

# EXECUTIVE SUMMARY

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THE WONDERFUL TOWN report looks at the practical underpinnings of New York theater, not the particulars of its artistry. But even painting a picture devoted solely to the industry side of theater requires a broad canvas. We've drawn data from numerous sources, from New York City-specific studies to national surveys; never before has all of this information been considered in a single analysis of theater in New York like the one that follows. Here's a summary of our findings in each of the report's five major areas of inquiry.

### REAL ESTATE:

When theater companies in New York are asked about their most pressing concerns, affordable space almost always tops the list. Severe rent hikes in major arts districts are forcing companies to flee to cheaper neighborhoods, though even the outer boroughs no longer offer real bargains. Around the city, cultural districts both planned and

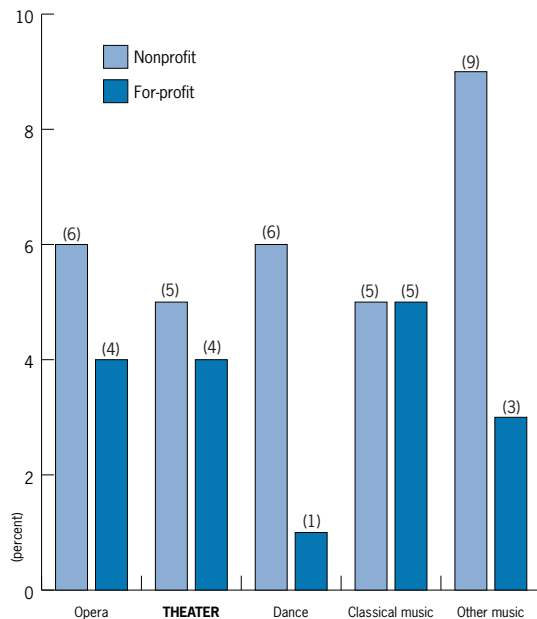
organic have been sprouting in recent years. In the late 1990s, innovative public/private partnerships on 42nd Street led to new theater spaces, though some New Yorkers complained that Times Square lost its gritty charm in the process. Meanwhile, a \$650 million arts district grows in Brooklyn—and it could be hardly more distinct from the urban-renewal model of Lincoln Center or the corporate-cultural synergy of Times Square. Brooklyn Academy of Music impresario Harvey Lichtenstein has hired some cutting-edge architects to produce a master plan for the cultural district, taking a cue from a museum industry that has drawn huge crowds to showcase buildings from Bilbao to Milwaukee. Can theater also learn from museums how to turn its venues into destinations that attract visitors throughout the day, and how to take advantage of Americans' growing desire to consume culture in a flexible way?

### PUBLIC POLICY:

In a city that hasn't officially codified its cultural policy since 1976, theater companies can't be blamed for feeling a little unsure about the future of public funding. Nationally, the bottom has fallen out of support from the National Endowment for the Arts. And at New York City's Department of Cultural Affairs (DCA), staffing has shrunk and hefty cuts are expected as the city faces a projected \$4 billion deficit for fiscal 2002. Under Mayor Rudolph Giuliani, the DCA did begin to provide money to theater companies for capital projects even if they weren't occupying city-owned buildings. But industry leaders complain that the city has been slow to recognize theater's value as an economic engine that helps drive the city's \$25 billion tourism industry (Broadway theater alone generates more than ten times as much economic activity as the beloved Yankees do). Another continuing problem: Research on the industry is scarce, a fact that's all the more glaring now as theaters begin to press their

### AN ERA OF GROWTH

INCREASE IN NUMBER OF NATIONAL NONPROFIT ARTS ORGANIZATIONS, BY DISCIPLINE, 1982-97



Source: RAND

public-policy case to a new mayor and a city council that, thanks to term limits, overflows with freshmen. For what it's worth, new Mayor Michael Bloomberg told one reporter he enjoys "theater, dining and chasing women." In that order?

