

FUND FOR GREATER LEXINGTON

STRATEGY FOR A NEW ARTS AND CULTURAL VENUE IN LEXINGTON, KENTUCKY

Phase 1 Summary

November 14, 2024



RIOS

**BLUE GRASS
COMMUNITY
FOUNDATION**
WE'RE IN IT FOR GOOD.

WHO ARE WE?

SOUND DIPLOMACY IS THE GLOBAL EXPERT IN INCREASING THE ECONOMIC, SOCIAL AND CULTURAL VALUE OF ENTERTAINMENT IN COMMUNITIES AROUND THE WORLD

We assess the value of an entertainment ecosystem - comprising music, film and digital entertainment - identify growth areas and produce actionable strategies and implementation plans that deliver measurable economic and social benefits.



RIOS IS AN INTERNATIONAL DESIGN COLLECTIVE ENVISIONING FUTURE SPACES

For the past forty years, they have worked on projects ranging from coffee cups to conceptualizing future cities. Originating in California, they have deep roots in the arts, culture, and entertainment sectors.

RIOS

SOCIAL VALUE OPPORTUNITY

A new visual arts and performing arts space in Lexington has the potential to generate significant social value across a diverse range of areas, including:

- Accessibility
- Equality
- Diversity
- Inclusion
- Community building
- Local pride
- Safety
- Career and professional development
- Health
- Quality of life
- Social cohesion
- Urban revitalization

