



Nicola Valley Community Theatre

BUSINESS PLAN

Nicola Valley Community Theatre Society

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EXECUTIVE SUMMARY

The purpose of the Nicola Valley Community Theatre Society project is to provide a community theatre facility to exhibit, present, and establish a performing arts venue. The vision is to encourage and promote arts, culture and heritage events directed toward the advancement of public education and the aesthetic awareness of the citizens of Merritt and the surrounding rural communities.

The Nicola Valley Community Society (NVCTS) will accomplish this goal by providing land and by constructing a suitable multi-plex cultural space. Furnished with amenities proper to a cinema, exhibition and performance facility, this cultural facility will be made available to user groups for the benefit the community as a whole.

This community facility will be the place to hold classical music and concert events, film festivals, lectures, and conventions. The Society will work closely with user groups to encourage local and touring theatre performances. This cultural space will benefit the community as a whole not only through events designed to raise the horizon of knowledge, but also by providing the community with the opportunity to see exhibitions, heritage presentations, and the performance of artistic works directed toward improving the quality of public dialogue, arts education, and the aesthetic appreciation of cultural and heritage events of artistic merit.

The downtown core of Merritt is in need of an 'attraction' that will bring people into this part of the City. While Merritt and the Nicola Valley offer numerous outdoor recreational pursuits throughout the year, the choice for those who are looking for something different is limited. In this digital age, the community misses out on many entertainment opportunities because it lacks a venue and the appropriate equipment to provide an experience people have come to expect on a consistent basis.

The Nicola Valley Community Theatre Society has identified an entertainment opportunity that is currently lacking in the City of Merritt, BC. Attending performing arts events and cultural festivals as well as going to movies is a popular recreational activity among British Columbians. In 2010, nearly three-quarters (71%) of British Columbians attended performing arts events or cultural festivals. With movie ticket sales added to the amount spent by British Columbians on arts and culture events of all kinds, it is not surprising that the BC Chamber of Commerce sees a strong and positive correlation between the economic benefits accruing to business and arts and culture events and sociocultural benefits to the community as a whole.

By providing a product that customers want, the Nicola Valley Community Theatre Society will bring people downtown, thereby giving businesses located there more exposure and potentially new customers. The construction of this community theatre, estimated to cost about \$5 million, will contribute toward lasting and sustainable community growth and development.

For several years now, to build and operate a community-owned not-for-profit theatre has been the vision of the Nicola Valley Community Theatre Society whose directors are all volunteers. These individuals have a systematic approach to the realization of the vision for a community theatre facility. They researched other community-owned and operated movie theatres, they have established goals and objectives for this enterprise, they have analysed the market potential, looked at strengths, weaknesses, opportunities and threats and developed a preliminary marketing and financial plan. The project is an ambitious one but also an exciting one which will help the downtown business community, create jobs and support a climate for new business investment in the City and beyond.

Project Description

The Nicola Valley Community Theatre Society has purchased property in the downtown area of Merritt, BC. The Society have plans to build a new 14,000 sq. ft. multi-purpose building which will have four theatres all with stadium seating and equipped with the latest digital technology. There will be a box office and concession area, a lobby and storage space, a backstage area, a meeting room and washrooms. The largest theatre will be designed for exhibitions, arts and culture performances, local productions, lectures, and the variety of events, for which a stage is always needed.

The goals of this new not-for profit enterprise are as follows:

- a) To support heritage, arts and culture in the community.
- b) To advance public education.
- c) To support community growth and development.
- d) To support downtown businesses.
- e) To provide the community with a theatre facility beneficial to all and available for exhibition, presentation, and performance of artistic works of merit.

The **Nicola Valley Community Theatre** is the proposed name of the theatre complex. The **Nicola Valley Community Theatre** will provide a venue for live performances and community arts and culture events. In recognition of the relatively small market size, the community theatre will offer an array of products and services to appeal to as broad a range of the population as possible. A secondary focus will be the showing of movies on a daily basis. This will by far be the main income generator for the not-for-profit enterprise.

An Overview of the Theatre Industry

The BC Chamber of Commerce wrote in 2013 that it “firmly believed the arts and cultural sector of B.C. benefits business and contributes to building strong, economically-sound communities”. Although it is difficult to calculate the exact impact on the economy through spending on the arts, we know anecdotally that there is a strong, positive economic correlation between arts and cultural events and money spent in hotels, restaurants, travel services and retail businesses”.