### DOLLARS AND CENTS:

To better understand the nitty-gritty issues that theater operators face (and the numbers they must juggle), we break down the pre-opening budgets of four productions, from a \$7,500 off-off-Broadway production to a \$2 million Broadway show. We then look at the state of theater unions. The financial crisis in New York theater that followed the Sept. 11 attack brought labor and management groups together, but whether that cooperation will last is uncertain. We detail three systemic and deeply rooted issues that threaten to become particularly contentious. Finally we examine advertising, an area in which television has helped theater reach new audiences but also has made hyping shows more expensive than ever. When it comes to print, the prevailing question for most theaters is how much money to spend for a presence in *The New York Times*, whether it's for a full-page ad or a simple but vital inclusion in the Theater Directory section known as the ABCs. The fact that entertainment listings sections in many of the city's publications are shrinking fast has made advertising dilemmas that much more pressing. Mid-sized producers say they're unusually squeezed by the realities of the ad market because they compete for audience with big-budget productions but cannot afford big-budget ad rates.

### NEW CREATIVE FRAMEWORKS:

Increasingly, commercial Broadway theaters are unable or unwilling to develop their own productions, particularly straight plays. Marriages of convenience between nonprofit and commercial theaters, or between one nonprofit and another, have helped fill the gap. Nationally, nonprofit theater companies reaped a stunning 120.5 percent increase in

inflation-adjusted income from co-productions and commercial enhancement funding between 1997 and 2000. But these collaborations have led to tensions over who bears the burden and who gets the rewards, and whether such arrangements threaten the original mission of off-Broadway theater. Meanwhile, other kinds of cross-breeding have invigorated New York's theater, television and film worlds, with increasing fluidity between artistic fields by performers and writers who refuse to limit themselves to just one. The new opportunities afforded by that crossover and the freedom to tell particularly immediate kinds of stories—"New York stories"—keep many creative artists in Gotham even as Hollywood exerts its undeniable financial lure.

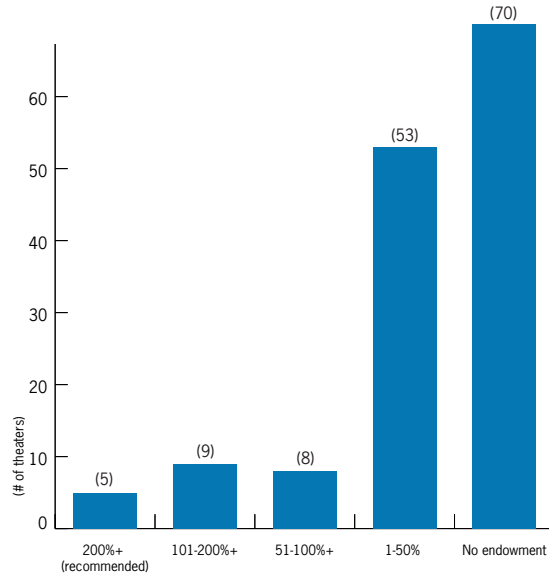
### THE PRESS:

Like some ever-feuding, mutually dependent couple, theater and the press love to grouse about one another—the press about cynical, commercial formulization in the field, theater professionals about media negativity and the increasingly service-oriented drift of contemporary coverage of the industry. The press may be getting an unfair shake in one regard: Theater criticism, we've found, is more often positive than negative. Even *The New York Times'* culture editor says the paper holds a special fondness for the industry. Still, *The Times'* continuing dominance of the scene threatens the development of other critical voices. And theater professionals maintain that as a whole, coverage of the theater aims lower and holds less weight than it once did, and that the average review is more scorecard than basis for meaningful dialogue. Bigger productions, particularly glossy musicals, are devising "end-around" marketing strategies that aim to bypass critics and theater writers altogether.

Those are the broad outlines of our report. As we move into its particulars, here are 10 dominant trends and pressing issues that, taken together, help map the current industry landscape:

## WITHOUT A NET

ENDOWMENTS OF NONPROFIT THEATERS, AS A PERCENTAGE OF ANNUAL COMPANY BUDGET, 2000 DATA



Source: Theatre Communications Group

### Broadway Attendance Falloff Feared:

After dropping nearly 70 percent the week of Sept. 11 compared with the same week a year before, Broadway grosses had by early December returned to within 10 percent of normal. But what will happen in the lean winter months and throughout the spring? With

the attendance boom of the '90s having slowed to a mere 1 percent-a-year gain since 1997, has Broadway finally lost its momentum?<sup>1</sup>

