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**Feasibility Study for the**

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**Manchester Performing Arts**

**Center**

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**Manchester, New Hampshire**

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# 1. Executive Summary

**Overview**

The City of Manchester engaged HVS Convention, Sports & Entertainment Facilities Consulting (“HVS”) to analyze the market potential and anticipated demand for a performing arts center in Manchester, New Hampshire. HVS worked with a committee of local leaders, and tourism, hospitality, and performing arts industry representatives, who provided insight into the local market and the interests and needs of the community.

HVS analyzed market characteristics of the local area, trends in the performing arts industry, comparable and competing facilities, interviews with local performing arts centers, performing arts groups, event promoters, and demand and financial potential for the proposed Manchester Performing Arts Center (“MPAC”).

**Local Market Trends**

Manchester benefits from positive economic indicators, with population and personal income sufficient to support demand for performing arts events. Manchester’s accessibility and its proximity to Boston may also provide Manchester with an advantage, acting as a lower-cost alternative, closer and easier to access than Boston for a substantial part of the population base.

**Performing Arts Industry Trends**

Current trends in the theater industry reveal the importance of non-ticket revenue sources and fundraising and overall contributed income. From 2005 through 2006 the number of theaters receiving endowments substantially increased. The number of donors decreased, but the average contribution rose substantially, resulting in an overall increase in donations. Theaters changed their revenue mix, as a result of decreases in ticket revenue.

Changes in demographics and attendee interests have also caused theater venues to alter and diversify their programs. Attendance in a majority of performing arts event types decreased substantially from 2002 through 2006, especially in touring groups. New England remains above the average of all areas in the United States in attendance for each performing art category. Current attendees of performing arts events want to increase the number of performances they attend.

**Key Informant Interviews**

HVS conducted interviews with representatives of community performing arts groups/producers. These groups throughout New Hampshire indicated they mainly host plays and musicals, averaging between 10 and 40 performances per year. While a majority of informants from New Hampshire indicated they are satisfied with the current options of venues, most performing arts groups from Manchester expressed dissatisfaction with the current venues. Twenty-two percent of informants indicated they would use a new performing arts center 1 to 4 times per year, 17 percent would use it 10 to 19 times per year, and 11 percent would use it 20 times per year, with increases in attendance expected at many of these events. Roughly 50 percent of informants reported that they would never use a new performing arts center in Manchester, a majority of which are located at least 30 miles from Manchester and near towns/cities with a strong existing supply of performing art venues.

Other comments by key informants include the following:

- The current facilities in Manchester do not offer the capacity and technologies needed for many types of performances (especially theater performances) including a lack of wing space, stage space, lighting capabilities, and good acoustics.
- Many of the facilities local performing arts groups currently use are located in Manchester, but are not in downtown Manchester and give the perception to potential audience members that the venue is far away, thereby limiting attendance. A number of performing arts groups also indicated that they often host their performances outside of Manchester, which limits attendance.

**Competitive and Comparable Venues**

The analysis of local and regional competitive venues indicates that there is a lack of affordable, high quality local performing arts venues, whose main priority is to serve local performing arts groups. Within the region, a few venues including the Verizon Wireless Arena and the Capital Center for the Arts host larger, touring performing arts groups. However, the Verizon Wireless Arena is unable to sell out seats to these events that typically occupy only half of their facility, while the Capital Center looks to find a new niche in the market, as traditional theater-goers decrease in attendance.

HVS analyzed venues outside the region that range from 2,000 to 4,000 seats and are capable of hosting touring shows, and compared their markets to Manchester. In comparison to these markets, Manchester's population within

a 30-minute drive proves to be a significant disadvantage for any new large theater. While Manchester has a strong population within a 60-minute drive, it is typically the primary market that drives a majority of capital support and attendance. Therefore the ability for the community to support a new large theater would be constrained by the limited population. Most large theaters have more than one prominent resident arts group. New Hampshire has few large and prominent performing arts groups, and thus a new large theater would have significant complications retaining resident companies with frequent performances and large audiences. Without these resident companies it is difficult for a large theater to succeed.

HVS analyzed the markets of venues outside the region that serve primarily local theater events and groups with seating capacity ranging from approximately 400 to 600 seats. In comparison to these markets, Manchester's population within a 30-minute drive time falls second to last among all mid-sized theater comparable markets, but it has the largest population within its actual city limits. Additionally, it ranks above average in all income parameters, relative to comparable mid-sized theater markets, providing, along with its strong city population, an advantage in raising capital funds and the willingness for the community to attend events.

### **Facility Program and Site Recommendations**

HVS does not recommend the development of a larger theater (2,000 to 4,000 seats), due to a relatively weak primary market area, lack of interest from local performing arts groups, and potentially negative impacts on existing venues. However, to serve local performing arts groups and attract regional performing arts groups, HVS recommends a 500-seat theater along with a black box experimental theater with capacity for 150 seats. The program recommendations are described in Section 6 of this report.

HVS evaluated potential sites for the proposed MPAC and recommended a preferred site. HVS analyzed the same six sites presented in HVS' "Feasibility Study for the Manchester Convention Center." HVS used a list of 17 criteria evaluate each site. Site C, the Pearl Street Site emerges as the preferred site, as it is centrally located, minimizes neighborhood impact, and provides good accessibility, as well as being centrally located within downtown Manchester.

### **Demand and Financial Analysis**

HVS used the National Endowment for the Arts 2002 Survey of Public Participation in the Arts, as described in Section 3, to estimate the level of participation in the performing arts in Manchester, information on demand at comparable venues, and user surveys to forecast demand for the proposed

venue. Table 1-1 shows projected events and attendance by type of event in the first five years of operations.

**Table 1-1**  
**Projections of Events and Attendance**

	2011	2012	2013	2014	2015
<b>Performances</b>					
Presentations	10	13	15	15	15
Plays	20	23	25	25	25
Musicals	16	18	20	20	20
Dance	5	5	5	5	5
Children's Theater	5	8	10	10	10
Lectures	5	8	10	10	10
Receptions	7	10	10	10	10
Studio Theater	20	26	30	30	30
Studio Dance	1	15	20	20	20
<b>Total</b>	<b>89</b>	<b>126</b>	<b>145</b>	<b>145</b>	<b>145</b>
<b>Average Attendance</b>					
Presentations	400	400	400	400	400
Plays	400	400	400	400	400
Musicals	400	400	400	400	400
Dance	400	400	400	400	400
Children's Theater	400	400	400	400	400
Lectures	200	200	200	200	200
Receptions	200	200	200	200	200
Studio Theater	100	100	100	100	100
Studio Dance	100	100	100	100	100
<b>Total Attendance</b>					
Presentations	4,000	5,200	6,000	6,000	6,000
Plays	8,000	9,200	10,000	10,000	10,000
Musicals	6,400	7,200	8,000	8,000	8,000
Dance	2,000	2,000	2,000	2,000	2,000
Children's Theater	2,000	3,200	4,000	4,000	4,000
Lectures	1,000	1,600	2,000	2,000	2,000
Receptions	1,400	2,000	2,000	2,000	2,000
Studio Theater	2,000	2,600	3,000	3,000	3,000
Studio Dance	100	1,500	2,000	2,000	2,000
<b>Total</b>	<b>26,900</b>	<b>34,500</b>	<b>39,000</b>	<b>39,000</b>	<b>39,000</b>

Source: HVS

For the purposes of this study HVS assumes that the project would open in 2011 and its demand would stabilize in 2013 at approximately 95 events in the mid-sized theater and 50 events in the studio theater (black box) for a total of 145 events.

Table 1-2 provides a five-year forecast of financial operations of the proposed MPAC. Event demand stabilized in year 2013 but inflationary growth of revenue and expenses (assumed to be three percent per year) drive subsequent changes in operating revenue and expenses.

**Table 1-2**  
**Five-Year Forecast of Income and Expense**

	2011		2012		2013		2014		2015	
	\$	% of Total	\$	% of Total	\$	% of Total	\$	% of Total	\$	% of Total
<b>OPERATING REVENUE</b>										
Facility Rental	91,000	16.3%	\$119,000	16.3%	\$141,000	16.4%	\$148,000	16.4%	\$155,000	16.4%
Presenting Revenue	189,000	33.8%	249,000	34.2%	302,000	35.1%	317,000	35.1%	332,000	35.0%
Food & Beverage (Gross)	121,000	21.6%	160,000	21.9%	182,000	21.2%	191,000	21.2%	200,000	21.1%
Novelties	16,000	2.9%	20,000	2.7%	23,000	2.7%	24,000	2.7%	25,000	2.6%
Box Office	63,755	11.4%	79,768	10.9%	92,467	10.8%	97,000	10.7%	102,000	10.8%
Facility Surcharge	78,021	14.0%	101,337	13.9%	120,609	14.0%	127,000	14.1%	133,000	14.0%
<b>Total</b>	<b>\$559,000</b>	<b>100.0%</b>	<b>\$729,000</b>	<b>100.0%</b>	<b>\$860,000</b>	<b>100.0%</b>	<b>\$903,000</b>	<b>100.0%</b>	<b>\$948,000</b>	<b>100.0%</b>
<b>OPERATING EXPENSES</b>										
Salaries	\$838,000	149.9%	\$847,000	116.2%	\$889,000	103.4%	\$934,000	103.4%	\$980,000	103.4%
Benefits	126,000	22.5%	127,000	17.4%	133,000	15.5%	140,000	15.5%	147,000	15.5%
Administrative & General	189,000	33.8%	191,000	26.2%	201,000	23.4%	211,000	23.4%	222,000	23.4%
Event Programming	161,000	28.8%	212,000	29.1%	256,000	29.8%	269,000	29.8%	283,000	29.9%
Marketing & Sales	158,000	28.3%	160,000	21.9%	168,000	19.5%	176,000	19.5%	185,000	19.5%
Box Office Expense	10,000	1.8%	12,000	1.6%	14,000	1.6%	15,000	1.7%	15,000	1.6%
<b>Total</b>	<b>\$1,481,000</b>	<b>264.9%</b>	<b>\$1,548,000</b>	<b>212.3%</b>	<b>\$1,661,000</b>	<b>193.1%</b>	<b>\$1,744,000</b>	<b>193.1%</b>	<b>\$1,831,000</b>	<b>193.1%</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(\$922,000)</b>	<b>-164.9%</b>	<b>(\$819,000)</b>	<b>-112.3%</b>	<b>(\$801,000)</b>	<b>-93.1%</b>	<b>(\$841,000)</b>	<b>-93.1%</b>	<b>(\$883,000)</b>	<b>-93.1%</b>
<b>NON-OPERATING REVENUE</b>										
Donations	\$631,000	112.9%	\$638,000	87.5%	\$670,000	77.9%	\$704,000	78.0%	\$739,000	78.0%
Interest Income	126,000	22.5%	128,000	17.6%	134,000	15.6%	141,000	15.6%	148,000	15.6%
Grants	63,000	11.3%	64,000	8.8%	67,000	7.8%	70,000	7.8%	74,000	7.8%
<b>Total</b>	<b>\$821,000</b>	<b>146.9%</b>	<b>\$830,000</b>	<b>113.9%</b>	<b>\$871,000</b>	<b>101.3%</b>	<b>\$915,000</b>	<b>101.3%</b>	<b>\$960,000</b>	<b>101.3%</b>
<b>NON-OPERATING EXPENSES</b>										
Capital Maintenance Reserve	\$11,000	2.0%	\$22,000	3.0%	\$34,000	4.0%	\$45,000	5.0%	\$47,000	5.0%
Insurance	11,000	2.0%	15,000	2.1%	17,000	2.0%	18,000	2.0%	19,000	2.0%
<b>Total</b>	<b>\$22,000</b>	<b>3.9%</b>	<b>\$36,000</b>	<b>4.9%</b>	<b>\$52,000</b>	<b>6.0%</b>	<b>\$63,000</b>	<b>7.0%</b>	<b>\$66,000</b>	<b>7.0%</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>(\$124,000)</b>	<b>-22.2%</b>	<b>(\$26,000)</b>	<b>-3.6%</b>	<b>\$18,000</b>	<b>2.1%</b>	<b>\$10,000</b>	<b>1.1%</b>	<b>\$11,000</b>	<b>1.2%</b>

HVS concludes that the ongoing operation of the proposed venue would require a sustained fund raising operation typical of most performing arts centers. The development of the venue would require a public/private partnership led by parties interested in fostering the growth of performing arts in Manchester.

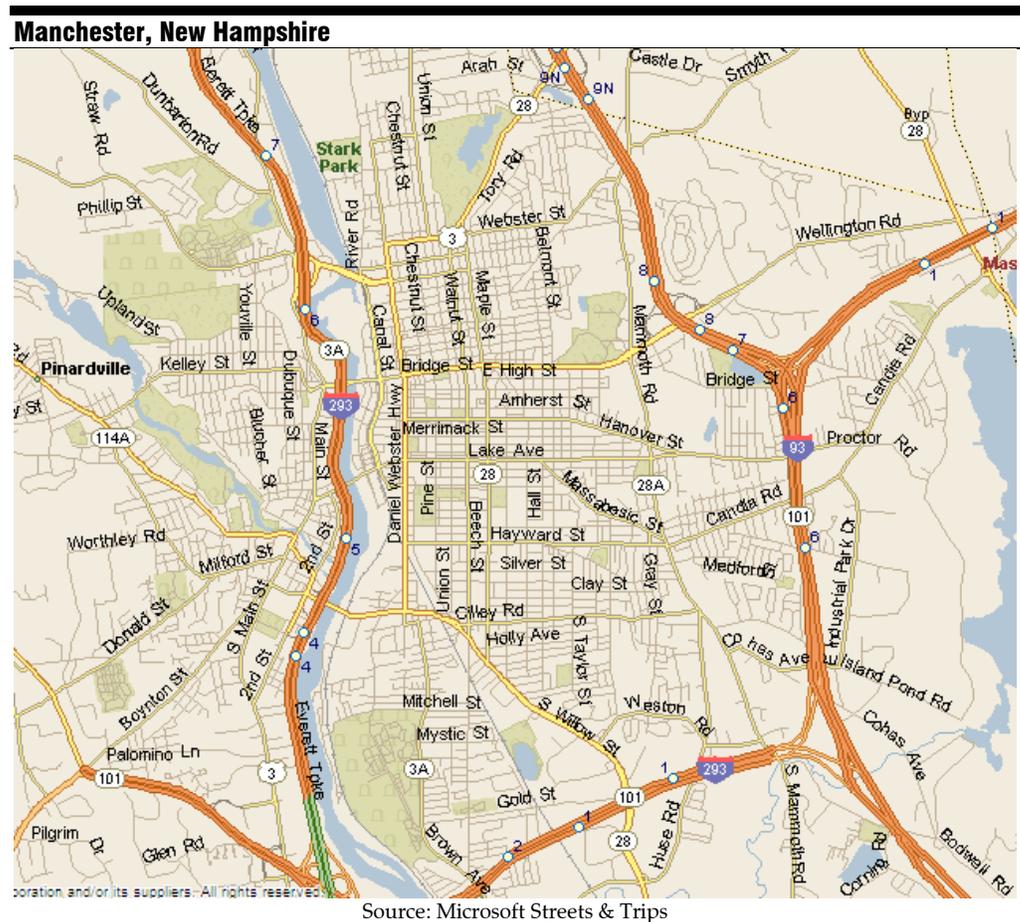
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## **2. Market Analysis**

### **Market Overview**

The market area analysis reviews economic and demographic trends that potentially affect the ability of Manchester, NH to attract performing arts center events. The economic vitality of the area surrounding a proposed facility is an important consideration in forecasting performing arts demand. The market area for a performing arts center is the geographical region where the sources of demand and the competitive supply are located.

The proposed Manchester Performing arts Center sits in the City of Manchester, the county of Hillsborough, and the state of New Hampshire. The City is part of the Manchester/Nashua Metropolitan Statistical Area (MSA). HVS will focus on economic data and market trends in Manchester and the surrounding Manchester MSA.



As the largest city in Northern New England (Main, Vermont, and New Hampshire), Manchester is a market distinct from the larger nearby Boston metropolitan area. Approximately 35-square miles in size, Manchester's population remains relatively stable and is currently at around 107,000. Manchester is located along the Merrimack River and is proximate to several major highways and interstates. The city is 58 miles northwest of Boston and less than 12-hours (via car) from several major cities in the eastern United States and Canada.

## **Economic & Demographic Overview**

Based on fieldwork conducted in the area and our in-house data sources, HVS evaluated various economic and demographic statistics to determine trends in economic growth. HVS used historical statistics from the U.S Census data and information published by the Bureau of Economic Analysis. A primary source of economic and demographic statistics used in this analysis is

ESRI (Environmental Systems Research Institute, Inc.), which provides data, collected and organized by their own geographic information system technology.

### **Population Trends**

Changes in population can indicate whether an economy is growing or shrinking. This data can also suggest whether growth rates are sustainable in a community or whether some short-term action or phenomenon is creating rapid growth or decline. The overall strength and stability of a local economy can contribute to a community's ability to support a performing arts center and provide continued investment in visitor infrastructure needed to support growth in the performing arts.

Table 2-1 shows historical, current, and projected population data for the city of Manchester, Hillsborough County, the Manchester-Nashua MSA, New Hampshire, and the nation, as estimated by ESRI.

**Table 2-1**  
**Population**

Market	1990	2000	2007	2012	CAGR	
					2000-2007	2007-2012
Manchester City	99,545	107,006	113,964	119,310	1.1%	0.9%
Hillsborough County	336,073	380,841	414,036	437,419	1.4%	1.1%
Manchester-Nashua MS	336,073	380,841	414,036	437,419	1.4%	1.1%
New Hampshire	1,109,252	1,235,786	1,352,812	1,435,390	1.5%	1.2%
United States	248,709,873	281,421,906	306,348,230	325,526,398	1.4%	1.2%

Source: ESRI 2007

The City of Manchester experienced small population increases from 2000 through 2007 for a compounded annual growth rate of 1.1 percent. Population in the county, MSA, and the nation grew at a rate of 1.4 percent each; the state's population is expected to moderate to an annual rate of 1.5 percent. According to 2012 projections, slight but steady increases in population will continue to hover around one percent for the city, county, MSA, state and nation.

### **Income Trends**

Personal income levels are one of the most important indicators of a community's economic health. Trends in per capita personal income reflect

the relative spending capacity of area residents, providing another benchmark for assessing the region's ability to develop and maintain both public and private services and attractions.

Table 2-2 shows income trends, as reported by ESRI, in the City of Manchester, the county, MSA, state, and nation.

**Table 2-2**  
**Income Trends**

Market	2000			2007			2012 Projections			Avg. HH Income Growth Trends	
	Average Household Income	Median Household Income	Per Capita Income	Average Household Income	Median Household Income	Per Capita Income	Average Household Income	Median Household Income	Per Capita Income	2000-2007	2007-2012
Manchester City	\$50,362	\$40,773	\$21,244	\$65,652	\$52,200	\$27,441	\$78,797	\$61,858	\$32,967	4.5%	3.7%
Hillsborough County	65,582	53,590	25,198	87,062	68,835	33,184	106,078	81,086	40,449	4.8%	4.0%
Manchester-Nashua MSA	65,582	53,590	25,198	87,062	68,835	33,184	106,078	81,086	40,449	4.8%	4.0%
New Hampshire	61,083	49,474	23,844	79,496	62,216	31,189	96,063	72,795	37,842	4.5%	3.9%
United States	56,644	42,164	21,587	73,126	53,154	27,916	88,685	62,503	33,873	4.3%	3.9%

Source: ESRI 2007

In 2007, the city of Manchester had a per capita income of approximately \$27,441, lower than figures for Hillsborough County, the Manchester MSA, and New Hampshire and slightly lower than the nation. The average household income in Manchester was \$65,652 in 2007. Household income grew steadily from 2000 to 2007; projections for 2012 predict continued forward growth in household income.

### Work Force Characteristics

The characteristics of a market's workforce provide an indication of the type of transient visitation local businesses will likely generate. For example, sectors such as finance, insurance, and real estate (FIRE), wholesale trade and services produce a considerable number of visitors who are not especially rate sensitive. The government sector often generates transient room nights. However, per-diem reimbursement allowances often limit the accommodations selection to budget and mid-priced lodging facilities. Contributions from manufacturing, construction, and transportation, communications, and public utilities (TCPU) employers can also be important for the performing arts industry, depending on the type of company.

Providing additional understanding of the local economy, Table 2-3 lists the ten largest employers in the City of Manchester.

**Table 2-3  
Largest Employers**

Company	Number of Employees
Elliot Hospital	2,821
Catholic Medical Center	1,700
Verizon Communications	1,650
Public Service of New Hampshire	1,250
Citizen Bank	1,225
TD Banknorth	1,150
Anthem Blue Cross & Blue Shield	753
Southern New Hampshire University	700
St. Anselm College	580
Bank of America	425

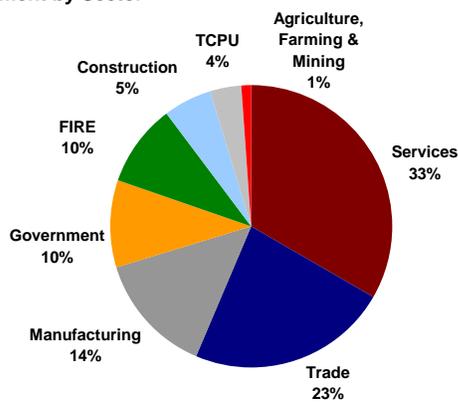
Source: Manchester Economic Development, Respective Employers

The healthcare industry accounts for the two largest employers in Manchester. The largest employer is Elliot Hospital with 2,821 employees, followed by the Catholic Medical Center with 1,700 employees. Verizon Communications has 1,650 employees.

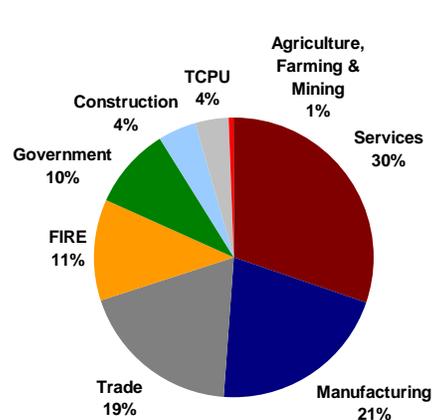
Figure 2-1 shows the distribution of total employment by sector and the distribution of earnings by industry for the Manchester-Nashua MSA.

