November 20, 2020

Dear Mayor Woodards,

We write to update you on the contract between the City of Tacoma and Tacoma Arts Live which is set to expire on December 31, 2020. First and foremost, we understand and empathize with the City regarding its financial condition. We also write as the long-time stewards, both of Tacoma’s civic theaters and of our community relationships that fund and enliven them. Tacoma Arts Live must keep the City Council and our patron community informed of changes afoot, especially in the midst of crisis.

As you may know since April, the City and Tacoma Arts Live have been working to negotiate a mutually agreeable “contract suspension” to relieve the City of payments for facility management services as related to the City-owned theaters. While Tacoma Arts Live has offered numerous concessions, including taking ZERO fee during the suspension, the City has not offered any functional response. Throughout, we have been timely and engaged, however, as noted in the attachment, the City has been secretive, slow and unmoving. Thus, Tacoma Arts Live has carefully reserved its rights pending resolution of outstanding issues, including those identified in this letter; and, most of our objections pre-date COVID-19. We remain at a loss why on the heels of so much success, this negotiation and renewal process has been abandoned, and our 40-year relationship demeaned. We have brought more than $35 million into City assets, few other City partners have done the same. Please see the attached background briefing.

Path Ahead and Council Action Requested:

In a normal operating year, more than $18 million of economic activity is generated by the various users in Tacoma’s Historic Theater District, including more than $500,000 in City tax collections. We recognize that this is not a normal year, but preparing to restart our economic impact is essential. Offering certainty to Tacoma’s non-profit Resident Arts Organizations is vital for our collective emergence from this crisis. To date, no declaration for a path ahead has been offered by City staff. No RFP has been issued and the clock is ticking loudly. Unless Council takes action, Tacoma Arts Live assumes that our agreement will end December 31, 2020.

With no plan and disintegrating communication between us, Tacoma Arts Live has begun the process of withdrawing our assets from the venues. We are preparing the termination of all our contract obligations for utilities, insurance, historic tax credit management, pending non-municipal grants, etc. Though it isn’t our intention, our withdrawal from the historic tax credits may cause complication for the City redevelopment agency, and others. The City of Tacoma promotes a commitment to “relationships” and “partnership.” Tacoma Arts Live’s experience since 2019 has been that of fragmented communication, lack of transparency, and broken promises. We had made it clear that no further negotiation would happen without payment of a long-overdue invoice for services rendered in 2019 (invoiced in March 2020.) That payment was finally made on September 9, 2020, but not without highly unusual, new reporting protocols demanded by Dome staff of our finance staff (working remotely from home), and not without the fervent protestations by the Director of Tacoma Venues and Events.

If the Council desires that we accept the expiration of the contract, we will continue on our current path. If the Council prefers a short-term renewal of our agreement at this time of crisis, we are requesting the following Actions by City Council:

1.) Provide certainty for Resident Arts Organizations: Ensure Tacoma Arts Live can help bring the venues back to life quickly, by extending our management agreement through December 2021, and allowing us the right to manage as we have for 40 years.

2.) Continue the suspension of the facility management fee until the Governor allows socially-distant gatherings in venues, and that is supported by the Pierce County Health Department. Then, events will re-start, and the facility management fee will re-start, too. The fee may be re-scaled to solely reimburse...
Tacoma Arts Live for its direct facility-only expenses and staffing expenses necessary to deliver on event management and oversight.

3.) Keep strong our long-term values that focus on COMMUNITY ACCESS when or if the City goes out to RFP on the contract We respect the City’s right to manage the facilities in whatever manner it chooses. The values below are those that we have shared and fulfilled for decades as the steward of Tacoma’s historic theaters; these are the values we hope the City of Tacoma will demand of its facilities manager and will ensure these values are part of its future contract no matter to whom it may be awarded:

- Support Tacoma’s diverse and vibrant performing arts ecosystem with a facility venue management contract that gives infrastructure support to Tacoma’s non-profit Resident Arts Organizations (offering reduced fees for rent, box office, event labor, marketing support, etc.)
- The City’s venues are a tool for BOTH economic development and community building. Build our community via a manager that delivers services to a broad base. Ensure that services are delivered, not the lowest common denominator of cost control, but the highest denominator of access and equity.
- Prioritize and give calendar preference to Tacoma’s non-profit Resident Arts Organizations ahead of any for-profit and out of market clients.
- Honor genre and market histories of Tacoma’s non-profit Resident Arts Organizations, i.e., grant market protection based on their audience history over any for-profit and out of market users.
- Provide a centralized, low-cost, non-profit box office with fee structures that allow access for a broad-base of Tacoma community.

