



Date: November 15, 2018

To: Board of Park Commissioners

From: Wade A. Walcutt, Director of Parks

Subject: CCAC Proposal for Burnet Woods — Business Plan

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Background

The Clifton Cultural Arts Center (CCAC) is seeking a site in Burnet Woods for their new facility and was asked by the Park Board to come to the Board's November meeting with plans and illustrations of their proposed building as well as their business plan and fundraising strategy. The Board sought this information to be in a better position to make an informed decision on the proposal.

This report addresses the business plan. Concept drawings of the building and site development are being presented as a separate Board report.

Context

CCAC recently vacated the former Clifton School on Clifton Avenue at McAlpin Avenue. The old school was leased from Cincinnati Public Schools (CPS) but CPS has retaken the building to meet their growing enrollment. CCAC is now housed in several temporary locations in the Clifton area.

The CCAC serves over 40,000 people a year in its cultural and arts programming and it primarily serves the Uptown communities of Clifton, CUF, Avondale, and Corryville. They have been seeking a site for a new facility in the Clifton area and have explored numerous locations. Their first choice for a new site is within Burnet Woods.

CCAC feels that the green setting of the park affords opportunities to collaborate with Parks on some of their programs and services, while animating the park with new activities, drawing more park visitors. CCAC would be responsible for all the design and construction costs of their facility as well as site restoration, planting new trees to replace any lost to construction, and replacement as might be necessary of any park facilities impacted by their buildings.

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They are also committed to constructing a “green” building intended to produce as much energy and water as it would consume and following other best practices in the design and construction of environmentally responsible buildings. And finally, they would be paying to lease the site while contributing to the maintenance and enhancement of the park.

The Park Board values public feedback and comment and has held a number of public meetings on the CCAC proposal and presented information at several community council meetings at both the CUF community council and at Clifton Town Meeting, plus held numerous smaller group meetings and conversations. The Park Board and Staff continue to welcome and encourage community feedback about the proposal.

Description

CCAC has submitted a business plan and a description of their proposed fundraising campaign (attached). Their mission and programming are aligned with Parks in offering arts and cultural programs to a diverse population, and their business plan describes programming and the populations they serve.

Based on their financial history, the average expenses and revenues from the last three years, and on projections for future growth in revenue, their business plan shows revenues growing from \$471,000 in the first full year of operation at a new site to \$567,000 in year three, while expenses would range from \$409,000 in year one to \$478,000 in year three. Net revenue over this time period is projected at \$62,000 in the first operating year and growing to \$89,000 in year three.

This compares to their current three-year average of bringing in \$402,000 annually in revenue compared to \$366,000 in expenses. They plan on creating a building reserve fund of 3.5% of projected construction costs of \$7.2 million which would total \$250,000 above and beyond projected annual net revenue. The business plan describes the expected drop in annual building expenses including the fact that there would be a more than 50% reduction in building size compared to the old school they occupied as well as new and more efficient building systems and the fact that no major repairs would be expected for a number of years in a new building.

The business plan anticipates paying fair market rent as a lease payment and anticipates contributing to the maintenance and enhancement of the park.

The fundraising campaign target is \$8 million which includes contingency and campaign funding and the \$250,000 building reserve. Private funding makes up \$5 million of the campaign goal plus \$1.5 million from the CPS payment and another \$1.5 million from New Market Tax Credit proceeds. The fundraising campaign currently projects 13 gifts over \$100,000 totaling \$3.45 million of the \$5 million target.

Findings

Part of the Park Board's mission is to achieve a balance between park uses and community desires on one hand, and conserving and sustaining park's natural resources and the ecology of park lands on the other. Weighing the proposals and their probable physical impact on the park has to also take into account the programs and services the project would offer and how it aligns with the Park Board's mission, since other potential organizations and projects might also want to locate in the park in the future.

As was further described in the November 2 memo provided to you (attached), when determining the overall impact of the design and location of the new building, staff will take into account a set of criteria that includes environmental and functional impacts, design compatibility with the park, compatibility with the Centennial Master Plan and the Burnet Woods master plan, the project's contribution to the Park Board's mission, goals and programs, and the project's contribution to the enhancement of Burnet Woods.