**Figure 2-1  
Employment by Sector in MSA & Share of Earnings by Industry for Market MSA**

Employment by Sector



Share of Earnings by Employment Sector



Source: Woods & Poole 2008

The services and trade sectors make up the two largest sectors of employment, capturing 33 and 23 percent of the market respectively. Government and FIRE sectors make up 10 percent of the market each. As is typical in most markets, the services sector had the largest share of earnings in 2007 with 30 percent of the subject market; followed by income earned in the manufacturing and trade sectors. FIRE and government sectors make up 11 and 10 percent of market earnings respectively.

### Unemployment Statistics

Labor market characteristics also can help to indicate economic health. Growth in employment can be an indicator of a growing economy and successful economic development efforts, while unemployment rates can help determine the constraints of the subject's labor market. Additionally, unemployment rates affect labor costs, and consequently will impact many performing arts center employees.

Table 2-4 gives full employment data for the city of Manchester and unemployment rates for the county, MSA, state, and nation.

**Table 2-4**  
**Labor Force Data**

Year*	City of Manchester				Unemployment Rate			
	Labor Force	Employment	Unemployment	Unemployment Rate	Hillsborough County	Manchester MSA	New Hampshire	U.S.
1997	56,302	54,663	1,639	2.9%	2.8%	2.7%	3.1%	4.9%
1998	57,027	55,481	1,546	2.7	2.7	2.5	2.9	4.5
1999	57,867	56,389	1,478	2.6	2.8	2.4	2.8	4.2
2000	58,978	57,452	1,526	2.6	2.6	2.5	2.7	4.0
2001	59,832	57,723	2,109	3.5	3.5	3.2	3.4	4.7
2002	60,188	57,368	2,820	4.7	4.9	4.3	4.5	5.8
2003	61,007	58,168	2,839	4.7	4.7	4.3	4.4	6.0
2004	61,409	58,894	2,515	4.1	4.0	3.7	3.6	5.5
2005	61,460	59,075	2,385	3.9	3.7	3.5	3.6	5.1
2006	61,846	59,457	2,389	3.9	3.5	3.5	3.4	4.6
YTD 2007	61,820	59,536	2,284	3.7	3.3	3.3	3.2	4.7**

\* 1997-1999 reflects 2000 Census-based geography and new model-based controls at the state level, while 2000-2006 reflects revised inputs, reestimation, and new statewide controls through 2006.

\*\* October 2007

Source: US Department of Labor Statistics

From 1997 through 2001, the city of Manchester maintained an unemployment rate below or equal to the county, MSA, state and nation. The

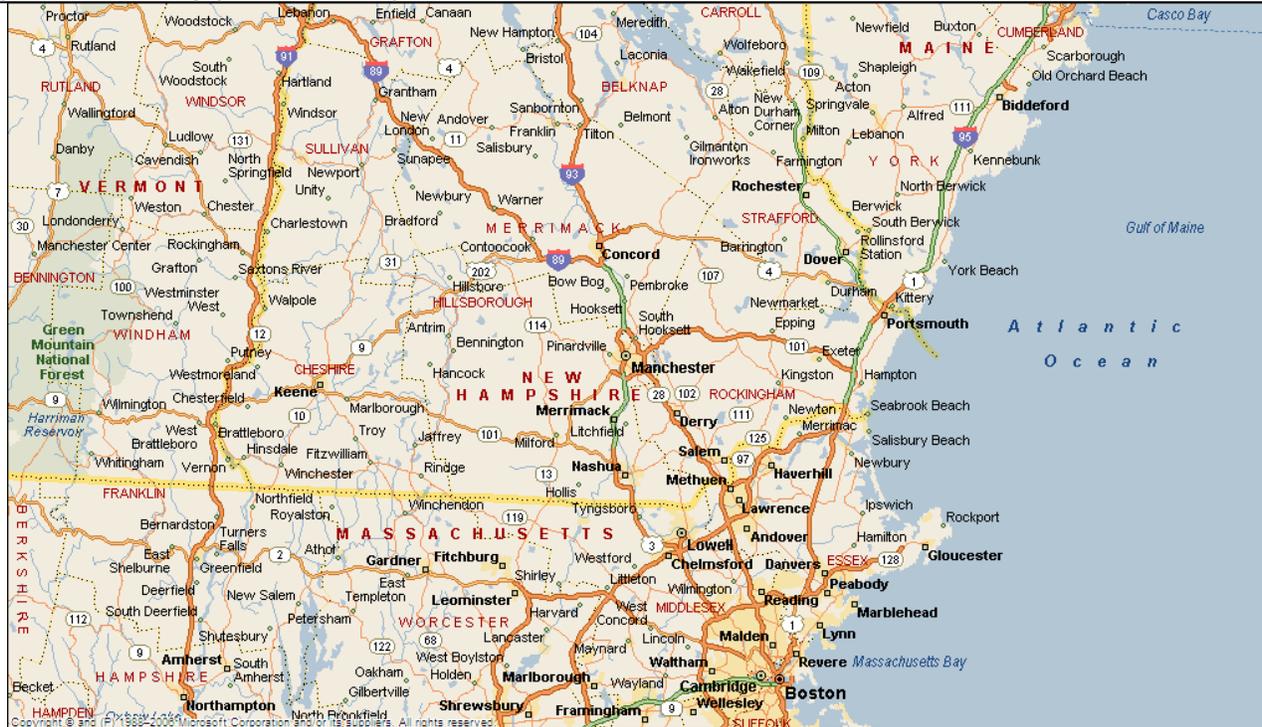
citywide unemployment rate is currently about 3.7 percent, slightly higher than the county, MSA, and state of New Hampshire. From 2000 through 2003, unemployment increased in all of the above categories, reflecting the lagging employment effects of a national economic recession, which occurred in 2001. Since then, unemployment rates declined significantly each year through 2006. From 2004 through to the present, the county, MSA and state consistently maintain unemployment rates less than the city of Manchester. Year-to-date employment data indicate a relatively stable labor market for 2007.

## **Transportation**

Transportation access is a key variable in determining a community's attractiveness as a destination for the potential users and audience of performing arts events. Typically, potential users seek locations that maximize attendance and visibility of their performance, while audience members are highly concerned about access and affordability. Therefore, highway and air transportation infrastructure is an important consideration for any community planning a performing arts center.

The following map shows the road and highway systems serving Manchester and the greater Manchester-Nashua area.

### Regional Access Map (50-Mile Radius)



Source: Microsoft Streets & Trips

Manchester is proximate to several major thoroughfares including Interstate 93, Interstate 293, and U.S. Highway 3. I-93 moves north toward Concord, NH, Vermont, to Montreal, Canada. To the south I-93 passes through Boston where it merges with Interstate 95, which runs along the eastern coast of US Highway 10, a four-lane, east-west roadway that merges with I-95. It moves northeast through Massachusetts, Maine, toward Canada. An expansion of the I-93 will widen the road from Salem, MA through Manchester; additional space is set aside for a proposed commuter line between the two cities.

**Table 2-5**  
**Distance to Metro Areas**

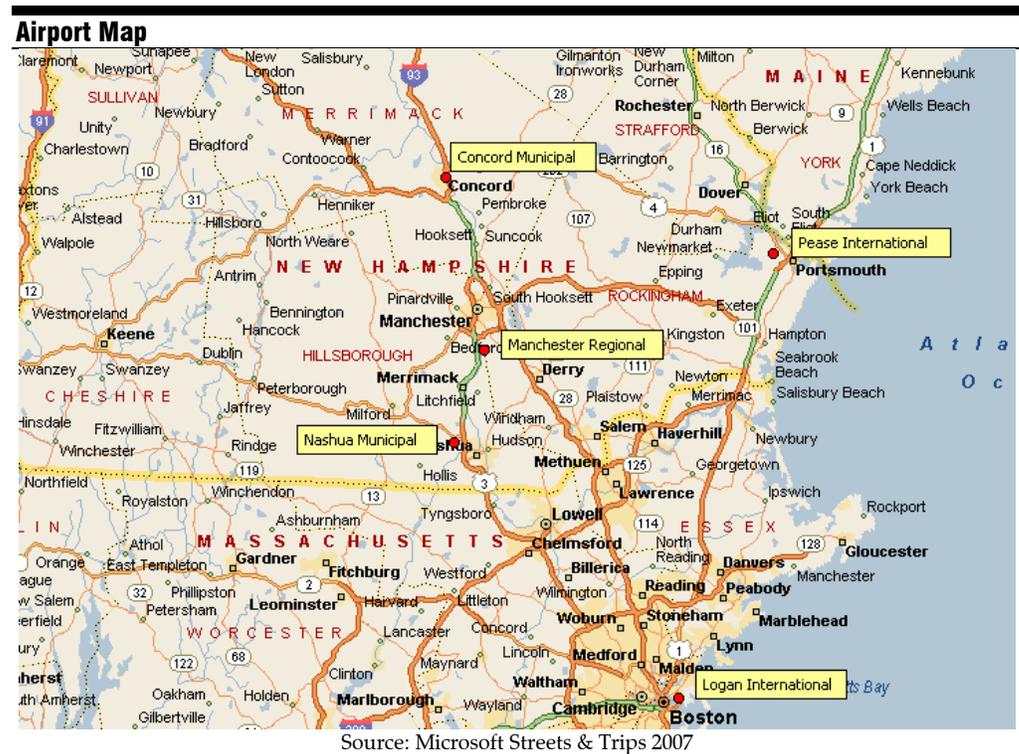
<b>City</b>	<b>Distance (Miles)</b>	<b>Drive Time (Hours)</b>
Boston	55	1.00
New York City	248	4.50
Montreal	260	4.50
Philadelphia	342	5.75
Quebec	346	6.00
Washington D.C.	476	8.00
Toronto	582	9.00

Source: Microsoft Streets & Trips

Manchester is roughly an hour drive from Boston, allowing visitors easy access to Boston for recreation and/or travel purposes, a strong competitive advantage for a performing arts center. New York City and Montreal are 4.50 hour drives from Manchester, reasonable drive times for overnight stays. Four other major northeastern US and Canadian cities are less than nine hours from Manchester, enabling a wide market to reach Manchester.

### **Air Access**

Airport passenger counts are important indicators of potential statewide and regional demand. Moreover, an area's airlift capacity is a key factor in determining whether a location is suitable for hosting statewide, regional and national performing art events. Depending on the proximity of other markets that may be within driving distance, airport traffic is a key indicator of a market's potential to attract major regional or national events. The following map shows several of the region's airport facilities and their proximity to Manchester.



Manchester-Boston Regional Airport, formerly known as the Manchester Airport, is a public airport located south of the city. The airport lies in two communities, Manchester and Londonderry. Formerly known as the Manchester Airport, in 2006 the airport changed its name to the Boston-Manchester Regional Airport, in an effort to increase visibility. Major commercial airlines that service the airport include Air Canada, Continental, Delta, Northwest, Southwest, United, and US Airways. The airport, continually undertaking expansion and improvement measures since 1992, is currently constructing an additional runway and expanding its terminal space.

Boston Logan International Airport is New England's largest transportation center; the airport boundary encompasses approximately 2,400 acres in East Boston. The airport features five runways, 33 airlines, and four passenger terminals with 102 gates. Since 1994, the \$4.4 billion Logan Modernization project produced overhead walkways connecting the central parking garage to the terminals, a new international arrival hall, a new MBTA station, an improved roadway system around the airport, and the state-of-the-art environmentally friendly Terminal A.

The city of Manchester is proximate to the Concord Municipal Airport, the Nashua Municipal Airport, and the Pease International Tradeport. These facilities serve the general aviation market, and offer minimal or no commercial service. Located in Portsmouth, New Hampshire, the New Hampshire Air National Guard actively uses Pease International to provide full agriculture, customs, and immigration services within its Foreign Trade Zone. On occasion, Allegiant Air, which flies to Orlando-Sanford, FL, and Boston-Maine Airways, which flies to Bedford, MA, commercially serves Pease International.

Table 2-6 shows recent operating statistics for the two commercial airport facilities serving the proposed subject property's sub-market.

**Table 2-6**  
**Airport Statistics**

Year	Manchester-Boston Regional Airport		Boston Logan International Airport	
	Total Passenger	% Change	Total Passenger	% Change
2000	3,169,301	--	27,412,926	--
2001	3,233,555	2.0%	24,474,930	-10.7%
2002	3,366,834	4.1%	22,696,141	-7.3%
2003	3,601,661	7.0%	22,791,169	0.4%
2004	4,003,307	11.2%	26,142,516	14.7%
2005	4,332,707	8.2%	27,087,905	3.6%
2006	3,896,532	-10.1%	27,725,443	2.4%
YTD 2006	2,650,850	--	13,637,325	--
YTD 2007	2,588,695	-2%	13,823,457	1%

Source: Respective Facilities

Between 2001 and 2002, total passengers at the Manchester-Boston Regional increased 4.1 percent. Manchester-Regional experienced steady increases in

passenger volume; in 2004, total passengers increased 11.2, followed by an increase of eight percent in 2005. By 2006, however, total passengers decreased by ten percent, partly reflecting a national downtrend in number of flights. YTD 2007 figures indicate a two percent decrease in passenger volume from the same time of year in 2006.

The Boston Logan International Airport experienced a 10.7 percent decrease in total passengers from 2000 to 2001, followed by a 7.3 percent decrease from 2001 to 2002. This loss may be due in part to the events of September 11, 2001, but the nearly 11 percent decrease from 2000 to 2001 suggests additional reasons for passenger drop off. As one of the nation's major international airport, the event of September 11<sup>th</sup> surely influenced the continued decrease of passengers, while Manchester-Regional, as a smaller air facility, did not experience the same kind of losses. Logan International began to recover from the decrease in passenger volume, gaining approximately 15 percent from 2002 to 2004. Total passenger volume continued to increase each subsequent year.

## **Activities & Attractions**

The greater Manchester area benefits from a wide variety of cultural, tourist and recreational attractions and activities, including:

**Manchester Millyard Museum** – features historical and cultural exhibits, tours, lectures, school programs, and family events. The Manchester Historical Association (MHA) owns and operates the Manchester Millyard Museum. The MHA sponsors the Millyard Research Center. Their collections include thousands of archeological artifacts, textiles, books and images from the area's 11,000 year history. The Museum facilities and gift shop are open Monday through Saturday. Access to the research center is by appointment only.

**SEE Science Center** – is an interactive science museum, whose “touch & try” exhibits appeal to young children and adults. Permanent exhibits include a LEGO recreation of Manchester's historic Millyards and a fully equipped chemistry lab. The center is open seven days a week and offers both public and private programs, including birthday parties and an annual summer camp.

**Verizon Wireless Arena** – home of AHL hockey team the Manchester Monarchs, the approximately 11,000-seat arena hosts large events including rock, classical, and popular music concerts, truck rallies, and figure skating exhibitions and events.

**Amoskeag Fishways Learning & Visitors' Center** – is an award-winning environmental education and interactive learning center located along the Merrimack River. Since 1995, the center's large exhibit hall is open year-round and features hands-on activities in the Merrimack Watershed. Primary topics include river wildlife ecology, electric hydro and solar power, fish biology, urban wildlife, survival skills, and Native American history and culture. Special programs are offered throughout the fish migration season in May and June.

**Currier Museum of Art** – is currently closed while the facility undergoes a 30,000 square foot expansion to be completed in 2008. During the museum's closure, an expanded museum shop is housed at Currier Downtown facility. In addition to an extensive collection of American and European works, the museum features include an Art Center offering classes and lecture programs for children and adults, and is also the orientation point for tours of Frank Lloyd Wright's Zimmerman House. The popular museum is featured in a book entitled *1,000 Places to See Before You Die*.

Table 2-7 presents a more comprehensive list of activities and attractions in the greater Manchester area.

**Table 2-7**  
**Area Attractions & Activities**

<b>Attraction</b>	<b>City, State</b>	<b>Type</b>
America's Credit Union Museum	Manchester, NH	Museum
America's Stonehenge	North Salem, NH	Cultural/Historic
Amoskeag Fishways & Learning Center	Manchester, NH	Cultural/Historic
Anheuser -Busch Brewery Tours	Merrimack, NH	Cultural
Budweiser Brewery Tour	Merrimack, NH	Cultural
Canobie Lake Park	Salem, NH	Sports/Recreation
Canterbury Shaker Village	Canterbury, NH	Cultural/Historic
Capitol Center for the Arts	Concord, NH	Performing Arts
Charmingfare Farm	Candia, NH	Family/Education
Christa McAuliffe Planetarium	Concord, NH	Family/Education
Currier Museum of Art	Manchester, NH	Museum
Franco-American Centre	Manchester, NH	Cultural
Manchester Freedom - Women's Football	Manchester, NH	Sports/Recreation
Manchester Millyard Museum	Manchester, NH	Historical/Cultural
Manchester Monarchs - AHL Hockey	Manchester, NH	Sports/Recreation
Manchester Wolves - Arena Football	Manchester, NH	Sports/Recreation
Museum of New Hampshire History	Concord, NH	Museum
New Hampshire Fisher Cats - AA Baseball	Manchester, NH	Sports/Recreation
New Hampshire International Speedway	Manchester, NH	Sports/Recreation
Palace Theatre	Manchester, NH	Performing Arts
Robert Frost Farm	Dery, NH	Cultural/Historic
Rockingham Park	Salem, NH	Horse Racing
SEE Science Center	Manchester, NH	Family/Education
Tanger Outlet Center	Manchester, NH	Shopping
The New England Sampler	Manchester	Shopping
Tupelo Music Hall	Londonderry, NH	Performing Arts
Verizon Wireless Arena	Manchester, NH	Family/Recreation
Zimmerman House	Manchester, NH	Cultural/Historic

Source: Greater Manchester Convention & Visitor's Bureau

## Market Conclusions

Manchester benefits from positive economic indicators, with strong population and personal income growth, suggesting the community has significant capacity to support demand for performing arts events and should be capable of supporting an increasing amount of such events in the coming years.

The Manchester-Boston Regional Airport offers easy and convenient access to Manchester, while there a large number of limited-service hotels for patrons of performing arts events. Patrons from Northern Massachusetts who historically travel to Boston for performing arts centers may find Manchester a more affordable and accessible destination to see performing art events. Nonetheless, the lack of restaurants, nightlife and knowledge of Manchester

as a destination, especially in comparison with Boston may prohibit some potential demand for the MPAC. However, its accessibility and its proximity to Boston would provide MPAC with an advantage.

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## 3. Performing Arts Industry Trends

The purpose of this section is to analyze trends in the performing arts center industry. The data includes financial operating and demand data for various sizes of facilities and focuses on a range of theaters. The data provided herein will aid in determining the reasonableness of the operating projections for the facility and identify any trends that have implications for the long-term operating success of the facility.

### Facility Types

In order to properly accommodate a wide range of events, a performing arts complex may offer multiple performance venues. Ideally, these multiple venues can share certain back-of-house and administrative support spaces, including dressing rooms, pre-function space, concession and kitchen facilities, and various other areas.

Performing arts venues are distinguished by their audience capacity (as measured by the number of seats) and their staging capabilities. Table 3-1 illustrates the most common types of performing arts venues based on audience capacity and staging.

**Table 3-1**  
**Facility Types**

Size	Staging Capabilities		
	Minimal	Moderate	Extensive
5,000 - 20,000	Arenas	--	--
2,500 - 5,000	Small arenas	Multi-purpose venues	Broadway theaters, civic centers
1,000 - 2,500	Assembly Halls	Concert halls	Broadway theaters, mixed-use venues
400 - 1,000	Presentation venues	Auditoriums	Resident performing arts venues
> 400	Black box, experimental	Small performing arts venues	--

Source: HVS

Facilities range in their audience capacities from 20,000 to venues with less than 400 seats, while staging capabilities range from minimal to extensive. Extensive staging capabilities, found in Broadway theaters, mixed-use venues and resident performing arts venues allow shows to use complicated sets, lighting and sound features, and backstage space. Extensive staging capability includes integrated rigging, lighting, projection, and audio systems for complicated productions such as opera, symphony and dance. Good acoustics, with seating close to the stage are important for concerts. Large wing-space and backstage areas, and dressing rooms are important for dance and theatrical performances, as well as height to the fly gallery and depth of the stage. Good loading, for many Broadway and touring productions, is essential for sets. A substantial width and height of loading doors, ability to load from a number of trucks at one time and heavy weight restrictions are crucial to performances. Additionally, many groups require state-of-the-art sound and lighting technology.

While facilities with extensive staging capabilities offer all of the aforementioned features, multi-purpose venues, concert hall, auditoriums and small performing arts venues offer only moderate capabilities. Typically, these facilities still feature good acoustics with relatively high ceilings and average stage depth for concerts and theatrical performances. However, these facilities do not offer as much wing/backstage space and have limited loading

spaces; lighting and sound technology is typically less complex than at Broadway theaters.

Arenas, while they feature state-of-the-art lighting and sound capabilities, and large loading areas, do not offer traditional wing-space and backstage space, although temporary ones may be arranged. While arenas offer large spaces, with the flexibility to arrange a stage in multiple ways, they are more difficult to use for traditional theatrical productions than other facilities designed to host theater productions.

Assembly halls and presentation venues are often simplistic with little backstage and wing-space, little depth to the stage and moderately high fly galleries. Additionally, loading areas are minimal. Black box theaters and experimental theaters are designed to be low cost theaters and thus they typically feature small stages with temporary seating and no loading space.

## **Types of Events**

Performing arts centers can accommodate a variety of event types that include resident companies that perform a series of events, touring performances, and individual entertainment events.

Examples of resident companies include:

- Symphony Orchestras,
- Opera,
- Ballet and other Dance Companies,
- Broadway Show Companies, and
- Theater Groups.

These types of groups put on annual series that can include multiple performances of several different works. These companies often have offices in or adjacent to the performing arts center. These groups each conduct their own individual marketing and fundraising activities. Some resident companies operate their own box offices, but an increasing number of them have joined together with other companies and the host facility's box office.

Examples of individual performances include:

- Touring Broadway shows,
- Touring concerts,

- Comedians,
- Lectures, and
- Assemblies.

