

# Torpedo Factory Art Center

**Business Analysis  
and Recommendations**

**Revised January 31, 2016**



The Cultural Planning Group



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The Cultural Planning Group

California, Philadelphia and Hawai'i

[www.culturalplanning.com](http://www.culturalplanning.com)

Martin Cohen  
 Melrose Park, PA 19027  
[martin@culturalplanning.com](mailto:martin@culturalplanning.com)  
 267-992-3792

Mark Anderson  
 Pacific Palisades, CA 90272  
[mark@culturalplanning.com](mailto:mark@culturalplanning.com)  
 310-600-3117

# In Brief

## *Legacy*

Building on the extraordinary passion of the founding artists, the Torpedo Factory Art Center (TFAC) has been at the forefront of adaptive reuse (now frequently called “creative placemaking”) and in developing facilities dedicated to artist workspace. Since its founding in 1974, TFAC has provided a home for hundreds of artists as well as for the Art League, which draws thousands of residents from the region to classes and activities. TFAC has been lauded as a national model. It draws an estimated 500,000 visitors a year and serves as an essential anchor on the Alexandria waterfront at the base of historic King Street. TFAC has clearly had a tremendous economic impact, even without formal data. It is also an icon, both as an identified part of Alexandria and, nationally, as at the forefront of an important artist movement that began some 40 years ago.

### *TFAC Board Business Planning Taskforce*

*Mike Detomo, Board Chair*  
*Betsy Anderson, TFAC artist and*  
*Representative from the Art League*  
*Penny Barringer, TFAC artist*  
*Lisa Karlisch, Community Member*  
*Maria Hopper, Community Member*  
*Patricia Washington, CEO of Visit Alexandria*  
*Michele Hoben TFAC Artist*

## *Impetus for Business Planning*

The Cultural Planning Group (CPG) was engaged to develop a business plan with the TFAC Board as it prepares for a renewal of its lease with the City of Alexandria, which expires June 30, 2016. This planning process was initiated out of concern that the current financial model of TFAC is not sustainable and in response to a request by the TFAC Board to the City for an investment in physical plant upgrades.

## *Complexity of Management Structure*

TFAC has operated under several management structures over the years, including being directly operated by the City of Alexandria. Another iteration was artist-led management through the Torpedo Factory Artists Association. In 2010, the City of Alexandria established its current iteration, a 501(c)3 non-profit corporation. The board is composed of members who represent the TFAA, the Art League, at large members, and members appointed by individual City Council representatives. All members must be approved by the City Council. This entity is known as the Torpedo Factory Art Center Board (TFACB). The TFACB currently holds the primary lease for the building with the City. There are two sub-leases under the TFACB, one with the Art League and one with the Torpedo Factory Artist’s Association (TFAA). The TFAA, in turn holds sub-leases with individual artists for their studios.

## *Impeded Capacity to Create Compelling Vision and Programs to Serve Broader Community*

The intention of creating a 501(c)3 was to have an independent entity that could raise philanthropic funds to support the work of TFAC. To date, there has been modest success in raising funds. Contributed revenues represent less than five percent of the annual operating budget during each of the past four years. Research for this planning process included interviews with representatives of public and private funders who indicated a number of barriers that have affected the ability of TFACB in raising funds, including the lack of a clear, compelling vision for the organization and no compelling programmatic structure that serves the broader community.

### ***Structural Complexity Has Created an Environment of Distrust with No Ultimate Holder of Mission and Vision***

While the non-profit was launched with good intentions, it has not been successful in achieving its goals due to a cumbersome and complex operating structure. This structure has ultimately created an environment of distrust among the various entities, and there is no ultimate “holder” of the mission and vision of the Torpedo Factory.

### ***The Torpedo Factory Does Not Reflect the Diversity of the Community of Alexandria***

The lack of an agreed upon vision and public programming reflecting such a vision has also meant that the Torpedo Factory has lagged behind the arts world in becoming more reflective of the diversity of the Alexandria community it serves. The City of Alexandria is the Torpedo Factory’s primary supporter through below market rent and the City of Alexandria has a mandate to serve all of its diverse citizenry.

This issue of both serving all of the citizens of Alexandria and reflecting them throughout the organization - in resident artists, staff and board members and programs - remains a critical one for the organization’s relevancy in its long-term future.

### ***Research Conclusions***

The research phase of this process has led to the conclusion that extensive changes in structure are necessary to consolidate all management into a single, self-perpetuating operating entity with a governance structure that is independent of the City of Alexandria, and that has the operating capacity to develop a compelling vision for future success.

### ***The Risks of Not Acting***

As a result of the current complicated and layered management structure, TFAC has been mired into internal disagreements that have prevented it from keeping pace with changes in the field and evolving the model to be responsive to the needs of both artists and its community. From a lifecycle perspective, the Torpedo Factory is at a crossroads of either a period of rejuvenation and reinvention or one of decline.

### ***Critical Questions Moving Forward***

Now the critical question is: How does the Torpedo Factory build upon and honor the legacy of its visionary founders and, at the same time, find a path of renewal and relevancy beyond its current generations of artists?

After an illustrious history as a pioneer in artist workspace and in using artist spaces as an element in community redevelopment, the Torpedo Factory Art Center finds itself at a juncture in redefining its operating model and examining its role in the community. This planning process is grounded in understanding TFAC through an analysis of current conditions and the implications of the current operating model in the next phase of its organizational lifecycle.

### ***This Report***

To conduct this project, CPG worked closely with a Business Planning Taskforce comprised on Torpedo Factory Art Center Board members who represent a wide variety of stakeholders. The following report presents the context of CPG’s analysis, summaries of various research, and a set of recommendations on organizational structure, governance and stewardship.

