

PDI DEPOT STUDY FINAL REPORT

November 2005

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Report to the Duluth Depot Foundation

September 23, 2005

Prepared by:
Daniel Spock, Head of Exhibitions
Kate Roberts, Exhibit Developer
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The Broader Duluth Context

In spite of the ebb and flow of economic fortunes, Duluth is actually in the midst of a great revival.

- Duluth has taken effective control of its outstanding location, not only for its historic uses as a port and manufacturing center, but increasingly as a prime tourist destination: A beautiful city in a beautiful location on the way to one of America's premier vacation meccas seeing approximately 3.5 million visitors a year.
- Duluth has gained appreciation for its great architectural legacy and has taken steps to rescue many key structures that were once threatened. Duluth has also found good uses for these remaining structures that speak to the aspirations of this place. This in turn has made Duluth an ever more attractive place to visit and to live in.
- Owing to the vision of Duluth's civic leaders, there is now a welter of budding cultural organizations each of which greatly enrich the community, making Duluth not only a great place to visit, but also a great place to live.
- Many of these organizations are now housed in places, like the Depot, that were once threatened by the wrecking ball. The Depot, in particular, has served as a cultural incubator.

The chief challenge for Duluth's future will be to build on the great momentum that has been created. This means rejecting the temptation to get bogged down in the myriad problems of the immediate present while embracing a common vision for the future. Rome wasn't built in a day. The project that is Duluth will take time also.

The vision can't afford to become tangled in a town vs. tourist fight, nor should it be mired in competition between the many stakeholder entities. In the end, what is good for the citizens of Duluth, will also make the city more attractive for tourists. Just as tourists seek urban destinations that offer choices--a rich variety of recreational options--so do city-dwellers seek a diversity of readily available cultural offerings to enrich their lives.

With respect to The Duluth Depot in particular, at one time, The Depot was arguably at the tip of the spear of Duluth's revitalization effort. Now, most clear-sighted observers can sense that The Depot has slipped behind the ongoing development arc and could do a better job serving the community and attracting tourists. The challenge for The Depot is to explore possibilities that can make every organization there thrive, to realize full potential. Part of embracing this optimization process should be to accept that, though The Depot has achieved for the moment the outward appearance of stability, it is still financially vulnerable, has a rather ad hoc governance structure that appears to be poorly adapted to look out for the interests of all of the partner organizations, and so can't really afford to coast, even for a little while. Furthermore, there is ample room for

improvement at every level and, should the various interested parties make common cause on the plan for the future that The Depot sorely needs, a revitalization of The Depot and its programmatic offerings should be feasible.

Today there is ample vision to go around. In discussions with the various interested parties, we have heard these ambitions expressed. Many ideas have been on the table for a long time and have lacked only the will or leadership to see them through. If there is a concern, it is only that the disparate visions still lack an overall coherency and direction and they lack a champion who is empowered to make decisions and drive such a project forward. As the various partner organizations make their plans for the future, too often we learned that these plans are being made in isolation of the other partner entities. Channeling all that energy may not be possible. But at the very least this report hopes to suggest the benefit to all the interested parties in pursuing a more unified strategy than the one that currently exists.

Building on success will tend to push the problems of the present and recent past to the margins where they belong, in time becoming a faint memory.

Key Log Analogy

In the second half of the 19th century, logjams were commonplace on the Northwoods rivers around Duluth. These rivers became choked with freshly cut timber, sometimes piling up into mountainous tangles that loggers would try to free by hand. Part of the lore of those days was the imagined existence of

a “key log,” the one log that, if you were only able to extricate it, would free the entire logjam. In actuality, some dynamite was usually necessary, because a great number of logs would need to be cleared in order to loosen the jam. But what we suggest are rather less traumatic ways to effect positive change for The Depot, the suggestion that the removal of certain “key logs” in the current Depot puzzle will clear the way for a new era of success.



Loggers seek the “key log” in an attempt to break up a logjam.

The Duluth Depot in Four Contexts

For the purposes of this report, we looked at The Depot in four contexts:

1. The Depot’s place in the city and current level of visibility.
2. Functional issues of public circulation through the Depot and the possible enhancement and reallocation of space within.
3. Organizational framework and planning – problems and potential remedies.
4. The Depot museum program entities – opportunities for enhancement.

1. Place

With respect to The Depot's place in Duluth, both as a community service entity and as a tourist destination, there exist a number of current problems. The single biggest, overriding issue in this context is *visibility*.

Visibility Issues

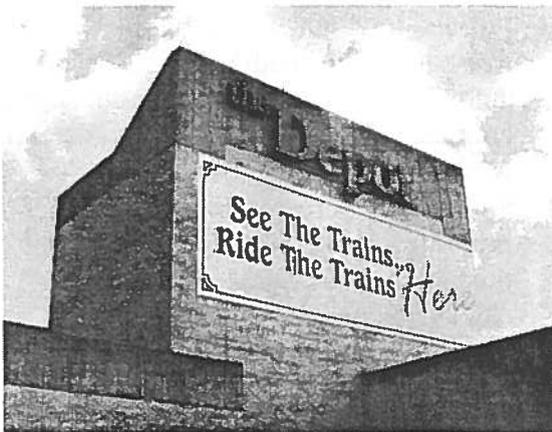
- The Depot entity is currently not highlighted to the degree it needs to be in order to raise its profile among Duluth's other recreational and cultural offerings.
- The Depot is sited in a difficult location. If downtown were a shoebox and you were to tilt one corner down, a taconite pellet placed in the shoebox would roll to The Depot, at the far margin corner edge. For the time being, this rather undercuts any centrality The Depot might aspire to.
- Though The Depot is accessible by freeway, its back is turned to it. In spite of its proximity to the freeway, The Depot is actually rather difficult to access intuitively by car.
- Pedestrian access from the Canal Park/Aquarium side is terrible. The intervening space along 5th Avenue between the convention center and the Depot is so stark as to be pedestrian aversive and there is no sidewalk across the freeway on The Depot side of the street.

- The Depot is one block back from West Superior Street, the main commercial street through Duluth. As yet, the western end of Superior Street lacks the vitality of the eastern end. With the city's public library occupying the site just up the slope between Superior and West Michigan Streets, the most compelling views of the Depot are largely screened off from both drivers and strollers.
- There are few external clues to indicate the liveliness of what is contained inside The Depot. Though there is a banner highlighting the train rides available, there is little on the street level either identifying what the character of the experience inside might be, or the sheer variety of cultural offerings inside.



What is this place? Inquiring minds want to know.

- Should a driver or pedestrian make their way successfully to the front door of The Depot, they are liable to be frustrated to find what appears to be the main entrance blocked. The current main entrance is bland and retiring while the older entrance commands attention and remains the formal focal point of the historic structure, as well it should.



Is that all there is? Sure looks like it from this vantage point.

- Publicity for The Depot tends to emphasize the Lake Superior Railroad Museum, deemphasizing the other programs contained within. To the extent The Depot would like to reach family audiences, for example, the Duluth Children's Museum is practically invisible both within The Depot and beyond it—a lost promotional opportunity if ever there was one.

Potential Remedies

There are two main concerns here: *connection* and *identity*.

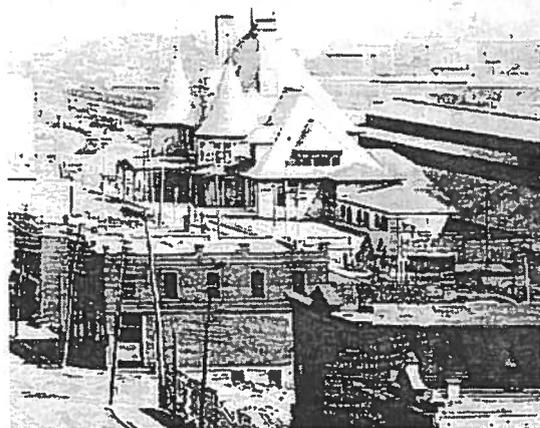
Enhanced Rail Connection – The Return of Train Service

The Lake Superior Railroad Museum is pursuing a vision that will, if it should succeed, dramatically reframe the “placeness” of the Depot in the public mind. Specifically, The Lake Superior Railroad Museum hopes to reopen train service between St. Paul and the Duluth Depot. As proposed, this initiative would be funded through a mix of county, state and federal dollars and would also entail improvements to the Railroad Museum’s facility. Needless to say, the passage of thousands of rail passengers directly through the Depot would do a lot to put the Depot back on the map for the public, not only those visiting from the Twin Cities who might value an alternative to driving, but also to Duluthians who would then have an alternative means for reaching the Twin Cities. For the time being, this exciting initiative deserves to be encouraged and supported, though serious work yet needs to be done to determine whether the ongoing feasibility and demand for train service will justify the investment. This is important, not just for the operation of a railroad in the future, but in order to build credibility for the idea in the near term.

Needed: A More Expansive Vision

This vision also encompasses some expansion and improvements to the rail shed that currently houses the bulk of the Lake Superior Railroad Museum. It

would be better still if this project were to also encompass a broader set of coordinated initiatives to resolve longstanding practical issues at The Depot, extending to the other organizations there, and engendering private support in addition to the public support already sought. In particular, a major expansion plan developed over a decade ago by Melander, Melander and Schilling, involving recreating the profile of the original historic train shed behind The Depot, decking over the railroad track level housing the Railroad Museum and providing a significant amount of expansion space to the partner entities, should be revisited as a potential way to address The Depot’s many longstanding crowding and functional issues in one fell swoop. Nevertheless, this will certainly place some new challenges before the Depot stakeholders, which will be outlined later.



A 19th century view of The Depot showing original train shed in the rear.

The Incline Railway

The rebuilding of the historic incline railway would provide another attractive visitor anchor destination for West Superior Street in close proximity to The Depot. A fun way of accessing the views of Lake Superior and the city available from the top of the hill would be a major plus in boosting The Depot's place in Duluth as well as restoring an important feature of Duluth's heritage.

Trolley Service

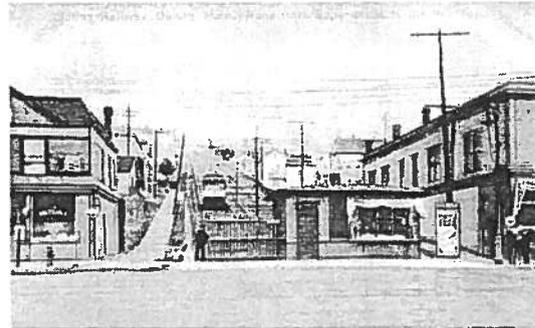
An additional future rail connection to consider might be the reinstatement of a surface trolley, ideally looping to connect the length of Superior Street to Canal Park with spurs reaching the neighborhoods East and West of downtown. A distant dream perhaps, but one certainly well worth considering in any long range downtown redevelopment plan.

Enhanced Pedestrian Access

The use of a coordinated "family" of wayfinding signs, paver blocks, street lamps and lighted kiosks with posters and events listings can be used to tie downtown together into one seamless walking district. Perhaps this could be tried out initially along Superior St. from Fitger's to The Depot. Currently the street paver blocks on Superior, for example, stop just short of turning the corner to The Depot. This sends the regrettable visual signal that there's nothing more around the corner.

An excellent example of this sort of wayfinding system is the handsome new network of coordinated directional signs, trail markers and kiosks for

Minneapolis' Grand Rounds—the vast greenbelt of parks that loop throughout Minneapolis.



Historic postcard views of the Duluth incline railway—at that time a major tourist destination. Could it become that again?

A handsome and well-lighted ornamental kiosk just outside of The Depot promoting the new exhibits and performances inside would send a stronger signal that life is inside. Improved exterior building signage conveying a new, unified Depot identity or "brand" would also help.

Arrival Point

Reopening the main entrance to The Depot through the Great Hall would greatly improve a pedestrian's sense of arrival at The Depot. (More on this later.)

Consider the abandonment or reconfiguration of the existing, newer entrance. A reconfiguration might develop twin entrances, one through the newer entrance for evening performances, and another through the old waiting room for the museums and train departures and arrivals during the day. This reconfiguration might allow for some sort of a theater marquee or a winter garden feature, which would more strongly signify the performance offerings at The Depot.

Improved Exterior Lighting

An exterior lighting design that enhances the Depot's façade after dark, washing the exterior with dramatic light, will cause The Depot to take on a livelier, more striking appearance at night.

Exterior Bench Seating

Some handsome ornamental benches along the front of the building outside of The Depot will signal life inside, providing a waiting place for pick-ups, while attracting strollers looking to take a load off the feet.

Exterior Sign Improvements

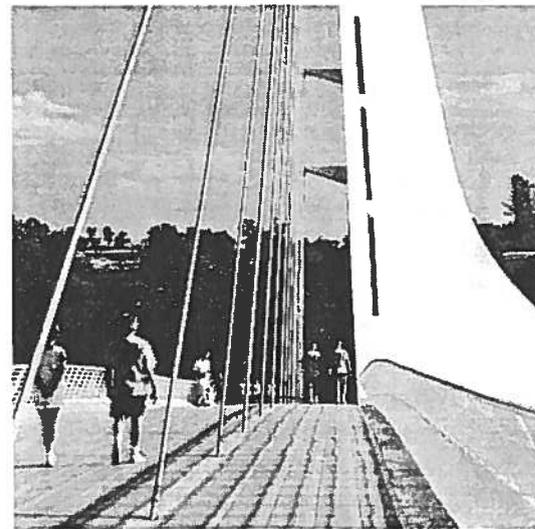
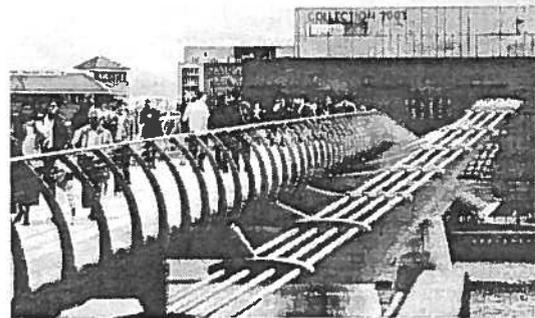
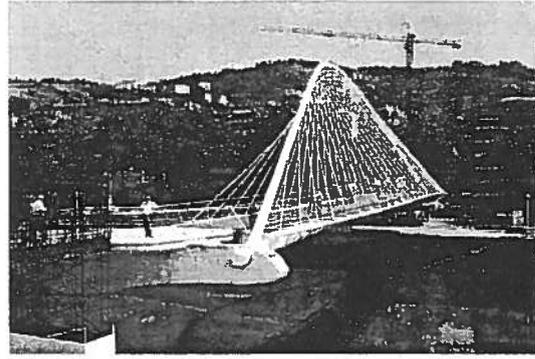
The current sign facing the I35 freeway is rather lackluster and dated looking. A bold new sign highlighting the Depot from both the back and I35 freeway sides, should help establish The Depot better visually. Some care would have to be taken in order to find something that will appear sympathetic with the existing architecture, but the opportunity exists to do something large and visible, perhaps with animated neon that can be seen both from the I35 freeway and Canal Park. Ideally, this new sign might spell

out something more specific and appealing to first time visitors, imagine something like "The Depot— Museums—Performances—Shops— And *Ride The Trains!*" in a blinking sequence.

Signature Footbridge

A signature pedestrian footbridge linking The Depot to the Great Lakes Aquarium vicinity would be well worth the effort and expense. Revisiting the plan devised over a decade ago by Melander, Melander and Schilling, which depicted a signature footbridge descending from The Depot to a garden next to the Aquarium, has many merits that deserve a second look. Positioning this bridge over I35 will make a dramatic entry gateway into the city and will quickly become a new place in Duluth everybody will want to visit. We suggest making the bridge an open-air bridge, rather than a skyway since we think strollers will be most likely to use the bridge in the warmer months in any case. An open-air bridge experience will be more enjoyable for the open sky, unobstructed views of the lake, bridge and skyline, than a long walk through an enclosed glass box. The best configuration would be to make the bridge accessible *through the Depot* if at all possible, not merely adjacent to it, thereby putting The Depot right onto the main pedestrian path connecting downtown to the Canal Park district. Planners might also look to the many newer examples of footbridges which are signatures in their own right: the Millennium Bridge in London by Sir Norman Foster, the Gateshead Millenium Bridge in Newcastle, UK, the Walker Sculpture Garden bridge to Loring Park in Minneapolis by Siah

Armanjani, the Millennium Park footbridge in Chicago by Frank Gehry, or the Turtle Bay Sundial Bridge by Santiago Calatrava in Redding, California. A competition could be used as a high profile way to solicit the boldest design. Such a signature bridge could compliment the Aerial Lift Bridge and serve as a symbol of a revitalized Duluth. This bridge would also echo a bridge that once stood in a similar location historically over the railroad tracks.



From top: the Campo Volantin bridge in Bilbao, Spain by Santiago Calatrava, the Millennium Bridge in London, England by Sir Norman Foster, the Sundial Bridge at Turtle Bay in Redding, CA by Santiago Calatrava and the BP footbridge at Millennium Park in Chicago, IL by Frank Gehry.

A New Public Plaza

Blocking West Michigan Street in front of The Depot between 5th and 6th Avenues in order to create a pedestrian-friendly public plaza might help make the space in front a more lively and pleasant place to linger. This new plaza, elegantly trimmed out with bollards, benches, plantings and paver blocks, could be used for outdoor events in the warm weather months. However, care would have to be taken in this effort to mitigate parking circulation issues. Directing the Michigan Street freeway exit directly to the parking ramp for The Depot might be an effective way to capture visitors seeking orientation and it does seem that freeway traffic approaching The Depot from the Michigan Street exit could turn onto 6th Avenue should Michigan be blocked.

Perhaps the boldest suggestion is to consider the removal of the public library entirely to another location. This is the single biggest and most significant "key log" in the downtown visibility puzzle for The Depot. If the library were to be demolished for a gracious public park, with plenty of plantings, benches and a water feature, this would have the effect of terminating the West Superior Street downtown shopping district with a feature of restful repose flanked with a newly revealed Depot. Perhaps the library could be moved off to one of the other historic structures in downtown, the old public high school for example. Such an approach must never be pitched as an attack on the library, however. Pitting the library against The Depot would be a terrible mistake. This effort would best be couched as an opportunity to upgrade the library facility. A vibrant public library is indispensable to any

great city, so any attempt to remove the library must be undertaken so as to make a new and better one.

If the library must stay, perhaps improvements to the small park under the library overhang, removing the retaining wall, adding seating and landscaping would improve somewhat the sightlines and pedestrian access to The Depot from West Superior Street. Also, if steps could be taken to rework the street frontage of the library along West Michigan so as to provide another library entrance, shops and/or food concessions, it would greatly improve the look and feel of the block facing The Depot by bringing more human activity to the area. If this were to be combined with a pleasant, car-free plaza on West Michigan Street, visually tied into West Superior Street up 5th Avenue with paving blocks, it would go a long way toward softening the rather austere feel of the street frontage on Michigan facing The Depot.

Enhanced Identity

Some discussion has transpired about positioning The Depot as a one-stop shop visitor hub or crossroads through which tourists may gain orientation to Duluth. While the creation of this information "hub" is a good idea in one sense, it is unrealistic to think that, given the current "rim" location, (and short of a dramatic overhaul of the neighborhood, footbridge and rail connections, and all of the other visibility issues outlined here) The Depot will be able to become the primary first point of contact for all visitors in the short term. Currently, the visual pull of the lakeshore, with its iconic Aerial Lift Bridge and Canal

Park, tends to siphon off potential visitors as they approach along I35. A better approach in the near term would be to develop partnerships in a cross-marketing campaign through which The Depot serves as one destination in a constellation of important places to get orientation to the city. While we do encourage the development of an orientation or visitor's center in The Depot, we rather doubt this strategy will work to the exclusion of the other choices available to visitors and so a more diffused orientation system may be more advisable for now. More detail on this later.

Consider A Depot Brand Identity

To many, "branding" is synonymous with voodoo. But The Depot really needs a coherent branding strategy. While cultural organizations may conceive of institutional identity in terms of mission, the public may simply dismiss an institution as boring or irrelevant if the public has, in effect, no basis on which to evaluate that institution's offerings before visiting. The umbrella concept that rescued the Depot from the wrecking ball years ago, by filling it with the organizational entities that could justify its continued existence, has now frayed in the sense that it is difficult to communicate quickly just what The Depot has to offer to the visiting public. This could be helped through a more unified outward marketing identity. This identity problem is not rooted, as one might expect, in the inability of the various occupying entities in The Depot to get along. Rather it appears to be a symptom of growth and how growth affects the public face of The Depot, both as an

operational entity and as a destination for the public. At present, besides perhaps an exciting train ride, there exists little to outwardly convey the other possibilities the place has to offer. The Depot would be well advised to engage in a thoughtful approach to promoting the totality of the place and all it has to offer. The twin challenge will to be combine the various identities that represent The Depot into one seamless whole destination while at the same time effecting an overall upgrade of the experience for the public contained within.

2. Function

One big key log is this: many of the organizations at The Depot have long ago run out of room there. The Duluth Art Institute, the Minnesota Ballet, the Duluth Superior Symphony Orchestra, etc. all have a major part of their programming or back office operations outside of The Depot and the Duluth Art Institute, the Duluth Children's Museum, the Duluth Playhouse and the St. Louis County Historical Society are all pinched for space in the current configuration. The Depot as a whole could use more room for programming purposes, storage and lunchrooms for visiting schoolchildren. The theater needs space for a scene shop. The storage of museum collections within The Depot is piecemeal and inadequate. There is a fair amount of competition for space resources within the building.

The place is literally bursting at the seams with potential, The Depot incubator has hatched chicks, the chicks have become chickens and, in the constrained confines of The Depot, a pecking order has set in. Pecking orders are not a particularly healthy condition and some outlet is required. These indicators are actually a good thing—expressive of the vitality and usefulness of these organizations to the broader community, symptoms of growth. The things that made The Depot succeed in the last three decades, have begun to become a liability, but this is not necessarily bad. It is a natural stage in the city's civic life.

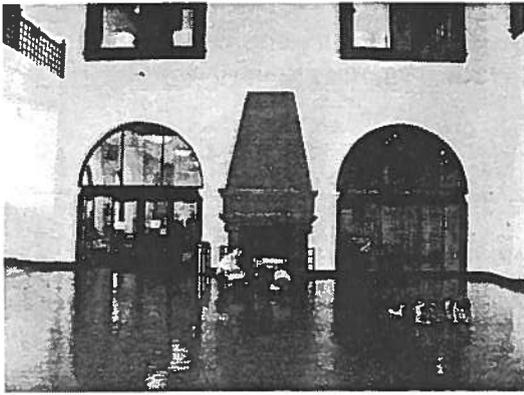
Given the cramped conditions at The Depot, the current line-up of organizations might consider two choices: expand on site or disperse some

of the organizations to other locations. While the relocation of just one or two organizations would greatly enhance the prospects and functions of the remaining organizations, affording room to breathe for those who depart, expanding on site in order to provide enhancements for all of the partner organizations would continue the tradition of The Depot functioning as Duluth's one-stop cultural hothouse.

Existing Functional Issues

- The Depot currently is a grab bag of organizational entities that are less than loosely affiliated. This shows in how the place presents itself. The single best aspect of a casual visit is that, once you have made your way to the common entrance, there is but one fee for the entirety of things to see—a good thing from the point of view of the visitor, to be sure—but a bad thing for many of the partner organizations in that it makes the distribution of gate revenue a murky business.
- The current arrangement forces visitors through a lackluster entrance while the signature space within, the Great Hall, is now tucked too far inside. All of the external features of the original building suggest that the original entrance is both the most obvious and most pleasing way in, yet visitors are thwarted here with a smattering of signs that lack clear focus, identity and direction.

- The fact that no single organizational entity has clear domain in The Depot has led to a cluttered approach to orientation, wayfinding signage and identity. The Great Hall, being held commonly, has become commonplace, a neutral grey zone falling short of its full potential as a signature entry space to The Depot.



Spare and blank, the Great Hall has unrealized potential as a magnificent public space.

- The spatial arrangement of organizational entities in The Depot is fragmented and scattershot from the point of view of the casual visitor. Some are forward located in visibility, others fall into the background in the mix. The Duluth Children's Museum, for one example, has no real outward visibility until one has navigated deep into the core of the complex through a series of twisting pathways. This would also be true for the Lake Superior Railroad Museum if it weren't for the temporary banner on the building exterior. The St. Louis County Historical Society is spread across two floors in piecemeal fashion with little to suggest each fragment is actually linked together in one interpretive or organizational enterprise. The Duluth Art Institute is separated from its gift shop by one floor. Other organizations, such as the Duluth Superior Symphony Orchestra or the Minnesota Ballet, maintain only offices or classrooms in The Depot.
- There are several disconnected retail entities throughout the Depot, one for the Duluth Art Institute, another for The Duluth Children's Museum, yet another for the Lake Superior Railroad Museum, separated on 3 different floors, two of them beyond the fee gate. The conventional wisdom concerning retail in museums is, if at all possible, to locate it in non-ticketed areas so as to maximize revenue from casual shoppers who might not choose to visit a museum.
- As a visitor, this balkanized spatial arrangement is difficult to navigate. It poses problems not just for getting around, but for understanding what one might be able to do in this place.
- Currently the Duluth Playhouse has to construct sets on stage, which means that during these construction periods, the stage is unavailable for other programming.
- School bus access is poor.

- School programming space is limited and lunchrooms for visiting schoolgroups are non-existent.
- Collections stored on site by the St. Louis County Historical Society and the Duluth Children's Museum are squirreled away in barely adequate and accessible spaces throughout The Depot.
- The existing train shed roof is in poor repair and is not insulated. In time it is sure to leak, putting the historic collection of trains at risk. With the price of energy poised to continue skyrocketing, the condition of this roof will become a double liability. Oneida Realty has just recently upgraded the heating plant for a savings, but surely an even greater savings could be realized through improved roof conditions. It is our understanding that the current plans of the Lake Superior Railroad Museum do not include entirely replacing this roof.
- Lighting throughout The Depot is spotty. It is particularly gloomy at the track level where the small shop fronts along the edge of the platform are in shadow on overcast days.



Better lighting will really make the "street" frontage along the platform pop.

Potential Remedies— “What If” Scenarios

There are three broad areas for possible improvement: *total experience design*, *public circulation* and *infrastructure*.

Museums tend to ignore the fact that visitors view their museum experiences in a broader context than simply what is contained in the exhibit program. For a visitor, they not only want their museum visit to be a good value, but they also desire good opportunities to shop and eat as well. Good customer service, clean and easy to find amenities, all factor into a visitor’s overall sense of value. Taking these factors into account is known as *total experience design*. The issues of public circulation and infrastructure take on the greatest significance when viewed in the context of visitor satisfaction.

Public Circulation— Great Hall

Reopen the Original Entrance

The next iteration of Depot adaptation should wholeheartedly embrace the original entrance through the doors leading directly to the Great Hall as both the natural and most exciting way in for the public. For a century or so, this was the symbolic and functional gateway to Duluth. The architecture reflected those sentiments completely. This is still what this building aspires to be. The current arrangement completely fails to optimize that reality.

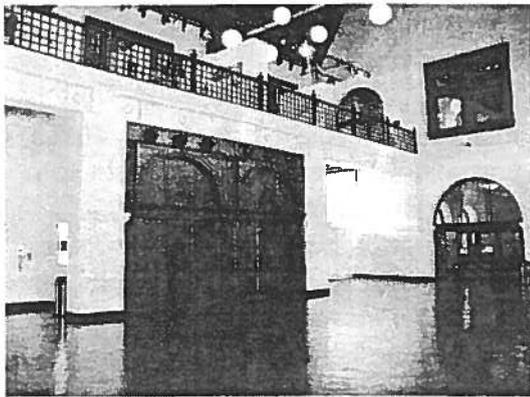
The Great Hall entrance should also be configured so as to serve as the central circulatory and orientation location for all of the entities within.

Keep Great Hall Clear of Exhibitions

It has been suggested previously that a portion of the Great Hall be devoted to interpretive exhibition. After some consideration, we think this would be a mistake. The space is actually poorly configured to accommodate exhibition use, as it lacks wall space, and placing freestanding elements on the Great Hall floor would only compound the confusion of circulation while detracting from the Great Hall’s presence and beauty.

Focused and Centralized Visitor Services

A better use would be to provide a centralized point of orientation directly opposite the entrance in the former ticketing area. The ideal use of this spot would be to centralize ticket purchasing to The Depot museums, as well as train tickets, theater and performance tickets and to provide general cross-marketing support and orientation to other Duluth tourist and cultural destinations for people coming and going through The Depot. The area to the right of the old ticket windows is well sited to become an extensive Duluth orientation service with brochures, computer kiosks and concierge service to Duluth area attractions.



Why not reopen these handsome old ticket windows and provide visitor information amenities in the area to the left? This would provide human contact and information in a direct relationship to the old main entryway.

Coordinated Wayfinding Systems

A unified wayfinding signage system—*ideally tying into the look developed for the rest of Duluth beyond The Depot*—can help visitors through the rather complicated Depot itself.

Bring Food and Retail Forward

On the right and left sides of the Great Hall, the opportunity exists to bring food and/or retail forward as well as lounge areas to relax in, especially around the two fireplaces flanking the Hall. Perhaps the model should be more like the lobby of a great old hotel where one can meet friends, get a bite to eat, shop and get tips for things to see and do from the concierge. This area could serve as an elegant space for an intermission cash bar for evening performances. Ideally, it is bustling with activity day and night. In this way, the Great Hall can become a great, comfortable public living room for Duluth.

Consider Consolidating Depot Retail

Consolidation of the various retail offerings into one greatly expanded shop outside of the museum fee barrier on the main floor adjacent to the Great Hall would have many staffing and operational advantages. If the partner organizations insist on maintaining their own retail operations, let them occupy the first floor as a series of distinct shopping choices in airport mall fashion.

