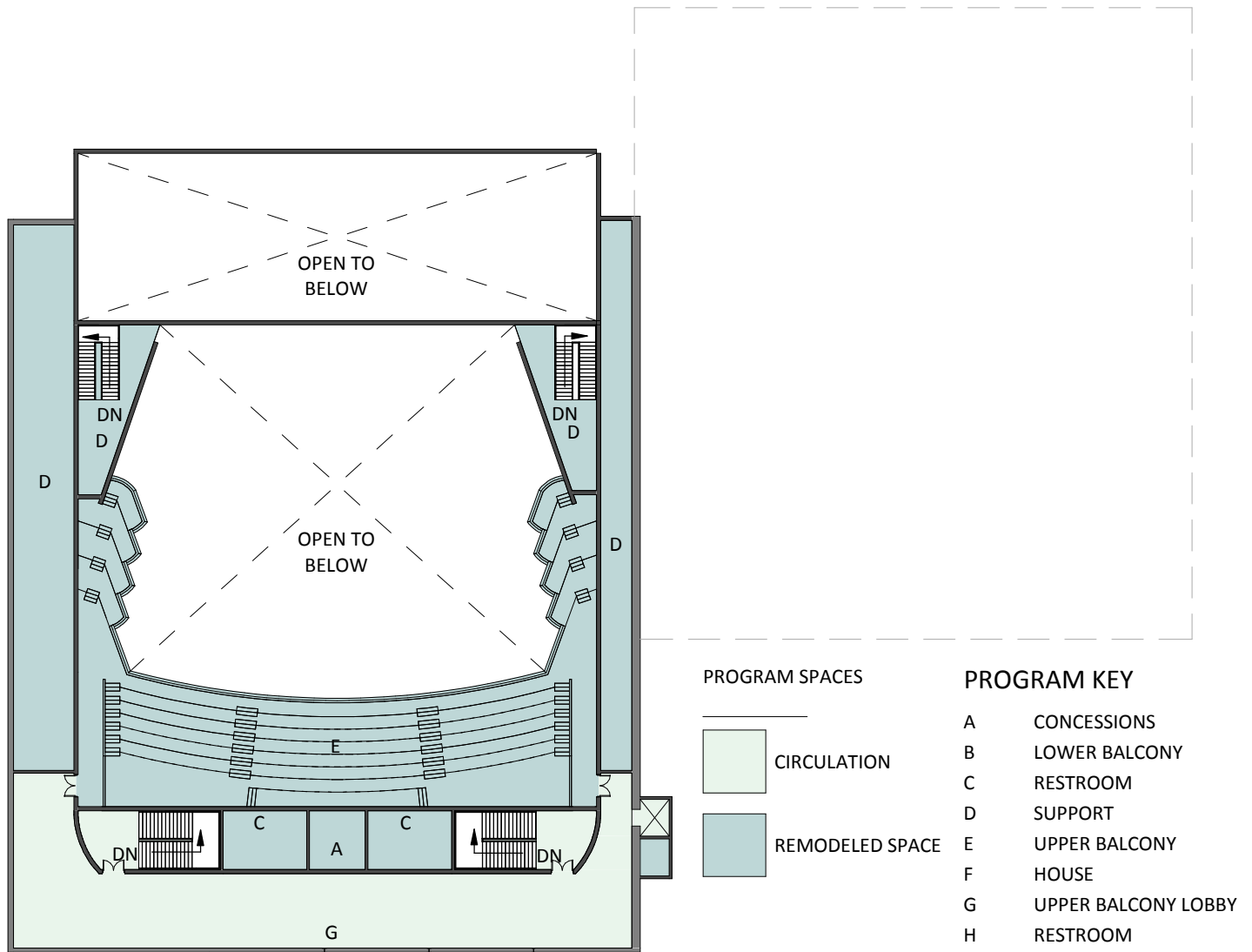
SCALE: 1" = 40'-0"



Option A - Existing Renovation & Addition Fargo Civic Center Feasibility Study

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1 UPPER BALCONY FLOOR PLAN
SCALE: 1" = 40'-0"