# Research About the Torpedo Factory

CPG used several methods to analyze the TFAC's management and operational structure and capacities, including:

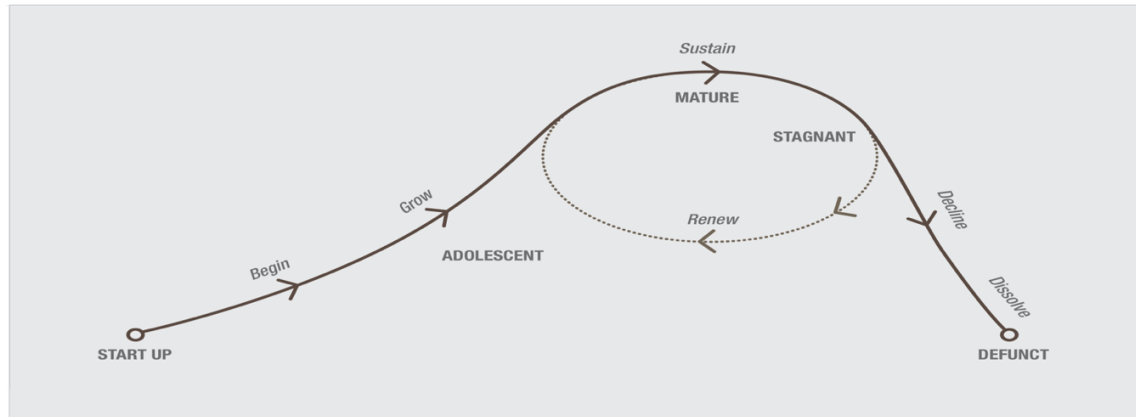
- A review of of TFAC's operations and organizational structure through the lens of organizational lifecycle and nonprofit best practices<sup>1</sup>.
- An extensive review of relevant organizational documents including board minutes, bylaws, audience research, previous plans, and financial audits, among other documents, which provided a framework with which to understand the Torpedo Factory Art Center and to develop key questions to initiate the project.
- A series of individual interviews to best understand an array of perspectives of various stakeholder groups and the value of the organization to various stakeholders. CPG interviewed a sample of resident artists and other tenants, key board members, elected officials, city officials and community leaders. (see Appendix I).
- A web-based survey of 14 TFAC board members to gain insight into their perspectives. The responses were important in understanding the current situation of the TFAC.
- A comparative analysis to learn how similar organizations are structured and operate. A group of four similar colleague organizations were interviewed to compare aspirations, and management and organizational practices with those of the Torpedo Factory Art Center.
- An analysis of the financial history of the TFACB. It is important to note that this analysis focuses on a young non-profit corporation that has a limited number of years of data, somewhat limiting conclusions that can be drawn from financial analysis. The analysis does, however, provide a baseline in understanding the overall revenue and expense dynamics of TFAC.
- A development review focusing on fundraising procedures and systems to compare TFAC's practices with generally accepted best practices and to identify opportunities for improvements.

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<sup>1</sup> McKinsey & Co., (2001). Effective Capacity Building in Nonprofit Organizations. Venture Philanthropy Partners, Washington, DC, [[http://www.vpppartners.org/learning/reports/capacity/full\\_rpt.pdf](http://www.vpppartners.org/learning/reports/capacity/full_rpt.pdf)].

## Lifecycle Analysis

Figure 1 Organizational Lifecycle



As indicated in the introduction, the TFAC finds itself at a critical organizational juncture. This becomes particularly apparent when examining the organization through the lens of lifecycle indicators. Lifecycle analysis is a useful tool to make sense of the various characteristics of organizations. The theory posits that all organizations go through a similar pathway from start up to maturity and regularly cycle through change over time resulting in either decline or adapting to their environment for ongoing renewal. Given the characteristics noted throughout this process, the Torpedo Factory is at that critical moment when it must make appropriate decisions to assure relevance and sustainability or face a likely decline and dissolution.

The primary missing element is a bold, compelling and shared vision for the future that excites stakeholders that will lead to renewal. This compelling vision is necessary to guide all decision-making and its impact on the use of resources.

A key indicator of decline is when an organization has a continued focus on politics and authority within the organization whereby individuals become increasingly focused on personal objectives instead of the objectives of the whole organization, disrupting the functionality of the entire organization which can lead to dissolution.<sup>2</sup>

Common characteristics of the “decline” stage include losing clients or audiences, an antiquated physical space that is outdated or deteriorating. Challenges include reconnecting with community need and discarding programs that no longer add value.

Common characteristics of the “renewal” phase include reassessing the marketplace and the financial viability of the organization, restoring eroded credibility, establishing strong leadership with a sense of

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<sup>2</sup> Lester, D., Parnell, J. and Carraher, S. (2003). Organizational life cycle: A five-stage empirical scale. *International Journal of Organizational Analysis*, 11(4), p.339-354.

direction that inspires confidence, establishing a turnaround culture and mindset, a willingness to cut expenses if necessary, scaling back procedures and policies to create an organization that is nimble, and committing to a frank, open and productive dialogue. As indicated above, the need for a clear, compelling and shared vision of success is an imperative.

It is important to note that the compelling vision discussed in this document is not about disrupting the lives of the current generations of artists that operate at the Torpedo Factory but rather about how success will be defined in the long-term with future generations of artists.

The Torpedo Factory's operating model suffers from dysfunction, in a dysfunctional operating model and is continually hampered by disruptive politics about the distribution of power and authority. There is not a shared vision and there is no group that has the agreed upon responsibility to craft a compelling vision and the authority to implement that vision. As a result, there is a focus only on the immediate situation and an inability to make timely and thoughtful decisions; planning for the future and the Torpedo Factory's capacity for any significant change in a rapidly changing world are limited.

## Survey of TFAC Board Members

A wide range of opinions were expressed in answers to the survey's 10 questions. Opinions ranged from "leave everything just like it is" to "we need massive change." The consultants have organized this summary in categories that capture consistent themes, or the most frequently cited responses. There are direct quotes included in the summary though in some instances the consultants have paraphrased comments for clarity or succinctness.