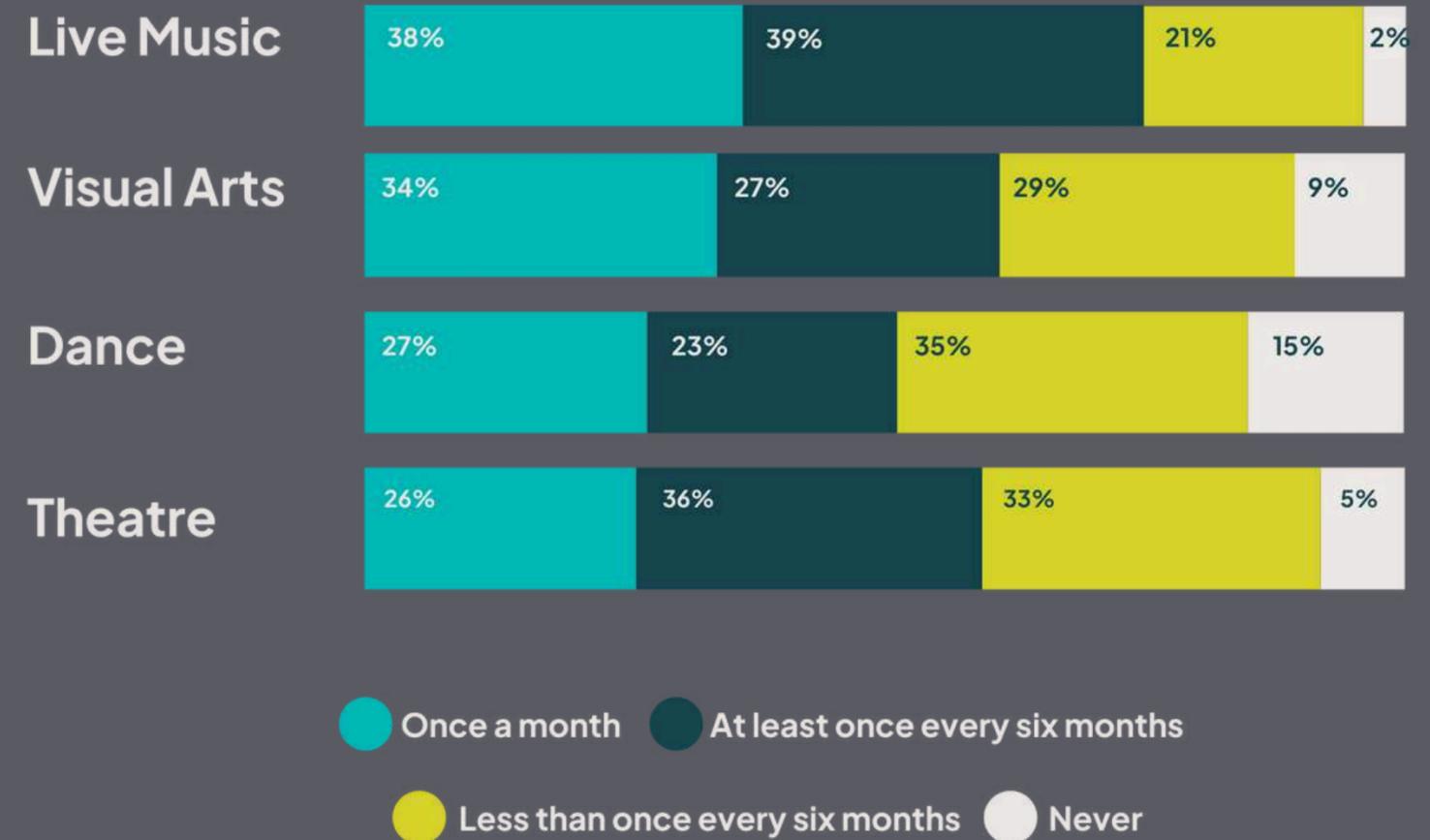


ECONOMIC OPPORTUNITY

The arts and cultural sector in Lexington provides a significant economic opportunity

- For every **\$1,000** of output generated by the arts and cultural economy, an additional \$620 is created locally across other industries.
- **7,080 local jobs** (4.2% of the city's overall local employment).
- **\$1.047 billion** in total output.
- **\$616.5 million** in Gross Value Added.
- Despite this, **Kentucky's arts and cultural ecosystem still lags behind the national average.**
- In 2021, Kentucky's arts and cultural sector accounted for **2.6%** of Kentucky's total GDP, compared to the national average of **4.4%**.

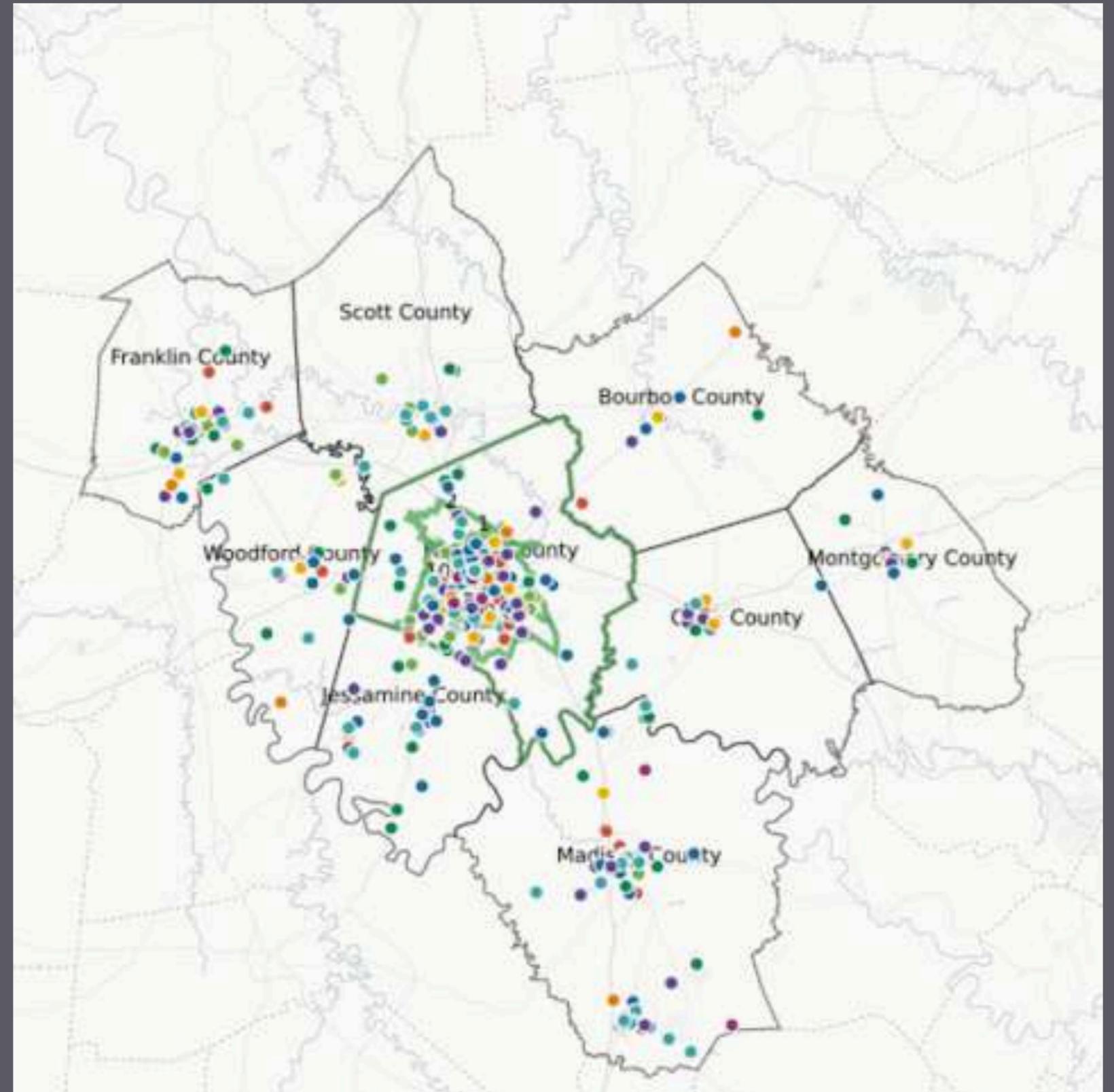
FREQUENCY OF RESPONDENTS' PARTICIPATION IN THE FOLLOWING ARTS AND CULTURE SECTOR