Assessing the designs submitted against these criteria are described in a separate Board report.

A CCAC facility in the park, and as described in the business plan, would bring new and expanded programming to the park which is called for in the master plan, which is also a general goal of Parks. Further, CCAC would be providing these programs and services at no cost to Parks and thus furthering the Board's goal of creating new partnerships and new ways of providing programs and services without significantly increasing the burden on Parks' operating budget.

Attachment A – CCAC Business Plan

Attachment B – CCAC Pro Forma

Attachment C – CCAC Campaign Plan

Attachment D – Burnet Woods Vision – Plan, Planning Principles & Criteria to Consider

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**Clifton Cultural Arts Center
Business Plan**



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EXECUTIVE SUMMARY

The Clifton Cultural Arts Center (CCAC) is proposing to provide arts and nature programming, exhibits, concerts and events in a new building located in Burnet Woods. The new programming will consist initially of 8-10 classes per day on average and several exhibits, concerts or events per month.

In addition, CCAC will assist the Park Board in their mission of caring for the park by providing new resources in the form of revenue through lease payments and assistance in securing grant money for infrastructure improvements in the park.

All of the above will be offered at no cost to the Park Board.

The new building will be constructed to avoid old growth trees and environmentally sensitive areas of the park. Its design will strive to be a model for buildings in parks through sensitivity to its setting and utilizing the best in sustainable green design.

This proposal will assist the Park Board in implementing the vision of the Cincinnati Parks Centennial Master Plan. The plan recognized that sufficient resources needed to be found in order to ensure the future of our parks. It suggested partnering with outside organizations (especially arts organizations) to provide programming and events that would draw people into the parks. This would boost awareness of and a sense of ownership in the parks and would translate into increased advocacy and support for the parks. It also recognized that the revenue generated by partners would supplement the resources necessary to maintain and improve the parks.

This proposal will benefit the Uptown communities by establishing Burnet Woods as a community hub providing after-school programming and expanded opportunities for social interaction and family events.

CCAC envisions expanding its programming in the visual and performing arts by creating a new slate of programs focused on the intersection of nature and the arts. Such new programs might include nature sketching, nature-inspired musical composition and nature journaling.

CCAC projects that the above can be accomplished with no strain on its operating budget. CCAC's operating expenses are expected to decline due to: lower energy costs from a much smaller, more efficient building; lower servicing costs from new mechanical, electrical and plumbing systems; and reduced costs for building repairs, such as roofing and other building envelope elements. These reduced costs will free up resources for the lease payments to the park.

1.0 Mission Vision and Goals

1.1 Our Mission

The mission of the Clifton Cultural Arts Center (CCAC) is to strengthen the critical link between participation in the cultural arts and successful, healthy children, adults and communities.

1.2 Our Vision

CCAC's vision is of a collaborative, regional arts center fueled by shared passion and a singular belief — that the collective experience of creative and artistic expression brings together diverse communities and nurtures more inspired, more insightful children and adults.

1.3 Our Goals

CCAC's guiding goals are to:

1. Build understanding and cohesion among the racially, ethnically, and economically diverse communities of Uptown.
2. Enhance the vitality of Uptown by increasing the accessibility and availability of arts and cultural experiences, particularly for the underserved.
3. Provide educational arts experiences that foster creativity, collaboration and creative thinking in our city's children.