### *A Culture of Dysfunction*

Many respondents expressed concern and even exasperation about tension among various organizational entities at the Torpedo Factory and between entities and artists. Descriptors included distrust, lack of respect, poor communication, board members with their own agenda, and lack of cooperation and collaboration among the organizational entities at the Torpedo Factory. Other respondents spoke about the necessity of positive, respectful and trustful relationships among tenants and staff in creating stability, noting that a climate of mutual respect and shared goals has to be fostered between the TFACB board, the TFAA and the Art League.

### *Dysfunctional Organizational Structure*

"The TFAC board markets the building, the TFAA board markets the artists and the AL board markets the Art League. No one knows who is responsible for what or who they answer to." The lines are all blurry. Having both TFAA and TFAC boards does not work well operationally.

### *Necessity of Creating a Functioning Organization*

There needs to be one unified and empowered board for the Center that makes decisions based on the best long-term interest of the Center, not its individual parts. Change the board selection process to make the TFAC self-perpetuating so that it self-selects board members with skills that move the organization forward. Build a successful development function. Integrate TFACB, TFAA, and Art League so they are all working toward a common goal and vision. Lease agreements should not be with the tenants' union (TFAA) but rather with one unified organization to provide one source of management and directorship. Lease

agreements that include annual or biannual renewal with self and peer review are needed to ensure resident artists are contributing to the art center.

***Better Define the Mission and Create a Shared Vision***

The organization's new mission/vision would be strongly aligned with a new organizational structure, including board structure, City and artist lease agreements, and agreements with tenant organizations and the building's architectural plan. All would be strongly aligned for success; a board that encourages representation from the culturally and ethnically diverse populations of Alexandria is also essential.

***Key Elements of Vitality***

Survey respondents provided many ideas about a vision for the Torpedo Factory and its programs. The consultants provide here a sample of common opinions but are not endorsing any in particular. Creating a vision and the appropriate programming for the Torpedo Factory is essential work that should be accomplished through a transparent process that engages all of the appropriate voices.

***Artistic Excellence and Diversity***

Artistic integrity—showing a wide range of art from resident artists as well as local, national and international artists from diverse and culturally rich backgrounds in juried/curated shows is essential. Also, attracting and keeping high caliber artists, and having diverse and vibrant tenants.

***Innovation, Advanced Creative Practice, A True Art Center Representing all Arts in Alexandria***

The Torpedo Factory should be dynamic and relevant by responding to trends and community/visitor interests. It should be innovative and known for the most advanced creative practice and exciting new work. TF should be an incubator for emerging new artists and ideas. TF should become a true art center that represents all the arts in the city.

***Key Community Asset, Strong Community Support, Increasing Educational Involvement***

Being a key community asset (attracting a broad audience for free and paid events), increased number of visitors, free community events with participation by all TFAC artist organizations, great community support, and increasing educational involvement of artists with visitors.

***Financial Stability and Sustainability***

Financial stability; sustainability; improved funding; a board that is able to secure adequate resources; a reserve or endowment.

***“Stretch” Goals for the Art Center***

When asked “What would be a bold, “stretch” goal for TFACB in making the Art Center as vibrant as possible?” the most common responses included:

***Renovating the Building***

A complete building renovation; reorganization of physical spaces of the art center and of the tenants; transformation of the building to better serve its mission and future vision; reworking the entrance so that the front of the building is facing the waterfront instead of Union St. Making the waterfront entrance glass and



welcoming to the thousands of visitors to the waterfront with art that pours out of the building onto the Marina; a reworking of the first floor to create a vibrant, beautiful and inspiring "Great Hall," as the city's one indoor, arts-rich public square. Bigger and bolder gallery spaces. More flex space downstairs to accommodate a range of installations and large exhibits.

*Redefine a 21<sup>st</sup> Century Art Center*

Redefine what a 21st Century art center is in the same way the Torpedo Factory was revolutionary 40 years ago. TFAC becomes an incubator for the most promising young artists in the DC metropolitan region. More interactive and performance art, art housed in different media, having the skin of the building 'alive' (i.e., continuously changing light display, porous boundary, etc.). More educational outreach and demonstrations. I would like the factory to be known as the place to see, learn and make art rather than sip and paint events.

## Benchmarking with Colleague Organizations

### *Purpose*

To learn about common practices in the field and to compare practices with similar organizations, four colleague organizations were asked to participate in a benchmarking study.

### *Process*

The participating organizations included ArtCenter South Florida in Miami Beach, Artspace in Raleigh, NC, Bakehouse Art Complex in Miami, and GoggleWorks Center for the Arts in Reading, PA. The data was collected through websites and telephone interviews. Two Business Plan Taskforce members, Penny Barringer and Michele Hoban, participated in two of the four interviews with one of the consultants.

### *Key Learning*

The Torpedo Factory is more than 20 years older than any of the other four organizations, two of which mentioned that they had originally modeled their organizations after the Torpedo Factory. The Torpedo Factory is more than 40 years old, ArtCenter South Florida is a little more than 30 years old, while GoggleWorks is the youngest at ten years old.

While all five organizations have formal mission statements only three have formal vision statements, which would seem to raise the issue of the level of sophistication of strategic planning among the cohort. Having a vision statement, which would define what success means for an organization, is a fundamental part of any planning. In some instances, vision (success) may be defined and understood informally, but in maturing organizations a formal statement that defines success would be expected as best practice.

Several of Torpedo Factory’s colleagues have more elaborate physical spaces with various studios (glass, ceramics, wood, etc.) and parking. ArtCenter South Florida is an anomaly since after buying old buildings in an area that is now rejuvenated, they just sold one of their buildings and moved into a smaller one while they look for real estate to build a new building with their \$80 million in profits. GoggleWorks rents to both artists as well as for profit “creative economy organizations.” Torpedo has the largest number of studios, followed by Bakehouse.

