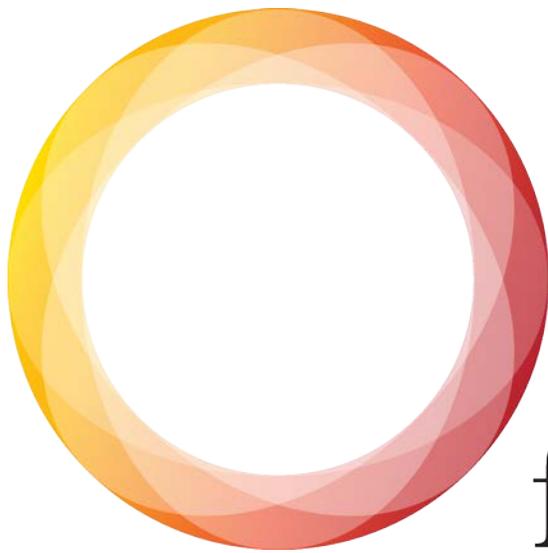


SEPTEMBER 24, 2018



full circle
NASHUA PERFORMING ARTS CENTER

CAPITAL CAMPAIGN FEASIBILITY STUDY

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REPORT SUMMARY

The campaign committee work group of the Performing Arts Center Steering Committee has a high level of confidence in securing approximately \$6.5 million in private sector funding: \$4 million in private sector funding to serve as an endowment and \$2.5 million to support construction and fit up of the Performing Arts Center.

Projected sources of private sector funding are:

Approximately \$4 million – Proceeds of the sale of New Market Tax Credits to private businesses

New Market Tax Credits (NMTC) are being pursued by City staff. A letter from the consultant hired by the City of Nashua to secure and sell New Market Tax Credits is attached.

Approximately \$2.5 million - Capital Campaign seeking private charitable contributions from individuals, foundations, and corporations along with the sale of NH Community Development Finance Authority (CDFA) Tax Credits to area businesses.

This report focuses on the feasibility of a \$2.5 million capital campaign in support of the Performing Arts Center.

The work group has a high level of confidence that the project will secure approximately \$6.5 million in private sector funding: a projected \$2.5 million through private charitable contributions and CDFA tax credits; and, a projected \$4 million from the sale of New Market Tax Credits.

FEASIBILITY STUDY PROCESS

Overall planning for the Performing Arts Center is being conducted by three work groups of volunteers: Operations, Design, and Capital Campaign. These work groups are currently staffed by Tim Cummings, Director of Economic Development until the formation of the planned private nonprofit organization.

The feasibility study is under the purview of the Capital Campaign work group, which is led by:

- Judith Carlson, Nashua Arts Commission;
- Marylou Blaisdell, Downtown Improvement Committee and small business owner;
- Tracy Hall, President/CEO, Nashua Chamber of Commerce; and,
- Patricia Klee, Member of the Board of Aldermen.

In partnership with this work group, Full Circle Consulting developed a case for support brochure and supporting materials that tell the story of why a Nashua Performing Arts Center is worthy of private charitable support.

Members of this work group identified people who are capable of supporting a capital campaign for the Performing Arts Center including community leaders, business leaders, people involved in the arts, and people interested in the economic development of downtown. Of this list, 25 individuals were selected to be interviewed as part of this study.

Betsy McNamara and Amy Lockwood from Full Circle Consulting then conducted a total of 23 interviews that included 30 individuals. Those interviewed were promised confidentiality and were asked the same set of questions. All responses are reported in the aggregate; specific quotes are unattributed.

Of those interviewed, 33% describe themselves as already involved in the arts in Nashua, 63% own or lead a business in the area, and 60% describe themselves as actively interested in the future of downtown. Thirteen percent were all three.

BACKGROUND

NASHUA PERFORMING ARTS CENTER

Conversation about bringing a performing arts center to Nashua has been ongoing for years. Public debate about the project has focused on the size, location, scope, and cost. In recent years the City has prioritized the development of a performing arts center. In 2016, the City contracted with Webb Management Services, whose mission is *to build creativity with sound and thoughtful planning, consulting, research, and facilitation that inform and enable decision-makers to create and sustain programs and places for arts, culture, and creativity that benefit their communities*. Webb conducted a market feasibility study, led the site selection process, and recommended a business plan for the proposed Performing Arts Center.