Performing arts centers also can host a wide variety of other events such as fundraisers, corporate events, and civic/social gatherings.

### **Operating Characteristics**

Most performing arts centers operate as non-profit organizations with the mission to serve the artistic needs of their communities. As such, most resident performing companies are provided access to the performance venues at below-cost or at reduced rates. Fundraising efforts and other individual performance events are utilized to fill the financial gap between the revenue these resident companies generate and the financial operating budget of the center. Most performing arts centers rely on some combination of endowments and the interest income they generate, annual fundraising efforts, and public subsidies in addition to rental income charged to users.

### **Industry Trends Data – Theater Communications Group**

HVS reviewed data on industry trends to provide a basis for evaluating the implications of recent conditions of the future performance of the planned facility in Manchester. Theater Communications Group (TCG) is an association that tracks the performance of member performing arts center organizations over time. The association publishes an annual summary of its member's responses to a series of questions covering demand, financial operations, and other key indices. The most recent version of this annual report covers data collected through 2006 (2007 was not available as of this writing). The economic downturn that continued into 2003 had a visible effect on some of the performance measures. The full TCG survey form was completed by 201 theaters.

### **All Non-Profit Performing Arts Theaters**

Table 3-2 shows a summary of key indices from all of the theaters that responded to the 2006 survey.

**Table 3-2**  
**Key Indices of Responding Non-Profit Professional Theaters in 2006**

<b>Estimated Productivity</b>	
Attendance	30,500,000
Subscribers	1,760,000
Performances	172,000
Productions	14,000
<b>Estimated Finances</b>	
Earnings	\$923,000,000
Contributions	\$868,000,000
Total Income	\$1,791,000,000
Expenses	\$1,667,000,000
Changes in Unrestricted Net Assets (CUNA)	\$124,000,000
Earned \$ as a % of Total Income	52%
Contributed \$ as a % of Total Income	48%
CUNA as a % of Expenses (Budget)	7.40%
<b>Estimated Workforce</b>	<b>Percent of Total</b>
Artistic (all)	70,500 62%
Administrative	14,500 13%
Technical	28,000 25%
Total Paid Personnel	113,000 100%

Source: TCG Theater Facts 2006

Overall, the responding theaters received just over half of their income from earned sources and the rest from contributions, emphasizing the importance of fundraising and grants to the industry.

### **Earned Income**

Table 3-3 shows average earned income by type for the 105 theaters that have completed the long version of the TCG Theater Facts survey in each of the past five years.

**Table 3-3**  
**Average Earned Income**

Earned Income	2002	2003	2004	2005	2006	1-yr. % change	4-yr. % change	4-yr. CGR <sup>1</sup> 02-06
Subscriptions	\$1,143,392	\$1,190,262	\$1,172,500	\$1,322,875	\$1,320,397	-0.2%	15.5%	3.5%
Single Ticket Income	1,691,723	1,541,401	1,445,418	1,470,618	1,666,752	13.3%	-1.5%	13.5%
Booked-In Events <sup>c</sup>	37,844	35,234	36,977	70,976	61,800	24.5%	37.5%	27.5%
<b>Total Ticket Income</b>	<b>\$2,872,959</b>	<b>\$2,766,897</b>	<b>\$2,654,895</b>	<b>\$2,864,469</b>	<b>\$3,048,829</b>	<b>6.4%</b>	<b>6.1%</b>	<b>-5.9%</b>
Tour Contracts/Presenting Fees	32,344	25,299	31,734	35,844	39,640	10.6%	22.6%	10.6%
Educational/Outreach Income	156,168	173,342	177,173	191,001	194,997	2.1%	24.9%	12.9%
Interest and Dividends	74,216	43,641	51,391	51,260	60,032	17.1%	-19.1%	-31.1%
Endowment Earnings	47,484	119,601	276,704	254,128	339,223	33.5%	614.4%	602.4%
Capital Gains/ (Losses)	(148,685)	(43,265)	234,233	213,093	211,178	-0.9%	242.0%	260.0%
Royalties	33,865	29,865	22,853	12,308	27,461	123.1%	-18.9%	-30.9%
Concessions	69,936	78,002	84,657	86,487	91,043	5.3%	30.2%	18.2%
Production Income <sup>2</sup>	37,997	91,209	41,368	135,966	52,071	-61.7%	37.0%	25.0%
Advertising	15,673	18,356	18,311	20,140	21,068	4.6%	34.4%	22.4%
Rentals	49,017	47,291	51,894	51,971	64,140	23.4%	30.9%	18.9%
Other	118,248	118,897	156,022	122,398	211,112	72.5%	78.5%	66.5%
<b>Total Earned Income</b>	<b>\$3,359,222</b>	<b>\$3,469,134</b>	<b>\$3,801,065</b>	<b>\$4,039,065</b>	<b>\$4,360,793</b>	<b>8.0%</b>	<b>29.8%</b>	<b>17.8%</b>

<sup>1</sup>Compounded Growth Rate adjusted for inflation

<sup>2</sup>Trend skewed by two theatres' exceptional activity

Source: TCG Theater Facts 2006

Subscriptions increased significantly in 2005 and 2006, resulting in a 15.5 percent increase from 2002 through 2006. Single-ticket income decreased from 2003 through 2005, with a 13.3 percent increase from 2005 to 2006, bringing single-ticket to its level of 2002. Total ticket income decreased from 2003 to 2005, but experienced a 6.4 percent from 2005 to 2006. However, this increase in ticket income failed to match the rate of increase in expenses, as total ticket income supported 5 percent less of total expenses in 2006 than 2002, while total earned income matched 64 percent of expenses, an increase of six percent from 2002.

The data reveals that these theaters are increasingly turning to non-ticket revenue sources such as concessions and production income to try and keep pace with the rate of increase in expenses. Additionally, endowment earnings have more than six times increased from 2002, as the number of theaters receiving endowments has increased.

## Expenses

Table 3-4 shows the average expenses of the 105 theaters that completed the long version of the survey in each of the last five years.

**Table 3-4**  
**Average Expenses**

Expenses	2002	2003	2004	2005	2006	1-yr. % change	4-yr. % change	4-yr. CGR <sup>1</sup> 02-06
Artistic Payroll	\$1,227,083	\$1,223,370	\$1,199,356	\$1,261,824	\$1,303,416	3.3%	6.2%	-5.8%
Administrative Payroll	1,088,446	1,164,323	1,157,680	1,281,409	1,376,350	7.4%	26.5%	14.5%
Production Payroll	850,770	877,513	819,765	917,602	996,726	8.6%	17.2%	5.2%
<b>Total Payroll</b>	<b>\$3,166,299</b>	<b>\$3,265,206</b>	<b>\$3,176,801</b>	<b>\$3,460,835</b>	<b>\$3,676,492</b>	<b>6.2%</b>	<b>16.1%</b>	<b>4.1%</b>
General Artistic Non-Payroll	243,433	238,027	201,641	244,597	243,079	-0.6%	-0.1%	-12.1%
Royalties	179,129	158,414	147,416	146,638	164,184	12.0%	-8.3%	-20.3%
Production/Tech Non-Payroll	373,451	391,332	355,453	494,703	439,602	-11.1%	17.7%	5.7%
Development/Fundraising	217,757	213,014	226,828	220,924	247,238	11.9%	13.5%	1.5%
Marketing/Customer Service/Concessions	723,527	741,580	735,664	797,101	889,376	11.6%	22.9%	10.9%
Occupancy/Building/Equip/Maintenance	425,261	462,486	505,914	567,728	621,691	9.5%	46.2%	34.2%
Depreciation	192,687	208,705	241,346	255,551	264,227	3.4%	37.1%	25.1%
General Management/Operations	226,064	208,183	206,011	219,201	248,026	13.2%	9.7%	-2.3%
<b>Total Expenses</b>	<b>\$5,747,608</b>	<b>\$5,886,947</b>	<b>\$5,797,074</b>	<b>\$6,407,278</b>	<b>\$6,793,915</b>	<b>6.0%</b>	<b>18.2%</b>	<b>6.2%</b>

\*Compounded Growth Rate adjusted for inflation

Source: TCG Theater Facts 2006

Most expense categories showed increases in 2006, with the exception of production and tech expenses and general artistic expenses. The greatest increase from 2002 through 2006 came from the occupancy/building/equip/maintenance expense category, which jumped 46 percent over the period. Overall, expense growth of 18.2 percent from 2002 through 2006 is less than the growth of total earned income (29.8 percent).

Table 3-5 shows the average contributed income by source for the theaters that have completed the long version of the survey in each of the prior five years.

**Table 3-5**  
**Average Contributed Income**

Contributed Income	2002	2003	2004	2005	2006	1-yr. % change	4-yr. % change	4-yr. CGR <sup>1</sup> 02-06
Federal <sup>2</sup>	\$32,807	\$38,682	\$55,921	\$58,798	\$45,893	-21.9%	39.9%	27.9%
State <sup>2</sup>	115,014	93,246	167,712	242,352	194,967	-19.6%	69.5%	57.5%
City/County	84,825	186,274	101,140	240,117	169,850	-29.3%	100.2%	88.2%
Corporations	281,065	359,216	388,881	388,754	347,412	-10.6%	23.6%	11.6%
Foundations	527,489	480,861	489,941	579,293	630,254	8.8%	19.5%	7.5%
Trustees	293,829	260,864	342,941	353,160	341,428	-3.3%	16.2%	4.2%
Other Individuals	808,429	635,359	826,661	876,650	849,318	-3.1%	5.1%	-6.9%
Fundraising Events/Guilds	216,666	243,939	277,454	287,712	299,180	4.0%	38.1%	26.1%
United Arts Funds	57,241	55,470	62,544	31,341	31,273	-0.2%	-45.4%	-57.4%
In-Kind Services/Materials/Facilities	102,487	126,712	123,309	127,750	172,631	35.1%	68.4%	56.4%
Other Contributions	70,193	73,683	94,122	109,132	120,010	10.0%	71.0%	59.0%
<b>Total Contributed Income</b>	<b>\$2,590,045</b>	<b>\$2,554,306</b>	<b>\$2,930,626</b>	<b>\$3,295,059</b>	<b>\$3,202,216</b>	<b>-2.8%</b>	<b>23.6%</b>	<b>11.6%</b>
<b>Total Income</b>	<b>\$5,949,267</b>	<b>\$6,023,440</b>	<b>\$6,731,862</b>	<b>\$7,334,125</b>	<b>\$7,563,008</b>	<b>3.1%</b>	<b>27.1%</b>	<b>15.1%</b>
<b>Changes in Unrestricted Net Assets</b>	<b>\$201,658</b>	<b>\$136,493</b>	<b>\$934,787</b>	<b>\$926,847</b>	<b>\$769,093</b>	<b>-17.0%</b>	<b>281.4%</b>	<b>269.4%</b>

<sup>1</sup>Compounded Growth Rate adjusted for inflation

<sup>2</sup>Trend skewed by one theatre's exceptional activity

Source: TCG Theater Facts 2006

The preceding data reveals that contributed income, while it shows increases across the board for the four year period, has significantly decreased from 2005 to 2006. Four of the theaters received no state funding in 2002, while 18 did not receive any state funding in 2006. The number of individual donors has significantly decreased since 2002, while the amount given by each donor has increased. Budget tightening and the U.S. economic uncertainties may be reflected in these numbers.

Total contributed income increased by a compound annual rate of 11.6 percent, compared to a 15.1 percent annual increase in total income and a 17.8 CGR in total earned revenue. Despite decreases in almost all funding sources for 2006, total public funding covered two percent more of total expenses than in 2002.

## Attendance

Table 3-6 shows aggregate attendance at the theaters that completed the long version of the survey in each of the past five years.

**Table 3-6**  
**Aggregate Attendance**

Type of Event	2002	2003	2004	2005	2006	1-yr. % change	4-yr. % change
Main Series (total)	8,988,310	8,896,053	8,560,220	8,424,840	8,796,577	4.4%	-2.1%
Special Productions	812,405	821,746	715,488	833,288	757,133	-9.1%	-6.8%
Children's Series	293,349	309,452	324,926	330,286	345,524	4.6%	17.8%
Staged Readings/Workshops	34,970	41,551	30,267	39,743	35,387	-11.0%	1.2%
Other	79,235	102,686	105,599	131,585	113,465	-13.8%	43.2%
Booked-In Events <sup>1</sup>	129,171	148,706	139,643	253,323	233,378	-7.9%	80.7%
<b>Resident Subtotal</b>	<b>10,337,440</b>	<b>10,320,194</b>	<b>9,876,143</b>	<b>10,013,065</b>	<b>10,281,464</b>	<b>2.7%</b>	<b>-0.5%</b>
Touring	1,667,316	1,055,854	975,859	889,715	769,319	-13.6%	-53.9%
<b>Total</b>	<b>12,004,756</b>	<b>11,376,048</b>	<b>10,852,002</b>	<b>10,902,780</b>	<b>11,050,783</b>	<b>1.3%</b>	<b>-8.0%</b>

<sup>1</sup> Trend Skewed by two theatres' exceptional activity

Source: TCG Theater Facts 2006

Attendance at main series productions has been relatively flat over the past five years with a 4.4 percent increase from 2005 to 2006. This has induced theaters to seek out new sources of attendance, with somewhat mixed results. Special production attendance has decreased from 2003 through 2006, along with staged readings/workshops. Children's theater, a growing segment, has experienced a 17.8 percent increase in attendance since 2002. Touring groups, a struggling segment in many performing arts centers, has experienced a steep decline of 53.9 from 2002 through 2006, with a 13.6 decrease from 2005 through 2006. The net result is an eight percent decrease in attendance between 2002 and 2006.

Table 3-7 shows the aggregate number of performances for the same set of theaters.

**Table 3-7**  
**Aggregate Number of Performances**

Type of Event	2002	2003	2004	2005	2006	1-yr. % change	4-yr. % change
Main Series (total)	25,131	25,712	25,280	25,549	25,982	1.7%	3.4%
Special Productions	1,845	1,997	1,777	2,026	1,753	-13.5%	-5.0%
Children's Series	1,288	1,189	1,288	1,203	1,396	16.0%	8.4%
Staged Readings/Workshops	435	479	462	516	480	-7.0%	10.3%
Other	609	614	686	1,056	834	-21.0%	36.9%
Booked-In Events <sup>1</sup>	390	461	430	666	941	41.3%	141.3%
<b>Resident Subtotal</b>	<b>26,698</b>	<b>30,452</b>	<b>30,019</b>	<b>31,016</b>	<b>31,386</b>	<b>1.2%</b>	<b>5.7%</b>
Touring	5,602	4,753	3,791	4,661	4,854	-1.7%	-18.2%
<b>Total</b>	<b>35,300</b>	<b>35,205</b>	<b>33,810</b>	<b>35,677</b>	<b>35,970</b>	<b>0.8%</b>	<b>1.9%</b>

<sup>1</sup> Trend Skewed by two theatres' exceptional activity

Source: TCG Theater Facts 2006

The data reveals a marginal increase in the number of main series events, a 3.4 percent increase since 2002, and a significant increase in the other category, with the exception of 2006, reflecting the desire among theaters to seek out new sources of event demand and ticket revenue. In 2006, half of the types of events experienced significant decreases. The total number of performances, however, has increased 1.9 percent, mostly due to the increase in booked-in events, which is skewed by two theatres' exceptional activity.

## Marketing & Production Activity

Table 3-8 shows industry averages for marketing and production activity for the theaters that completed the long version for the survey in each of the last five years.

**Table 3-8**  
**Industry Averages for Marketing & Production Activity**

Marketing and Production Measures	2002	2003	2004	2005	2006	1-yr. % change	4-yr. % change	4-yr. CGR <sup>1</sup> 02-06
Subscription Renewal Rates (%)	63	64	65	63	65	2%	2%	--
High Subscription Discount (%)	36.7	38.7	38.6	4.0	38.9	-3%	6%	--
Low Subscription Discount (%)	11.5	11.0	11.1	11.8	11.1	-5%	-3%	--
Subscription Price (per ticket)	\$25.03	\$25.20	\$26.15	\$27.55	\$28.89	5%	15%	3%
Single Ticket Price	\$25.27	\$26.28	\$27.31	\$27.60	\$29.60	7%	17%	5%
Number of Ticket Packages Offered	4.6	5.3	5.5	6.1	8.4	37%	82%	--
Number of Subscribers/Season Ticket Holders	9,388	9,134	8,970	8,822	8,584	-3%	-9%	--
Subscription Tickets (#subscribers x #tix/package sold)	46,013	45,239	43,127	42,894	42,828	0%	-7%	--
Single Tickets	52,566	55,056	49,620	49,210	53,578	9%	2%	--
Total In-Residence Paid Capacity (%)	70	70	70	68	67	-1%	-4%	--
Subscriber Capacity (%)	33	32	30	29	28	-1%	-14%	--
Number of Main Series Performances	239	245	241	243	247	2%	3%	--
Number of Main Series Productions	13	14	15	15	15	1%	12%	--
Number of Performance Weeks	34	33	33	34	35	2%	3%	--
Number of Actor Employment Weeks (sum of # weeks each actor employed)	623	586	557	597	583	-2%	-6%	--

<sup>1</sup> Compounded Growth Rate adjusted for inflation

Source: TCG Theater Facts 2006

The average renewal rate on subscriptions increased by only two percent. The number of subscribers decreased nine percent, while the number of subscription tickets decreased seven percent. Meanwhile ticket prices have increased; with a 15 increase for subscription tickets and a 17 percent increase in single-ticket prices. Additionally the total in-residence paid capacity slipped four percent.

## Conclusions

Like any other industry that depends upon ticket purchases for a large component of its earned income, the performing arts theater industry has seen a downturn in ticket income from 2002 through 2005. While 2006 experienced an increase in ticket income, that growth was outpaced by the growth in expenses. Although expenses have steadily grown in most categories, this growth is less than the growth of total earned income, as a result of the sharp increase in non-ticket revenue sources. The number of theaters receiving endowments significantly increased from 2005 through 2006. Contributed income grew from 2002 through 2005; 2006 experienced significant drops in a majority of types of contributions.

While theaters increasingly alter their revenue sources, aiming to attract greater non-ticket revenue sources, they are also altering their programming as a result of industry trends. Attendance at main series remains relatively flat, while the focus on different types of performances including special productions and children's theater resulted in substantial increase in the number of events and attendance at these events.

**Industry Trends Data –  
National Endowment  
for the Arts Public  
Participation Survey**

The National Endowment for the Arts ("NEA") performed a study titled "2002 Survey of Public Participation in the Arts" ("SPPA"). The results from this survey, which was conducted in 1982, 1992 and 2002, identify trends in the public participation in the arts. The SPPA includes questions about attendance at performing art events; listening to or watching performing arts on media outlets; exploring arts through the Internet; and performing in arts, and taking art classes. For the 2002 SPPA, 17,135 adults from across the United States participated for a response rate of 70 percent. For the purposes of the evaluation of industry trends as it relates to the feasibility of a performing arts center in Manchester, HVS will focus on analyzing attendance to performing arts events and the level of personal participation in arts events.

**Attendance**

The 2002 SPPA focused on attendance at seven "benchmark activities"; those main types of live performance events tracked by the SPPA since 1982. These benchmark activities include musical plays, non-musical plays, classical music, ballet, opera, and other dance (includes any other form of dance besides ballet, such as modern, folk, and tap).

Table 3-9 presents the U.S. adults who participated in performing arts at least once in a 12-month period.

**Table 3-9**  
**Attendance at Performing Art Events**

	Percent of Adults Attending		Audience (Millions)		Average Number of Attendances per Attendee		Total Number of Attendances (Millions)	
	1992	2002	1992	2002	1992	2002	1992	2002
<b>Music</b>								
Jazz	10.6%	10.8%	19.7	22.2	2.9	3.1	57.1	68.8
Classical Music	12.5%	11.6%	23.2	23.8	2.6	3.1	60.3	72.8
Opera	3.3%	3.2%	6.1	6.6	1.7	2.0	10.4	13.3
<b>Plays</b>								
Musical Plays	17.4%	17.1%	32.3	35.1	2.3	2.3	74.5	79.3
Non-Musical Plays	13.5%	12.3%	25.1	25.2	2.4	2.3	60.2	58.7
<b>Dance</b>								
Ballet	4.7%	3.9%	8.7	8.0	1.7	1.7	14.8	13.5
Other Dance	7.1%	6.3%	13.2	12.1	3.0	2.0	39.6	24.6

Source: SPPA

From 1992 through 2002 the total number of adults who attended a performing art event increased, while certain types of events experienced declines in attendees. The percent of adults who attended all types of performing arts events decreased from 1992 to 2002, with the exception of jazz. Musicals, followed by plays, represent the greatest demand among attendees. The average number of attendances per attendee increased in many categories, while it fell significantly in other dance.

Table 3-10 shows the demographic distribution of U.S. adults who attend at least one event in a 12 month period.

