



## MEMORANDUM

**To:** Mayor & City Council  
**Date:** Wednesday, March 01, 2017  
**Subject:** Babcock Ad-Hoc Subcommittee Report on Theater Uses & Management

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The City Council created an 11-member Ad Hoc Advisory Committee on Future Uses and Management of the Babcock Theater on March 14, 2016, under BMCC Sec. 2-224 Ad hoc council advisory committees. The Committee originally was directed to make recommendations to the City Council no later than Dec. 31, 2016, a date that was extended to Feb. 27, 2017, by City Council action in December 2016. This document presents recommendations by the Committee to the Council for a Work Session on Feb. 21, 2017.

### How the City Is Acquiring the Babcock Theater

The City Council approved \$1.9 million of Downtown Tax Increment Financing District (TIFD) funds on Sept. 22, 2008, for Babcock, LLC, to acquire and complete Phase I improvements to the Babcock Building at 2<sup>nd</sup> Avenue North and North Broadway. Babcock LLC consists of Mike Matthew, Kay Foster and Kimberly A. and Donald J. Olsen. The project was a legacy development qualified under the Downtown Billings Partnership (DBP) Large Project Gap Funding after the 1976 downtown TIFD expired, and \$4.22 million remained after all debt payments in the district has been made. Grants, investments and loans were used to pay for an additional \$2 million worth of improvements to the Babcock Building in Phases II and III.

In exchange for the financing, the City was to receive the 760-seat Babcock Theater that was part of the complex at no additional cost by April 1, 2016. The City Council in May 2013 amended the agreement and extended the transfer to March 15, 2017, in order to allow Babcock LLC to take full advantage of historic preservation tax credits that occurred five years after the Babcock was placed on the National Register of Historic Places.

### Background & Community

The Babcock was built in 1907 as a theater. In 1920, it was rebuilt as a movie theater. In 1935, it burned and was rebuilt in the post-World War II Skouaz style seen today. It will become the fourth downtown entertainment facility owned by the City: the Alberta Bair Theater, the Depot and Moss Mansion all are City-owned, but operated by not-for-profit entities (501C3s).

Two other theaters also operate in Billings. They are the Nova Center for the Performing Arts, which combines the Rimrock Opera and the Venture Theatre; and the Billings Studio Theatre,

which operates on the Rocky Mountain College campus. Both are 501C3s with no City affiliation.

In addition, there are several other companies that operate performance venues such as the Shrine, clubs such as the Brew Pub, and movie theaters including the Carmike chain and the Art House Cinema and Pub. The City's Dehler Park and Yellowstone County's Rimrock Arena have hosted live performances, and the Downtown Billings Association (DBA) hosts Alive After 5, and other street events during the summer. The Blues Fest also operates downtown annually.

### Committee Activities

The Committee met 7 times. Copies of the minutes of those meetings are available on the City's web site at <http://www.ci.billings.mt.us/2467/Babcock-Theater>. Activities included touring the theater; discussing possible uses for the facility, including retail or office space; and meeting with individuals knowledgeable about its history and the operations of the Babcock and similar venues.

Committee members also met with two outside groups, the Cultural Partners and the Alberta Bair Theater management:

- The Cultural Partners, a collaborative group of museums, theaters, and other culturally related activities, encouraged the Committee to find an existing 501C3 with which to partner, instead of adding an additional competitor to organizations already seeking limited public support in Billings. Cultural Partner members suggested the Babcock's niche was to provide performing space for local organizations and groups that were not big enough or did not have the resources to play the Alberta Bair. It also could serve as a smaller, seated venue for outside groups that want an intimate performing site, or for lectures, movies and other events that would not attract more than 1,000 people.
- The Alberta Bair management felt it was not financially possible to manage the smaller Babcock Theater along with its own, larger venue. They graciously offered, however, to send groups they could not accommodate to the Babcock, and to provide what assistance they could.

In addition, the Committee received contacts from two other entities. If the Council decides to proceed in either direction, it probably would be best to require requests for proposals as a follow-up to ensure the City is receiving the best terms it can in doing business with them or similar companies:

- The Knitting Factory, a Spokane-based group, expressed interest in leasing the Babcock. Babcock Committee members were concerned about litigation involving the company and the Wilma Theatre in Missoula, as addressed in the attached story from the Missoulian.
- A purchase offer within the last 10 days through a local commercial Realtor from a church that operates in a theater in another community. This contact included a request to price the theater's value.

