Report on Best Practices for Facility Ownership
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May 2013

Introduction:

This report is intended to provide information and guidance to folk arts organizations contemplating purchase of a facility. The experiences of two organizations that have made the leap from tenant to owner are offered here in the hope that their stories will be a resource for other organizations considering such a move.

In 2008, Traditional Arts in Upstate New York (TAUNY) purchased a 9,000 square foot brick building in the historic district of Canton, NY. For the first 22 years of the organization’s history, TAUNY rented modest space in Canton. As the organization’s programs and services expanded, the pinch of insufficient facilities became a chronic challenge. The decision to purchase and renovate a historic building at the heart of Canton’s downtown was bold, given the limited financial resources of the organization. TAUNY was able to raise first-year operating expenses from the local community, and to attract significant public funding for the renovations before the low point of the economic downturn that began in 2008.

In September 2012, TAUNY successfully completed a $1 million renovation of its building, creating exhibit spaces, classroom space, climate-controlled archives storage, a reading room, a board room, a suite of offices, and a small retail space. To make the building fully handicap-accessible, the renovation also entailed construction of a new entrance, two new restrooms, and installation of an elevator that services all three levels of the building.

Throughout the renovation phases, TAUNY’s staff worked to increase our operating budget to meet the demands of our project. We have managed to raise more money than ever, and have introduced wonderful new programs. That said, nearly 5 years after purchasing our building, we realize that some of our expectations were unrealistic, and that we are operating in a new world order that requires us to be adaptable and shift in new directions to remain viable. While “home ownership” is wonderful in many ways, it has put extra pressures on the organization, leading me to seek consultation with an organization in our field that has managed the responsibilities of property ownership over a longer period of time, and has gone through cycles of adjustment to changing fiscal realities.

Charlie Seemann and the terrific staff at The Western Folklife Center (WFC) in Elko, Nevada, agreed to serve as consultant for my investigation. WFC has owned and operated out of the 34,000 square foot Pioneer Hotel in the old section of Elko since 1992. TAUNY and WFC are similar in a number of ways: Both operate in rural, isolated communities; both have a large geographic service area; both offer a variety of programs and have had to adapt the spaces in their historic buildings to suit the work they do; and both own facilities that are considered anchors in their communities’ downtowns. In both cases, once a property was...
identified as a good match, purchase happened quickly, without extensive discussion or planning.

In February 2013, I traveled to Elko and spent two days touring the city, studying the space in the Pioneer Building, and meeting with staff members to learn about their history in the building. Charlie and I spoke mostly about the timeline of renovations and budgetary implications of property ownership. Meg Glaser, Artistic Director, spoke about the early decisions that went into the building, and what the program implications have been. Amy Mills, who joined the staff in 2012, shared her initial impressions of how the building influences the work done at WFC. And Deb Brown, Gift Shop Manager, spoke about how she uses the retail space to engage the public in WFC’s work.

Objectives For the Consultancy:

Prior to the consultancy, I spoke with Charlie several times on the phone to establish the plan for my visit, and to clarify the questions we would address in our exchange. The following questions provided a framework for our discussion:

• How did WFC come to own its facility, and what investments have they made in it?

• What plan was drawn up for the building at the time of its acquisition, and how has that plan adjusted over the years? How is the property currently used?

• What surprises have there been, good and bad?

• What affect has property ownership had on the organization’s budget?

• How has property ownership affected the programs offered? Has it affected how the organization is staffed?

• How easy or difficult has it been for WFC to maintain the level of support necessary to carry the facility?

• What, if any, compromises have been made?

• In what way has the facility enabled the organization to better fulfill its mission?

• Where does the money come from to support the facility?
Case Studies:

The Western Folklife Center

The Western Folklife Center is dedicated to exploring, presenting, and preserving the diverse and dynamic cultural heritage of the American West. They celebrate the wisdom, artistry and ingenuity of western folkways through exhibitions, educational programs, national radio and television programs, research and preservation projects, their website, and their premier event, The National Cowboy Poetry Gathering. They nurture connections among rural and ranching cultures globally, exploring universal themes in working traditions and artistic expression, which they believe are vital links to the past, present and future of the American West.