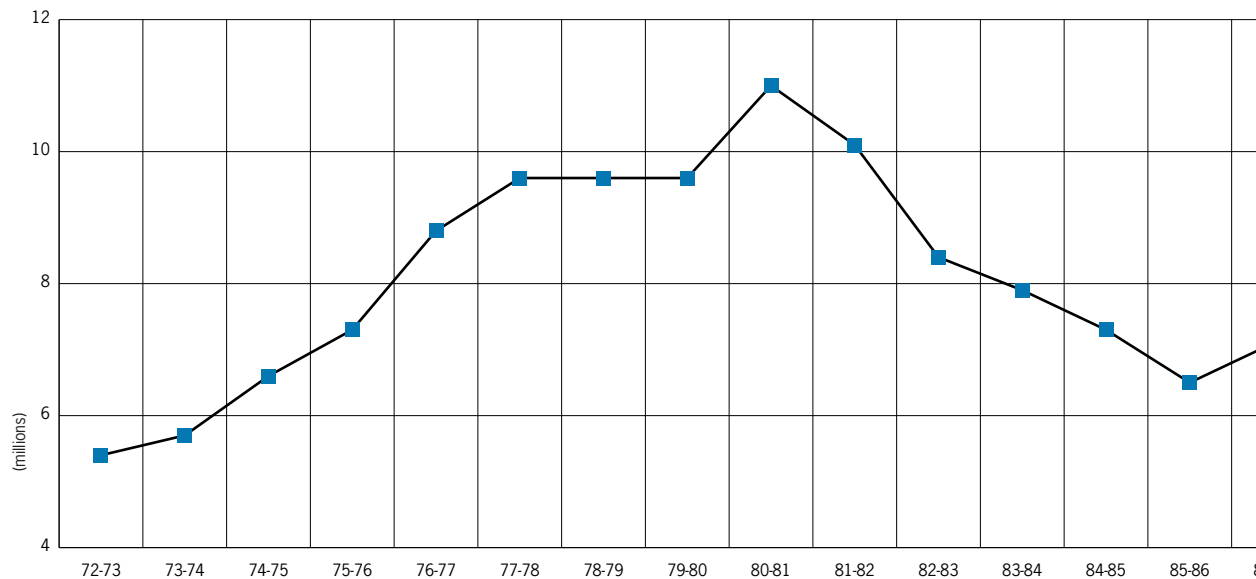
*Nonprofits Unprepared for Lean Times:* Most nonprofit theaters have insufficient endowments, typically amounting to less than 50 percent of their annual budgets; the recommended endowment cushion is four to ten times that.<sup>2</sup> Will nonprofit theaters be able to weather the storm if the current recession persists? Foundations' use of three-year rolling averages for budgeting purposes will delay recent stock-market-driven damage for a few years, but the impact *then* may be that much heavier.

*"Cultural Tourism" Increases:* Twenty years ago, about 60 percent of Broadway attendees were from the New York metropolitan area. But by last year, that had declined to 44 percent, with a 38 percent decrease in the number of attendees from within the city limits.<sup>3</sup> Though Americans' recent reluctance to travel has tipped the balance back toward local audiences since Sept. 11, the longer-term trend is crucial: Historically, city audiences have been the ones to support serious, daring theater.

*"CIGs" Dominate City Funding:* Smaller arts organizations are heavily dependent on fund-

## UPS AND DOWNS

ANNUAL BROADWAY ATTENDANCE



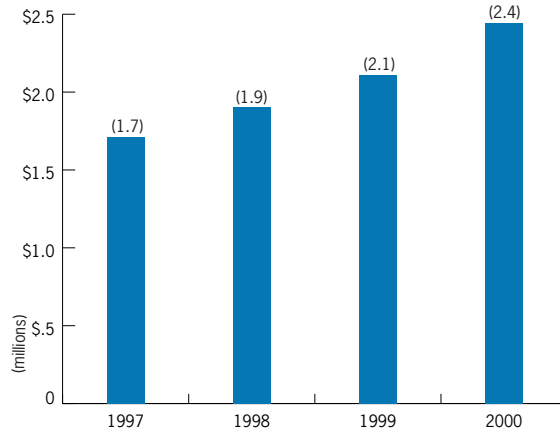
ing from New York City’s Department of Cultural Affairs, which accounts for 43 percent of their government funding.<sup>4</sup> But most DCA funding is earmarked for the city’s arts behemoths—the 35 venerable organizations on city-owned property known as the Cultural Institutions Group. Will the new mayoral administration show any inclination to de-emphasize the CIGs?

