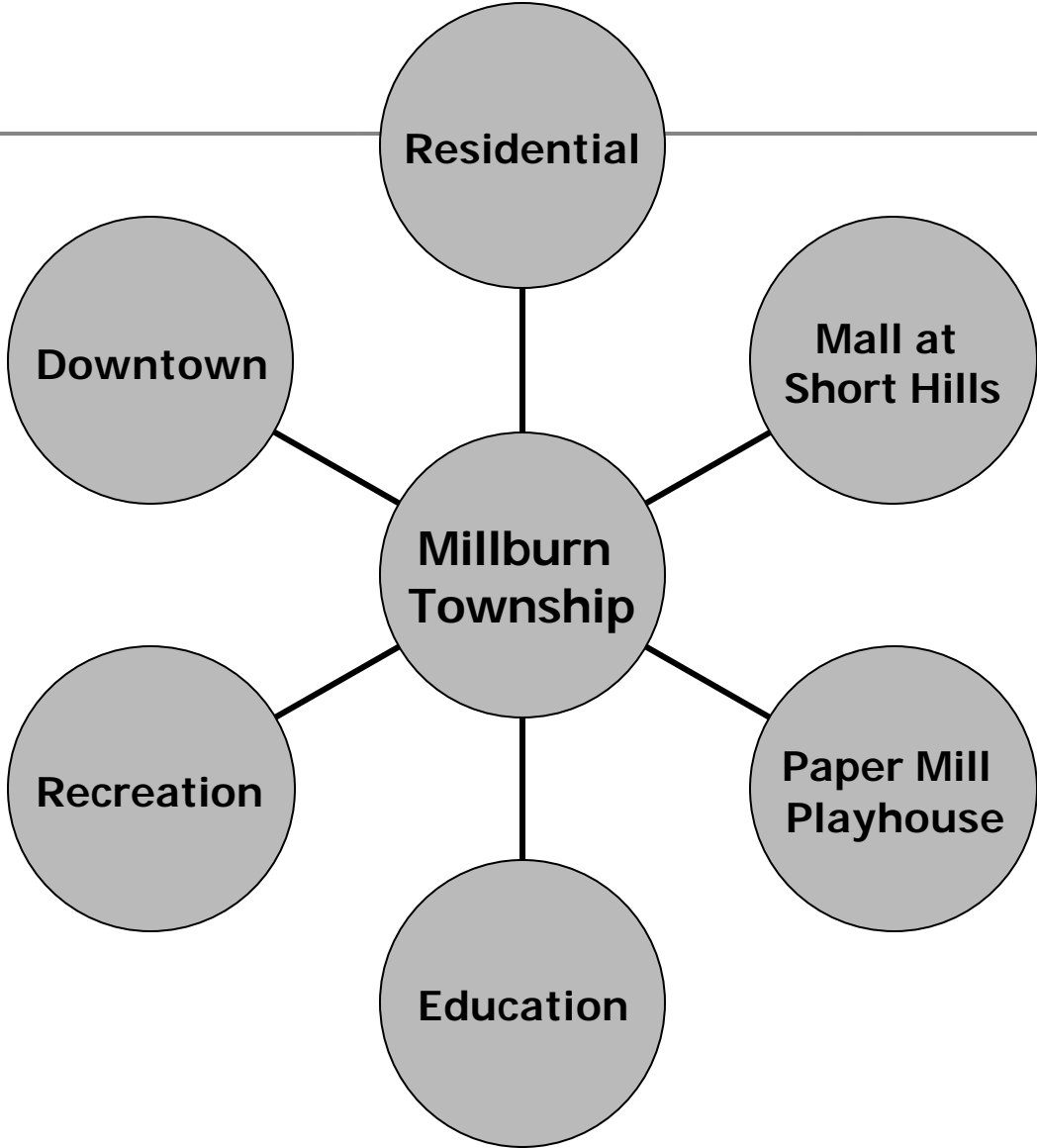


Paper Mill Property Acquisition

Millburn's Identity



Overview

- Paper Mill Playhouse has been a cultural keystone for Millburn Township and surrounding communities since 1934 and has grown to be one of the most acclaimed non-profit professional theatres in the country and attracts more than 425,000 people annually.
- Township Master Plan says: "To provide for the continuing educational and cultural needs of the community, including recognition of the role of the Paper Mill Playhouse."