Public Circulation – Building Wide

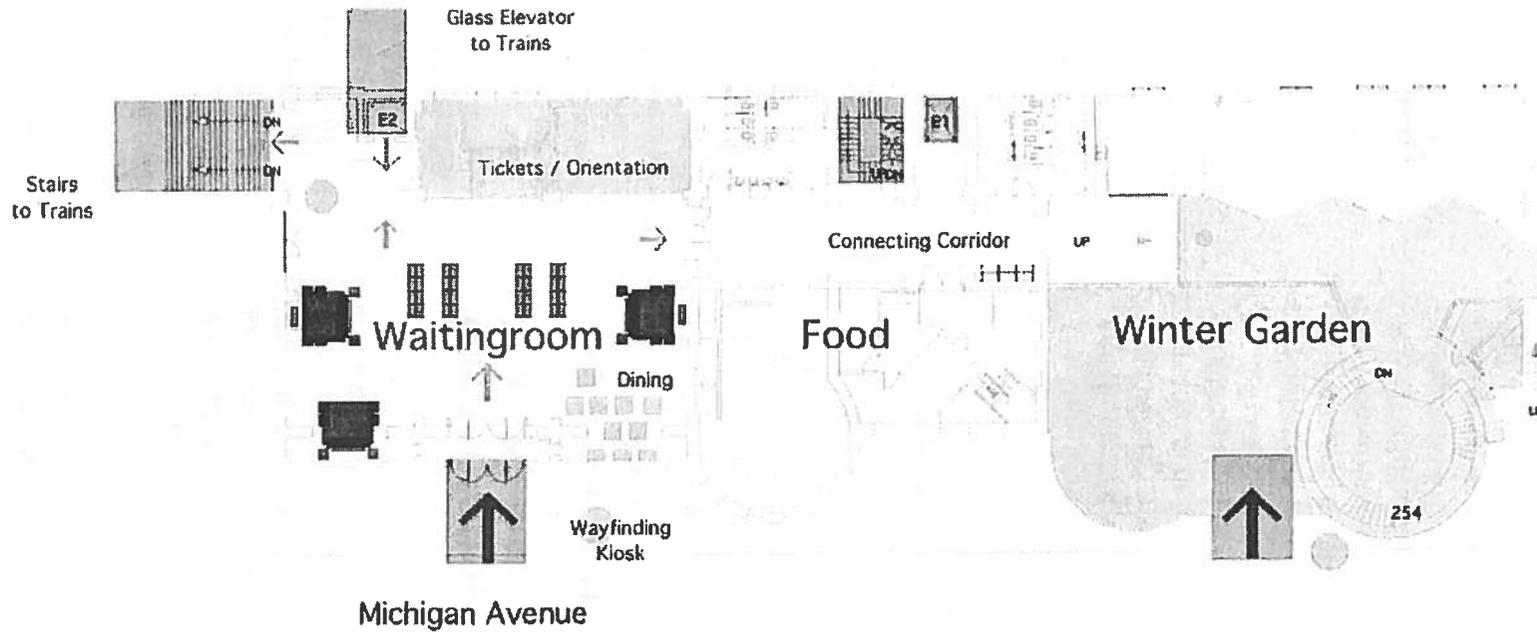
Reallocation of Space

Consider a complete reallocation of space. “Chunking” organizational entities together into an experience that, from the public’s point of view, is more seamless and coherent, will dramatically alter the public’s perception of The Depot as a whole. More on this later.

School Bus Access

A street level loading area, perhaps alongside the depot at the 5th Avenue side, would greatly improve circulation of schoolchildren through the building, especially as an access point to the Duluth Children’s Museum.

A more ambitious project might be to create new school program spaces, including a schoolgroup lunchroom area, directly along this pathway into the Depot just above where the old Amtrak waiting room now exists. This space could also be designed in order to capture the beautiful views of the lake.



Depot Public Spaces

Circulation Future

If The Depot were to become a true transit hub, with trains to the Duluth suburbs, to the Twin Cities, with Amtrak connections to Chicago even, and with transit connections within the downtown and lakefront area, and to the hilltop through a restored incline railway, it might actually achieve its ambition to become a central hub of the Duluth visit. Arriving passengers would not only be deposited in central Duluth, but they'd pass through The Depot, much as they did in the past. But what if, for the price of a ticket to Duluth, a passenger was also to be able to visit several museums? Tacking on a nominal surcharge for all passenger tickets through The Depot could lock in a valuable and continuous cash stream for all of The Depot entities, whether passengers choose to visit the museums on arrival or not. While access to The Depot from Duluth is a problem to be solved in the near term, finding one's way through The Depot from the rail arrival point is a major consideration. It's not too soon to consider it now.

Considering Backflow from Track Level

Make sure that passengers disembarking from arriving trains have an easy and direct way through The Depot to the exits in the Great Hall.

An upgrade and enlargement of the main elevator will greatly ease this transition. Making the doors open in both directions will make the way through much easier and more obvious.

Enhanced area lighting, broader circulation paths and improvement of the

paving at the track level should also be implemented. Improved circulation might partially be accomplished by drawing the *William Crooks* back a short distance.

Be certain that, if there is a future footbridge connection to Canal Park and the Aquarium, that this is easily accessible and coherently marked from the train embarkation point, the Great Hall, and all other major circulation paths.

Capital Infrastructure Improvements

Recreation of The Historic Train Shed

Perhaps the single biggest "key log" in the entire functional puzzle that is The Depot, is to solve the longstanding crowding and infrastructure inadequacies with one blanket solution. One such possible solution already exists in the form of a concept—now more than a decade old—by Melander, Melander and Schilling, recreating the volume of the original train shed behind The Depot. Such a plan, though more ambitious than what anyone is considering now, would have the potential benefit of solving a raft of problems all at once.

If implemented as originally conceived by Melander, Melander and Schilling, the reconstructed train shed could house several stories of new public program, storage and office space, could be configured to make a combined exhibit and theater scene shop and would replace the existing bad train shed roof with a properly protected and insulated one.

Photovoltaic Panels

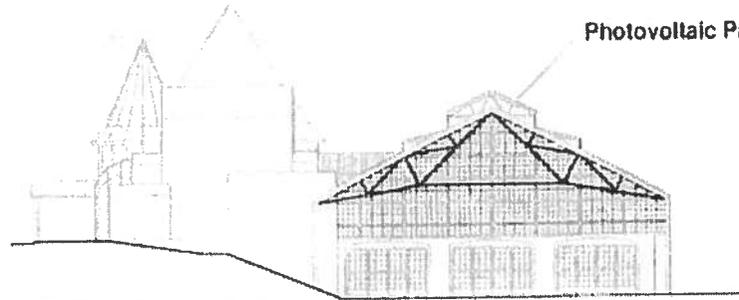


East Elevation

1/8" = 1'-0"

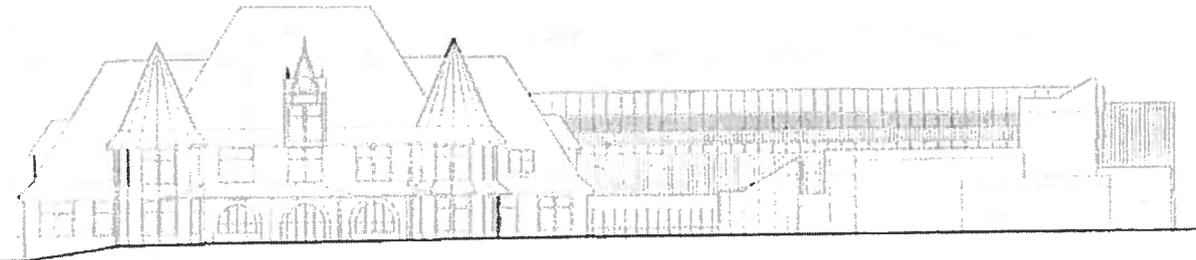
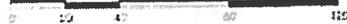


Photovoltaic Panels



West Elevation

1/8" = 1'-0"

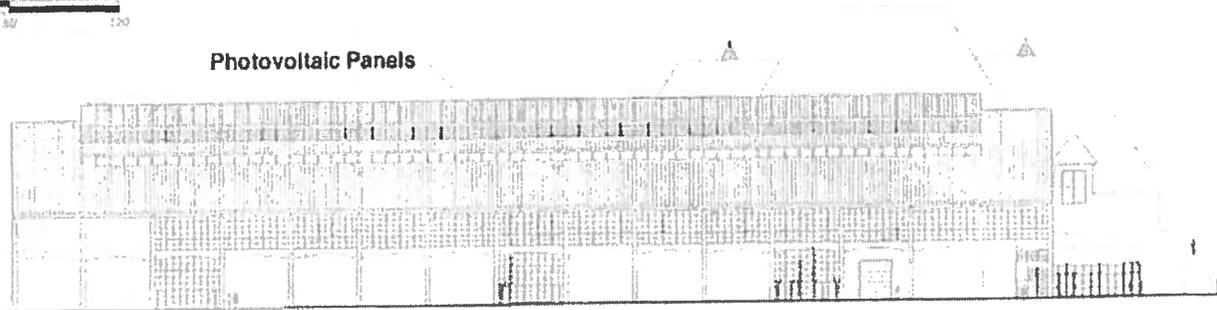


North Elevation

1/8" = 1'-0"



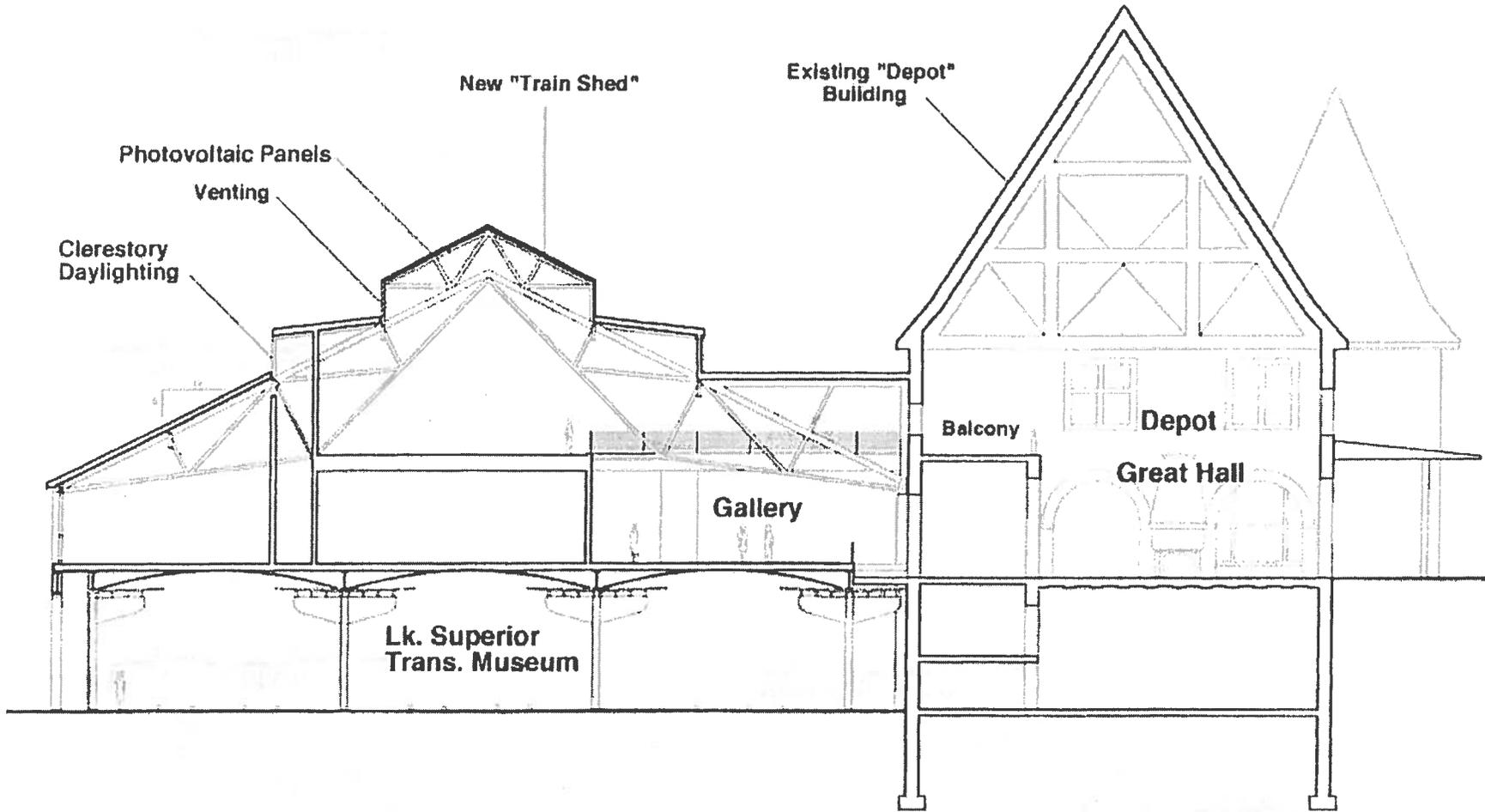
Photovoltaic Panels



South Elevation

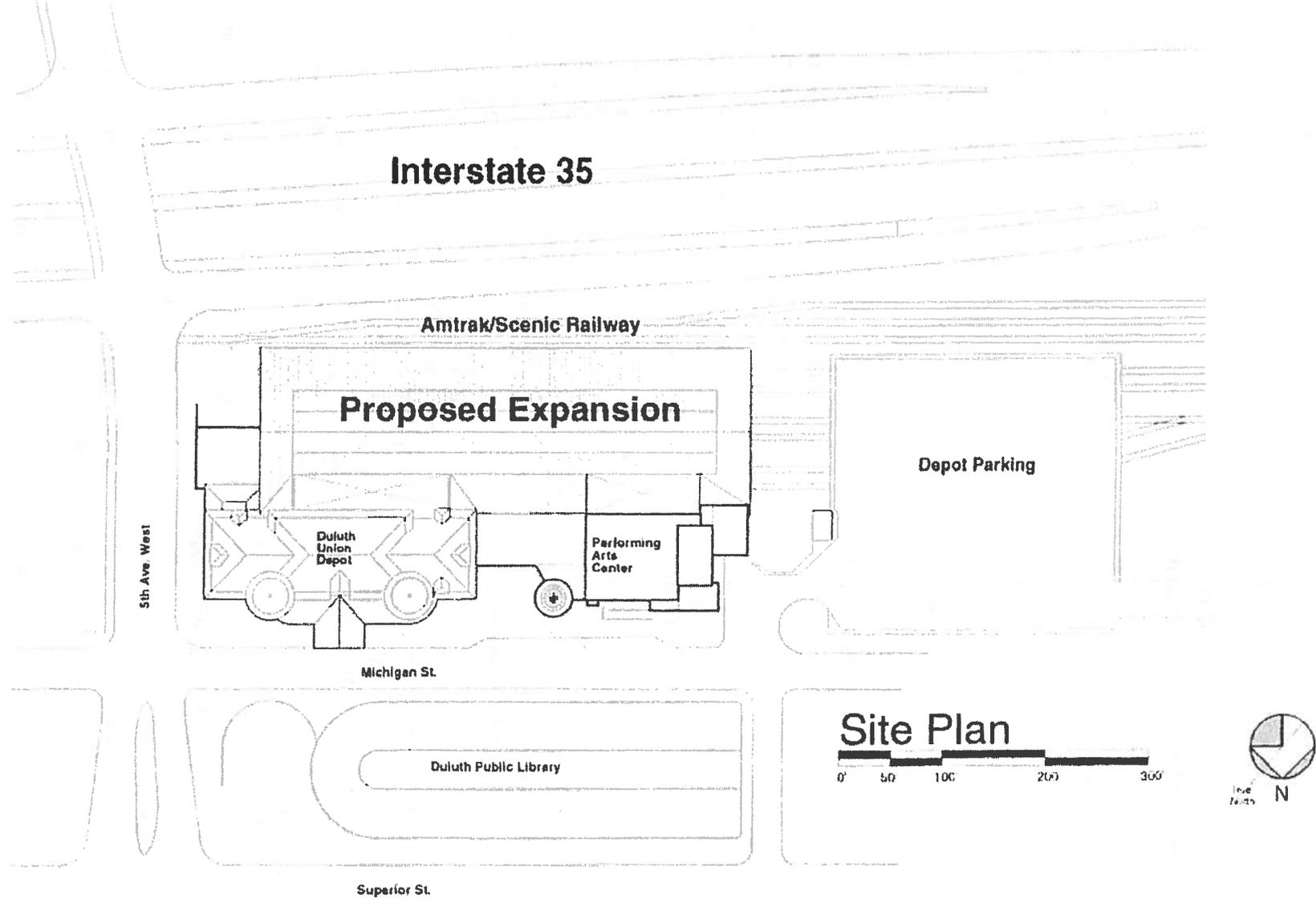
1/8" = 1'-0"





 **Section "A" at Great Hall**

20



The space built above the track level in this concept would allow for the creation of proper exhibition galleries. This could permanently mitigate the problem of inadequate gallery and collection storage conditions in the older part of The Depot, which is permeated with accretions of potentially damaging fly ash and soot.

A new structure could also address the need for better schoolgroup amenities and would free up space in the older part of The Depot surrounding the Great Hall for retail and proper food service amenities. It could also be extended to provide the extra length of sheltered area desired by the Lake Superior Railroad Museum for the display of more rolling stock and engines.

An added bonus would be to sheath the roof with photovoltaic panels, creating the opportunity for greatly enhanced operational savings in energy costs. If the entire project were to be designed as a "green building," using environmentally friendly building practices, the concept would have added appeal to funders looking to reward innovative and forward-looking civic efforts.

Another possible program solution would be to create a shared changing exhibition space of about 5,000 square feet in this new building. As we have all heard, new exhibitions--opening on a regular basis--are absolutely key to driving repeat visitation to museums. While it may be unrealistic to assume that each Depot museum entity can keep the change pace necessary to attract visitors on its own, if this flexible space could be programmed alternately by each of the museum entities, it could

shift the burden of work and the promotional opportunities in spotlight fashion, diffusing the expense and effort while keeping the rate of change at The Depot high in the public consciousness.

Winter Garden

One dramatic way to improve the overall appearance and functionality of The Depot might be to create a glass enclosed Winter Garden space in the niche currently occupied by the newer entrance. This could be elegantly appointed in conservatory fashion and trimmed with a year-round garden. It could also serve as a pleasant intermission lounge for the Duluth Playhouse and the other performing entities, and as a good space for reception or dining.

Another possibility would be to make this winter garden an alternative entrance exclusively for the theater so that the Great Hall would remain available for evening rental functions.

Theater Scene Shop

The Railroad Museum in its expansion plans already envisions a project to expand their shed roof over the exposed section of track behind the Depot Theater. In a more modest expansion plan, this project could be configured in order to place a new scene shop on stilts above the track bed.

Consolidated Collection Storage

The Tweed Museum and the University of Minnesota Duluth are currently planning an expansion of their collections storage facility that will

greatly expand their capacity to properly house collections objects. One possible opportunity to explore would be an arrangement that centralizes collections storage for all of the collecting entities at The Depot with the Tweed. This would free up scarce space at The Depot while providing much improved collections storage conditions, mitigating the longstanding problems of fly ash and soot contamination in the old building.

Potential Brown-out Issues and Remedy

One concern that has been clearly expressed is that the partner organizations cannot afford to endure any cash flow slack in gate revenue liable to happen during an extensive construction period. Since the complete reconstruction of the train shed would have the greatest impact on the Lake Superior Railroad Museum below it, they are most concerned about mitigating the effects of the construction. We suggest that, if an ambitious capital campaign is embarked upon, money be raised to provide bridge funding during any down time (or "brown-out") for The Depot entities. It also seems possible that construction could be phased in such a way as to allow some level of continuous access to The Depot and construction might also be timed so as to avoid the peak visitation season as well.

3. Organizational Structure

The current state of affairs is more or less an accident of history. The recent brush with financial collapse left a leadership vacuum at The Depot, which was filled by Ken Buehler of the Lake Superior Railroad Museum. Mr. Buehler has stabilized the financial picture somewhat. In the sense that he acts as The Depot's de facto CFO and the client for building management by Oneida Realty, it has given him a large share of control over the future direction of The Depot, which he has added to by virtue of pursuing an ambitious expansion plan for the Lake Superior Railroad Museum and through his contacts in local, state and federal government.

The advantage to maintaining the current arrangement would be to foster a momentary sense of stability and to preserve the relative autonomy of each organization, even if the distribution of benefits to each organization is liable to be uneven. Our chief concern with this is that, with no guiding authority overseeing the interests of all of the tenant organizations within the context of a unified set of goals, certain opportunities are certain to get missed for those organizations without clout in the arrangement. This will mean that the future will unfold willy-nilly, in parallel and piecemeal fashion for each of the partners, and the overall coherency and potential of the future Depot as a whole will not be maximized. We also suggest that a more expansive and inclusive vision for The Depot should prove more exciting and attractive to sources of support than one which is divergent, unilateral and uncoordinated.

We strongly suggest that either the partner organizations find a way to submit to a higher controlling authority to lead the overall planning direction for The Depot or simply that one of the PMO's be designated CEO, therefore taking responsibility for the broader direction of Depot planning and the management of common revenue and resources. Such a rearrangement will not guarantee success of a future planning effort, but we believe it will be more likely to succeed than maintaining the status quo indefinitely. The future of the Depot needs unified leadership. That means one person whose job it is to carry the ball forward, day in and day out, advocating for the entire scope of The Depot's mission as expressed by all of the partner organizations.

One clear reason for unified leadership is to build an atmosphere of trust among the partner organizations. For example, The Depot can ill afford a situation in which it appears to any partner organization, external stakeholder or source of support, that The Depot is being run to benefit only one or two of the partner entities. Talk of partnerships is trendy in the non-profit world today, but often these partnerships break down around issues of trust. A situation in which one entity gets the money, or the glory, while another does all of the heavy lifting, or is allowed to languish in return for effort, is doomed to fail. A true partnership is based on reciprocity, on each partner bringing something of value to the table and being prepared to trade off something for the benefit of the greater vision. In a reciprocal relationship, straight shooting is essential and words must be backed up by deeds. If partners say what they mean and mean what they say, backing it up

with action, then partners prove themselves trustworthy. Trustworthiness is also built on transparency. It means keeping the allocation of human and financial resources, the agendas, the goals and objectives out in the open. It means being able to explain decisions in the context of a broader rationale. It is our sense that real damage has been done to the relationships of trust necessary to keep The Depot healthy into the future and a concerted effort at repair might be in order.

Public Face and Public Service

Tourism is great, but any public entity's first and highest commitment should be to the broad community it serves and depends upon for support. The level to which a community will support a public entity directly corresponds to the public's perception of the quality and essentialness of the service provided. This service ethos should suffuse all of The Depot's operations, from the way staff members interact with the public in cheerful and helpful ways, to the value of the programs provided to the community served.

In the future, the organizations occupying the Depot might consider several different models for structuring themselves so as to project a unified and coherent appearance to the public.

1. *Confederation.* Remain a loosely affiliated group of organizations that occupy the same space and engage in occasional partnerships of opportunity. Each organization is on its own, seeking its own opportunities for support or growth.
2. *Federation.* Retain independent governance, but submit to leadership and direction from a higher coordinating authority that has the overall future and success of the entire Depot as its charge. A common, guiding vision or mission vests that authority.
3. *Union.* The Depot becomes effectively one organizational entity. The current roster of Depot organizations, should they choose to stay at The Depot, are thus consolidated into functional departments in what might be called one museum or heritage center.

Union

From a strictly rational, outsider perspective, the third option might make the most sense. By all appearances, it would be most efficient and would be the surest way to forge The Depot and its disparate tenants into one coherent destination and public service organization. But we are human beings and human beings are by no means rational. To attempt this would surely rend whatever fabric of accommodation, for all of its past and present faults, still ties these groups together. Such a course of action would also disregard the very real sense of tradition and continuity each of the organizations represent to Duluth historically. The Duluth Children's Museum is one of the oldest children's museums in the nation. The Duluth Art Institute is over a century old. The St. Louis County Historical Society can trace its roots back to 1922. In short, the effect of carelessly dismantling these organizations would

be traumatic and hard feelings in the wake of such a sweeping reorganization might derail any forward progress for The Depot for a considerable period of time. Furthermore, simply making organizations departments in a larger organization will not guarantee that dysfunction will magically clear up. As any seasoned veteran of a large institution will tell you, infighting can occur no matter what the structure of an organization is.

Confederation

The first option of confederation is merely a continuation of the status quo. It certainly affords each organization the most independence and freedom. The Depot could muddle along in this groove, perhaps indefinitely if the finances stay stable, and some organizations, the more entrepreneurial ones at least, might find the means to thrive. But others would also surely languish. The Depot in this scenario would remain a hodge-podge of unequal quality and means, lacking outward focus and identity. Most of the longstanding functional issues surrounding the use and allocation of space in The Depot would likely go unresolved. And the persistent atmosphere of distrust and recrimination would very likely reemerge as the relative fortunes of the partner organizations continues to diverge over time.

Most problematic will be a growing perception by stakeholder entities that The Depot is being run only to the advantage of the Lake Superior Railroad Museum. Whether or not the Railroad Museum deserves this is immaterial. As long as their accounting practices and

management of The Depot remain as opaque as they are today, the perception of a conflict of interest will inevitably grow and this will have a caustic effect on the trust relationships so necessary to secure The Depot's future. Frankly, as tempting as it would be to maintain this condition, providing perhaps a momentary sense of solace after the storm of the near death experience of recent years, we recommend that The Depot begin planning for something better.

Federation

The second option, though less traumatic, will take the most amount of work. It will rely heavily on collaboration and buy-in over time. It will be political and it will undoubtedly have its moments of tension and conflict. It will require the cooperation of dozens of stakeholders, each of whom will have very differing levels of concern. No doubt there are some stakeholders who won't see the point in casting a broader vision. Indeed, some are still recovering from the last big vision. But not to unify towards some common vision also means that sources of public and private support will remain skeptical of The Depot's direction and future prospects. By making common cause, The Depot will better be able to leverage support and should hence be able to make a broader upgrade of the facility and programs with more lasting positive impact for all concerned.

One of the clear advantages of a federation would be to combine support functions that are currently run in parallel. Bookkeeping and financial reporting, building and exhibit management and maintenance, exhibit

design and production, collections management, marketing, gift shop management, supply and inventory, purchasing and office support, fundraising, etc., are all duplicated functions run in parallel fashion by many of the partner entities at The Depot. If management of these functions were to be consolidated into one support unit to the partner entities, the partners could be freed up considerably to better focus on program development and delivery. In this scenario, the partners preserve a great deal of institutional autonomy and identity while benefiting from a more unified direction and set of support services.

4. Museum Programs

Taken as a whole, The Depot has great things for families with children, a dose of visual and performing arts, a shot of local history and a fantastic collection of trains, some of which you can ride. The problem is; how do you talk about all this? How do you take it all in? In some sense, the marketers have already spoken. Whatever else you might think, the train rides, for now anyway, are the selling point here. That's something fun that people understand. But that doesn't do much justice to the potential of the other entities to drive public engagement and visitation.

To bring an entire exhibit program for four museum entities up to a high level of standard isn't cheap. As a starting yardstick, new exhibits with interactives and state-of-the-art interpretive media can cost upwards of \$300 per square foot. But the benefit to Duluth of an interpretive overhaul at The Depot could be long lasting. The memory of the expense will quickly be eclipsed by the reward of a vital and essential museum—if the effort is perceived as a success. At the same time, whoever leads the charge on any overall revitalization project should also take care to set the appropriate level of expectation. In this report we have described a place that is many things to many people, a puzzle with many pieces. The experience with the Great Lakes Aquarium has taught everyone that grossly overstating what a destination can draw in tourism attendance and gate revenue only sets the stage for bitter disappointment. We suggest that one way to avoid this pitfall is to make the place of service to the Duluth community first and foremost. Do not

expect millions of visitors to validate the effort. Instead, make the effort worthy of the people of Duluth and set the project on a firm financial footing for the future in such a way that survival is not based entirely on selling tickets.

One possible future direction would be to pick an interpretive direction for the entire place that pulls The Depot into focus—an overall Duluth heritage center concept. An intriguing idea is the notion we have heard expressed of *gateway* or *crossroads*. At present everything about The Depot, from its name to its form, suggests the passage of people through a place. Yet the biggest missing link in the overall interpretive scheme is to gain a sense of who the people of Duluth are. What brought people here? What were their aspirations in coming to this place? What were their accomplishments and disappointments? How have those desires been translated into the city we find today? Duluth is itself a vast gateway, the westernmost port on the eastern seaboard, the portal through which the world receives a vast share of its grain, timber and iron. What a terrific story!

The Depot is one gateway to that larger gateway. It is the gateway, not for commodities, but for Duluth's ancestors. This story should be told in such vivid ways that the citizens of Duluth instantly recognize and embrace this as their story. Visitors too may come to Duluth and find out something essential about the spirit of this place. There are fantastic opportunities, but to do a good job of it should be seen as a mission imperative. A museum must be devoted to more than a subject or a collection—these are a museum's functions, but they don't describe a museum's purpose. A

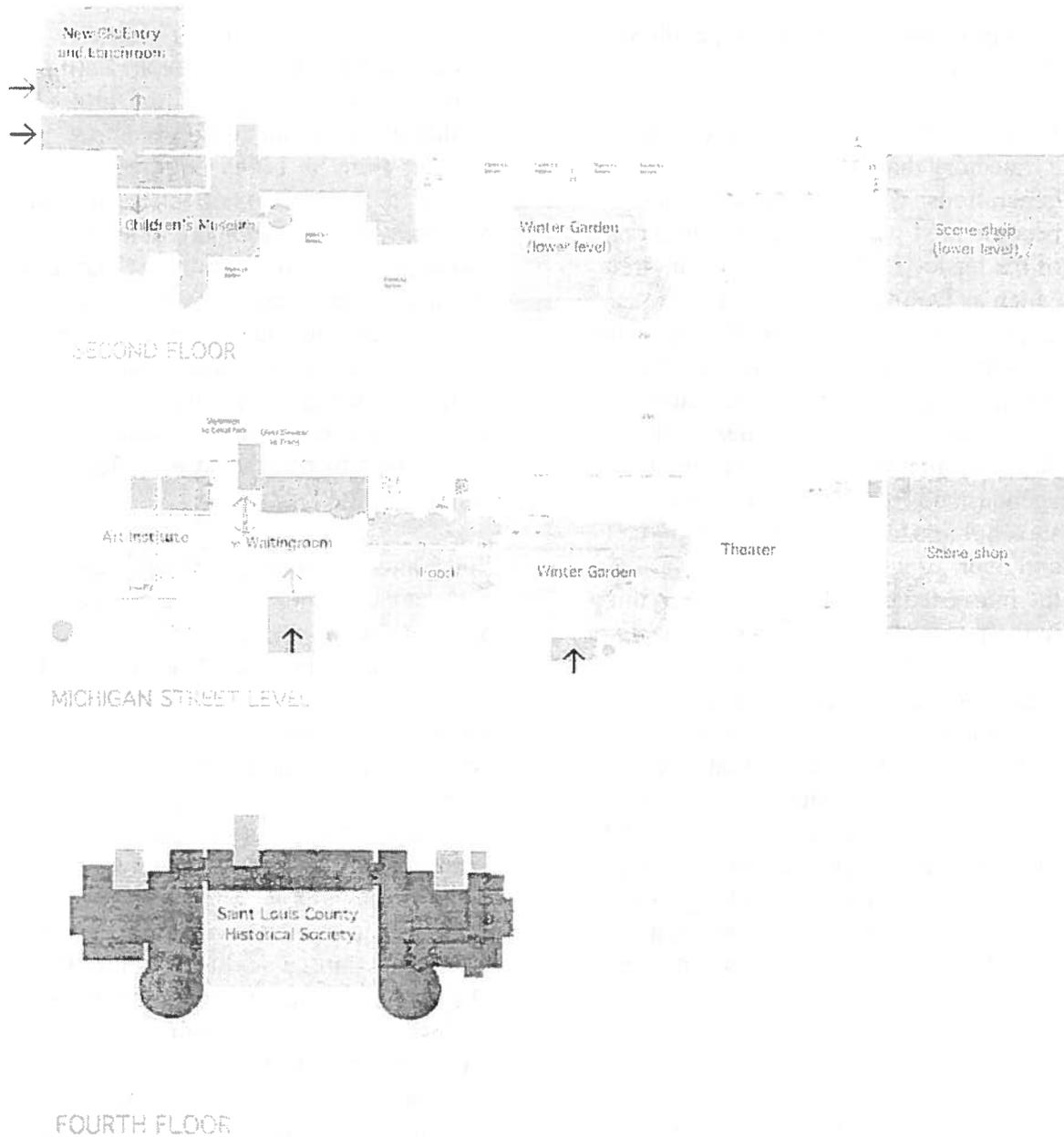
museum must also serve the people who support it.