Option A - Existing Renovation & Addition Fargo Civic Center Feasibility Study

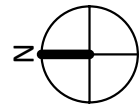
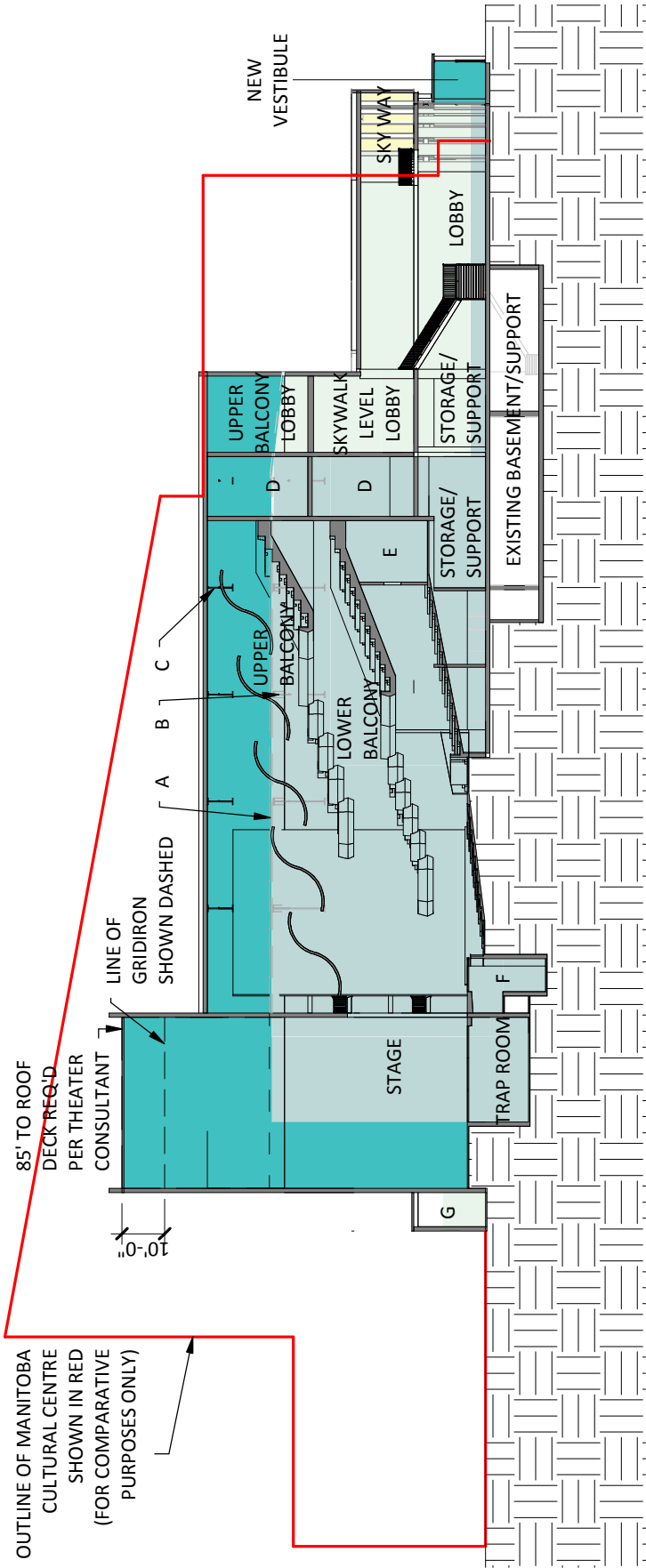
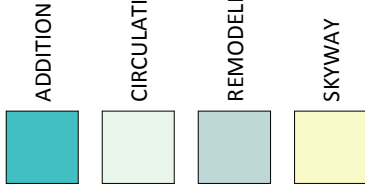
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PROGRAM SPACES

KEY

- A - EXISTING ROOF TO BE REMOVED
- B - EXISTING STRUCTURAL TRUSSES TO BE REMOVED
- C - NEW TRUSS
- D - CONCESSIONS
- E - CONTROL ROOM
- F - ORCHESTRA PIT
- G - HALL



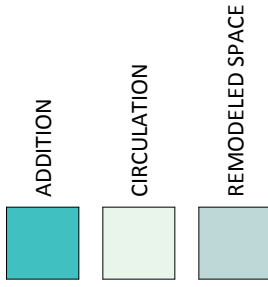
1 Section 2
SCALE: 1" = 40'-0"