2.0 Organization Summary

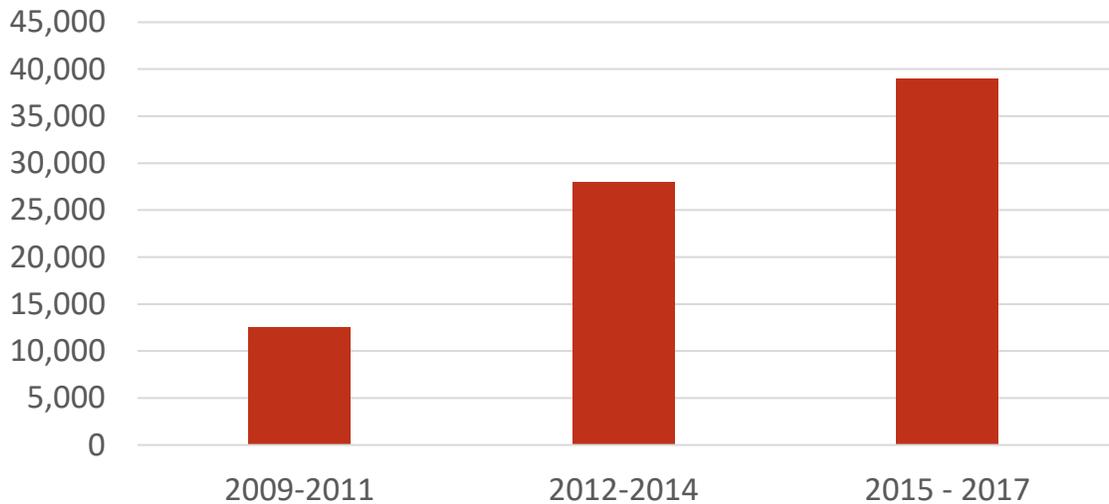
CCAC was founded in 2004 as a grassroots, volunteer initiative after extensive community engagement. Since opening in 2008, CCAC has welcomed over 233,900 visitors, offered 1,389 classes, presented 102 exhibits, showcased 1,278 artists, held 1,629 events, and undertaken \$2.6 million in capital improvements.

CCAC advances education, urban quality of life, and sustainability among local arts organizations. Serving residents of all ages, socioeconomic capacities and ethnic backgrounds in Uptown and throughout greater Cincinnati, CCAC nurtures the interests of youth who will become Cincinnati's future community leaders and arts patrons, promoting a healthy, vibrant community and sustainability of Cincinnati's rich arts and cultural heritage.

2.1 Growth

Since our first full year of operation, attendance has grown dramatically, representing significant growth in CCAC's reach and impact and demonstrating the need for the programming and social infrastructure that CCAC provides.

CCAC Average Annual Attendance 2009 - 2017



2.2 Partnerships

The CCAC model for programming has centered on partnerships with other arts, educational and community organizations. This has allowed us to provide programming for all ages, from toddlers to senior citizens, to share resources, and to attract a wide customer base.

We have partnered with a long list of arts organizations, such as: Art Academy of Cincinnati, UC College Conservatory of Music, UC DAAP, Cincinnati Shakespeare Company, Madcap Puppets, MamLuft&Co. Dance, Playhouse in the Park, Cincinnati Chamber Orchestra, Crafty Supermarket, Cincinnati Men's Chorus, Tiger Lily Press, My Nose Turns Red Youth Circus, PAR Projects and many others.

We have worked collaboratively with dozens of community partners, including: Catholic Charities of Southwest Ohio, Hebrew Union College Skirball Gallery, Cincinnati Public Schools' Project Connect, Avondale Comprehensive Development Corporation, Lighthouse Youth & Family Services, Churches Active in Northside, Gabriel's Place, Northside Farmers Market, Every Child Succeeds, Cincinnati Recreation Commission, the Cincinnati Zoo and many more.

CCAC has also served as the Community Learning Center partner for Fairview-Clifton German Language School, and partnered with Rockdale Academy, Annunciation School, Madisonville Education & Assistance Center, and South Avondale Elementary School, providing transportation to Second Sunday Family Showtime performances, taking arts outreach programs to the schools, and supplementing class provider fees by seeking grants for scholarships for underserved children.

3.0 Why Burnet Woods

Parks are the original shared spaces of a city, where all are welcome and no barriers to entry exist. As such, our urban parks are uniquely positioned to bring together the racially, ethnically, and economically, diverse citizens of our city.

Four Cincinnati neighborhoods - Avondale, Corryville, CUF (Clifton Heights, University Heights, and Fairview) and Clifton – are located within a 10-minute walk of Burnet Woods. Each of these communities represent distinct racial and socioeconomic demographics. CCAC views Burnet Woods as an ideal location to build connection and cohesion among these surrounding neighborhoods through nature and art, in keeping with CCAC’s goals as stated in Section 2.

