

- (2) Recognize that substantial capital funding, in the order of \$10 million to \$15 million, will be required in the decade ahead in order to address current and future Torpedo Factory Art Center facility deficiencies, as well as to address to-be-determined future program needs; and
- (3) Affirm that the City of Alexandria Office of the Arts will continue as the long-term managing entity responsible for management and operations of the Torpedo Factory Art Center,

SUMMARY: Based on the City Office of the Arts staff’s demonstrated and supported ability to effectively manage the operations of the Art Center, the desire and interest in working with the arts community both inside and outside of the building to enhance the experience of the visitors as well as the tenants, and the City’s unique ability to provide capital funding over time to meet the current and future needs of the facility, staff is recommending that the City assume long-term governance responsibility for the Torpedo Factory Art Center and continue to maintain the Art Center’s unique brand identity.

BACKGROUND: In 1974, a portion of the four Torpedo Factory buildings, which had been a munitions factory, and then a federal records and storage center, was reopened as a unique art center. The Torpedo Factory Art Center (the “Art Center”), which now comprises 74,000 square feet of space, became a showcase for the nation’s largest number of publicly accessible artists’ studios under a single roof. It was a unique model at the time of its establishment. Today the Art Center welcomes more than half million national and international visitors each year giving them the opportunity to meet and interact with more than 130 resident artists in 82 studios and seven galleries. The Art Center is also home to The Art League school and gallery. The Torpedo Factory Art Center was credited as a prototype of what is today called “placemaking” and became a model for art centers around the country in the 1970’s and 1980’s.

Since its inception, the Art Center has been managed via a variety of governance structures including City departments, the Torpedo Factory Artists Association (the “TFAA”), and then managed for about five years by the Torpedo Factory Art Center Board (the “TFACB”) which was a City-non-profit organization that City Council created in 2010. Since 2016, the Art Center has been managed by the City’s Office of the Arts. While the City has had rights to, or owned the facility, during this 44-year period of arts use, leases for use of the building covered most of its operating costs, and until the TFACB era, Art Center amortized capital costs were recovered in the lease rates for minimal upkeep and renovations. City incurred capital costs were no longer amortized and covered by the lease rates when the TFACB took over responsibility, in order to keep the studio leases more affordable to the artists.

Based on an expressed desire to improve the vibrancy of the Art Center after years of artist-led management and to make the overall arts experience more contemporary, in 2010, the City Council created the TFACB, made up of representatives of the community, arts groups, as well as representatives of the TFAA. The makeup of this TFAC Board did not prove to be effective in effecting change and in decision making, as the members were split in their interests which led to power struggles, and lack of progress and consensus.

The City began leasing the building to the TFACB in 2011. A chart illustrating the leasing structure in the building at that time is attached (Attachment 1). Throughout their administration the TFACB struggled to make decisions and, largely due to the built-in conflict of its board structure, was often not able to provide clear policy and program direction to their staff. Because the TFACB rented the studio space to the TFAA and then the TFAA rented space directly to the artists, the TFACB was not able to execute any real changes to the operations of the Art Center. It also meant that the TFAA determined which space was leased to whom, and what the program terms and conditions of the leases with the artists were. These terms and conditions not only included typical commercial lease conditions, but also related to the rules and regulations related to the artists and their studios.

The City's lease to the TFACB expired in October of 2016. After several years of ineffective operations of the TFACB, the City Manager decided to let the lease lapse with the TFACB and have City staff step in to manage day-to-day operations of the Art Center. With this change, the City began leasing studio space directly to the artists, instead of through the TFAA. An illustration of the current leasing arrangement is shown in Attachment 2. With this change in Art Center management, all of the current tenants, including artists, galleries and The Art League, were offered three-year leases. This three-year period (which expires September 30, 2019) was intended to provide time for the City to determine a more appropriate long-term governance structure for the Art Center while providing the artist tenants and The Art League with stability to continue their operations. Given the need to give the artists lead time to know what the lease rate and terms and conditions will be after the October 2019 lease expirations, it is important to make the governance decision substantially ahead of that date.