Option A - Existing Renovation & Addition Fargo Civic Center Feasibility Study

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PROGRAM SPACES



85' TO ROOF
DECK REQ'D
PER THEATER
CONSULTANT

NEW
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ROOF TO BE
REMOVED

EXISTING
STRUCTURAL
TRUSSES TO BE
REMOVED

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GRIDIRON
SHOWN DASHED

SUPPORT

SUPPORT

HALL

HALL

MECHANICAL/SUPPORT

SUPPORT

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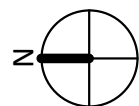
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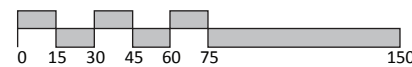
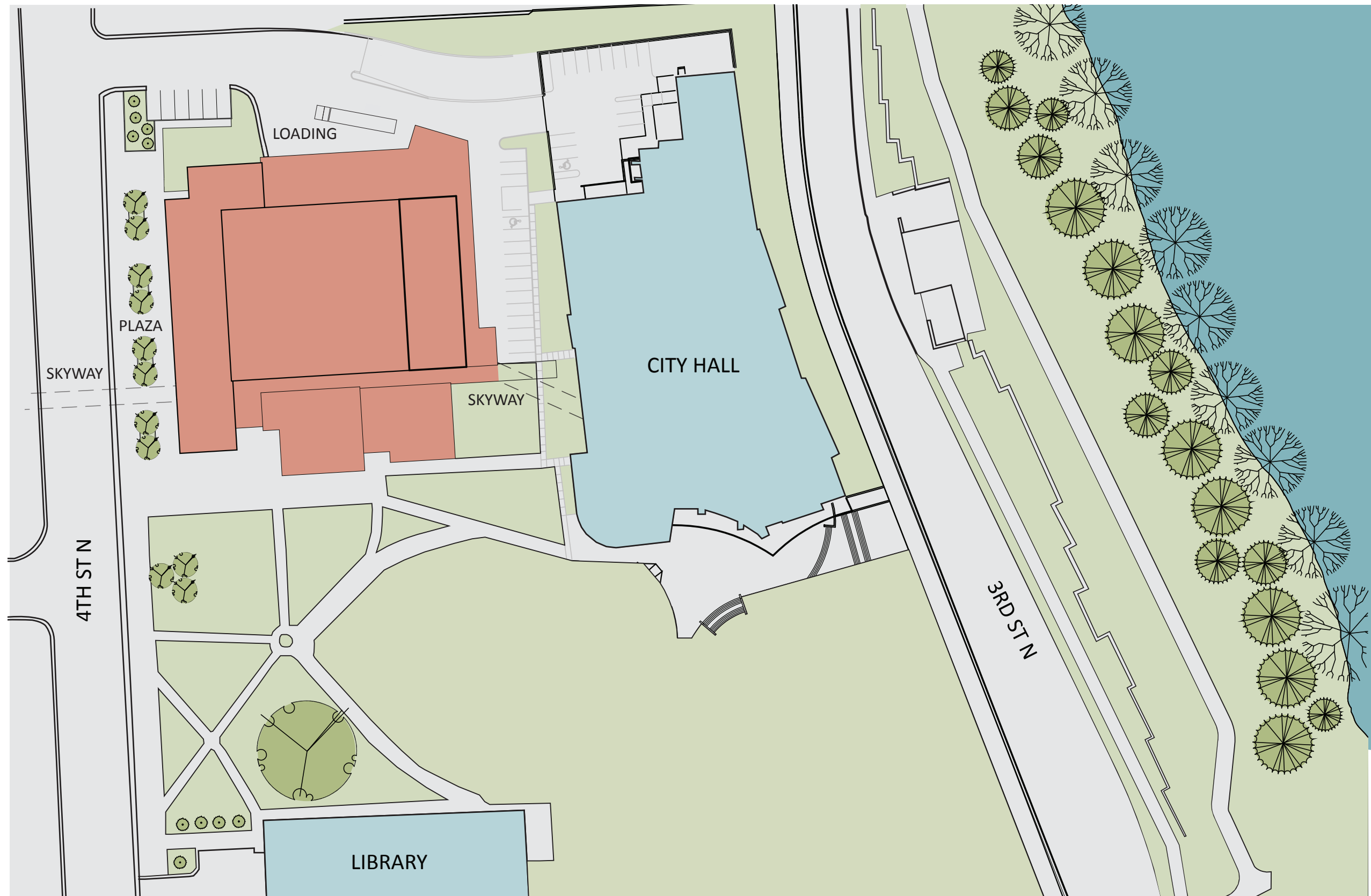