	<b>ArtCenter South Florida, Miami Beach</b>	<b>Artspace, Raleigh, NC</b>	<b>Bakehouse Art Complex, Miami</b>	<b>GoggleWorks Center for the Arts, Reading, PA</b>	<b>Torpedo Factory Art Center, Alexandria, VA</b>
Studios	17 studios	29 studios	65 to 70 studios	35 artist studios	82 studios
Rent	\$260 to \$700	\$13.25 / sq. ft. / year	\$12 to \$13/ sq. ft. / year	\$9.75 per square foot	about \$13/sq. ft./year

In general, the four colleague organizations have many more, and more elaborate, residency and rental programs, public programs and educational and outreach programs. They are simply conceived and organized in a different way. This is an important difference that highlights the need for TFAC to consider more intentional community relevant programs. This is reflected below in Table 1 in the financial structure of each organization, in the ratio of earned to contributed revenues in the annual operating budgets.

ArtCenter South Florida, Artspace Raleigh, and Bakehouse Art Complex have rotation policies with limits for artists in residency with renewals that can be from two to nine years maximum. GoggleWorks is in the process of putting in place a seven-year limit for artist residencies/rentals.

Although two of the four colleague organizations began with affiliated organizations (i.e., Artspace Artists' Association), at this point all affiliated organizations have been collapsed into one entity that solely operates the organization.

Commissions on the sale of art range from 20 to 40 percent.

All five organizations have had event and private party rental programs (since Arts Center South Florida sold one of its buildings it no longer has rental space). It is difficult to compare since each organization reported rental activity in different ways, but it would appear that Torpedo Factory has the largest or one of the larger event rental programs.

Two of the five organizations have requirements in their bylaws regarding board composition (i.e., including artists on the board) although most if not all of the organizations have artists represented on their board.

ArtCenter South Florida has a substantial focus on their more than 1,000 alums including special exhibitions and an international exchange programs exclusively for alumni.

*Table 1 Financials of Benchmarked Organizations*

	<b>ArtCenter South Florida, Miami Beach</b>	<b>Artspace, Raleigh, NC</b>	<b>Bakehouse Art Complex, Miami</b>	<b>GoggleWorks Center for the Arts, Reading, PA</b>	<b>Torpedo Factory Art Center, Alexandria, VA</b>
Approximate annual operating budget	\$1.5M	\$840,000 - \$960,000	\$600,000	\$2.15M	\$1M
Financial Structure	75% earned/25% contributed	40% earned and 60% contributed; goal is to increase earned revenues to flip the ratio	Approximately 50% / 50%; with slightly more earned	60% earned/ 25 % contributed	96% earned / 4% contributed
Largest sources of earnings	Rentals (have another building and a parking lot that is rented too); return from investments of \$80M quasi-endowment from sale of building (funds will be used to build a new Center)	Studio leases (\$130 to \$135K), classes (\$65 and \$90K); part of the floor plan includes a restaurant (\$55K) (Purchased the building from the City – we were leasing it.)	Studio rentals, facility rentals and classes (\$12,000)	Rental income totaling \$446,757 or 20% of earnings includes long- and short-term rentals and facility event rentals (\$132,757)	Artist rent Event rentals Gift store revenue Café rent

All of the organizations studied have significantly larger percentages of annual contributed revenues than the Torpedo Factory. At least two, Artspace and GoggleWorks have goals of increasing the percentage of earnings.

One can speculate that the Torpedo Factory's low percentage of contributed revenues reflects the young age of its nonprofit corporation (founded in 2011). This could also be due to the fact that it does not have the number or the intensity of public, educational or outreach programs that typically are more likely to be supported by contributed revenues, and the fact that some donors have expressed reluctance to give to an entity (TFACB) that is perceived as part of City government. Other contributing factors relate to confusion between The Torpedo Factory, as an independent entity, and the Art League, a major tenant. In addition there are other entities that have raised funds in the name of the Torpedo Factory, specifically the Friends of the Torpedo Factory.

## Historical Financial Analysis

The TFACB has only three years of financial history available. The following represents an analysis drawn from the audits of the TFACB from FY12 through FY14. The audit for FY15 was not yet available.

Table 2 FY12 – FY14 Financial Trends

	FY12		FY13		FY14	
<b>Contributed Revenues</b>						
Contributed	\$13,128		\$19,209		\$24,408	
Grants	\$19,075		\$12,716		\$25,000	
Sub-Total Contributed Revenues	\$32,203	3.7%	\$31,925	3.4%	\$49,408	5.1%
<b>Earnings</b>						
Rental	\$721,554	82%	\$568,370	61%	\$614,535	64%
Event rentals			\$192,462	21%	\$187,473	20%
Gift shop and Target Gallery	\$92,331		\$111,464		\$94,687	
Other Program Service	\$133		\$290			
Artist Fee Income	\$25,331		\$22,980			
Website fees					\$16,866	
Other Income	\$6,814		\$3,968		\$4,013	
Sub-Total Earned Revenues	\$846,163	96%	\$899,534	97%	\$917,574	95%
<b>Total Revenues</b>	\$878,366		\$931,459		\$966,982	
<b>Expenses</b>						
Program services						
Special events	\$10,914		\$16,890			
Fundraising	\$3,228		\$1,666			
Honorariums and Awards	\$1,575		\$1,875			
Other Program Services	\$751,415		\$837,483			
Sub-Total Programs	\$767,132	90%	\$857,914	88%	\$743,246	79%
Management and General	\$84,966	10%	\$111,716	12%	\$107,752	11%
Fundraising Expense					\$93,373	10%
<b>Total Expenses</b>	\$852,098		\$969,630		\$944,371	
<b>Change in Net Assets</b>	\$26,268		-\$38,171		\$22,611	
<b>Net Assets End of Year</b>	\$52,955		\$14,784		\$37,395	

Percentages reflect the percentage of total contributed or total earned revenues, or the percentage of total expenses.