Since 2012, over a dozen reports, studies, and surveys have been conducted to provide insight on the operations of the Art Center, the role the arts play in Alexandria, and the City's investment in the arts on behalf of the community. A list of these studies is listed in Attachment 3. While these studies have different goals and recommendations, they all share common threads such as ensuring the building benefit the community through the arts, that a substantial facility investment is necessary, and that single leadership is necessary towards creating and sustaining a vision and mission.

As a publicly owned facility, the Art Center represents a living social bond among stakeholders (the Art Center artists, The Art League, and Alexandria residents and businesses), in bringing value to everyone in the community in the form of public enrichment through engagement with the arts. The lack of a long-term governance decision for the Art Center continues to result in an environment of uncertainty and anxiety about the future among the artists and organizations in the building and makes program/event collaborations and planning discussions difficult and undefined. The uncertainty has also led to undermining the City's initiatives at improving vitality at the Art Center.

A permanent governance decision is necessary to craft a vision and plan for the future and to ensure that the Art Center serves the broader community and residents of Alexandria.

DISCUSSION:

Current Management Progress:

In October 2016 the City, through the City's Office of the Arts employing nearly all of the former TFACB staff, assumed the day-to-day operations of the Torpedo Factory Art Center. Although the current management was designed initially to be interim, it has proven to work well, promoting broader community engagement and open communication, expanding the customer experience by developing and offering a variety of new programs and collaborations, and bringing 21st century artistic excellence standards to the Art Center through partnerships and implementation of contemporary best practices. The first full year under City management (2017) showed the highest visitor attendance since door counting began in 2005 and 2018 remains higher than average as it nears the end of the calendar year.

Staffing:

- Since 2016 City staff have aligned all operations with City policies and procedures including, but not limited to, budget planning and management, contracting, cash handling, customer service and diversity training, and security;
- assigned a position to work with tenant artists, leases, subleases, and artist development; and
- aligned contractors with City standards for hiring, salary, living wage, equal employment, and other City requirements.

Operations:

- The Art Center continues to be a self-sustaining fund within the City budget and the operation (except for capital amortization) is self-funded with revenue from studio/space rentals, program income, and special event rentals covering costs.
- Leasing has been streamlined so that all studios and organizations have individual leases directly with the City.

Facility: Art Center staff works closely with the artists and organizations in the building and the City's General Services Department on keeping the building open 360 days per year. Facility improvements under the City's management include, but are not limited to:

- Updating all interior signs throughout the building creating a cleaner, more professional presentation for wayfinding, general information, and programs,
- Updated safety and emergency protocols,
- Repainted walls and doors throughout the Art Center,
- Power washed the building façade, entrances, loading dock/garage, and washed exterior windows (takes place seasonally),
- Started a monthly deep cleaning of the six public bathrooms in the building which are used by many waterfront visitors,
- Installed free public Wi-Fi throughout the building and provided tables, and
- Created a more welcoming environment by providing chairs for artists and visitors.

Marketing & Communications: Emphasis continues to be on marketing the Art Center to the local community as well as maintaining a regional presence.

- Increased social media activity and participation on all platforms (Facebook, Instagram, Twitter, and Pinterest),
- Developed a full color, bi-annual program catalog which includes programing and information from all organizations within the Art Center,
- Integrated marketing with the City of Alexandria, Visit Alexandria, the Old Town Boutique District, Alexandria Arts Alliance and more, and
- Updated the external newsletter and developed a series of internal newsletters to improve communications.

Collaboration/Outreach: To ensure the Art Center continues to be a leading arts presence in Northern Virginia as well as an arts resource for residents and a tourism attraction for the City, staff works closely with organizations and partners in the region including the artists inside the Art Center:

- Established an internal team comprised of tenant artists, tenant organizations, and "friends" groups to discuss policy updates, facility needs, program collaborations, and other priorities,
- Hosts regular "Team Forums" multiple times a season for Art Center artists and organizations to discuss specific topics,
- Hosts program meetings several times a month to discuss collaborations and opportunities for artists to be involved with upcoming Art Center programs and events,
- Staff, with input from tenant artists and organizations, created an "Arts Expert Network" of select art professionals from the region to provide benchmarks feedback on policy, best practices, new initiatives, etc.