What's at stake here is the next stage in a trajectory that crosses many generations. What The Depot is to become next will form an important part of the legacy Duluth leaves its children. Much as Duluth's ancestors left the Depot organizations to the Duluth of the present, the interested parties have an obligation now to lay the foundation for the generation that comes next. This demands an approach that sublimates the agendas and fears of the individual stakeholders to a much more important and overriding cause. It also means that the interested parties must do everything in their power to make the revitalization of the respective partners succeed to the highest level attainable within the reasonable limits of available resources. The museum or museums that come out of the revitalization process must be relevant to the next generational cohort of Duluth and this must challenge and stretch the organizations to think beyond the way things have been done in the past. The PMO's have a duty not to fail. Failure will squander the legacy entrusted to them and the victims will be Duluth's next generation.

The Duluth story can be told in ways that harness much of The Depot's existing resources and expertise. The St. Louis County Historical Society, the Lake Superior Railroad Museum and the Duluth Art Institute could learn a lot

from the Duluth Children's Museum about making subject matter appealing to families with children. The Duluth Children's Museum could use a few pointers from St. Louis County Historical Society on collections use and management. Everyone could learn something from the Duluth Art Institute about developing and showcasing local talent. Everyone could learn a lot from the Lake Superior Railroad Museum about marketing a popular program. Wouldn't everyone benefit, wouldn't *Duluth* benefit from a more unified vision for The Depot?

Some attempts at programmatic unity and outward coherency are necessary. Most in need in this respect is the St. Louis County Historical Society, which has its exhibitions spaces scattered around The Depot. A near-term arrangement should be explored (if a large scale expansion plan proves to be impossible) that consolidates the St. Louis County Historical Society exhibitions galleries so that they occupy a contiguous floor area—on the Fourth Floor for example—while moving the Duluth Art Institute to the galleries to the left of the Great Hall on the entry level. Offices might also be consolidated into one suite or in an offsite location. Common functions such as collections storage, workshops, schoolgroup facilities, etc., might be better shared in common spaces. We include one such approach for consideration.



Even without a major expansion program involving the reconstruction of the old train shed, the coherency and flow of The Depot museums could still be dramatically improved through a reallocation of space and a few smaller scale additions.

The Duluth Art Institute

Of the four museum entities at The Depot, the Duluth Art Institute is the only one without a collection. To the extent that they draw from the regional talent base to mount changing exhibitions, they seem to be the least in need of a major, permanent programmatic investment other than to upgrade their gallery space and find long-term solutions for the space requirements of their program activities. Executive Director Samantha Gibb Roff is currently developing new ways of interpreting art for families with children in an effort to better serve the audience The Depot currently draws. This is an encouraging direction that deserves support. Not only might it find a receptive audience, but it could be a really innovative exhibit approach as well.

The Duluth Children's Museum

Clearly the most savvy of The Depot museums at providing the kinds of exhibit programs families with children value, the Duluth Children's Museum also has an excellent gallery space that has terrific personality and warmth. What they need most is better promotional visibility. Moreover, a better promotional strategy would almost certainly boost the fortunes of the overall Depot gate. The Duluth Children's Museum could also benefit from a substantial investment to upgrade their core exhibit program. With a strong new core exhibit and a regular cycle of incoming traveling exhibits, the Duluth Children's Museum could be as good or better than any children's museum in the U.S. at serving families with children.

The Lake Superior Railroad Museum

The Railroad Museum could also use an investment in exhibitions in order to raise the quality, variety and interactivity of the experiences they offer to the public. While they clearly are possessed of an outstanding collection and have a real flair for promotion, they would do well to broaden the scope of their interpretation to the kind of human themes that will resonate with those who are not dyed-in-the-wool rail buffs. A new departure point for them might be to look at the building of railroads, the track gangs, the transient hobo laborers, the African American Pullman car porters, the arrival of immigrants, the shipping of raw materials, the fortunes wagered, won and lost on hauling out the natural bounty of the Northwoods, the near escape of train passengers from the great Hinckley forest fire, the romance and music of rail travel, rail in popular culture, in art, movies and television, or any of the other themes that can tap into a broader base of popular interest. The railroad is a powerful theme in American history and could be explored in much richer detail. A more expansive interpretive approach could be inclusive of those with more disparate interest levels.

The St. Louis County Historical Society

As we have already noted, The Depot lacks a focus on human stories in their interpretive approach. Extensive audience research conducted at the Minnesota Historical Society and many other places has shown that museum visitors respond to the stories of people

in the past particularly when they can make some sense of personal connection with the life experience of those people. Even those individuals who don't consider themselves to be interested in history, do engage with the past through empathy and memory, through family stories, through community life and collecting. Tapping into these natural ways people have for exploring history would enhance the direction of the museum considerably.

The long-delayed exhibition interpreting the indigenous people of the region—the Anishinabe—should certainly be completed as part of the overall initiative and this should also be done in a collaborative process involving the tribal communities in the area. But, with a more robust exhibit budget, the St. Louis County Historical Society might be able to take the lead in developing a major new exhibit that brings the Duluth story out of the shadows at The Depot. This should be done utilizing the dynamic, interactive interpretive techniques most appealing to families with children who, after all, are the bread-and-butter constituency museums must serve in order to attract a broad audience. Adopting techniques that successful children's museums use, fostering and encouraging intergenerational learning—the exchange of knowledge between parents and children—would create a more naturalistic and broadly engaging history museum for Duluth.

While we have detected concern that the St. Louis County Historical Society can't merely focus on Duluth in order to fulfill the mission scope of interpreting the entire county's history, we suggest that the two interpretive objectives need not be mutually exclusive. Since the port of

Duluth is a portal through which the raw materials extracted from the interior of St. Louis County pass, it should be possible to intertwine these themes successfully through the focal lens of Duluth. In the end, an exhibit experience that, for the tourist is emblematic of the Duluth story, while simultaneously resonating strongly with Duluth citizens as something expressive of civic identity, would be the optimal result. To do this, this exhibit should strive to be expressive of Duluth in its own words. It should draw heavily on oral histories, diaries, letters and other primary sources, in order to touch on something direct, authentic and unfiltered in the Duluth experience. This would best be undertaken through an outreach initiative, a process of "story-mining," of drawing the people of Duluth into the creation of this narrative. This would also have the effect of getting the word out on the revitalization process, reintroducing The Depot to the public at large while extending a sense of ownership and pride in the resulting exhibit.

It has been said that any great museum is a mirror of the soul. A museum is not only a place we go to learn about the world around us, but it is also a place to go in which we reflect on our own lives, our own sense of what it means to be human in the world. If the new Duluth Depot is a success, it will become a place where parents, grandparents and children will come to share experiences and gain perspective, not because they sense it's their duty to do it, but because it is enjoyable to do it in this place. If the revitalization effort is undertaken in this spirit, The Depot will not fail.

**PRESERVATION DEVELOPMENT INITIATIVE
DEPOT STUDY
OBSERVATIONS AND RECOMMENDATIONS**

INTRODUCTION

The following observations and recommendations have been developed based upon a review of Depot tenant organizational profiles and audits and related promotional materials, as well as a series of one-on-one interviews and small group meetings conducted onsite September 7th and 8th with a representative sampling of Depot and other community stakeholders. It is the intent of this consultant to assist the Depot Foundation in setting the stage for a successful future by participating in this independent assessment of the Depot along with other assessment team consultants. The observations and recommendations are particularly focused on the arts/cultural aspects of the Depot. The material below is taken in part from a presentation developed onsite from the materials and input described above and presented on September 9th.

As the Depot Foundation explores a capital campaign for the Depot, as well as the future of the Depot and its use, it is important to understand the context in which these initiatives are occurring. In the past 30 years, Duluth has gotten smaller. Its industries have changed. Amtrak no longer stops at the Depot. The local and regional arts community has grown. The community's needs and demographics have changed. Despite these and other changes, Duluth has managed to retain its individuality. This is not a generic community. The lake, the building stock, the climate, the influence of the landscape, the native people, the turn of the century immigrants, and past and current industries have all contributed to a place that even today is distinct. Duluth couldn't be someplace else. This is not true of much of this country. Unlike Duluth, many of this country's communities have done a pretty thorough job of obliterating those differences. A new approach to the Depot and its future will require an understanding of those differences and their importance. When the Depot Foundation looks to serving the current and future needs of the Depot facility and the needs of the facility's tenants and users, it will be important to look beyond the building to better understand the role that the Foundation and the Depot itself can play in the development and encouragement of a community environment that is conducive to an ever developing sense of place with a rich cultural and civic life.

NATIONAL CONTEXT

As our communities have changed over the years, so are there significant changes in the way in which cultural services are delivered. It is important to understand these changes as we look at the Depot and its future as a center for arts and culture, and for transportation. Some of the many changes that impact on the ability of cultural organizations to do their work, and the nature of that work include:

The Increased Use of Digital Technology

Technology has given us abilities that we never could have imagined even ten years ago. The ability to utilize e-mail, instant messaging and internet-based telephony has changed the timeframe and the cost of our communications. We have the ability to market through websites with video. We have the ability to make ticket and merchandise purchases and to have interactive discussions online. We are moving from the purchase of CDs to the downloading of content from the internet. We know more about our donors and our customers, and they know more about us.

Succession and Founder Transition are of Notable Concern in the Field

The young people of the 1960s and 1970s that began many of our cultural organizations nationally are making decisions about retirement, or about different settings in which they do their work. There is a vast reservoir of knowledge in this group. The issue is becoming more and more acute as to how to pass along that knowledge and meld it with the realities, vision and experience of younger people in the field. Although this is not a new topic, little has been done to address how the delivery of cultural services goes forward in this ever changing environment. Young people coming into the field have a very different set of economic circumstances than those that preceded them. The political and economic environment that encouraged many young people to into not for profit work in the 1960s and 1970s, is quite different today.

The Role of Volunteers has Changed

Many cultural organizations were built upon fulltime, well educated volunteers. Over the past 30 years, this volunteer base made up primarily of women has changed considerably. This demographic is largely now in the workforce and not available for the same kind of volunteer support. Nonprofits often need to create paid positions for services that used to be provided by volunteers.

The Needed Skill Set has Changed

Cultural organizations today have to address this changing environment of technology, of new demographics, of choices in the marketplace and of more limited volunteer support. The ground under these organizations changes constantly. Managing an organization to be sustainable and to continue to provide excellent and meaningful artistic/cultural product requires a great deal of flexibility and willingness to address different skills and different structures in which to work.

The Shifting Roles of Traditional Funders

Having gone through a period of belt tightening in recent years, funders have become more focused and more demanding in regard to the performance of their grant recipients. Many funders have become considerably more proactive during this time period, including crafting their own programs and seeking grant recipients themselves that they feel would perform well

and accomplish a foundation driven program's goals. During this same time period, traditional technical assistance programs often provided by local and state arts agencies are not nearly as available as they once were. In addition to traditional institutional arts funders, other groups such as groups of business leaders are starting to galvanize to address the effectiveness of cultural service providers. This all requires a new orientation from arts and cultural groups, particularly those that are used to more reactive institutional funders.

A Number of Occurrences and Trends Relating to Small Business Models for the Delivery of Cultural Services have Emerged and Gotten Stronger

A significant group of young artists are beginning to approach cultural service delivery without utilizing a 501(c)3 structure. We are seeing more and more activities emerging in a small business model. Traditional not for profit cultural service delivery is being joined by a variety of other structures. This is not to suggest that the 501(c)3 cultural organization will disappear anytime soon, but rather that it needs to be increasingly thought of as one of a number of approaches to delivering quality relevant services to a community. It is important to note that before about 1960, a vast majority of arts and cultural organizations were sole proprietorship businesses.

There is a Definite Trend toward Public Participation in the Arts that is Growing

This is happening not only in a traditional way with community theatre, orchestras, etc., but also in a major way through the ability of digital media. Young people can now create their own movies or musical CDs and can distribute and sell their work over the Internet. The way we think about amateurism is changing and will continue to change; a change from the drive toward professional paid performers that has developed over the past 30 years.

Moving toward greater participation requires cultural organizations with flexible structures, a history of collaboration, and the willingness to adapt programming to suit community needs/desires. These groups tend to be more successful in reaching community, either on their own or in concert with others. Many cultural service providers are not well equipped to relate to communities in an authentic manner and would benefit by working with or through other agencies or organizations that are truly embedded in the community.

There is Much Greater Focus in the Arts Field on "Customer Experience" as it relates to Arts Product

For much of the cultural/arts field the product has been thought of as the exhibit or the performance, but not necessarily those things that occur around them. Now there is much more focus on the experience the audience member/consumer has in relationship to the actual work of art. This is leading to all sorts of new offerings and collaborations such as pre and post show activities for target markets, package deals with hotels and restaurants, etc. In addition, ticket purchases, feeling welcome in the facility, easy parking and other experiences that surround the cultural offering are key to retaining current audiences and building new ones.

OBSERVATIONS

The Times have Changed

There have been significant changes in the scale and needs of the cultural groups housed in the Depot (as well as those in the broader Duluth community) since their tenancy began 30 years ago. Many of the tenant groups require additional or different kinds of space. The broader environment in which they do their work has changed as well. Certainly the community's demographics have changed as has their demand for certain kinds of cultural services. Some of the tenant groups have embraced these developments and have grown as a result. Others have not. I spoke directly with the executive directors of the Duluth Art Institute, Duluth Playhouse and Duluth Superior Symphony Orchestra. All of these groups have made significant strides in recent years and appear to be serving the community well. Of particular note is the orchestra, which in the face of great difficulties for orchestras nationally, is successfully building new audiences and increasing artistic quality.

There is a Complex Structure

There is a complex set of stakeholders that control various aspects of the Depot, what goes on in it, and how it is financed. All of these stakeholders work independently, and none of them have the job of actually setting the tone for the building's future and insuring that all of the various pieces work in concert to the best benefit of the public, the tenant groups and the building itself. The Depot Foundation's Visioning Workshop is a good start in addressing this issue.

In addition to a simplification of structure, there needs to be leadership beyond property management and beyond fundraising. Facilities such as the Depot require a knowledgeable, relentless individual with vision that wakes up every morning to set the tone for an energetic space with services that encourage and enable the tenants to succeed and residents and visitors to look forward to a great experience in the facility.

It will be important for potential solutions for structural change to be discussed and implemented in an environment where trust has been built and there is common cause with tenant organizations and other related stakeholders.

There is a Need for a Greater Customer Service Orientation

During my visit to Duluth I went to the Depot several times, the first time unannounced and without accompaniment. My initial impression was that the building was empty or was undergoing some sort of maintenance. The approach to the building's most obvious entrance showed windows that were covered by paper and the grand hall empty of furniture or activity. The building's interior was not well lit and did not have consistent graphics or signage. It was unwelcoming.

Making it easy for the customer and making the customer feel welcome is a task that requires vision and good execution. In the travel industry it is called visitor service. Is the experience of the visitor a positive one from the time they call asking for directions through their experience in the building?

It is also important to develop an image for the building in the community, as well as for visitors. Each of the current tenant groups puts forth their own individual marketing messages (as they should). There is not, however, a cohesive message about the facility as a whole.

Shared facilities such as this one make possible amenities and collaborations that are not practical for most individual cultural groups. These things might include centralized food service, a shared gift shop, a collaborative marketing mechanism, shared back office services, a community box office or an arts-oriented business incubator.

There is a Need for Planning that Goes beyond the Walls of the Depot

As the future of the Depot is examined, and the stakeholders investigate how it is managed, how it is marketed, how it is financed and how it is programmed, it is not enough just to think of this extraordinary building and the groups within it. When we look at the future of this place we need to understand the history of this place and the aspirations of those that are now and will move the community forward.

Roles and responsibilities within the building need to be reassessed. Policies need to be revisited and addressed to best service the structure, the community and the tenants. It will be additionally important to place planning for the Depot in the context of cultural development for the entire community. Other facilities are being considered for cultural use, in addition to the Depot. Public and private support will need to be used to its best advantage to address the variety of cultural needs. It will be counterproductive to address a variety of related community initiatives in isolation.

The building is an important symbol for the city and region. There are extraordinary stories to tell of the people that have passed through the facility and the people that inhabited the area before the Depot existed. Although the structure exists and there is a significant collection of artifacts, their story has not been brought to life sufficiently. Involving community stakeholders beyond the existing Depot family in developing the facility's future, will go a long way in shaping administrative, programmatic and capital initiatives that will attract broader political and financial support.

Beyond planning for the Depot itself, there is enormous opportunity to integrate planning for the community's arts and humanities endeavors with a significant role in the development of larger community issues such as urban design, community and economic development and education.

RECOMMENDATIONS

Eliminate Public and Internal Confusion Regarding Roles and Responsibilities

The various governance, management and funding structures have grown up in response to a number of different needs at different times, beginning with the need to save the Depot itself and to create a new use for the building. All concerned have clearly had the best of intentions, however, over time the web of different layers of responsibilities and inconsistent policies have created a situation that needs attention in order for the facility to operate in a more efficient and equitable manner. Clarity needs to be brought to the relative roles of the management organization, the Depot Foundation, the County and the individual tenants. In addition, attention needs to be given to the responsibilities that fall between the cracks, and are not currently being thoroughly addressed. One body needs to be responsible for leading and coordinating the Depot and its role in the community. This body needs to be representative of the various stakeholders and have strong leadership.

Revisit Tenant Needs and Tenant Mix

To a large degree, the tenant mix and the spaces utilized by individual tenants were determined many years ago. Some of these organizations have grown beyond the facility, others have not. As plans for the Depot's future are developed, it is important to understand why given cultural activities either need or do not need to be in the facility and what kind of mix is to be encouraged or discouraged. To what degree will the facility be resident or visitor serving? To what degree is it important to have actual activities occurring in the building? What are the space, technology, production and storage needs of today's cultural organizations? It will be important to develop equitable policies regarding tenant needs and mix. It will be important to consider additional opportunities for space usage. Activities such as an arts/cultural oriented small business incubator, facilities for audio and video production, consolidated back office services, etc. In addition, it will be important to seek opportunities in the commercial sector that provide arts and cultural services as well.

Review the Role of the Depot Foundation

The Depot Foundation should focus on support of the Depot facility itself and on creating and maintaining an environment conducive to the development and delivery of excellent, relevant cultural services to community residents and to visitors. This might show itself through support of a variety of activities including capital expenditures, planning initiatives, commissioning of activities in public spaces within the facility, etc. It is this consultant's view that the Foundation should strongly consider discontinuing the handling of restricted funds on behalf of tenant groups and should consider transferring such responsibilities to the groups themselves or to an institution such as the Community Foundation.

Development of Tenant Collaborations

There is a need to encourage an environment for collaboration, rather than to demand or expect other than basic courtesy between tenants. True collaborations occur where there are shared values and mutually beneficial results that go beyond what one might accomplish on their own. Collaborative planning for the facility will help to identify what those things are. Although it is certainly possible that there would be savings derived by consolidated back office services or even mergers, these decisions will need to come forward from the individual tenant groups themselves and not be imposed upon them externally. It will be important in the future of the Depot to take advantage of collaboration opportunities outside of the building as well. An example would be joint ticketing and promotions with commercial and nonprofit tourism attractions. Another important opportunity for the Depot would be to develop internships with the fine arts program of University of Minnesota Duluth, as well as other local colleges and universities. Internships can serve a variety of purposes and bring new ideas into the building, helping to enliven the Depot facility.

Marketing and Visitor Service

It is important to increase visitation to the building and to provide residents and visitors with a positive experience. This is much more complex than simply promoting the building. There are a range of opportunities that include but are not limited to the following:

- Investigate and implement collaborative marketing initiative with an interactive website and the potential of ticket sales, such as those that have been developed by the Knight Foundation nationally
- Develop marketing collaborations with other area attractions, such as visitor itineraries and joint ticketing
- Develop consistent signage program for the Depot, inside and outside
- Develop a visitor service training program for use within the building
- Develop ongoing food services in the grand hall as well as a collaborative, centralized gift shop
- Further develop box office services to include museum and performing arts tickets, as well as other Duluth attractions
- Reorient the entrance and better utilize the grand hall to provide a lively introduction to the facility, hospitality to museum and performing arts patrons and a reinvigorated downtown gathering place

Planning Initiatives

Develop a strategic plan for the Depot that goes beyond the Depot tenants and funders. Planning for the Depot's future needs to be an open and inclusive process that balances community needs, the needs of the facility itself, and the needs of the community's cultural organizations and

activities. Such a planning process should revisit the mission of the facility and not presuppose the roles and responsibilities of the various stakeholders. It also should not presuppose that a particular management structure, funding or operations policy, or tenant mix are above discussion and action. The Depot Foundation's Visioning Workshop is a good start on this process.

In the best of all worlds, the Depot plan should be in some way related to a larger community cultural plan for Duluth and its surroundings, looking beyond the current Depot family to a vision for Duluth's cultural aspirations and a plan to create an environment in which those aspirations can be met. The Depot is one piece of a larger quilt of facilities, public and private funders, community needs, artists, arts organizations and related businesses. There is a need to talk to the whole community and to take the steps to best utilize the community's cultural assets to insure a vibrant future for residents, visitors, and artists alike, contributing to the overall livability and economic vitality of the community.

The Depot is standing because of its importance to Duluth and because of the citizens that saved it. Let's make sure that the Depot continues to be an important part of the community.

STRATEGIC RESTRUCTURING
for the
HISTORIC UNION RAILROAD DEPOT
Duluth, Minnesota



**Options for Successfully
Owning, Operating and Financing an
Arts, Cultural & Heritage Facility**

Elisa J. Cavalier, Interim Director
Preservation Development Initiative
National Trust for Historic Preservation

September 30, 2005

Introduction

Close your eyes and think about the historic buildings in Duluth. There are many wonderful buildings - Fitzger's, the Kitchi Gammi Club. But what stands out as a truly unique architectural masterpiece? The Depot.

Built in 1892 and designed by the renowned firm of Peabody, Stearns and Furber, the Union Railroad Depot looks like a French chateau. There is nothing else like it in all of Duluth. And Duluthians love this building which is why, time and time again, they have rallied together to save the building, and advocate for its maintenance and repair.

Unfortunately, Duluth has been less successful in determining how the facility should operate so that it can sustain itself. Although the facility is a business -- it houses tenants, rents space for meetings and events, and charges an admission fee -- there is no meaningful business plan for the venue. For years, the issues of ownership, management, maintenance, and money have hampered the success of not only the Depot as a venue but also the organizations it houses.

When an historic building is rehabilitated for an alternate use it becomes an entrepreneurial endeavor and as such, money and management become two important keys to success. In the following pages, I will evaluate the current ownership and management structure. I will also suggest alternate models that involve strategic restructuring so that the Depot can become a vibrant, well-attended destination venue for residents and tourists that is sustainable well into the future.

My comments stem from my own observations, interviews and limited research. My recommendations are based on my knowledge as a preservationist and past experience as general counsel to Station Square in Pittsburgh, PA -- a former railroad complex transformed into a mixed-use retail, business and heritage venue.

Finally, grappling with change is not easy and I am well aware that when we discuss the Depot we are really talking about people: managers, tenants, volunteers and others - all of whom care for the facility deeply. I hope my comments are received in the spirit in which they are given - to help Duluth maximize the use of one of its great historic resources.

Goals

All businesses start with goals - and it is rarely (if ever) to fail. Goals serve as your roadmap or blueprint for what you need to do today and where you want to go in the future. Making money is a goal for any business, and this does not just apply to for-profit businesses. Being non-profit does not mean that you have to lose money. Although nonprofit organizations have a charitable mission, without money (whether earned or raised) they will not be financially viable, the organization will fail and the mission will not be pursued.

At a minimum, the goals for the Depot's owner and manager (if different from the owner) should be (1) to serve as the stewards of an historic building, (2) to promote it as an attraction to the public, and as the home to arts and cultural organizations, and (3) to ensure its sustainability with adequate revenue. The ten different nonprofit organizations (known as Participating Member organizations or PMOs) housed in the Depot have their own charitable missions, but after speaking to many of these organizations, I can safely say that they share in the larger goal of making the Depot a viable facility and historic attraction. For this reason, I suggest that the owner, management and PMOs create a shared set of goals such as those set forth below:

- | | |
|-----------------------------|--|
| Facility | To create a vibrant, well-attended destination venue for residents and tourists. |
| Management | To support a business-oriented management approach that seeks to (1) promote the venue, (2) support its tenants, (3) engage visitors and (4) make money. |
| Infrastructure | To strive for simplicity in ownership, management, fee structures and fundraising. |
| Stakeholders | To encourage the owner, management, PMOs, donors and other stakeholders to cooperate, collaborate and leverage their respective talents and strengths for the betterment of the whole. |

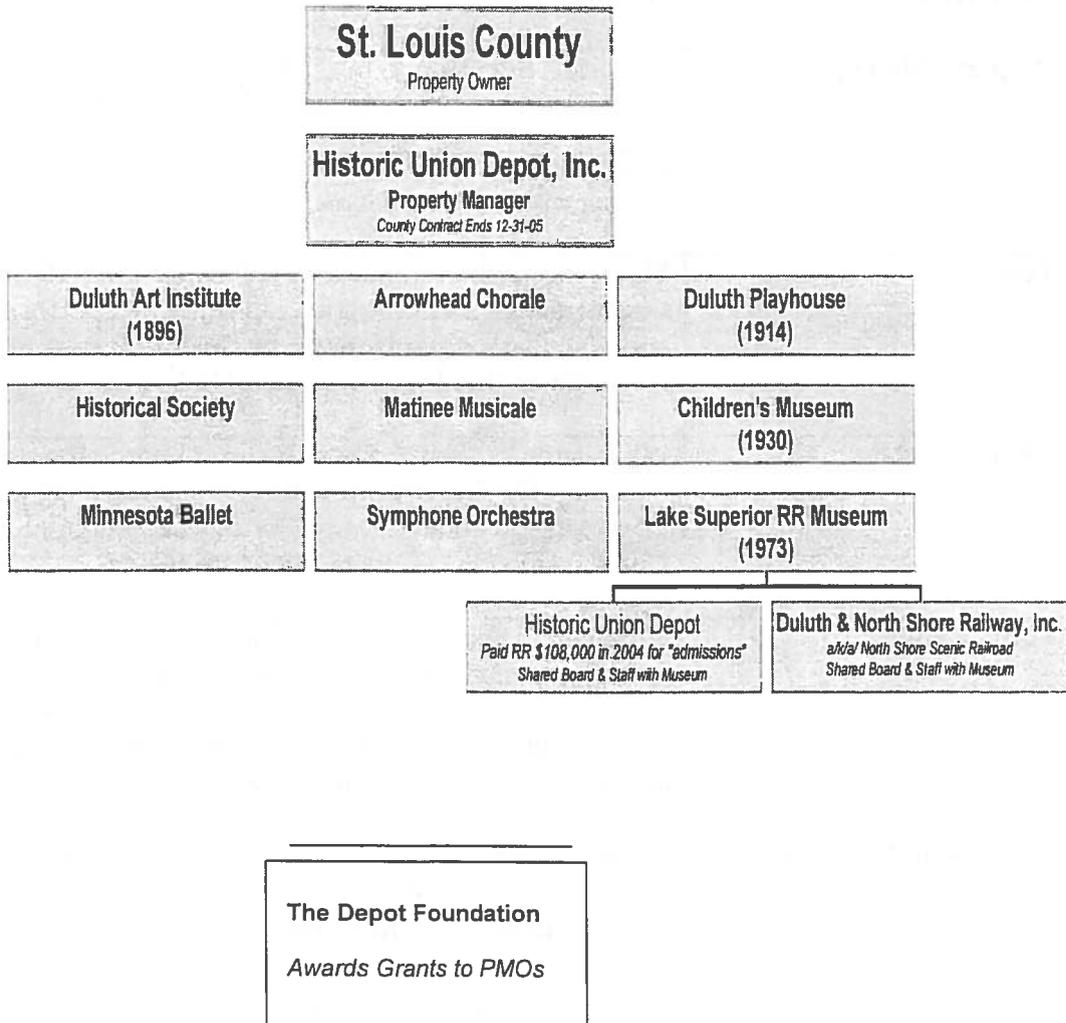
The Current State of Affairs

To formulate and implement a vision for the future, the "Depot Family" – the owner, management, funders and PMOs – must acknowledge the past, evaluate the present, and be willing to change. Currently the Depot Family faces internal and financial challenges due, in part, to its structure.

Property Owner	St. Louis County
Property Manager	Historic Union Depot, Inc. ("HUD") <i>pursuant to a county contract that expires December 31, 2005</i>
Maintenance	Oneida Realty <i>pursuant to a contract with the county</i>
Tenants	Eleven nonprofit tenants a/k/a Participating Member Organizations including two museums, six performing and visual arts organizations, the historical society, the North Shore Scenic Railroad and HUD.
Identity Crisis	What is the "Depot?" Does the term refer to the depot building, The Depot Foundation, the Historic Union Depot, the St. Louis County Heritage & Arts Center? Name confusion results in donor confusion.
Fundraising	Duplication and a lack of coordination persists resulting in donor confusion. The Depot Foundation raises funds for the benefit of all PMOs. The PMOs fundraise individually. A "Depot United Campaign" was an attempt at joint fundraising between PMOs.
Admission Fees and Expenses	Confusion and discord exists between HUD, the <i>exhibiting</i> PMOs and the <i>non-exhibiting</i> PMOs due to perceived inequity in the collection of fees, priority payments to HUD's parent corporation, and overages charges to tenants when net gate fees do not cover expenses.
Property Restrictions	In March 2000, Minnesota issued tax-exempt bonds in order to award a \$750,000 grant to the County for an addition and improvements to the Depot. As a result, restrictions exist on the use and sale of the building.

ORGANIZATIONAL CHART

September 2005



Management and Money.

The organizational structure illustrated on the previous page underscores why the Depot and the PMOs face management and financial challenges.