1 Section 3
SCALE: 1" = 40'-0"

Option A - Existing Renovation & Addition Fargo Civic Center Feasibility Study

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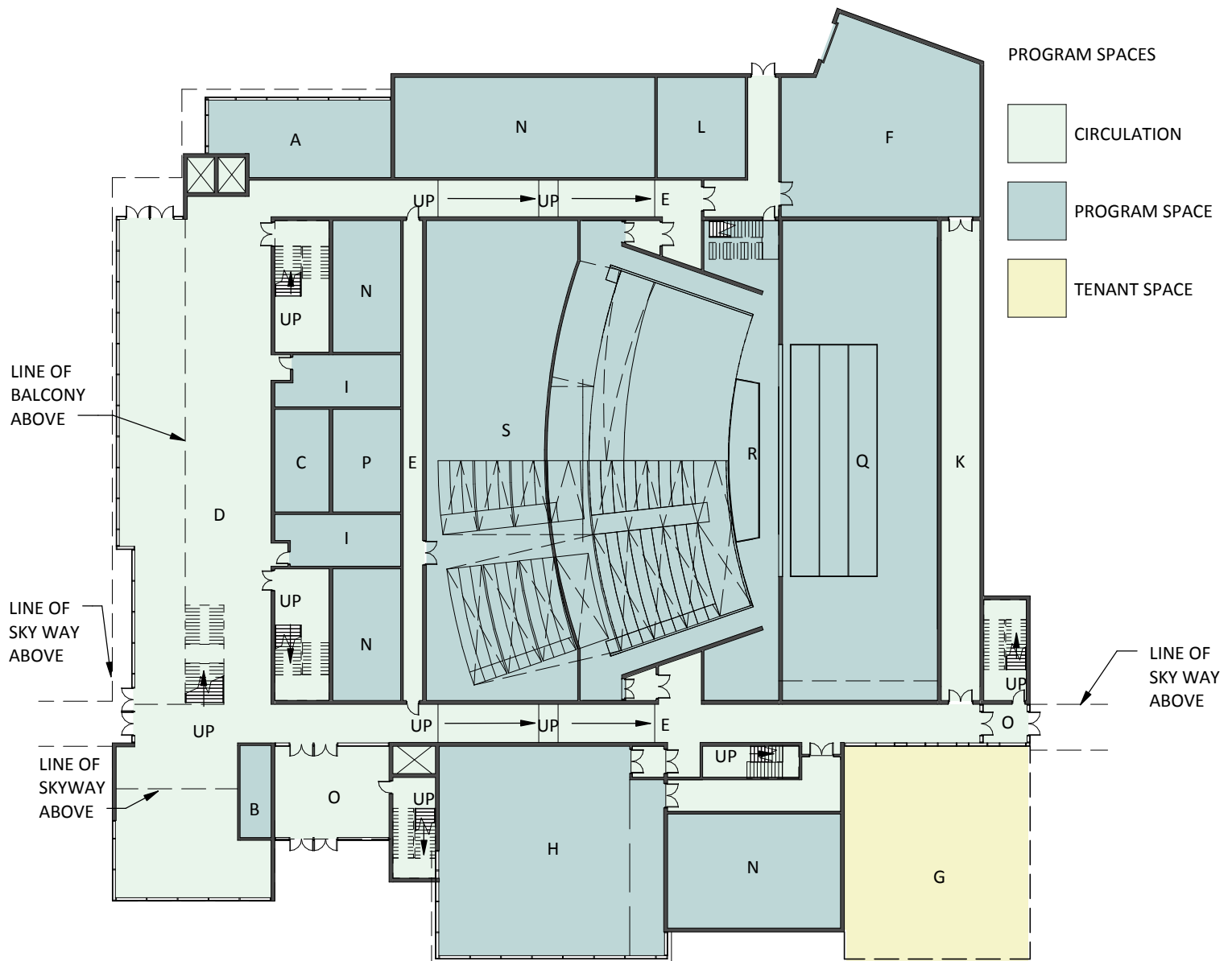