Should the Council not support these requests, please know that after so many decades of commitment and achievement, Tacoma Arts Live wants the best for Tacoma’s Historic Theater District. Even as we consider the transition from our role as venue manager, we intend to stay involved, at least, as a vocal advocate for the arts and activate our patrons along with us. We intend to remain one of Tacoma’s Resident Arts Organizations, and as the venues’ primary renter.

We do hope the City will not contract with a non-Tacoma, for-profit entity. In Tacoma Arts Live’s opinion, such contracts have been visibly disastrous for other municipalities, including the City of Federal Way, in terms of lack of support for local user groups, community and donor relations, and lacking any commitment to diversity, equity and inclusion. Other arts organizations have confirmed they concur with Tacoma Arts Live’s assessment and are likely available to share their experiences directly with the City. Finally, whomever may end up being awarded the facility venue management contract, we respectfully request that the Council monitor any potential conflicts of interest.

Tacoma Arts Live would like to praise and thank City staff who have been excellent partners with our team, including Andy Cherullo, Steve Victor, Reuben McKnight, Susan Calderon, Teresa Sedmak, Ghassan Diab, Sue O’Neill, Mark Henry, Stacy Ellifritt, John Kennedy, Fred Yomes and all the great people at TV Tacoma.

We wish the City success as it works to resolve the financial crisis driven by COVID-19 and to bring back so many of its important community services, including live arts and events at Tacoma’s Historic Theaters.

Sincerely,

David Fischer
Executive Director
**Additional Background on Tacoma Arts Live History and Negotiations:**

The City of Tacoma and Tacoma Arts Live is one of the City’s longest public-private partnerships, working together since 1979. We have accomplished much beyond our public programs in events and education, we have enabled and enriched these City-owned assets:

- Restored the historic Pantages Theater twice (re-opened in 1983, and again restored 2005-2019);
- Restored the historic Rialto Theater (re-opened in 1991);
- Built the contemporary Theater on the Square (opened in 1993).

Tacoma Arts Live spearheaded all of these projects and is proud to have obtained more than $35 million of non-municipal funding that was solely invested in City-owned assets.

**PRE-COVID:**

In 2019, Tacoma Arts Live brought our latest capital improvement partnership to a close. An independent, organization-wide assessment found our agency to be among the best facility venue managers, educators through the arts, and live event programmers in the Western United States. In January 2019, we shared that thorough assessment with City Council, City Manager, and Director of Venues and Events (our primary contact for management communications). Along with the assessment, we extended an invitation to tour the newly restored Pantages Theater interior, as well as to provide Council an opportunity to discuss the future. As of this letter to you, we still have not received a reply to that invitation; though the invitation still stands.

The management contract between the City and Tacoma Arts Live called for completing the contract extension by March 31, 2020. From October 2019 to January 2020, Tacoma Arts Live requested face-to-face meetings with the City to further discuss and understand the path forward. All requests were disregarded for four months until mid-January 2020. However, as early as September of 2019, Tacoma Arts Live staff heard via the grapevine that the Director of Venues and Events planned to issue an RFP for facility venue management, potentially replacing Tacoma Arts Live.

When we finally convened in mid-January, our Board President and our staff were met with unfounded critical comments from a Tacoma Dome staffer, but little urgency to complete the negotiations on time. We were told nothing about an RFP or any path forward, despite requests. At that time, COVID-19 was barely discussed. Finally, in late March 2020, Tacoma Arts Live was informed by certified letter that there would be no contract renewal. This news arrived just days before a contractually agreed-upon deadline for terms to be defined for renewal. We were told an RFP process would be conducted in place of any dialogue or open negotiation. While Tacoma Arts Live certainly respects the need for the City to test the marketplace for such a contract, we don’t understand the six months of communication embargo nor the complete absence of any feedback regarding Tacoma Arts Live’s performance. The last time the City led a venue management RFP was in 2005, and that resulted in Tacoma Arts Live being awarded, and continuing, our partnership. More typically, the City has negotiated mutually agreeable changes and renewed the contract for 5 years.