Programs: Staff has focused on growing audiences while increasing social capital and opportunities for new artists to experience the Art Center.

- Established the monthly "Late Shift" event which keeps the Art Center open later on Friday nights and

- engages new artists in temporary programs and exhibits,
- Created a new lecture series “Torpedo Talks” to engage artists and creatives from all disciplines to speak about their work and creative process,
- Collaborated with the American Geosciences Institute Foundation in Alexandria on a year-long science and art initiative,
- Hosted the first Beer and Wine Garden during the King St Art Festival inside the Art Center,
- Began focusing on veterans and active military in the arts programing,
- Collaborating with AEDP and local hotels to find alternative art exhibit spaces.

Artistic: Maintaining high artistic standards while bringing 21st Century best practices to the Art Center.

- Continued to grow critically acclaimed exhibits in the Target Gallery,
- Began the new “Art in Common Spaces” exhibition program, opening space to more artists and curated or jury selected art to be seen by the public in the centers public spaces,
- Established an exhibition space to highlight community art programs and an exhibitions pace to highlight internal tenant artists,
- Established criteria for artist who perform or exhibit at Art Center programs or events,
- Sought to ensure that studio hours are posted so the public knows when the artists will be present in their studios.

Developing a Pathway to the Future

The Torpedo Factory building is a public asset and is a significant element of the City’s multimillion-dollar Waterfront Small Area Plan planned improvements. The City provides space to all tenants in the building at far below market rents with no commission on sales charged to artists (a major benefit to the artists) that includes all aspects of building operations such as utilities, staffing and administration, cleaning and custodial services, programming, and marketing for a facility that is open to the public 360 days per year. In exchange, the artists have long had the responsibility (as now expressed through their leases) to provide quality experiences and open studios that provide visitors with the opportunity to experience quality art and artist interaction that enriches the lives of all Art Center visitors, connecting the community to the arts, through exceptional customer experiences, and continued learning towards the inspiration of creativity. This explicit connection between low lease costs, open studios, and public accessibility of artists has long been the staple of the Art Center.

As noted in previous reports and studies, the ability for the Art Center stakeholders to come together on a shared mission and vision has not been successful. One of the challenges for the Art Center continues to be the lack of a long-term single, clear directive or expectation for the Art Center to work towards. While City Office of the Arts staff has been successful in increasing programing and the visitor experience at the Art Center, staff continues to struggle to engage artist tenants in meaningful dialogue about the future, enhancing vibrancy and ensuring a sustainable future for the facility. While artists in the building possess a wealth of creativity that can help guide changes to strengthen the Art Center’s role as a leading institution into the future, attempts to engage the artists in basic discussions such as studio hours and representation have failed to receive support or participation from artists who are being told by pro-TFAA members that the City’s governance will be short-lived, therefore any attempt to make changes will be short-lived and can be reversed when the TFAA regains management responsibility. Without a clearly established long-term governance role, City staff will continue to struggle to engage with the artists and fully utilize that creativity.

The Torpedo Factory Art Center plays a key role in the future of the City. It is identified as the central gem of Waterfront Small Area Plan and is an anchor of the recently undertaken King Street Corridor Initiative. Further, it serves an important civic role as the creative engine of the City, with the growing potential to enrich the lives of all Alexandrians with 21st century arts management, operations, and experiences. The Art Center should be a focal point for the visual arts in Alexandria for the whole community, including its many diverse elements.

Significant capital investment in the Art Center has not happened in nearly four decades since the original overhaul in 1983. As it has with other City buildings, the City commissioned a comprehensive study (VFA) of the Art Center's physical condition. It received a "D" grade (i.e., near failing). Based on the VFA, the City's Department of General Services has estimated that just to address priority key deficiencies would require about \$10 million in capital investments over the next ten years just to get the Art Center to a "C" grade level including significant investment in utilities such as plumbing, electrical, heating and climate control, and accessibility.