OPTION B - ALL NEW CONSTRUCTION
FARGO CIVIC CENTER FEASIBILITY STUDY
SCHEMATIC SITE PLAN

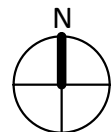
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1 FIRST FLOOR PLAN

SCALE: 1" = 40'-0"



PROGRAM KEY

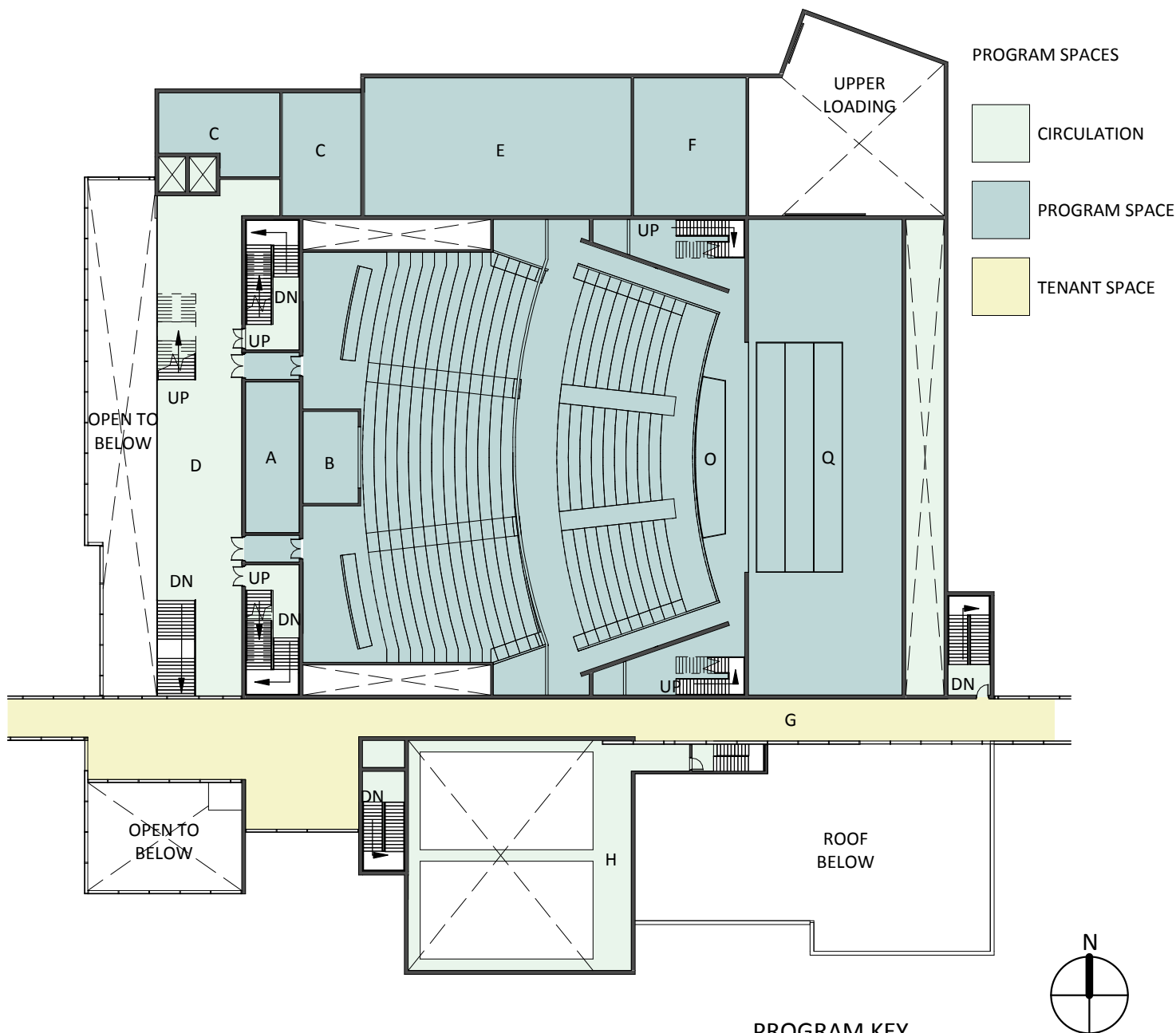
A	ADMINISTRATION	I	RESTROOM
B	BOX OFFICE	K	SERVICE CORRIDOR
C	CONCESSIONS	L	SHOP
D	FIRST FLOOR LOBBY	N	STORAGE/ SUPPORT
E	HALL	O	VESTIBULE
F	LOADING	P	KITCHEN
G	POSSIBLE RESTAURANT TENANT (NOT IN PROGRAM OR ESTIMATE)	Q	STAGE
H	REHEARSAL / EVENT ROOM	R	ORCHESTRA PIT
		S	HOUSE

