CASE STUDY

CAN ROANOKE, VIRGINIA, BECOME THE NEXT BILBAO?
TAUBMAN MUSEUM OF ART

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In November 2008, after a $68 million project to build a new museum building in Roanoke was complete, the Taubman Museum of Art reopened. The $15 million needed to fund the new building was still to be raised, and by the end of the 2008 fiscal year (FY) in July, $14.4 million had been borrowed. Before the move, the museum was provided with its space free of any rental, maintenance, security, custodial, and utility fees by a local operating foundation at its Center in the Square. After the move, the costs of staffing and maintaining the facility far exceeded estimates, while the revenues proved far below expectations. In the first year, the museum’s operating budget before depreciation was $5.5 million. In fiscal year 2009, an additional $2.8 million had been borrowed and $945,000 paid in interest. This debt expense alone was larger than the entire pre-expansion operating budget. For the grand opening, the Taubman Museum had hired additional staff for a total of 52, but the financial pressure forced four rounds of layoffs, during which the staff was trimmed to 17. At the same time, the admission fee increased, from nothing before the project’s beginning to $3 during the capital campaign to $10.50 after opening. Even after these drastic measures, the museum is still struggling, fighting for its very survival. Moreover, other arts organizations complained that the museum had become a drain into which cultural funds were being sucked from foundations and philanthropists in Roanoke Valley.

Why did the Taubman Museum’s fortunes change so drastically after its move? To what extent was the new building—rather than the depressed economy—to blame for the severity of its crisis? What measures during the planning process could have been taken to prevent this catastrophe?
This case was prepared for a class discussion rather than to demonstrate either effective or ineffective handling of an administrative situation and is based entirely on public sources. Over a hundred articles covering the art museum and other effected institutions appeared in the local newspaper, Roanoke Times, over the course of the period during which the project was discussed, planned, and constructed. One particular reporter, Kevin Kittredge, had an extensive network of sources close to the art museum, conducted dozens of interviews, and wrote about the subject regularly and with a great eye towards observational detail. This case would not be possible without his and his newspaper’s coverage. Several articles also appeared in the national press, and two students at the urban planning program at nearby Virginia Tech interviewed key leaders and received documents for case studies they submitted to their graduate program. Additionally, financial filings by the art museum, Center in the Square, and the Fralin Trust are available through the National Center for Charitable Statistics. We did not interview Taubman Museum trustees or executives.
The city of Roanoke, Virginia, is situated in a rural area of the state, 170 miles from Richmond and 230 miles from Washington, DC. Once, this city’s growth was fueled by railroads and coal. Large plants—including the largest rayon mill in the world—were drawn here. After the American distribution system moved away from its reliance on railroads and coal in the 1950s, Roanoke’s economy began to shrink. By the 1990s, the city’s residents were on average older and earned less than the rest of Virginia. The population also began to shrink from its peak of 100,220 in 1980 to an estimated 94,482 in 2009.

Better job prospects elsewhere was one of the most common reasons for leaving, according to a 2007 survey of young adults from the area and those who had attended either Virginia Tech in nearby Blacksburg or Roanoke College. Increasingly, civic leaders were actively seeking ways to ease Roanoke’s transition from a blue-collar town into one capable of flourishing in a knowledge-based economy. Among other ideas considered, arts organizations came to be seen as potential agents of change, capable of making Roanoke a more attractive place to work and live, spurring development, and adding to the list of reasons for businesses to locate here.

One of the larger cultural organizations was the local art museum, known at the time as the Art Museum of Western Virginia and now renamed the Taubman Museum of Art. The Taubman Museum began as a sort of a club where local artists taught, took classes, had galleries, and exhibited, first at a former restaurant they had renovated for $250 (equivalent to about $1,800 today), then in the basement of a former church, then in a donated mansion in the tawny neighborhood of South Roanoke. Eventually, the museum began to amass a collection by virtue of gifts from local art buyers. Still, the collection remained focused on the work of regional artists and in the early 1990s had few works worth over $100,000. The museum’s South Roanoke home lacked humidity and temperature controls necessary for storing art. Moreover, the board began to believe that its suburban location prevented large portions of the Roanoke community from coming to the museum. They sensed that South Roanoke was both physically removed and seen as an enclave for the wealthy and the wealthy alone.