CREATIVE ECOSYSTEM OPPORTUNITY

There's a significant opportunity to integrate and expand upon Lexington's vibrant cultural scene

- **312 creative economy assets** exist across Lexington-Fayette County.
- **28% of adult population attend live music, theater, or dance performances**, 14% go to art exhibits.
- Creative and cultural establishments in Lexington and Kentucky have surpassed the average growth of establishments in other industries in the last 10 years.



WHAT WERE OUR GOALS FOR PHASE 1?

DEVELOP

a strategy that will lead to a successful and viable arts and cultural venue for Lexington.

HIGHLIGHT

how arts and cultural assets play a crucial role in enhancing community engagement and development while also contributing to economic growth.

LEVERAGE

local and international knowledge and experience to build consensus around the strategy for the new venue.

MEASURE

and communicate the importance of investing in arts and cultural assets.

FACILITATE

stakeholder and political support for the project.

WHAT DID WE DELIVER IN PHASE 1?

VISION WORKSHOP

Vision meeting with the Fund for Greater Lexington.

STAKEHOLDER ENGAGEMENT

Roundtables with relevant stakeholders to gather front-line insights on Lexington's cultural ecosystem.

CONSUMPTION PATTERNS

Synthesis and analysis of market and survey data, consumer behavior, and industry dynamics in the arts and cultural market for Lexington and comparison regions.

COMPETITIVE ANALYSIS

Assessment of ten significant performance and visual arts venues within a 2-hour driving distance of Lexington.

SITE APPRAISAL

Review of initial potential sites for the performing and visual arts venue.

INITIAL FUNCTIONAL DESIGN

High level design brief, including the massing of target venue sizes.

CASE STUDIES

Four case studies of venues with exemplary qualities.

VISION FOR A NEW ARTS AND CULTURAL VENUE IN LEXINGTON

World Class Programming

The diverse programming will feature high-quality performances by professional groups in theater, dance, music and opera, as well as top visual and installation art talent.

Innovative and Adaptable Spaces

The new performing and visual arts venue will integrate the visual and performing arts, with flexible infrastructure that meets current gaps in available technology infrastructure, as well as performance, rehearsal, exhibition, and storage spaces across the city.

Arts and Culture Hub

The performing and visual arts venue will reflect the full human potential of a flourishing arts and culture scene in Lexington, serving as a forward-looking, innovative and dynamic artistic hub that nurtures community excitement and engagement.