Overview

- Subscriptions fell from 26,000 in 2000 to 18,000 in 2007
- Development efforts faltered and by the 2006/2007 season, Paper Mill took a significant loan in order to complete the seasons financial obligations.
- 2006/2007 Paper Mill had a deficit of \$3.2 million

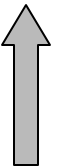
Current financial status of Paper Mill

- 2007/2008 the deficit is \$1.2 million
 - \$900,000 of the current \$1.2 million deficit are controlled expenses (\$225,000 loan interest, \$500,000 was shop overhead)
- 2008/2009 budget is balanced for the first time in 15 years (contingent on the purchase of the property)
- As of week 3 into the 2008/2009 subscription season, Paper Mill is 43% ahead of where they were this time last year
- Established a \$750,000 endowment as a result of a grant

Paper Mill Playhouse Facts and Figures

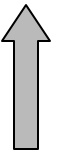
■ Subscription Renewal Rate

- Paper Mill Playhouse for 2007/2008 season= 75.4%
- National Average= 71.2%



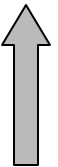
■ Subscription Dollars

- Paper Mill Playhouse 2007/2008= \$5.6 million
- Paper Mill Playhouse 2006/2007= \$4.7 million



■ Contributed Income

- Paper Mill Playhouse 2007/2008= \$3.6 million
- Paper Mill Playhouse 2006/2007= \$2.9 million



Change at Paper Mill

- New management and administrative structure
- 5 new board members, 2 new board chairs (Howard Hirsch, Carolyn Ferolito)
- Received a grant from the Robert Wood Johnson Foundation \$750,000

Details on Economic Impact Study

- The following two slides are the results from a calculator developed by AmericansfortheArts.org.
 - The results of this analysis are based upon the averages of similarly populated communities. *The results are therefore estimates.*

Economic Impact of Paper Mill Playhouse

■ STEP 1: POPULATION

- POPULATION of your community: Less Than 50,000

■ STEP 2: TOTAL EXPENSES

- Your Organization's TOTAL EXPENSES: 18.3 Million

■ STEP 3: TOTAL ATTENDANCE

- TOTAL ATTENDANCE to your organization's arts events: 250,000

Economic Impact of Paper Mill Playhouse

	TOTAL EXPENDITURES	FTE JOBS	HOUSEHOLD INCOME	LOCAL GOVT. REVENUE	STATE GOVT. REVENUE
Nonprofit Arts and Culture Organizations	\$18,300,000	512.4	\$11,092,911	\$540,216	\$682,956
Nonprofit Arts and Culture Audiences	\$7,065,000	185.1	\$2,549,264	\$295,034	\$334,245
TOTAL INDUSTRY IMPACT	\$25,365,000	697.5	\$13,642,175	\$835,250	\$1,017,201
Paper Mill's Impact	Paper Mill Playhouse adds a total of \$25, 365,000 into Millburn's economy annually.				

Why should the Township purchase the Paper Mill property?

- The Paper Mill is a cultural and economic asset to the Township which should be preserved.
- Assisting the Paper Mill also provides direct benefits to other local businesses.
- The acquisition of the property would give the Township control over any future actions on the property.

Terms of the Purchase

- Township would purchase the property for 9 million dollars
- Township would lease the property back to Paper Mill, who would operate the theater
- Lease payments will be structured such that it will protect the investment made by the Township by purchasing the property, while assisting Paper Mill with its financial condition.
- There will be an option to purchase back the property by Paper Mill should both parties agree
- Paper Mill will be responsible for all capital improvements, operating costs (utilities, insurance...etc)