**Table 3-10**  
**Demographic Distribution of Attendees**

	U.S. Population		Jazz	Classical Music	Opera	Musicals	Non-Musical Plays	Ballet	Other Dance
	Millions	Percent							
<b>Gender</b>									
Male	98.7	47.9%	47.7%	42.7%	42.2%	39.1%	40.1%	31.6%	38.2%
Female	107.2	52.1	52.3	57.3	57.8	60.9	59.9	68.4	61.8
Total	205.9	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>Race and Ethnicity</b>									
Hispanic	22.7	11.0	6.3	5.2	6.1	4.5	5.5	4.6	9.7
White	150.1	72.9	77.0	86.2	86.4	85.4	84.1	88.2	79.0
African American	23.7	11.5	13.5	4.5	3.8	6.9	6.6	4.5	7.6
Other	9.5	4.6	3.1	4.1	3.6	3.2	3.7	2.7	3.7
Total	206.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>Age</b>									
18-24	25.9	13.0	12.7	8.8	8.3	11.3	12.0	8.8	12.8
25-34	36.9	17.9	18.0	14.0	17.0	16.2	15.5	16.2	16.7
35-44	44.2	21.5	25.8	19.8	18.9	23.9	22.6	27.2	23.6
45-54	39.0	18.9	24.4	24.9	24.0	21.4	23.4	25.1	24.0
55-64	25.9	12.6	10.3	17.0	16.8	14.5	14.1	10.8	12.0
65-74	17.8	8.5	6.1	9.3	10.7	8.3	9.1	7.4	7.3
75 and over	15.5	7.5	2.7	6.2	4.4	4.5	3.3	4.4	3.6
Total	205.2	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>Education</b>									
Grade School	11.8	5.6	0.5	0.7	0.4	0.5	0.5	0.6	2.0
Some High School	20.1	9.8	2.4	1.6	2.6	2.4	2.9	1.9	2.7
High School Graduate	63.8	31.0	15.2	12.2	8.3	16.5	14.4	9.3	16.5
Some College	56.9	27.6	31.5	27.5	24.0	31.3	28.6	27.7	31.8
College Graduate	36.1	17.5	31.5	33.1	35.5	30.8	31.9	32.3	27.3
Graduate School	17.4	8.5	18.9	24.9	29.1	18.5	21.7	28.1	19.7
Total	205.9	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>Income</b>									
Less than \$10K	14.4	7.0	3.6	4.4	3.2	3.4	3.4	3.0	3.2
\$10K to \$20K	22.7	11.0	6.0	5.5	6.4	5.8	5.4	5.8	7.3
\$20K to 30K	25.0	12.1	7.8	7.2	7.0	6.7	6.6	8.1	8.0
\$30K to \$40K	24.2	11.8	13.1	11.3	10.7	10.2	10.6	9.1	12.4
\$40K to \$50K	17.6	8.5	9.0	10.5	7.1	8.9	9.4	8.8	8.6
\$50K to \$75K	34.7	16.9	19.3	19.7	20.3	23.2	21.2	20.4	22.0
Over \$70K	45.8	22.2	41.2	41.5	45.3	41.8	43.5	44.8	38.5
Total	184.4	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: SPPA

Women represent a slightly larger percentage of attendees at performing arts event. A majority of attendees are in the 35 to 44 age bracket. Almost twice as many women as men attend dance performance, while men most frequently attend jazz concerts. Adults between 18 and 24 years of age most frequently attend jazz, other dance, and non-musical plays, while adults 55 and older most frequently attend opera.

Table 3-11 compares attendance throughout the U.S. and New England.

**Table 3-11**  
**Attendance in the New England Region**

	All Adults	New England
<b>Music</b>		
Jazz	10.8%	11.4%
Classical Music	11.6%	14.9%
Opera	3.2%	3.8%
<b>Plays</b>		
Musical Plays	17.1%	19.0%
Non-Musical Plays	12.3%	15.7%
<b>Dance</b>		
Ballet	3.9%	5.1%
Other Dance	6.3%	7.2%

Source: SPPA

The New England region experiences greater attendance rates than the U.S., coming first among all regions in attending non-musical plays and ballet, while New England comes second in attendance rates at musicals. This may be in large part to the demographic features of New England, the existing presence of performing arts events and venues or the difference in regional tastes for entertainment and recreational activities.

Table 3-12 below shows the results to how often the respondent had taken a trip that included attending a performing arts event within a 12 month period. The results show only the people who attended at least one event.

**Table 3-12**  
**Length of Trips to Performing Art Events**

	Any Trip	Trips More Than One Hour from Home	Trips 50+ Miles from Home	Overnight Trips
None	43.3%	52.6%	57.4%	62.8%
1-2	37.4%	34.8%	31.9%	28.3%
3+	19.3%	12.6%	10.7%	8.8%
Total	100.0%	100.0%	100.0%	100.0%

Source: SPPA

Between 28 and 35 of attendees took between one and two trips that included seeing a performing art event. Only nine percent of attendees took at least three overnight trips that included attending a performing arts event, while

13 percent indicated they had taken at least three trips one hour from home that included seeing a performing art event.

Table 3-13 illustrates the desire for current attendees of performing art events to see additional events. Specifically, the question asked of the SPPA was “If you could go to any of these events as often as you wanted, which ones would you go to more often than you do now?”.

**Table 3-13**  
**Preference for Attending Additional Arts Events**

Type of Event	Desire to Attend More Performances		
	1982	1992	2002
Jazz	18.0%	25.0%	24.3%
Classical Music	18.0%	25.0%	22.7%
Opera	7.0%	11.0%	11.5%
Musicals	33.0%	36.0%	29.8%
Plays	25.0%	34.0%	27.1%
Ballet	12.0%	18.0%	13.8%
Other Dance	NA	24.0%	20.4%

Source: SPPA

From 1982 through 2002, musicals remain the first choice of a majority of respondents, as plays have increasingly become popular as well. The desire to attend jazz and classical music had risen. Ballet has become a less popular choice since 1992.

Nearly one-third of adults reported attending at least one jazz, classical music, opera, musical play or ballet performance during the 12 months ending August 2002. The percentage of adults reporting attendance at these events held relatively stable between 1992 and 2002. Although the above analyzed data illustrates differences in demand among event types, regions and demographics the audience for the performing arts is still strong. Preferences have altered over the years with live music and non-musical plays, undoubtedly including creative, new forms of plays, have risen in popularity, while some of the more traditional art forms have declined in popularity. However, among all regions, New England offers a greater audience for both traditional and non-traditional performing arts.

### Spending on Performing Arts, in Relation to Spending on Movies and Sports

The following data was released by the U.S. Commerce Department, and the Bureau of Economic Analysis to reflect trends in consumer spending on performing arts and recreational activity. Table 3-14 shows the percent change in consumer spending on performing arts, movies, and spectator sports in nominal and real dollars.

**Table 3-14**  
**Year-Over-Year Percent Change in Consumer Spending on Admission**

Year	Total Admissions		Performing Arts		Movies		Spectator Sports	
	Nominal	Real	Nominal	Real	Nominal	Real	Nominal	Real
1992	3.8%	3.2%	11.1%	9.5%	-5.8%	-5.6%	5.7%	5.6%
1993	11.4%	9.9%	18.3%	16.0%	4.1%	0.0%	14.3%	12.0%
1994	6.5%	2.9%	7.0%	3.2%	3.9%	1.5%	6.2%	3.6%
1995	7.1%	4.0%	6.6%	3.1%	5.7%	2.9%	8.8%	5.7%
1996	11.4%	6.1%	6.2%	1.0%	8.9%	2.9%	20.3%	13.0%
1997	6.4%	3.2%	7.0%	5.0%	8.2%	5.6%	3.4%	1.0%
1998	4.8%	2.8%	0.0%	-1.9%	9.1%	7.9%	6.5%	3.8%
1999	8.4%	2.4%	7.6%	1.0%	9.7%	2.4%	8.2%	2.8%
2000	7.0%	0.7%	4.0%	-1.9%	8.9%	2.4%	8.5%	2.7%
2001	7.9%	3.0%	10.7%	6.8%	4.7%	1.2%	7.8%	0.9%
2002	7.6%	3.8%	6.1%	2.7%	6.7%	3.4%	9.7%	5.2%

Source: NEA, U.S. Department of Commerce, Bureau of Economic Analysis

Consumer spending on the performing arts experienced significant growth in 1992 and 1993, above the growth rate of movies and spectator sports. 1998 and 2000 saw decreases in consumer spending on performing arts, while movies and spectator sports saw increases in consumer spending. While 2001 and 2002 showed positive growth in consumers spending on performing arts, there was greater growth in consumer spending on movies and spectator sports in 2003. While the performing arts still draws significant spending, movies and spectator sports have seen even greater growth in spending.

### Implications for MPAC

Current trends in the theater industry reveal the importance of non-ticket revenue sources, fundraising, and overall contributed income. From 2005 through 2006 the number of theaters receiving endowments substantially increased. The number of donors decreased, but the average contribution increased significantly, resulting in an overall increase in donations.

Theaters changed their revenue mix as a result of decreases in ticket revenue, altering their programs to conform to changing interests and demographics. Attendance in a majority of performing arts event types decreased substantially, especially in touring groups. Fortunately, New England remains above the average of all areas in the United States in attendance for each

performing art category. Additionally, current attendees of performing arts events recorded the desire to substantially increase the number of performances they attend.

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## 4. Competitive and Comparable Venues

In order to better understand the demand potential for a Manchester performing arts center, HVS analyzed competitive and comparable venues. These include four groups of venues:

- Local Manchester venues,
- State and regional venues,
- Venues outside the region that range from 2,000 to 4,000 seats and are capable of hosting touring shows, and
- Venues outside the region that serve primarily local theater events and groups with seating capacity ranging from approximately 400 to 600 seats.

The overview of the local and regional venues demonstrates how the demand for performing arts in Manchester is currently served. The comparable venues outside the region provide examples of types of performing arts developments that could occur in Manchester.

### **Local Venues**

HVS created an inventory of performing arts centers in Manchester, generated through interviews with representatives of local performing arts groups. HVS conducted interviews with selected venue managers to investigate the relationship between their venues and the demand for performing arts space in Manchester. See Table 4-1.

**Table 4-1**  
**Local Competitive Venues**

Name	City	Number of Seats	Description
Verizon Wireless Arena	Manchester	11,000	The Verizon Wireless Arena, opened in 2001, hosts a variety of entertainment and sporting events. It often hosts performances that use only part of the facility.
Palace Theatre	Manchester	900	The Palace Theatre, with its own professional company, offers performances that are produced by the Palace, presented by the Palace, and events performed at the Palace by an outside renting group.
St. George Parish	Manchester	750*	The St. George Parish has been purchased by the Acting Loft with the expectations of transforming it into a 750 seat theatre for concerts and theatrical performances.
Dana Center for the Arts	Manchester	700	The Dana Center for the Arts of Saint Enselm College features both College productions and wide variety of traveling performers, with occasional community groups.
Derryfield High School Auditorium	Manchester	400	The Derryfield High School Auditorium, originally built as a recital hall, is not conducive to theatrical productions. It is frequently rented by local groups.
Franco-American	Manchester	350	The Franco-American Center performance space was originally designed as movie theater. It is used for small community performances.
Jewish Federation Theatre	Manchester	350	The Jewish Federation Theatre hosts the Manchester Community Theatre Players. The facility, a gym, turns into a 350 theater for in-house productions as well as community concerts.
Police League Building	Manchester	150	The Police League Building is similar to an auditorium with a small stage. The building is often rented for community events and sometimes for local performing arts groups.
Majestic Theatre	Manchester		The Majestic Theater puts on its own full season productions, while it also hosts a large number of community performing arts groups and offers educational classes.

\*Estimated future seat count. Plans for the venue are not finalized.

Source: Respective Venues

Manchester offers a significant number of performing arts venues, however many of them lack the technical capabilities a lot of performing arts groups desire. Additionally many of the venues are not located in downtown Manchester, decreasing visibility, accessibility, and thus attendance.

Although the Verizon Wireless Arena is primarily a sports venue with 11,000 seats, it also hosts a large number of shows and concerts, many of which utilize the entire facility. The facility also hosts a number of mid-sized performances that utilize a half-house set-up. Some of these mid-sized events may prefer a smaller theater venue, which is currently not available in Manchester. Neither the Palace Theater nor the Majestic Theater, the two traditional theaters in downtown Manchester has sufficient seating capacity to support most touring shows. Their primary activity is to rent out their theaters to community performing arts groups, and both have their own companies, which limit the dates available for other groups. The Dana Center for the Arts at St. Eslem College features student and traveling international productions, and rarely hosts community performing arts groups.

More regularly used by community performing arts groups due to date availability and price are the Derryfield High School auditorium, the Franco-American Center, the Police League Building, and the Jewish Federation Theatre. The Derryfield High School auditorium, the most traditional venue of the group, has limited date availability due to the school's use of the facility. Originally built as a recital hall, it lacks the staging capacity for high-tech theatrical productions. Never-the-less, these venues host a significant number of community performances.

Acting Loft, a Manchester performing arts group recently purchased St. George Parish with the expectation of converting it to a 750-seat theater. The facility, which will most likely not be built for many years, will not offer the needed infrastructure and technical capabilities for intricate productions and will primarily serve Acting Loft productions.

Table 4-2 presents the regional competitive venue inventory.

**Table 4-2**  
**Regional Competitive Venues**

Name	City	Number of Seats	Description
Lowell Memorial Auditorium	Lowell, MA	3,000	The Lowell Memorial Auditorium features a semi-circular main hall with fully-appointed stage and three dressing rooms. It features a wide variety of concerts, comedy, musicals, dance and sporting events.
Capital Center for the Arts	Concord, NH	1,300	The Capital Center for the Arts, owned by a nonprofit, has a small stage, small backstage and limiting loading areas. It features third tier touring events, concerts, the Granite State Opera, dance, and other forms of entertainment. Since a majority of its audience is from the baby boomer generation it continues to try to program events targeted to them. Attendance in musicals has been strong, while opera and symphony, along with traditional Broadway show attendance has been weakening.
Stockbridge Theatre	Derry, NH	881	Pinkerton Academy houses the Stockbridge Theatre, completed in 2002. While it does host the academy's many performing arts groups, it also rents to community events.
Audi Auditorium	Concord, NH	850	The Audi Auditorium, since 1904, has hosted much of the community's arts and entertainment. It hosts over 100 events a year and attended by over 75,000 people each year.
Lebanon Opera House	Lebanon, NH	803	The Lebanon Opera House, which has served as various functions in its 83 years, now plays host to a variety of live performances, including Opera. Visited by over 50,000 annually, rents out its venue to community performing arts groups.
Bedford High School	Bedford, NH	400*	The new Bedford High School facility is expected to be of very high quality, similar to the Stockbridge Theatre.

*Source: Respective Venues*

The Lowell Memorial Auditorium, in Lowell, Massachusetts, with roughly 3,000 seats, hosts a large number of concerts drawing in the Southern New Hampshire market and the Northern Massachusetts market. The Capital Center for the Arts in Concord, NH hosts a number of third-tier touring groups, houses the Granite State Opera, as well as a number of dance recitals and concerts. Although it is available to rent by community performing arts groups, it has limited availability due to its own schedule of performances.

Pinkerton Academy's Stockbridge Theater in Derry, NH is home to the Academy's performing arts groups and hosts a number of community events, is available for rental. Pinkerton Academy also supports a black box theater

for smaller experimental theater productions. The Audi Auditorium in Concord, NH serves as a home to the community's arts and entertainment groups, hosting concerts and shows put on by community individuals, schools, dance studios, and performing arts groups. The Lebanon Opera House, in Lebanon, NH features a wide range of multicultural performances and is available for rental. The Bedford High School Auditorium, while not yet built, is anticipated to be similar to the Stockbridge Theatre at Pinkerton Academy. It will host a number of school events, should provide additional quality venue space for community performing arts groups.

The Capital Center for the Arts, as mentioned above, is continuing to target the baby boomer generation, bringing in a greater number of well-known musicals and concerts from the 1960's and 70's. Attendance and demand for opera and symphony is decreasing, which reflects a national trend in audience demographics. The Capital Center is having trouble attracting baby boomers and younger generations that lack education in and exposure to the fine arts. Among the audiences under the age of 30 comedy, alternative music, and 60's and 70's guitar concerts appear to draw the greatest audiences.

### **Comparable Venues with a Large Theater**

Local and regional venue analysis demonstrates how Southern New Hampshire/Northern Massachusetts currently serves demand for performing arts. However, analysis of comparable venues indicates what potential Manchester may have for a new performing arts venue.

HVS selected three comparable venues with large theaters (between 2,000 and 4,000 seats) to assess as part of a comparable demand and operating analysis. HVS selected two venues in New England and one in Wisconsin that serve the local performing arts functions and attract national touring groups. These venues also serve state-wide performing arts groups and national performing arts groups, dance companies, theater groups, and musicians.

The analysis of these comparable venues quantifies some factors that indicate the relative market demand potential of a new facility in Manchester, assuming it developed a venue with capacity to host touring shows and had between 2,000 to 4,000 seats.

**Table 4-3**  
**Comparable Venues with Large Theaters**

Facility	Location	Seats in Main Hall
Citi Performing Arts Center	Philadelphia, PA	3,600
Kimmel Center	Boston, MA	4,000
Milwaukee Theater	Milwaukee, WI	2,500

Source: Respective Facilities

The Kimmel Center has the largest main hall with 4,000 seats. Followed by the Citi Performing Arts Center with 3,600 seats and the 2,500-seat Milwaukee Theater

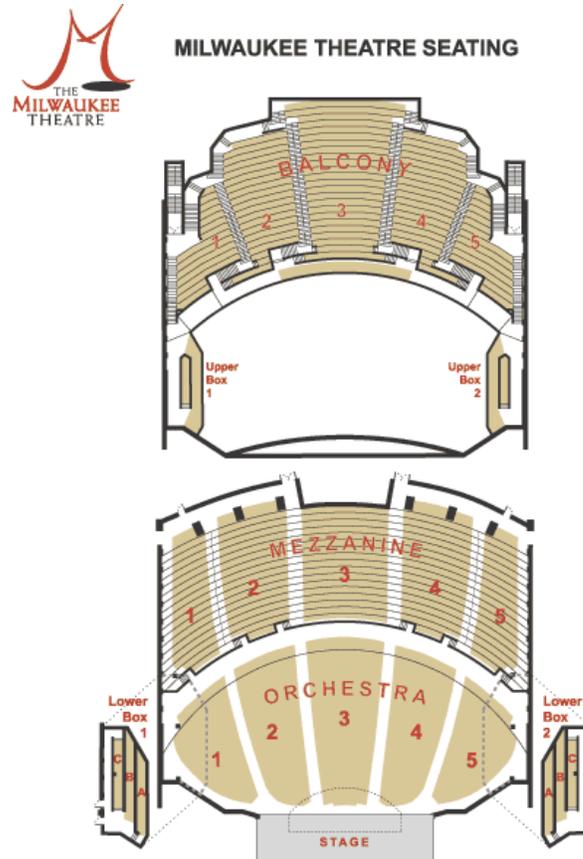
### **Description of Comparable Facilities**

HVS collected information on the facility characteristics, primary resident performing companies and demographics.

#### **Milwaukee Theatre**

The City Auditorium opened as the Milwaukee Theatre on November 7<sup>th</sup>, 2003 after a two-year \$42 million renovation. The new facility has a total seating capacity for 4,000 patrons. But without the balcony it can serve as a more intimate venue with 2,500 seats. See Figure 4-1.

**Figure 4-1**  
**Milwaukee Theatre Seating**



A 74 by 34 foot proscenium stage was completely rebuilt and includes three stage-level loading docks, sophisticated fly systems, rigging capabilities, production rooms, dressing rooms and green rooms.

In its first year of operation this venue hosted 130 events, representing annual ticket sales of approximately \$14 million.

The Wisconsin Center District initially issued \$30 million in limited obligation bonds in 2001 to initiate the redevelopment of the Milwaukee Theatre. Through a subsequent refinancing of bonds related to the Midwest Airlines Center, an additional \$7.0 million in funds became available for the Milwaukee Theatre redevelopment. The City also provided \$5.0 million in additional funding for the project. The total development cost was

approximately \$42 million. The District collects roughly \$15 million in tax revenues annually from special taxes on hotel rooms, prepared meals, and car rentals. These tax revenues are used to finance debt associated with the District's facilities, including the Milwaukee Theatre.

### **Kimmel Center for the Performing Arts**

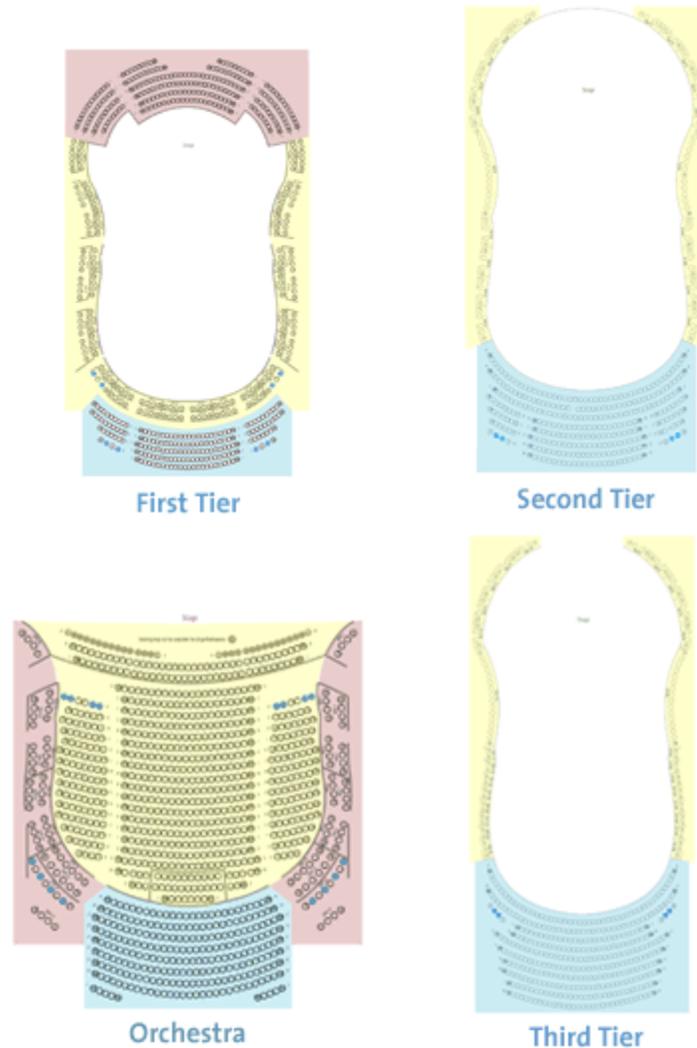
The Kimmel Center is located in downtown Philadelphia. Kimmel Center, Inc., a not-for-profit organization owns, manages, supports and maintains the Kimmel Center for the Performing Arts, which was built at a cost of \$235 million and opened in 2001. Eight resident companies call the facility home including the Philadelphia Orchestra, Opera Company of Philadelphia, Pennsylvania Ballet, Chamber Orchestra of Philadelphia, American Theater Arts for Youth, PHILDANCO, Philadelphia Chamber Music Society, and the Philly Pops.

The facility features the Verizon Hall, a cello-shaped 2,500 seat auditorium used for the larger resident companies. It also features the 650 seat Perelman Theater, a multi-use recital hall/proscenium theater with a 75 foot diameter turntable stage.