Prior to the acquisition of the Pioneer Building, the Western Folklife Center did not have a public headquarters. Director Hal Cannon worked out of Salt Lake City and then Idaho. The organization’s presence in Elko came in 1984 with the production of the Cowboy Poetry Gathering, taking place in January 1985, and organized out of borrowed space in the local museum. The success of the annual Cowboy Poetry Gathering in Elko in subsequent years led to the decision to establish a headquarters for WFC in Elko. It was clear that the organization would make a long-term commitment to the Poetry Gathering, and having the staff based in Elko made the logistics easier. The team also needed more space for operations than what they could piece together in borrowed quarters, and wanted a year-round outlet for programs about ranching culture. WFC still has staff working in Salt Lake City and remote locations, but the core of its activity and offices for most of the staff are at the Pioneer Building.

The Pioneer Building started as a tent in the street called the Pioneer Saloon in 1868, and was likely the first bar in Elko. Completed in 1913, the current building was the largest retail and office building in Elko at that time. Throughout its life, the Pioneer has had various owners. Converted from an office building to a hotel and casino, then to a restaurant, bar and lounge, the building was vacant when WFC acquired it. A board member purchased the hotel outright for the organization, eliminating the need to budget a monthly mortgage payment. Given the large spaces involved, renovations have taken place in phases on an ongoing basis. Rather than running one campaign to renovate the whole building – the goal for that campaign would have been daunting – money has been raised at a steady pace over twenty years. Millions of dollars of the renovations have been funded by Nevada Commission on Cultural Affairs rehabilitation grants.

Renovations to the main level of the Pioneer Building were just completed in 2008. The main level includes a retail space, exhibit gallery, caterer’s kitchen, 30-seat black box theater, and 300-seat theater with green room that can also accommodate banquet seating for 180, and dances. The showpiece of the main level is the restored saloon, which operates as a space for
meetings and some programs, and a working saloon during the National Cowboy Poetry Gathering and when there are programs in the theater. In the lower level of the building, renovations have created restrooms to accommodate large crowds, and clean storage areas. The upper levels of the hotel, where staff offices, board room, and archives are located have not yet been renovated. Staff is using former hotel rooms as office space.

The TAUNY Center

*Traditional Arts in Upstate New York is a non-profit organization dedicated to helping people understand and appreciate the folk traditions and local culture of everyday life – present and past – in the North Country. To do so, TAUNY seeks to research and preserve a record of diverse groups, customs and traditions; to recognize and empower traditional arts and artists; to identify and promote regional identity; and to provide opportunities for people of all ages to learn about folklore and local culture.*

Several factors drove TAUNY’s decision to purchase a building. The organization was committed to retaining its headquarters in Canton: TAUNY’s founder is deeply committed to the civic life of Canton and took action throughout his tenure as Executive Director to position TAUNY as a prominent institution in the community of 6,000 year-round residents. The facility TAUNY had been renting for 10 years was scheduled to be razed as part of a waterfront revitalization project. The properties available to rent in Canton at the time were too small or unattractive to suit TAUNY’s activities. Staff and board both felt strongly that property ownership would give TAUNY increased credibility in the region, and attract new and larger sources of funding for the organization’s work. One strong possibility was for TAUNY to build a facility along the Grasse River at one end of Main Street. This plan was scrapped when the owners of that property chose to convert it to green space at the entrance to the village. It appeared for a short time that TAUNY might be homeless and have to operate out of staff homes. Then one day a notice in the paper announced that 53 Main St. was going on the market. TAUNY’s Board of Directors promptly decided to jump at this opportunity.

The building TAUNY purchased was constructed on Canton’s Main St. commercial district in 1872 as two separate storefronts. A variety of businesses operated out of them, until the early 1930s when J.J. Newberry’s combined the two spaces into a single 5 & 10 cent store. Most of the building was generally in good shape when TAUNY purchased it in 2008. The façade was unspoiled, the hardwood floors on the main level had been maintained, and the high tin ceilings were intact. In contrast, half of the upper level had been vacant long enough for the plaster on the ceilings and walls to collapse into a pile. The building came with a $70,000 Main
St. Grant for exterior improvements, which had been secured by the previous owner, and funding for an architect who specialized in renovation of historic properties.

Several factors made it possible to purchase 53 Main Street. A board member donated a substantial down payment to close the deal. The seller agreed to hold the mortgage for a period of time at terms we could manage. And a special Early Bird Campaign – run as the precursor to a major capital campaign – produced enough income to cover the increased operating costs for the first year in the new building.