VISION FOR A NEW ARTS AND CULTURAL VENUE IN LEXINGTON

Social Value Focused Business Model

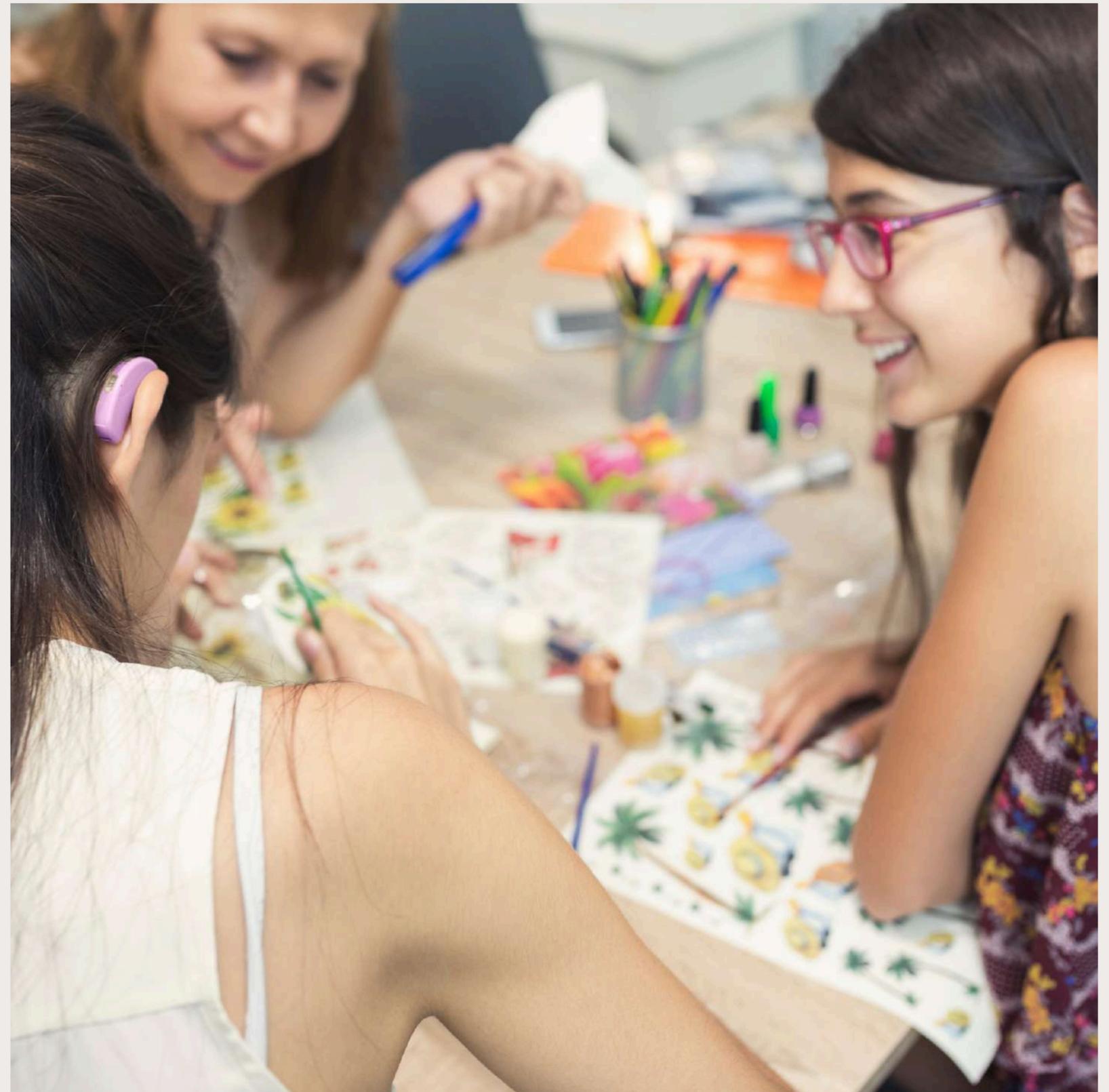
The venue should adopt a pioneering business model that generates revenue while reinvesting in the local arts scene, fostering the long-term growth and prosperity of Lexington's arts and culture.