In Fall 2014 through Spring 2015, a study was conducted by nine University of Cincinnati faculty members and 112 students from the Architectural Engineering, Civil Engineering, Urban Planning, Horticulture, and the UC Forward Interdisciplinary Program. The study engaged residents, civic leaders and municipal officials to re-envision Burnet Woods. This study, “Rethinking Burnet Woods,” states that Burnet Woods “provides little active benefit to many of its sizeable residential population, and is perhaps entirely unappreciated by the tens of thousands of commuting workers, students, and hospital visitors.”

Burnet Woods sits at the epicenter of densely populated Uptown Cincinnati and is adjacent to the largest regional employment concentration (Cincinnati Children's Hospital, University of Cincinnati Health, and the University of Cincinnati). Burnet Woods has the potential to be more welcoming to all employees, patients, students, visitors and residents — providing regular, sustained programs and events that inspire creativity, promote health and wellness, increase the appreciation of our natural environment, and, most importantly, strengthen the bonds of our citizens to create healthier communities.

“Arts give us a greater appreciation of our green spaces, as well as bring awareness to environmental causes.”

– Gina Mullins-Cohen, Editor, *Parks & Recreation*

3.1 Benefits to Burnet Woods and the Cincinnati Parks

The development of the 2007 Cincinnati Parks Centennial Master Plan was conducted against the backdrop of a stagnating city population and shrinking funds for the maintenance and programming of Cincinnati's parks. While Cincinnati's population has grown slightly since the publication of the Master Plan, the need to attract more people into the city core to live, work and play remains as does the need for funds to address over \$54 million in deferred maintenance in Cincinnati Parks.

The Centennial Master plan provided recommendations for addressing these needs. By locating in Burnet Woods, CCAC is ideally positioned to implement the following recommendations at no cost to Cincinnati Parks:

1. Use events and programs to promote diversity and celebrate a wide variety of cultural experiences that reflect our community's demographic spectrum,
2. Seek sponsorships and expand program and event offerings, with an emphasis on regular daily, weekly and monthly programming to enrich civic life, raise awareness of the value of parks and provide positive settings for social interaction
3. Work with communities... to create parks that are community hubs/village greens/squares; provide more events (art fairs...)
4. Collaborate with the arts community...to become a significant part of the local public art strategy.
5. Maximize opportunities to feature parks as... settings for the display and performance of art.

There are a number of ways CCAC can help with the funding needs of Burnet Woods. If CCAC locates in Burnet Woods, income to Cincinnati Parks will increase due to lease payments made by CCAC based upon the fair market value of the land.

In addition, because collaboration among organizations is a key factor in today's funding environment for grantors, opportunities exist to work with the Cincinnati Parks Foundation on joint proposals to bring creative, artistic elements to Burnet Woods while addressing some of the deficits to its ecosystem.

Also, the Cincinnati Development Fund (CDF) has reserved \$5 million in New Market Tax Credits (NMTC) for CCAC's capital campaign if it builds in Burnet Woods. While these are capital dollars, it is indicative of the strong interest in

strengthening Uptown by locating CCAC in Burnet Woods. The NMTC will result in at least \$1 million in funding to CCAC's capital campaign. CDF has expressed that there is a high likelihood that this project would attract additional NMTC allocation from local, regional, and/or national CDE's, up to the maximum amount of \$8 million, increasing the net equity to the project to at least \$2 million. It is realistic to think that a portion of this net equity would go to needed infrastructure projects in Burnet Woods.

3.2 Benefits to Uptown Communities and Beyond

“Parks live and breathe alongside their communities; creative activities can help ensure that members of the community feel connected to their parks and open spaces.”

- Matthew Clarke, Author, *Field Guide for Creative Placemaking in Parks*. The Trust for Public Land and The City Parks Alliance (2017).

Locating CCAC within Burnet Woods represents a monumental opportunity to build on the impact and legacy of the park and establish it as a cultural hub in Uptown, while bringing high-quality community resources to a highly-distressed, low-income area. The broader community would continue to benefit from CCAC's free and low-cost arts programming, experience an activation of the park, and more cultural education and interaction.

CCAC's high-quality programming is vital to fill a gap in diverse arts and cultural education for Cincinnatians of all ages, and relocating to Burnet Woods will bring a multitude of enhancements to the area. CCAC is already hosting its weekly free concert program, Wednesdays in the Woods, at the Burnet Woods bandstand this summer, bringing diverse musical genres and crowds of 400-500 each week.