Webb Management Services' [final report](#) was presented to the Board of Alderman in May, 2017. All of its studies and reports are available online at <https://www.nashuanh.gov/1142/Performing-Arts-Center-Feasibility-Study>. Webb recommended the purchase and redevelopment of 201 Main Street in Nashua's downtown.

In November 2017 the citizens of Nashua approved an advisory question for a \$15.5 million bond to acquire and redevelop 201 Main Street to create a downtown performing arts center. The plan is to create a 500 -700-seat Performing Arts Center. A to-be-created 501(c)(3) nonprofit organization will act as building stewards and manage day-to-day operations. The nonprofit will be managed by a volunteer Board of Directors. The City of Nashua will not be involved in the day-to-day management of the Center.

This nonprofit Performing Arts Center will contract with a booking agent who will bring in musical, dance, and theatrical acts. Symphony NH has expressed interest in utilizing the Performing Arts Center for their smaller shows. The Center will also be available to rent for private functions such as weddings and corporate meetings.

A stipulation of the approved advisory question is that private-sector funding be used to create a \$4 million endowment to ensure long-term sustainability for the Performing Arts Center.

PROPOSED ENDOWMENT FUND

The \$4 million endowment will help to ensure long-term sustainability of the Performing Arts Center. As an endowment fund, the \$4 million principal remains intact; the annual investment income may be used to support operations. The endowment fund will be invested and managed by a professional investment manager and overseen by the Performing Arts Center’s board of directors.

OBJECTIVE

Full Circle Consulting was contracted by the City of Nashua to test the feasibility of a **private capital campaign** to secure private charitable contributions for the Performing Arts Center.

WHAT WAS TESTED

The feasibility study began in earnest in June; since then plans for the operating structure of the Performing Arts Center have evolved.

	Presented to Interviewees	Current Plan
Responsibility for the building	Independent Nonprofit Organization	Independent Nonprofit Organization
Nonprofit responsibilities	Hire and manage staff to run day-to-day operations	Oversee contractor
Third-party contractor responsibilities	Book all performances	All operations of the Performing Arts Center and booking of all performances
Use of private charitable contributions	Toward establishing a \$4 million endowment to support the long-term sustainability of the nonprofit	The combined \$6.5 million in private sector funds will establish a \$4 million endowment and support construction and fit up of the new Performing Arts Center

The plan has always been to put the responsibility for the ongoing operations of the Performing Arts Center into the hands of a nonprofit. Under the current plan the third-party contractor will manage the day-to-day operation as well as the bookings. As the

non-profit moves out of the start-up phase of its development, it could take over the staffing of day-to-day operations.

That specific plans for the operational structure of the Performing Arts Center have evolved does not impact this study's assessment of the overall perception about the Performing Arts Center and a capital campaign to support it. The key points of the mission and the fact that the City of Nashua is not involved in the day-to-day operations have remained the same.

FACTORS IN A SUCCESSFUL CAPITAL CAMPAIGN

Key factors in the success of a capital campaign are:

- Reception to the case for support;
- Lead and major donor interest in the project;
- Campaign leadership; and,
- Organizational fundraising capacity.

The feasibility study set out to test:

- The perception of the Performing Arts Center as presented and its impact on Nashua as a whole, on downtown, and on area businesses;
- How effective the case for support materials are in inspiring interest in charitable support and volunteering for the project;
- Interest in contributing in support of the campaign, and at what level; and,
- Interest in volunteering for the campaign.

The end result is recommendations as to:

- What about the Performing Arts Center is most motivating and most concerning to prospective donors;
- A feasible capital campaign goal; and,
- The capital campaign strategy.