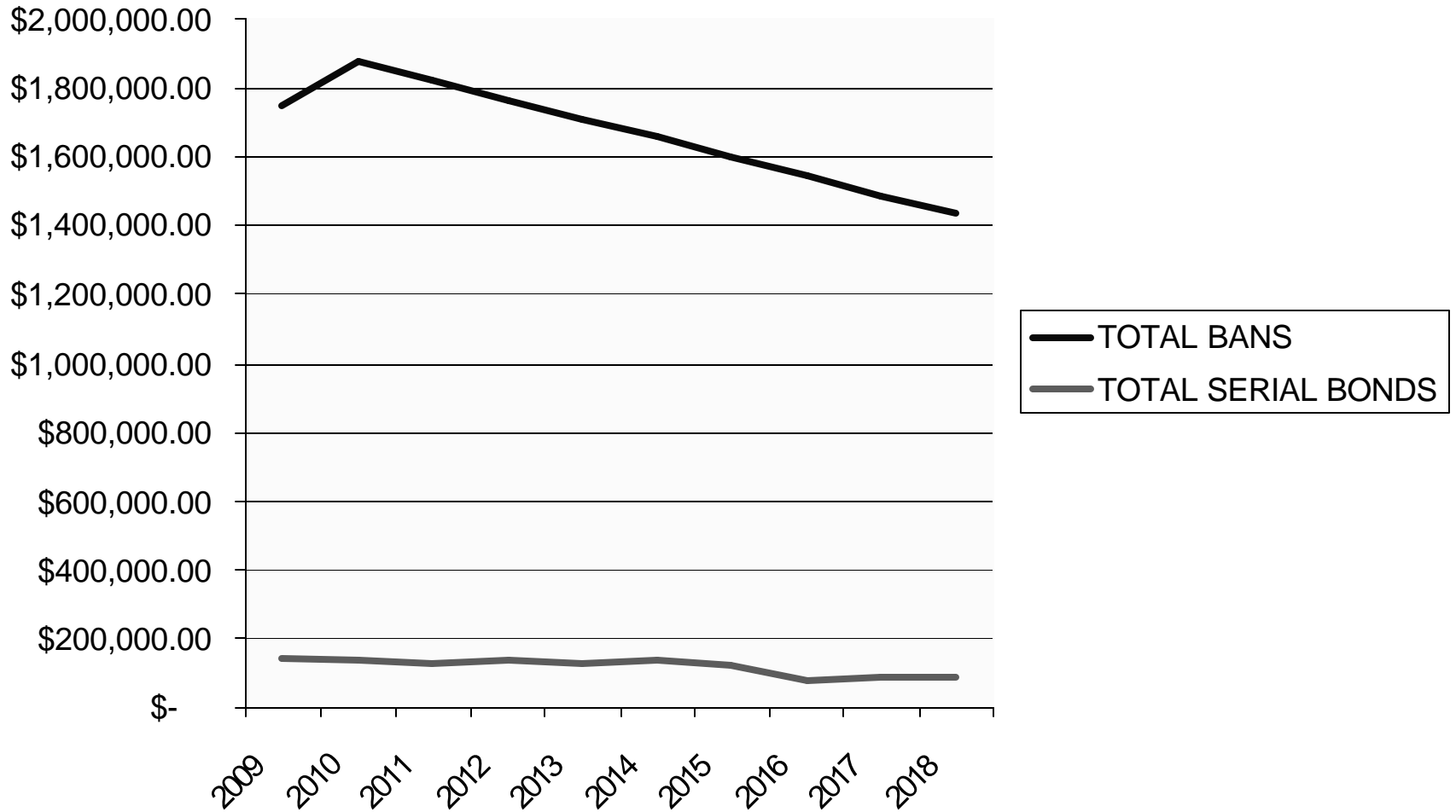
How will the Township pay for the purchase of the property?

- The Township is recommending issuing bond anticipation notes (BANs) which will be paid over a 10 year period
- The Township has traditionally paid off bond anticipation notes early to curtail the payment of interest

Will the purchase of Paper Mill property increase my taxes?

- Should Paper Mill be put into the current debt service it will have a neutral effect on property taxes.

Municipal Debt Service including Paper Mill purchase



Will the Township take over operations at Paper Mill?

- With the lease-back to Paper Mill, the Township will not be involved in the operations of the theater.
- A Township representative will sit on the Board of Trustees for the purpose of monitoring the financial health of Paper Mill.

Wouldn't the zoning provide enough coverage to save the Paper Mill property from development?

- No. Although zoning is a method of controlling use of the property, there are methods where developers could override the current zoning.

Why is the Township getting involved in the arts?

- The Township is not getting involved in the operations of the arts, but recognizes the importance of the arts as part of our role of providing for the “public good”. The Township is not going to own the Paper Mill Playhouse organization, it will own the property.
- The National Endowment for the Arts is an excellent example of a government funded arts not-for-profit.
 - 5/6/2008, Star Ledger – Union County Arts Center, Rahway
 - \$7.2 Million acquisition and renovation
 - Government partnership
 - Professional management and Board of Trustees operate facility
 - City of Rahway provides \$300,000 annually to the Center

Is there a risk for the Township to incur this kind of debt for an investment?

- Purchasing property in Millburn Township is not a risk (as property owners in this town know). We will also be collecting rent from Paper Mill.
- Since Paper Mill is a not-for-profit, they do not currently pay property taxes. The Township will not be losing tax revenue with this purchase.

How will the purchase enhance the financial position of Paper Mill?

- Paper Mill proposes to pay off their debt, invest one million dollars in operating expenses and to put the remainder of the money into its endowment. They can then utilize funds more freely for fundraising.

What will the Township do with the property if Paper Mill should fail?

- Sell or rent the property to another cultural institution.
- Prepare a redevelopment plan for the appropriate type of development that would enhance Millburn's downtown and the Township as a whole.

Next Steps

- Introduce ordinance on May 27, 2008
- The Township will have a public hearing at the second reading of the ordinance to purchase the property in accordance with law and procedure – June 17, 2008.
- The Township's website will have a copy of this presentation and an email address dedicated to Township/Paper Mill for residents to submit their comments online by Friday, May 23, 2008.
- Email address : papermill@millburntwp.org
- To conclude purchase on or about July 18, 2008