Strong management and adequate capital – in that order --are the two most important criteria for success for any business venture. Money is important but many well-capitalized corporations have failed for the lack of leadership. As Bill Moskin, a speaker at the September 9, 2005 Visioning Workshop pointed out, someone needs to wake up everyday with one and only one purpose in life which is to make the Depot the best it can be. Currently this is not the case due in large part to the lack of staff and funding.

This is not to say that HUD and its primary (albeit part-time) staff person, Ken Buehler, have not done an admirable job. When the former management company failed in 2003 there was a void. Although several organizations could have filled this void, it was the Depot's largest tenant, the Lake Superior Railroad Museum, that ultimately agreed to take on the daunting task of managing the Depot. A subsidiary corporation was formed (the Historic Union Depot, Inc.), a management agreement executed with the county and the railroad transferred a key staff person to HUD to handle daily operations. Management improvements did occur. Leases were executed with all tenants. Renting the Great Hall for weddings and events increased, and a liquor license was obtained to improve the marketability of the space.

Although this management arrangement was adequate as a stop-gap measure, it has had its problems.

1. HUD and the Railroad Museum share the same executive director.
2. HUD and the railroad museum have overlapping boards of directors.
3. The close affiliation of the management entity and the largest PMO, has led to a real or perceived conflict of interest especially in terms of gate fees.
4. A substantial "admissions" fee is paid from gate fees to the railroad by HUD yet neither the amount nor the rationale for the payment is specified in the county management contract.
5. Although leases are in place, rental rates are not uniform between the PMOs.
6. As the management entity, HUD has not consolidated and/or reallocated space to better accommodate all PMOs and enhance the visitor experience.
7. Because the contract with the county allows HUD to keep room rental fees, there is no incentive for HUD to utilize the Great Hall in a way that would enhance the venue for both visitors and the PMOs (e.g. a unified and centralized gift shop for the Children's Museum, Railroad Museum and the Art Institute or retail shops).

8. Although the county provides funding for marketing, promotions have focused on the railroad museum and the various train excursions.
9. There appears to be an over-reliance on city, county and possibly state funding, and HUD has not undertaken fundraising from the private sector to improve the overall physical plant at the Depot.
10. There is no business plan (or at least no plan openly shared with the PMOs).

A Reason for Change.

Outside of membership fees, corporate and private foundation grants are generally the life-blood of nonprofit organizations. But in this increasingly competitive environment funders are becoming more selective regarding the organizations they support. Overlapping programs, service gaps, turf battles, and a lack of coordination - these factors frustrate funders. This point was underscored during a breakout session at The Depot Foundation's Visioning Workshop. After listening to current and proposed organizational structures, a representative from Ordean Foundation indicated that he would not fund the Depot in its current structure because it was simply too obtuse.

For thirty years the county has owned the Depot. For thirty years the Depot, as a venue, has struggled to survive. For thirty years, the Depot has been managed as a cooperative instead of a business. For thirty years the Children's Museum, the Railroad Museum, the symphony and the other tenants have survived but some tenants have outgrown their space. The component parts of the Depot are solid but it is certainly a candidate for strategic structuring to help move it forward.

Strategic Restructuring

What is it?

Strategic restructuring involves considering fundamental changes in the organizational structure of one or more nonprofit organizations. It involves evaluating business options including mergers, joint ventures, administrative consolidations and joint programming through which nonprofits may address managerial, organizational and financial problems all in an effort to strengthen services and better accomplish their missions.

Strategic restructuring typically involves a change in the locus of control of at least one or more of the entities involved. It requires that companies (including executives and board members) be willing to be flexible and, in some instances, yield some of their autonomy. At the Depot, strategic restructuring could occur on the ownership/management level or among the Participating Member Organizations. Regardless, fundamental change involving organizations like those at the Depot, which have been in operation for years, will not be an easy undertaking. Strategic restructuring at the Depot will only be successful in the long run if the leaders involved can place achieving improved community outcomes ahead of maintaining organizational structures.

Is the depot family ready for this and is the timing right?

Only St. Louis County, the PMOs, other stakeholders and the general public can decide if some form of strategic restructuring should occur either on a macro-level (Depot ownership and management) and/or a micro-level (between PMOs). There are certainly questions to be answered by the Depot Family when making such decisions.

- What type of structure would meet our collective goals and financial situation? (The pros and cons of all possible changes must be evaluated including legal and financial implications).
- What is our motivation and are we keeping our mission and goals in the forefront?
- Are we prepared to handle the rumor mill and inevitable roadblocks?
- Can we (staff, management, politicians, board members) move past old history and build new traditions?

The management contract between HUD and the county expires on December 31, 2005. This is an artificial date in some respects but if the stakeholders are serious about change, the terms and duration of any renegotiated contract should be given serious consideration by all.

Strategic Restructuring Options

Strategic restructuring in any form is an inherently business-oriented approach to a present situation. For nonprofit organizations involved in the Depot, the goal is to (1) evaluate the present situation, (2) identify redundancies, inefficiencies, cost-savings, fundraising, service delivery and other core activities, (3) think creatively, and evaluate possible and realistic solutions, (4) review case studies of strategic restructuring undertaken at and/or between other organizations to see if their actions merit replication, and (5) implement necessary changes. When strategic restructuring is successful, a nonprofit's ability to fulfill its social mission should rise dramatically.

Strategic restructuring can run the gamut of significant change to nonprofits' organizational structure to less dramatic collaboration scenarios, and can take many forms.

- Mergers
- Joint Ventures
- "Back-office" consolidation
- Dissolution

For the nonprofits leasing space at the Depot, strategic restructuring is NOT entertained based merely on location; it should be based on mission and service delivery. For organizations involved with the Depot as a venue, strategic restructuring decisions will involve service delivery and sustainability from a distinctly location-based perspective. *It must be emphasized that strategic restructuring involves legal and accounting issues. All options should be reviewed by each organization's legal counsel and accountant before they are undertaken.*

Because I am not adequately familiar with each of the PMOs businesses, missions and long-range plans, my observations and suggestions in this document will focus on the Depot as a venue. I will offer four basic structures involving the ownership, management and fundraising for the Depot that have been identified by National Trust staff, a Duluth resident and me. These structures fall into the following categories:

1. Status Quo
2. Frank Ingram Plan
3. Leasehold Interest Structure
4. Ownership Options
 - (a) Using existing corporations
 - (b) Using new corporations (the "Nuclear Option")

There are advantages and disadvantages of each option but, in my opinion, some offer a greater likelihood of success than others.

Option 1: Status Quo

Currently the county owns the building, HUD manages the building pursuant to a contract with the county, the building maintenance is handled by Oneida Realty through a contract with the county, the building leases space only to nonprofit arts and cultural organizations (the PMOs) and The Depot Foundation is primarily a funding source to the PMOs.

For the reasons given previously this organizational structure is wrought with difficulties. Although there may be comfort in remaining with a structure that is known by all, this structure:

- Does not maximize the historic building as an attraction;
- Has created discord between management and PMOs due to the parent/subsidiary relationship between the management entity and a primary PMO;
- Retains the county as an absentee landlord with little daily involvement other than periodic in-kind services the value of which are hard to quantify financially;
- Relies on the city and county as the primary funding source for management operations;
- Potential for political vicissitudes remain;
- Resources for, or responsibility for locating capital building improvements is unidentified;
- Continues a less-than- optimal funding relationship between The Depot Foundation and the PMOs because they are seeking funds from the same donors, and PMOs must apply for funding from dedicated funds held for their benefit.

Option 2: Frank Ingram Option

Frank Ingram, a Duluth resident with prior experience with the Depot's management, suggested the following organizational structure after the break-out session at The Depot Foundation's Visioning Workshop. Mr. Ingram's model has a moderate business focus in that he believes the Depot should not be subsidizing the PMOs through differing, below-market rental arrangements. Rent would be calculated on a pre-determined rate, square footage, common area maintenance (CAM) charges and venue-oriented marketing expenses. Similarly, he believes that the management company should be more self-sufficient, and that there should be a separation between public support for the building and support for the programs operating inside the building.

Ownership	<ul style="list-style-type: none"> • Remains with the county
Management	<ul style="list-style-type: none"> • HUD is dissolved. • A new independent management company is formed as a 501(c)(3) organization • Seven-member board with dedicated seats for one representative from both the county and city. • No board member may be affiliated with a PMO • Operations supported by rental and earned income.
Tenants	<ul style="list-style-type: none"> • PMOs and retail/commercial tenants • All must pay FMV rent.
Public Funding	<ul style="list-style-type: none"> • Multi-year funding commitments from the city and county for PMOs that stay in the Depot. • Public funding for capital improvements to building
The Depot Foundation	<ul style="list-style-type: none"> • Remains a separate organization • Funds building improvement for the Depot • Funds PMO operations. • Does NOT fund depot management costs

With the exception of dissolving one corporation and forming another, this plan is relatively straightforward organizationally. It does eliminate the discord between HUD and the PMOs but it does not adequately address the following issues:

- Unrealistic in its expectation that the management entity can sustain itself on rental and earned income unless and until significant changes occur in the interior layout of the building and tenant composition;
- Retains the county as owner subjecting the building to political vicissitudes; and
- Continues a less-than- optimal funding relationship between The Depot Foundation and the PMOs because they are seeking funds from the same donors, and PMOs must apply for funds from dedicated funds held for their benefit.

Option 3: Leasehold Option

It has been suggested that instead of the management entity operating pursuant to a management contract with St. Louis County, it would be preferable for the management company to enter into a long-term, low-cost lease for the building. Building ownership would remain with the county. Management would remain with HUD (although steps would be taken to differentiate the staff and board of HUD from the Railroad Museum), the PMO structure would remain the same, and operational support for the PMOs would continue through The Depot Foundation grants.

I do not see any substantial benefit to this organizational option over the existing structure. First, pursuant to the bond financing agreement between the state and county, written consent is needed to lease the property. Leases must also be for "a term ... substantially less than the useful life of the structure... [and] a term equal to or shorter than fifty percent (50%) of the useful life of the structures ... will meet the requirement..." Second, changing the board and staff of HUD does not mitigate the real or perceived conflict of interest between management and the Railroad Museum because HUD remains its subsidiary and the Railroad Museum, as the sole shareholder, may retain net revenue of the subsidiary.

All concerns enumerated under Option 1 continue.

A leasehold option could be effective if a new management company was installed similar to what is suggested in the next section "Ownership Options." This would (1) keep the county involved, (2) possibly retain the ability to obtain additional bond financing - if allowed by applicable Minnesota law, and (3) provide a level of security and continuity that does not exist under a short-term contractual arrangement.

Option 4: Ownership Options

Private ownership of the Depot is certainly a viable option but I have divided the "Ownership Option" into two categories because one possibility would utilize existing entities while the other would create new entities. Although ultimately the organizational chart would look the same, the steps necessary to accomplish the scenarios differ substantially.

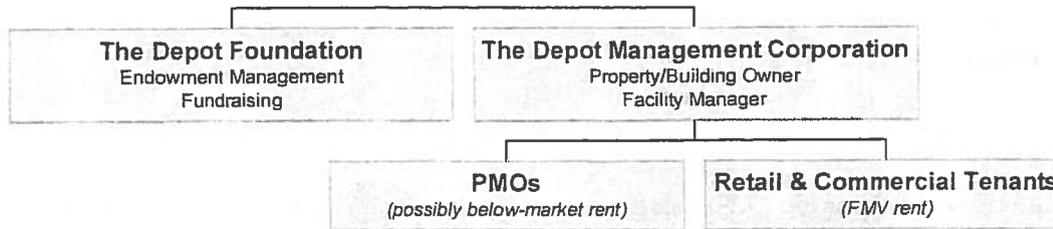
(a) Existing Entities.

St. Louis County has owned the Depot since 1973. The county, like many government entities, was called upon to take ownership of the historic building because the community recognized its value but a financially feasible alternate use did not exist. County ownership also allowed the site to receive a \$750,000 grant in 2000 from the state through the issuance of general obligation bonds.

Although the St. Louis Heritage & Arts Center has been maintained, it has not flourished. In 2004, it operated on a shoestring budget of approximately \$500,000 per year with the three largest expenses being common area maintenance and utilities (\$200,000), payroll (\$100,000) and an "admission fee" to the Lake Shore Railroad Museum (\$108,000). The former is paid by the county; payroll and the railroad fee are covered by admissions. In 2004, the City of Duluth contributed over \$100,000 but in 2003 the contribution was only \$25,000. Not shown on the balance sheet are the in-kind contributions by the county for assistance from its property manager, Tony Mancuso, and the intermittent use of county maintenance staff - the aggregate value of which is difficult to quantify. It does not appear that any private sector or charitable funds were raised in the last three years to off-set operating expenses or undertake much-needed capital improvements.

Recommending private versus public ownership is a "facts and circumstances" decision. There are many former depot buildings and historic tourist attractions that are owned by a governmental entity and managed by a nonprofit corporation. The National Trust's Heritage Tourism Department has identified projects such as the Cincinnati Museum Center, the Sammons Center for the Arts in Dallas, Texas and the Torpedo Factory Arts Center in Alexandria, Virginia. There are probably an equal number of historic venues owned and operated by nonprofits such as Station Square and the History Museum both in Pittsburgh, and Union Station in Kansas City. Factors to consider are vast but include the governmental entity's financial health and property management capability (especially for an historic structure), political considerations, public support, the availability of private resources, the size and condition of the building, business opportunities within the complex, location, the desire for site control and much more.

I believe that private ownership of the Depot is a viable option provided that the sales price of the building is reasonable¹. Ownership, management and financial responsibilities could be unified using two “affiliated charitable organizations” as permitted by the Internal Revenue Service as illustrated below.



Creating the above scenario is fairly straightforward: (1) bifurcate The Depot Foundation into two affiliated 501(c)(3) entities, (2) dissolve HUD and (3) purchase the building from the county². To ensure that there is no financial relationship between management and the PMOs (other than a landlord/tenant relationship) certain changes and actions would need to occur.

- The Depot Foundation would divest itself of named funds held for the benefit of specific PMOs. The funds could either be distributed to the PMOs directly or given to a local community foundation.
- It would not raise funds for or provide grants to the PMOs. Instead, its mission would focus on raising funds exclusively for the depot facility (e.g. the \$12M upcoming capital campaign).
- The management entity would be able to make space allocation and “tenant mix” decisions. (It must be recognized that none of the PMOs is obligated to stay in

¹ According to the agreement between the county and state that was executed when the state awarded a \$750,000 grant to the county for the St. Louis County Heritage & Arts Center, any sale must be for fair market value. Evaluating FMV in the context of the Depot is less than straightforward. The county has the property assessed at over \$4 million dollars. If the property were cleared (i.e. the historic building demolished) the land value would garner approximately \$20/sf based on the Duluth market equaling approximately \$1.8 million. The state is only interested in recouping its \$750,000 grant. Presuming the historic building cannot be demolished, the FMV diminishes significantly due to rehabilitation costs. Because the state and county may consider preserving historic structures as a basic responsibility of government, they could place an easement in perpetuity on the property further diminishing the FMV so that a long-term beneficial ownership arrangement could be pursued. My experience indicates that the FMV would not exceed \$750,000 and in all likelihood would be significantly less than this figure.

² Sale of the depot is subject to the terms of the General obligation Bonds Grant Agreement and requires that the county authorize and the Minnesota Finance Commissioner consent to the sale, which must be for fair market value. If the sales price exceeds \$750,000 the first \$750,000 must be distributed to the state. If the sales price is less than the \$750,000 grant, the county is not required to pay or reimburse the state for the difference.

the Depot and some already have activities occurring at alternate locations. Although the Depot should endeavor to retain its focus as an arts and heritage venue, commercial and retail tenants should be considered for the rental income and tax revenue they would generate.)

- The Depot Foundation's board would develop a realistic business plan with financial projections, and a determination made about the extent to which public funding would be needed. (Presumably the county would continue a financial commitment for at least a term of years during the transition period.)
- A professional, experienced property manager would need to be hired.

Upon the dissolution of HUD, the staff and board members doing "double duty" for HUD and the Lake Shore Railroad Museum could focus their full attention on the railroad museum and the North Shore Scenic Railroad excursions.

(b) New Entities.

Notwithstanding my short time in Duluth, it appeared that endemic problems at the Depot are rising to the surface. There is a shift in expectations and aspirations for the historic building. Yet strong feelings about the past exist and manifest themselves in present decisions and actions. If it is unrealistic to move beyond the past, perhaps a more radical restructuring is necessary to foster a feeling of a "clean start." In this case, none of the existing entities would be involved in the ultimate restructuring. The following actions could be pursued:

1. Dissolve HUD;
2. Dissolve The Depot Foundation;
3. Form two new affiliated charitable nonprofit organizations -- one to be the management entity and the other to manage an endowment which would be used to maintain and improve the historic structure;
4. Previously held dedicated funds managed by The Depot Foundation and held for the benefit of PMOs would either be distributed to the PMOs or transferred to a community foundation for management;
5. Have the county sell the Depot property to the new management entity;
6. The new management entity and the PMOs would be responsible for their own fundraising (although joint fundraising would remain an option);
7. Elect board members to the two new nonprofits to compliment their respective missions (finance, real estate, marketing, heritage tourism etc.)

The organizational chart would have the same configuration as that depicted under option 4(a). It should be noted that the legal and accounting costs of pursuing this option would be significantly higher than using existing organizations although these would be one-time expenses.

Conclusion

The Depot has great potential. Restructuring the existing ownership, management, marketing and financing of the historic venue could be beneficial and I would strongly recommend that a change occur.

Keeping these factors in mind will contribute to the success of the Depot's strategic restructuring regardless of which form of organizational change is decided upon:

Shared Goal: Make the Depot a vibrant, well-attended destination venue for residents and tourists that fosters the success of the PMOs and other tenants.

Flexibility. Consider not maintaining the status quo. Embrace change that would improve the quality of service, the visitor experience, mitigate politics, reduce or streamline costs, motivate staff, and inspire donors.

Leadership. A successful venue is run by an organization with leadership - a good executive director, and involved, sophisticated and informed board members, and strong community support.

Market-Oriented. The Depot must be managed as a business; the long-term goal should be to make money.

State-of-the-Art. The sophistication of tourists and regional visitors alike has increased considerably. All organizations - management and tenants - must strive for the best technology, facilities, programs and ideas.

Communication. There is no substitute for open and honest communication between management, tenants, the general public and government.

Postscript

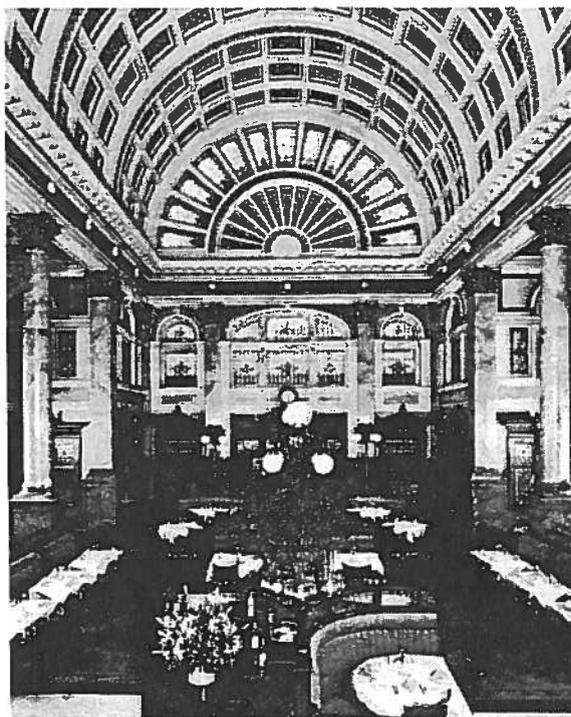
Close your eyes and think about the Depot. Imagine walking down Michigan or First Street and seeing signage that identifies the venue and the tenants. Imagine walking through the front door into a newly refurbished Great Hall that has the "Whistle Stop Café" serving light lunch, a railcar housing a coffee shop and an old-fashioned ice cream parlor. Imagine historic photographs gracing the walls or blown up into banners or used on way-finding signs. Imagine a ticket counter where you could buy tickets to individual attractions or a general, all-inclusive pass. Imagine a bustling Museum Shop that captures visitors' imagination and inspires them to buy mementos of their visit.

I would like to see Duluth dream BIG. It has an incomparable asset housing marvelous arts, cultural and heritage organizations. To inspire you, I leave you with the before and after photographs of Station Square - the former Pittsburgh & Lake Erie Railroad complex in Pittsburgh, Pennsylvania.

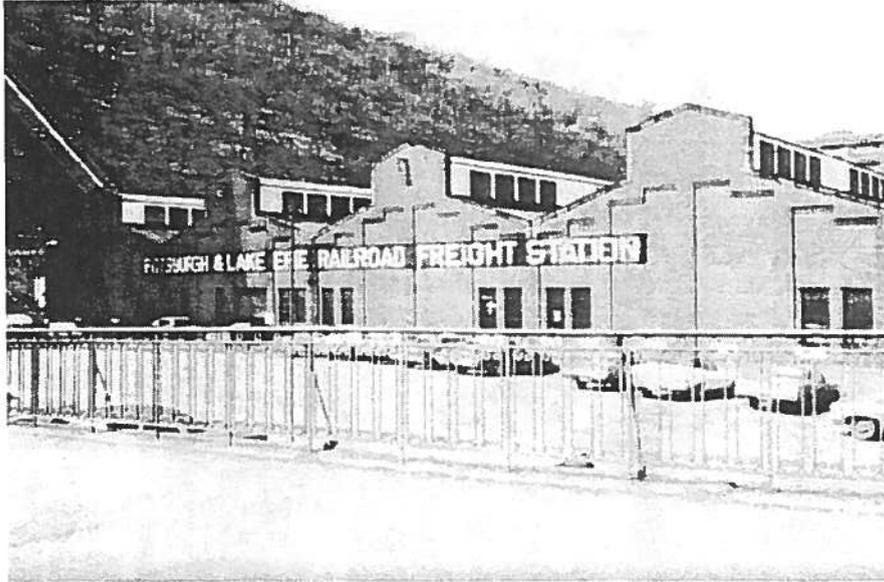
P&LERR Waiting Room/Great Hall



The Grand Concourse Restaurant



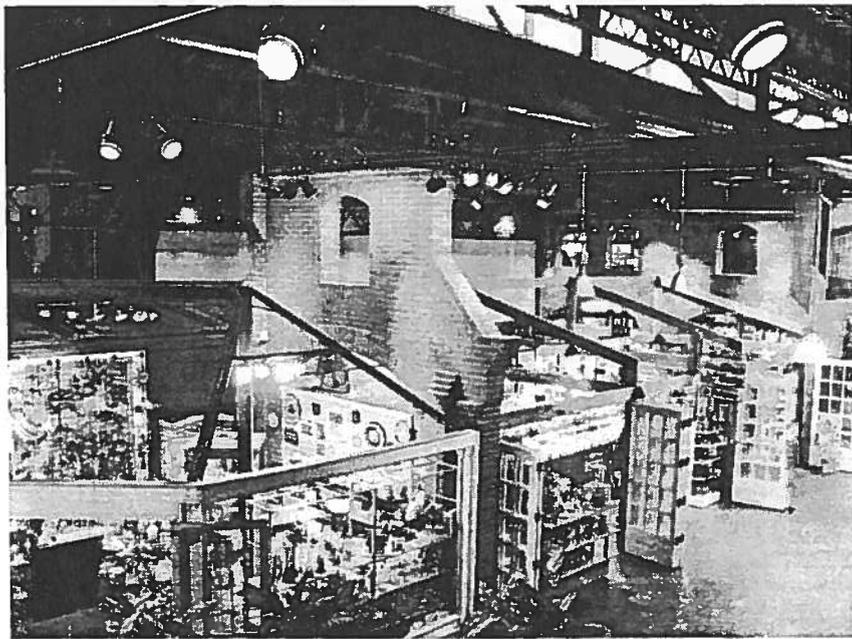
Former Freight Station/Unloading Area



Freight House Shops



Interior of Freight House - Before and After Rehabilitation



St. Louis County Heritage & Arts Center Study

FINAL REPORT



**Prepared for:
The Depot Foundation
Duluth, Minnesota**



**Prepared by:
Heritage Tourism Program &
Community Revitalization Department
National Trust for Historic Preservation
Boulder, Colorado & Washington, D.C.**

November 17, 2005

*This study was completed as part of the National Trust's
Preservation Development Initiative in Duluth*

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I. Project Background

As part of the National Trust's Preservation Development Initiative in Duluth, the Depot Foundation contracted with the National Trust for Historic Preservation's Heritage Tourism Program to conduct a study of the St. Louis County Heritage and Arts Center in Duluth's historic depot. The project included an in-depth study of the site's usage, its role in the community, its potential for attracting greater visitation from tourists and its future structural needs. The overarching goal of this study outlined in the agreement between the National Trust and the Depot Foundation is *"to identify ways to maximize the potential of the St. Louis County Heritage and Arts Center (the "Depot") as a heritage tourism destination."*

To accomplish this goal, the National Trust focused both on internal research with local stakeholders as well as external research with successful adaptive reuse arts and cultural centers in historic landmark buildings in other parts of the country. The successful experiences at other depots and historic landmark buildings elsewhere clearly demonstrate that Duluth's depot has the potential to be a thriving heritage tourism enterprise that also meets the needs of Duluth residents. The National Trust was also part of a visioning workshop held in Duluth in September 2005 along with a panel of other national experts. The result of this study is recommendations for a vision of the highest and best use of the Depot as a vibrant arts and cultural center. These recommendations, together with the recommendations from other experts from the September 2005 visioning workshop, will be carefully considered by a Depot Task Force formed for this purpose.

Addressing the original vision for the Depot in a 2004 article on the Depot's development as an arts and cultural center, Shirley Bergum, chair of the first feasibility study and one of the first staff members of the Depot, states:

"I must add that literally hundreds of Duluthians helped over the years through boards and committees to make the center a reality. Many changes have taken place, but the initial dream stays the same. I am grateful to have had the opportunity to play a role over 13 years to work on this project and to see it evolve into the true center of history and culture that it is today and I am thankful for all those who are continuing to help it adapt, survive and grow."

The threat of the building's destruction decades ago led a group of local citizens to develop a vision for saving the Depot and using it as a cultural center. In the mid 1960s this idea was presented to the Junior League of Duluth. Although the Junior League had been conducting a feasibility study for another building, the opportunity to use the Depot was met with enthusiasm because the building would allow for the inclusion of a railroad museum in addition to the already planned children's museum, art institute and playhouse.

In 1969 the Area Cultural Center Corporation was formed, and an option to buy the property was signed in 1970. In 1972, ownership was transferred to St. Louis County and the name was changed to the St. Louis County Heritage and Arts Center. In subsequent years, bylaws were written, the railroad museum opened, and fundraising campaigns were implemented – all with much support and enthusiasm from the community. Since the restoration of the Depot in the 1970s as an arts and cultural center, the mission and vision for the Depot has focused on the use of the building as a home for historical and cultural organizations.

This was expanded upon in 1997 and 1998 studies with the development of the mission and vision statements included below.

Mission of the St. Louis County Heritage and Arts Center

The mission of the St. Louis County Heritage and Arts Center is to serve the community by supporting the participating member organizations in their efforts to preserve, promote, cultivate, and sustain public participation in heritage, culture and the visual and performing arts.

—*Business Plan for the St. Louis County Heritage and Arts Center, 1997*

Vision and Mission

The external market sees the Depot as a vital, creative community resource, providing arts and cultural education, enrichment and entertainment to the region's residents.

The purpose or mission of the Depot is two-fold. The Depot is an attraction and resource to the public and is also “home” to arts and cultural organizations which independently and collaboratively carry out their own missions.

—*Recommendations of the Depot Strategic Planning Group, 1998*

It is interesting to note that these mission and vision statements focused primarily on the Depot as a community or local resource rather than as a tourism destination attracting visitors from out of town. The 1998 vision/mission statement comes closest to addressing this by describing the Depot as a resource for “the region's residents.” Both the 1997 and 1998 statements stress that the Depot “supports the participating member organizations” and/or provides a “home to arts and cultural organizations.” Also lacking in these mission and vision statements is any explicit reference to striving for quality or excellence in the cultural and heritage experiences provided within the Depot, other than a reference to the Depot as “a vital, creative community resource.” It is unclear if these mission and vision statements were broadly accepted by the Depot stakeholders. In any event, as these statements were made a number of years ago it is clearly time to revisit the vision for the Depot. As a new vision statement is developed by the Depot Task Force, it should clearly state the Depot's goal to provide high quality cultural and heritage experiences for both Duluth residents as well as visitors from outside the area.

The organizations housed within the Depot offer services and programs that greatly enhance the quality of life for Duluth residents and appeal to the many visitors coming to

the city. The Depot currently houses a diverse collection of museums and performing arts organizations including the Duluth Playhouse, the Railroad Museum, the Duluth Children's Museum, the Duluth Symphony, the Duluth Art Institute and the St. Louis County Historical Society. The mix of tenant organizations in the Depot is exactly the same as it was when the facility opened in the 1970s, which is quite remarkable.

The impetus for this study was provided by the Depot Foundation. As the Foundation explores an ambitious capital campaign to raise \$12 million for the Depot, this study provides an opportunity to resolve issues currently facing the Depot and an opportunity to envision ways in which increased funding could enhance the Depot experience for residents and visitors alike.

II. Project Methodology

This study represents a 14-month effort which included initial site visits, stakeholder interviews, a review of resource materials, extensive research on other comparable facilities and a visioning workshop.

Initial Site Visits

The National Trust staff conducted two separate visits on September 14-15, 2004 and November 10-12, 2004 to Duluth to ensure a comprehensive initial site visit. A joint meeting was held with the Depot Foundation board and the Historic Union Depot, Inc. board on September 14, 2004 to provide an overview of the study followed by discussions of the project goals. This two day on-site visit included meetings with a variety of stakeholders as well as an initial tour of the building.

The second part of the initial site visit took place in November, 2004 with three National Trust staff members on site. Between September and November, telephone calls and e-mails with the Depot Foundation representative to organize, schedule and prepare for the November stakeholder interviews were completed.

Two National Trust staff members completed an in-depth tour of the entire Depot building on Wednesday, November 10, 2004 to examine the current usage of space by the cultural organizations currently housed in the Depot as well as looking at the other public spaces within the Depot.

Review and Evaluation of Resource Materials

The National Trust thoroughly reviewed information related to the Depot and its use over the years. Resource materials reviewed include:

- Promotional brochures, annual reports, strategic plans and marketing plans from Depot Foundation, Duluth Children's Museum, Lake Superior Railroad Museum, St. Louis County Historical Society, Duluth Art Institute, Duluth Superior Symphony Orchestra.
- Contract agreements between Historic Union Depot and St. Louis County.
- Contract agreements between the County, State of Minnesota and Minnesota Historical Society.
- Historical information on establishing the Depot as an arts and cultural center.
- List of capital improvements needed.
- Depot Foundation grant history.
- St. Louis County Historical Society complaint to Attorney General's office.
- Studies and plans
 - Campaign Feasibility Report – 1991
 - Expansion Proposal – 1991
 - St. Louis County Heritage and Arts Center, Program Review – 1995
 - Report to the Board, Depot Management Study – 1996
 - A Business Plan for the St. Louis County Heritage and Arts Center – 1997

- St. Louis County Heritage and Arts Center Financial Assessment – 1997
- Recommendations of the Depot Strategic Planning Group – 1998
- Campaign Feasibility Study – 2003
- Newspaper articles
- Web sites for Depot Foundation and St. Louis County Heritage and Arts Center and individual sites for Participating Management Organizations

These materials were used as background information for preparing survey questions for stakeholder interviews and have been taken into consideration as part of the final study recommendations.