Thus, in the late 1970s, the museum was considering relocation. Simultaneously, a downtown business league was leading a planning effort on how to revitalize the blighted commercial center of Roanoke. The plan called for a cultural facility, and an old warehouse was bought and remodeled for $7.5 million. This cost was funded by a combination of private gifts, government grants, and bonds. The facility—named Center in the Square and operated by a foundation—would provide free space to select cultural organizations in Roanoke. These tenants would not have to pay for maintenance, security, or custodial services. Center in the Square would also provide some marketing for the programs housed there. The hope was that these free services would help the tenants eliminate entrance fees. Though the art museum considered pursuing an independent facility construction project even then, the deal offered by the Center in the Square was too attractive to turn down. When the Center opened in 1982, and the museum took up residence on the first two floors, four other organizations—the Science Museum, Mill Mountain Theatre, Roanoke Valley History...
Museum, and the Arts Council of the Blue Ridge—occupied the rest of the building. Forty thousand people came to see the place on opening weekend, and in the decade that followed, the downtown around the Center became a vibrant area filled with amenities and pedestrian activity, with Center in the Square claiming most of the credit for this transformation.³

By the late 1990s, Center in the Square started planning an expansion. Four hundred thousand people, 100,000 of them K-12 students, were entering its doors every year.⁴ Of these, only a small portion (50,000-100,000, depending on the year) went to the art museum. Having grown in the decades since opening, its existing tenants wanted more room, and the Center itself was expanding to provide services to more local organizations. A space use study concluded that they needed 80,000 square feet of additional space.⁵

Simultaneously, reports of fissures between the Center and its tenants were emerging in the press. The Center now had an annual budget of over $2 million and a staff of 22, dwarfing each of its tenants, many of whom felt they deserved more control over how the Center spent money on their behalf. Jim Sears, a recently hired executive director for the Center, had a brash personality, and the tenants felt overpowered in interactions with him. Anonymously, they told local reporter Kevin Kittredge that they feared a decrease in private donations would follow any expression of dissent. They felt they could not trust the Center’s leadership to advocate with key leaders on their behalf. Sears called these accusations ridiculous and said the tenants were excessively sensitive to his suggestions for changes.⁶

The museum, too, was anxious for an increase in space, but despite the tense atmosphere at the Center in the Square, museum board member and key benefactor W. Heywood Fralin claimed an expansion independent of the Center was not something the museum would consider.⁷ Eventually, however, an independent building project, with all its attendant benefits and additional costs, was exactly what the museum came to pursue.
The primary reason for the museum’s desire to expand was the promise of an extraordinary gift. In the 1990s, in secret, Roanoke resident Peggy Macdowell Thomas, grand-niece of painter Thomas Eakins, promised to leave her collection of art to the Taubman Museum. Worth millions, her treasure trove had 20 paintings, most by her famous relative, as well as prints and photographs. The local press described her as “eccentric,” “vain,” flirtatious, and funny. She loved having curators and museum directors from across the country visit and fawn over her, asking for a peek at her collection or its bequest. “Peggy loved to be courted in general,” said Sandra Lovinguth, a former Taubman executive. This meant that the Taubman Museum was not completely certain she would keep her promise to leave the collection to them until her will was read after her death in 2001. Board member Jenny Taubman said, “We were all very dubious, because she had changed her mind several times. There were many people who were romancing her for those paintings.”

Still, even the mere promise of the Thomas collection was sufficient to transform the museum, which had been struggling to define a vision and a strategy. The board had fired longtime executive director Peter Rippe in 1988 because he refused to broaden the museum’s mission beyond serving and collecting Blue Ridge Mountain artists. Since then, the institution had been led by a quick succession of interim directors and outsiders, who were brought in after rigorous, nationwide searches and who, a few years after getting to Roanoke, resigned to take positions at more prominent institutions in larger cities. But with the Thomas gift, a museum with a haphazard, unedited collection of inexpensive paintings by local artists had an opportunity to develop an excellent niche collection focused on turn-of-the-century American art. Then, more good luck came: a local foundation, the Fralin Trust, responsible for overseeing the philanthropic legacy of Horace Fralin and headed by his brother Heywood, stepped in to fund purchases of masterworks from that period.

In May 1999, Kittredge came with executive director Judy Larson on one shopping trip to New York, where her days were filled with galleries and paintings brought out and placed on a velvet-draped easel for her critical eye. She knew many gallery owners from her days as the curator at the High Museum in Atlanta, but still, a few treated her with disrespect, perhaps due to her affiliation with an unknown museum in a small, working-class town. One dealer discussed the redecoration of his Los Angeles home on the phone while she waited, and several were not available to see her until Fralin, a wealthy man and a collector in his own right, arrived. Fralin—now so important to the museum’s future—visibly discombobulated Larson, who became less certain around him, even, at his suggestion, acquiescing to add a painting by Irving Wiles to the collection that she had wanted to pass on.