Burnet Woods provides an opportunity for CCAC to create a cultural and artistic hub, with benefits to residents, such as:

- Burnet Woods becomes an integral part of daily life
- Arts become a gateway to nature experiences and learning for kids and adults
- More activity and people in the park increases the sense of safety for those who perceive it as unsafe
- Creates a sense of ownership that brings a greater sense of pride in the park and desire to make it as good as it can be
- Better integrates Burnet Woods with surrounding neighborhoods
- Centrally located free arts programs; walkable for many Uptown residents
- CCAC becomes an integral partner in addressing deficits of Burnet Woods
- CCAC becomes community convener for parks volunteerism to promote quarterly clean-up days and for removal of invasive species

4.0 Programs

“Nothing increases park use and physical activity as much as programming—providing supervised activities to help people make use of the space—with each additional supervised activity leading to a 48 percent increase in park use and a 37 percent increase in physical activity. In particular, seniors and teen girls are underrepresented in parks and benefit greatly from programming targeted at their needs and interests.”

- City Parks Alliance, *Active Parks, Healthy Cities; Recommendations from the National Study of Neighborhood Parks* (2017).

Each quarter CCAC offers over 70 daytime and afterschool classes and camps in multiple arts and culture disciplines including wellness, dance, music, visual arts, and creative writing. These range from Musikgarten and ballet to tai chi and yoga, drawing and oil painting. With its scholarship program – Art Education for All – and, as a Community Learning Center partner, CCAC provides arts opportunities to underserved children and their families.

Annually, CCAC hosts 12 to 15 art exhibitions, featuring work from amateur, emerging and professional artists. This includes our annual juried exhibition, The Golden Ticket, now entering its ninth year, as well as a non-competitive Community Art Show for those who live within the immediate surrounding neighborhoods. CCAC has been part of the biannual FotoFocus since its inaugural year in 2012 and has featured hundreds of local and regional artists in our galleries, which are always free and open to the public.

Each year CCAC presents signature programmatic series, including Wednesdays in the Woods, a free outdoor, summer concert series for audiences of all ages attended by over 3,600 annually; Second Sunday Family Showtime, a series of family friendly, quality performances by top Cincinnati performing arts organizations which are free for children and just \$5 for adults; Rockets to Robots, a free STEM+Arts program with three nearby Cincinnati Public schools, and Sunset Salons, a conversation series for adults on topics ranging from Design to Cultural Cuisines.

4.1 Inclusion

CCAC serves a diverse population of over 40,000 Cincinnati residents annually. Current CCAC audience demographics are listed below. This relocation project will enable CCAC to provide expanded opportunities for educational, cultural, and artistic engagement and the organization is committed to serving residents from all backgrounds.

Geography

West of I-75: 37%
City Core: 48%
Outside of region: 6%
Outside of I-275: 6%
Northern Kentucky: 3%

Race

White: 57%
African American: 22%
Hispanic: 8%
Asian: 10%
Other: 3%

Age

Under 18: 20%
18-40: 30%
41-64: 29%
65+: 21%

4.2 Impact

Over the past 10 years, CCAC's reach and impact has increased dramatically. Attendance has quadrupled, from just under 10,000 people in 2009 to 40,000 people annually. A truly community-based arts center, over 1,035 volunteers have contributed 33,000 volunteer hours to build a best-in-class institution. CCAC has produced or hosted more than 1,600 cultural, artistic and community events, and has served 9,700 participants in more than 1,350 classes taught by 447 local educators.

Testimonials:

"CCAC has served as a model for other neighborhood based arts centers and has significantly expanded its impact on the Clifton community over the past ten years. As the Clifton Cultural Arts Center works to find a new location, we're looking forward to continuing our partnership and support of arts access and education in our region's neighborhoods."

– The Greater Cincinnati Foundation

"The addition of the Clifton Cultural Arts Center – an organization that values multi-cultural community building, education and stewardship of their surroundings – would have an enormous positive impact on the park with minimal impact on the natural environment."