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**Figure 4-2**  
**Verizon Hall Seating Charts**

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Source: Kimmel Center

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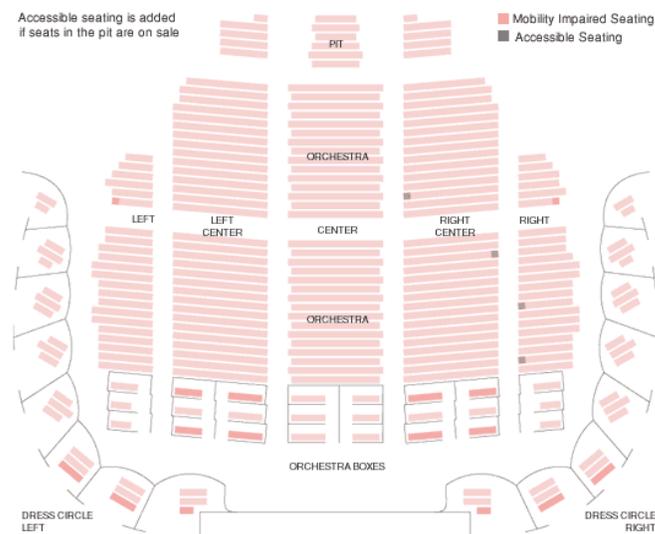
The Verizon Hall stage measures 45 by 77 feet and can be extended up to 52 feet deep if necessary. The Hall features many technical amenities including, forestage extension (up to 52 feet), dual height piano lift and three choral seating structures. Stage doors and loading dock are located off of stage right. A full technical attic level above the hall has hoists, rigs, and lifting equipment. The hall has a lighting bridge and provisions for three follow spots. Lighting and speaker accommodations are available at each tier level.

### Citi Performing Arts Center (formerly the Wang Center)

The Citi Center, near I-90 in the Boston Theater District of Boston, MA hosts resident companies including the Boston Ballet, Boston Lyric Opera, Celebrity Series of Boston, and Commonwealth Shakespeare. The facility features two theaters.

The Wang Theater, which originally opened in 1925, features seating for 3,600 people. In the 1960's and 70's this theater hosted the Metropolitan Opera, Bolshoi Ballet and Kirov Ballet, but became outdated and could no longer attract large touring companies. From 1989 through 1992, \$9.8 was raised to restore the theater. Now the theater hosts national touring Broadway shows, national touring musicians and comedy acts.

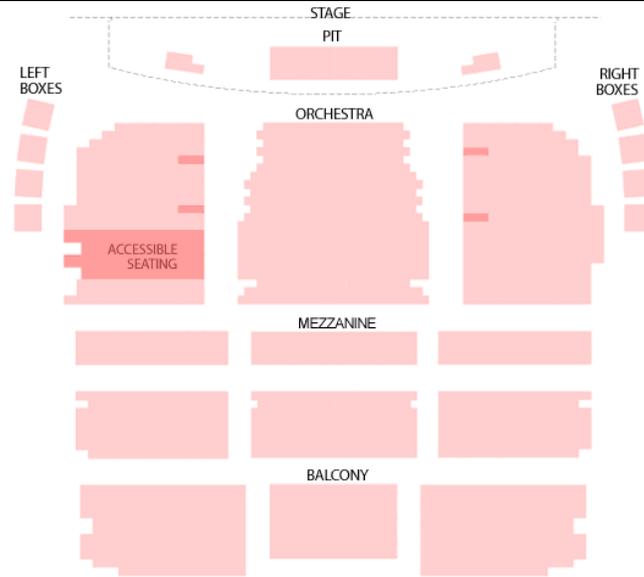
**Figure 4-3**  
**Wang Theater Seating Charts**



Source: Citi Performing Arts Center

The Citi Center also features the Shubert Theater, which seats approximately 1,600 people.

**Figure 4-4  
Shubert Theater Seating Charts**



Source: Citi Performing Arts Center

Table 4-4 shows historical data on events at both the Wang Center and the Shubert Theater.

**Table 4-4  
Historical Data**

Type of Event	Citi Center for the Performing Arts - Wang	Citi Center for the Performing Arts - Shubert
Concerts	25	2
Ballet	51	3
Other Dance	6	14
Musicals & Non-Musical Plays	22	12
Opera	0	42
Film	0	1
Special Events	2	3
<b>Total</b>	<b>106</b>	<b>77</b>

Source: Citi Performing Arts Center

The Citi Center for the Performing Arts’ Wang Theater hosted roughly 106 performances in 2007, a majority of which were ballet performances. The facility also hosts a considerable number of concerts and theater. The Shubert

Theater is home to the Boston Lyric Opera and hosts all opera performances at the Citi Center. It also hosts a significant number of theater and other dance performances.

## **Demographics of Comparable Markets**

### **Population and Income Comparisons**

Although there is no direct correlation between population and income and the demand for arts events, this data reveals trends in the overall economic climate of an area and its ability to support both ticket sales and fundraising. High population or income and/or high growth rates can indicate significant capacity to support events like the symphony, opera, and ballet that can be expensive relative to other entertainment options. Strong population growth suggests an increasing base of potential demand for arts events. Population changes also often reflect underlying trends in business activity and the attractiveness of an area as a place to live and as a place to visit.

HVS compiled economic and demographic data on each of the comparable facilities for primary and secondary market areas. The primary market area is defined as a 30-minute drive time from each respective facility and the planned MPAC. The secondary market includes the primary market and everything within a 60-minute drive time.

### **Primary Market Area**

Table 4-5 shows primary market (a 30-minute drive-time from the facility) population and per capita income figures for the comparable venues. The population and household numbers are 2008 estimates. The income figures reflect 2008 data as provided by Environmental Systems Research Institute, Inc. ("ESRI"), which provides data, collected and organized by their own geographic information system technology.

**Table 4-5**  
**Primary Market Population and Income of Comparable Venues (30 minute drive-time)**

Market	Population			2008		
	2000	2008	CAGR	Average Household Income	Median Household Income	Per Capita Income
Philadelphia, PA	3,895,047	3,922,240	0.1%	\$77,635	\$58,949	\$30,186
Boston, MA	2,942,661	2,974,705	0.1%	\$102,262	\$74,596	\$40,705
Milwaukee, WI	1,322,736	1,333,194	0.1%	\$74,645	\$58,425	\$30,526
Manchester, NH	567,231	607,884	0.9%	\$87,868	\$70,388	\$33,421
Peer Average	2,181,919	2,209,506	0.2%	85,603	65,590	33,710
Subject as % of Avg.	26.0%	27.5%	552.9%	102.6%	107.3%	99.1%

Source: ESRI

Manchester's primary market population is by far the smallest of all comparable markets, its population representing only 28 percent of the peer average. Average household income and median household income in Manchester's primary market is slightly larger than the peer average, while the other markets, which are much larger cities, have a greater low-income population. With such a small population in the primary market Manchester's primary market is may not adequately support a larger theaters.

Table 4-6 shows the distribution of households by income category in Manchester and each of the comparable primary market areas.

**Table 4-6**  
**Primary Market Distribution of Households by Income for Comparable Venues**

Income	Percent of Total				
	Philadelphia	Boston	Milwaukee	Manchester	Peer Average
<\$15,000	12.4%	9.8%	9.7%	6.8%	9.7%
\$15,000-\$24,999	8.8%	7.2%	9.4%	6.9%	8.1%
\$25,000-\$34,999	8.7%	6.8%	8.9%	7.2%	7.9%
\$35,000-\$49,999	13.0%	10.6%	14.7%	11.7%	12.5%
\$50,000-\$74,999	19.4%	15.8%	20.2%	20.6%	19.0%
\$75,000-\$99,000	14.9%	14.2%	16.7%	17.5%	15.8%
\$100,000-\$149,999	13.9%	19.9%	12.9%	18.3%	16.3%
\$150,000-\$199,999	4.3%	6.3%	3.7%	5.6%	5.0%
\$200,000+	4.8%	9.4%	3.9%	5.3%	5.9%
\$75,000+	37.9%	49.8%	37.2%	46.7%	42.9%

Source: ESRI

Manchester falls near the average of all comparable markets for incomes of \$75,000 or greater, the population which typically induces the greatest demand for performing arts center.

### Secondary Market

HVS also collected data on a larger market area that covers a 60-minute drive-time from the proposed MPAC and each peer facility. Performing arts centers draw a substantial share of their regular audience from within the primary market area. However, these facilities also draw from beyond the primary market area, particularly for special events that may generate high levels of interest such as touring concert acts and Broadway shows. Table 4-7 shows population and income data for the secondary market areas around each facility.

**Table 4-7**  
**Secondary Market Population and Income of Comparable Venues**

Market	Population			2008		
	2000	2008	CAGR	Average Household Income	Median Household Income	Per Capita Income
Philadelphia, PA	6,823,439	7,173,733	0.6%	\$86,168	\$64,927	\$32,808
Boston, MA	6,319,156	6,517,281	0.4%	\$92,511	\$68,777	\$36,010
Milwaukee, WI	2,378,099	2,487,739	0.6%	\$78,459	\$62,556	\$30,687
Manchester, NH	3,633,243	3,761,947	0.4%	\$98,023	\$72,049	\$38,470
Peer Average	4,788,484	4,985,175	0.5%	\$88,790	\$67,077	\$34,494
Subject as % of Avg.	75.9%	75.5%	86.4%	110.4%	107.4%	111.5%

Source: ESRI

Manchester falls below the peer average in population within a 60 minute drive-time, although Milwaukee has a smaller population than Manchester. Average household income, median household income and per capita income for Manchester are significantly greater than the peer average. Support of a theater similar to the comparable venues would depend on the ability to draw attendees from the secondary market.

#### **Other Key Indices of the Primary Market Area**

The following tables show detailed data on the primary market areas of Manchester and its comparable venues.

#### **Age Distribution**

Table 4-13 shows the distribution of population by age category in each of the comparable primary markets.

**Table 4-8**  
**Distribution of Population by Age for Comparable Primary Markets**

Age	Percent of Total				
	Philadelphia	Boston	Milwaukee	Manchester	Peer Average
0-4	6.3%	5.9%	6.9%	6.6%	6.4%
5-9	6.2%	5.8%	6.6%	6.5%	6.3%
10-14	6.7%	6.2%	6.7%	7.0%	6.7%
15-19	7.3%	7.0%	7.2%	7.3%	7.2%
20-24	6.9%	7.7%	7.2%	6.4%	7.1%
25-34	12.5%	13.9%	13.0%	11.9%	12.8%
35-44	13.9%	15.1%	13.7%	15.3%	14.5%
45-54	14.8%	14.6%	14.8%	16.5%	15.2%
55-64	11.0%	10.7%	10.9%	11.4%	11.0%
65-74	6.6%	6.0%	6.1%	5.7%	6.1%
75-84	5.3%	4.7%	4.7%	3.8%	4.6%
85+	2.5%	2.4%	2.2%	1.8%	2.2%

Source: ESRI

Manchester ranks slightly below average with respect to the key age groups attracted to performing art events, namely the 35-44 age group and the 45-54 age group. The 20-24 and 25-34 groups, the younger generations determining future support of a new theater, also fall slightly below average.

### **Comparable Venues with Mid-Sized Theaters**

HVS selected four peer venues with mid-sized community arts theaters to assess as part of a comparable demand and operating analysis. HVS selected comparable venues that are state-of-the-art performing arts venues with between 400 and 600 seats in their main hall, whose main purpose is to serve the local, and regional, community performing arts groups.

The intent of the analysis of comparable venues that follow is to quantify some objective factors that can serve as indicators of the relative market demand potential of a new facility in Manchester, which will feature a 450-seat main theater and a 200-seat black box theater. Table 4-9 shows a list of the selected markets and facilities.

**Table 4-9**  
**Peer Performing Arts Center Markets & Facilities**

Facility	Location	Seats in Main Hall	Seats in Black Box Theater
Jackson Hole Performing Arts Pavilion	Jackson Hole, WY	500	-
Mountain View Center for the Performing Arts	Mountain View, CA	620	235
Rose Wagner Center for the Performing Arts	Salt Lake City, UT	500	164
South Orange Performing Arts Center	South Orange, NJ	415	-

Source: Respective Facilities

The average seating capacities of the selected peer theaters' main hall and black-box spaces are similar to the planned capacities in Manchester — with an average of 509 in the main hall and 200 in the black-box theater. The Mountain View Center for the Performing Arts is the largest facility among the group with a 620-seat main theater and a 235-seat black box.

## Description of Comparable Facilities

### Jackson Hole Performing Arts Pavilion

The Jackson Hole Performing Arts Pavilion, opening in 2007, features a 500-seat theater, a Music Center, theater rehearsal space, and additional administrative space. The facility is part of the art center campus in downtown Jackson, Wyoming, referred to as "the Center for the Arts," which currently consists of the 41,000 square foot Arts & Education Pavilion, as well as the recently completed Performing Arts Pavilion. The Arts & Education Pavilion, with studios, classrooms and office, acts as a multi-tenant facility hosting 17 local, state and regional not-for-profit arts organizations. The Center for the Arts, is a 501(c) 3 not-for-profit organization, serves all of Jackson Hole and the surrounding region.

The local arts community of the Jackson Hole area, in 1991, indicated the need for affordable, high-quality performing arts facilities in the community. A \$1,000 grant from the Community Foundation of Jackson Hole began the plan for a multi-tenant facility. Over six years, a capital campaign raised \$35 million. The facility, which cost roughly \$30 million, was able to operate without debt throughout its first year.

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**Figure 4-5**  
**Jackson Hole Performing Arts Pavilion**

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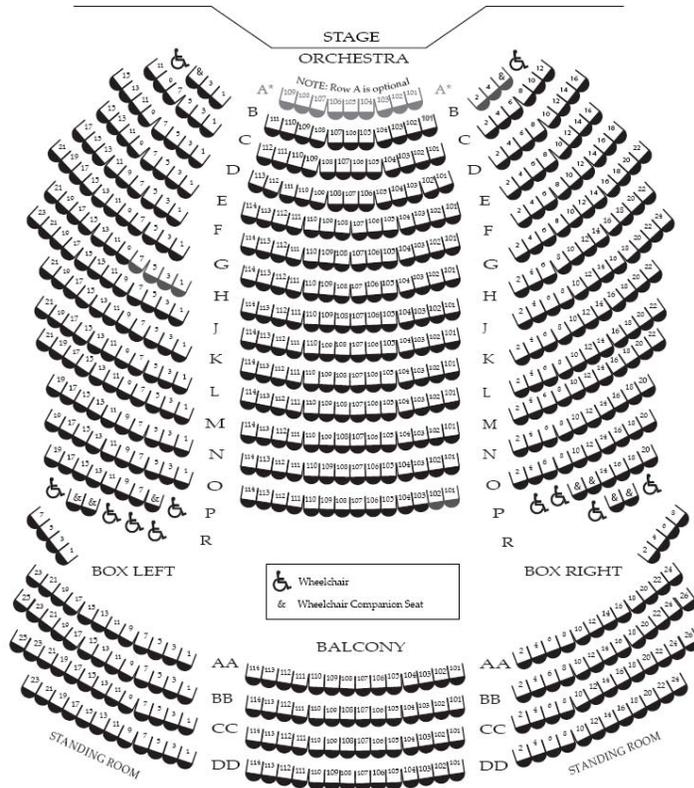
Source: JHPAP

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### **Mountain View Center for the Performing Arts**

The Mountain View Center for the Performing Arts sits in downtown Mountain View, California, roughly 40 miles south of San Francisco and ten miles north of San Jose. The facility features a 620-seat main stage, and a 235-seat black box theater. Additionally, it offers a 300-seat outdoor concert amphitheater, a bakery, and free underground parking. The City of Mountain View operates the facility and is home to the Peninsula Youth Theatre, TheatreWorks, and Western Ballet.

**Figure 4-6**  
**Mountain View Center for the Performing Arts**



Source: MVCPA

**Rose Wagner Center for the Performing Arts**

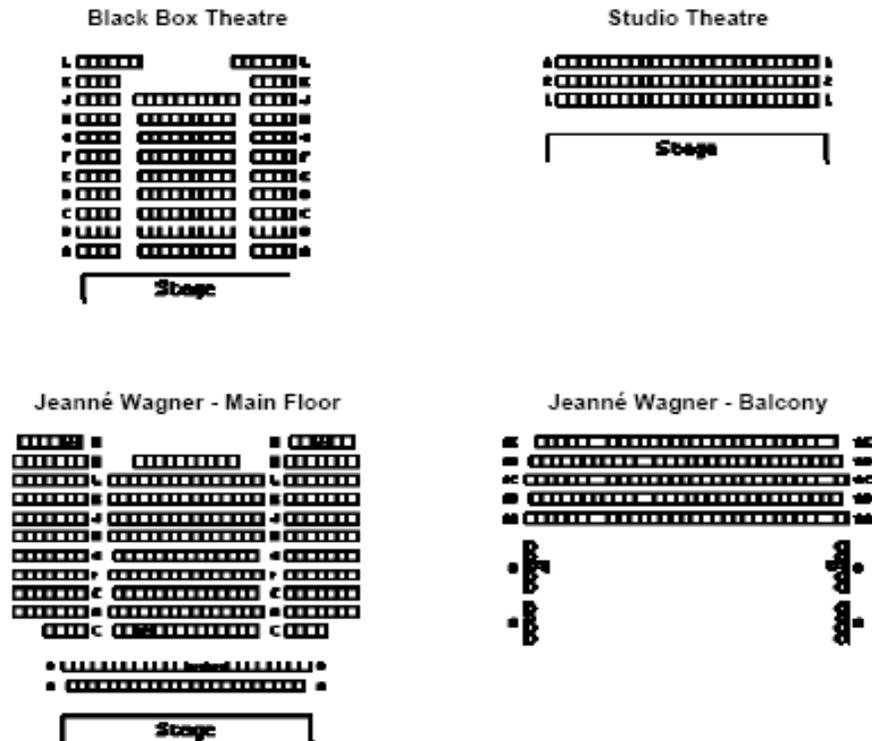
The facility is named after the center’s major donor I. J. Wagner’s mother, Rose. The Center is composed of a 500-seat theater named Jeanné Wagner Theatre, a 1 black box theater with capacity for 164 seats called the Leona Wagner Black Box Theatre, and a 75-seat theater called the Studio Theatre. The Leona Wagner Black Box Theatre opened in January of 1997, which has been used by dozens of companies and artists including Children’s Ballet Theatre, Children’s Dance Theatre, Dance Theatre Coalition, Steven Fales, New Renaissance Theatre, SB Dance, and Tooth & Nail Theatre.

The Jeanné Wagner Theatre opened in March of 2001 and hosts the Gina Bachauer International Piano Foundation, Repertory Dance Theatre, and

Ririe Woodbury Dance Company. The Studio Theatre is the newest addition and opened in June 2002. The Studio Theatre provides rehearsal space for larger performing arts groups and also hosts many smaller performances of dance, music, and drama. Various companies have used this space including Plan-B Theatre Company and Pygmalion Theatre Company. According to management, there are waiting lists for booking the Rose Wagner Center, especially for the two smaller theater spaces.

The Rose Wagner Center was built as tenants at the nearby Capitol Theater required additional rehearsal space, and the growth in local performing arts companies created much demand for affordable performing arts space. The facility was built by a public/private funding partnership of the Salt Lake County, the Redevelopment Agency of Salt Lake City, and the private sector, which raised more than seven million dollars. Salt Lake County managed Phase II constructions and operates the facility.

**Figure 4-7  
Rose Wagner Center for the Performing Arts**



Source: RWCPA

### South Orange Performing Arts Center

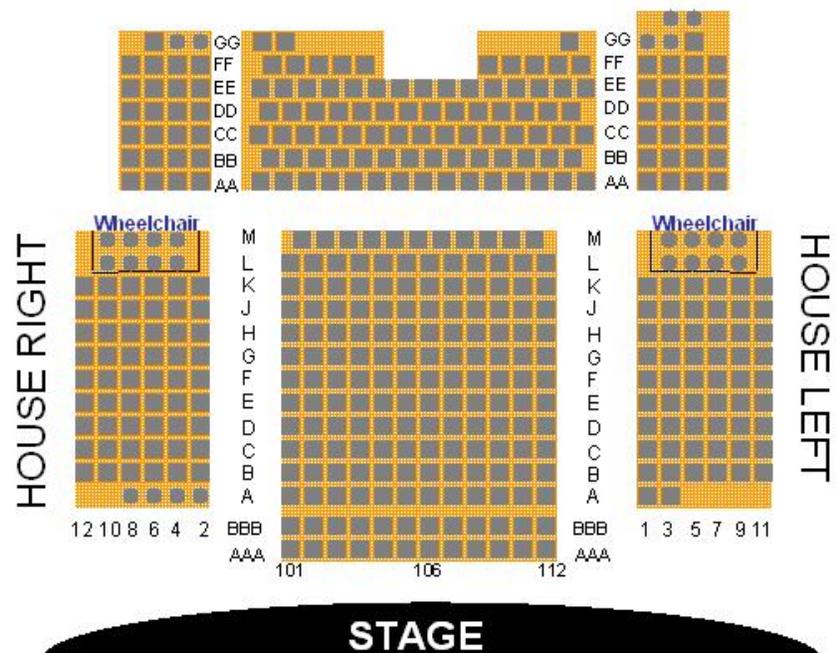
The South Orange Performing Arts Center opened in 2006, and features a 415-seat theater. Attached to the facility is a cinema with five theaters and an upper-level loft with banquet capacity for 145 persons, and a full-service catering kitchen. Adjacent to the facility is the 265-space parking lot used for neighboring commuter trains. These parking spaces are free for patrons of the performing arts center during performances.

In the mid 1990's the Village of South Orange, New Jersey decided to undergo a revitalization of their downtown, and a performing arts center was deemed to be one of the "pillars" of downtown. In 1994 the Village of South Orange purchased the land behind the South Orange train station from NJ

Transit. A volunteer committee began planning the development of a performing arts center on this site in 1998, and an independent SOPAC Board of Governors was formed.

The project, totaling \$14.8 million, was funded by the issuance of bonds by the Village, in addition to a \$1 million contribution from the Seton Hall University, incentive for the theater to feature 415 seats, instead of the original 300 seats. Low interest loans from the Essex County Improvement Authority, the Community Development Block Grants, a budget allocation from the State of New Jersey, South Orange Village capital funds, and a fund-raising campaign paid for the facility. The facility, which operates as a non-profit, hosts Seton Hall University as a major tenant. The Village of South Orange believes the performing arts center will encourage growth of adjacent amenities and therefore generate employment revenue to repay the debt for the facility. However, the Village is also hoping for large contributions from the center’s board to also assist in repayment.