*Small Theaters Especially Vulnerable:* Nonprofit theater saw significant growth in the late-’90s, with both earned and contributed income far outpacing inflation. Predictions that corporate support for nonprofits would compensate for declines in federal funding were borne out. But those corporate dollars went mainly to the biggest organizations. The smallest New York City nonprofit arts groups saw across-the-board declines in both corporate and public funding. As a result, the gap between the arts-world haves and have-nots is growing. In the late 1990s, the income of the city’s largest nonprofit arts organizations increased by 24 percent, while the income of the smallest declined by 12 percent.<sup>5</sup>

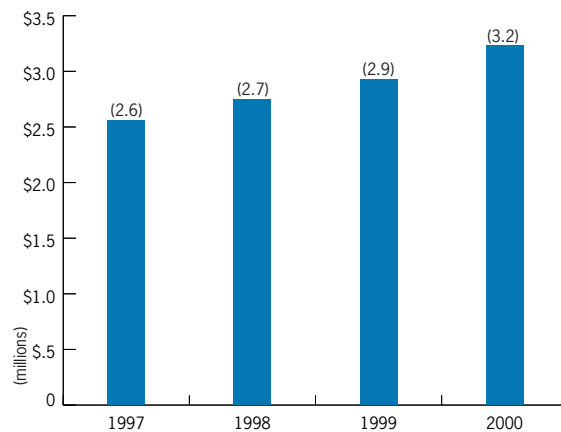
*Blurring Line Between Commercial/Nonprofit:* The more relevant distinction now is between