Beyond the basic building infrastructure, additional funds would be needed to overhaul the building to make it a 21st Century art center and would require additional capital investments beyond what the VFA outlines. It could require as much as \$5 million or more, depending on the scope of work. This would bring the total amount of capital investment to between \$10 million to \$15 million or more. The amount above the base \$10 million will depend on the breadth of future facility improvements. The City has planned in its 10-year capital plan for a space study of the Art Center to occur in 2020 that will help outline future capital needs and improvements. To undertake that planning a clear vision of the future of the Art Center is needed.

Staff believes that continued City stewardship of the Torpedo Factory building is critical to its continued use as an arts anchor for the community. A clear future and vision can effectively only be formulated after the determination of a single lead long-term management entity. Staff has evaluated alternatives for a permanent governance structure and have identified four basic management options that could apply in this situation: City managed, for-profit private developer managed, for private independent business such as the TFAA, or non-profit managed.

However, when taking into consideration the considerable capital investment that this City-owned facility will need in the near and continuing future, some of these governance options would not be feasible. As we saw with the creation of the TFACB, it is highly unlikely that the TFAA or any non-profit could raise the necessary \$10 million to \$15 million needed to improve and continually maintain this historic Art Center. A new non-profit may also have a difficult time reaching consensus on the future vision of the Art Center as did the TFACB. The City or a private developer would likely be the only entities that would be able to raise the necessary funds. While there has been considerable interest from private entities in taking over the building by lease of acquisition from the City, any private entity would find it necessary to replace a significant amount of the arts space with commercial market-rent paying retail/restaurant and/or office space in order to generate the necessary capital to finance the needed improvements.

The City is the only organization capable of the level of investment that can ensure that the community's interests are also considered in any capital improvement investments. Additionally, the City is better suited to meet the goals outlined in the City's Arts and Culture Master Plan and the Waterfront Small Area Plan and has the ability to impact initiatives such as the King Street Corridor Initiative and Old Town North Arts and Culture District. Similar to the City's initial investments, the City should continue to invest in the Art Center as a model of placemaking and civic improvement.

Based on the City staff's demonstrated and supported ability to effectively manage the operations of the Art Center, the desire and interest in working with the arts community both inside and outside of the building to enhance the experience of the visitors as well as the tenants, and the City's unique ability to provide capital funding over time to meet the current and future needs of the facility, staff is recommending that the City assume long-term governance responsibility for the Torpedo Factory Art Center and continue to maintain the Art Center's unique brand identity.

Staff recognizes that this governance decision is the not the end of the conversation, but rather the beginning. Once this decision is made, staff will establish a planning process to more fully collaborate with the Art Center, the arts community, and public stakeholders to develop a Torpedo Factory Art Center Vibrancy and Sustainability Plan. This would be done with the Arts Commission providing advice and feedback. This Plan will outline methods for enhancing the visitor experience and ensuring the continued sustainability of the Art Center into the future. Staff believes that once this long-term governance decision has been decided by Council, artists in the building will be invested in working with staff to jointly create a path to future vibrancy and sustainability. Staff believes that it can bring this Plan to the City Council in late 2019.

The current three-year leases granted to all of the Art Center tenants expire September 30, 2019. Following Council's consideration of this governance recommendation, staff will renew the existing leases for a period of one year, to September 2020. Staff believes that this will allow time for staff and the artists, through development of the Torpedo Factory Art Center Vibrancy and Sustainability Plan, to consider any changes to the current lease structure that may be appropriate or desirable.

FISCAL IMPACT: There is no immediate fiscal impact of the actions requested of Council. It is contemplated that the Art Center would continue to operate as a special revenue fund within the City, and that the Art Center would be self-sustaining on an operating basis and continue to offer below market rents to the artists. With City management, capital investments would come from the City CIP and could range in the \$10 million to \$15 million range over the next 10-years.

ATTACHMENTS:

- Attachment 1: Prior lease structure
- Attachment 2: Current lease structure
- Attachment 3: Torpedo Factory Art Center Studies
- Attachment 4: Presentation

STAFF:

- Emily A. Baker, Deputy City Manager
- James Spengler, Director, Recreation Parks & Cultural Activities
- Diane Ruggiero, Deputy Director, Recreation, Parks & Cultural Activities
- Brett John Johnson, Regional Program Director, Recreation, Parks & Cultural Activities