Stakeholder Interviews

More than 100 individuals were interviewed to provide a broad range of stakeholder input. The Depot Foundation staff identified stakeholders and arranged the final interview schedules. On site interviews were held November 11-12, 2004 at Fitger's Inn in Duluth. Thirty minute interviews were conducted by three staff members of the National Trust. Additional on-site interviews were conducted by National Trust staff on a return visit to Duluth on December 7, 2004 and telephone interviews were conducted with additional individuals unavailable for on-site interviews.

Interviewees included the County manager, assistant County manager, County board members, the City manager, the mayor, Foundation board members, Historic Union Depot board members, executive directors of the Participating Member Organizations, board members from Participating Member Organizations, representatives from other Duluth attractions, Convention and Visitors Bureau, other foundations, the media, and community activists.

Questions for the interviews were developed based upon the initial research and the stated intentions of the interviews in the contract. All of the interviews have been carefully reviewed and compiled in categories to enable easy review of various subjects to examine how the Depot operates, its effectiveness as a community and tourism resource, and perceptions about how it might be further utilized and enhanced.

Research on Comparable Facilities

During the research phase of this project, the National Trust began with the "Depot Database" maintained by the National Trust's Mountains Plains office. This database includes information about historic depots across the country, many of which have been adapted for new uses. The Railroad Historical Society provided additional valuable information about depots across the country including a number that are being used as museums. The Railroad Historical Society's list serve was used to broadcast a national request for examples that would be applicable to the Duluth Depot.

The search was expanded to include the adaptive reuse of historic landmarks (not just depots) as cultural or heritage attractions to include a broader range of models. The research focused primarily on facilities in the United States, with some research into

facilities located in Canada. The preliminary research included identification of appropriate sites through internet research, contacts through the National Trust staff network and other National Trust networks of historic sites, statewide preservation partners, contacts through other national organizations such as the American Association for State and Local history, American Association of Museums and Americans for the Arts.

The National Trust narrowed an initial list of 46 potential facilities down to thirteen (13) facilities for preliminary research with input from the Depot Foundation. Criteria used to identify appropriate sites included:

- Sites that are a tourism draw for out-of town travelers;
- Sites that attract high visitation will be a primary criteria, followed by sites that have a high per capita spending per visitor for the overall location, for the individual attractions within the site; and
- Sites that represent the most financially sound arts and cultural centers.

Building from recommendations provided by the National Trust, the Depot Foundation selected 3 facilities for more in-depth research. These three sites included the California State Railroad Museum in Sacramento, California; the Cincinnati Museum Center in Cincinnati, Ohio; and MASS MoCA in North Adams, Massachusetts.

A complete report including research on the 13 preliminary facilities, in-depth research on the 3 selected facilities, a chart to compare facilities at a glance and a PowerPoint presentation summarizing the lessons learned from the research was provided to the Depot Foundation.

Visioning Workshop

A day-long visioning workshop was held in Duluth on Friday, September 9, 2005. The workshop, which attracted over 90 participants, included presentations from Amy Webb, director of the National Trust's heritage tourism program; Bill Moskin, a cultural tourism consultant from Washington State; Elisa Cavalier, the interim director of the National Trust's Preservation Development Initiative and Dan Spock, the director of the exhibit department at the Minnesota Historical Society. The morning was devoted to presentations on lessons learned from comparable attractions across the country, cultural tourism, management models, and ideas for exhibits and connections with other attractions in Duluth. The afternoon included breakout discussion groups with each of the four visiting presenters followed by a reporting out session with the full group.

III. Duluth Depot Opportunities

The St. Louis County Heritage and Arts Center, known locally simply as the “Depot,” is clearly a treasured historic building in Duluth. The cultural and heritage organizations housed within the building offer services and programs that greatly enhance the quality of life for Duluth residents and also appeal to the many visitors coming to the city. The diversity of the exhibiting and performing attractions housed in the Depot offer “something for everyone.”

Duluth citizens have a history of, and continue to support, arts and culture in Duluth. The Depot’s aesthetic appeal, sturdy construction and central location in downtown Duluth with easy access to lodging, the waterfront and other attractions position the Depot as a well situated visitor attraction. The Depot has subsidized many of the arts and cultural attractions housed within the Depot by providing free or below market rate rent, increasing the Depot’s appeal for the organizations housed there. In addition, the Depot Foundation was created 25 years ago to build up and manage dedicated endowments for the Depot as well as the cultural and arts facilities housed within the Depot.

The local stakeholder interviews revealed strong support for the Depot as an important historic landmark that Duluth citizens should be preserving as a “crown jewel” of the community as illustrated by a sampling of stakeholder interview responses.

“The Depot building is seen as a landmark building in town.”

“I went out of that building during WWII in uniform. That building means a lot to a lot of people here.”

“It is perceived as something worth saving. The architecture is what makes it unique.”

“People see it as a landmark.”

The use of the Depot as a cultural center also generally received support in the stakeholder interviews. The train museum is the institution most strongly associated with the Depot, and a number of comments referenced the importance of the history of the Depot as the “Ellis Island” of the area. Most interviewees felt strongly that the diverse mix of cultural organizations in the depot was a plus, with several (such as the one below) noting that the Depot is Duluth’s only “arts and heritage center in the area.”

“There is a good sense of the Depot’s importance to the community. When there was a threat of closing the building two years, there was a loud cry in the community to save it at whatever cost. It is the only arts and heritage center in the area.”

"The Depot is an architectural landmark that includes some interesting things. Kids go to the train museum or are active in the ballet. It is a destination for the things that are there."

"I have lots of good memories of taking my family to the railroad museum. My older son still has the railroad cap he got when he was three – he's 26 years old now."

"People think it is a very valuable asset. It is a part of the history of our community, our area and our country. The building is unique, and many historically important events took place there. We have a responsibility to give our children roots, and the Depot provides that."

The Depot has been officially recognized as a significant historical and architectural landmark by the National Park Service through listing on the National Register of Historic Places in 1971. The prominent Boston architectural firm of Peabody, Stearns and Furber designed Duluth's imposing Union Railroad Depot building in the French Norman style in 1892. Peabody and Stearns, one of the top architectural firms of their day, are credited with other notable buildings such as the Palace of Mechanical Arts constructed for the World's Columbian Exposition of 1893. Duluth's Union Depot quickly grew to become a vital transportation link for the region. In the early 1900s, seven rail lines came into the Depot serving an estimated 5,000 people a day. Over time, rail traffic decreased and in 1968 rail service at the Duluth Depot ceased.

Many of the organizations housed within the Depot offer a unique cultural experience that is not available anywhere else in Duluth. The Depot has the *only* railroad museum, the *only* children's museum and the *only* regional history museum in Duluth. A number of the PMO organizations have been in existence for many years. For example, the Duluth Children's Museum was founded in 1930, making it the fifth children's museum in the United States. The organizations housed within the Depot have also each built up their own base of support with individuals and organizations that believe strongly in the work of specific organizations.

While the Depot's attendance figures are on the low end in comparison to other Duluth attractions, it is interesting to note that between 2003 and 2004 when visitation at all Duluth attractions dropped, the Depot had the smallest percentage decrease, and visitation overall has been increasing at the Depot in the past several years.

% Change in Visitation 2003 to 2004

Depot	-0.8%
Zoo	-2.0%
Casino	-3.1%
Aquarium	-4.2%
Glensheen	-5.3%
Maritime Center	-5.6%
Irvin	-13.8%
NSSR	-11.2%

Attendance at the Depot for 2005 is well ahead of the 2004 visitation, and again the Depot is outperforming other Duluth attractions in terms of the % change between 2004 and 2005. Recent visitation numbers have been helped by factors such as additional performances added by the Playhouse and expanded classes offered by the ballet. The Depot has also attracted large numbers of people for special events such as the Empty Bowl event sponsored by Second Harvest Food Bank which is held in April, just before the summer season begins and the huge success of the Thomas the Tank Engine event held in August 2005. These encouraging signs indicate that the Depot has the potential to succeed as a flourishing heritage tourism attraction if provided with unified leadership with adequate financial support to build the shared vision for the Depot.

Summer Visitation at Duluth Attractions

	2003		2004		% change 04 vs 03	2005	% change 05 vs 04	
Depot		% of Total		% of Total				
	5,012		4,646		-7.3%	4475	-3.7%	June
	7,704		7,089		-8.0%	7325	3.3%	July
	9,101		8,540		-6.2%	18747	119.5%	Aug
	3,174		4,507		42.0%			Sept
	24,991	4.2%	24,782	4.4%	-0.8%			Total
Casino								
	52,985		53,656		1.3%			June
	64,438		63,340		-1.7%			July
	64,510		60,025		-7.0%			Aug
	60,120		57,598		-4.2%			Sept
	242,053		234,619		-3.1%			Total
Glensheen								
	7,352		6,919		-5.9%	6910	-0.1%	June
	12,695		12,882		1.5%	12639	-1.9%	July
	15,694		13,694		-12.7%	13205	-3.6%	Aug
	8,617		8,524		-1.1%			Sept
	44,358	7.5%	42,019	7.5%	-5.3%			Total
Aquarium								
	15,981		14,273		-10.7%			June
	26,048		23,489		-9.8%			July
	30,193		30,431		0.8%			Aug
	10,979		11,486		4.6%			Sept
	83,201	14.0%	79,679	14.2%	-4.2%			Total

Irvin								
	6,677		5,950		-10.9%	4834	-18.8%	June
	12,024		9,640		-19.8%	7793	-19.2%	July
	12,834		10,991		-14.4%	8313	-24.4%	Aug
	4,517		4,483		-0.8%			Sept
	36,052	6.1%	31,064	5.5%	-13.8%			Total
Maritime Center								
	57,390		48,667		-15.2%	40948	-15.9%	June
	88,406		82,638		-6.5%	84232	1.9%	July
	96,943		88,749		-8.5%	78358	-11.7%	Aug
	50,942		57,202		12.3%			Sept
	293,681	49.4%	277,256	49.4%	-5.6%			Total
Zoo								
	18,630		15,952		-14.4%	14468	-9.3%	June
	22,325		23,442		5.0%	20393	-13.0%	July
	22,109		19,907		-10.0%	19362	-2.7%	Aug
	7,303		9,671		32.4%			Sept
	70,367	11.8%	68,972	12.3%	-2.0%			Total
NS Scenic RR								
	7,542		6,553		-13.1%	5791	-11.6%	June
	12,826		11,289		-12.0%	11283	-0.1%	July
	15,710		13,233		-15.8%	21196	60.2%	Aug
	5,909		6,198		4.9%			Sept
	41,987	7.1%	37,273	6.6%	-11.2%			Total
Total w/o casino								
	594,637	100.0%	561,045	100.0%	-5.6%			Totals
The casino is regarded as a non-competitor								
*Information as reported to the Duluth Attractions Council								

While funding for building improvements, management and for the individual organizations in the Depot remains a major obstacle, there are plans to secure one-time funding for both building improvements and restored rail service at the Depot as well plans for as a major capital campaign. A proposal has been submitted that would provide \$1.3M in state funds and \$1M in federal transportation supplemental funding with the caveat that a 20% match (\$257,500) be raised locally. In addition, the Depot Foundation is planning for a capital campaign to raise a \$12M endowment. A feasibility study for this capital campaign was completed in 2003 by Jeffrey Byrne & Associates Inc. of Kansas City, Missouri.

While the Depot faces many challenges as outlined below, one of the main themes that emerged from the approximately 100 interviews with local stakeholders was a desire to find a way to overcome differences to work together to make the Depot successful. Duluthians believe in the Depot both as a historic landmark and as an arts and cultural center, and they are willing to do whatever it takes to make the Depot succeed.

IV. Duluth Depot Challenges

Despite these opportunities, the Depot has struggled to survive and succeed over the years. Although the Depot's location in downtown Duluth is central and visible from major roadways, accessing the Depot by car from these roadways is not as easy as it could be. While the Depot is not far from other attractions, it is not in an area which has high visitor foot traffic or drive-by traffic. It is not on a public transportation route and it is not connected to the skywalk system. The lack of public transportation inhibits, among other things, participation by local children in after school activities at the Depot.

Additional challenges can be divided into management, logistical and financial challenges. Many of these challenges are interrelated. For example, because attendance is lower than when the Depot first opened and because many of the organizations are financially struggling, funding has not been available to provide major upgrades, improvements and marketing that could attract more visitors.

Management Challenges

- The former management entity for the Depot, the St. Louis County Heritage & Arts Center, failed in 2003. As the Depot is perceived externally as a single entity, this led to some confusion about whether the Depot overall had failed.
- The current management entity, Historic Union Depot, Inc. (HUD), was formed in the aftermath of the failure of the St. Louis County Heritage & Arts Center. While HUD has made a number of positive contributions to the Depot's management, the organization does not have adequate staff and budget to meet all of the Depot's current management needs. As an additional challenge, HUD is closely aligned with the Lake Superior Railroad Museum, one of the tenants or PMOs in the Depot. HUD shares the same executive director with the Railroad Museum and there is considerable overlap between the board of HUD and the board of the Railroad Museum.

The Railroad Museum is the largest attraction within the Depot, and is the only attraction that could only be housed in the Depot, thus they have a large stake in ensuring the success of the facility. This commitment to the Depot is a double-edged sword, as leadership provided by the largest tenant could lead to conflict of interest issues with the perception that management decisions will favor the Railroad Museum over other tenants.

- There is inequity in the financial arrangements for use of space. Agreements for use of space vary from organization to organization within the Depot. Some of the Participating Member Organizations occupy space free of charge while others pay rent at below market rates. In addition, there have been disagreements over the redistribution of gate receipts. Currently, there is one admission price which

allows access to all of the exhibiting organizations in the Depot. The use of the gate receipt monies is controlled by HUD.

- The Depot houses exhibiting and performing cultural organizations that have differing needs.
- The organizations that are associated with the Depot have a long history of discord which is well known within the community. This infighting has resulted in negative publicity for the Depot.
- There are a number of exhibits within the Depot that have not been updated or changed, giving residents the impression that it is just the “same old thing,” despite the fact that there have been a number of new and changing exhibits. Each of the PMOs is an independent entity and makes independent decisions about exhibit changes, extended hours and other issues. A number of the PMOs are struggling financially, and in focusing on the survival of their own organization are less able to explore new partnership opportunities with other organizations within the Depot.

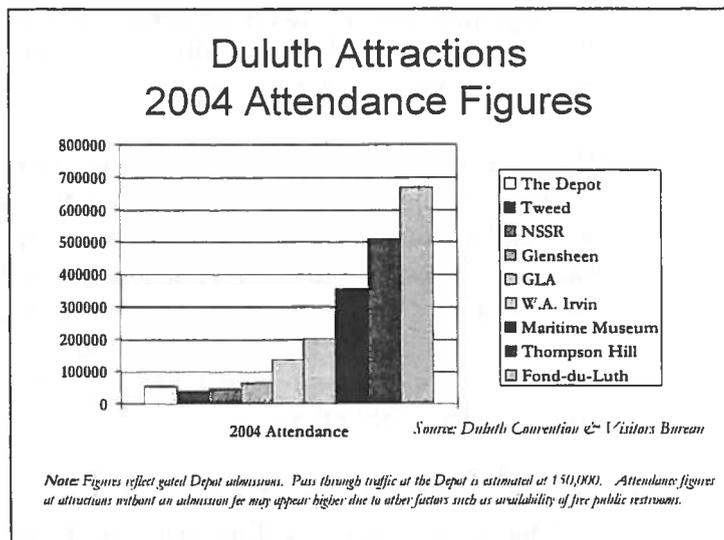
Logistical Challenges of Space Usage

- The adaptive reuse of existing space in a historic structure which includes upper story space with limited visibility as well as a labyrinth of smaller spaces within the building’s floor plan.
- The use of space by the organizations within the Depot does not necessarily maximize the potential of the space as a tourist attraction. Some attractions such as the Duluth Children’s Museum and the Duluth Art Institute do not have ground floor visibility which limits drop-in traffic.
- The Historical Society’s exhibits are scattered in different gallery locations on two floors, creating a disjointed visitor experience.
- The Great Hall space within the Depot is underutilized. This large empty space acts as a deterrent for visitors because it appears cavernous and empty, yet visitors must pass through this space to access the museums in the Depot.
- The main entrance has been relocated to the new performing arts wing, creating confusion for new visitors who assume that the entrance would be through the historic Depot’s front door.
- There are three gift shops in different locations in the Depot (the Depot Store, the Children’s Museum gift shop and the Railroad Museum gift shop). Ideally, gift shops should be consolidated and located so that all visitors pass through or by the gift shop as they leave the building, yet current traffic patterns through the Depot do not provide this opportunity.
- Some organizations housed within the Depot (like the Art Institute) have expanded to include facilities in other locations in addition to space in the Depot. Other organizations within the Depot need additional space to accommodate their needs. The Railroad Museum, for example, would like to build an expanded shed to house and display more railcars. The Playhouse lacks a backstage area to construct and store sets, and has considered an addition to the rear of the building.

- Some Depot performing arts organizations do not have performance space within the Depot (such as the ballet and the symphony). While they use the Depot as the home for their administrative offices they do not provide a visitor experience at the Depot and generate only minimal traffic through the Depot.

Financial Challenges

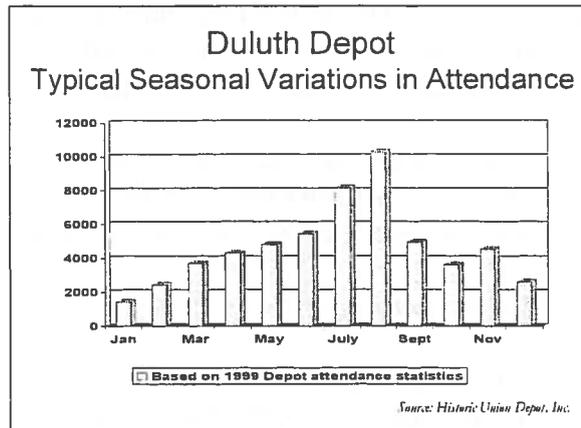
- Low attendance (particularly for gated attractions) as compared to other attractions in Duluth. It should be noted that some of the other attractions offer free admission which dramatically boosts their attendance figures. While there is no scientific way to measure pass through traffic in the Depot, the Historic Union Depot Inc. (HUD)



estimates this figure to be approximately 150,000/year, substantially higher than admission to gated attractions. This number puts overall attendance at the Depot on a par with Duluth's Great Lakes Aquarium.

- Financially struggling organizations housed within the Depot as well as a financially struggling management entity.
- Structural needs as well as expensive ongoing maintenance costs for the historic Depot building without a budget to make needed repairs and improvements.
- The cost of proposed potential enhancements to the existing building to better meet the current and projected needs of the PMOs and visitors.
- Fundraising campaigns between the Depot Foundation, HUD, and the PMO's are not coordinated and compete with each other. For example, as the public perception is that the Depot is one place and one organization, many donors are not aware that a gift to HUD is not the same as a gift to the Depot Foundation.

Attendance at the Depot in recent years peaked in 1999 at 56,286 paid admissions. Paid admissions were down in 2000 and dropped following the events of September 11, 2001. Paid attendance in 2002 totaled 52,646. The failure of the previous management entity in 2003 was yet another blow for attendance. Since 2002, however, paid admissions have been slowly growing. Attendance figures for 2003 are incomplete due to the transition in



management, and 2004 paid attendance totaled 55,000 with an estimated total pass through attendance of 150,000. It should be noted that attendance at all Duluth attractions was down in 2004, a trend which is anecdotally attributed to poor weather.

Like many heritage attractions across the country, the majority of the traffic at the Depot comes in the summer months of June, July and especially August. This graph provides a sense of the typical seasonal variations in visitation at the Depot based on attendance figures from 1999. The slowest months at the Depot are January, February and December. January is the slowest month of the year.

2004 Monthly Attendance at Duluth Attractions (Jan-Dec)

The Depot	Fond-du-luth	Glensheen	GLA	W.A.Irvin	Maritime Museum	L.S. Zoo	NSSR	Thompson Hill	Tweed
1241	50579	1331	3872		3011	538		15269	1746
2217	52740	1236	4590		3978	1613		16088	3349
3091	57567	1706	8015		9024	2457		20410	3343
5543	51800	1981	8190	407	17284	6740	88	23616	5119
6007	52311	4620	13039	4513	28907	13734	2303	37468	2405
4646	53656	6919	14273	5950	48667	15952	6553	61305	1932
7089	63349	12882	23489	9640	82638	23422	11289	100352	1813
8540	60025	13694	30431	10991	88749	19907	13233	88362	1873
4507	57598	8524	11486	4483	57202	9671	6198	64620	5945
4126	60643	8082	11936	19352		8943	3977	48716	4815
3939	56929	1327	4223		11824	1869	1120	20749	3323
3958	52266	2620	3298		2970	2381	2560	13827	3674
54904	669463	64922	136842	201764	354254	107227	47321	510782	39337

Statistics provided by the Duluth Convention and Visitors Bureau

The seasonal visitation trends at the Depot are typical of many other attractions in Duluth. January is one of the slowest months across the board for all attractions, and July and August are peak visitation months. One exception to this is the Tweed Museum which has peak visitation in April and September, coinciding with school field trips.

While the stakeholders interviewed generally felt the Depot should continue to be used its current use (an arts and cultural center serving both visitors and residents alike), comments regarding the current organizations housed in the Depot were mixed. Several individuals noted

the public conflicts between organizations as a problem. Some responses questioned the real or perceived quality of the exhibits currently offered to visitors, and the inability of the current mix of organizations to work together as factors inhibiting success.

“It won’t succeed if they have 10 different organizations working there who don’t value each other and can’t work together. Personality traits and clashes are clearly visible. We may need to look at eliminating some of the organizations to make it work.”

“The organizations that are there are the right ones, but they have their own agenda.”

“I think the Depot is a treasured landmark. There is less awareness about the services and programs that are in the Depot. The perception is that nothing has changed – it’s the same old displays.”

There is a strong desire to have the Depot continue as a successful arts and cultural center for the Duluth area. At the same time, there is recognition that the challenges described above are keeping the Depot from reaching its full potential as a heritage tourism destination.

V. Qualities Necessary for Success

Unfortunately, there is no one “silver bullet” which ensures automatic success for arts and cultural museum facilities. Even the successful models studied as part of this report have struggled, often with many of the same issues facing the Depot in Duluth. Becoming financially stable is not easy, and successful facilities have found a variety of creative funding mechanisms and cost saving measures to ensure financial success, particularly for annual operating expenses. Annual operating costs are the hardest dollars to raise, and when organizations struggle to meet their operating budget each year, it becomes that much more challenging to work towards a bigger vision. As noted by Joanna St. Angelo, the executive director of the Sammons Art Center in Dallas, Texas

“...Funding for the actual hard costs for historic renovation is quite scarce as well, and in general costs involved in renovating and operating an historic building are higher than for new construction. The other issue that has to be addressed when undertaking this type of project is endowment funding for operations. As hard as it is to raise funds for capital costs it is much, much harder to raise funds for operating costs. These types of projects generally are outside of the funding parameters for corporate funders... To ensure that a facility can afford adequate staffing, utilities, insurance, etc., it is highly recommended that the original capital campaign include an endowment goal, unless the operating costs will be paid by a city or county government or guaranteed by some outside source.”

There is no magic mix of uses or tenants that will ensure success. In researching models from across the country, the National Trust found successful example of single-use facilities operating, for example, as a railroad museum or a contemporary arts museum. Examples of successful multi-use museum facilities were found as well, such as the Cincinnati Museum Center which houses a natural history museum, a historical museum, a children’s museum and an Omnimax theater. In fact, the Cincinnati Museum Center touts the diversity of their offerings as one of their keys to success as they offer something for everyone.

What is important is to ensure that the visitor experience(s) offered within a given facility:

- ❖ should not duplicate experiences that are already available in the area,
- ❖ should be experiences which the community actively wants and is willing to support, and
- ❖ should be experiences which are dynamic and engaging to bring visitors to the facility and hold their interest.

Similarly, there is no one-size-fits-all management and ownership model that will guarantee success for every facility. Of the successful facilities selected for research as part of this study, it was most common to find a governmental entity (county, city, state or federal agency) as the owner, though there are also successful examples of facilities owned by non-governmental entities. With these caveats in mind, there are several qualities that are commonly found in successful facilities.

1. Clearly Define Roles and Responsibilities

Having multiple organizations responsible for management, ownership, fundraising and programming can be problematic, especially when the roles and responsibilities for different organizations are not clear. The California State Railroad Museum has a state museum staff and a separate California State Railroad Museum Foundation organization to do fundraising. Having a separate museum foundation works for the California State Railroad Museum because the museum (a unit of state government) is prohibited from doing any fundraising. Thus the Foundation fills a specific and important need that the state museum is not allowed to do, eliminating any possibility of a duplication of efforts.

Even so, communication and cooperation between the two organizations is key. Both staffs are housed in the same location to encourage more communication. There is a leadership team with staff from both the museum and the Foundation that meets twice a month, and this leadership team is currently working on a joint strategic plan.

In some cases, having multiple organizations responsible for different aspects of management, ownership and fundraising is so problematic that these organizations have to be consolidated to streamline operations and ensure collaboration. In 1995, five years after the Cincinnati Museum Center opened, a merger of the museums within the Center was undertaken to create the Cincinnati Museum Center.

Similarly, a year after Union Station Kansas City opened, the three founding organizations were merged into one new management entity. While the organizations had worked together to create the museum center in Kansas City, as the organizations transitioned from development to management their roles and responsibilities began to overlap leading to dissention and a duplication of efforts. While the California State Railroad Museum works well with the two other state parks located adjacent to their facility in Old Sacramento and also has a good relationship with the Foundation formed to fundraise for all three state parks, the museum itself combined five non-profit partners into one organization to create the museum.

In the Duluth Depot, there is overlap in the role and responsibilities for management and fundraising. HUD is charged with managing the facility, but does so under contract to the County. Thus while HUD makes the day-to-day management decisions, ultimately HUD needs to satisfy the County. There is even more overlap in fundraising, as the Depot Foundation, HUD, and each of the PMOs all do their own fundraising and often compete against each other for the same dollars.

2. Unified Leadership

Successful facilities have a clearly identified, central leadership organization to provide overall direction and management for the facility. This must be an organization that all stakeholders are willing to support. In several of the facilities researched, one individual leader was singled out as a key factor for success. In the case of MASS MoCa, this individual was the person who

helped to found the institution. In other cases, such as the Cincinnati Museum Center, this leader was a new CEO brought in from the outside to turn the facility around because it was struggling.

The National Trust has developed the following list of the twelve core leadership qualities. Successful leaders...

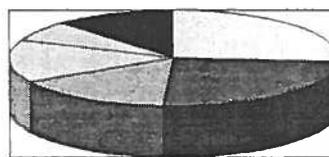
1. ...Have or earn the respect of others.
2. ...Never lose focus.
3. ...Can clearly articulate the vision.
4. ...Bring passion and enthusiasm to their work.
5. ...Are not afraid to think big.
6. ...Empower others through coaching, mentoring and motivating.
7. ...Lead by example, knowing that actions speak louder than words.
8. ...Listen.
9. ...Provide thoughtful guidance.
10. ...Care about people.
11. ...Are committed for the long term.
12. ...Share the glory.

The leadership organization and management staff for the Depot need to be fully supportive of the unified vision for the facility, working to ensure that every stakeholder has an opportunity to contribute to the success of the entire facility. Currently, organizations such as HUD, the Depot Foundation and the County have different ideas about the form that this leadership should come in.

3. Create a Diversified Funding Base of Earned Income

Successful facilities have a diversified funding base to provide a buffer in the event that income from any one source is compromised. Common funding sources for museums include admissions, fees and rentals, retail sales, food sales and parking fees. (Other contributions include memberships, gifts from individuals, corporations and government sources.)

At the Cincinnati Museum Center, for example, admissions provide a quarter of the organization's overall sources of income. Food, retail, parking, rentals and fees provide another 23%. Together, these sources of earned income made up almost half of the overall sources of income for the Cincinnati Museum Center in 2003. Gifts such as contributions and membership comprised another 33% of the overall



□	Contributions (26%)
■	Admissions (25%)
▨	Food/Retail/Parking/Rentals (16%)
□	Membership (14%)
□	Fees & Rentals (7%)
■	Other (12%)

**2003 Sources of Income
Cincinnati Museum Center**
(Source: 2003 Annual Report)

income sources with an additional 12% coming from other sources.

The Cincinnati Museum Center cites rental events as a very profitable source of income. The Center hosts approximately 900 rental events each year. The Center also produces traveling exhibits which have proved to be an additional source of revenue. In fact, this has proved to be so successful that the Center has developed a traveling exhibits department which offers services to develop traveling exhibits for other facilities for a flat fee or a share of admission revenues.

Food service and retail are another source of income that can help to boost per visitor expenditures and keep visitors at the museum longer. MASS MoCA cites food service as one of the keys to attracting visitors and increasing their length of stay. Visitors spend an average of \$7/person in the MASS MoCA gift shop, and a wider product range, better merchandising and smarter buying have increased store revenues. The California State Railroad Museum generates \$1.5M from their museum store and they also have a restaurant housed within the museum.

Food service is less important for the California State Railroad Museum because of the large concentration of restaurants located close to the museum in Old Sacramento. While MASS MoCA sees food service as a key component of their facility, they purposely promote both their own food service as well as restaurants in nearby downtown North Adams because MASS MoCA was created specifically as an economic stimulus for the downtown area.

While almost every facility researched as part of this study offered some kind of food service, the management of the food service component of the facilities was either already handled by an outside vendor or the facility was exploring the possibility of moving to managing the food service with an outside vendor to increase profits. The California State Railroad Museum Foundation currently runs the Silver Palace Restaurant in the Central Pacific Railroad Passenger Station, although they are currently seriously exploring working with a food service operator to improve their profit margin. The Cincinnati Museum Center has recently contracted with Sodexo to manage all the restaurant functions and catering for corporate events with the center sharing a percentage of the profits. They are also exploring increasing the profile of the food service with association with a "celebrity chef." The former center staff who managed these functions will still be working on site, however they will now be Sodexo staff.