– Patricia Milton, President, Avondale Community Council

“Our goal is to support the students, our goal is to support the community, and when we have a resource so special like CCAC, who opens their doors for everyone, it makes it beneficial to all.”

– Monisha House, Principal, Fairview-Clifton German Language School

4.3 Park-specific Programming

Relocating CCAC, which has a proven track record in experiential learning, to a public park presents many exciting opportunities for introducing new programs that intentionally explore the connection of art and nature.

There are many additional successful precedents that CCAC can draw from when brainstorming, researching, and creating programs. Examples include the Robert Bateman Centre in Vancouver, Canada, the Ned Smith Center for Nature and Art in Millersburg, Pennsylvania, and the Washington Island Art and Nature Center in Wisconsin.

Potential programs could include:

Public Art and Large-scale Sculptures, created through community engagement and volunteer co-design, and which draw attention to ecological issues. A current local example is Twisted, an exhibit at the Taft Museum of Art by world-renowned sculptor Patrick Dougherty in which Dougherty took six tons of willow tree saplings and twisted and turned them—with the amazing help of more than 150 community volunteers—into whimsical shapes.

Nature Sketch, is an initiative of the world-renowned artist and naturalist Robert Bateman that inspires appreciation of the natural world using a pencil and a sketchbook, offering a cultural lens for exploring the outdoors. You will learn about the wildlife and different habitats using established eco-literacy principles and sketching inspiration from world-renowned artist and naturalist Robert Bateman.

The **Junior Nature Sketch Club**, for children ages 5 – 12 years, is an outdoor nature program for kids, which focuses on sketching and observing wildlife habitats in unique ecosystems. Guided by a sketch artist and a naturalist, the program encourages children to connect to natural environments in their local community using a pencil and a sketchbook. The program includes a final exhibition where the children’s sketches are framed and hung on display.

Adult Nature Sketch is similar to the Junior Nature Sketch program but is for beginner adult and older teen artists. Guided by a sketch artist and a naturalist, the program connects the participants to nature as they practice learn the foundations of drawing such as line, shape,

value, gesture and contour drawing. The course includes a final exhibition of the students' sketches.

How Tweet It Is: Bird Songs in Classical Music. The glorious melodies of songbirds have long been a source of inspiration for composers of music. In How Tweet It Is, students (ages 11 and older) will investigate human imitation of bird songs and birdcalls and determine which instruments are used to recreate these in classical music. Through studying the work of several composers, students will learn to recognize rhythm and pitch, the use of crescendo/decrescendo, trills and staccato notes to imitate or create an impression of the sounds of birds.

Nature Journaling

Students (ages 11 and older) will construct their own nature journals as they learn through the writings of Meriwether Lewis, Henry David Thoreau, John Muir and other naturalists. Walking the trails of the park, the students will develop their skills of observation engaging their senses of touch, sight, hearing and smell and deepening their connection to nature.

Nature Photography

Burnet Woods provides the ideal setting for teaching nature photography to people of all ages while introducing them to wildflowers, insects, birds and wildlife. There are numerous opportunities to develop nature photography skills with classes for children and adults taught by local nature photographers to niche offerings such as:

Girls Who Click Workshops:

Girls Who Click workshops empower teen girls to enter the male-dominated field of nature photography and use their work to further conservation efforts around the world.

5.0 Financials

Since its inception, CCAC has employed financial management disciplines to build a sustainable and flexible organization, both today and in the future.

5.1 Historical Perspective

CCAC was incorporated in June 2004 and opened its doors to the public for programming in September 2008 after hiring its first Executive Director.

While CCAC began programming at the start of the economic downturn in 2008, it has maintained positive cash flows and ended each fiscal year with positive earnings, with the exception of 2010 when operating expenses exceeded income by 4.3%.

5.2 Financial Management Disciplines

Monthly Report: CCAC's treasurer provides the board a monthly Statement of Financial Position (Balance Sheet) and Statement of Activities (Income Statement).

Budgeting: Prior to each fiscal year, the board reviews and approves the annual budget, which is re-evaluated mid-year to reflect results for the first half and cash projections for the last.

Income Diversification: A healthy mix of revenue streams, with an emphasis on earned revenue, has been a priority for CCAC in building a sustainable organization.