OPTION B - ALL NEW CONSTRUCTION

FARGO CIVIC CENTER FEASIBILITY STUDY

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1 SKY WALK LEVEL PLAN

SCALE: 1" = 40'-0"

PROGRAM KEY

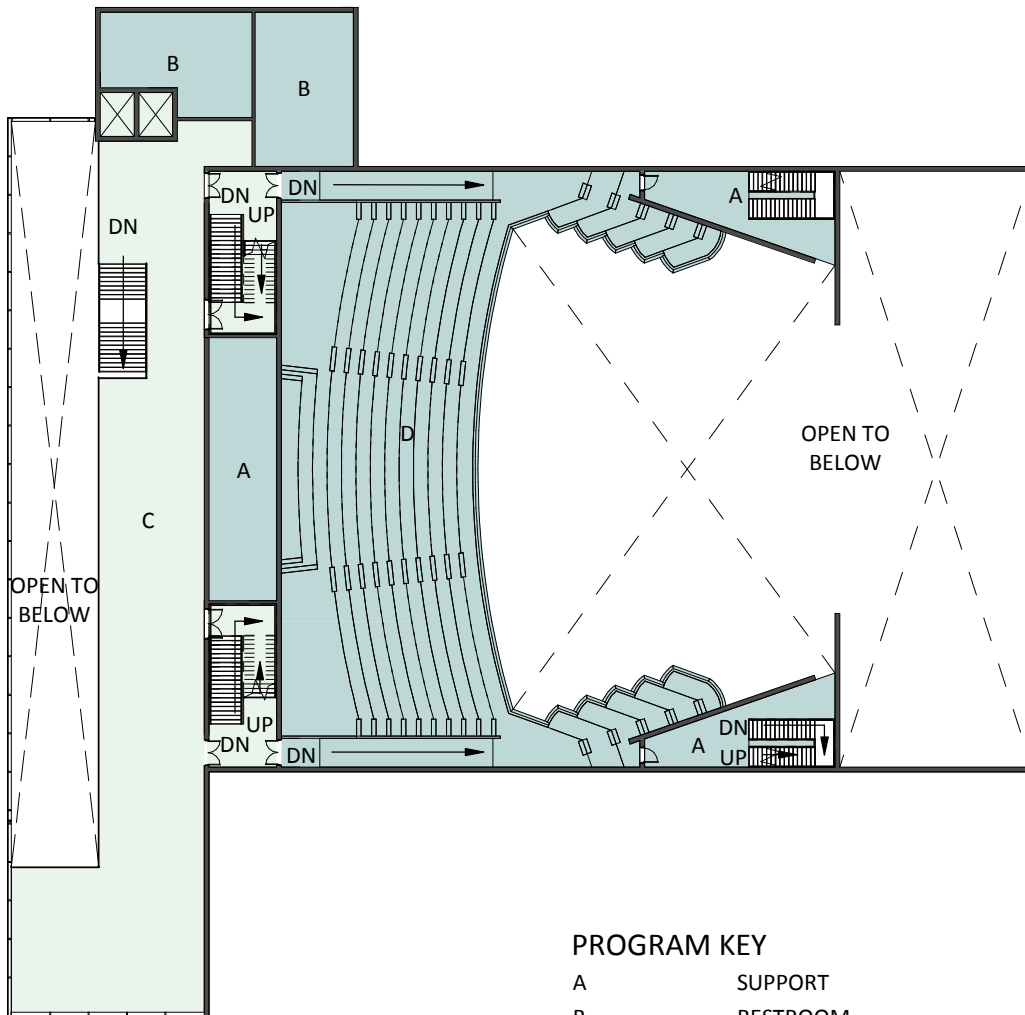
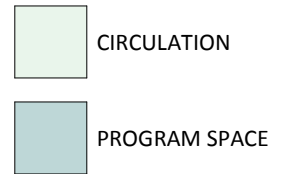
A	CONCESSIONS
B	CONTROL ROOM
C	RESTROOM
D	SKYWALK LEVEL LOBBY
E	MECHANICAL/ ELECTRICAL
F	UPPER SHOP
G	SKYWALK
H	UPPER/ REHEARSAL/ EVENT ROOM
K	SERVICE CORRIDOR
O	ORCHESTRA PIT
Q	STAGE