For context, the current contract fee is approximately $725,000 per year. These fees pay only for partial costs facility management and maintenance, never any programming or educational services. Of this amount, approximately $275,000 is paid directly to third party vendors that provide mechanical maintenance, consumer consumables, liability insurance, technology support, utilities, etc. This amount is generally considered fixed cost no matter who the manager may be. The other $450,000 is spent on staff support for the community box office, events team, finance, administration, and union stage crew. The total payroll for the facility management team of approximately 35 FTE (and excluding all other staff) averages $1.3 million per year and paid to Tacoma and South Sound residents. The balance of revenue needed to run the three theaters and serve more than 500,000 visitors annually is paid by fees from venue rentals, box office, concessions, etc. In total, the City contract fee equals about 11% of our non-profit organization’s total annual budget of $6.8 million. The biggest client of these venues is Tacoma Arts Live events and education departments which pay for about 40% of all facility venue rental and labor fees (funded by the private sector via tickets, tuition, and charitable contributions.) And again, since 2006, City facility contract fees have paid ONLY for venue management, NEVER for any kind of program services to the community.
POST-COVID:

With the emergence of COVID-19, the world has turned upside-down. Tacoma Arts Live has been forced to shutter the theaters, an action we took directly on behalf of public safety in mid-March without any direction from government. We have indefinitely furloughed 38 staff and cut the pay for those who remain by 25%. We anticipate our annual revenues dropping from $6.8 million to $2.3 million. Nonetheless, our programs and education departments have been actively serving thousands of patrons virtually and hundreds of youth in-person with physical distancing to support the children of essential workers. Further, we have declined many foundation grants requesting funds be directed to essential services. Our team directly fund-raised for the Emergency Food Network helping generate the equivalent of more than 30,000 meals.

Tacoma Arts Live understands that City finances are dire. As of June 1, 2020, City staff directed a suspension of our facility venue management contract. We recognize that the City has MUCH larger problems than shuttered theaters and live arts and entertainment. However, to our knowledge, no other city in Washington State has taken actions this extreme.

In the spirit of our long-term partnership, Tacoma Arts Live offered multiple proposals to help support and save the City money while allowing continuity for Tacoma’s Resident Arts Organizations and other venue users. We offered that Tacoma Arts Live take ZERO contract fee while in a suspended closure, in exchange for a short-term extension of the management contract through December 2021. As you can imagine, certainty of any kind is an essential ingredient for Tacoma’s non-profit Resident Arts Organizations (i.e., Puget Sound Revels, Northwest Sinfonietta, Symphony Tacoma, Tacoma Arts Live, Tacoma City Ballet, Tacoma Concert Band, Tacoma Opera, Tacoma School of the Arts, and Tacoma Youth Symphony.)

Nonetheless, City staff declined our offers and requests, instead declaring that any contract/calendar-holds be terminable for any reason by the City. We do not accept such terms that would allow a third party to cancel agreements without defining cause; and provide no certainty. As of this update, no reasonable terms have been proffered by the City. To date, Tacoma Arts Live has received no payments on our contract as of June 1, 2020. City staff has taken over as the primary facility venue manager, including access control to various non-profit offices and storage, changing key protocols for access by paying renter groups without any written notice. Tacoma Arts Live staff has remained available for emergency response, such as a recent fire at the Rialto Theater (where no City staff appeared), and for other day-to-day issues. Meanwhile, our staff has been heavily involved in working with the Governor’s office on plans to re-open theaters throughout Washington State.

To go through the time and expense of an RFP and to change facility venue management while trying to emerge from a global pandemic seems to compound an already difficult environment. Tacoma Arts Live has managed for 40 years without incident, including the recent navigation of cancelling or postponing more than 45 events due to COVID, all without incident. The Director of Venues and Events has never issued any complaint to Tacoma Arts Live regarding its management. We do not believe that COVID-19 is the reason for the decay in our relationship.