Community Engagement and Social Value

The venue will offer communal areas and services that cater to the entire community, nurturing the next generation with high-quality performances across various disciplines, and prioritizing social value through inclusive, accessible initiatives.

Downtown Revitalization

With its strategic location in downtown Lexington, the spaces will leverage synergies with surrounding venues, businesses, and attractions to contribute to the overall cultural vibrancy of Lexington.





WHAT DID WE LEARN?

Key Findings and Recommendations

- Size and Capacity
- Initial Design Considerations
- Case Studies
- Site Selection
- Initial Budget and Financing
- Audience Demand
- Operations and Governance
- Programming
- Partnerships
- Social Impact

SIZE AND CAPACITY

KEY FINDINGS

- Lexington lacks visual and performing arts spaces.
- Research suggests a 2,500 seat venue would be suitable for Lexington.
- Venues analyzed in the surrounding area (2 hour driving radius) generally range in capacity from 2,400 and 2,700 seats, while Lexington lacks a venue of this size, signaling a gap in the market.
- There may be challenges sustaining a large new venue, due to limitations in the size of the Lexington market, as well as the number of planned developments.
- Three capacity/size scenarios were assessed:
 - 1,500 seats/66,270 square feet
 - 2,000 seats/90,120 square feet
 - **2,500 seats/108,395 square feet**



RECOMMENDATIONS

- **Develop a mid-sized performing and visual arts venue to address the existing gap in cultural infrastructure in Lexington.**
- **2,500 seats is the preferred option for maximum rentability.**
- Continue to explore viable downtown site options which can accommodate the required footprint.
- Engage with potential operators for further insights on capacity required for various types of programming.

DESIGN

KEY FINDINGS

- **Successful venues prioritize customer and artist experience, revenue generation and efficient operations in their design considerations.**
- **Best practice case studies highlight a diverse range of design configurations – with a mix of spaces for performance and exhibition, together with sufficient back of house facilities.**
- Venues analyzed throughout the research process represent a mix of both old and new buildings, and often offer a smaller space in addition to their main stage, which serves the local artistic community.
- Only one competitor (Aronoff Center) integrates performing and visual arts in the same building.
- None of the competitors analyzed have a robust approach to outdoor spaces.



RECOMMENDATIONS

- **Opt for a single adaptable space to minimize costs and land use, allowing for downtown construction.**
- **Explore integrating and prioritizing visual and performing arts within the same building**
- Design communal areas strategically to support community gatherings and corporate events, providing additional revenue streams.
- Continue to collaborate with an experienced design team.
- Gather and consider input from operators and end users as part of the ongoing design process.

CASE STUDIES



Durham Performing Arts Center
Durham, North Carolina
2,700 seats
2008

It is the largest performing arts center in the Carolinas at a cost of \$48 million. The DPAC hosts over 200 performances a year including touring Broadway productions, high-profile concert and comedy events, family shows and the American Dance Festival.



Segerstrom Center for the Arts
Costa Mesa, California
3,000 seats

1986 - Main Hall (06) & Museum (22)
The Segerstrom Center for the Arts, a performing and visual arts complex, features Segerstrom Hall, a 2,994-seat opera house-style theater, which is the campus' largest venue and hosts Broadway musicals, ballet, and other major productions. Adjacent to it is the Renée and Henry Segerstrom Concert Hall, a 1,704-seat theater-in-the-round.



Kauffman Center
Kansas City, Missouri
1,600 seat concert hall, 1,800
ballet/opera
2011

The Kauffman Center for the Performing Arts is renowned worldwide for its superior acoustics, intricate geometry, and stunning design. It houses an 1,800-seat proscenium theater and a 1,600-seat concert hall, and has had a transformative impact on Kansas City's urban core and economy.



Lindemann Performing Arts Center
Providence, Rhode Island
530 seat concert hall
2023

The Lindemann Performing Arts Center (LPAC) features over 500 seats in five configurations. Known for its flexibility, the venue has modifiable elements like seating gantries and acoustic curtains, movable walls, ceilings, balconies, and seating, all adjustable manually or automatically for both large and small concerts.