OPTION B - ALL NEW CONSTRUCTION FARGO CIVIC CENTER FEASIBILITY STUDY

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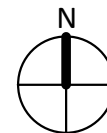


PROGRAM SPACES



PROGRAM KEY

- | | |
|---|---------------|
| A | SUPPORT |
| B | RESTROOM |
| C | BALCONY LOBBY |
| D | LOWER BALCONY |



1 LOWER BALCONY FLOOR PLAN

SCALE: 1" = 40'-0"

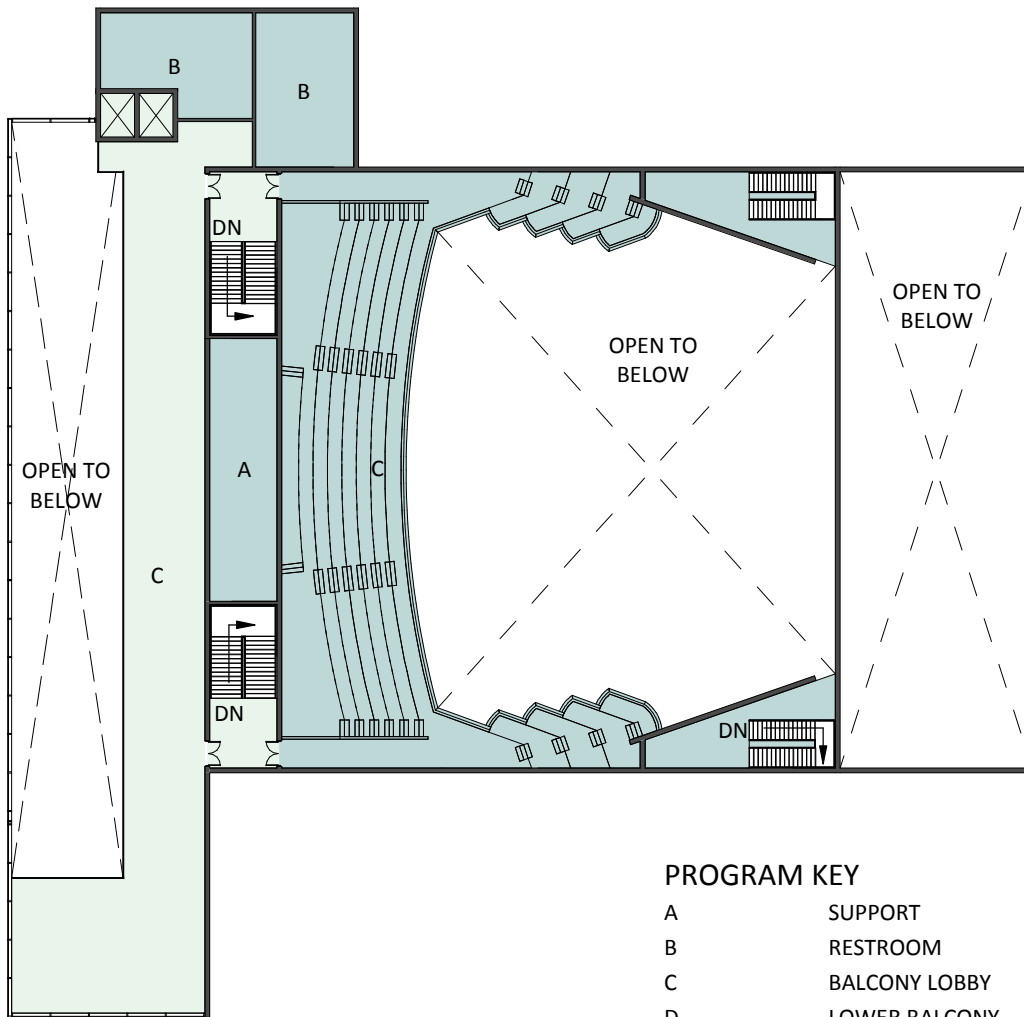
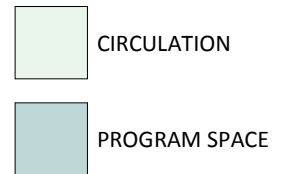
OPTION B - ALL NEW CONSTRUCTION