Renovations took place in phases over a three-year period. The only element not yet complete is the construction of a caterer’s kitchen, for which TAUNY received a grant in April 2012.

**Advantages of Property Ownership for Non-Profit Organization:**

- Autonomy is a wonderful thing.
- Your facility, through its history and style, can be a wonderful marketing tool, projecting to the world an image that is consistent with your mission.
- When you purchase a building in a community, it reinforces that idea that your organization will be around for the long-term. This will inspire more supporters to feel an investment in you is worthwhile.
- You can use your facility to generate additional income for the organization. WFC earns income from its theater by renting it to businesses in need of meeting or program space. Their saloon is an ideal space for receptions. TAUNY rents its classroom and conference room, as well as the reception area on the main level.
- Taking responsibility for a building, especially if it’s located in a historic district, or challenged commercial district, opens the door to new types of funding. TAUNY is in the process of becoming a designated visitor center for New York State Scenic Byways, which in turn will make us eligible for Department of Transportation funding.
- If your facility is considered a destination in a community, you can pursue pots of economic and community development funds that would otherwise be unavailable to you. Your community’s economic developer will become interested in you, and be willing to help you prepare funding requests.

**Challenges of Property Ownership for Non-Profit Organization:**

- Part of the budgeting process will be allocating funds and time to the maintenance of the facility. It can be hard to anticipate all of those expenses. When we installed an elevator at TAUNY, we triggered a requirement to pay for regular inspections and care of that elevator. Our hardwood floors are beautiful, but expensive to maintain in our harsh winter climate where people trek in road salt for months of the year.
• In addition to these predictable expenses, you will be amazed how many things can go wrong. You will need a contingency fund – a good sized one -- to cover this. WFC is regularly vexed by problems with its heating system and plumbing. In the past six months at The TAUNY Center, we’ve had floods in our basement due to water main breaks in Canton, sewage back-up, leaks in our roof, and a window broken by an errant bird. If you own the building, you are the one who has to respond. TAUNY’s staff has slept at our building to monitor ongoing maintenance issues, and regularly gets 2:00 a.m. calls from the police when a poster falling off the wall (or some other such silly thing) trips our security alarm. You will need someone on contract or on staff to keep an eye on the myriad mechanical elements of the building.

• Capital campaigns – or at least capital investments -- will become a regular feature of your fundraising life, distracting from raising funds for program activity.

• The larger and more complex the facility you own, the more difficult it is to be flexible in your programming plans. Purchasing a small building just to house staff offices is very different than committing to exhibit spaces, classrooms, theaters, etc. Once you own those spaces, you have an obligation – and the public has an expectation – that you will keep the programming coming. This will have implications for your program staff, and the budget for it.

• If you own a prominent building with appealing public spaces in it, you’ll get many requests from all kinds of groups to use spaces in your building. Developing a use policy and fee structure is critical. Sometimes it’s not worth it to let a group use the space – as in when you have to have staff on site at 7:00 a.m. for a group that wants to donate $25 to use your conference room – and you have to be prepared for the public relations aspect of this.

• If you rent space to a long-term tenant in your building, you assume all the responsibilities that go with being a landlord. There are legal implications as well as staffing ones.

Conclusion

Considering all factors, both Charlie and I feel that owning our buildings has been beneficial to our organizations. Certainly, an important factor in this assessment is that relative to other parts of the country, real estate is relatively inexpensive in our regions. In that scenario, calculating a positive return on investment is less daunting than it might be where greater sums of capital are needed up front. In April 2013, TAUNY received an Excellence in Preservation Award from the Preservation League of New York State, an honor that brought state-wide attention to our organization.
Advice for Folk Arts Organizations Considering Purchase of Real Estate:

- Think very carefully about what kind of space you actually need, and what kind of flexibility you desire. Commitment to physical space will have an impact on your programs. Location is central to this consideration. Within one month of moving just two blocks up Main St., traffic to TAUNY tripled because the new location is more visible and has a large parking lot behind it.

- Don’t jump right into renovations. Live in the building for a while, and try out different uses of the space before committing to a plan. Your first ideas will probably not all work out. Try to build flexibility and multiple functions into the design of your spaces.