### RISING INCOME FOR NONPROFITS

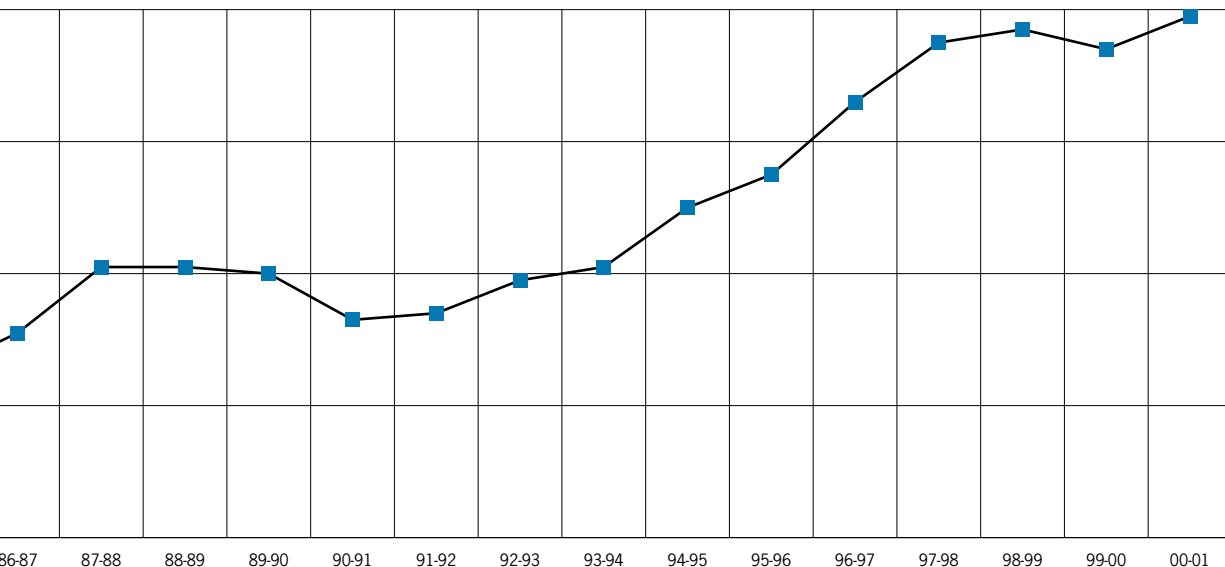
GROWTH IN AVERAGE CONTRIBUTED INCOME, NATIONAL NONPROFIT THEATERS



GROWTH IN AVERAGE EARNED INCOME, NATIONAL NONPROFIT THEATERS



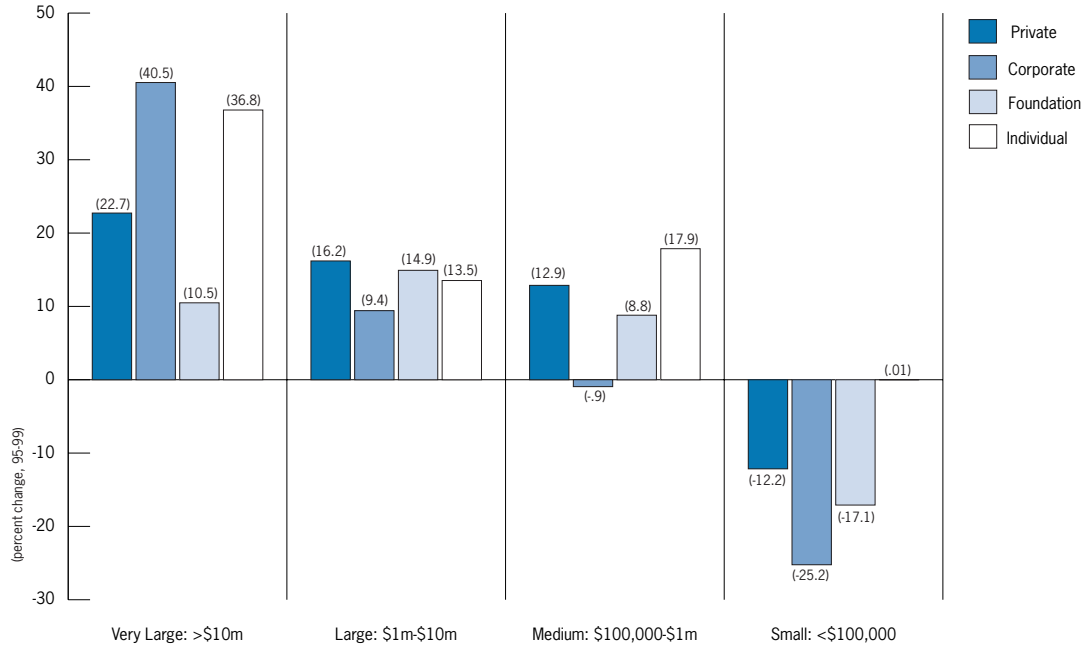
Source: Theatre Communications Group



Sources: League of American Theatres and Producers, Audience Research & Analysis

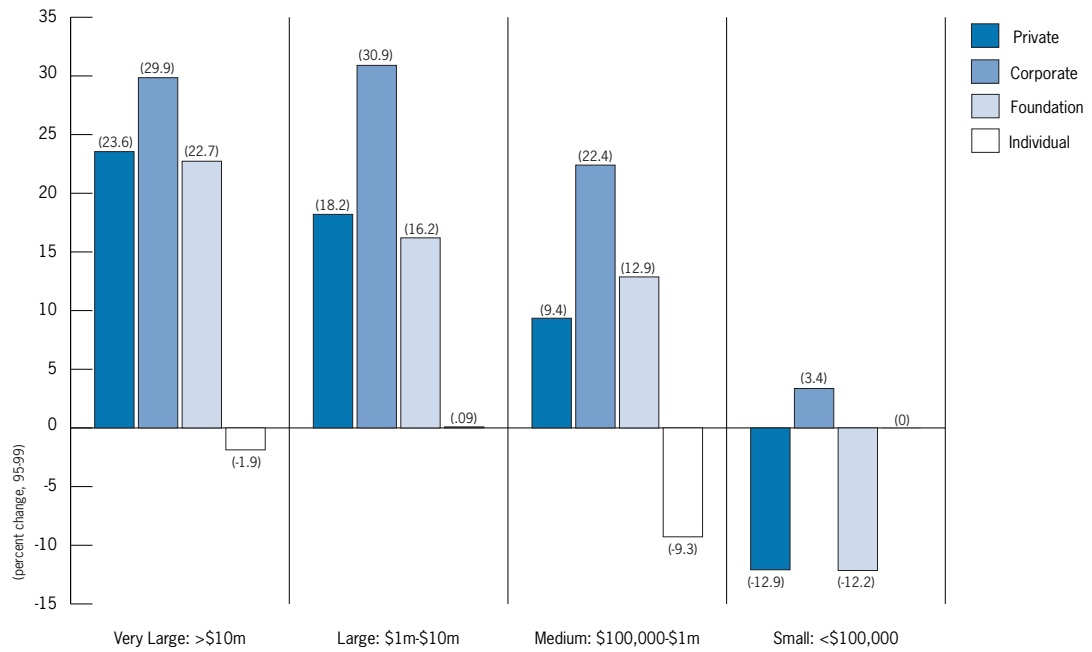
### EVEN IN BOOM TIMES, SMALL GROUPS SUFFER

