

CASE STUDY

Park Square Theatre

| St. Paul |

CREDIT: TERRY GYDESEN

Fueling the impact and effectiveness of nonprofits with guidance, expertise, and capital.

power your mission
propel
nonprofits

LESSON

Get involved
early and
stay with the
organization.
Relationships
need to evolve
and extend to
more than
one person.

CONTENTS

A Better Understanding.....	5
Opening the Andy Boss Stage.....	5
The Future and the Business Model.....	6
Loan Information.....	7
Organization Information	7



CREDIT: TERRY GYDESEN

St. Paul's Park Square Theatre entered its fifth decade on the cusp of major change. Its co-founder and administrative and financial leader, ready to step down on schedule, had to miss his last month of leadership transition after an accident. Its Director of External Relations, Michael-jon Pease, had been prepared to enter a newly created Executive Director position, and stepped forward amid a major capital campaign with the ambitious goal of opening a second stage in the Hamm Building complex the theater called home.

Propel Nonprofits has a relationship with Park Square extending back 15 years, which takes the annual form of what Artistic Director and co-founder Richard Cook calls "farm loans," or operating expenses to run the theater until the "crops," or ticket proceeds, enable repayment. Since 2008, the theater had been engaged in the early stages of its capital campaign, seeing a 78 percent increase in annual budget (from just more than \$1.4 million to \$2.5 million). Now its goals looked explicitly ahead to a new management structure in parallel to the new stage.

Theaters, particularly those operating on a nonprofit model, are prone to the same growing pains often seen in other businesses—including the presence of multi-decade leaders whose vision enabled the creation of the institution but whose skills (or current, defined internal responsibilities) encounter difficulties as the organization's mission expands and changes. Through Propel Nonprofits' Kate Barr's long experience with the arts, she became a business-plan consultant with a goal of delineating a management structure that would be responsive to the needs of a Park Square with both an expanded budget and ambition, as well as the proposed second stage.



Theaters,
particularly those
operating on a
nonprofit model,
are prone to the
same growing
pains often
seen in other
businesses ...

CREDIT: BWBR ARCHITECTS

A BETTER UNDERSTANDING

Over the course of two years, Propel Nonprofits' Janet Ogden-Brackett and Park Square met closely, including on retreats, and developed and refined that plan. While Propel Nonprofits had been supplying an annual \$400,000 loan for normal operating expenses, in 2014 an additional \$600,000 loan was made for physical improvements toward opening the second stage.

Park Square initially worked with a private bank lender, with mixed results. "Propel Nonprofits understood us better," Pease says. "The bank didn't get it at all. They wanted more specific guarantees." Ogden-Brackett and Propel Nonprofits were more specifically attuned to the level of risk and fluctuation inherent in a ticket-sales-based business model, and were able to apply experience to the risks of the loan geared toward Park Square's expansion.

Hand-in-hand with this financial consultation was an intense emphasis on shepherding Park Square's management structure into a sustainable allocation of talent, skills, and workload. Pease, a gifted fundraiser and manager, worked with Ogden-Brackett on hiring Sheri J. Zigan as Finance and Operations Director. Here the transition was complete from a co-founder model to one featuring one senior director of management, a financial director, and Cook remaining as artistic director (Cook, known for spreadsheet skills as well as leadership as a theatrical director, now was freed to concentrate on the stage product, present and future).



CREDIT: PETRONELLA J. YTSMA

OPENING THE ANDY BOSS STAGE

Opening the Andy Boss Stage, a 200-seat house in addition to Park Square's longstanding 350-seat main house, was not without difficult moments. In 2014, ready for construction, that \$600,000 loan from Propel Nonprofits was presented with acknowledgment that contingency plans for failure included renting the theater spaces rather than self-producing to save costs. And when construction was delayed over complications in the physical space, it became essential for all partners involved, including the Park Square Board of Directors, to remain committed to the goal of increasing programming from approximately 10 to 19 shows a season, and for the theater to rise to a budgetary level commensurate with other players on the national stage.

While the Twin Cities is home to the Guthrie Theater and Children's Theatre Company, major regional nonprofits with budgets in the double-digit millions, there are a number of theaters with annual budgets in the \$1 million range. Park Square was in an ideal position to take the leap. It had a unique combination of a long history, a loyal subscriber base of

ticket buyers, a solid basis in education and student programming, and a strong artistic legacy.

THE FUTURE AND THE BUSINESS MODEL

“We went through seven years of various plans to be truly mid-sized, on the national scale, and to build a different kind of future,” Pease says, “instead of essentially being a \$1 million start-up every year.”

Zigan concurs. Pease adds that one of Ogden-Brackett’s strongest pieces of advice in hiring a Finance Director was to feel they would have a good working relationship. Moving to a more delineated management structure, Pease and Zigan would work closely together while Cook would focus on artistic decisions. Both Pease and Zigan indicate that Ogden-Brackett’s advice was borne out in reality.

“Our goal now is how to be a \$3.5 million organization,” Zigan says. “How do we grow our roots—thriving and sustaining—and what do we do to strengthen and stabilize our staffing?”

Park Square’s additional stage opened in 2014, initially based on a partnership model that brought in smaller local companies and opened up the artistic process to a diversity of perspectives and artists involved. Its operation is a work in progress, subject to the fluctuations of audiences and how they receive the wider variety of work Park Square is offering. Under Propel Nonprofits’ advisement, Park Square is working toward building a capital reserve to better weather those storms. Pease points to the model of community banking from previous generations as an example of what Propel Nonprofits has provided.

“What’s great about Propel Nonprofits is their mindset,” Pease says. “Their organization takes the role of what community banking used to do. The lender understands the business, and is shepherding the investment. And that’s just a role that the commercial side doesn’t do.”



“Our goal now

is how to be

a \$3.5 million

organization.”

CREDIT: PETRONELLA J. YTSMA

LOAN INFORMATION

Relationship Since	1986
Loan Purpose	Construction of the Andy Boss Thrust Stage
Structure	\$600,000 term loan
Collateral	Capital campaign pledges receivable
Underwriting Considerations	Weak collateral required additional repayment source
Risk Mitigation	Business model understanding, confirmed capital campaign pledges, strong relationship between Park Square Theatre and Propel Nonprofits
Technical Assistance	Quarterly meetings, support in developing a new cash flow projection for the board and staff

ORGANIZATION INFORMATION

Budget	\$2,500,000
Number of employees	13
Impact	Serves as both an artistic and economic generator for downtown St. Paul, student programs introduce 33,000 students to live theater

Propel Nonprofits' mission is to fuel the impact and effectiveness of nonprofits with guidance, expertise, and capital. Propel Nonprofits was created from the merger of Nonprofits Assistance Fund and MAP for Nonprofits. It serves nonprofit organizations in Minnesota and the adjacent states of Wisconsin, Iowa, North Dakota, and South Dakota.



1 Main Street SE, Suite 600
Minneapolis, MN 55414
612.249.6700
www.propelnonprofits.org