FARGO CIVIC CENTER FEASIBILITY STUDY

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PROGRAM SPACES



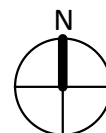
PROGRAM KEY

- | | |
|---|---------------|
| A | SUPPORT |
| B | RESTROOM |
| C | BALCONY LOBBY |
| D | LOWER BALCONY |

1

UPPER BALCONY FLOOR PLAN

SCALE: 1" = 40'-0"



OPTION B - ALL NEW CONSTRUCTION FARGO CIVIC CENTER FEASIBILITY STUDY

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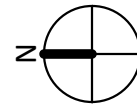
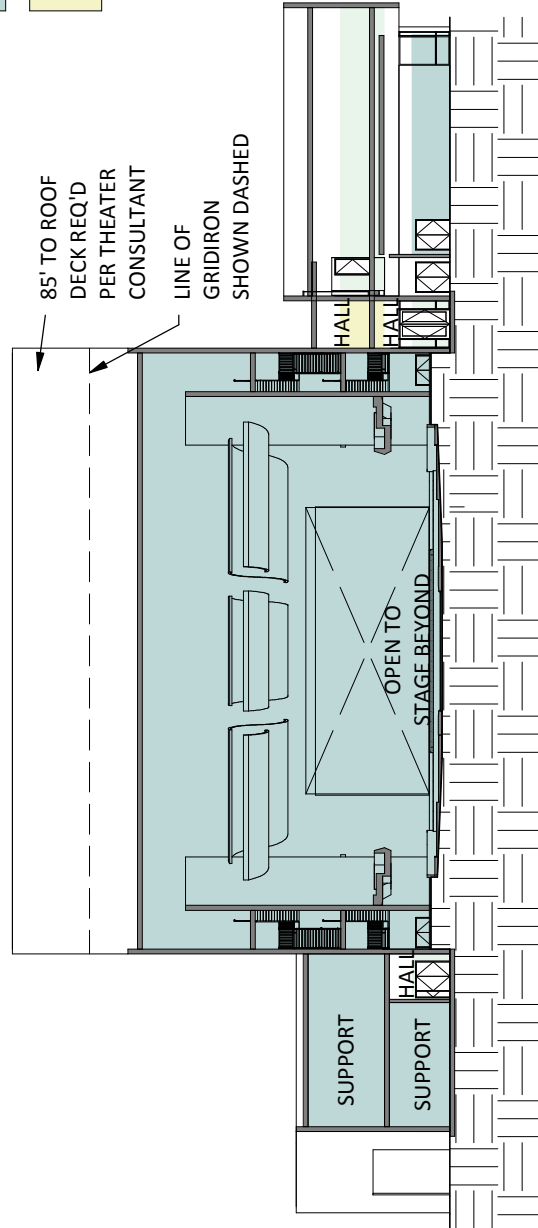
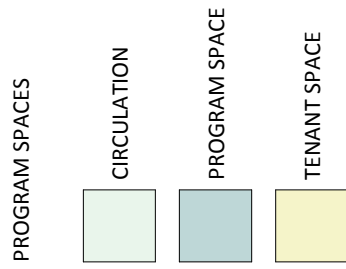


-
- 85' TO ROOF DECK REQ'D PER THEATER CONSULTANT
- LINE OF GRIDIRON SHOWN DASHED
- STAGE
- TRAP ROOM
- HOUSE
- KITCHEN
- UPPER BALCONY
- LOWER BALCONY
- A B C D E F G H I J
- SKYWALK
- OUTLINE OF MANITOBA CULTURAL CENTRE SHOWN IN RED (FOR COMPARATIVE PURPOSES ONLY)

EAST-WEST SECTION

SCALE: 1" = 40'-0"

↪



1 NORTH-SOUTH SECTION

SCALE: 1" = 40'-0"

OPTION B - ALL NEW CONSTRUCTION FARGO CIVIC CENTER FEASIBILITY STUDY

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