SITE CONSIDERATIONS

KEY FINDINGS

- The project should play a key role in revitalizing downtown Lexington.
- A downtown location will generate more visitors, which will benefit neighboring businesses.
- Best cases show the reciprocal impact between neighborhood and venue development.
- Stakeholder engagement revealed multiple developments in Lexington, including Town Branch Park, The Commons, and The High Street Development.
- Venues are required to monitor their local impact in terms of noise, egress and transport, therefore site selection is critical.
- Ownership and existing rights related to sites can have a considerable impact on project viability.



RECOMMENDATIONS

- **Select a site in the downtown area. Consider the shortlist of three sites and conduct further analysis as needed.**
- **Ensure the project is distinct from other planned developments.**
- Explore integrating the project within a larger initiative to revitalize the surrounding area, advocating for property tax abatements for art-related businesses.
- Evaluate zoning and ownership of sites, including any existing easements and leases.
- Ensure the venue can operate 365 days a year without negative impacts on the local environment and community.

CONTEXT

HOW DOES THE RELATIONSHIP BETWEEN AN OWNER AND AN OPERATOR WORK?

OWNER

Ownership: Holds legal ownership and is responsible for major decisions regarding venue use, sale, or long-term direction.

Investment: Typically provides capital for purchasing, renovating, or supporting business operations.

Profit: Shares in the venue's profits and financial risks, benefiting from success or bearing losses, without necessarily managing daily operations.

Decision-Making: Retains authority over major decisions like selling the venue, altering its purpose, or making significant investments.

OPERATOR

Management: Oversees day-to-day venue operations, including booking acts, managing staff, handling marketing, and ensuring smooth operations.

Contractual Role: May be hired by the owner to manage the venue, bringing expertise in venue operations.

Revenue Management: Earns compensation based on venue success, possibly including a salary or profit percentage, and negotiates with performers and vendors.

Operational Decisions: Makes key decisions on programming, customer experience, and logistics, though may not control major investments or structural changes.

INITIAL BUDGET & FINANCING

KEY FINDINGS

- Costs vary amongst the analyzed venues.
- Scenario 1 - 1,500 Seats
 - Overall building area of ~66,270 square feet.
 - Estimated cost: \$65-80 million
- Scenario 2 - 2,000 Seats
 - Overall building area of ~90,120 square feet.
 - Estimated cost: \$90-105 million
- **Scenario 3 - 2,500 Seats**
 - **Overall building area of ~108,395 square feet.**
 - **Estimated cost: \$110-125 million.**
- Funding strategies include:
 - Certificates of participation (DPAC)
 - A mix of private and public donations (The Kauffman)
 - Land donation (Segerstrom)
 - University funds (Lindemann)

RECOMMENDATIONS

- **Appoint a cost consultant to develop a comprehensive cost estimate across the development life cycle.**
 - Use insights to determine the ROI.
- **Appoint a fundraising manager and establish a fundraising strategy**
- Explore financial incentives with the City of Lexington and across the state of Kentucky
- Explore financing options with potential operating partners – subject to deal structure and governance models



GOVERNANCE AND OPERATIONS

KEY FINDINGS

- The governance model will impact revenue and ROI, as well as venue operations and programming.
- Performing arts venues in best practice cases spend approximately \$20 million annually on programming, administration, and maintenance.
- Visual arts centers spend about \$15 million annually.
- Profitable venues have revenues that exceed these costs substantially, and major forms of revenue generation include ticket and merchandise sales, sponsorship, naming rights, grants and donations, amongst others.
- Visual arts venues, mostly nonprofits, receive 50–66% of their budget from grants and donations.
- Major competitors within a 2-hour drive are typically structured as either nonprofits or multinational companies focused on live music.



RECOMMENDATIONS

- Ensure FGL's vision and values are considered and integral to any deal structure.
- Draft an operating budget and evaluate governance models for financial viability.
- Explore a model where non-profit acts as an equity owner in a partnership, with a profit center.
- Separate visual and performing arts operations.
- Partner with an experienced private operator for performing arts operations.
- Define a revenue-sharing model.
- Strategize integrating performing and visual arts to align programming vision with the operator.