CHANGE IN PRIVATE CONTRIBUTED INCOME, BY BUDGET SIZE, NEW YORK NONPROFIT ARTS GROUPS, 1995-99



Source: Alliance for the Arts

CHANGE IN TOTAL INCOME, BY BUDGET SIZE, NEW YORK NONPROFIT ARTS GROUPS, 1995-99



Source: Alliance for the Arts

large organizations that can hire stars, produce and market on a blockbuster scale and reap the benefits; and small ones that operate closer to the fringe, avoiding union labor and high costs. In-between, mid-sized organizations are particularly vulnerable to economic adversity. In New York, the budget range between \$25,000 and \$150,000 for a production has all but disappeared. A theater company pondering that range must face a difficult decision: go non-union and play to matchbox houses, or remain union and figure out a way to pay big-league production and marketing costs.

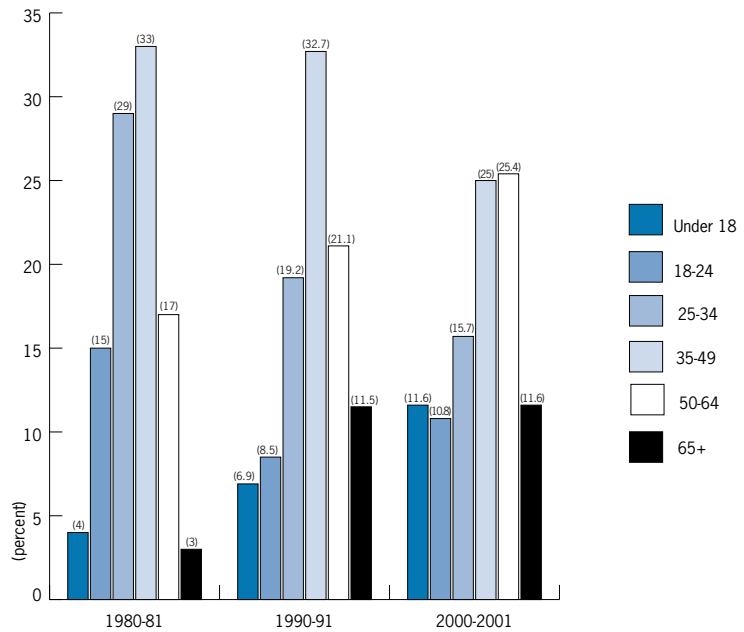
*Broadway Audience Gets Younger:* The under-18 proportion of the Broadway audience is more than twice as high as it was 20 years ago.<sup>6</sup> One simple explanation for that shift may be that Baby Boomers are taking their kids to Broadway. But to what extent is this audience being groomed for a lifetime in the theater? Will young theatergoers help the industry recapture the growth rates it has seen during the last twenty years, as the Boomers have become more affluent and moved into middle age?

*Audiences Remain Homogeneous:* The theater audience may be getting younger, but it isn't getting more diverse. The proportion of African-Americans in Broadway audiences is less than one-fourth the national population average; for Hispanics, the proportion is less than half the national mean. And this, in a city with a higher proportion of minorities than the nation at large. Off-Broadway's audience is even more homogeneous than Broadway's (see chart on p. 20).

*Higher Costs, Fewer Shows:* On Broadway, expenses have soared 56 percent in real terms in just seven years.<sup>7</sup> As costs have risen, the total number of new productions has not—in the 2000-2001 season, that figure fell 24 percent from the year before (see chart p. 21).<sup>8</sup> Increasing costs may be feeding a “blockbuster-or-bust” mentality, and may further stifle innovation on Broadway.