**Figure 4-8**  
**South Orange Performing Arts Center**



Source: South Orange Performing Arts Center

The SOPAC stage measures 25 by 40 feet. The Center features an orchestra pit for up to 14 musicians and instruments, which can be hidden by a removable cover when additional seating or staging space is required. The Center also features top grade sound and lighting systems, one large freight elevator for loading sets, two chorus dressing rooms and one larger principal dressing room; all dressing rooms contain private bathroom and shower facilities.

### Demographics of Comparable Markets

As with the larger venues, HVS compiled economic and demographic data on each of the comparable facilities for primary and secondary market areas. The primary market area is defined as a 30-minute drive time from each respective facility and the planned MPAC. The secondary market includes the primary market and everything within a 60-minute drive time. For the purposes of this study, HVS used a 20-minute drive time for the South Orange, New Jersey region, as to not include New York City in this data.

#### Primary Market Area

Table 4-10 shows primary market population and per capita income figures for the comparable venues. The population and household numbers are 2008 estimates. The income figures reflect 2008 data.

**Table 4-10**  
**Primary Market Population and Income of Comparable Venues (30 minute drive-time)**

Market	Population			2008				
	2000	2008	CAGR	City	Average Household Income	Median Household Income	Per Capita Income	People Per Seat in Main Theater
Meadow View, CA	2,478,541	2,600,713	0.6%	70,708	\$134,106	\$96,181	\$45,802	4195
South Orange, NJ <sup>1</sup>	2,281,980	2,332,158	0.3%	16,371	\$87,433	\$60,558	\$31,838	4664
Salt Lake City, UT	1,049,145	1,167,569	1.3%	887,650	\$80,156	\$64,017	\$26,581	2335
Manchester, NH	567,231	607,884	0.9%	176,663	\$87,868	\$70,388	\$33,421	
Jackson, WY	15,129	17,039	1.5%	8,647	\$113,517	\$76,842	\$48,631	41
Peer Average	1,278,405	1,345,073	0.6%	232,008	100,616	73,597	37,255	3731
Peer Average (w/out Jackson)	1,594,224	1,677,081	0.8%	287,848	97,391	72,786	34,411	3,731
Subject as % of Avg.	44.4%	45.2%	136.3%	76.1%	87.3%	95.6%	89.7%	0.0%

<sup>1</sup>A twenty minute drive time was used to exclude New York City from this data

Source: ESRI

Manchester's primary market population is the second smallest, while both Meadow View and South Orange record high populations due to their locations near large cities, San Jose and Newark. However, the City of Manchester has a greater population than all comparable venues' cities, with the exception of Salt Lake City. Manchester's population growth, at 0.9

percent, is slightly greater than the peer average. The average household, median household income, and per capita income for the primary market of Manchester fall within the mean of the range of comparable markets. This data indicates that there are roughly comparable levels of population and income available to support a performing arts center similar to those in the comparable markets.

Table 4-11 shows the distribution of households by income category in Manchester and each of the peer primary market areas.

**Table 4-11**  
**Primary Market Distribution of Households by Income for Comparable Venues**

Income	Percent of Total					
	Salt Lake City	Jackson	South Orange	Meadow View	Manchester	Peer Average
<\$15,000	6.6%	3.3%	12.5%	4.9%	6.8%	6.8%
\$15,000-\$24,999	6.7%	5.6%	8.7%	4.3%	6.9%	6.4%
\$25,000-\$34,999	8.3%	5.9%	8.8%	4.8%	7.2%	7.0%
\$35,000-\$49,999	14.3%	13.1%	12.3%	8.1%	11.7%	11.9%
\$50,000-\$74,999	23.3%	20.4%	16.6%	16.0%	20.6%	19.4%
\$75,000-\$99,000	17.7%	16.4%	16.1%	13.6%	17.5%	16.3%
\$100,000-\$149,999	14.7%	20.0%	12.7%	21.5%	18.3%	17.4%
\$150,000-\$199,999	4.2%	4.1%	5.3%	12.2%	5.6%	6.3%
\$200,000+	4.1%	11.0%	7.0%	14.6%	5.3%	8.4%
\$75,000+	40.7%	51.5%	41.1%	61.9%	46.7%	48.4%

Source: ESRI

Manchester falls near the average of all comparable markets for incomes of \$75,000 or greater; the population that typically induces the greatest demand for performing arts center.

### Secondary Market

HVS also collected data on a larger market area covering a 60-minute drive-time from the proposed MPAC and each peer facility. Performing arts centers draw a substantial share of their regular audience from within the primary market area. However, these facilities also draw from beyond the primary market area, particularly for special events that may generate high levels of interest such as touring concert acts and Broadway shows. Table 4-12 shows population and income data for the secondary market areas around each facility.

**Table 4-12**  
**Secondary Market Population and Income of Comparable Venues**

Market	Population			Average Household Income	2008	
	2000	2008	CAGR		Median Household Income	Per Capita Income
Salt Lake City, UT	1,720,059	2,601,500	5.3%	\$78,564	\$62,851	\$25,145
Jackson, WY	20,689	24,994	2.4%	\$102,949	\$72,147	\$42,584
South Orange, NJ	13,193,076	13,680,544	0.5%	\$87,896	\$60,559	\$32,659
Meadow View, CA	5,646,843	5,910,742	0.6%	\$121,830	\$84,283	\$44,578
Manchester, NH	3,633,243	3,761,947	0.4%	\$98,023	\$72,049	\$38,470
Peer Average	4,842,782	5,195,945	0.9%	\$97,852	\$70,378	\$36,687
Subject as % of Avg.	75.0%	72.4%	49.3%	100.2%	102.4%	104.9%

Source: ESRI

South Orange contains such a large population within a 60 minute drive-time as a result of inclusion of New York City. Among all other secondary markets, Manchester ranks second in population, while historical population growth is lower than the peer average. Additionally, Manchester falls slightly above the peer average for all income parameters.

#### Other Key Indices of the Primary Market Area

The following tables show detailed data on the primary market areas of Manchester and its comparable venues.

#### Age Distribution

Table 4-13 shows the distribution of population by age category in each of the peer primary markets.

**Table 4-13**  
**Distribution of Population by Age for Peer Primary Markets**

Age	Percent of Total					
	Salt Lake City	Jackson	South Orange	Meadow View	Manchester	Peer Average
0-4	9.4%	5.1%	6.9%	7.0%	6.6%	7.0%
5-9	8.3%	4.6%	6.6%	6.5%	6.5%	6.5%
10-14	8.0%	5.3%	6.9%	6.7%	7.0%	6.8%
15-19	7.9%	5.3%	7.0%	6.8%	7.3%	6.9%
20-24	7.6%	7.7%	6.9%	6.7%	6.4%	7.1%
25-34	16.7%	20.0%	14.2%	14.8%	11.9%	15.5%
35-44	13.9%	16.9%	15.2%	16.2%	15.3%	15.5%
45-54	12.2%	16.2%	14.2%	14.9%	16.5%	14.8%
55-64	8.0%	10.9%	10.2%	10.1%	11.4%	10.1%
65-74	4.1%	4.8%	5.8%	5.3%	5.7%	5.1%
75-84	2.7%	2.2%	4.1%	3.5%	3.8%	3.3%
85+	1.2%	0.9%	2.0%	1.5%	1.8%	1.5%

Source: ESRI

Manchester ranks in the middle with respect to the key age groups attracted to performing art events, namely the 35-44 age group and the 45-54 age group. The relatively younger generation, between 25 and 34, which will contribute significant demand in future years is smaller than the peer average, giving some concern for future demand.

Table 4-14 shows historical demand from these comparable facilities.

**Table 4-14**  
**Historical Demand**

Type of Event	Jackson Hole	Rose Wagner Center	Average
Musicals & Non-musical plays	44	31	38
Concerts	34	28	31
Film Showings	11	27	19
Dance	8	31	20
Children's Programs	9	11	10
Receptions/Fundraisers	4	11	8
Lectures	5	11	8
Comedy	1	0	1
Special Events	9	20	15
<b>Total</b>	<b>125</b>	<b>170</b>	<b>148</b>

Source: Respective Facilities

The Rose Wagner hosts the greatest number of events among all comparable venues with 170 events held in 2007, followed by the Jackson Hole Performing Arts Pavilion with 125 events. The South Orange Performing Arts Center only held 54 events in 2007, its inaugural season. It hopes to significantly increase this number in 2008 and beyond as the facility has recently begun to attract world-renowned musicians. The Rose Wagner Center hosts proportionally similar numbers of theater performances, concerts, dance, and film showings. It also holds a significant number of community events such as lectures and fundraisers. The Jackson Hole Performing Arts Pavilion features mainly theater performances and concerts, with a handful of film showings, dance and children's programs.

## Conclusions

The existing venues in Manchester and region including the Verizon Wireless Arena and the Capital Center for the Arts, do not address the market demand for a large theater that has sufficient capacity to host touring events (at least 2,000 seats and fewer than 4,000 seats). The Verizon Wireless Arena accommodates some of these events but lacks the desired staging capability and is too large for most touring events. The Capital Center looks to find a new niche in the market, as traditional theater-goers decrease in attendance. The Palace Theater serves some touring groups but the size of its house limits it to acts that required lower financial guarantees.

Ultimately, Manchester may lack the necessary population and income within its primary market to support a larger venue. Manchester would have to rely on its secondary market to achieve the level of ticket sales necessary to

provide financial guarantees to touring acts. New Hampshire has few prominent performing arts groups, and thus a new large theater would have difficulty retaining resident companies with frequent performances and large audiences. The comparable analysis also shows that successful development of these venues requires public support or private foundation support. Manchester's smaller population base in the primary market also poses a challenge to a successful broad based fundraising effort.

The analysis of local and regional competitive venues indicates that Manchester lacks a high quality local performing arts venue that serves local performing arts groups. The demographics and income of comparable markets with smaller performing arts venues are similar to Manchester. Achieving the necessary public or private foundation support for a smaller scale venue is more realistic than for a larger scale venue. HVS interviews with local arts groups in the following section of this report show a high level of interest in this type of venue.

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## 5. Key Informant Interviews

To analyze potential demand for a performing arts venue in Manchester, HVS conducted in-person and phone interviews with local performing arts groups and producers of local performing arts groups throughout the Manchester area. The results from the interviews address the current supply of performing arts venues and demand for alternative venues.

Additionally, we conducted phone interviews with a number of regional performing arts groups throughout New Hampshire and event promoters who currently promote events in the Boston area, as well as Manchester.

### **Performing Arts Groups**

HVS conducted phone interviews with 18 performing arts groups to determine their facility needs and their impression of Manchester as a location for their events. Our conversations focused on the current and perceived future relationship between demand and supply of regional performing arts venues.

HVS asked the performing arts groups to describe the type of event(s) the group holds. HVS categorized the type of events into nine different categories. The “other” category represents such events as alternative theater, interactive performances, and mime. The results are shown below in Table 5-1.

**Table 5-1**  
**Types of Performances**

Type of Event	Percent
Ballet	2.9%
Play	28.6%
Concert	14.3%
Musical	22.9%
Opera	0.0%
Dance	5.7%
Comedy	2.9%
Children's Theater	5.7%
Other	17.1%
Total	

Source: HVS Surveys and Interviews

A number of performing arts groups indicated that they hold a variety of events, with the majority hosting a combination of musicals and plays. Plays and musicals represented the largest individual event types as well with 29 and 23 percent respectively. Fourteen percent of respondents indicated hosting event in the "concert" category, which include orchestral, choral, and chamber groups. Just six percent of respondents reported holding dance or children's theater performances.

HVS asked performing groups how many events, on average, they host per year. The results are presented below in Table 5-2.

**Table 5-2**  
**Number of Performances/Year**

Number of Performances	Percent
0-4	17.6%
5-9	5.9%
10-19	23.5%
20-29	17.6%
30-39	23.5%
40-69	0.0%
70-99	0.0%
100+	11.8%

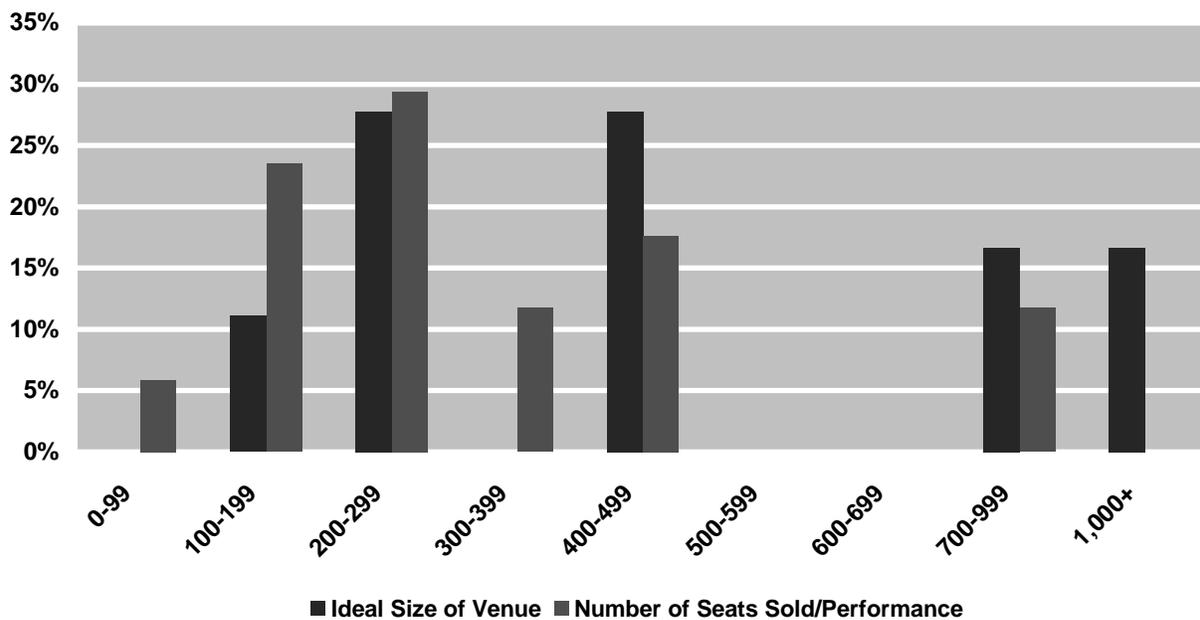
Source: HVS Surveys and Interviews

Roughly 24 percent of all respondents indicated they hold between 10 and 19 performances per year, while another 24 percent reported holding between 30 and 39 performances per year. No groups reported hosting between 40 and 99 performances per years, while 12 percent host more than 100 performances per year.

In order to understand the needs of local performing groups, HVS inquired as to the type of venue they currently use. While almost all groups indicated they typically rent space at a small or mid-sized theater, a handful indicated they have their own venues, and one group indicated they use parks during the summer months. Although the performing arts groups cited a variety of venues they regularly use for their performances, the groups most often mentioned the Pinkerton Theater, Derryfield School, and Portsmouth theaters.

HVS asked performing arts groups to identify the ideal size for a new performing arts center (in number of seats) and the average number of seats they sell each performance. The results are presented below in Figure 5-1.

**Figure 5-1**  
**Ideal Size of Venue and Number of Seats Sold/Performance**



Source: HVS Surveys and Interviews

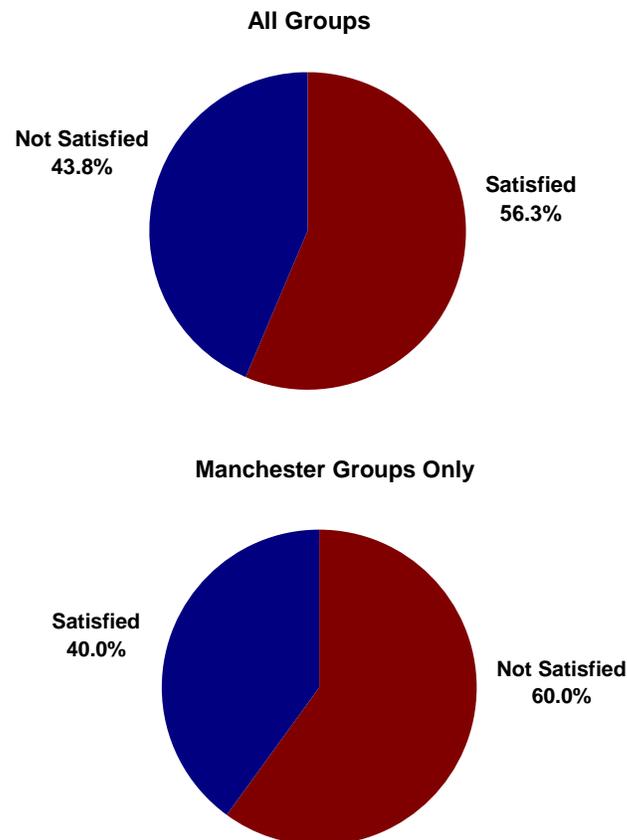
Roughly 30 percent of groups want a venue with at least 700 seats, while only 12 percent indicated that they sell more than 700 seats. A majority of groups, almost 30 percent, indicated they typically sell between 200 and 299 seats, while almost 25 percent sell between 100 and 199 tickets. This data indicates that while groups ideally like a somewhat larger facility than they physically require, the number of seats sold per performance averages roughly 400 seats. The discrepancy between the reported ideal number of seats in a new venue and the reported number of seats sold/performance may reflect that groups are currently constrained by the size and quality of the venues they currently use and a belief that a larger facility would result in increased ticket sales.

HVS does not assume that all of these performing arts groups would definitively use a new performing arts center in Manchester. To gauge potential demand, HVS asked them if they are satisfied with the current options of venues. The results are presented below in Figure 5-2.

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**Figure 5-2**  
**Satisfaction with Current Venues**

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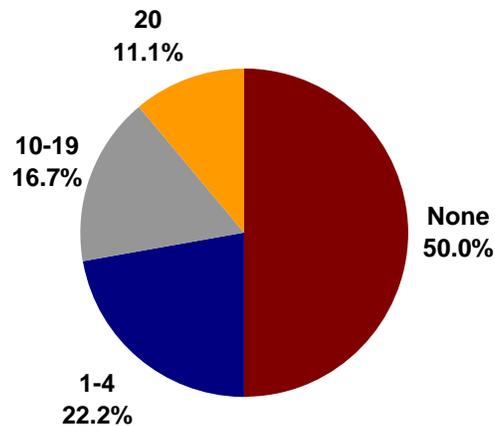
Source: HVS Surveys and Interviews

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HVS analyzed the responses of all performing arts groups throughout New Hampshire, as well as the set of groups from Manchester. A slightly larger percentage of all groups are satisfied (56 percent) than not satisfied (44 percent). Roughly 60 percent, of all groups in Manchester are not satisfied with the current offering of venues, due to the lack of suitable venues in the area. Other areas in New Hampshire offer a greater number of high- quality, small to mid-sized theaters than the Manchester area.

HVS then asked each performing arts group how many performances they would hold per year at a new performing arts center in Manchester if it met their standards. The results are presented below in Figure 5-3.

**Figure 5-3**  
**Number of Performances at a New Performing Arts Center in Manchester**



Source: HVS Surveys and Interviews

While 50 percent of respondents indicated they would never hold an event at a new performing arts center in Manchester, a majority of these groups are located more than 30 miles from Manchester with strong existing supply of performing art venues in their areas, including such towns as Pittsfield, Laconia, and Portsmouth. Roughly 22 percent of all respondents indicated they would host between one and four performances per year, while a solid 11 percent would host an estimated 20 events per year. No groups reported hosting between 5 and 9 events per year, thus the exclusion of this category.

HVS determined the total number of performances induced by these 18 performing arts groups, given their estimates of the number of performances they host per year. Table 5-1 shows the results.

**Figure 5-4**  
**Total Performances**

Number of Events	Percent of Respondants	Total Performances
0	50%	0
1-4	22%	16
5-9	17%	27
20	11%	44
Average (excluding 0)	-	29
<b>Total</b>		<b>87</b>

Source: HVS

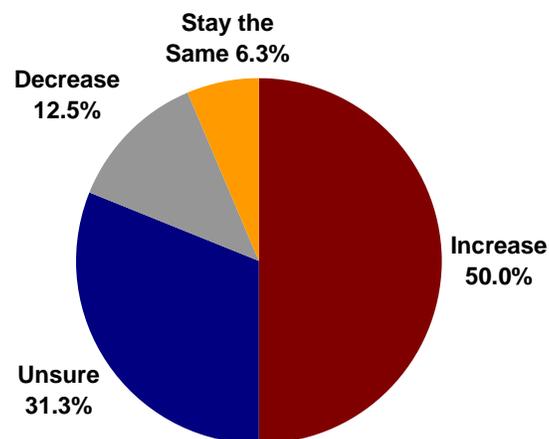
Based on estimates from the 18 key informants, a total of 87 performances would use a new performing arts center. Roughly 38 percent of performing arts groups did not respond to the survey. It is reasonable to assume that HVS did not reach every potential user of a new performing arts center in Manchester. Thus this figure represents only a portion of demand that the proposed MPAC could attract. In Section 7, HVS will detail demand projections.

To aid in determining potential attendance at the proposed MPAC, HVS asked survey respondents if they thought attendance would increase, decrease, or remain the same if their performance was held at a new performing arts center in Manchester. The results are shown below in Figure 5-5.

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**Figure 5-5**  
**Attendance at a New Performing Arts Center**

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Source: HVS Surveys and Interviews

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Roughly 31 percent of respondents reported to be unsure how a Manchester performing arts facility would impact attendance levels, compared to 50 percent who estimated that attendance would increase. Only 13 percent indicated that attendance would likely decrease if they held their event in Manchester; the majority of these groups are located more than 30 miles from Manchester.