PERCEPTION

PERCEPTION OF THE PERFORMING ARTS CENTER AND CAPITAL CAMPAIGN CASE FOR SUPPORT

In response to the case for support that was presented:

- 66% of those interviewed believe that the Nashua Performing Arts Center will be good for the Nashua community, economy, and employers.
- 40% are extremely enthusiastic about the project and have high confidence in its success.
- 43% can be described as happy if the project is successful but are not willing to lead the charge.

- 10% are firmly opposed to the project as it is and/or opposed to City investment in the project.
- 14% said they would be part of the capital campaign committee and 19% will strongly consider it.
- 82% of respondents said that the project justifies a capital campaign.

All interviewees were asked to rate (on a scale of 1 to 10 with 10 being the highest) the perception of the importance of the Performing Arts Center to Nashua, its economy, and its employers.

Those that answered these questions rated the:

Importance of the Nashua Performing Arts Center to the Nashua community as 7.8 out of 10.

Economic impact of the Nashua Performing Arts Center on Nashua as 7.25 out of 10.

Positive impact on employers in the area as 7.6 out of 10.

INTERVIEWEE COMMENTS

“This has the potential to be an important economic driver in downtown.”

“Main Street is the face of our City. We want to create an environment where people want to live and be. It will be great to have live music in in downtown.”

“Bringing residential development to downtown is a key component of its revitalization. To bring residents to downtown, Nashua needs arts and culture downtown. This will be a building block that could bring great things to Nashua.”

“Putting this downtown will help the downtown restaurants only.”

“The Performing Arts Center could make some architecturally important changes to the building that could update downtown.”

“This is a fundamental building block to making downtown an inviting destination.”

“This is too expensive and the city should not be investing in it.”

“I hope this will attract all different kinds of audiences. It could help Nashua strengthen its multi-cultural community.”

“This will make Nashua a destination and bring foot traffic to downtown.”

“Downtown needs this.”

“This is way overdue. Let’s just do this. There is nothing to do downtown but eat.”

“This is very important. Culture is something that brings people to the city.”

“If the arts community wants a performing arts center, the arts community should pay for it.”

“I think every community should have a performing arts center. I would go there.”

“I love the thought of the vitality this could bring.”

“This would be positive for our business without question. The most recent Stay Work Play survey highlights that young employees feel there is nothing to do in NH.”

“This will make downtown Nashua vibrant.”

“It will be a community and regional attraction. It could help strengthen the arts in Nashua. It’s a very positive thing for this city.”

“This will bring people to downtown and keep people (and their money) in the community. It will be so easy for people to get to.”

WILLINGNESS TO FINANCIALLY SUPPORT THE CAPITAL CAMPAIGN

Those interviewed for the study were asked if they would consider a contribution in support of this capital campaign. 56 % said yes. 22% said maybe. 22% said no.

Those who said they would contribute to the campaign were asked to identify the range of gift they would consider if they could give over two years.

Typically, capital campaign feasibility study participants find this a difficult question to answer because project planning is still under way and they don’t have time for serious consideration. Very often the amounts identified are lower than what is actually contributed. Additionally, it is now clear that the project is able to take pledges over three to five years instead of just two, meaning that contributions could be larger than indicated. These caveats were taken into consideration when identifying the total campaign goal likely to be feasible.

Fifty-six percent of those interviewed said they would consider a gift to this capital campaign; 22% said maybe and 22% said no.

WILLINGNESS TO VOLUNTEER IN SUPPORT OF THE CAPITAL CAMPAIGN

A campaign committee comprised of volunteers passionate about the Performing Arts Center, willing to make their own stretch gift to the campaign, and happy to seek people out to ask for their contribution to the campaign is critical to the campaign’s success.

Of those interviewed, eight said they would volunteer or consider volunteering on the campaign committee.

OTHER DONORS AND VOLUNTEERS IDENTIFIED

Study participants were asked to give names of those they thought capable of giving a gift of at least \$25,000 in support of the campaign; sixty-five individuals were identified.

Study participants were asked to give names of those they thought would be interested in and effective at serving on the Campaign Committee; fourteen individuals were identified.

