To: Chariti Montez, Director, Office of Arts & Culture
From: Bill Blake, Director, AMS Planning & Research
Cc: Soo Pak, Arts, Culture & Special Events Manager
Rachael Lembo, Interim Executive Director, Portland'5
Date: May 29, 2025
Project: Portland'5 Assessment
Re: Summary of AMS's Key Findings

## Overview

On April 2, AMS presented an analysis of Portland'5's business model and governance structure, comparing it with a group of 50 significant performing arts centers (PACs) across North America tracked by AMS. This analysis was part of a larger effort to evaluate current conditions, understand best practices, and explore potential scenarios for Portland'5's future. At subsequent Work Group meetings, AMS participated in the development of a series of guiding principles and success indicators and shared a sample evaluation of how these elements could be utilized to evaluate management and governance changes.

### 1. Current Industry Conditions

*PACs Nationwide*: Approximately 90% of major PACs are operated by private nonprofits, even though 1/3 are publicly owned (17 of the 50). Public-private partnerships are common, with the most common being public ownership of real estate with a private non-profit entity as a lessee ($1/year) and operator.

*Operating Models*: Centers typically operate as a Presenter (operator programs a majority of events at its own financial risk), a Landlord (majority of time rented to others), or a Host (anchor tenants/resident companies drive majority content). Most operate in a hybrid model with one of these operating modalities emphasized. Portland'5 operates primarily as a Host, but also engages in a small amount of at-risk presenting and the rental of surplus dates as demand and opportunity dictates.

*Post-Pandemic Recovery*:

1. Activity is rebounding, but not evenly. Centers with smaller budgets (defined as under $25 million) are lagging larger-budget Centers.
2. Event counts across the comparison group remain below pre-COVID levels, especially for nonprofit rentals and resident companies.
3. Costs have risen significantly; ticket prices and fees are not rising fast enough to offset them.
4. Despite fewer events, some centers have grown audiences through higher per-event attendance.

## 2. Benchmarking Portland'5

AMS compared Portland'5 to a comparison group of nine PACs with FY24 budgets ranging from $15M to $30M. Key takeaways:

*Activity*: Portland'5 hosts more events than peers, driven largely by its multiple venues and resident company programming.

*Capacity Sold and Revenue per Available Seat*: Portland'5 has above-average capacity utilization at performances and events (69% sold vs. group avg. of 62%). However, revenue per available seat[1] that flows to Portland'5 is lower than the comparison group ($21 vs. $59), which reflects the limited nature of P'5's at-risk presenting and P'5's Host-Landlord operating model where the vast majority of ticket sales dollars flow to facility users, not the operator.

*Revenue Mix*:

- Portland'5 relies heavily on earned revenue (85%), most significantly from facility rentals and related pass-through labor and service charges (including rental to resident companies). The average of comparable centers is 77% earned revenue.
- Contributed revenue at Portland'5 is almost entirely government-based; the group average includes more individual philanthropy, which tends to be given in support of center-presented (at-risk) performances and educational programs.

*Expenses*:

- Operating expenses per sq. ft. are lower than the group average. ($70 vs. $121)
- Admin costs are well within the range of comparable centers ($4.7M at P'5; $5.4M group average), but programming investment is relatively limited.

*Financial Efficiency*: Portland'5 essentially breaks even with a 2% operating margin (vs. 12% comparison group average).

[1] Total Revenue per Available Seat calculation: total operating revenue divided by total available seats. Total available seats calculated by multiplying the total number of ticketed events in each venue by the seating capacity of that venue.

## 3. Emerging Governance & Operational Scenarios

There are three general directions that could be explored and evaluated for future management and governance changes at Portland'5:

- Outsource: Retain City ownership but contract operations of all five venues to a nonprofit or for-profit operator.
- Multi-Operator: Assign different venues to separate operators—possibly with different ownership structures.
- Modify In-Place: Keep a government-based structure, but refine operations, related agreements, and increase support and advocacy with public and private funders.

## 4. Key Questions Moving Forward

- Define Success: What are the key success indicators for the venues from City Council, Metro Council, key donors and board members of the resident companies, downtown stakeholders, current and prospective venue renters, and audiences? How do these different constituent groups each envision success? Which success indicators are most important? And which should be given secondary consideration?
- Assess Support: What level of public and private support is potentially available to implement changes and improvements to the venues and their operations? How would the level and sources of support influence decision-making and goal-setting?
- Plan for Capital Maintenance: What capital strategies exist for renovations, upgrades, and deferred maintenance? Industry practice indicates that major capital improvements and system replacements are not wholly funded from annual operating revenue.
- Consider Impacts: How would changes to Portland'5 impact the arts and cultural ecosystem of Portland? What would the impacts be on downtown? And the region's reputation as a culturally rich destination?