**In-Person Interviews**

HVS conducted in-person interviews with a number of performing arts groups as well as producers of local performing arts events. Discussions focused on the needs of the local performing arts market and the satisfaction with the current supply of performing art venues. HVS summarized the main conclusions drawn from these discussions below:

- The current facilities in Manchester do not offer the infrastructure needed for many types of performances (especially theater) including a lack of wing space, stage space, lighting capabilities, and good acoustics.
- Many of the facilities local performing arts groups currently use are located in Manchester, but are not in downtown Manchester and thus give the perception to potential audience members that the venue is far away, limiting attendance. A number of performing arts groups also indicated that they often host their performances outside of Manchester, which also limits attendance.
- Some of the larger, more popular venues are hard to book, as their schedules are filled with the venues' own, in-house produced performances.
- Within Manchester, there is a growing presence of community theater groups; however, these groups, mostly because of price and scheduling conflicts associated with current performing arts centers, attempt to convert gyms and other buildings into temporary venues for their performances.
- Many expressed a need for a black box theater to serve local artists and smaller performing arts groups with relatively low attendance, in addition to a mid-sized theater for local and regional performing arts groups.

**Event Promoters**

HVS conducted phone interviews with event promoters, who currently promote large touring groups in the Boston area. Discussions with event promoters focused on their knowledge of Manchester, the perceived demand for a 2,500 seat venue in Manchester and their estimated involvement of groups potentially using a new facility.

One event promoter indicated that his company promotes roughly five to eight productions per year around the world, focusing on North America. Requiring a minimum of 2,000 seats for productions, this event planner reported that he would potentially hold events in a new performing arts center in Manchester if the facility would make guarantees. Further, he remarked that to his knowledge Manchester is economically strong, with the

ability to support a performing arts center, but was unsure if the community, like other successful performing center communities, had the tradition of nurturing and training audiences.

One live event promoter/producer who currently books a large number of shows at the Verizon Wireless Arena, indicated the company would most likely book a significant number of shows at a new performing arts center in Manchester if, 1) it offered at least 2,000 seats, 2) was located in downtown Manchester near the Verizon Wireless Arena, and 3) had facility rental fees comparable to market. He indicated that artists and groups too large for the Verizon would use the new facility, in addition to the possibility of Broadway touring shows. However, he was unsure as to the demand from the local market for such events, particularly touring Broadway shows.

### **Impact on Existing Venues**

Palace Theater Management indicated that a new large performing arts center with 2,000 to 4,000 seats may have a devastating impact on the Palace Theater operations and finances. Broadway touring groups would draw away demand from similar productions at the Palace Theater, thereby reducing attendance and subsequent ability to launch productions. A second effect with positive impacts for Manchester would be that local audiences currently leaving Manchester to attend productions in Boston or Concord would prefer to stay closer to home to see the same Broadway touring groups.

Management of the Capital Theater in Concord also expressed concern over the competitive pressures that would result from a new larger venue in Manchester and expressed doubt that enough regional demand exists for such a venue. Currently, the Capital Theater is struggling to maintain audiences for third tier touring groups and has been continually cutting back the number of performances. Their attendance trends and surveys indicate that interest in traditional Broadway productions is on the decline. Younger and therefore future audiences are characterized by more diverse tastes in entertainment.

Verizon Wireless Arena management that the State lacks a true performing arts center for touring Broadway shows, with Concord the only option, although it is not ideally located. This venue believes Manchester is a separate market from Boston and has the potential to attract the same shows. However, the manager remarked, while the Manchester area economically can support a new performing arts center, the desire and potential for individuals and/or local and state government to support such a facility may not be as strong.

Management at the Derryfield School noted that while he believes there is no need for a medium-sized performing arts center, and limited demand for touring Broadway shows, he noted the potential need for a small venue for community performing arts groups who currently provide significant demand for his venue, although schedule constraints often limit the facility's ability to do so.

**Conclusions**

Most venue managers expressed skepticism about the ability of Manchester to support a 2,000 to 4,000 seat theater. Promoters who would not be at risk (because they would receive guaranteed payments from the venue), would like to see another venue in Manchester available for their events.

Representatives of performing arts groups and existing venue managers, especially those in Manchester, expressed considerable interest in a smaller scale venue (400 to 600 seats) that could serve the needs of local arts groups.

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## 6. Facility Program and Site Recommendations

HVS based its preliminary building program and site recommendations on our market findings, analysis of comparable venues, and interviews with key informants. The building program provides a recommendation for seating capacity, staging capabilities, and overall quality of the venue. The site recommendation ranks a set of potential sites in Manchester that could accommodate the building program. More detailed master planning and design work will be required if the City decides to move forward with recommendations.

### **Program Recommendation**

Although HVS does not preclude the possibility that a larger theater of approximately 2,500 seats could succeed in attracting touring performances, the risks associated with this scale of development are considerable. A relatively weak primary market area, lack of interest from local performing arts groups, and potentially negative impacts on existing venues weigh against public participation in such a development. Most successful developments of larger theaters in other communities result from the private initiatives of key persons who are highly committed to performing arts development. HVS has not identified such a funding group in Manchester to lead the necessary fundraising effort on the scale required for a larger venue.

A smaller scale venue (400 to 600 seats) would primarily serve local arts groups and be unlikely to generate much out-of-town attendance and associated economic impact. Our interviews with key informants revealed a high level and wide ranging interest in this type of venue, particularly by groups within Manchester. The comparable venue analysis provided examples of a number of other cities that support similar venues and shows that Manchester has the appropriate demographic profile and economic base to do the same. This type of development would also require a concerted effort at raising private donations, but on a smaller scale.

If the goal of the City of Manchester is to stimulate economic impact, resulting from visitation from outside the City of Manchester, a small venue with between 400 and 600 seats would not be appropriate. While it would aid in

serving local community groups, a majority of the audience for the events at this type of facility would most likely come from within the City of Manchester.

HVS building program recommendation is summarized below in Table 6-1.

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**Table 6-1**  
**Summary of Building Program Recommendations**

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**MAIN THEATER**

## Performances Space

Orchestra Level Seating	300
Balcony Level Seating	<u>200</u>
<i>Total Seating</i>	<u>500</u>

## Stagehouse

Proscenium Height	20 to 25 feet
Depth	40 feet
Width	40 to 45 feet
Fly System	70 foot grid
Total width of house	80 feet

Orchestra Pit for 30 musicians

Dimmer Room

Sound Equipment Rack Room

Communications Rack Room

Lighting and Sound Control Booth

Followspots

Video conference and intranet access

Movie screen &amp; digital projection

**Backstage and Support Spaces**

Dressing Rooms 2 rooms for 24 persons

Performers Lounge 1 room

Call Board

Backstage Toilets 2

Backstage Elevator 5' by 8'

Wardrobe/Wigs/Make-up Work Room

Visiting Company Office 1

**Receiving and Storage**

Stage Loading Docks 2

Stage Receiving and Assembly 30' height

Lighting &amp; A/V work area

Piano Storage

Stands, Chairs, Riser Storage

General Storage

Local Tool Lock-Up

Freight Elevator 6' by 12'

**Building Services**

Stage Door Lobby

Stage Door Security Desk/Security Equipment

Janitorial Closets 2

**BLACK BOX STUDIO THEATER** 150 seats**LOBBY** proportional to 500 seat venue**TICKET OFFICE** proportional to 500 seat venue**ADMINISTRATIVE SALES/OFFICES**

Source: HVS

HVS recommends a main theater with 500 seats, including 300 seats on the orchestra level and 200 seats on the balcony level. The stage, should, consistent with industry standards, have a height in the range of 20 to 25 feet, a depth of 30 to 35 feet and a width of 40 to 45 feet. In order to allow for complicated productions and an efficient set-up and process.

HVS also recommends a black box/experimental theater with 150 seats to host smaller performances. Amenities in the black box should intentionally be minimal to keep control costs of construction, maintenance, and rentals for performing arts groups.

To function as a performing arts venue, the facility also needs a lobby to host patrons before and after the show, as well as a ticket office with convenient street access, maximizing visibility of the venue, as well as administrative and sales offices for staff.

### **Site Recommendation**

HVS evaluated potential sites for the recommended building program and selected a preferred site. At the direction of the City, HVS analyzed the same as those analyzed for the proposed Manchester Convention Center. Please see HVS' *Feasibility Study for the Manchester Convention Center*. Section 7 "Site Selection" to find descriptions of each site.

HVS developed a list of 17 evaluation criteria to use in assessing the relative strengths and weaknesses of the various sites, in terms of a potential new performing arts center. The evaluation criteria are grouped under the following categories:

- Site capacity and characteristics,
- Access and transportation,
- Neighborhood adjacencies,
- Destination appeal, and
- Financial considerations

HVS evaluated the remaining sites against each of the 17 site criteria using a three-tiered compliance grading structure:

- High conformity,
- Medium conformity, and
- Low conformity.

HVS then weighted the site criteria based on our analysis of the importance of each site criteria on the site selection decision for the proposed project. HVS used a three-tiered weighting structure:

- High importance,
- Medium importance, and
- Low importance.

Table 6-2 shows the HVS site evaluation matrix.

**Table 6-2  
Site Evaluation Matrix**

Site Characteristics	Weight*	Site A Pearl Street	Site B Arms Park	Site C Pleasant Street	Site D Stanton Plaza	Site E E&R Block	Site F Rockwell
<b>Site Capacity &amp; Characteristics</b>							
Capacity to Accommodate Proposed Project							
Infrastructure	3	3	3	3	2	3	3
Visibility	3	2	2	2	3	3	2
Zoning Compliance	2	tbd	tbd	tbd	tbd	tbd	tbd
<b>Access &amp; Transportation</b>							
Ease of Traffic Flow	2	2	2	3	3	3	3
Access to Public Transportation	1	2	2	3	3	3	3
Access by Trucks with Minimal Traffic Impact	3	2	2	2	1	2	3
<b>Neighborhood Adjacencies</b>							
Compatibility with Adjacent Neighborhood	3	2	2	3	1	3	1
Proximity to Existing Parking	3	1	1	3	3	3	2
Proximity to Shopping/Entertainment/ Restaurants	3	2	2	3	3	3	1
Potential for Related Development	2	1	2	3	2	3	1
<b>Destination Appeal</b>							
Aesthetic Image and Attractiveness	3	2	3	2	1	2	2
High Degree of walk-ability	3	2	2	3	3	3	1
Security - Lack of Crime	1	2	2	2	2	2	2
<b>Financial Considerations</b>							
Potential Site Acquisition Cost	3	3	3	2	3	1	2
Ability to Gain Control of Site	3	2	2	2	3	1	2
Relative Ease of Construction	1	3	2	2	1	3	3
Success of Financial Operations	3	1	1	3	3	2	1
<b>Un-Weighted Total Score</b>		<b>32</b>	<b>33</b>	<b>41</b>	<b>37</b>	<b>40</b>	<b>32</b>
<b>Weighted Total Score</b>		<b>79</b>	<b>83</b>	<b>103</b>	<b>94</b>	<b>98</b>	<b>76</b>

Source: HVS

With un-weighted totals, Sites A, B and F scored the lowest among all sites, while sites D and E scored relatively high due to their visibility and proximity to downtown. After HVS weighted all criteria according to importance, Site F

resulted in the lowest ranking, followed by Site A and Site B. Site C, adjacent to the Radisson, scored highest in both the un-weighted and weighted scores, followed by Site D and Site E. Although the rankings did change slightly with weighted site criteria, the overall consistency in the groupings of the higher and lower scoring sites indicates that the Site Evaluation Matrix results are robust. Therefore Site C, scoring considerably higher than all other sites, emerges as the preferred site by HVS.

HVS recommends considering Site C as the preferred site, as it maximizes existing assets, minimizes neighborhood impact, and provides good accessibility and visibility, as well as being centrally located within downtown Manchester. However, the importance of certain factors can be weighted and different weighting may result in different site priorities.

HVS also recommends consideration of combining the development or expansion of the proposed convention center with the performing arts venue. Thorough exploration of this option would require a concept plan that would combine the recommended program for both venues on a single site. The primary advantage of combining these developments would be to reduce land acquisition costs and lower the cost of related infrastructure improvements such as parking and street improvements. Operationally, the performing arts venue could serve as a general assembly hall during periods when the venue is not being used for performances. This option may also have certain disadvantages in the development stage, introducing the complications of linking two projects with different purposed and funding sources and of increasing the complexity of site planning.

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## 7. Demand and Financial Analysis

This section evaluates demand potential for the proposed performing arts center, as recommended in the Facility Program Recommendations section earlier in this report. HVS expresses demand potential in terms of the number of performances that take place at a venue and annual attendance at those performances. For the purposes of this report we organize performances and attendance into several different performance event categories, which HVS outlined and described in the following discussion. The financial projections are based on the demand forecast and the operations of similar performing arts venues.

For the purpose of this analysis, HVS assumes that a not-for-profit organization would own and manage the proposed MPAC.

### **Demand Projections**

Projections in this section will show total demand and attendance potential for the proposed Manchester Performing Arts Center (“MPAC”). The venue should be suitable for a variety of performance event categories. In particular, we assume the theater will serve the following performance event categories:

- Plays
- Musicals
- Dance
- Children’s Programs
- Lectures
- Receptions
- Studio Theater
- Studio Dance

In order to better estimate demand for the proposed MPAC, HVS analyzed data from Key Informant Interviews; and the National Endowment for the Arts Participation Rates Versus the Manchester Population.

As previously discussed in the Key Informant Interviews section, HVS asked each performing arts group how many performances they would hold annually at a new performing arts center in Manchester if it met their standards. HVS determined the total number of performances induced by these 18 performing arts groups, given their estimates of the number of performances they host per year. Table 7-1 shows the results.

**Table 7-1**  
**Estimated Demand from Local Performing Arts Groups**

Number of Events	Percent of Respondants	Total Performances
0	50%	0
1-4	22%	16
5-9	17%	27
20	11%	44
<b>Total</b>		<b>87</b>

Source: HVS Interviews

Eighteen groups with a total 87 performances expressed an interest in using a proposed MPAC in Manchester. Roughly 38 percent of known performing arts groups did not respond to the survey, so this figure represents only a portion of the existing demand that the proposed MPAC could attract. Furthermore, the MPAC could induce new demand from local groups and by presenting its own program of touring artists.

HVS used data collected from the National Endowment for the Arts 2002 Survey of Public Participation in the Arts, as described in the Industry Trends section, to estimate the level of participation in the performing arts in Manchester. HVS applied the average annual U.S. participation rates to the corresponding Manchester population within each age segment. HVS analyzed Manchester's primary market population, the population within a thirty-minute drive, and Manchester's secondary market population, the population within a sixty-minute drive. Table 7-2 illustrates the results.

**Table 7-2**  
**Average Participation Rates in the U.S. and Estimated Manchester Participation Levels**

	Annual U.S. Average Participation Rate	Primary Market*	Primary and Secondary Market**
<b>Population by Age</b>			
18-24	11%	73,278	502,314
25-34	16%	72,201	502,424
35-44	23%	92,916	563,352
45-54	24%	100,109	523,491
55-64	14%	69,408	412,183
65-74	8%	34,440	220,853
75 and over	4%	33,722	239,420
<b>Total</b>		<b>476,074</b>	<b>2,964,037</b>
<b>Estimated Art Participation by Age</b>			
18-24		7,841	53,748
25-34		11,697	81,393
35-44		21,464	130,134
45-54		23,926	125,114
55-64		9,439	56,057
65-74		2,859	18,331
75 and over		1,416	10,056
<b>Total</b>		<b>78,641</b>	<b>474,832</b>
<b>Average Events per Participant</b>		<b>2.4</b>	<b>2.4</b>
<b>Total Estimate Attendance</b>		<b>188,739</b>	<b>1,139,597</b>

\*Thirty-minute drive time to downtown Manchester

\*\*Sixty-minute drive time to downtown Manchester

Source: SPPA, ESRI

Assuming Manchester's participation follows the national average the primary market would provide roughly 189,000 in attendance at performing art events, while Manchester's primary and secondary market combined induce roughly 1,140,000 in attendance. The 35 through 54 age segments attract the largest attendance figures. Note that attendance of those under 18 is not included in this analysis.

HVS gathered data on the number of performances at comparable venues, summarized in Table 7-3.

**Table 7-3**  
**Event Demand at Comparable Venues (Number for performances in most recent year)**

Type of Event	Jackson Hole	Rose Wagner Center	Rose Wagner Center Studio	Citi Center Wang	Citi Center Shubert	Mountain View Center
Musicals & Non-Musical Plays	44	31	105	22	12	197
Concerts	34	28	-	25	2	3
Film Showings	11	27	-	0	1	10
Dance	8	31	-	57	17	42
Opera	-	-	-	-	42	-
Children's Programs	9	11	1	-	-	-
Receptions/Fundraisers	4	11	-	-	-	3
Lectures	5	11	-	-	-	4
Comedy	1	-	-	-	-	-
Special Events	9	20	3	2	3	2
<b>Total</b>	<b>125</b>	<b>170</b>	<b>109</b>	<b>106</b>	<b>77</b>	<b>261</b>

Source: Respective Venues

The comparable theaters hosted a range of 77 to 170 events, with an average of 117 performances in their most recent year of operation. The comparable venues provide a guideline as to the number of events that could be supported at the proposed MPAC.

Table 7-4 shows projected events and attendance by type of event in the first five years of operations.

**Table 7-4**  
**Projections of Events and Attendance**

	2011	2012	2013	2014	2015
<b>Performances</b>					
Presentations	10	13	15	15	15
Plays	20	23	25	25	25
Musicals	16	18	20	20	20
Dance	5	5	5	5	5
Children's Theater	5	8	10	10	10
Lectures	5	8	10	10	10
Receptions	7	10	10	10	10
Studio Theater	20	26	30	30	30
Studio Dance	1	15	20	20	20
<b>Total</b>	<b>89</b>	<b>126</b>	<b>145</b>	<b>145</b>	<b>145</b>
<b>Average Attendance</b>					
Presentations	400	400	400	400	400
Plays	400	400	400	400	400
Musicals	400	400	400	400	400
Dance	400	400	400	400	400
Children's Theater	400	400	400	400	400
Lectures	200	200	200	200	200
Receptions	200	200	200	200	200
Studio Theater	100	100	100	100	100
Studio Dance	100	100	100	100	100
<b>Total Attendance</b>					
Presentations	4,000	5,200	6,000	6,000	6,000
Plays	8,000	9,200	10,000	10,000	10,000
Musicals	6,400	7,200	8,000	8,000	8,000
Dance	2,000	2,000	2,000	2,000	2,000
Children's Theater	2,000	3,200	4,000	4,000	4,000
Lectures	1,000	1,600	2,000	2,000	2,000
Receptions	1,400	2,000	2,000	2,000	2,000
Studio Theater	2,000	2,600	3,000	3,000	3,000
Studio Dance	100	1,500	2,000	2,000	2,000
<b>Total</b>	<b>26,900</b>	<b>34,500</b>	<b>39,000</b>	<b>39,000</b>	<b>39,000</b>

Source: HVS

For the purposes of this study HVS assumes that the project would open in 2011 and its demand would stabilize in 2013 at approximately 95 events in the mid-sized theater and 50 events in the studio theater (black box) for a total of 145 events.

Average attendance of 400 persons implies roughly 80 percent occupancy for performance events. Hall occupancy for lectures and receptions are assumed to be 200 persons or 40 percent occupancy. HVS assumes that the studio theater with 150 seats would have an average occupancy of 67 percent or 100 persons.

The HVS projections combined with the NEA Participation analysis show that with 39,000 attendees, the proposed MPAC would have to capture 3.4 percent of the estimated arts participation primary and secondary markets. The forecast demand for the MPAC is 21 percent of the estimated demand in the primary market.

**Presentations**—HVS assumes that proposed MPAC would produce up to 15 events per year including concerts, comedy, and other touring events that would fit into the 500-seat venue. Presenting involves taking the financial risk for the success of the event by providing the artist with a guaranteed fee and undertaking the promotion of the event.

**Plays**—the proposed theaters would present an opportunity to play host to local community performing arts groups as well as studios, in addition to larger regional performing arts groups. Many of these groups have been using facilities that do not have proper infrastructure for theatrical performances, acoustics for concerts or are located far from downtown Manchester. HVS assumes that the facility will meet the standards of these groups and host a majority of their performances. HVS projects demand for approximately 25 performances in this category in a stable year, representing annual average attendance of approximately 10,000 people.

**Musicals**—similar to plays, many of the local and regional performing arts groups are using facilities that do not provide needed infrastructure and technical capabilities, in addition to poor acoustics. The proposed MPAC, HVS assumes, will address these groups' needs. HVS projects demand for roughly 20 musicals in a stable operating year, with an average attendance of 400, bringing annual attendance to an estimated 8,000.

**Dance**—most local dance companies use smaller theater and studio spaces for their performances and the report difficulty in finding the dates they desire in larger facilities. The local and regional area does not offer a significant number of larger dance companies and/or groups that would need a mid-sized venue. Many of the larger regional groups would find the need for a theater with at least 1,000 seats. Therefore, HVS assumes the MPAC will host a handful of

small dance performances. HVS assumes five performances per year in this category, with an average attendance of approximately 400 people per performance.

**Children's Programs**—children's programs, especially children's theater, is one of the larger growing areas within the performing arts industry. From interviews and knowledge of the Manchester area, HVS assumes that the mid-sized theater will attract a substantial number of children's programs, as well as stimulate further educational programs for children. Thus, HVS projects the proposed MPAC will host roughly 10 such performances in a stable year, with total annual attendance of roughly 4,000 persons.

**Lectures**—the proposed MPAC would offer an intimate setting for a community lecture. Currently lacking such space in the Manchester area, HVS assumes that the proposed MPAC would host 10 lectures in a stable operating year, with total annual attendance of 2,000 in this category.

**Receptions**—performing arts studios often function well as reception areas. With a higher level of finish and uniqueness of the setting, often performing arts venues are preferred to convention centers for intimate receptions. HVS projects demand for 10 receptions, with total annual attendance of 2,000.

**Studio Theater**—or the black-box theater will host a significant number of local community theater groups, who are highly price-sensitive with low audience levels, requiring minimal sets. This segment will prove crucial to the success of the MPAC as HVS predicts the greatest segment of demand will come from the small theater groups. HVS projects demand for 30 studio theater performances, with an average attendance of 100, bringing total projected annual attendance to 3,000.

**Studio Dance**—the black-box theater will also play host to a significant number of dance groups. While the larger regional ballet companies and other dance groups, as mentioned previously, will find the MPAC too small for their needs, a number of the small dance companies and local studios would be able to use the black-box for their performances. HVS assumes MPAC will host 20 such performances, for annual total attendance of 2,000.