CAPITAL CAMPAIGN STRATEGY

A capital campaign is defined as an effort to secure charitable contributions from donors in support of a nonprofit organization that is embarking on a large and important project that will be a great leap forward for the organization. This is different than an annual fund, in which a nonprofit asks donors to support the costs of its annual operating budget so that it may deliver programs and services.

Capital campaigns are also distinguished by the fact that gifts are larger than is typically made to an annual fund, and contributions may be pledged with payments spread over three to five years.

Capital Campaigns have five distinct phases.



This project is in the **campaign readiness phase**. This is where the feasibility assessment takes place, the case statement and supporting documents are created, and a committee of passionate, connected volunteers is recruited.

The **lead gift phase** is when the campaign secures the 10 to 14 leadership gifts that will bring the campaign to at least 65% of its goal. This is phase that in any capital campaign traditionally demonstrates if the campaign will make its goal.

After that is the **major gifts phase**, in which more donors step up to make gifts that are a bit smaller than the lead gifts. This phase gets the campaign to 90% of its goal.

Both of these phases of the campaign typically take place with very little fanfare or publicity. They are under-the-radar, one-on-one conversations between the nonprofit seeking funds and the prospective donors that are considering these transformative gifts.

The most visible phase of a capital campaign is the last of the fundraising efforts: **the public phase**. This is when the nonprofit seeks hundreds of smaller gifts (\$5 to \$2,500) at once that will bring the campaign to its goal.

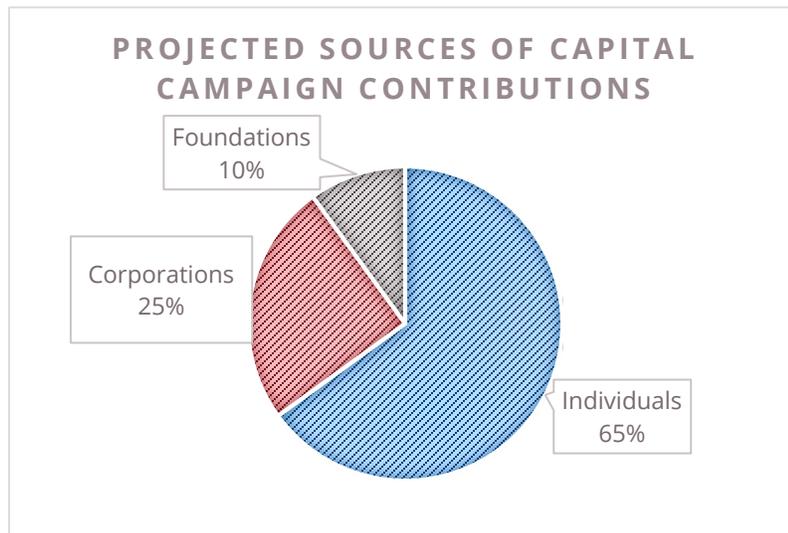
Finally, there is the **appreciation phase**. This is a wonderful opportunity to invite the community to share in the success, tour the building, join together to celebrate. This

phase not only completes the campaign, but also strengthens the organizations relationship with its donors and volunteers.

The Nashua Performing Arts Center strategy to raise \$2.5 million through private contributions toward the total \$6.5 million secured will be slightly different, simply because the effort is already so much in the public eye.

CAPITAL CAMPAIGN GIFT SOURCES

The projected breakdown of the sources of funding through this \$2.5 million capital campaign are:



Nationally, corporate giving accounts for just six percent of charitable giving. [Source: Giving USA 2018 Report] Here, corporate gifts are projected at a higher proportion because they include those made by purchasing CDFA tax credits and because employer owners and leaders interviewed highly rated the Performing Arts Center’s impact on employers.

CAPITAL CAMPAIGN GIFT SIZES

Many donors to capital campaigns contribute once they feel the chance of success is high. This is especially true with the Performing Arts Center because it is a start-up entity.

A campaign in support of a start-up nonprofit has a challenge because a) it does not have relationships with donors; and, b) it does not have a track record of success to reassure prospective donors that their gift will be well used. In addition, the Nashua community is not 100% convinced of the need for a performing arts center, meaning some that would typically give to a community fundraising effort may not.