### Facility Operations & Needs

The Babcock Theater has no debt. For the past 20 years, it has been operated sporadically, with events ranging from ballet recitals to boxing. Ms. Olsen currently manages the theater for

Babcock, LLC, although there was an external manager for a period of time in 2014-15. Major costs include taxes, for which the City would not be responsible, insurance and utilities. The theater's financials for the years 2010 through 2015 are attached, as provided to the Committee by Babcock, LLC.

The theater currently rents for \$1,000 a night and up, depending on the staffing needed. It costs \$100 an hour for rehearsals and non-profits. There were 60 events in 2014; 36 in 2015; and 42 events in 2016.

The Babcock has recently upgraded roofing, ceiling and electrical, plumbing, fire sprinkling and heat pump systems. It shares with other building tenants the costs of handicapped accessible restrooms, a lobby, other utilities and trash, which are billed on a pro-rata basis of 28% to the theater.

However, the Babcock does not own the following, all of which would be needed in the near future to make it marketable to more groups:

- A sound system, with the current system being stored for and leased from its Missoula owner;
- A lighting system;
- A stage curtain, needed for professional plays;
- A removable floor suitable for dance troops (a rubber Marley floor); and
- Rigging.

The City also does not own the Green Room, a dressing/kitchen/restroom/laundry facility for use by performers, which lies in the basement under another piece of the Babcock property. When the building was divided into condominiums, the space apparently was assigned to another unit under which it is directly located. It would need to be purchased or leased from Babcock, LLC for use when any event occurs.

#### Alternatives Available

The City Council could agree to accept title to the theater property at its business session on March 13, 2017, and:

- 1) Ask the Committee to continue exploring options for its use, with specifics on what other directions it would like the Committee to take;
- 2) Ask the Committee to negotiate with Ms. Olsen to continue to manage the Babcock for a year, while seeking a non-profit organization to ultimately take over the operations;
- 3) Instruct staff to issue a request for proposals (RFP) for the sale of the theater; or
- 4) Instruct staff to issue an RFP for an outside organization to manage the facility for a period of 5 or more years.

#### Recommendations

The Ad-Hoc Advisory Committee on Future Uses and Management of the Babcock Theater recommends that the City retain ownership of the facility and authorize the Committee to negotiate with Ms. Olsen for a 1-year contract to manage the theater. The committee also

recommends the Council direct staff to issue RFPS for both the lease and the sale of the theater, in order to ensure it has the best chance of remaining stable in the future.

The City Council allocated \$20,000 in the General Fund Non-Department account of the Fiscal Year (FY) 2017 budget for a Babcock study. That money has not been touched, and could be used to help pay Ms. Olsen and the utilities for the balance of the budget year. A similar allocation would be needed in the FY '18 budget to cover the remaining six months of the contract. At that time, the theater would be turned over to an operator who would be expected to operate it at no additional cost to the City.

Ms. Olsen has said that there will be additional expenses that would be billed back to users of the theater, but might require some up-front, short-term financing from the City during the next year. They include:

- Event security;
- Cleaning;
- Individuals who stay at the theater to assist performers from the time the event is set up until it is taken down;
- Ticket and merchandising sales, which would be done both on-line and at the ticket booth.

In addition, the Committee recommends that the City consider making capital investments listed in the Facilities Operations and Needs portion of this report in FY '18 and FY '19 to make it more attractive as a performance venue. Estimated costs would be \$500,000 each budget year.

The Committee appreciates the Council's interest in maintaining the Babcock as an important piece of the City's cultural heritage.

Council Member Angela Cimmino  
Council Member Richard Clark  
Council Member Alvin Swanson  
Ian Elliott, Directing Community  
Lisa Harmon, Downtown Billing Association  
Jack Nickels, Cultural Partners Chairman  
Jeff Yeley, owner of Jimmy Johns in the Babcock Building  
Ruth Towe, Interested Resident  
Wayne Wilcox, Comedy Producer  
William R. Wilson, former Alberta Bair Theater Executive Director (resigned)