### *Historical Financial Analysis Notes*

Revenues and expenses are generally increasing over the initial three-year period for which data/audits are available. Both contributed and earned revenues increase during this timeframe though there are some annual variations worth noting. In FY12 rentals include both lease payments as well as event income. This was divided in FY13 and FY14 to better understand and reflect these revenue streams. Fundraising expenses are more appropriately represented in FY14 while they are integrated in 'Other Program Services' in prior years.

It is worth noting that the financial statements appear to show an ability for the TFACB to operate at or close to break-even. The organization subsists on earned income which has a high level of predictability from year to year. However, the financial outline may suggest that:

- There is a modest capacity to attract contributed dollars (see development review).
- There is not sufficient financial capacity for long-term planning – such as building a cash reserve or building maintenance reserves.

Over the three years of the audits there is progress in standardizing the audit presentation with appropriate detail. For instance, "Other Program Services" is by far the largest annual expense in FY12 and FY13. It is recommended that it should be either broken out into component parts or identified as to what expense it represents. A detailed and standardized presentation will allow for tracking revenues and expenses from year-to-year as well for a standardized conceptual framework of the financials of the organization.

## Development Review

**A review of development activities was conducted with the executive director and through a review of documents and financial statements.**

The conclusions of the consultants were:

- Development systems and functions are nascent but appropriate for a four-year old nonprofit organization.
- It is going to take time to build the relationships that will yield significant contributed revenues and realistic goals need to be established accordingly.
- Continuing efforts to secure individual contributions through annual fund solicitations and special events will be important in renewing and increasing contributed revenues from individuals – consistency is critical even if returns are modest. A focus should be establishing deep relationships with individuals.
- The current configuration of the organization, particularly with board members that are appointed by the City of Alexandria, is not conducive to the long-term development of contributed revenues. The situation leads to the perception that the City is in control of the organization and therefore private funders may feel as if the City should be making the investments of funds for the organization's operation.
- Ultimately, building a unified organization with a strong, compelling vision and mission, and programs that both require contributed revenues to operate and speak to various groups of donors will be key to creating significant contributed revenue streams.

### ***Potential Sources of Contributed Revenues***

Institutional  
Foundations  
Governments  
Corporations

Individual  
Annual Fund  
Major Individual Donor Program  
Planned Giving  
Special Events

### ***Development Functions***

- Recordkeeping
- Prospecting
- Research about prospects and donors
- Cultivation of prospects and donors
- Communication / education of prospects and donors
- Solicitation
- Recognition and reward of donors
- Upgrading or upselling of donors

# Recommendations

CPG's recommendations are focused on building an organization that will transition to a period of renewal, becoming reinvigorated, relevant to people of Alexandria, and vibrant and sustainable beyond the involvement of the current generations of volunteer board members, resident artists, patrons and visitors.

We make these recommendations with the understanding that current governance, management and operational structures were put in place in the past few years with good intentions by all parties. Still, it is notable that these structures have ultimately led to dysfunction and stasis that have made it extremely challenging for the Torpedo Factory to renew itself in an increasingly rapidly changing world, operate in a manner that reflects best practices, and be responsive to the needs and demands of a high functioning institution.

As cited in the lifecycle analysis TFAC is at a critical juncture where bold steps are necessary to assure renewal. Organizational indicators suggest it is on the cusp of failure due to losing relevance. The failure is not financial but one caused by several factors: competing agendas; the lack of a cogent, compelling and shared vision for the future of the organization; and an ineffective management and governance structure that lacks a central entity with the responsibility and corresponding authority for the vitality of the organization.

Bold and dramatic change is necessary to reinvigorate the Torpedo Factory and to create an operating structure that can focus successfully on a future of vitality, relevance, and sustainability.

## Establish an Independent, Self-Appointing Board of Directors

### *Establishing an independent, focused institution*

The Torpedo Factory Art Center must shift to a self-appointing board of directors from the TFACB, which currently operates as a *de facto* City advisory board or commission - with members appointed by or approved by elected City officials – to operating effectively, efficiently and sustainably.

In the current configuration the board has the following mandated representation:

- 5 Representatives of the Torpedo Factory Artists Association
- 1 Representative of the Art League
- 6 Representatives of the Community-At-Large, as recommended by the TFACB
- 1 Representative of the Alexandria Commission for the Arts
  
- Ex-Officio Members (voting)
  - 1 Representative of the Alexandria Convention and Visitors Association
  - 1 Representative of the City Manager
  - 1 Archeology Museum Board Member (non-voting)

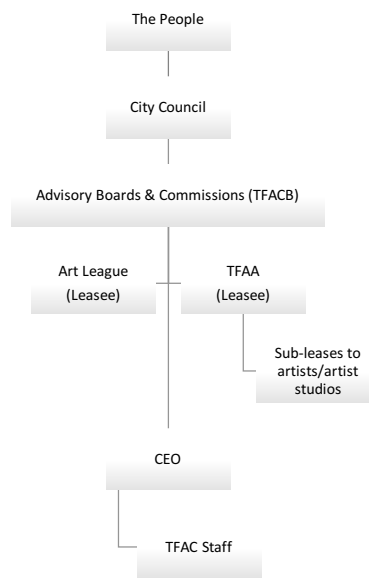
With the exception of at-large board members who are recommended by the board and approved by City Council, all individuals are either directly or at least by perception accountable to specific interests they



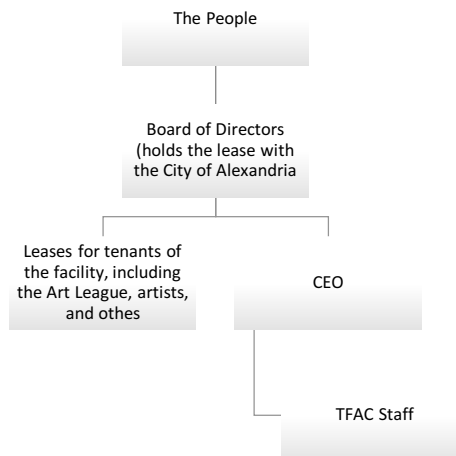
directly represent. This construct has yielded distinct factions – silos - that result in near paralysis in decision-making and have made it nearly impossible for the TFACB to focus on long-term planning/strategy and productively approach situations that require consensus. Consensus decision making is based on cooperation, collaboration, inclusiveness, participation, and seeking agreement - qualities that are not currently strong on the board of directors.