% Sources of Income (3-year avg.; 2015 – 2017)

Earned Revenue	37%
Individual Contributions	25%
Corporate Donations	5%
Foundation Grants	18%
ArtsWave	9%
Public Funding	4%
In-Kind Donations	2%

Operating / Maintenance Reserves: The terms of CCAC's lease with Cincinnati Public Schools placed all responsibility for building repairs and maintenance as well as capital improvements on CCAC. Because the 100+ year old Clifton School building had years of significant deferred maintenance and aging mechanicals, and sat vacant for two years before being occupied by CCAC, the organization budgeted for an annual surplus to be placed into a Board Designated Operating / Maintenance Reserve. This ensured that CCAC could address building repair issues inevitable in a 100+ year-old building. This was in addition to the amount allocated in the annual operating budget for ongoing maintenance of the building, which historically had been \$20,000 to \$25,000.

From 2015 through 2017 CCAC maintained an Operating/Maintenance Reserve of \$175,000 in addition to ample working capital of \$133,000 as of December 31, 2017.

Major building repairs expenses incurred included:

- \$300,000 in roof repairs
- \$25,000 in parking lot improvements
- \$200,000 in miscellaneous repairs (plumbing, HVAC, flooring, asbestos removal, mold remediation, etc.)

6.0 Sustainability Model

6.1 Establishing a Board Designated Building Reserve

The Kresge Foundation, a national leader in philanthropic research and grant making for the arts, issued a whitepaper in 2011 labeled, “A Guide to Building Reserves.” The introduction states:

“The principle of building reserves is to ensure that organizations have provided for the inevitable need to reinvest in the assets of their facilities, both to guarantee continuity in the provision of programs and services, and to protect the value of hard-won net assets. Reserves are a discretionary fund partitioned from the organization’s unrestricted net assets. Best practice suggests that reserve funds be formally designated by action of the board of directors, with established policies to govern their use and replenishment.”

The Clifton Cultural Arts Center will follow the strategy of seeding the reserve fund as a component of the capital campaign, as outlined by Kresge:

When a new facility is contemplated, an organization ideally will incorporate more than initial costs into its planning. A comprehensive capital campaign (or other fundraising strategy) will include physical development costs, costs of moving and furnishing the facility, transitional operating funding ... and, often, seeding a building reserve” with a percentage of the campaign’s building costs.

In its capital campaign strategy, CCAC has planned for each of the items mentioned above including \$250,000 to seed a board designated building reserve. This is approximately 3.5% of the estimated building cost of \$7.2 million; Kresge recommends budgeting approximately 2% in reserves. Annually, CCAC will add \$15,000 to \$20,000 to the building reserve from operating surpluses.

6.2 Pro forma Operating Budget

Attached is CCAC’s pro forma Operating Profit and Loss Statements for the first three years in a new building with averaged historical data from 2015 - 2017 for reference.

Operating Income

CCAC’s average annual operating income over the past three years was approximately \$402,000, which exceeded average annual expenses by over \$36,000 per year. If the organization locates in Burnet Woods, CCAC’s

operating income is projected to increase for a variety of reasons including, but not limited to the following:

Increased sources of revenue from Uptown and other institutions that recognize welcoming, well-maintained parks with robust, diverse programming as a quality of life amenity that attract new employers, providing new job opportunities for Uptown residents.

- CCAC received \$9,500 in new sponsorship dollars for its 2018 debut of Wednesdays in the Woods, a free 9-week summer concert series in Burnet Woods that attracted over 3,600 people
- The Cincinnati Development Fund (CDF) has reserved \$5 million in New Market Tax Credits (NMTC) for CCAC's capital campaign if it builds in Burnet Woods. While these are capital dollars, it is indicative of the strong interest in strengthening Uptown by locating CCAC in Burnet Woods. The NMTC will result in at least \$1 million in funding to CCAC's capital campaign. CDF has expressed that there is a high likelihood that this project would attract additional NMTC allocation from local, regional, and/or national CDF's, up to the maximum amount of \$8 million, increasing the net equity to the project to at least \$2 million. It is realistic to think that a portion of this net equity would go to needed infrastructure projects in Burnet Woods

Expansion of programming with Nature in Art classes:

- The development of new programming with a focus on connecting people to nature through art will open the door to funding from foundations and other major donors with a focus on nature education as well as earned revenue from class fees

Operating Expenses

For the last decade CCAC occupied the Clifton School building, a 53,000 sq. ft., a 100+ years old building with years of deferred maintenance, which sat vacant for two years prior to use by CCAC.