Participation in arts, culture and heritage performances between 1992 and 2010 grew sharply. A 2012 report prepared by Hill Strategies stated that the participation rate increased eleven percentage points between those two years and was estimated to be 27% in 2010. That year, the report went on to say, 71% of British Columbians attended performing arts events or cultural festivals.

The film industry includes motion picture theatres, broadcast and cable television and, in the past few years, DVD rentals and purchases, and online movie downloads through the Internet. The largest revenue generator of the film industry is the video market but motion picture theatres remain important. One blockbuster hit such as the recently released movie *Star Wars, The Force Awakens*, generated nearly \$530 million in ticket sales the first weekend it was shown in theatres. The industry has shown itself to be recession resistant as seen in the past and most recently since the 2008 downturn in the economy and its uneven recovery. The industry projects a stable future with continued increases in revenue due to technology advances and alternative programming opportunities.

Market Size

The market size for the proposed community theatre is 15,100 people within a geographic area that encompasses Spences Bridge, Logan Lake, Merritt and Princeton and the areas in between. While not all residents of the outlying communities travel to Merritt on a regular basis, sufficient numbers do to include a portion of their population in the market size figure.

There is no recent market research data available on how often the residents of Merritt and the surrounding area attend arts and cultural events nor how many and how often they go see movies. The local film society shows six movies per year and anywhere from 80 to 120 people attend each showing. In addition, people will travel to Kamloops and other communities to see movies. A number of local arts and culture events are well attended. In addition, many residents travel to other communities to attend such events. There is a rather limited market for a wide variety of products ranging from live music performances, to visual art shows, to author readings, story tellers, live amateur theatre, community concerts and dance recitals.

It is estimated that the per capita figure for Merritt and area will be in the neighbourhood of 3.2 movie-going visits in the first year. This number is in line with movie attendance in other communities of similar size and characteristics. Per capita attendance at movie theatres in British Columbia was 3.3 visits in 2012, 3.7 for Alberta, 3.6 for Ontario and 2.8 for Quebec.

In addition to these two categories of entertainment opportunities that will be offered at the community theatre, the venue will also be attractive to the School District for all manner of learning opportunities for staff and students. Initially the rental revenue may not be very large but over time, will likely become a significant income generator.

A third category of user will be other community groups and individuals who for one reason or another will find this venue suited for a special event they will be organizing.

Merritt has four venues for community produced or community sponsored music, dance and dramatic performances. These four venues also host public, educational and commercial gatherings. All four venues do not always have the necessary requirements that are needed for a performance or production. A community theatre will fill the gaps that have been identified by others in order to provide a quality experience for the audience and offer new opportunities to support and enhance the arts and culture sector of the community.

Market Survey

A survey was conducted in 2010 to determine if there was support for a movie theatre and to try to quantify that support.

Five hundred and seventy one (571) surveys were completed and returned. From the tabulation of the responses, the following picture emerged:

- Eighty-one percent (81%) of the respondents said they strongly supported having a community-owned movie theatre in Merritt.
- Sixty-two percent (62%) felt it was very important to have first-run movies shown as soon as possible.
- Nearly forty percent (39%) of respondents said they would go to the movie theatre 2-3 times per month. The next largest category was once a month (24%).

Although the survey was not a random survey of respondents and the results cannot be extrapolated to the entire population, the information can be used with a degree of confidence as to the interest and support for a movie theatre in Merritt.

Financial Summary

The total project cost is estimated to be \$5.1 million dollars with \$4.1 million raised through corporate sponsors, grants, private donors and community donations, and \$1 million in debt financing should that be required.

The capital costs for this project consist of

- the cost of the land;
- the cost of the architect;
- the cost of the building to be built; and
- the cost of the equipment and furnishings for the community theatre building.

The Society purchased a piece of property for \$300,000 for the community theatre. Based on the costs of a recently built theatre and confirmed by the firm of architects hired by the Nicola Valley Community Theatre Society, the projected cost for the community theatre will be \$226/square foot. The size of the building in Merritt will be 14,000 sq. ft., which translates to a capital cost of approximately \$3,200,000.