Consensus decisions are also those decisions that are in the best interest of the whole. Majority decisions do not emphasize full agreement and are fine for ordinary matters, but they are not appropriate for decisions that require a group to cooperatively implement a decision, such as mission, vision, inaugurating or eliminating programs, or providing a coherent face and brand to stakeholders.

**Current operating hierarchy**



**Recommended restructuring**



## **Role of the Board/A Focus on Stewardship**

For the board to function well by nonprofit best practice standards and for board members to fulfil not just a governance role but also a stewardship role that is focused on a global vision and not individual interests, members need full allegiance to the Torpedo Factory as a single entity and not its individual constituencies or stakeholder groups. This is the first step in creating a unified organization with a clear focus and vision.

Establishing an independent board is the first and necessary step towards transitioning from individual representation to a body that has as its intention long-term stewardship of the institution.

A board that can both govern and fulfil a stewardship role for the Torpedo Factory is one that can not only take good care of the organization's current assets and resources (artists, the City, the building, patrons, visitors, tourists, neighbors on the waterfront, etc.), but can also look beyond the current circumstances and agree upon mission (purpose); renew vision on a regular basis (definitions of success in the longer term); create, secure resources for, evaluate, refine, and evolve programming; and continually question if the organization remains relevant to current and emerging stakeholder groups and if it reflects its community.

## **Process of Transition**

Based on information provided to the consultants, it is our understanding that the most likely scenario for transitioning to an independent board would include the following. The consultants do not represent this scenario as legal advice. As such the City legal counsel will need to advise on the necessary steps in support of this transition.

- City Council revises the existing resolution establishing the TFACB (June, 2010) to authorize an independent, self-appointing board of directors to oversee and operate the Torpedo Factory Art Center.
- The existing TFACB will need to identify a core group of leadership to serve as the independent board officers.
- The existing TFACB will need to appoint these individuals who then accept the responsibility for recruiting and establishing the new board.
- Revised by-laws will need to be adopted that are appropriate to an independent board.

This circumstance provides an opportunity to renew the leadership and stewardship of the organization by recruiting and engaging new volunteer board members and board committee members in a clear, intentional process. It is anticipated that a highly strategic and deliberate manner of board recruitment and engagement will provide the backbone for sustaining and growing the Torpedo Factory in the future.

To assist in the process a set of key questions is provided in the appendix for reference. In addition, there is also a worksheet/matrix included in the appendix that may be useful in considering composition.

## Streamlining Management Functions

### *Align Authority, Responsibility and Accountability*

In the current Torpedo Factory governance, organizational and management structure, there are two distinct organizations, each with management functions, some of which overlap, and often they are in conflict with each other. The TFACB and the TFAA operate separately and are not aligned in their thinking on priorities or in a vision for the facility. This results in duplication, confusion, conflict, a lack of communication and an inefficient use of time and resources. It is our recommendation that all management functions be consolidated under the independent 501(c)3 so decision-making, resource allocation and strategy are within a single operating structure, streamlining these functions as well as authority. By consolidating all of the management functions into one new organization, roles and responsibilities can be aligned with authority and accountability, creating the opportunity for the Torpedo Factory to operate efficiently and effectively, and providing the circumstances for it to thrive.

It is important to note that the TFAA has a long history of artist volunteerism and of providing many important services that help the Torpedo Factory in its current iteration operate well. These operating functions should and can be preserved through a variety of options and it should be a priority in launching a new structure to integrate this volunteerism into operations. Examples (not suggestions) might be an Artists Committee of the new board of directors that can be the regular conduit for issues ranging from tenant needs to criteria for allocations of space to marketing. Ideally, there will be operating committees/task forces of the board providing opportunities for both board and non-board members to participate.

By consolidating all of the management functions into one new organization, roles and responsibilities can be aligned with authority and accountability, creating the opportunity for the Torpedo Factory to operate efficiently and effectively, and providing the circumstances for it to thrive. For instance, the TFAA performs crucial functions in making decisions relative to the artists and in operating the review for new residents. This function might become the purview of an Artists Committee of the new board. Having too many organizations with various responsibilities clouds the various functions of the Torpedo Factory and tends to create “turfs” that do not serve the artists, the community, donors, or the overall organization well.

The first task for the new, independent board will be to establish the necessary operating structure—specifically staffing—and developing and adopting an operating budget that supports a streamlined, single management entity. This transition may require philanthropic support as the board develops its fundraising capacity.

This is not a recommendation to merge existing entities into one organization, but to consolidate all operations within the independent non-profit organization.

## Create a Compelling Vision for the Torpedo Factory

### *Use the Authority Responsibility and Accountability of a New Board to Create a Shared Vision that Drives the Whole Organization*

There is not clear authority, nor is there a shared mission and vision that drive the work of the board and the organization. The current mission statement as reflected in the March 20, 2014 Torpedo Factory Art Center Board Strategic Road Map is not adequate.

It states: “The mission of the Torpedo Factory Art Center is to foster connections among artists and the public that ignite the creative spirit. We provide dynamic interactions with the arts through our community of visual artists, exhibitions, and programs. We offer art up close, in person, and in progress.”

The mission statement could be more powerful and more meaningful if it spoke about the purpose of the Torpedo Factory answering the question “Why does the Torpedo Factory exist”? To answer this question, the mission statement needs to refer to the intended impact of the Torpedo Factory and its programs among stakeholders. What is the intended or hoped for value of “fostering connections” or providing dynamic interactions”? How are visitors to the Torpedo Factory going to be different after the experience of a visit? There is no way to evaluate the impact of programs if the Torpedo Factory has not articulated its intentions.