Earned income in the Duluth Depot currently includes admission fees, rental income and income from individual gift shops. There are opportunities to consolidate functions to offer a single, larger gift shop and expand earned income opportunities to include expanded food service offerings. Other potential sources of earned income at the Depot could include after school care, summer camp or school vacation activity day offerings. This could provide a much-needed service for working parents boosts attendance, provides additional earned income and incorporates a high quality, interactive arts and heritage experience into the lives of young Duluthians.

3. Identify Reliable Annual Funding Sources Beyond Earned Income

In studying other comparable museum facilities across the country, it is clear that the very qualities that make historic landmarks appealing—their dramatic architectural appearance as a long-standing icon for a community—also means that these older, more elaborate structures can be more expensive to maintain. The Cincinnati Museum Center, for example, spent 20% of their \$2.6M operating budget in 2003 just for building maintenance for their massive 10 story building. Union Station in Kansas City spends roughly \$3M annually for utilities, maintenance and security for an 850,000 square foot facility. This is an additional burden for museum facilities which traditionally need to generate additional income above and beyond gate revenues and other earned income to cover operating expenses even without the overhead of an expensive facility. To overcome these financial challenges, successful facilities have identified funding streams that provide an annual source of income to offset these higher maintenance costs as well as providing adequate funding for other operating costs

In many cases, this additional annual funding stream is provided by governmental sources. The California State Railroad Museum, for example, has half of their annual budget provided by the state of California. MASS MoCA received a \$22M construction grant from the Commonwealth of Massachusetts as part of the original building rehabilitation cost. In communities where sufficient private funds would not be enough to support the facility on an ongoing basis, a public-private partnership with governmental ownership supplemented by private funds to help sustain and enhance the facility has been successful. Other facilities, such as Station Square in Pittsburgh, Pennsylvania, have been successful despite the lack of support from governmental entities. After Station Square had grown to become a successful facility with large numbers of visitors, the corporate structure was separated into three distinct entities to protect assets from potential lawsuits.

Taxes are another way to provide a dependable source of income to offset operating costs, particularly in situations where public funding is not available. The Cincinnati Museum Center lobbied for and secured a county tax levy in 2004 which will offset their operating shortfall. Several critical elements contributed to the Center's success in getting this legislation passed in a strongly anti-tax environment. The Cincinnati Museum Center worked with a local university on an economic impact study that demonstrated a \$72M annual economic impact on the local economy in terms of jobs created, taxes generated and expenditures by visitors in the community.

Cincinnati Museum Center leaders also launched a proactive public relations campaign and hired an outside PR firm to help with messaging. A speaker bureau was formed and a committee met weekly to prepare to lobby for the levy. Through a polling effort, two key constituencies were identified (inner city African-Americans and seniors). Ultimately the levy was passed providing \$3.5 million/year for five years with the proviso that the museum center raise a \$30 million endowment in the space of ten years. The center subsequently hired outside fundraising consultants to help develop the quiet phase of their upcoming capital campaign.

In another example of a successful effort to create a taxing mechanism to benefit cultural organizations, the Colorado state legislature had been providing direct financial support to four regional institutions located in Denver: the Denver Art Museum, the Denver Botanic Gardens, the Denver Museum of Natural History and the Denver Zoo up until the 1980s. When state budget cuts eliminated public support from the state, these institutions charged an admission fee for the first time yet quickly realized that admission fees alone would not provide enough income to sustain these facilities much less transform them into the world-class institutions that they aspired to become. To help these and other institutions achieve their goals, landmark legislation was voted in to create the Scientific & Cultural Facilities District (SCFD) in 1988. Through this legislation, rural, suburban and urban voters came together to support scientific and cultural organizations in a seven-county area. This 0.1% retail sales tax was reaffirmed by voters in 1994 and most recently in 2004 with a 65% voter approval. SCFD is currently scheduled to expire in June of 2018. A similar program was put in place in Allegheny County, Pennsylvania to benefit Pittsburgh area attractions.

Since 1988, SCFD has provided \$30-35M annually to more than 300 organizations. The funding is divided into three tiers. Tier I, with major regional institutions such as the Denver Art Museum, Denver Botanic Gardens, etc. receives 59% or \$20.5M of the tax revenues. Tier II organizations (regional organizations with an operating income of \$925K or more adjusted annually for inflation) receive 28% or \$9.7M. Tier III organizations (local organizations such as small theaters, orchestras, art centers, etc.) can apply for 13% or \$4.5M of the tax revenues. The distribution of SCFD revenues is overseen by a ten member Board of Directors, with one member from each participating county and three members appointed by the governor.

A notable exception to dependence on governmental funding is the Sammons Art Center in Dallas, Texas. The center leases approximately 20,000 square feet from the City of Dallas in the historic Turtle Creek Pumping Station for a nominal annual rental fee, but all costs including major repairs are the responsibility of the Center. While costly, the Sammons Art Center recognizes that this provides a greater amount of control. The Center generates 68% of their operating costs through rentals and service fees with the remainder coming from special programs, contributions and an endowment fund. No tax or city funding is used for operating costs.

In other cases, facilities (especially those that have square footage that exceeds the needs of the museums in the facility) have been able to generate additional earned income by dedicating a portion of their square footage as rental space. MASS MoCA is utilizing a portion of the sizable square footage of their factory complex as professional rental space. To help offset their operating deficit, Union Station Kansas City has recently signed the United States Postal Service as a tenant and is leasing parking space to the Internal Revenue Service. This arrangement along with leases to the Internal Revenue Service for parking is anticipated to net \$3M per year for Union Station.

Individual donors can also be a lucrative source of contributions for cultural institutions, often as one-time gifts. For example, Omaha, Nebraska's Western Heritage Museum was renamed the Durham Western Heritage Museum in 1997 after the Durham family made a substantial gift that helped to make a \$22M renovation project in the mid 1990s possible.

The Depot currently has some annual support from both the City and the County. The City provides cash while the County provides cash plus some in-kind goods and services. The Depot Foundation's proposed capital campaign would provide a focused effort on individual and corporate donors.

4. Internal Communication and Cooperation are Essential for Multi-Use Museum Facilities

For facilities where multiple organizations are working together or are housed together, internal communication and cooperation are essential. While organizations may each offer unique experiences, it is important that they all have a clear understanding of the shared goals of the overall facility. The Cincinnati Museum Center has a multidisciplinary "omni committee" that meets every other month to review all exhibit opportunities. Individual museums try to tie into larger exhibits thematically, and the program and education directors of each museum meet regularly to discuss programming. The Cincinnati Museum Center has an internal website for administrative issues, and a detailed e-mail is sent out every other week with a calendar of museum events and rentals. By contrast, internal communication can be much more informal at MASS MoCA which has a single museum with a targeted focus on contemporary art.

Internal communication is a major issue for many of the stakeholders in the Duluth Depot, especially between the leadership HUD and the Depot Foundation. The management and fundraising functions of the Depot must be working closely together to be successful, and it is critical that this communication issue be resolved. If this continues to be an issue, all efforts to bring positive change to the Depot will be compromised. In addition, the PMOs are each so focused on their own mission and survival that there is less communication and collaboration between the PMOs than there could be.

5. Strive for Quality and Excellence

The sophistication and higher expectations of today's travelers has raised the bar in terms of the quality of experiences that will attract visitors. Travel is no longer considered a privilege, it is a right. Baby boomers, many of whom have been exposed to extensive travel, are entering the "empty nest" and retirement years with time and money on their hands. Baby boomers currently generate more travel than any other age group in the United States. According to a 1998 report by the National Tour Association on the Baby Boomer market, "*...because boomers are more experienced travelers, they will expect more from their experiences and terms such as cultural tourism, heritage tourism, sports tourism, active tourism, adventure travel and ecotourism will be commonly used within the next decade.*" These travelers are looking for "value added" experiences that provide something above and beyond the usual. These experiences should incorporate state-of-the-art technology, facilities, exhibits and programming.

Advances in technology have increased our ability to provide instant information and high-tech interactive experiences. For today's museums to compete and attract visitors,

they must strive for excellence and quality in all that they have to offer. For example, the International Spy Museum took on a major challenge when they created a private, for-profit museum just a few blocks off the Mall in Washington, D.C. The Spy Museum's challenge was to create a museum compelling enough that visitors who had the option of visiting state-of-the-art museums on the Mall such as the Smithsonian for free would choose to pay a \$14/person admission fee plus an additional fee to visit the changing special exhibit.

The International Spy Museum, which opened in 2002, is considered to be one of Washington D.C.'s "hot" museum spots. It has been so popular that visitors are required to purchase tickets in advance for a specific time slot. The museum opened in July of 2002 and has had over 2 million visitors to date. There were 100,000 in the first month of operation and 1 million after 18 months of operation. While the broad appeal of the subject matter piques the interest of many potential visitors, the exhibits within the museum provide a dynamic and engaging experience. Everything about the museum fits into the spy theme. The restaurant on the ground floor offers "disguises" for hot dogs instead of toppings. The museum's newsletter is their "communiqué." The gift shop offers a variety of spy items and memorabilia with familiar songs from popular spy movies playing in the background.

Visitors begin their tour by taking an elevator up to the "covers and legends" room where tour goers are asked to memorize a persona as their cover to see if they have what it takes to become a spy. A short film in the "briefing theater" talks about the challenges of life as a spy, and upon exiting the theater visitors are offered a variety of interactive experiences to learn how to pick a lock or bug a phone, see if they can stay in character as their cover while being questioned, pick out someone in disguise in a short video, identify security threats, or even crawl through ductwork to eavesdrop on other museum visitors. Listening posts offer visitors an opportunity to find out what other museum goers are saying through bugs planted in different locations throughout the museum. In addition to these interactive experiences, an extensive collection of authentic spy memorabilia is on display as well as pop culture collections such as cars and spy memorabilia from popular spy movies.

The exhibits and experiences work together to connect with visitors on a personal level—do *you* really have what it takes to become an international spy? What would your life be like if you were an international spy? By offering a dynamic and interactive experience, the International Spy Museum has been able to successfully compete for museum goers who have the option of spending time at world class facilities just a few blocks away that offer free admission.

As another example, to ensure the quality of the artists in the Torpedo Factory in Alexandria, Virginia, the Artists Association has a jury process that artists interested in applying for studio space must go through first. If they are accepted, they join a waiting list of associates until space becomes available. The jury process ensures that the artists in the Torpedo Factory meet certain standards and criteria, thus improving

the visitor experience as well as increasing the cachet of being an artist selected to have studio space in the building.

Currently, the PMOs in the Duluth Depot are not held to any standards of quality or excellence. Some PMOs offer award-winning offerings and constantly strive for excellence while others do not.

6. Provide New and Changing Experiences to Attract Repeat Visitation

Visitation trends in the past few decades have shown an increasing amount of long weekend travel to destinations closer to home and a decreasing amount of long vacations. In part, this trend is fueled by the “Great American Time Squeeze”—the lack of time created by busy lifestyles with more people in the professional workforce and an increased amount of organized activities and sports for children. This trend has had major ramifications for museums in the past few decades. Changing exhibits and new programs are becoming a much more critical component of the visitor experience offered by museums today as they compete to attract repeat visitors from their region.

The Cincinnati Museum Center, for example, has a 15,000 square foot changing exhibit hall, and each subsidiary museum within the Center has a smaller changing exhibit hall of around 5,000 square feet. By dedicating substantial space specifically for changing exhibits and by ensuring that new exhibits are unveiled on a regular basis, the Cincinnati Museum Center is more effectively capturing repeat visitors.

Changing visitor experiences can take several forms. Changing exhibits by one or more of the organizations within a facility or a joint special exhibit in shared space is one way to provide new experiences. Special programs such as performances, lectures, activities or events are also effective ways to encourage repeat visitation and convey the image that there is always something new and different to see at the facility.

While many PMOs in the Depot do offer changing exhibitions, they are not coordinated to provide a regular schedule of changing exhibitions. Organizations with the most visible exhibit space, such as the Historical Society, have had fewer changing exhibits than other PMOs.

7. Ensure that the Area Surrounding the Facility is as Appealing as Possible for Visitors and Residents Alike.

Many of the factors contributing to success can be controlled by the entities managing the facility while there are also other factors that are controlled by outside forces. For example, while attractions located established tourism destinations or areas will benefit from additional visitor traffic, if you are locating an arts and cultural center in a historic landmark, that landmark may—or may not—be in an area that already has heavy visitor traffic. The California State Railroad Museum, for example, benefits from being located in Old Sacramento, an area which has been a popular destination with many dining and shopping opportunities. Because visitors are already coming past their front door, the California State Railroad Museum does not have to

work as hard as other destinations that are not located in areas where visitors are already spending time.

While it is neither practical nor desirable to relocate a historic landmark to a new location that has a greater amount of visitor traffic, it is important for the stewards of historic landmarks to take an active interest in the development and businesses that are located in the surrounding area. If the neighborhood has more to offer it will create more reasons to bring visitors and residents to the area. A stand alone destination that does not offer complementary attractions, dining or shopping opportunities in or adjacent to the facility will have to work harder to attract visitors.

The Depot is across the street from the Duluth Public Library, a monolithic block that does not add to the street life outside the Depot. While the Depot is not far from Superior Street, the area around the Depot currently does not contribute to the vitality of the facility. Visitors or residents leaving the Depot to get something to eat or shop are likely to get in their cars and leave the Depot entirely.

8. Create Connections to a Larger Transportation Network

A number of successful adaptive reuse projects for historic depots have incorporated a transportation element into their overall plans, harkening back to their original function. Rail service to Cincinnati's Union Terminal had ceased in 1972. Following an interim failed effort to create a retail center in Union Terminal in the 1980s, the Cincinnati Museum Center opened in late 1990. In July of 1991, Amtrak officially restored train service to the terminal as a Cincinnati stop on the Washington, D.C to Chicago route.

Restored passenger rail service between the Twin Cities and Duluth may be an option. The state legislature considered a proposal to fund a feasibility study for restored passenger rail service this past year. Positioning the Depot as a transportation hub—or at a minimum, a connection in a larger transportation network—could be a key to adding vitality and life to this historic landmark. This includes looking at a range of opportunities from public bus routes, trolley service, bike trails, skywalk connections, pedestrian bridges, amenities to link sites, directional signage as well as the original transportation function of rail service.

9. Build Working Partnerships with Other Attractions

Rather than seeing other attractions as competitors, successful attractions work with other area attractions as collaborators. The Cincinnati Museum Center works with other attractions in Cincinnati to develop packages. When the Cincinnati Museum Center hosted a traveling exhibit from the Russian Royal Family, they partnered with other attractions to create a citywide Russian Winter Festival with the art museum, opera, symphony, community theater and a university to coincide with the exhibit.

MASS MoCA has worked collaboratively with other museums in the region such as the Williams College Museum of Art and the Sterling & Francine Clark Art Institute on joint projects such as the "Kidspace" gallery at MASS MoCA. Union Station Kansas City encourages the sale of memberships by including admission complimentary reciprocal

admission to 270 other science museums across the country as well as free admission to Science City in Union Station as a benefit of membership.

The Torpedo Factory in Alexandria, Virginia stretches their marketing dollars by working in cooperation with their local convention and visitors bureau as they do extensive marketing in the region and beyond. To encourage joint marketing, the merchants association at the Factory at Franklin that has a marketing budget and the Factory will match 24% of their joint advertising.

10. Recruit and Retain Knowledgeable and Creative Staff with a Passion for their Work

When asked to describe their secrets of success, two of the three facilities selected for in-depth research responded by citing the importance of having the right people staffing the facilities. Successful facilities must have:

“...knowledgeable staff who are passionate professionals...”

—Catherine Taylor, Executive Director, California State Railroad Museum

“...Creative, responsive and proactive staff...”

“...leadership and strong cooperation between the museum and the foundation...”

—Charlie Howard, Senior Director, Marketing Communications, Cincinnati Museum Center

Having the right people in the right jobs can make the difference between success and failure. According to Elisa Cavalier, interim director of the National Trust’s Preservation Development Initiative, *“A successful venue is run by an organization with strong leadership, including a good executive director, an involved and informed board and strong community support.”*

11. Manage the Facility as a Business

Being non-profit does not mean that you have to lose money. Successful facilities are managed as a business, and the goal of that business is to make money while fulfilling the mission of the organization. In fact, if the non-profit is not financially viable, the organization will fail and the mission will not be pursued.

Like a business, successful facilities need to invest in their product to ensure that it is as marketable as possible. Facilities need to consider a variety of options for earned income, including but not limited to admission fees. Additional sources of revenue could come from facility rentals, food service, retail sales, traveling exhibits, parking fees as well as other sources. The facility management should look for ways to maximize revenue which can then be reinvested in providing an even better experience. Strong management and adequate capital—in that order—are the two most important criteria for success in any business venture.

VI. Models in Other Parts of the Country

According to a 2003 study by the Institute of Museum and Library Services (IMLS), there are at least 15,460 documented museum organizations in the United States. This number represents museums that have participated in IMLS programs, museums listed in the 2000 edition of *The Official Museum Directory* and the Museums USA database provided by the State Museums Association. The actual number of museums is much higher as it would also include smaller museums that would not appear on any of these lists. The database of museums kept by the American Association of Museums indicates that there are a large number of museums that have opened in the last 25 years, indicating that the overall number of museums is increasing. This growing number of museums provides increased competition for museums to attract potential museum-goers.

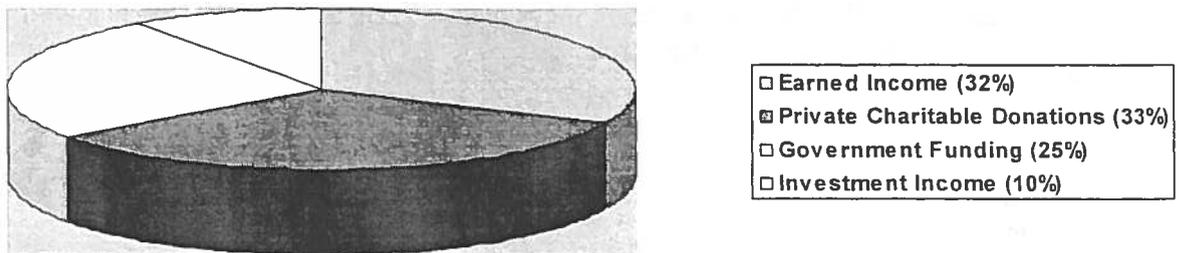
Museums are a popular vacation destination, ranking in the top three family vacation destinations according to the American Association of Museums (AAM). AAM describes the role of museums as "...community centers (that) offer people of all ages and future generations access to our nation's cultural and natural heritage. Their special role in public education is centered on the capacity of museums to provide the public an interactive, object-based place to better understand its community, our nation, and our world." Additionally, a recent national survey found that museums are viewed by Americans both as one of the most important resources for educating children and as one of the most trustworthy sources of objective information.

Museums in America average approximately 865 million visits annually according to a 1999 study by Lake, Snell & Perry. Annual attendance varies based on the type of museum, as indicated by the chart below with median annual attendance by museum type from the 2003 *Museum Financial Information* published by AAM. Zoos top the list as the most visited museum type and history museums and historic sites bring up the rear as the least visited museum type overall.

Median Annual Attendance by Museum Type	
Type of Museum	Annual Attendance
Zoo	520,935
Science/Technology Museum	183,417
Arboretum/Botanic Garden	119,575
Children's/Youth Museum	85,088
Natural History/Anthropology	64,768
Art Museum	61,312
General Museum	49,983
Nature Center	40,500
Specialized Museum	32,000
Historic House/Site	16,000
History Museum	15,000

The median cost for museum admission in the United States is \$5, although between a third and a half of all museums have free admission. Of museums that do charge admission, more than half offer free days. Museum visitors spend an average of \$1.72 in museum gift shops and \$.73 for food service at museums on average, although earned income typically covers only a third of the overall cost of serving visitors. AAM's *2003 Museum Financial Information* indicates that earned income and private charitable donations are the two largest sources of revenue for American museums, each accounting for approximately a third of overall museum operating revenues. A quarter of all U.S. museum operating revenues comes from governmental sources, and the final 10% comes from endowment income. This breakdown is based on the national averages for museums across the country as compiled by AAM.

Revenue Sources for Museums in America



**Source: 2003 Museum Financial Information, American Association of Museums*

The National Trust studied other comparable facilities in other parts of the United States as part of this study. Initial inquiries through the National Trust's networks resulted in a list of 46 potential facilities. Working with the Depot Foundation, this list was narrowed down to thirteen facilities recommended for additional study encompassing a wide variety of models. These thirteen facilities included:

1. California State Railroad Museum (Sacramento, California)*
2. Center for the Arts (Jackson, Wyoming)
3. Cincinnati Museum Center (Cincinnati, Ohio)*
4. Durham Western Heritage Museum (Omaha, Nebraska)
5. Fort Mason Center (San Francisco, California)
6. International Spy Museum (Washington, D.C.)
7. Jefferson Center for the Learning and Arts (Columbus, Ohio)
8. Landmark Center (St. Paul, Minnesota)
9. MASS MoCA (North Adams, Massachusetts)*
10. Sammons Center for the Arts (Dallas, Texas)
11. Torpedo Factory (Alexandria, Virginia)
12. Union Station Kansas City (Kansas City, Missouri)
13. Virginia Science Museum (Richmond, Virginia)

The three facilities noted with an asterix were selected by the Depot Foundation for additional in-depth research. These facilities include the California State Railroad Museum, a state

museum in the heart of Old Sacramento, California; the Cincinnati Museum Center with a variety of attractions housed within a large historic rail terminal; and MASS MoCA, an adaptive reuse project creating contemporary art galleries for large pieces of significant modern art within a large historic industrial complex in North Adams, Massachusetts.

According to local stakeholder interviews, when the Duluth Depot first opened annual attendance estimates were as high as 100,000 per year. Over time, attendance at gated attractions has dwindled down to 55,000 gated admissions. In comparing the attendance at the Depot to attendance at comparable attractions in other cities, and factoring in the difference in population between the cities in the chart on the next page, consider that the visitation numbers at facilities are tabulated in different ways. Some track paid admission fees while others count the number of people passing through the door. Another variable to consider is that while the city population provides a sense of the number of people close to the facility, in some cases there are large numbers of people living close by that are not included in the numbers. For example, Washington D.C. has an extensive metropolitan area, and Sacramento is a 90 minute drive from the burgeoning San Francisco area.

NAME	LOCATION	CITY POP.	VISITATION
Depot	Duluth, Minnesota	85,500	54,904 (2004 gated admissions) 150,000 est. pass through
Cincinnati Museum Center	Cincinnati, Ohio	360,000	1 million +/-year
Fort Mason Center	San Francisco, California	724,000	1.5 million/year
Sammons Center for the Arts	Dallas, Texas	1,007,000	78,000 users/year
Torpedo Factory Arts Center	Alexandria, Virginia	529,000 (DC)	500,000/year
Landmark Center	St. Paul, Minnesota	358,000	270,000/year (2003)
Union Station Kansas City	Kansas City, Missouri	435,100	450,000/year at gated attractions, up to a million pass through.
Factory at Franklin	Franklin, Tennessee	46,528	Visitation not tracked
MASS MoCA	North Adams, Massachusetts	14,334	100,000/year
International Spy Museum	Washington, DC	529,000	Not available
Durham Western Heritage Museum	Omaha, Nebraska	390,007	95,525 (2004)
California State Railroad Museum	Sacramento, California	418,000	600,000/year

The lessons learned from these models in other parts of the country provide valuable insights into the qualities for success described earlier in this study. The specifics of each of these models are described in the *Comparable Facilities Research Report* submitted to the Depot Foundation in August 2005.

VII. The Depot as a Key Component of Tourism in Duluth

The Depot's distinctive building is an architectural icon that travelers see as they drive into Duluth on 35W from the Twin Cities, and the Depot is one of the only locations in Duluth that offers a cluster of attractions under one roof. The cultural and heritage attractions offered by the Depot are unique to Duluth and help to provide a broader selection of things to see and do for travelers. Other attractions in Duluth include sites such as Glensheen, a 39-room Jacobean mansion constructed in 1908; the Great Lakes Aquarium; the Great Lakes Floating Maritime Museum; the Lake Superior Zoo; the Richard I. Bong Heritage Center; Spirit Mountain; the Renegade Comedy Theater and the Tweed Museum of Art.

Unlike other attractions such as the zoo which have large outdoor areas, the Depot's attractions are accessible inside one building. Once travelers arrive at the Depot, inclement weather is not an issue during their visit to one or more of the Depot's attractions, and this should be promoted as part of the Depot's appeal. The Depot is one offering amongst a variety of potential attractions available for residents and visitors coming to Duluth. This variety is healthy and appealing, as visitors like to be able to pick and choose from multiple options.

VIII. Characteristics and Qualities of the Successful PMO

The PMOs in the Depot are the same ones that signed on over thirty years ago when the building was renovated as an arts and culture center in the 1970s. Over the years many of the PMOs have expanded and reached new levels of maturity. In some cases, their space needs have expanded beyond what the Depot can currently provide, and thus they have one foot still in the Depot and another in a new facility or performance space elsewhere. This kind of growth is healthy and should be encouraged. In some cases, it may mean that some PMOs will expand to the point where the Depot no longer makes sense as a home for the organization.

Although PMOs will not be required to make the Depot a permanent home, while they are in the Depot they should be willing to fully participate as part of the “Depot Team.” This includes a demonstrated desire to strive for quality and excellence in providing visitor experiences in the Depot as well as a willingness to participate in joint programming and marketing. The exhibiting PMOs should all have consistent hours, and should be willing to make their facilities available after hours a certain number of times per year as part of Depot-wide special events. For those PMOs who call the Depot home, it will be important to uniformly offer high quality, interactive experiences. In order to draw visitors, the experiences offered by the exhibiting PMOs must be dynamic and engaging, and must offer new experiences or changing exhibits on a regular basis to attract repeat visitors.

Each of the PMOs should be actively working to bring visitors to the Depot. Priority for space in the Depot (especially ground floor space with high visibility) should be given to PMOs that are providing visitor experiences or the businesses that are serving the needs of visitors and residents rather than using that space for administrative offices. As an added incentive to provide a compelling visitor experience, the current fee structure should be changed so that the exhibiting PMOs pay rent but receive a share of the gate based on admissions to their space. This is described in more detail on pages 48-49 of this report. Visitor experiences should meet specified standards of quality and excellence, and all organizations in the Depot should be held to the same standards.

For example, exhibiting museums could be required to have, or be actively working towards, museum accreditation through a credible organization such as the American Association of Museums. AAM has developed standards and best practices that could be used to create guidelines or standards for exhibiting PMOs. Exhibiting PMOs should be willing to commit to working together to providing complementary exhibits around common themes. Exhibiting PMOs should provide changing exhibits and ongoing programming on a schedule that is coordinated across all Depot organizations to convey the message that there is always something new to see at the Depot. Changing exhibits and ongoing programming will be essential for attracting repeat visitation. To support these efforts, discretionary grant funding should be made available to assist with enhancements that will move organizations towards accreditation as well as funding for changing exhibits and ongoing programming.

Successful PMOs should be team players who incorporate their association with the Depot prominently into all marketing and organizational materials. They should be active participants

in working with the management entity to strive for high quality and changing experience that will draw visitors to the Depot. The individual PMOs should be strong organizations with a good staff, healthy membership base and clearly articulated vision. Like the artists selected for the Torpedo Factory, being a tenant in the Depot should be a privilege that means the organization offers a high quality visitor experience.

IX. Attracting Visitors from Across the State

Duluth's location several hours north of the Twin Cities positions Duluth both as an accessible and appealing weekend destination for visitors from the Twin Cities as well as a convenient mid-way stop between the Twin Cities and other vacation destinations further north. As visitors drive to Duluth from the Twin Cities, there is a dramatic sense of arrival as you come to the crest of the hill to see Duluth and the vast expanse of Lake Superior spread out below.

Upon arriving in Duluth, visitors will find a variety of attractions ranging from the gracious historic Glensheen mansion on the lakefront to the Great Lakes Aquarium. To attract visitors from across the state, consider promotional opportunities such as seasonal weekend packages targeting specific markets. Packages could include a hotel stay, admission to a variety of museums including the Depot, and tickets to an evening show (e.g. the symphony, ballet or Playhouse). Packages could also be tied to events or seasonal offerings such as a holiday package.

The Depot should work closely with the convention and visitors bureau to support their efforts to attract travelers from across the state. By pooling resources and working together, much more can be accomplished than by working alone. Today's travelers are increasingly using the Web as a primary source for travel planning. The Depot should work with other attractions in Duluth to support the efforts of the Duluth Convention and Visitors Bureau as they expand and upgrade the www.visitduluth.com website.

X. Highest and Best Use of the Depot—the Emerging Vision

All businesses start with a goal, and it is rarely (if ever) to fail. Goals serve as the roadmap or blueprint for what needs to be done today, and where the business will go in the future. Making money is a goal for any business, and this does not just apply to for-profit businesses. Being non-profit does not mean that the business has to lose money. Although non-profit organizations have a charitable mission, without money (whether earned or raised) they will not be financially viable, the organization will fail, and the mission will not be pursued.

At a minimum, the goals for the Depot's owner and manager should be (1) to serve as the stewards of a historic building, (2) to promote it as an attraction to the public, and as the home to arts and cultural organizations, and (3) to ensure its sustainability with adequate revenues. While the PMOs housed in the Depot each have their own charitable mission, they too share in the larger goal of making the Depot a viable facility and historic attraction. The owner, manager and PMOs should have a shared set of goals as set forth below:

Facility: To create a vibrant, well-attended destination venue for residents and tourists.

Management: To support a business-oriented management approach that seeks to (1) promote the venue, (2) support its tenants, (3) engage visitors and (4) make money.

Infrastructure: To strive for simplicity in ownership, management, fee structures and fundraising.

Stakeholders: To encourage the owner, management, PMOs, donors and other stakeholders to cooperate, collaborate, and leverage their respective talents and strengths for the betterment of the whole.

The vision for the Depot is one that needs to be developed and supported by the key stakeholders in the Depot, and the development of an official vision statement should be one of the first actions of the proposed Depot Task Force. Based on the National Trust's observations and interviews with Duluth stakeholders, the Depot's vision might include some of the ideas expressed below.

Proposed Vision for the Depot

The Depot will be a popular gathering place and "must see" attraction that attracts Duluthians and visitors alike, offering high quality cultural and heritage exhibits and performances as well as unique shopping and dining opportunities to create an interactive and dynamic "total experience." Cultural and heritage organizations in Duluth will compete to have a space in the Depot, both because of the many visitors and residents who come to the facility on a daily basis.

Many visitors will begin their visit in Duluth by coming to the Depot to learn more about the city, to plan the remainder of their trip, and purchase tickets for many of the activities

they plan to do during their stay. The Great Hall bustles with life as downtown business workers coming in for coffee, lunch, an after work drink or dinner mingle with the many visitors from out of town. Performances and special events are scheduled on a regular basis, and there is always something new to see and do at the Depot by day, or by night.