AUDIENCE

KEY FINDINGS

- A 2,500 capacity performing arts venue can reach approximately 500,000 people annually.
- According to survey data, there is a desire for more events and a new venue in Lexington.
- There is a lack of awareness regarding the events and performances currently taking place in Lexington
- Lexington has a large population of young people that can be tapped into as an audience for the new venue.
- The competitive analysis suggests that competitors in the visual arts space can reach between 180,000 and 346,000 individuals annually.



RECOMMENDATIONS

- **Work with an experienced operator and programmer who can target a regional audience and cater to diverse segments of the population.**
- Set a target objective for the number of attendees annually.
- Include affordable ticket schemes in the pricing strategy.
- Undertake marketing efforts to improve awareness of cultural events and maximize attendance.
- Develop feedback schemes to better understand and monitor audience needs.

PROGRAMMING

KEY FINDINGS

- Amongst Lexington residents, live music was cited as the most favored cultural event (33%), followed by visual arts (30%), and theater (23%).
- The venue should be as inclusive as possible, both in terms of the programming and the audience.
- The best practice cases and competitive analysis suggest that programming is diverse in the region.
- The best practice examples operate performing and visual arts as distinct programs.
- Analysis reveals that the number of events is lower in nonprofit venues than those run by private operators.



RECOMMENDATIONS

- **Balance offering with both touring shows and original programming unique to Lexington. Promoting both national and local talent.**
- **Ensure that visual art is a significant programming consideration**
- Select an operator with a balanced and inclusive approach to programming.
- Consider the inclusion of immersive audiovisual experiences and digital art to enhance the integration of performing and visual arts.



VISUAL ART



LIVE MUSIC



PRIVATE EVENTS



COMMUNITY EVENTS



CONFERENCES



THEATER

PARTNERSHIPS

KEY FINDINGS

- Relevant partnerships can serve to increase audience reach and participation.
- Partnerships will help to embed the project in the fabric of the community.
- Strategic partnerships with more experienced institutions allow increased access to expertise and resources.
- The performing and visual art project should support the existing cultural ecosystem through partnership programs.
- External partners can be utilized to deliver daily performing arts operations.



RECOMMENDATIONS

- **Develop a partnership strategy that meets FGL's vision, social value, revenue and funding objectives.**
- **Explore partnerships with local businesses, educational and cultural institutions, and government.**
- **Partner with a well-established gallery or museum to shape the visual arts component of the project.**
- Engage high-level ambassadors across sectors (e.g. local artists) to gain political buy-in.
- Work with local nonprofits to create community-focused programming.

SOCIAL IMPACT

KEY FINDINGS

- **Best cases show a range of community programs to educate, and to enhance wellbeing, inclusion, and diversity.**
- Stakeholders emphasized that public schools and universities are in need of a facility that can serve as a destination for students and support hands-on learning.
- Research shows that nonprofit venues tend to generate the greatest social impact.



RECOMMENDATIONS

- **Define the venue's values, objectives, and KPIs with a focus on social impact.**
- **Create a social impact and community engagement strategy.**
- Establish a fund to redistribute a portion of revenues to other community venues and programs.
- Select operators with a proven track record in delivering social value and ensure goals are included in the RFP for operators.
- Collaborate with local universities and schools to create new educational opportunities.



NEXT STEPS: PHASE 2

SOUND DIPLOMACY: PHASE 2

SCOPE OF WORK



Conduct further engagement with operators and partners

- Meetings and engagement with potential operating and programming partners
- Identify governance & deal preference
- Determine needs, experiences & qualifications
- Obtain initial expressions of interest

Develop an initial business plan for the venue

- Business description / narrative, overview of programming and services, summary of market assessment, audience profile
- Governance options, employment, operating budget,
- Overview of marketing strategy, partnerships, risk assessment and SWOT analysis.

Develop an Impact Assessment

- Economic impact
- social value indicators
- Workforce development
- creative ecosystem development
- Local & regional policy alignment.

THANK YOU

Questions & Discussion

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