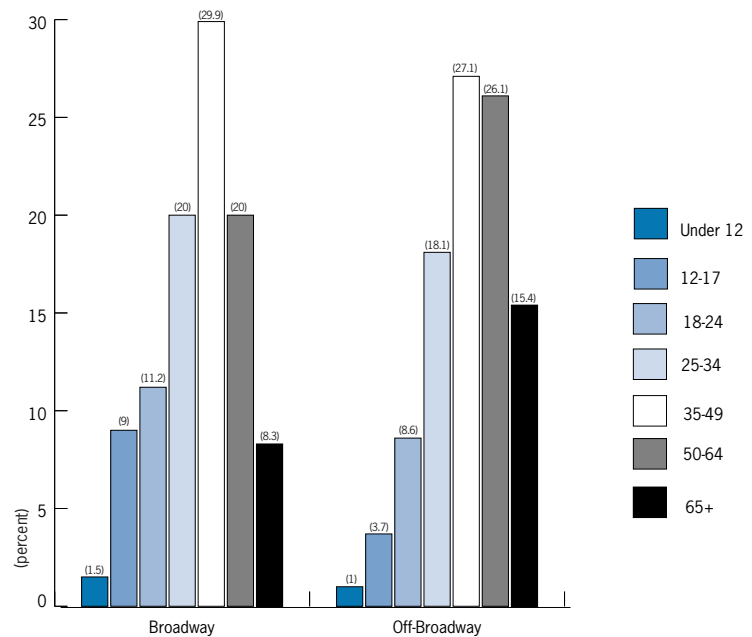
## A YOUTH MOVEMENT

AGE BREAKDOWN, BROADWAY AUDIENCE



Source: League of American Theatres and Producers

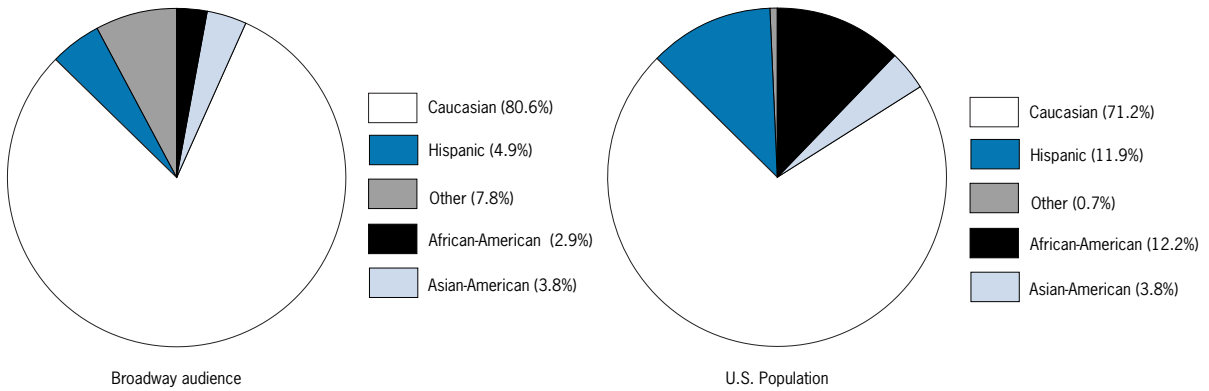
AGE BREAKDOWN, BROADWAY VS. OFF-BROADWAY (1997 DATA)



Source: Theatre Development Fund/League of American Theatres and Producers

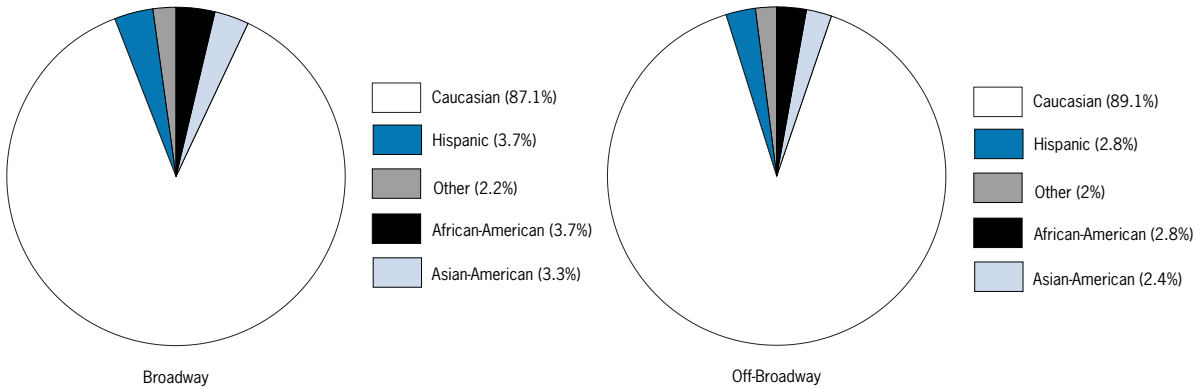
## A FAILING GRADE ON DIVERSITY

ETHNIC BACKGROUND, BROADWAY AUDIENCE (2000 DATA)



Source: League of American Theatres and Producers

ETHNIC BACKGROUND, BROADWAY & OFF-BROADWAY COMPARED (1997 DATA)



Source: Theatre Development Fund/League of American Theatres and Producers  
 Note: This Broadway–Off-Broadway survey’s methodology differed from that of the prior chart; this counts U.S. residents only.