When compared to the Clifton School building, CCAC projects lower annual occupancy costs (utilities, building and equipment maintenance, etc.) of approximately for a building in Burnet Woods. This does not include the lease payment to Cincinnati Parks, which will be based on an appraisal of the fair market value of the land. Per the attached Pro Forma Operating Profit and Loss Statements for the first three years in a new building, an average Net Operating Income of over \$70,000 per year is projected.

The reduced occupancy costs are attributable to the following:

- Lower energy costs as a result of:
 - a smaller building (20,000 sq. ft. vs. 53,000 sq. ft.)

- increased efficiency of a newly constructed facility versus the Clifton School building and its original, single pane windows / steam heating
- incorporation of green technology features
- Reduced costs of servicing new and modern mechanical, electrical and plumbing (MEP) systems and warranties
- Reduced costs of repairs to the roof and other building envelope elements due to new construction and a discipline of timely maintenance as compared to Clifton School with years of deferred maintenance. (CCAC spent approximately \$300,000 on roof and gutter repairs to Clifton School)

Other operating expenses for programs, salaries and benefits, marketing, development and other administrative costs are projected to approximate the three-year average for operating expenses during the organization's first full year in a new building.

Clifton Cultural Arts Center
Pro Forma Operating Profit and Loss Statements

	<u>3-yr Average</u> <u>2015 - 2017</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	
Revenues					
Program Income	\$ 145,956	\$ 156,000	172,000	189,000	2016 , then 10% increase thereafter
Contributions	242,711	302,000	332,000	365,000	2019 budget x 1.05 , then 10% increase thereafter
Other	13,946	13,000	13,000	13,000	3 yr avg.
Total Revenues	<u>402,613</u>	<u>471,000</u>	<u>517,000</u>	<u>567,000</u>	
Operating Expenses					
Direct Program Expenses	27,341	29,000	30,000	32,000	2016 , then 5% increase thereafter
Human Resources	182,134	261,000	304,000	319,000	Yr 1 Assumes 2019 budget est increasing 3% for 2 years leading up to opening, new staff \$40,000 increase in year 1
Professional Fees	23,468	10,000	11,000	12,000	
Occupancy	80,714	62,000	64,000	66,000	See note below
Office Costs	4,996	5,000	5,000	5,000	3 year average, 5% increase thereafter
Printing and Copying	6,005	6,000	6,000	6,000	3 year average, 5% increase thereafter
Staff Development	3,054	3,000	3,000	3,000	3 year average, 5% increase thereafter
Maintenance	8,240	8,000	8,000	8,000	3 year average, 5% increase thereafter
Outside Services	3,542	4,000	4,000	4,000	3 year average, 5% increase thereafter
Bank/Brokerage Fees	2,304	2,000	2,000	2,000	3 year average, 5% increase thereafter
Fundraising	645	1,000	1,000	1,000	3 year average, 5% increase thereafter
Depreciation	21,989	16,000	17,000	18,000	2019 budget, 5% increase thereafter
Miscellaneous	1,592	2,000	2,000	2,000	
Total Operating Expenses	<u>366,024</u>	<u>409,000</u>	<u>457,000</u>	<u>478,000</u>	
Net Operating Income (before land rent, bdlg reserve)	<u>36,589</u>	<u>\$ 62,000</u>	<u>60,000</u>	<u>89,000</u>	

Significant Assumptions:

Figures are rounded, generally assume specific category increases in expenses of 5% annually

Year 1 represents first full year of operations in the new facility

Land rental expenses and building reserve not yet included. Land expense to be determined on fair market value after appraisal of land.

Depreciation relates existing furnitures and office equipment; building depreciation will be included in capital fund

Occupancy expenses include gas, electric and other utility costs assuming building is LEED certified

Occupancy savings due to green design and new MEP systems