XI. Implications of Adapting to the New Vision

The primary implication of the new vision is that all of the Depot organizations must be open to change and be willing to work together towards a shared vision for the Depot. To be successful, the Depot needs to attract more residents and more visitors—and the Depot should provide a “total experience” to encourage residents and visitors to stay longer and come back more often. Changes that will help make this happen include:

A) Address Management Issues

Before the changes outlined below can be implemented, the Depot must first address the management issues addressed elsewhere in this report. With a strong management structure in place, the Depot will be better able to work towards the new vision by making the changes outlined in this report, including those listed below.

B) Reallocate Existing Space in the Depot

As the needs of the organizations in the Depot change and as these organizations grow over time, some PMOs may relocate to other space in Duluth so that new PMOs can move to the Depot and/or so other existing PMOs can expand on site. Space allocation needs should be revisited on a regular basis, and the Depot management should work with other facilities (existing and planned) to consider the current and projected needs for Duluth’s cultural organizations in a comprehensive way.

The Great Hall should be repositioned as a vibrant public space that draws people to the Depot. Key to this strategy is relocating the main entrance back to the original front door. The Great Hall itself should be an inviting space for Duluthians and visitors alike. The space should be restored to its original historic appearance with the addition of comfortable seating for informal gatherings and meetings. Floor materials and other efforts to address the acoustical challenges of this space will help to make it more inviting both for informal gatherings and for special events. To increase the appeal of this space, offer regular performances and other entertainment to add to the ambiance of the Great Hall.

Visitors like to be able to pick and choose from a variety of options, and the Depot does offer a variety of cultural offerings. The Depot also currently offers limited retail shopping and very limited food service. Food service should be made available in the Great Hall as an incentive to draw visitors to the Depot and to encourage them to linger longer. During the morning, food service should include high quality coffees and breakfast pastries transitioning to light lunch fare later in the day. If the current special events liquor license can be expanded, offering might include unique microbrew beers such as (for example) “Lake Superior Rail Ale” or other alcoholic beverages. This would also encourage Duluthians working downtown to visit the Depot on a regular basis.

The different gift shops in the Depot (the Depot Store operated by the Art Institute, the Children’s Museum gift shop and the Railroad Museum gift shop) should be relocated to a single, centralized space adjacent to or in the Great Hall to consolidate operations and encourage more retail traffic. The offerings in this consolidated gift shop could be expanded to include offerings from other PMOs and/or complementary merchandise from other sources. The gift

shop would operate on a consignment basis with a percentage of the sale of items provided by the corresponding PMO going back to support that organization. A single “Depot Box Office” should be located in or adjacent to the Great Hall offering tickets for both museums and performances as a “one-stop-shop.” Building on this theme, the ticket office could also sell rail tickets if/when passenger rail service was restored and tickets for other attractions in Duluth, possibly as part of a new “Duluth Passport” offering. In considering where to locate the box office, consider where rail tickets were historically sold in the Depot.

Explore the feasibility of building a new glassed-in space in front of the current main entrance in the performing arts wing. This greenhouse-style space in front of the Depot could house a restaurant in a “winter garden” setting. The restaurant could cater events in the restaurant itself or in the Great Hall, providing expanded rental options to increase earned income revenues. To further increase the profit margin on rental events, the management entity should secure tables, chairs and other necessary supplies for special events to eliminate the need for outside rentals. The location of a new restaurant adjacent to the Depot Theater offers the opportunity for “dinner and a show” ticket sales.

Currently, the historical society’s exhibits are scattered in several different locations on both sides of the Great Hall as well as upstairs on the balcony level. Ideally the historical society’s exhibits will be consolidated in one location (ideally on one floor) to have a greater impact. The Minnesota Historical Society would be an ideal partner to work with the St. Louis County Historical Society on this effort.

Another underutilized space at the Depot is the street level windows on West Michigan Street. To accommodate interior exhibits these windows are covered on the inside, giving the impression that the building is closed or under construction. This prime street level window space could be effectively utilized to market the diverse attractions within the Depot. For example, each window could be devoted to promoting one of the PMOs, or promoting the changing exhibits currently on display in the Depot.

Administrative offices located in prime ground floor locations should be relocated to make room for new for-profit tenants or for other uses that will bring traffic through the Depot. High traffic locations should be dedicated to uses that will encourage more visitors and residents to come to the Depot and stay longer.

C) Bring Passenger Rail Service back to the Depot

Efforts are underway to explore the feasibility of restoring passenger rail service between Duluth and the Twin Cities. This effort should be supported, as it will bring more focus and more people to the Depot. In order to reap the maximum benefit from restored rail service, arriving and departing passengers should all be routed through the Great Hall and past the restaurants and gift shop. In addition to ensuring that rail passengers are aware of the museums in the Depot, routing passenger traffic through the Great Hall will also encourage passengers to linger at the Depot to shop or grab a bite to eat.

Recognizing that rail passengers arriving from the Twin Cities will not have cars, connecting the Depot to public transportation and pedestrian connections will become a critical part of the

overall plan. Possible options range from having buses “wrapped” with images of Duluth’s tourism attractions to provide service between major visitor attractions to building a pedestrian bridge from the Depot across the Interstate to connect the Depot to the lakefront aquarium for fair weather exploration on foot. Buses could have a brochure rack for Duluth’s attractions to function as a mobile information center. As another option, a small car rental operation in the Depot could open up possibilities for rail/drive packages if passenger rail service is restored.

D) Improve Wayfinding Signage and Create a “Sense of Place”

The Depot is in a difficult location. Although visible from the highway, the Depot is tucked away in one corner of the city and is challenging to reach because of one-way streets. The Depot is not on a main path in Duluth, and visitors have to work to get to the Depot.

Wayfinding signage is one way to address this challenge. Ideally, there should be a brown sign on the Interstate for the Depot just as there is for the Great Lakes Aquarium and the DECC. Additionally, wayfinding directional signage within Duluth should direct visitors between all of the visitor attractions. Wayfinding signage can be an attractive navigational aide that helps visitors find their way in an unfamiliar setting.

The stone blocks that line Superior Street in Duluth create a welcoming atmosphere for visitors. Not only does this street material define Duluth for residents and many long-time visitors, they also signal that this stretch of road is one for to slow down or perhaps get out and explore. Extending the paver bricks from Superior Street down around the street level of the Depot would provide a stronger visual connection for the Depot with the heart of downtown Duluth. Upgraded street lighting, widened sidewalks, benches and plantings are other improvements that could enhance the pedestrian appeal of the area surrounding the Depot. The Depot itself should be lit at night to showcase the building’s spectacular architecture.

E) Build Partnerships Outside the Depot

The Duluth Public Library, located across the street from the Depot, could be a potential partner. Visitors interested in genealogy might be able to conveniently access the resources of the public library and the St. Louis County Historical Society in one stop. If the public library does not already have such a space, they could be encouraged to have a “Duluth History Room” with more limited access for those interested in historical research. The library and the historical society could partner on joint programming with lectures and other events held either at the library or the Depot.

The “Duluth Passport” mentioned earlier in this report could provide visitors with an opportunity to purchase admission to multiple attractions in Duluth at a discounted rate. This pass could be modeled after the City Pass program that has been successfully launched in other cities such as Boston, New York, Seattle, Chicago, San Francisco and Philadelphia. If rail service is restored, this pass could be combined with a rail ticket for a one-price adventure.

Individual PMOs could look into partnership opportunities with like attractions in the Twin Cities. For example, the Duluth Children’s Museum has instituted a successful reciprocal membership benefit that allows Duluth Children’s Museum members reciprocal benefits with the Association of Children’s Museums and the Association of Science and Technology Centers. A

membership at the Duluth Children’s Museum provides the member free admission to other Association member museums and centers through this arrangement. Other museums in the Depot could explore similar reciprocal benefits with other comparable museums. In addition to providing a valuable benefit for members at virtually no additional cost to the organization, this provides an incentive that will draw more visitors to Duluth—and specifically, to the Depot.

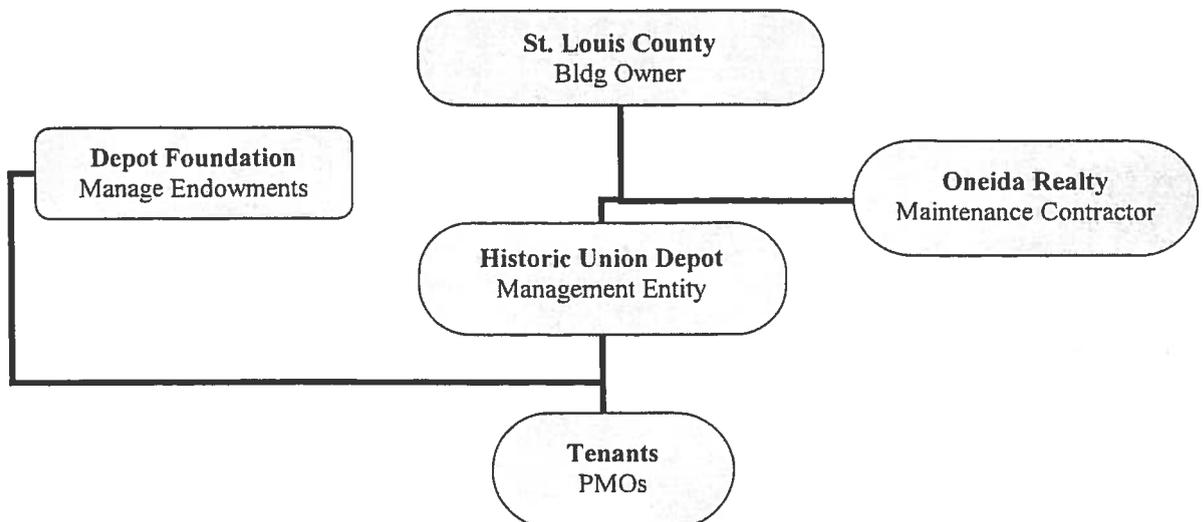
XII. Organization, Management and Internal Communications

Current Structure

The Depot's current structure has three different entities that own and manage the building, and raise endowments for the Depot and the organizations in the Depot. These entities include the County as the building owner, Historic Union Depot, Inc. as the management entity for the Depot, and The Depot Foundation.

Current Participating Member Organizations (PMOs) in the Depot include four exhibiting museums and five performing arts organizations. Exhibiting museums include the Lake Superior Railroad Museum, the St. Louis County Historical Society Museum, the Duluth Children's Museum and the Duluth Art Institute. Performing arts organizations housed in, or affiliated with, the Depot include the Duluth Playhouse, the Duluth-Superior Symphony Orchestra, the Minnesota Ballet, Arrowhead Chorale and the Matinee Musicale.

Several of the cultural organizations housed in the Depot have additional facilities located in other parts of Duluth. The Duluth Art Institute has a second location in Lincoln Park. The Symphony maintains administrative offices and ticket sales in the Depot, though all symphony performances are conducted elsewhere. The Minnesota Ballet has administrative offices and rehearsal space at the Depot, but all of their performances are in other locations in Duluth. The Matinee Musicale is another Duluth cultural organization that receives grant funding from the Depot Foundation, though they currently have neither performance nor administrative office space in the Depot itself.



The building owner, St. Louis County, contracts with the management entity (Historic Union Depot, Inc.). The management entity has responsibility for managing the building as well as overseeing lease and space agreements with each of the PMOs. Currently,

HUD is technically a subsidiary of the railroad museum, one of the PMOs and the largest museum tenant in the Depot. The actual maintenance for the building is done through Oneida Realty as a subcontractor to the County. The Depot Foundation is entirely separate from St. Louis County and HUD, though they also work directly with the PMOs by providing grant funding through dedicated endowment funds.

Pros and Cons of Current Management and Ownership

The positive aspects of the current management structure are that the County ownership allows the Depot to apply for funds available only to publicly owned structures. For example, in March of 2000, a \$750,000 tax-exempt bonds was issued to the County for an addition and improvements to the Depot. As a result, restrictions exist on the use and sale of the building to a private entity. If the Depot was to cease to be owned by the County or another governmental entity, tax penalties would be incurred unless the bonds have already been paid off. Additionally, removing the Depot from public ownership could eliminate the option of securing additional tax-exempt bonds in the future. County ownership also provides incentive and encouragement to the County to support the Depot financially. Currently, the County provides \$175,000/year to offset utilities and maintenance costs as well as additional in-kind assistance from county workers and supplies, such as a surplus water cooler supplied in 2005. The County also provides insurance for the building.

Despite these benefits, County ownership brings challenges as well. In the past, the County has been a passive, primarily absentee landlord. Due to the political nature of the County, there are concerns that the County's support will be subject to change with every new administration. Additionally, political pressures from the County could impact the management entity's ability to effect changes at the Depot to work towards the new vision. The Depot Foundation has expressed concerns that county ownership could hinder private fundraising efforts for the capital campaign. A capital campaign feasibility study completed by the Depot Foundation indicated that some potential donors would be more likely to give to the campaign if the Depot was owned by the Depot Foundation rather than the County.

According to John Leith-Tetrault, president of the National Trust's Community Investment Corporation (NTCIC), there are a wide range of low-cost financing options that could be available to assist with renovation or expansion costs. Some options are available only to publicly owned facilities, others are only available to non-profits. Tax-exempt or low-interest bonds are available to public facilities, and in some cases (depending on state law) are also available to non profit entities such as a 501c3. Community Development Block Grants (CDBG) can be another useful tool along with the historic tax credits. There are a number of state and local grants from foundation and other sources that are exclusively available for non-profit organizations. The National Trust offers some financing options such as the Small Deal Fund that can provide assistance with historic rehabilitation projects. The National Trust is a key partner for other programs such as Save America's Treasures, which is yet another source of funding for renovation projects at historically significant structures. Leith-Tetrault advises keeping as many options open as possible. For example, a long term lease (or selling the

building to a non-profit and leasing the land to a non-profit from a public entity) could provide mechanisms to ensure that the property is eligible for as many funding and financing options as possible.

The current management entity, HUD, has done an admirable job in a difficult situation, stepping in when the Depot's management was in crisis following the failure of the previous management entity. With a small staff and limited financial resources, HUD has worked to balance the budget while managing to increase attendance at the Depot.

There are several issues with the current management structure.

- The staff and board of the management entity should not be the same or have substantial overlap with the staff and board of any one of the PMOs to avoid real or perceived conflicts of interest favoring one over the others. HUD is currently in the process of working to provide more separation between the staff and boards of HUD and the Railroad Museum. Though this is a step in the right direction, concerns have been expressed that if HUD entirely controls this evolutionary process, it could simply create two organizations that have a primary interest and focus on the Railroad Museum.
- HUD currently has a “bare bones” staff and tight budget to meet the current basic needs of the Depot. A larger staff and operating budget would be required if the recommendations in this study were to be implemented.
- The current structure has leadership coming from several different entities (the Depot Foundation, the County and HUD) which sets the stage for dissention and power struggles and reflects poorly on the various Depot organizations and the Depot as a whole.
- Some of HUD's current policies regarding admission fees and leases have exacerbated confusion and discord between the PMOs and management. There is a perceived inequity in the collection of admission fees with priority payments made to HUD's parent corporation (the Lake Superior Railroad Museum) as well as overage charges to other tenants when net gate fees do not cover expenses. In addition, although leases are in place, rental rates are not uniform between the PMOs.
- HUD has not considered consolidating and/or reallocating space within the Depot to better accommodate all the PMOs and enhance the visitor experience.
- Because the contract with the County allows HUD to keep room rental fees, there is less incentive for HUD to utilize the Great Hall in a way that would enhance the venue for visitors and the PMOs.
- Due to the many organizations with similar names that are affiliated with the Depot, the Depot currently has an identity crisis. What is the “Depot?” Does the term refer to the depot building, the Depot Foundation, Historic Union Depot, the St. Louis County Heritage & Arts Center or the Lake Superior Railroad Museum? The similarity in names coupled with duplication and a persistent lack of coordination has resulted in donor confusion.

The Depot Foundation has taken a proactive role in working for positive change at the Depot, funding and overseeing additional projects like this study in addition to managing endowments and providing grants to organizations in the Depot. Currently the Depot Foundation has built up over a \$4 million endowment over the past 25 years and is working on plans to launch a capital campaign that would increase this endowment by an additional \$12 million. But the success of this campaign could be complicated by the confusion surrounding the various Depot organizations, as well as the way that the funds are collected and disbursed. The Foundation's holdings are made up of a series of smaller dedicated endowments for the Depot, the Depot management entity and the arts and cultural organizations housed in the Depot. Although the Depot Foundation raises funds for the benefit of all PMOs, the PMOs also fundraise individually. And HUD also coordinates another fundraising campaign for the Depot jointly with the PMOs.

As more organizations compete for philanthropic dollars, an increasingly competitive environment has been created and funders are becoming more selective regarding the organizations they support. Overlapping programs, service gaps, turf battles and a lack of coordination are factors that frustrate funders. For example, after listening to current and proposed structures for the Depot during a breakout session at the Depot Foundation's Visioning Workshop, a representative from the Ordean Foundation indicated he would not fund the Depot in its current structure because it was simply too obtuse.

For thirty years the County has owned the Depot. For thirty years the Depot, as a venue, has struggled to survive. For thirty years, the Depot has been managed as a cooperative instead of a business. For thirty years the Children's Museum, Railroad Museum, symphony and other tenants have survived but some tenants have outgrown their space. The component parts of the Depot are solid but it is certainly a candidate for strategic restructuring to help move it forward.

What is Strategic Restructuring?

Strategic restructuring involves considering fundamental changes in the organizational structure of one or more nonprofit organizations. It involves evaluating business options including mergers, joint ventures, administrative consolidations and joint programming through which nonprofits may address managerial, organizational and financial problems all in an effort to strengthen and better accomplish their missions.

Strategic restructuring typically involves a change in the local of control of at least one or more of the entities involved. It requires that companies (including executives and board members) be willing to be flexible and in some instances, yield some of their autonomy. At the Depot, strategic restructuring could occur on the ownership/management level or among the PMOs. Regardless, fundamental changes involving organizations like those at the Depot, which have been in operation for years, will not be an easy undertaking. Strategic restructuring at the Depot will only be successful in the long run if the leaders involved can place achieving improved community outcomes ahead of maintaining current organizational structures.

Management Recommendations for the Depot

Are the Depot stakeholders ready for a strategic restructuring at this time? Only St. Louis County, other stakeholders and the general public can decide if some form of strategic restructuring should occur either on a macro-level (affecting the Depot ownership and management) and/or on a micro-level (between PMOs). There are key questions which should be answered by the Depot stakeholders when making such decisions.

- What type of structure would meet the Depot's collective goals and financial situation? The pros and cons of all possible changes must be evaluated including legal and financial implications.
- What is the motivation for change, and are the goals and vision for the Depot still in the forefront?
- Are the Depot stakeholders prepared to handle the rumor mill and inevitable roadblocks?
- Can the Depot staff, management, politicians, and board members move past old history to build new traditions together?

Strategic restructuring in any form is an inherently business-oriented approach to a present situation. For nonprofit organizations involved in the Depot, the goal is to (1) evaluate the present situation, (2) identify redundancies, inefficiencies, cost-savings, fundraising opportunities, service delivery and other core activities, (3) think creatively, and evaluate possible and realistic solutions, (4) review case studies of strategic restructuring undertaken at and/or between other organizations to see if their actions merit replication and (5) implement necessary changes. When strategic restructuring is successful, a nonprofit's ability to fulfill its social mission should rise dramatically.

Strategic restructuring can run the gamut of significant change to nonprofit organizational structure to less dramatic collaboration scenarios, and can take many forms.

- Mergers
- Joint Ventures
- "Back Office" consolidation
- Dissolution

For the nonprofits leasing space at the Depot, strategic restructuring is NOT entertained based merely on location; it should be based on mission and service delivery. For organizations involved with the Depot as a venue, strategic restructuring decisions will involve service delivery and sustainability from a distinctly location-based perspective. It must be emphasized that strategic restructuring involves legal and accounting issues. All options should be reviewed by each organization's legal counsel and accountant before they are undertaken.

To be successful, it will be essential to have one strong organization that is the leader for the Depot. This leadership organization must be free of any real or perceived bias towards any one of organizations associated with the Depot and this organization must also have the support of the diverse Depot stakeholders. This organization must be committed to the vision for the Depot and willing to make the changes it will take to achieve the vision. While the lead organizations in the Depot recognize that it is essential to have a strong leader and a central organization to provide unified direction for the Depot, there is disagreement about whether this lead organization should be one of the existing organizations or a new organization. There are two current stakeholders that have expressed an interest in this leadership role including HUD (the organization currently serving as the management entity) and the Depot Foundation.

The Depot Foundation Task Force should weigh the pros and cons of the following disputed management and ownership questions:

- 1) What are the pros and cons of County ownership of the Depot? Is there a way to retain County ownership while minimizing or eliminating any drawbacks to County ownership? If the cons are found to outweigh the pros, would the County be willing to allow a new ownership structure? Factors to consider include the County's financial health and property management capabilities (especially for a historic structure), political considerations, public support, the availability of private resources, the size and condition of the building, business opportunities within the complex, location, the desire for site control and much more. For private ownership of the Depot to be a viable option, the sales price of the building must be reasonable.¹
- 2) Is it possible to build on the positive aspects of the current management entity to evolve that entity into a stronger, separate and management entity to represent all the PMOs with sufficient funding and staffing to meet the Depot's needs? If not,

¹ According to the agreement between the county and state that was executed when the state awarded a \$750,000 grant to the county for the St. Louis County Heritage & Arts Center, any sale must be for fair market value (FMV). Evaluating FMV in the context of the Depot is less than straightforward. The county has the property assessed at over \$4 million dollars. If the property were cleared (i.e. the historic building demolished) the land value would garner approximately \$20/sf based on the Duluth market equaling approximately \$1.8 million. The state is only interested in recouping its \$750,000 grant. Presuming the historic building cannot be demolished, the FMV diminishes significantly due to rehabilitation costs. Because the state and county may consider preserving historic structures as a basic responsibility of government, they could place an easement in perpetuity on the property further diminishing the FMV so that a long-term beneficial ownership arrangement could be pursued. In the experience of former Preservation Development Initiative interim director Elisa Cavalier, her experience indicates that the FMV would not exceed \$750,000 and in all likelihood would be significantly less than this figure.

Sale of the depot is subject to the terms of the General obligation Bonds Grant Agreement and requires that the county authorize and the Minnesota Finance Commissioner consent to the sale, which must be for fair market value. If the sales price exceeds \$750,000 the first \$750,000 must be distributed to the state. If the sales price is less than the \$750,000 grant, the county is not required to pay or reimburse the state for the difference.

what is the best way to create a new management entity that all the Depot stakeholders can support?

- 3) Does the Depot Foundation envision having a role in the management and ownership of the Depot, and if so, what is that vision?

In any event, the National Trust does not support the continuation of the “status quo” at the Depot without substantial changes for the reasons cited earlier in this report. The management entity should have expanded resources and control over the Depot to not only avoid the financial crises which have occurred in the past, but also enable the management to proactively make changes to enhance the Depot as an attraction. In addition, changes should be made to the structure to minimize or ideally eliminate the sources of conflict that have led to discord amongst the Depot stakeholders. Although the St. Louis Heritage & Arts Center has been maintained, it has not flourished. In 2004, the Depot management operated on a budget of approximately \$500,000/year with the three largest expenses being the common area maintenance and utilities (\$200,000), payroll (\$100,000) and an “admission fee” paid to the Lake Superior Railroad Museum (\$108,000). The common area maintenance is paid by the County, payroll and the Railroad Museum fee are covered by admissions. In 2004, the City of Duluth contributed over \$100,000 but in 2003 the contribution was only \$25,000. Not shown on the balance sheets are the in-kind contributions by the County for assistance from its property manager, Tony Mancuso, and the intermittent use of county maintenance staff – the aggregate value of which is difficult to quantify.

Management at Comparable Facilities

In the research completed on other facilities, it was most common to find the same entity providing management and fundraising for the facility (usually a 501(c)(3) non profit organization). An exception to this is the California State Railroad Museum, where the management is handled by a unit of state government, and a private non-profit foundation handles fundraising. Combining management and fundraising functions simplifies and unifies the efforts at these facilities.

In the majority of the facilities surveyed, it was most common to find a different entity as the facility owner (most often a public entity such as a city, county, state or federal entity). Union Station Kansas City is an exception to this rule, as the ownership, management and fundraising functions are all handled by a 501c3 organization created for the facility. Station Square in Pittsburgh is another example of a successful facility where ownership, management and fundraising functions are all handled by the same organization (albeit by three affiliated entities under that common organizational umbrella).

Ownership by a public entity provides both opportunities and challenges. Joanna St. Angelo, director of the successful Sammons Art Center in Dallas, Texas notes “*Every arts incubator I have done consulting for is different because every community is different and also the buildings that are used vary widely in size and design. Leveraging private management and private dollars is a great way to obtain quality facilities at*

minimal cost to taxpayers.” To ensure that the Sammons Art Center had control over the building, St. Angelo leases the historic Turtle Creek Pump Station from the City of Dallas for a nominal annual rental fee. The building was renovated and is operated at the Center’s expense, and all costs including major repairs are the responsibility of the center. St. Angelo observes that this is costly, but also gives the center better control over the building.

FACILITY NAME	OWNERSHIP	MANAGEMENT	FUNDRAISING
The Depot <i>Duluth, Minnesota</i>	County	Historic Union Depot (HUD)	The Depot Foundation
Cincinnati Museum Center <i>Cincinnati, Ohio</i>	City of Cincinnati and Hamilton County	Cincinnati Museum Center	Cincinnati Museum Center
Fort Mason Center <i>San Francisco, California</i>	National Park Service	Fort Mason Foundation	Fort Mason Foundation
Sammons Center for the Arts <i>Dallas, Texas</i>	City of Dallas, TX	Sammons Center for the Arts nonprofit arts incubator	Sammons Center for the Arts nonprofit arts incubator
Torpedo Factory Arts Center <i>Alexandria, Virginia</i>	City of Alexandria, VA	Artists Association	Artists Association
Landmark Center <i>St. Paul, Minnesota</i>	Ramsey County, MN	Minnesota Landmarks (nonprofit)	Minnesota Landmarks (nonprofit)
Union Station Kansas City <i>Kansas City, Missouri</i>	Union Station Kansas City, a 501c3	Union Station Kansas City (501c3 nonprofit)	Union Station Kansas City (501c3 nonprofit)
Factory at Franklin <i>Franklin, Tennessee</i>	private family corporation	private family corporation	NA
MASS MoCA <i>North Adams, Massachusetts</i>	MASS MoCA Commission (quasi-governmental agency chaired by mayor of North Adams)	MASS MoCA Foundation	MASS MoCA Foundation
International Spy Museum <i>Washington, DC</i>	Privately held, for profit museum	Privately held, for profit museum	NA
Durham Western Heritage Museum <i>Omaha, Nebraska</i>	City of Omaha	Durham Western History Museum (nonprofit 501c3)	Durham Western History Museum (nonprofit 501c3)
California State Railroad Museum <i>Sacramento, California</i>	State of California	California State Railroad Museum (state government)	California State Railroad Museum Foundation (501c3)
Center for the Arts <i>Jackson, Wyoming</i>	Town of Jackson & Teton County	Center for the Arts (501c3 nonprofit)	Center for the Arts (501c3 nonprofit)
Jefferson Center for Learning & the Arts <i>Columbus, Ohio</i>	Jefferson Center Association	Jefferson Center Association	Jefferson Center Association
Virginia Science Museum <i>Richmond, Virginia</i>	Commonwealth of Virginia	Virginia Science Museum (501c3 nonprofit)	Virginia Science Museum (501c3 nonprofit)

The Duluth Depot differs from the successful models from other parts of the country because the management and fundraising functions are handled by two separate organizations. Only one other facility of the thirteen models studied had a separate foundation for fundraising. The California State Railroad Museum in Sacramento has a separate foundation for fundraising as the museum itself is a unit of state government and thus prohibited from fundraising. While this model has worked well for the California State Railroad Museum, it has been less successful for the Duluth Depot because both the management entity and the Depot Foundation are actively fundraising. This overlap in responsibilities is one of the factors leading to friction between the two organizations.

Based on our research of the existing management conditions, comparable models, and input from the visioning session, we propose four restructuring options for the Depot Task Force's consideration representing a wide range of possibilities.

Option A: Frank Ingram Model

Frank Ingram, a Duluth resident with prior experience with the Depot's management, suggested the following organizational structure after the break-out session at The Depot Foundation's Visioning Workshop. Mr. Ingram's model has a moderate business focus in that he believes the Depot should not be subsidizing the PMOs through differing,

below-market rental arrangements. Rent would be calculated on a pre-determined rate, square footage, common area maintenance (CAM) charges and venue-oriented marketing expenses. Similarly, he believes that the management company should be more self-sufficient, and that there should be a separation between public support for the building and support for the programs operating inside the building.

Frank Ingram's model leaves ownership with the County, but dissolves HUD to create a new independent 501c3 management company. The management company would have a seven member board with dedicated seats for one representative from the County and one from the City. No board member may be affiliated with a PMO. The operations would be supported by rental and earned income. To accomplish this, all PMOs and retail/commercial tenants must pay fair market value (FMV) rent. The City and County would make multi-year funding commitments to the PMOs that stay in the building, and public funding would also be used to make capital improvements to the building. The Depot Foundation would remain a separate organization, funding building improvements for the Depot and PMO operation costs, but would not fund the depot management costs.

This model is relatively straightforward and would resolve some of the discord within the Depot by ensuring that the management was completely separate from the PMOs and that the management treated all PMOs equally. This model, however, does not adequately address the following issues:

- It is unrealistic in its expectation that the management entity can sustain itself on rental and earned income unless and until significant changes occur in the interior layout of the building and tenant composition;
- If the County remains the owner and has the ultimate control over the building and what happens within the building, the Depot will still be subject to political vicissitudes; and
- While the PMOs will certainly need additional outside support to be able to pay fair market value (FMV) rent, this plan will continue a less-than- optimal funding relationship between The Depot Foundation and the PMOs because they are seeking funds from the same donors. This arrangement also requires the PMOs to apply for funds from dedicated funds collected and held by the Depot Foundation for their benefit.

There are several other possibilities to create a stronger, united management entity for the Depot that we have identified through our research of comparable facilities. Ideally, the management entity should be able to make space allocation and "tenant mix" decisions. None of the PMOs are obligated to stay in the Depot, and some already have activities occurring at alternate locations. Although the Depot should endeavor to retain its focus as an arts and heritage venue, commercial and retail tenants should be considered for the rental income and tax revenue they would generate. Both HUD and the Depot Foundation have expressed an interest in expanding or taking over the management role for the Depot.

Option B: Strengthening the Current Structure

One possibility is that the current management entity, HUD, could be modified and strengthened to successfully take on this management role. For this to succeed, the Depot Task Force would need to work with the HUD to separate the connections to the Lake Superior Railroad Museum (LSRM). This would include separating the staff and board of HUD from the Railroad Museum as well as pursuing a separate 501c3 status so that HUD ceases to have an organizational affiliation with LSRM. HUD will need to work with the Depot Task Force to make changes to the organization that will ensure the support of all stakeholders and empower HUD to work towards the new vision.