The Strategic Road Map<sup>3</sup> does not contain a vision statement. In fact, it in our review it was indicated that efforts to craft a shared vision were abandoned during the process because of the level of contentiousness. Planning participants could not come to agreement on purpose. A vision statement identifies what the elements of success are. It is critical that when a new board is composed for the Torpedo Factory that a new, more refined mission statement be developed and that a vision statement be defined that is built on that mission.

*“The nonprofit (TFACB) was created naively thinking that “OK we can now raise money.” “A tactical move, not in service of a larger vision. Now we are creating the larger vision.”*

Once powerful and compelling mission and vision statements are created and widely shared among stakeholders, other aspects of strategic and tactical planning will flow much more easily from them. They will also enable decision-making for programming, allocation of resources, use of space, the nature of any upgrades to the building, successful fundraising, increasing operating efficiency and effectiveness.

### *Better Defining Stakeholders and Reflecting Them*

TFACB Board members were asked in an online survey to rank groups of possible stakeholders. The results appear in the table below.

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<sup>3</sup> Torpedo Factory Art Center Board Strategic Road Map, March 20, 2104

<b>Answer Choice</b>	<b>Score (Relative Importance of Stakeholder Group) Higher Score indicates Greater Importance</b>
Torpedo Factory Resident Artists and Organizations	8.0
Alexandria Residents (citizens)	7.0
Art Patrons (Individuals)	6.5
Tourists	5.7
Current and Potential Institutional Funders (corporations, foundations, governments)	5.0
Alexandria City and Elected Officials	4.7
Principals and Others Related to the Waterfront Redevelopment <sup>4</sup>	4.2
Other	3.5
Facility Event Renters	3.0

Related to creating new mission and vision statements is the necessity of agreeing on the stakeholders of the organization and then reflecting those stakeholders in governance and programming. The issues raised in the above table include that fact that Alexandria residents are considered one of the most important stakeholder groups, yet the Torpedo Factory does not reflect the makeup of the Alexandria community in its governance, resident artists or programming. These issues needs to be addressed in the long-term.

Questions to consider on mission and vision include asking and answering perhaps the most difficult underlying question:

- Who are the primary stakeholders to be served by the Torpedo Factory?
- Who are the primary beneficiaries?
- Does the Torpedo Factor exist as an arts resource to serve the broader community and if so, what are the implications for programmatic delivery that benefits the people of Alexandria?
- Concurrently, what is the role of the artists who are tenants in serving a broader notion of community?
- Does TFAC exist primarily to serve the artists, to provide affordable space for creative and artistic pursuits?

There are not simple answers to these questions but there is a need to consider these questions in a meaningful, thoughtful process that informs decision-making.

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<sup>4</sup> This refers to individuals involved in waterfront redevelopment, including developers, neighbors, and adjacent businesses.

## Defining a New Relationship between the City and the Torpedo Factory

As part of the process of developing the next lease for the facility, it is our recommendation that the City seek to support this transition by establishing a mutually agreed upon set of benchmarks for the new board/institution. It is important to acknowledge that the City of Alexandria has expressed to the consultants their clear intention to maintain the Torpedo Factory as an arts and artist facility. This transition to an independent institution provides an opportunity for the City to constructively work with a newly formed, independent board by articulating explicit expectations for operation of the facility that is driven by a compelling vision and is executed effectively, efficiently and sustainably.

What follows are suggestions and various ideas that have arisen during the consulting process. The actual benchmarks and incentives for achieving benchmarks need to be negotiated between the new board of the Torpedo Factory and the City of Alexandria.

Following are potential needs and expectations that may be articulated by the City, as well as resources the City should consider providing in support of both the transition and in meeting needs and expectations by the re-established, independent entity. It will take careful, thoughtful and intentional efforts over time for the Torpedo Factory to build a full-fledged, independent nonprofit corporation that successfully operates with a broad base of earned and contributed revenues. Successful organizations grow organically and incrementally and it will take many years for the organization to mature even with the long history and significant reputation of the Torpedo Factory. Patience will be a necessity from all parties. But there is significant potential for building philanthropic support over time as clear, focused professional and volunteer leadership emerges.

### Potential Needs and Expectations of the City

- A vital artistic/cultural center that serves and reflects the broadest possible number of residents of the City of Alexandria with explicit and measurable goals.
- A vital artistic/cultural center that is a component of what draws a significant number of tourists and tourist dollars to Alexandria.
- A center that complements its neighbors in the new waterfront development and that is actively engaged with the newly developed waterfront community with explicit and measurable goals.
- An artistic/cultural center that operates efficiently (it achieves its stated goals efficiently).
- An artistic/cultural center that is effective in achieving its desired goals/impact(s) in its communities (assumes defined, measurable and measured impacts).
- An artistic/cultural center that is an active and positive force in Alexandria, adding to the City's civic culture and dialog – a good citizen of the Alexandria community.
- A center that over the years develops a broad base of earned and contributed revenues so as to make it secure financially and highly sustainable.

### Potential Needs and Expectations of the Torpedo Factory

- Investment in the transition outlined in this document that may include consultants and/or facilitators with specific expertise in board development, mediation and/or strategic planning. Providing resources for transition phase expenses, including any consulting fees

necessary in the creation of a new board of directors and in providing outside expertise to assist the new board initially.

- Finding volunteer legal assistance to meet Virginia legal requirements in dissolving the current board of the TFACB, as well as in creating a small “transition board” whose role will be to recruit the initial new board members.
- Determine if it is necessary or of value to change the legal name of the nonprofit corporation. Along with this may be the need to invest in developing and executing a communications strategy.
- Investments in the Torpedo Factory physical plant in the near-term (three years) to assure a high level of maintenance of the facility.
- Work with the board as a clear, compelling vision emerges to develop a master plan for the facility that meets the programmatic needs.
- As benchmarks are met toward the end of a three-year transition period, secure the vision and mission through a long-term lease and consideration of a significant capital investment in the facility in line with the master plan.