A chart that identifies the projected number of gifts needed and at what gift size is shown below. As noted above, the leadership gift phase is critical to a campaign's success. Several lead gifts secured will get the campaign to a positive tipping point in which other donors, those that were highly enthusiastic about a performing arts center but felt less sure about its chances for success, are highly likely to step in.

Although not part of this study, anecdotal evidence shows that the public phase has the potential to comprise a larger-than-usual share of the campaign due to grass-roots support by Nashua's younger population.

Nashua Performing Arts Center			
Projected gifts to a \$2.5 million capital campaign			
Phases	Size of Gift	Number of Gifts	Total
Lead Gift Phase 14 lead gifts \$1.75 million 70% of campaign goal	\$ 500,000	1	\$ 500,000
	\$ 250,000	2	\$ 500,000
	\$ 100,000	4	\$ 400,000
	\$ 50,000	7	\$ 350,000
Major Gift Phase 41 major gifts \$495,000 for \$2.245 million 20% of campaign goal	\$ 25,000	8	\$ 200,000
	\$ 15,000	8	\$ 120,000
	\$ 10,000	10	\$ 100,000
	\$ 5,000	15	\$ 75,000
Public Phase 345 gifts totaling \$255,000 10% of campaign total	\$ 2,500	20	\$ 50,000
	\$ 1,000	30	\$ 30,000
	\$ 500	45	\$ 22,500
	<500	250	\$ 152,500
	Totals	400	\$ 2,500,000

PRIVATE SECTOR FUNDING TIMELINE

Activity	2018			2019				2020		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Campaign Readiness										
New Market Tax Credits										
Leadership Gift Phase										
CDFA Tax Credit proposal										
Major Gift Phase										
CDFA Tax Credit sales										
Public Phase										
Appreciation Phase										

Capital Campaign Committee

The campaign committee is being formed now. It will begin to meet twice monthly in mid-October. Its first task will be to identify lead prospective donors, identify who is the best member of the committee to approach them for a gift, and identify what about the project is likely to be of highest interest to them. Solicitation visits will then commence and continue until the projected 14 leadership gifts are secured. As noted above, the leadership gift phase is critical to a campaign's success.

These are private, ongoing conversations with donors that take time. Many donors to capital campaigns contribute once they feel the chance of success is high. This is especially true with the Performing Arts Center because it is a start-up entity.

While the lead gifts are being sought, the newly formed campaign committee, the work group with support from City staff, and Full Circle Consulting will apply to the NH Community Development Finance Authority for an allocation of state tax credits. The due date for this application has not yet been announced; the annual deadline is usually in March or April with award allocations announced in June.

The major gift phase represents a broadening of the circle of prospective donors and volunteers. The campaign committee will continue to meet twice-a-month, and in addition to one-on-one meetings will organize small events at private homes and seek private foundation support. Through this phase a projected 41 gifts will come in, and the campaign will reach 90% of its goal.

If CDFA Tax Credits are allocated to the project, the campaign committee will sell them to area businesses. More information on CDFA Tax Credits may be found [here](#).

The public phase is when hundreds of donors join in and give at whatever level they are able. Clearly, the Performing Arts Center will accept contributions of any size at any time, but this phase is when the effort is made to secure a large number of smaller gifts. Activities include social and traditional media campaigns, special events, and direct mail.

Donors to all phases of this campaign may make their contributions over a period of three to five years so that an individual interested in giving \$10,000 to the campaign in one year could make a \$50,000 gift by contributing \$10,000 a year for five years.

New Market Tax Credits

City staff and a New Market Tax Credit Consultant have begun the process to apply for and secure an allocation of New Market Tax Credits. The expectation is that they will have a letter of commitment in the second quarter of 2019 with cash available for the project by the end of 2019.

RECOMMENDATIONS

Eighty-three percent of those interviewed support the project and believe or strongly hope that it will succeed. This is a positive indicator of success for a campaign.

The case for support brochure and documents were received positively by almost all of those interviewed; many commented that they were compelling. Overall, interviewees agreed that the case for support as presented is a strong piece of marketing collateral for the project.