Ownership of the Depot would continue to remain with the County, though the option of having HUD lease the Depot from the County under a long term lease (as discussed below) would be explored to mitigate any potential concerns about decisions at the Depot being based on politics. As HUD has not been directly involved in the development of this study, it remains to be seen whether or not HUD would be supportive of the vision described here. The advantage of this option is that it allows the Depot to build on the management knowledge and skills already in place. For this option to be effective, the current management must be willing to make substantial changes to address the issues outlined in this report.

Option C: Depot Foundation Leadership and Ownership

As a second option, HUD could be dissolved and the Depot Foundation could be bifurcated into a fundraising/endowment manager organization and a 501c3 new management corporation to serve as the facility manager. If this option is pursued, the Depot Foundation would need to divest itself of the PMO endowments funds to ensure that there is no financial relationship between management and the PMOs (other than a landlord/tenant relationship). These endowments could be given directly to the PMOs or entrusted to the Duluth-Superior Area Community Foundation. The Depot Foundation would not raise funds or provide grants to the PMOs. Instead, its mission would focus on raising funds exclusively for the Depot facility through the upcoming \$12M capital campaign.

As the Depot Foundation's current staff and board primarily have expertise in fundraising and the management of endowment funds, the Depot Foundation should work with the task force to create a new affiliated management entity with a staff and board members with facility management expertise. It is anticipated that Depot Foundation's current organization will continue as the fundraising arm for the Depot. The advantage of this option is that it should foster a positive working relationship between the management and fundraising entities by sharing a common organizational affiliation. For this option to work, the Depot Foundation must have the support of the Depot stakeholders and be able to raise the sufficient private dollars required to fund this scenario.

Option D: A Fresh Start with New Combined Management/Fundraising Entity

If the Depot stakeholders cannot rally behind an existing organization such as HUD or the Depot Foundation to provide unified support for the Depot management entity, the

Depot Task Force should work to create a new, independent entity charged with both management and fundraising for the Depot. While this third option would entail starting over which could add to the organizational development costs, it has the advantage of creating an organization free of baggage for a fresh start towards a new shared vision. Under this option, the fundraising/endowment management and facility management functions will be merged into one organization to eliminate any possibility of discord between the Depot's leadership entities. The dedicated endowments for specific PMOs will be redistributed to the PMO or to the local Community Foundation to manage on the PMO's behalf. The new organization will manage the endowment for the Depot internally and will oversee all fundraising for annual operating costs as well as expanding the Depot's endowment.

While any one of these three options have the potential to succeed if the organizations involved are willing to make dramatic changes to the way their organizations are structured and operated, the essential ingredient will be securing the support of the Depot stakeholders behind the selected management entity. Without the full cooperation and support of the Depot stakeholders, the only workable management option to achieve the new vision for the Depot will be a new and independent management entity (Option D).

Board Considerations

As the board for the management entity is structured (or restructured) under Options B or C, it will be important to identify individuals who bring the necessary expertise of facility management, historic preservation, museum management, tourism and excellence in the arts. If Option D is pursued, the board of the new combined management/fundraising entity will also need to have fundraising, management of endowment funds and grantmaking expertise. Under Options B and C, it is assumed that the fundraising, endowment management and grantmaking expertise will continue to be provided by the Depot Foundation board. Term limits should be established for the board to allow for fresh perspectives from new board members over time. Board members should be willing to play an active role in working to achieve the new vision for the Depot, serving on one or more board committees.

The board composition should also reflect public or other entities with a financial stake in the Depot. As long as the County owns the Depot, there should be a dedicated spot on the board for a County representative. If public entities such as the County and the City are providing substantive annual financial assistance to the Depot on a regular basis, this would be an added incentive to have a dedicated County position on the board as well as a dedicated City board position. For Options B and C there should also be a dedicated position on the management entity board for a Depot Foundation representative and a complementary dedicated position on the Depot Foundation board for a representative from the management entity to encourage good communication and cooperation between these two entities.

To avoid any potential conflicts of interest, board members will be required to make known any connections they have with businesses in the Depot or PMO organizations operating in the Depot. A conflict of interest policy should be developed to ensure that

any board decisions that could result in a real or perceived conflict of interest for any board members are handled appropriately.

Staff of the management entity, fundraising entity and PMOs will not be permitted to hold voting positions on the Depot's management or fundraising boards, though they can hold ex-officio (non-voting positions). To ensure that issues facing the PMOs are shared with the board, the management entity might consider creating an ex-officio position on the board for a representative from the PMOs, or possibly one ex-officio representative from the exhibiting PMOs and one from the presenting PMOs. The PMO representative should be elected by the PMOs, and the PMOs should meet on a regular basis to ensure good communication and to ensure that the PMO representative(s) is/are well aware of all issues and concerns facing the PMOs.

Depot Ownership Considerations

The Depot Task Force should also carefully weigh the pros and cons of County ownership in determining the most advantageous ownership structure for the Depot. If a determination is made in working with the County that another entity should purchase and own the Depot, and if that change includes an elimination of the financial underwriting provided by the Depot, alternate sources of funding to replace the annual \$175K as well as the in-kind goods and services provided by the County should be put in place prior to the change in ownership. The County must be an integral partner in the discussions about the most advantageous ownership arrangement for the Depot.

If, for example, the County decided to sell the Depot to an entity such as the Depot Foundation, the Depot Foundation's board would need to develop a realistic business plan with financial projections and a determination made about the extent to which public funding would be needed for this option. Presumably the County would continue a financial commitment for at least a term of years during this transition period.

In addition to considering the "black and white" options of having the County continue as the building owner versus having the County relinquish ownership, there may be other ways to mitigate any potential downside to County ownership. For example, the Depot could continue to be owned by the County but leased to the management entity for a nominal fee, thus providing the management entity with more control over the building's future much as the Sammon's Art Center in Dallas, Texas has done. A leasehold agreement would give the management entity greater control over the Depot without incurring the additional financial and liability responsibilities of ownership.

Pursuant to the bond financing agreement between the state and county, written consent is needed to lease the property. Leases must also be for "a term substantially less than the useful life of the structure...[and] a term equal to or shorter than fifty percent (50% of the useful life of the structures...will meet the requirement." A leasehold option could be effective as a way to keep the County involved, retain the ability to obtain additional bond financing – if allowed by applicable Minnesota law and provide a level of security and continuity that does not exist under a short-term contractual arrangement.

PMO Considerations

Regardless of which management option is selected, the PMOs should remain independent entities with their own staff and boards. The management entity will also have annual subleases with each of the tenants in the building, and those leases will include requirements for tenants to meet or be actively working towards standard threshold requirements for all PMOs in terms of accreditation, changing exhibits, and efforts to attract visitors to the Depot. If the needs of a PMO expand to the point where the Depot no longer meets their needs, they may mutually agree with the management entity to move out and create space either for a new PMO or to provide expanded space for an existing PMO.

As an added incentive for excellence, the gate fees should be restructured so that fees go back to the exhibiting organizations visited. Rather than offer a “one-price” admission, admission will be restructured as admission to specific museums with discounts offered for tickets to multiple museums as part of the same visit. As gate fees will be returned to the corresponding exhibiting organizations, rent should be charged to exhibiting organizations at below market rate to replace the gate fee income that previously went to the management entity.

This will return the gate fee structure to the previous structure of a separate admission to each museum within the facility, although discounted tickets for the purchase of multiple museums will be offered. This structure will eliminate current disagreements over the use of gate fees by creating a direct link between admission fees and visits to a specific exhibiting PMO. In addition, the need to pay rent and recoup this additional cost through admission fees will provide an added incentive to encourage PMOs to offer enticing visitor experiences. This is a more entrepreneurial structure that provides a direct benefit (increased admission fee revenues) to those exhibiting PMOs that offer dynamic visitor experiences that successfully attract visitors.

As the management entity sets rental rates for space within the Depot, several factors should be considered. Space with high visibility and more foot traffic should command a higher rental rate than space that is less accessible or visible. Ideally, for profit tenants (such as food providers or retail tenants) should be charged a higher rate than non-profit tenants. Until the Depot is established as a desirable and profitable location for new for-profit tenants, rent will need to be subsidized for the for-profit tenants as well for the short term. As the desirability of the space increases, rents for for-profit tenants can be increased.

For example, when the Grand Concourse Restaurant was opened in Station Square in Pittsburgh, the restaurant tenant was initially provided with a very appealing rent package to entice the restaurant to locate in Station Square and make a substantial investment in improvements. This package offered nominal rent with a percentage of the restaurant profits coming back to Station Square if the restaurant’s sales exceeded a certain level. In addition to creating an enticing package for the new restaurant tenant, this created a strong encouragement for Station Square to market the restaurant to ensure that revenues were high enough to provide a return for Station Square as well.

The management entity will be an entirely “transparent” organization where all policies, budgets and actions are readily apparent to all stakeholders. A detailed annual report will be issued each year by the management entity to assist in this effort. The executive director of the management entity will be accountable to the board of the new management entity, which will have seats dedicated to different interests within the Depot (much like the neutral Task Force) to ensure equitable oversight. Tenants in the Depot may be part of management committees but should not serve as board members for the management entity.

Depot stakeholders indicated that Oneida Realty has been doing a good job as the maintenance contractor. Regardless of what option is selected we recommend that Oneida continue to provide maintenance services.

Additional Management Options

Additional management options that could be considered as financial cost saving options for the PMOs and management in conjunction with any of the options outlined above. This includes back office consolidation and alliances amongst like-minded PMOs. For example, the management entity and the PMOs could work together to look at shared functions such as administrative staff, office equipment and other services that could be provided more cost effectively by a joint operation.

Additionally, the PMOs could consider formal or informal alliances between the exhibiting organizations and between the performing organizations as a way to work together on common issues and opportunities. These alliances would provide a forum to address shared issues and explore opportunities for joint programming, ticketing, and other forms of collaboration.

XIII. Suitable Mix of Tenants and Nature of Their Relationship

The diverse mix of arts and cultural tenants at the Depot is virtually the same as it was in the 1970s when the facility was first developed. Over that time, the tenant organizations have grown and expanded, in some cases finding additional exhibiting or performing space outside the Depot while still retaining some space in the Depot itself. Some stakeholders speculate that tenants who have an endowment with the Depot Foundation may be reluctant to relinquish space in the Depot fearing that it might affect their access to Depot Foundation grants. As many of the endowment funds are dedicated to specific organizations rather than to the Depot, this should not be the case. If the Depot Foundation is repositioned as the building owner and manager, the Depot Foundation divests itself of the PMO endowment funds, this may cease to be an issue.

Successful multi-tenant facilities offer flexibility that allows and encourages tenants to grow and prosper. As the needs of tenants change over time, it may be necessary to reallocate space within the facility or allow a tenant who has outgrown a space to leave the facility altogether. In this way, the Depot can serve as an incubator for arts and cultural organizations that may—or may not—stay on as long-term tenants.

For the Depot to succeed, all tenants will need to be held accountable to standards of quality and service. Annual leases with tenants should clearly outline the Depot's expectations and requirements for tenants as part of a "team" to make the Depot a vibrant, well-attended destination both in terms of financial expectations as well as other programmatic and participation requirements for PMOs. One major change to the current structure would be that all PMO tenants should pay rent, albeit a subsidized rent to ensure that all PMOs are treated equally. To offset rent costs for the exhibiting PMOs, gate fees for the Depot will be restructured and admission fees will go back to the corresponding PMO.

While the Depot currently offers a diverse mix of cultural and heritage organizations as tenants, it lacks complementary for-profit tenants offering food service and expanded retail opportunities to provide a "total experience" for visitors. In addition, the Depot may be able to accommodate other tenants such as Amtrak, who could bring passenger rail service back between Duluth and the Twin Cities or a new restaurant. While the primary focus of the Depot should continue to be as an arts and cultural facility with exhibiting and performing organizations, making room for these kinds of complementary new for-profit tenants will greatly enhance the vitality of the Depot.

Other multi-tenant facilities have created specific guidelines to help ensure that the mix of tenants maintains the desired combination of offerings as well as meeting standards of quality. The Pike Place Market in Seattle, for example, has developed guidelines for tenants renting space within the Market. Specifically, the guidelines help to ensure that the primary focus of the vendors in the Market is food related with a strong emphasis on local farm produce. Additional requirements ensure that tenants are locally owned businesses or farms rather than national chains or franchises. As a result, the Pike Place Market offers a unique shopping experience that has helped to make this the top attraction in Washington State. The Depot could consider similar

guidelines to ensure that the primary focus of the Depot continues to be arts and heritage organizations.

XIV. Public Relations Program to Herald the Offerings of the Depot

Public Relations Targeting Residents

The large number of organizations housed in or associated with the Depot and the similarity in names between some Depot organizations (e.g. Depot Foundation, Historic Union Depot, Lake Superior Railroad Museum) is a source of confusion for the public. In the public perception, the “Depot” is a single entity. Many Duluth residents are aware that the organizations within the Depot have been struggling (such as the failure of the previous management entity) and residents are also aware that there has been dissent amongst the Depot organizations, though most are not aware of the specific issues behind the disagreements.

As the organizations in the Depot resolve these issues and the Depot Foundation launches the capital campaign, it will be critical to have a public relations effort to promote the new-found harmony amongst the Depot organizations. The Depot should speak with one unified voice with the message that “we all get along, and we’re all working together towards a new shared vision.” To the extent possible, this coordination should extend to all communications that the Depot organizations have with residents, including fundraising efforts. For all of the fundraising campaigns planned for the Depot, it will be important that all of the stakeholders agree that the organizational structure in place is the right one.

Ideally, a joint fundraising campaign would be brought back so that donors could clearly distinguish between annual and capital campaigns and fundraising drives for individual PMOs. At the very least, there needs to be improved communication between all of the Depot entities engaged in fundraising to coordinate timing as well as the fundraising messages conveyed to minimize confusion. For example, when the Depot Foundation launches the capital campaign it should be clear how the money will be used. Will it be used to buy the building? Is the Foundation raising money to provide to tenants? Is it raising money for capital improvements? Is it raising money for operations? If the Foundation is raising funds for more than one of these needs, how much funding will be allocated to each need?

As the Depot Foundation approaches the capital campaign, communication with potential donors should be stepped up so potential donors are aware of the Foundation’s work and the vision for the Depot. Potential communication venues include receptions with presentations about the shared vision for the Depot, letters or newsletters sent on a regular basis to potential donors as a progress update and recruiting speakers from the Depot Foundation who can make presentations about the unified vision and progress to date to targeted community groups with giving potential.

Marketing and Promotions Targeting Visitors

Duluth currently draws its visitor market primarily from the surrounding region and the Twin Cities. Most of the Convention and Visitors Bureau’s marketing dollars are directed to the Twin Cities. Few of the Participating Member Organizations have marketing plans, and those that do primarily focus on increasing participation by school groups rather than tourists. The current management entity, HUD, is just completing a marketing and public relations program to promote the attractions in the Depot.

To reach a desired tourist audience, the Depot's marketing dollars should be directed toward the same market that the Convention and Visitors Bureau is targeting, thus reinforcing the message to the desired audience.

Marketing and public relations efforts to promote the attractions in the Depot should be coordinated for greater impact.

1) Web Site – The current Depot web site at <http://www.duluthdepot.org/> needs to be redesigned and updated so that it is more user-friendly, graphically appealing and up to date. The websites for each PMO should include a prominent link back to the Depot website. It is not immediately evident from most of the PMO websites that the attractions or cultural organizations are a part of the Depot.

2) Joint Brochure – Currently each PMO has its own brochure which is very expensive for tourism promotion. To be most cost effective, PMOs may consider using their individual brochures for providing information to residents (potential members) and producing a joint brochure that includes each PMO and is targeted to tourists.

3) Joint Advertising – As advertising space is purchased, seek opportunities to purchase shared space to promote multiple attractions under the Depot umbrella. In addition to being more cost effective, this will reinforce the message that the “Depot offers something for everyone.”

XV. Positioning the Depot Foundation to Support the New Vision

Like all of the other stakeholders in the Depot, the Depot Foundation must be open to change in order for the new vision to succeed. There are several specific ways in which the Depot Foundation can help support the new vision as outlined in this study.

A) Help Create a Depot Task Force

While this report includes recommendations, they can only be implemented if there is broad buy-in and consensus from all the lead players. This task force will bring the lead player together on neutral ground to discuss options and put forward joint recommendations. To be successful, it will be essential to create a task force with balanced representation of the different interests within the Depot as well as interests from outside the Depot. The most critical element of the task force will be neutral leadership willing to weigh the pros and cons of options put forward by all sides to work towards workable solutions.

The task force should include a member of the Depot Foundation board, a member from the HUD board, a representative from the County, a representative from the City, a member of the board of one of the four exhibiting PMOs, a member of the board from one of the five performing and presenting PMOs and two at-large positions. As decisions and recommendations may be made that affect staffing within the Depot, current organization staff should not be part of the task force. Along with the task force chair, this brings the size of the task force to nine—large enough to provide a variety of perspectives, but small enough to allow for good interaction and discussion. Keeping the task force at an odd number also eliminates tie votes as decisions are being made.

The Depot Foundation should assist in creating the task force and should be represented on the task force, but should not chair the task force. In order to ensure that the task force is perceived as neutral, the chair should be someone that does not have any “baggage” or a pre-determined agenda for the building.

B) Change to the Depot Foundation Organization

As the Depot Task Force moved forward to finalize recommendations, the Depot Foundation must be open to organizational change ranging from giving away the PMO endowment funds to the possibility of taking on new responsibilities in management and building ownership that may require the creation of new affiliated organizations.

C) Support the Completion of a Community Cultural Assessment in Duluth

The cultural institutions housed within the Depot are part of a larger cultural community in Duluth. Many of the cultural institutions within the Depot have expanded over the years and have outgrown their space in the Depot. The symphony and ballet, for example, have performance space elsewhere and use the Depot for their administrative offices, ticket sales, and in the case of the ballet, lessons. The Art Institute has another facility in Duluth in addition to space in the Depot. The Playhouse needs additional backstage space to allow for the offstage construction and storage of sets.

Past plans have recommended expansions at the Depot that could accommodate those needs on site, such as the construction of a second floor over the train shed with performance space. Since those recommendations were made, new preservation projects in Duluth have begun to unfold, including Clyde Iron and the Armory projects, both of which could provide space for cultural non-profits.

With these two new preservation projects in the pipeline, a community-wide cultural assessment should be completed. The assessment will identify all of Duluth's cultural institutions and their current and projected space needs. Such an assessment would be the most effective method to determine a) which organizations are the best fit for the current space within the Depot and b) whether or not an expansion at the Depot to add performance space would fit the needs of Duluth's cultural institutions.

The Depot Foundation should build community-wide support for the cultural assessment and could be one of the funders for the study. Given the number of new non-profit facilities that are currently being proposed in Duluth, a plan such as this will be essential if the Depot contemplates any major expansion of space to meet the expanding needs of the current or future PMOs. While the Depot Foundation could be a key partner and a funder for this effort, to ensure community-wide buy in there should be other partners at the table to fund and oversee the project as well.

XVI. Messages for the Depot Foundation's Capital Campaign

Stakeholder interviews indicated that building consensus around a vision for the Depot's future would be a critical base for the capital campaign. The recommendations in this report provide a blueprint to guide the Depot organizations through the process of reaching this consensus. Once the management issues are resolved, the Depot Foundation will need to determine how the capital campaign funds will be allocated, and convey to donors exactly what the funds will be used for. Potential uses for the funds include building renovations and expansions to the building; funds for programming, management and marketing.

Once internal consensus has been reached, the unified vision can be shared with the larger Duluth community with a call to action to help make the vision a reality. The Depot Foundation should craft a public relations effort that sends the message that the issues at the Depot have been successfully resolved, and the organizations within the Depot are harmoniously working towards an exciting new shared vision for the future for this cherished landmark.

XVII. Conclusion

The Depot has great potential. Regardless which form of organizational change is decided upon, keep these factors in mind:

Shared Goal: Make the Depot a vibrant, well-attended destination venue for residents and tourists that fosters the success of the PMOs and other tenants.

Flexibility. Consider not maintaining the status quo. Embrace change that would improve the quality of service, the visitor experience, mitigate politics, reduce or streamline costs, motivate staff, and inspire donors.

Leadership. A successful venue is run by an organization with responsible leadership – a good executive director, and involved, sophisticated and informed board members, and strong community support.

Market-Oriented. The Depot must be managed as a business; the long-term goal should be to make money.

State-of-the-Art. The sophistication of tourists and regional visitors alike has increased considerably. All organizations – management and tenants – must strive for the best technology, facilities, programs and ideas.

Communication. There is no substitute for open and honest communication between management, board members, tenants, the general public and government.

The lessons learned from other successful facilities and the recommendations included in this study will help to bring new vitality to a much beloved Duluth landmark. Just as the arts and heritage organizations housed in the Depot have expanded and changed since the 1970s, it is time for a new vision for the Depot that allows the facility to change to better meet the needs of today's travelers and Duluth's residents. Studies by the Travel Industry Association on cultural heritage travelers show that they are a very desirable target market that stays longer and spends more than other kinds of travelers. At the same time, the expectations of cultural heritage travelers have increased in the past few decades. Cultural heritage travelers are increasingly demanding high-quality, cutting-edge interactive experiences that portray heritage in an authentic way. They are also more likely to take part in multiple activities when they travel, and they seek a "total experience" that includes unique shopping and dining opportunities. According to a 2001 study by the Travel Industry Association, 44% of all cultural heritage travelers include shopping as part of their travel experience as compared to 33% of all U.S. travelers.

Changing travel patterns are also leading to more frequent shorter trips to destinations closer to home. To respond to this increase in weekend travel and to more adequately meet the needs of residents as repeat customers, the Depot needs to offer more changing experiences to draw visitors and residents back on a regular basis. By expanding the mix of offerings at the Depot to include shopping and dining as well as a blend of arts and

heritage experiences, the Depot will be better able to offer a “total experience” that will have enhanced appeal for residents and visitors alike.

This new vision for the Depot is achievable. The resources exist to make it happen, and the market is there to support the expanded and improved offerings. The creation of a neutral Depot Task Force to oversee the implementation of this vision will be a key element. This task force will need to navigate through the baggage and issues that are currently standing in the way of progress, building consensus around a shared vision for the Depot’s future. By setting aside differences and working for the good of the Depot, the Task Force can help to move the Depot from simply “surviving” from day to day to “thriving” for current and future generations to enjoy.

**PDI DEPOT STUDY
FINAL REPORT**

ADDENDUM

THE NATIONAL TRUST FOR HISTORIC PRESERVATION

The National Trust for Historic Preservation is a private, nonprofit membership organization dedicated to saving historic places and revitalizing America's communities. Recipient of the National Humanities Medal, the Trust was founded in 1949 and provides leadership, education, advocacy, and resources to protect the irreplaceable places that tell America's story. Staff at the Washington, D.C., headquarters, six regional offices and 26 historic sites work with the Trust's 270,000 members and thousands of preservation groups in all 50 states. For more information, visit the Trust's web site at www.nationaltrust.org.

PRESERVATION DEVELOPMENT INITIATIVES

A Program of the Community Revitalization Department of the National Trust for Historic Preservation

The National Trust's Preservation Development Initiatives program (PDI) combines a comprehensive approach to preservation-based economic revitalization. PDI helps targeted communities assess, develop and realize the full economic development potential of their historic sites, landmarks and districts. The breadth of historic preservation resources and opportunities is first identified through a comprehensive assessment. Communities then set priorities for follow-up program assistance from the National Trust's Main Street program, the Community Revitalization Department, Regional Offices, Public Policy and the Heritage Tourism.

PDI is made possible by a grant from the John S. and James L. Knight Foundation.

HERITAGE TOURISM PROGRAM

A Program of the National Trust for Historic Preservation

The Heritage Tourism Program began in 1989 when the National Endowment for the Arts provided a \$300,000 challenge grant for its implementation as the nation's first heritage tourism demonstration program. Four states were selected to participate in the three-year initiative. Through the program, the National Trust for Historic Preservation created a cultural heritage tourism development model using five principles and four steps. These principles and steps have been successfully used to develop cultural heritage tourism programs across the country as well as in several locations abroad.

Five Guiding Principles for Successful and Sustainable Cultural Heritage Tourism

- 1) Collaborate
- 2) Find the fit between the community and tourism
- 3) Make sites and programs come alive
- 4) Focus on authenticity and quality
- 5) Preserve and protect

Four Basic Steps for Getting Started

- 1) Assess the potential
- 2) Plan and organize
- 3) Prepare for visitors; protect and manage resources
- 4) Market for success

At the conclusion of the initiative in 1993, the National Trust recognized an ongoing need for the services and expertise of the heritage tourism program and established a consultancy to offer these services. Since that time, the Heritage Tourism Program has become recognized as the country's premiere heritage tourism program. The work of the program falls in three areas:

1) Fee-for-service consulting

The program has assisted hundreds of heritage and cultural sites, communities and states in assessing their resources and creating plans for sustainable cultural heritage tourism programs. Clients have included state tourism offices, state preservation offices, state Main Street programs, scenic byway organizations, and other clients at the regional and local level. Services include assessments, organizational development, strategic planning, interpretive and marketing plans, training workshops and product development. Daily rates range from \$1,000-1,200/day plus expenses. For larger projects, a customized project proposal and fixed fee can be developed.

2) National awareness and advocacy

The program also provides an awareness and advocacy role for cultural heritage tourism at the national level. The program is an active member of Partners in Tourism, a national coalition of cultural, heritage and tourism organizations and agencies. The Heritage Tourism Program has spearheaded national initiatives such as *Share Your Heritage* which has resulted in success story publications, a comprehensive how-to cultural heritage tourism curriculum, and national workshops.

3) Best Practices

Since its inception, the Heritage Tourism Program has documented the successful development of cultural heritage tourism programs across the country. This practice has resulted in the most comprehensive resource inventory available for researching programs and identifying best practices that could be adapted to other areas. This inventorying process provides two other benefits:

- 1) The Heritage Tourism Program consultants bring this extensive knowledge and insight to every new project, and
- 2) The Heritage Tourism Program has established a nationwide network of partners and resources – an unparalleled benefit to anyone seeking to develop cultural heritage tourism program.

BIOGRAPHICAL INFORMATION

ELISA J. CAVALIER, Esq.

Elisa Cavalier served as the Interim Director of the Preservation Development Initiatives Program in the National Trust for Historic Preservation's Community Revitalization Department from March through September 2005. Previously, Ms. Cavalier was Associate Director of the Statewide and Local Partnerships Program in the National Trust's Center for Preservation Leadership. Prior to joining the National Trust, Ms. Cavalier was General Counsel for Pittsburgh History & Landmarks Foundation. Her practice spanned real estate, advocacy, preservation, and nonprofit corporation law. Ms. Cavalier managed Landmarks \$3 million revolving loan fund, and extended and monitored loans for historic preservation and community revitalization projects.

Elisa Cavalier is a graduate of Tufts University and Northeastern School of Law.

JOHN LINDELL

John Lindell, Lead Exhibit Designer, joined MHS in 1990. Since then he has designed major exhibits for the History Center in St. Paul, including *Families* and *Manoomenikewin: Stories of Wild Ricing*, and for the award-winning Mill City Museum in Minneapolis. All of these projects received grants from the National Endowment for the Humanities. John has also designed exhibits and building renovations for the Forest History Center, the Mille Lacs Indian Museum and Trading Post, and the Lower Sioux Agency. John's experience working collaboratively with architects equips him to design exhibits that fit seamlessly with the buildings that house them. In addition to his fourteen years as an exhibit designer and developer, John brings to the project a wealth of experience as an educator, carpenter, and architectural model builder.

BILL MOSKIN

Bill Moskin has 33 years experience as an arts administrator and consultant. He is based in Bainbridge Island, Washington. Mr. Moskin works throughout the country as a consultant and workshop leader, specializing in strategic planning, organizational development and cultural tourism. Bill Moskin & Associates consists of a core of four consultants and administrators. Teams are developed for each specific project that include core consultants as well as additional consultants and skilled practitioners, as needed.

Mr. Moskin is co-author (with Sandy Guettler) of *Exploring America Through Its Culture*, commissioned by the President's Committee on the Arts and the Humanities for the 1995 White House Conference on Travel and Tourism and co-author (with Jill Jackson) of the 1999 *Americans for the Arts Monograph: From Stability to Flexibility*. Currently, Mr. Moskin and Ms. Jackson are writing a follow up to *From Stability to Flexibility* providing technical assistance and training recommendations based in their five-year experience with Arts Leadership for the Future.

Mr. Moskin has served as the President of the California Confederation of the Arts, the President of the San Francisco Bay Area Dance Coalition and the 1st Vice President of the National Assembly of Local Arts Agencies. He most recently served as a board member of the Bainbridge Island Arts and Humanities Council.

DANIEL SPOCK

Daniel Spock has been the Head of Exhibitions at the Minnesota Historical Society since 1997. Over this time period he has directed the research, conceptualization, design and completion of more than 30 exhibitions including many major exhibitions at the Minnesota History Center in St. Paul, new exhibitions and facilities throughout the Society's network of historic sites, and at the award-winning Mill City Museum in Minneapolis. Some of these projects entailed site master planning, extensive facility renovation and new construction. Dan has a 22-year career in the museum field, starting as a planetarium guide. Over the course of his career he has worked as an exhibit designer, an exhibit developer, including 13 years at the Boston Children's Museum, before moving into the realm of administration and program leadership. Dan is an ardent proponent of visitor-centered, experiential interpretive approaches that value visitors as active learners. He has consulted and lectured at a variety of museum and learning institutions. Dan has a BA in Art from Antioch College.

AMY JORDAN WEBB

Amy Webb has been the director of the National Trust for Historic Preservation's Heritage Tourism Program since 1995. She has been on the staff of the Heritage Tourism Program since 1993. In this capacity, she spearheaded *Share Your Heritage*, a national cultural heritage tourism initiative funded by American Express and the National Endowment for the Arts. As part of the *Share Your Heritage* initiative, she produced two cultural heritage tourism success story publications, a series of more than 50 how-to training modules, and implemented numerous training workshops. She has also provided planning assistance to numerous communities, scenic byways and states in strategic planning, interpretation, and tourism development, management and marketing.

Previously she was the director of tourism and education for the Providence Preservation Society in Providence, Rhode Island from 1985-1993. During her eight year tenure she developed a heritage education program for Rhode Island elementary schools; organized an annual tour of historic homes, coordinated walking and motorcoach tours of historic Providence and developed a joint promotional campaign to link Providence's historic and cultural attractions.

Ms. Webb has a master's degree in architectural history and historic preservation from the University of Virginia and a bachelor's degree in architectural history from Wellesley College in Wellesley, Massachusetts. Her Master's thesis focused on the interpretation of historic sites in the United States between 1850 and 1950. She is currently based in Boulder, Colorado.