## Conclusion

The Torpedo Factory Art Center (TFAC) is at a critical juncture in renewing its role as a nationally preeminent artist facility. The challenge is in crafting an independent institution that articulates a clear, compelling and broadly shared mission and vision and establishing an operating structure to execute that vision. There is extraordinary potential for TFAC to move from a period of stasis and competing internecine agendas to one that adapts to a changing environment and evolving community needs.

The recommendations in this report are not intended to displace current tenants of the facility or to lose the heart of what has made TFAC an important leader in artist space and adaptive reuse. There is much to preserve. However, there is a need for change that looks to long-term sustainability and more importantly a model that deeply engages the community with relevant programming and space utilization. TFAC is surrounded by a changing waterfront and it needs to more intentionally be an active partner in determining its role in that development. In its current operating model, it is not able to proactively shape that role, but only react to changes occurring around it.

There are opportunities as well for enhancing the revenue mix, attracting philanthropic investment for programs and capital improvements to the facility. This will require building a programmatic model, as well as the infrastructure and internal capacity, that will draw philanthropic investment.

TFAC has operated under several management iterations over the years, including being directly operated by the City of Alexandria. Another iteration was artist-led management through the Torpedo Factory Artists Association. In 2010, the City of Alexandria established its current iteration, a 501(c)3 non-profit corporation. Transitioning to an independent institution provides a path to move from an environment of distrust to one of unified, shared values and vision serving all of the citizens of Alexandria and reflecting them in resident artists, staff and board members and programs.

## Appendix I Roster of Interviewees

Marian Van Landingham, Board Member and Founding Director  
Don Viehman, Chair, Torpedo Factory Artists' Association  
Maria Hopper, Board Member, Hopper Family Foundation  
Mike Detomo, Chair  
Eric Wallner, Executive Director, Torpedo Factory Art Center  
Lisa Karlisch, Secretary  
Patricia Washington, Board Member and CEO of Visit Alexandria  
Suzanne Bethel, Executive Director, The Art League  
Nancy Fortwengler, Board Chair, The Art League  
Mark Jinks, City Manager  
Emily Baker, Assistant City Manager  
Diane Ruggiero, Deputy Director, Office of the Arts (and Board Member)  
Jeremy McPike, Director of General Services Administration  
Jody Manor, Past Board Member  
Charlotte Hall, Past Board Member and Owner of Potomac Riverboat Co., Chair of Waterfront Com.  
Michael Bigley, Cafritz Foundation

## Appendix II Benchmarking Study

The complete benchmarking study is provided as an attachment to this report.



# Appendix III Key Questions for Board Development

## **Key Questions in Developing a New Board of Directors**

### *Structure*

- What is the appropriate size of the board at this time in our lifecycle (start on the smaller side of things and grow organically) to focus on the task at hand, beginning with development of a clear, compelling mission and vision for the Torpedo Factory?
- What are the most useful board structures and proper functions for committees for the next three years in particular?
- What is an appropriate meeting schedule that is in line with the tasks and demands during and following the transition?
- Is there a role for advisory and/or honorary boards at this time or in the future?
- What are the appropriate by-laws for terms of office and rotation?

### *Definitions of Roles, Responsibilities, and Authority*

- Are board member roles and responsibilities clear and understood by all?
- Have board members been recruited fully understanding their charge?
- Are board and staff roles, responsibilities, and authority clearly defined?
- Are the personnel management and review functions of the board defined?

### *Board Development*

- What is our process for prospecting, nominating, making expectations and roles clear, negotiating roles and responsibilities and integrating new members into service?
- What are the factors determining ideal board composition (such as reflecting stakeholders, need for resources, external access and relationships, professional expertise, etc.) at this time?
- What are the elements of an appropriate, useful and effective board orientation?

### *Board Evaluation Functions*

- Do we conduct any form of board member self-evaluation?
- What is the most relevant approach to evaluating the board as a whole?
- What are the metrics for evaluating organizational performance?

### *Generational Turnover and the Legacy of Leadership*

- Are we identifying and preparing future leadership? If so, how?
- Is there consideration for consistency and continuity? What is the most appropriate, relevant and useful approach?
- How is preparation for succession built into considerations of recruitment, engagement, and implementation?

## Appendix IV Board Skills Assessment Matrix<sup>5</sup>

<b>Board Matrix Worksheet</b>	<b># of Current Members</b>	<b># of Prospective Members</b>	<b>Total Members</b>
<b>Areas of Expertise/Leadership Qualities</b>			
Administration/Management			0
Early-stage organizations/start-ups			0
Financial oversight			0
Fundraising			0
Government			0
Investment management			0
Law			0
Leadership skills/motivator			
Marketing, public relations			0
Human resources			0
Strategic planning			0
Physical plant (architect, engineer)			0
Real estate			0
Understanding of community needs			0
Technology			0
Other			0

<b>Resources</b>			
Money to give			0
Access to money			0
Access to other resources (foundations, corporate support)			0
Availability for active participation (solicitation visits, grant writing)			0

<sup>5</sup> This matrix is a publication of BoardSource. It is available as a free community resource as an Excel spreadsheet on their website at [BoardSource Community Resources](#). It is included here as a copy in a table format. It may be adapted to include additional or different affiliations or areas of professional expertise as may be appropriate for the Torpedo Factory.

<b>Community Connections</b>			
Religious organizations			0
Corporate			0
Education			0
Media			0
Political			0
Philanthropy			0
Small business			0
Social services			0
Other			0

<b>Personal Style</b>			
Consensus builder			0
Good communicator			0
Strategist			0
Team member			0
Visionary			0

<b>Age</b>			
Under 18			0
19 – 34			0
35 – 50			0
51 – 65			0
Over 65			0

<b>Gender</b>			
Male			0
Female			0

<b>Race/Ethnicity</b>			
African American/Black			0
Asian/Pacific Islander			0
Caucasian			0
Hispanic/Latino			0
Native American/Indian			0
Other			0