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The cost of architectural services is projected to be \$136,000 with equipment and furnishings projected to cost \$800,000. Other capital costs include development cost charges and permits, landscaping and a project manager to oversee the construction phase. This group of capital costs is projected to amount to \$300,000. The contingency amount is estimated to be 10% of estimated capital costs.

Total revenues are projected to be \$802,280 in Year 1 and increase to \$894,220 by the end of Year 3. Revenue from sources other than movie tickets and concession sales is projected to represent about 1% of total revenue in the first few years. The largest expense will be film rentals estimated to be about 38% of revenues with concession costs representing another 13% of revenues. Operating expenses (excluding the first year's start-up costs) are projected to amount to approximately 35% to 37% of gross revenues. With a bank loan (\$1,000,000), the community theatre is projected to show a small surplus in Year 3. Without a bank loan, the community theatre is projected to show a surplus at the end of Year 1.

THREE-YEAR PRO FORMA INCOME STATEMENT WITH A BANK LOAN

Line #		Year 1	Year 2	Year 3
		\$	\$	\$
	Revenue			
1	Tickets	459,040	475,800	492,900
2	Concession	338,240	366,000	394,320
3	Other	<u>5,000</u>	<u>6,000</u>	<u>7,000</u>
4	Total Revenue	802,280	847,800	894,220
	Cost of Goods Sold			
5	- Film Rentals	306,328	318,060	330,030
6	- Concession	101,472	109,800	118,296
7	- Other	15,000	15,000	15,000
8	Less: Total Cost of Goods Sold	422,800	442,860	463,326
9	Net Revenue	379,480	404,940	430,894
10	One time Start-up Costs	50,000	0	0
11	Total Operating Expenses	279,150	302,400	327,650
12	Bank Loan	102,000	102,000	102,000
13	NET INCOME	-51,650	540	1,244

Note 1: The annual debt repayment figure of \$102,000 has been calculated assuming an interest rate of 6% with a 15 year repayment term.

THREE-YEAR PRO FORMA INCOME STATEMENT				
<u>WITHOUT A BANK LOAN</u>				
Line #		Year 1	Year 2	Year 3
		\$	\$	\$
	Revenue			
1	Tickets	459,040	475,800	492,900
2	Concession	338,240	366,000	394,320
3	Other	<u>5,000</u>	<u>6,000</u>	<u>7,000</u>
4	Total Revenue	802,280	847,800	894,220
	Cost of Goods Sold			
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6	- Concession	101,472	109,800	118,296
7	- Other	15,000	15,000	15,000
8	Less: Total Cost of Goods Sold	422,800	442,860	463,326
9	Net Revenue	379,480	404,940	430,894
10	One time Start-up Costs	50,000	0	0
11	Total Operating Expenses	279,150	302,400	327,650
12	Debt Repayment	0	0	0
13	NET INCOME	50,330	102,540	103,244

Marketing, including pricing and products, will be key to making the community theatre a financially viable enterprise that will translate into a number of community benefits including

- o A revitalized and re-energized arts and culture sector contributing to overall community well-being and offering numerous opportunities to people of all ages to participate in this sector.
- o A healthier downtown business area as a result of increased sales and new businesses opening.
- o New job opportunities, job creation and on-the-job training.
- o New construction – business and residential.

Business Risk and Assessment

As the 2010 survey showed, Merritt residents enjoy going to the movies. Over the past four years, there has been much interest in the idea of a community theatre as the Nicola Valley Community Theatre Society proceeded with its plans for such a building. With any new enterprise, non-profit or for-profit, there is a risk that actual revenues and costs could differ significantly from the projections no matter how detailed and extensive the research prior to the opening, how well the analysis was done, and how accurate and comprehensive the assumptions were thought to be. The research findings and assumptions on which this business plan has been built have been carefully examined, assessed and measured against two other community-owned and operated movie theatres. One of these is the Salmar Community Association of Salmon Arm which has operated a Cineplex for over twelve years. In that time the Association's directors have given over \$1million to the community for various projects and initiatives.

The Nicola Valley Community Theatre Society directors are confident that the assumptions and the financial data that have been developed are sound and have every confidence that a community theatre will be cost-effective and, over the long term, provide a number of economic, educational, cultural and social benefits to the community as a whole.