WHAT INTERVIEWEES LIKE

There are three distinct but intertwined reasons that those interviewed support a performing arts center in downtown.

1. It will bring art and performances to Nashua

Most of those interviewed are excited at the idea of a vibrant, cultural downtown with live performances. Many made the point they would prefer to go downtown to hear quality live music and see performances rather than travel out of the city. And they see it as a means toward embracing and promoting artistic and cultural diversity in the community.

2. It will help to revitalize Nashua's downtown

The idea that this will spark revitalization in downtown was also met positively. That it will translate into short-term economic growth was met with less enthusiasm and some skepticism. But most articulated that a vibrant downtown is good for the entire community. Vibrant was described as one in which the downtown is a destination for dining and cultural events. Vibrant is also a downtown in which people want to live. One interviewee noted that millennials and baby boomers are looking for the same thing in their community: walkability, simple living, and vibrancy.

3. A vibrant performing arts center and downtown will support Nashua business' efforts to attract and retain high-quality workers.

Most of the business owners and leaders interviewed saw the value of a downtown performing arts center to their ability to attract and retain employees, younger employees especially, that place high value on arts and culture in a community.

REASONS FOR OPPOSITION TO THE PROJECT

Reasons for strong skepticism about and/or opposition to the project and its success voiced by 10% of those interviewed are:

1. The City should not be investing public money in a performing arts center.
2. The cost of the project is way too high.

3. The location is not appropriate. Outside of downtown would have allowed for a larger venue to be built. Parking is not available downtown.
4. The City is not capable of doing it right.
5. Downtown is not worth investing in.
6. The City has lost the momentum and enthusiasm it had for this project right after the bond vote.

CONCERNS

In terms of concerns about the project, two themes rose immediately to the top during the interview process:

1. There is a deep distrust of the City's ability to manage this project.
2. This has to be "done right" or it will fail.

Both are encapsulated in the specific concerns identified below.

Specific concerns not adequately addressed by the case for support documents are:

Parking

Twenty percent of those interviewed named parking as a concern. The site selection study identified hundreds of parking spots within a short distance of the proposed performing arts center, but parking remains a concern largely because of the perception that the parking garages (home to those hundreds of spots) are not safe or do not feel safe.

Recommendation: Provide the needed upgrades to the parking garages to ensure safety and feeling of safety.

Retail space

The plan calls for renting the retail space on the first floor. Many wondered what kind of retail would be attracted to such a large space when retail establishments are leaving downtown. Others would like to see a partnership with the Currier Museum of Art for that space, to make it a gallery and/or studio.

Recommendation: Clarify the use of the first-floor retail space (restaurant, gallery, retail store?). Secure commitment(s) for that space as soon as possible. Clarify the partnership, if any, with the Currier.

Organizational Structure

Almost all interviewees were relieved to hear that the City would not be running the Performing Arts Center and that a nonprofit is being formed to do so.

Many of those interviewed stated the need for a strong, independent nonprofit organization to manage the Performing Arts Center, and expressed that the Executive Director, as the public face of the Performing Arts Center, needs to be a personable and compelling leader as well as a qualified manager.

The refrain “this has to be done right” was repeated in interviews. “Done right” meant things as different as the comfort of the seating to the types of acts the Center will attract. But the general feeling is a distrust that the City can manage the project successfully.

Recommendation:

- Enthusiasm for the project will increase when its face is an independent nonprofit, rather than the City. As soon as is possible, have volunteers and the nonprofit be drivers of the project rather than the City.
- Involve volunteers and/or the board of the nonprofit in the design and construction of the performing arts center.

Is it worth investing in downtown?

One interviewee put it succinctly: you are not selling a performing arts center; you are selling a revitalized downtown and the concept that downtown is important to Nashua.

Recommendation: In the case for support materials, highlight examples of other successful downtown revitalization efforts.

Financial sustainability

Many interviewed worried that the Performing Arts Center is not financially sustainable. Some felt that the revenue projections developed by Webb Management Services were too optimistic.