- Spend some time exploring what people outside your organization might want from the facility. If you come up with the folklorists’ fantasy for program spaces, will anyone in your vicinity share your enthusiasm and want to use the space that way? One of the miscalculations common in building projects is letting your own dream blind you to reality. How many people will come to your gallery to look at exhibits? Can you get them to travel from a distance to visit you? The objective is to avoid creating spaces that will be chronically under-utilized.

- If you can avoid it, do not have the staff continue to work in the building while major renovations are underway, even if the contractors insist that you will be able to do so. Working in a noisy, dirty environment for months on end will tax even the most collegial of teams.

- Owning a facility will cost more than you expect or plan it to. Even in a well-renovated facility, there are constant maintenance issues. Insurance costs may surprise you.

- Apart from the cost of maintenance issues, there is the staff commitment of time. When the roof leaks or the basement floods, your staff will have to be there to greet the repair service and make decisions about how to proceed.

- If you run a capital campaign to raise funds to purchase and renovate a facility, include in your fundraising goal enough money to cover increased operating costs for at least three years. Many of your usual donors will get excited about the building project and stop giving to your annual operations fund for a while.

- Consider all the ways you might leverage income from the facility you are considering. Do you, for example, need all the space in the building, or might you rent to a compatible organization?

- Choose your architect wisely. This person will be integral to the success of your project, and you will spend a lot of time together. Ideally, this person will love your project and be willing to donate some hours when you, inevitably, run over contract.
Additional resource: The University of Chicago has produced a report looking at investment in arts facilities over the past decade.

The TAUNY Center—formerly JJ Newberry’s variety store and Homefront furniture and interior decorating store—after renovation project for a regional folklife center in Canton, completed in September, 2012.
One block of Village Park Historic District on National Register of Historic Places in downtown Canton, 2013, with the restored TAUNY Center.

JJ Newberry’s on Main Street, Canton, ca. 1980s. Courtesy of the Town of Canton Historian.
Restored interior of main floor, with original tin ceilings and hardwood floor, new replica pendant lighting and LED track lighting in exhibit gallery, elevator at back left, 2011.

Interior of main floor when purchased by TAUNY, 2008. Restroom at left and storage closet, back-center-left, before removal for restoration.
Opening weekend reception on main floor of The TAUNY Center with folk art exhibit in gallery, September, 2011.

Packbasket making class on main floor before renovations, 2010.
Renovated basement for reading room for archives users, with soundproof recording and listening booth. Note the original foundation walls of local fieldstone, 2013.

Basement room before renovations began, 2011.
Renovated second floor classroom—capacity of 60 people—with original windows, new interior storm windows, and new flooring, 2013.

Renovated North Country Folkstore, TAUNY’s museum shop, with custom designed and fabricated retail shop furniture, 2013.

Condition of second floor, eastern side, before renovations; elevator entrance (left) completed in Phase I.
Offices on second floor after renovations. Original hardwood flooring and Main Street windows restored, 2013.

Second floor, eastern side, before renovations and conversion to office spaces, 2008.
New entrance to rear of The TAUNY Center, handicapped accessible, off municipal parking lot. 2013.

Old rear entrance to the building. 2008.

The TAUNY Center facade at night, with repaired original awning hardware and new fabric. 2011.
External repair and maintenance to Western Folklife Center, a complex of three buildings including the three-story Pioneer building completed in 1913.

Completed exterior renovations, Western Folklife Center
In its initial phase, the Western Folklife Center used modest funding and volunteer labor to transform a dark, carpeted stripdance joint into our gallery.

Funding from the E.L. Wiegand Foundation and other individuals paved the way for new flooring, wall and lighting systems, and display furniture for our Wiegand Gallery.
Wiegand gallery after renovation phase completed.
Gift Shop during and after renovation. When the Western Folklife Center purchased the building, this was the site of the local Harley Davidson boutique.
Having previously served as a restaurant and hardware store, this space was identified as priority for the initial phase of renovation. It became the Western Folklife Center’s G Three Bar Theater, a multi-use space that contributes valuable earned income.
Pioneer Saloon renovation, before and after. The saloon, open for special events and rentals, is another important part of the Center’s earned income stream.
Basement renovations have been limited but important for storage needs.

Basement hallway leading to public restrooms. Other basement spaces include exhibition development and storage, workshop, gift shop inventory, and general storage.