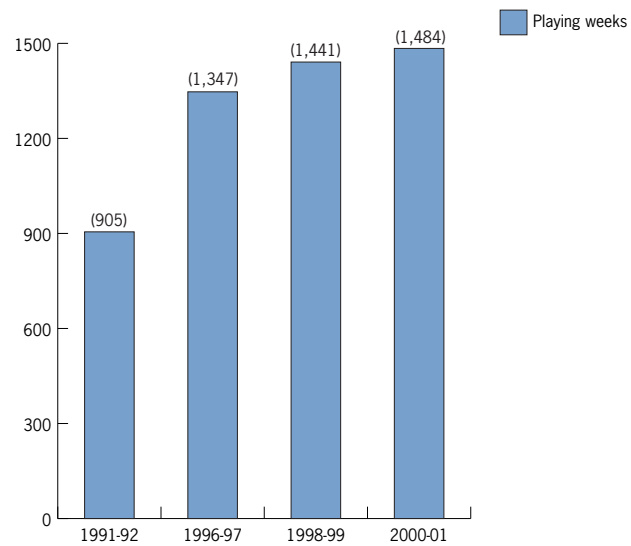


*Nonprofits Reliant on Auxiliary Revenue:* More than half of all income for New York City nonprofit performing arts organizations is earned income. But nearly half of that comes not from ticket sales or subscriptions, but from “other earned” income—program fees, space rental, etc. And “other earned” income is increasing more than three times as fast as admissions income. In addition, marketing costs are increasing.<sup>9</sup> Nationally, nonprofit theaters have seen an inflation-adjusted 34 percent increase in marketing expenses in the last three years alone.<sup>10</sup>

In the chapters that follow, we examine these shifts in greater detail, in the hope that understanding the practical realities of New York theater will help those in and around the profession better appreciate its strengths and anticipate its vulnerabilities. ■

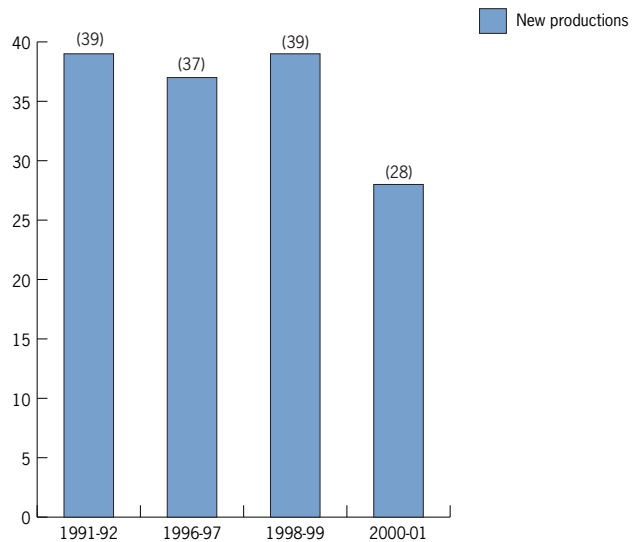
## WARHORSE PROGRAMMING

BROADWAY PLAYING WEEKS



Source: League of American Theatres and Producers

## NEW BROADWAY PRODUCTIONS



Source: League of American Theatres and Producers

<sup>1</sup> League of American Theatres and Producers data.

<sup>2</sup> “Theatre Facts 2000,” Theatre Communications Group, 2001.

<sup>3</sup> “Who Goes to Broadway? The Demographics of the Audience, 2000-01 Season,” League, 2002.

<sup>4</sup> “Who Pays for the Arts? Income for the Nonprofit Cultural Industry in New York City,” Alliance for the Arts, 2001.

<sup>5</sup> Ibid.

<sup>6</sup> “Who Goes to Broadway? The Demographics of the Audience, 2000-01 Season,” League, 2002.

<sup>7</sup> “Broadway’s Economic Contribution to New York City 1999,” League, 2000.

<sup>8</sup> League data.

<sup>9</sup> “Who Pays for the Arts?” Alliance for the Arts, 2001.

<sup>10</sup> “Theatre Facts 2000,” Theatre Communications Group, 2001.