The studio theater could also serve as a rehearsal hall and a warm-up venue for dance and other types of performances. These supporting uses of the studio theater are not included in the demand forecast.

**Performing Arts Center  
Operating Model**

HVS uses a proprietary financial operating model to estimate revenues and expenses at theaters and performing arts centers. This model quantifies the key variables and operating ratios that determine revenue potential and expenses for a performance facility. HVS analyzes both fixed and variable components of revenues and expenses. Variable components of expenses are estimated based on the level of anticipated theater demand, as projected earlier in this report. The model projects fixed expenses based on our knowledge of the project and the industry and comparable facilities.

The theater industry does not use a standardized set of accounting principles for reporting financial performance. Theater operators employ a variety of accounting methods. Financial statements from different theaters 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.

The HVS theater model estimates individual revenue and expense items for each of several major financial operating categories. Unless otherwise indicated, the model assumes an annual inflation rate of 3.0 percent applied both to revenues and expenses. A description of individual revenue and expense items appears in the following summary.

**Revenues**

There are several key projected revenue categories for the proposed MPAC. These include facility rentals, presenting revenues, facility surcharges, box office fees, novelties revenue and food and beverage sales. The HVS model uses a series of revenue assumptions that are based on attendance from other existing facilities to estimate revenues. Therefore, assumptions for different revenue line items will vary by event type and size.

Table 7-5 summarizes the assumptions used to estimate operating revenues.

**Table 7-5**  
**Revenue Assumptions**

Type	Facility Rental per Occupied Day	Presenting per Event	Food & per Attendee	Novelties per Attendee	Box Office per Attendee	Facility per Attendee
Presentations	\$ -	\$ 15,000	\$ 2.50	\$ 0.50	\$ 2.00	\$ 4.00
Plays	1,500	-	2.50	0.50	2.00	2.00
Musicals	1,500	-	2.50	0.50	2.00	2.00
Dance	1,000	-	2.50	0.50	2.00	2.00
Children's Theater	750	-	2.50	0.50	2.00	2.00
Lectures	750	-	1.50	0.25	2.00	2.00
Receptions	750	-	25.00	0.25	2.00	2.00
Studio Theater	500	-	1.50	0.25	1.00	2.00
Studio Dance	500	-	1.50	0.25	1.00	2.00

Source: HVS

A description of each revenue category follows.

**Facility Rental**—reflects the rental revenue each facility receives from user groups holding events at the proposed theater facilities. Theaters typically charge users facilities at a daily rate which can vary depending on the user groups' non-profit status, specific dates booked, and whether the use constitutes a performance or a rehearsal. Facility rental also includes charged for equipment rental and services to facility users. Equipment could include special audio, video, lighting, the acoustical shell, tools, supplies, costumes, and other items offered to organizations using the facility. Services could include assistance with event set-up, stagehands, technicians, and other labor as well. It could also include charge backs for utility services. These charges can vary greatly depending on the size of a show, how elaborate its set is, and how long it runs. Depending on the type of event, average facility rental charge range from \$500 to \$1,500 per day.

**Presenting Revenues**—includes ticket revenue and sponsorship fees generated from the in-house production of events. When presenting, venue management would typically provide the artists with a guaranteed payment and absorb all promotion and production costs. Sometimes ticket revenues are shared and a negotiated percentage of gross ticket revenues would be split between the presenter (i.e. the facility) and the performers. Depending on the distribution of risk between the presenter and the performers, it is likely that the facility could receive between 10 percent and 30 percent of gross ticket sales, assuming each event meets or exceeds a minimum threshold of ticket sales. Because of the financial risk or presenting, we

estimate these events will represent a relatively small portion of overall event demand at the proposed MPAC. However, for successful shows, the revenues generated by these events can be substantially greater than typical facility rental rates. HVS assumes that on average it will generate \$15,000 per presentation.

**Food and Beverage**—includes money generated from the sale of food and beverages at shows. Food and beverage sales are related to annual attendance, facility capacity, the length of shows, how long intermissions last, the audience profile, the convenience of concession services, and the quality of concessions offered. Any new theater should have convenient, high-quality food and beverage with multiple points of sales. Average food and beverage range from \$1.50 to \$2.50 per attendee, except for catered receptions which would net \$25.00 per attendee.

**Novelties**—constitute a negotiated share of the sale of merchandise such as CD's, t-shirts, performance recordings, and other souvenirs. HVS assumes that novelty revenue would average between \$1.00 and \$0.50 per attendee.

**Box Office**—includes services fees or handling charges on all tickets sold to events presented internally by the facility. Box office fees are estimated at \$2.00 per ticket for the main theater and \$1.00 per ticket for the studio theater.

**Facility Surcharge**—is an additional fixed fee added to the price of each ticket sold for events at the proposed MPAC and all revenues from this surcharge are dedicated to the venue. The facility surcharge is estimated at \$4.00 per ticket for presentations (which would command higher ticket prices) and \$2.00 per ticket for all other events.

## **Expenses**

The HVS model includes assumptions for fixed and variable components of operating expenses. The variable expenses are dependent upon the level of event activity in the facilities, measured by attendance, event demand, or as a percentage of operating revenue. Certain expenses are considered variable operating expenses if they increase and decrease with activity at the theaters. Fixed expenses do not vary with facility demand or attendance. Theaters incur these fixed expenses regardless of whether the facilities are highly utilized. Examples include administrative overhead, building insurance, and staff salaries. These fixed expenses are essentially unchanged regardless of how much business takes place at a theater.

Table 7-6 summarizes the expense assumptions that include fixed components and variable components based either on facility utilization rates or as a percentage of total revenue or category revenue.

**Table 7-6**  
**Expense Assumptions**

Expenditure	Percentage Revenue	Fixed Expense for Base Year
Salaries		\$663,500
Benefits	15.0% of Salaries	
Administrative & General		\$150,000
Event Programming	85.0% of Presenting Revenue	
Marketing & Sales		\$125,000
Box Office Expense	15.0% of Box Office	
Capital Maintenance Reserve	5.0% of Total Operating Rev	
Insurance	2.0% of Total Operating Rev	

Source: HVS

**Personnel (Salaries, Benefits)**—expense covers the salaries, wages, benefits, and related expenses for full-time and part-time employees at the facility. This operating expense is also called “salaries, wages and related” in some financial statements. It includes labor costs associated with providing event services and equipment rentals. It includes all salaries for administrative, sales, and operational staff. Retirement plan contributions, workers compensation, payroll taxes, and other benefits are also included in a separate line item and are estimated at 15 percent of salaries. Salaries the largest expense category.

**Administrative and General**—includes normal overhead expenses that occur on a regular basis. These could include expenses such legal and accounting services, special training expenses, office equipment and supplies, costs associated with debt collections or relocation expenses. Other examples include office machines, postage, freight, travel expenses, credit card fees, bank fees, entertainment expenses, dues and subscriptions, warehouse services and certain printing services.

**Event Programming**—this category includes event production costs for the proposed MPAC’s presentation. It includes guarantees to artists, shared ticketed revenue, event set-up and rigging, advertising and promotion, and other costs associated with the event. We assume that on average, event programming costs would be 85 percent of presenting revenue.

**Marketing and Sales**—includes the direct costs to the facility operator associated with advertising and promoting the facility. These expenses can include direct marketing, promotional discounts, professional marketing services, printing costs, and other expenses incurred to market the facilities. We also include travel and entertainment expenses incurred by management in this category.

**Box Office Expense**—include all non-personal expenses involved in running the box such as ticket printing, ticketing systems, and contracts with ticketing agencies.

### **Non-Operating Revenue**

Non-operating revenues would be essential to maintaining a positive cash flow. Like most non-profit performing arts centers, the proposed MPAC would rely on donations, endowment earnings, and grants to fund annual operations.

**Donations**—would be essential to the ongoing financial success of the venue. HVS assumes that the proposed MPAC would create a development and marketing operation that would conduct annual pledge drives and other fundraising activities. Revenue would include all donations made by the public and corporations. These donations would be necessary to operate without a deficit.

**Interest Income**—as a part of the project development initiative, the MPAC would endeavor to establish an initial endowment fund for the purpose of funding ongoing operations. HVS assumes that in the base year (2008) a \$2.0 million dollar fund would earn an average of 4.0 percent annual return and that the size of the fund would grow 3 percent per year in order to keep pace with inflation.

**Grants**—we assume the proposed MPAC could obtain a small number of grants for arts programs and lecture series.

### **Non-Operating Expense**

Non-operating expenses such as capital maintenance, building insurance, and property taxes do not fluctuate with day-to-day changes in the operations of the facility. A description of the non-operating expense categories follows.

**Capital & Maintenance Reserve**—HVS recommends the establishment of a reserve fund to pay for regular improvements to the proposed theaters. During the first fifteen years of operation, key spending categories are likely to include technology, carpeting, roofing, interior renovations, and other

miscellaneous improvements. Buildings of this type generally require greater investments as they grow older. Therefore, HVS recommends building up a balance in this account during earlier years, and utilizing this balance in the later years of the lifecycles of the proposed facilities. For accounting purposes, we do not treat the capital and maintenance reserve as an operating expense. But we suggest a capital and maintenance reserve budget equal to approximately four percent (4%) of gross revenues at the two theaters.

**Insurance**—this item mainly represents the cost of providing building insurance for the proposed facility. It may be difficult to estimate this expense category accurately until the facility has been built. Moreover, if the developer owns the exhibition center in conjunction with several other major buildings at the proposed site, the insurance costs associated with the facility may be part of a larger, more comprehensive insurance policy negotiated by the developer.

## **Forecast of Financial Operations**

HVS uses the HVS Venue Model©, a proprietary event demand and financial operating model to estimate revenue and expenses at public assembly venues. This model quantifies the key variables and operating ratios that determine revenue potential and expenses for performing art venues. HVS analyzes both fixed and variable components of revenues and expenses. Variable components of expenses are estimated based on the level of anticipated demand, as projected earlier in this report. The model projects fixed expenses based on our knowledge of the project and the industry, as well as our findings from other comparable facilities for which HVS has obtained financial data.

HVS assumes financial operations will stabilize, in conjunction with demand, during the third complete year of operation after opening. Thereafter, the model assumes an annual inflation rate of 3.0 percent, which applies both to revenue and expenses.

Table 7-7 shows projected financial operations for the proposed MPAC for calendar years 2011 through 2014. All projections are shown in inflated dollars assuming a three percent inflation rate.

**Table 7-7**  
**Projected Financial Operations – 5 years**

	2011		2012		2013		2014		2015	
	\$	% of Total	\$	% of Total	\$	% of Total	\$	% of Total	\$	% of Total
<b>OPERATING REVENUE</b>										
Facility Rental	91,000	16.3%	\$119,000	16.3%	\$141,000	16.4%	\$148,000	16.4%	\$155,000	16.4%
Presenting Revenue	189,000	33.8%	249,000	34.2%	302,000	35.1%	317,000	35.1%	332,000	35.0%
Food & Beverage (Gross)	121,000	21.6%	160,000	21.9%	182,000	21.2%	191,000	21.2%	200,000	21.1%
Novelties	16,000	2.9%	20,000	2.7%	23,000	2.7%	24,000	2.7%	25,000	2.6%
Box Office	63,755	11.4%	79,768	10.9%	92,467	10.8%	97,000	10.7%	102,000	10.8%
Facility Surcharge	78,021	14.0%	101,337	13.9%	120,609	14.0%	127,000	14.1%	133,000	14.0%
<b>Total</b>	<b>\$559,000</b>	<b>100.0%</b>	<b>\$729,000</b>	<b>100.0%</b>	<b>\$860,000</b>	<b>100.0%</b>	<b>\$903,000</b>	<b>100.0%</b>	<b>\$948,000</b>	<b>100.0%</b>
<b>OPERATING EXPENSES</b>										
Salaries	\$838,000	149.9%	\$847,000	116.2%	\$889,000	103.4%	\$934,000	103.4%	\$980,000	103.4%
Benefits	126,000	22.5%	127,000	17.4%	133,000	15.5%	140,000	15.5%	147,000	15.5%
Administrative & General	189,000	33.8%	191,000	26.2%	201,000	23.4%	211,000	23.4%	222,000	23.4%
Event Programming	161,000	28.8%	212,000	29.1%	256,000	29.8%	269,000	29.8%	283,000	29.9%
Marketing & Sales	158,000	28.3%	160,000	21.9%	168,000	19.5%	176,000	19.5%	185,000	19.5%
Box Office Expense	10,000	1.8%	12,000	1.6%	14,000	1.6%	15,000	1.7%	15,000	1.6%
<b>Total</b>	<b>\$1,481,000</b>	<b>264.9%</b>	<b>\$1,548,000</b>	<b>212.3%</b>	<b>\$1,661,000</b>	<b>193.1%</b>	<b>\$1,744,000</b>	<b>193.1%</b>	<b>\$1,831,000</b>	<b>193.1%</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(\$922,000)</b>	<b>-164.9%</b>	<b>(\$819,000)</b>	<b>-112.3%</b>	<b>(\$801,000)</b>	<b>-93.1%</b>	<b>(\$841,000)</b>	<b>-93.1%</b>	<b>(\$883,000)</b>	<b>-93.1%</b>
<b>NON-OPERATING REVENUE</b>										
Donations	\$631,000	112.9%	\$638,000	87.5%	\$670,000	77.9%	\$704,000	78.0%	\$739,000	78.0%
Interest Income	126,000	22.5%	128,000	17.6%	134,000	15.6%	141,000	15.6%	148,000	15.6%
Grants	63,000	11.3%	64,000	8.8%	67,000	7.8%	70,000	7.8%	74,000	7.8%
<b>Total</b>	<b>\$821,000</b>	<b>146.9%</b>	<b>\$830,000</b>	<b>113.9%</b>	<b>\$871,000</b>	<b>101.3%</b>	<b>\$915,000</b>	<b>101.3%</b>	<b>\$960,000</b>	<b>101.3%</b>
<b>NON-OPERATING EXPENSES</b>										
Capital Maintenance Reserve	\$11,000	2.0%	\$22,000	3.0%	\$34,000	4.0%	\$45,000	5.0%	\$47,000	5.0%
Insurance	11,000	2.0%	15,000	2.1%	17,000	2.0%	18,000	2.0%	19,000	2.0%
<b>Total</b>	<b>\$22,000</b>	<b>3.9%</b>	<b>\$36,000</b>	<b>4.9%</b>	<b>\$52,000</b>	<b>6.0%</b>	<b>\$63,000</b>	<b>7.0%</b>	<b>\$66,000</b>	<b>7.0%</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>(\$124,000)</b>	<b>-22.2%</b>	<b>(\$26,000)</b>	<b>-3.6%</b>	<b>\$18,000</b>	<b>2.1%</b>	<b>\$10,000</b>	<b>1.1%</b>	<b>\$11,000</b>	<b>1.2%</b>

Source: HVS

In the first two years of operation as demand ramps up the overall operation would likely show a total net loss. Some source of funding would have to be made available to cover the loss. On a purely operational basis, the proposed MPAC would likely operate at a loss, making an annual fundraising campaign a necessity for ongoing financial stability. Reliance on donations is typical of most performing arts venues.

Table 7-8 provides a ten-year forecast of financial operations of the proposed MCC. Event demand stabilized in year 2014 but inflationary growth of revenue and expenses (assumed to be three percent per year) drive subsequent changes in operating revenue and expenses

**Table 7-8**  
**Projected Financial Operations – 10 Years**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>OPERATING REVENUE</b>										
Facility Rental	\$91,000	\$119,000	\$141,000	\$148,000	\$155,000	\$163,000	\$171,000	\$180,000	\$189,000	\$198,000
Presenting Revenue	189,000	249,000	302,000	317,000	332,000	349,000	367,000	385,000	404,000	424,000
Food & Beverage (Gross)	121,000	160,000	182,000	191,000	200,000	210,000	221,000	232,000	243,000	256,000
Novelties	16,000	20,000	23,000	24,000	25,000	27,000	28,000	30,000	31,000	33,000
Box Office	64,000	80,000	92,000	97,000	102,000	107,000	112,000	118,000	124,000	130,000
Facility Surcharge	78,000	101,000	121,000	127,000	133,000	140,000	147,000	154,000	162,000	170,000
<b>Total</b>	<b>\$559,000</b>	<b>\$729,000</b>	<b>\$861,000</b>	<b>\$904,000</b>	<b>\$947,000</b>	<b>\$996,000</b>	<b>\$1,046,000</b>	<b>\$1,099,000</b>	<b>\$1,153,000</b>	<b>\$1,211,000</b>
<b>OPERATING EXPENSES</b>										
Salaries	\$838,000	\$847,000	\$889,000	\$934,000	\$980,000	\$1,029,000	\$1,081,000	\$1,135,000	\$1,192,000	\$1,251,000
Benefits	126,000	127,000	133,000	140,000	147,000	154,000	162,000	170,000	179,000	188,000
Administrative & General	189,000	191,000	201,000	211,000	222,000	233,000	244,000	257,000	269,000	283,000
Event Programming	161,000	212,000	256,000	269,000	283,000	297,000	312,000	327,000	343,000	361,000
Marketing & Sales	158,000	160,000	168,000	176,000	185,000	194,000	204,000	214,000	224,000	236,000
Box Office Expense	10,000	12,000	14,000	15,000	15,000	16,000	17,000	18,000	19,000	20,000
<b>Total</b>	<b>\$1,482,000</b>	<b>\$1,549,000</b>	<b>\$1,661,000</b>	<b>\$1,745,000</b>	<b>\$1,832,000</b>	<b>\$1,923,000</b>	<b>\$2,020,000</b>	<b>\$2,121,000</b>	<b>\$2,226,000</b>	<b>\$2,339,000</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(\$923,000)</b>	<b>(\$820,000)</b>	<b>(\$800,000)</b>	<b>(\$841,000)</b>	<b>(\$885,000)</b>	<b>(\$927,000)</b>	<b>(\$974,000)</b>	<b>(\$1,022,000)</b>	<b>(\$1,073,000)</b>	<b>(\$1,128,000)</b>
<b>NON-OPERATING REVENUE</b>										
Donations	\$631,000	\$638,000	\$670,000	\$704,000	\$739,000	\$776,000	\$814,000	\$855,000	\$898,000	\$943,000
Interest Income	126,000	128,000	134,000	141,000	148,000	155,000	163,000	171,000	180,000	189,000
Grants	63,000	64,000	67,000	70,000	74,000	78,000	81,000	86,000	90,000	94,000
<b>Total</b>	<b>\$821,000</b>	<b>\$830,000</b>	<b>\$871,000</b>	<b>\$915,000</b>	<b>\$960,000</b>	<b>\$1,008,000</b>	<b>\$1,059,000</b>	<b>\$1,112,000</b>	<b>\$1,167,000</b>	<b>\$1,226,000</b>
<b>NON-OPERATING EXPENSES</b>										
Capital Maintenance Reserve	\$11,000	\$22,000	\$34,000	\$45,000	\$47,000	\$50,000	\$52,000	\$55,000	\$58,000	\$61,000
Insurance	11,000	15,000	17,000	18,000	19,000	20,000	21,000	22,000	23,000	24,000
<b>Total</b>	<b>\$22,000</b>	<b>\$36,000</b>	<b>\$52,000</b>	<b>\$63,000</b>	<b>\$66,000</b>	<b>\$70,000</b>	<b>\$73,000</b>	<b>\$77,000</b>	<b>\$81,000</b>	<b>\$85,000</b>
<b>TOTAL NET INCOME (LOSS)</b>	<b>(\$124,000)</b>	<b>(\$26,000)</b>	<b>\$18,000</b>	<b>\$10,000</b>	<b>\$11,000</b>	<b>\$11,000</b>	<b>\$12,000</b>	<b>\$12,000</b>	<b>\$13,000</b>	<b>\$14,000</b>

Source: HVS

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## **8. Statement of Assumptions & 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 made no survey of the properties analyzed herein, and we assume no responsibility in connection with such matters. Sketches, photographs, maps, and other exhibits are included to assist the reader in visualizing the property. It is assumed that the use of the land and improvements is within the boundaries of the property described, and that there is no encroachment or trespass unless noted.
4. All information, 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. None of this material may be reproduced in any form without our written permission, and the report cannot be disseminated to the public through advertising, public relations, news, sales, or other media.
7. 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.
8. 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.
9. We take no responsibility for any events or circumstances that take place subsequent to the date of our field inspection.
10. The quality of a facility's on-site management and organization that market the facility have a direct effect on a facility's economic viability.

The forecasts presented in this analysis assume responsible ownership, competent management and effective marketing and sales. Any departure from this assumption may have a significant impact on the projected operating results.

11. 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 to the nearest tenth of a percent. Thus, these figures may be subject to small rounding errors.
12. 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.
13. This report was prepared by HVS Convention, Sports & Entertainment Facilities Consulting, a division of HVS Global Hospitality Services. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of these two organizations, as employees, rather than as individuals.
14. This report is set forth as a market study of the proposed subject project; this is not an appraisal report.

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## 9. Certification

We, the undersigned, hereby certify:

1. that the statements of fact presented in this report are true and correct to the best of our knowledge and belief;
2. that the reported analyses, opinions, and conclusions presented in this report are limited only by the assumptions and limiting conditions set forth, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. that Tom Hazinski and Nina Vetter personally inspected the site and market described in this report; Katherine Fullan participated in the analysis and research supporting this study, but did not personally inspect the subject site and market;
4. that we have no current or contemplated interests in the real estate that is the subject of this report;
5. that we have no personal interest or bias with respect to the subject matter of this report or the parties involved;
6. that this report sets forth all of the limiting conditions (imposed by the terms of this assignment) affecting the analyses, opinions, and conclusions presented herein;
7. that the fee paid for the preparation of this report is not contingent upon our conclusions, or the occurrence of a subsequent event directly related to the intended use of this report;
8. that our engagement in this assignment was not contingent upon developing or reporting predetermined results; and
9. that no one other than those listed above and the undersigned prepared the analyses, conclusions, and opinions concerning the real estate that are set forth in this market study.

Thomas Hazinski

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Tom Hazinski  
Managing Director  
HVS Convention Sports & Entertainment  
Facilities Consulting