Recommendation: Finalize the business plan and five-year projected operating budget and disseminate. Publicize the business and financial comparisons to other performing arts centers reported by Webb.

What kind of performances?

Fifteen percent of those interviewed felt they need greater detail on the kinds of performances the center is likely to attract.

Recommendation: Include in campaign case materials a list of the types of performances that will be sought.

Nothing is happening

There is a notable perception that nothing is being done and that the City has dropped the ball. And, opposition to this project by some members of the community has created some doubt about its success among those that do support it. Because of this, there is some sense that the opportunity to succeed is being squandered. Chances of success are improved by positive steps forward, but planning takes time. The campaign will be better off when the community is presented with the plan for the Performing Arts Center’s organizational structure and fiscal sustainability. If those plans change – as plans do – quick and thorough communication to that effect will support the campaign.

Recommendation:

- Create a website and/or social media accounts to provide updates on planning and implementation of the efforts to secure private sector funding, including the work done to date.
- Finalize business planning and publicize within the community
- As plans evolve, communicate promptly via website and/or social media platforms
- Place signage and window displays at 201 Main Street that announce a Performing Arts Center will open in 2020.
- Remove the Alec's Shoes sign from 201 Main St.

RECOMMENDED CAPITAL CAMPAIGN GOAL

There are three things to consider in the analysis of what capital campaign goal is feasible: history of donor giving to the organization, indicated lead gift amount, and total giving indicated.

History of Donor Giving

Typically an analysis of the financial feasibility of a capital campaign goal includes a review of donor giving to the organization. The Nashua Performing Arts Center is a start-up organization and so has no history. The analysis, then, is based solely on standard metrics that multiply the impact of indicated interest in giving.

Lead Gift

The largest gift to a campaign should total 20% of the campaign goal. The largest gift identified in this study is \$400,000. Using the metric that this will be 20% of the campaign goal, an achievable campaign goal of private charitable contributions is \$2 million.

Total Giving Indicated

The high range of total gifts indicated is \$1.1 million. A standard metric in campaign feasibility studies is that the total giving indicated should comprise at least 40% of the goal. Using this metric, a capital campaign to support the Nashua Performing Arts Center is likely to achieve a \$2.5 million goal.

Recommendation

Based on these analyses, \$2.1 million raised through charitable contributions and \$400,000 through the sale of CDFA tax credits for a total goal of \$2.5 million is achievable.

City staff and a New Market Tax Credit consultant have determined that an additional approximate \$4 million will be available for the project through the sale of New Market Tax Credits to private businesses.

CAPITAL CAMPAIGN LEADERSHIP

The capital campaign needs 7 to 10 volunteers that are passionate, willing to make their own stretch gift to the campaign, and happy to seek out major gifts from others in the

community. Three such people expressed interest in serving on the committee. While this is positive, more are needed.

Recommendation: Recruit three to five additional campaign committee members between now and November. A strong campaign committee is critical to the success of a campaign.

ORGANIZATIONAL FUNDRAISING CAPACITY

Since this is a start-up and the nonprofit has yet to be formed, a nonprofit is needed to accept contributions in support of the Performing Arts Center. City Arts Nashua has informally agreed to serve as fiscal agent until the Performing Arts Center achieves its nonprofit status.

Recommendation:

- Enter into a fiscal agreement with a City Arts Nashua that spells out their fiscal agency fee and reporting requirements.
- Form a separate 501(c)(3) nonprofit.
- Contract with campaign counsel to consult on campaign strategy and support the campaign committee
- Purchase a donor data base to track gifts and pledges
- Contract administrative support to manage the donor data base and produce thank you letters and donor reports.

CONCLUSION: ONE WISH

At the conclusion of each interview, we asked study participants to dream by asking “If you had one wish for the Nashua Performing Arts Center, what would it be?”

Most answered simply: that it comes to fruition; that it is successful; that it is done right; that it is used frequently; that it is beautiful; that it becomes the center of downtown. The tone of these wishes ranged from hopeful and excited to stoic (“I wish it the best of luck”).

Others were much more specific, and their answers represent the feeling of possibility and enthusiasm that 83% of interviewees feel about the Nashua Performing Arts Center.

“That it propels the rest of downtown and the City to further heights.”

“That it becomes an architectural gem.”

“That it has a rooftop bar.”

“That it does more theater than music.”

“That it serves the underprivileged.”

“That it has great music.”

“That it becomes a part of the whole community.”

“That it attracts singer/songwriters, has sell out shows, and has valet parking.”

“That there is space for an art gallery.”

“That it opens with a live music festival in downtown, headlined by Ray LaMontagne, and emceed by Mike O’Malley.”

MEMORANDUM

DATE: September 20, 2018

TO: Tim Cummings
Director of Economic Development

FROM: Niel Cannon, Consultant

RE: New Markets Tax Credit Financing for Performing Arts Center

The purpose of this memorandum is to bring you up-to-date on efforts to obtain NMTC financing for the proposed Performing Arts Center (“PAC”).

1. Budget and Deal Structure. We have developed a budget and deal structure that is: (a) consistent with estimated construction costs referenced in the feasibility study; and (b) will allow us to maximize the NMTC program for the Performing Arts Center’s benefit. Currently, we are projecting approximately \$5.4 million in New Market Tax Credit equity, which will translate into approximately \$4.0M in private sector investment (i.e. “cash”) for the project.
2. Securing a Sub Allocation of NMTC’s. We have contacted several Community Development Entities (“CDEs”) regarding the possibility of obtaining a NMTC sub-allocation in the amount of approximately \$16,575,000. While there is some interest, especially from Mascoma Community Development, most CDEs have a sufficient backlog to fill their current NMTC allocations from the U.S. Treasury. Certainly, some projects will fall by the wayside. This will improve our chances of obtaining access to current allocations. However, it is most likely that we will not receive a commitment from one or more CDEs until after the next round of allocations is awarded in February 2019.

3. Timing/Scheduling. Provided we implement the “next steps” outlined below, the most likely scenario is that the City receives a conditional commitment of a sub-allocation in May/June of 2019. This would allow for a financial closing and commencement of construction in the fall of 2019.
4. Next Steps. Here are the most critical steps that the City must take in order to meet the ultimate objective of a construction start in the fall of 2019.
 - a. Prepare Detailed Proposal. In order to respond to requests of CDEs and to properly highlight the economic development benefits of the proposed project we are in the process of developing a comprehensive project proposal and narrative. This document is about 80% complete and will be circulated to CDEs in early October.
 - b. Confirm Budget. The strength of this project is that the non-NMTC financing (i.e. the bond issue) is already committed. That will certainly be a positive element as CDEs review our proposal. However, the weakness is that we have not confirmed the construction cost; and a CDE will not close on a deal until there is a Guaranteed Maximum Price (“GMP”) contract executed with a General Contractor or Construction Manager. *Therefore, it is absolutely imperative that the City procure both architect/engineering services and a Construction Manager as soon as possible.* It is my understanding this process is underway, but needs to move quicker.
 - c. Overview Briefing – At a Steering Committee meeting in the near future a presentation providing a high level overview of how the NMTC program works and briefing on how the deal should be structured.
 - d. Select Lessee/Operator – A 3rd party operating entity will be responsible for all aspects of operations, including attracting and staging performances, ticket sales, paying artists and/or show

producers, staffing, promotions, scheduling, etc. This operator would likely pay a token rent to the City and be entitled to all profits earned (if any). It is essential that this operator be experienced and present a business plan and budget, i.e. a pro forma that is acceptable to City staff, the Steering Committee, and the CDE. This business plan and budget may require an annual payment from the endowment fund. The NMTC investor will be particularly interested in this business plan and budget as it seeks assurances that the deal is financially viable and its investment will not be at risk during the 7-year NMTC compliance period. Finally, early selection of a lessee/operator will allow that entity to participate in the planning/design process. An RFP is currently being drafted and should be circulated in early October.

I think that this covers the current status of the project. Please do not hesitate to contact me if you have any questions or desire additional information.

Thank you.