Fralin financed purchases at auction for the museum, including Childe Hassam’s A crossed the Park for $1 million and Winslow Homer’s Woodchopper in the Adirondacks for $900,000. Back in Roanoke, they joined recently purchased paintings by John Twachtman, Edward Potthast, and Mary Oakey Dewing. Over the next few years, a John Sargent, a Norman Rockwell, and other paintings were added to the collection as well. Fralin Trust paid for all of them.

Thus, before the new building was even contemplated, the museum was a growing institution. In 1995, their budget was $500,000. By 2003, the operating budget had risen to $816,000, with an additional $1-2 million a year being spent to acquire art. Before 2001, $325,000 in annual funding was received from the state. Admission was free, and therefore the museum’s earned revenues were insignificant. Attendance was on the rise, increasing from 55,000 per year in 1988 to 86,000 in 2007. Before Fralin’s involvement, the museum’s largest private gift had been a $238,000 endowment received in 1994. From FY 1999 to FY 2003, the Fralin Trust had contributed nearly $8 million—65 percent of all contributions.
Thus, the Taubman Museum entered the 21st century with a newly crystallized mission to collect works from almost exactly a century earlier. Decades of growth had resulted in financial stability, new donors, growing attendance, a financially beneficial partnership with Center in the Square, and a promise of acquiring a distinctive specialized collection. Yet this new collection seemed to require better and larger space, and problems that seemed to stem from a lack of recognition, like the inability to retain key staff, remained. The board also had feared that the inadequacies of their physical space would lead Peggy Macdowell Thomas to change her mind about leaving them her collection. The museum’s home, Roanoke, was also striving to get noticed, and to retain and attract information age companies and young, educated professionals and creative individuals. When the idea for a brand new museum finally surfaced, both the museum and the city were ready to saddle the fledgling initiative with dreams for national acclaim and community transformation.
n 1998, a local, family-owned chain of furniture stores moved one of its shops to a better location. Knowing of the Center’s desire to expand, the family offered that nonprofit its 64,000-square-foot downtown building as a gift. That morning, Judy Larson ran into board member and future president Herman Marshall in the local bagel shop. “She said, ‘Have you seen the paper?’ The two of us started talking over bagels and said, ‘We need to talk to somebody quickly,’” said Marshall. Soon, said Larson, the museum got into “the buffet line” for the building. After consulting with the donor, the Center encouraged the museum to proceed with preliminary planning for a new facility at the Grand Home Furnishings location. Along with its other recent windfalls, the gift of this building and its fortuitous timing seemed to empower the members of the museum’s board. “The stars seem to be aligned for us right now,” one told the local paper.

With the Center’s permission, the museum hired Boston’s E. Verner Johnson and Associates to conduct an architectural feasibility study on transforming the donated building. Half the consulting fee was funded by a $145,000 grant from the state. In addition to considering what must be done to make this space meet the bare minimum requirements for serviceability as a museum, like HVAC systems, the firm included in its plans changes that were highly desirable, like increasing the height of ceilings to accommodate visiting exhibitions and changing the order of the rooms. The firm released its findings in August 1999. They found one of the most difficult challenges with this adaptive reuse project to stem from the history of the Grand Home Furnishings building, which was in fact five different buildings constructed over time and hidden under the same “brick skin.” This made HVAC controls required for art display and storage difficult and expensive. Fire safety, as well as the maximum load allowed by the floors, were additional concerns. Johnson estimated the total building renovation price tag for both the absolutely essential and highly desirable features at $20-25 million. For that much money, the architects pointed out, the museum might as well build a new building. Then Verner Johnson and Associates finished their presentation with a concept sketch that illustrated a design they might produce for such a new building, if hired. The modernist lines of the Johnson concept sketch produced a minor uproar in the Letters to the Editor section of the local paper, thus beginning an unusually lively, protracted, and occasionally rigorous community discussion about architectural aesthetics and monetary value.

Even though museum officials said they were looking for a “better” concept than what Johnson had produced, his suggestion that the museum build anew took root. The idea of a building perfectly and exactly built to the museum’s specifications, for a price that did not exceed the cost of renovations, was tempting. The Grand Home Furnishings store would need to be razed for the museum to build there. The building itself was no longer of any use to the museum, and its leaders started considering other sites, including those not in need of expensive bulldozing. The fortuitously timed gift that seemed to make the museum’s dreams possible only a year before no longer seemed necessary to bring those dreams to fruition. The sites the museum’s leaders considered included the Mill Mountain Park, a green space that was the home of the Roanoke Zoo, and a city-owned downtown parking lot situated just a few blocks away from Grand Home Furnishings and the Center. The parking lot—known as the Billy’s Ritz site after a nearby restaurant—was larger than the Grand Home Furnishings lot and visible from Interstate 581, where 75,000-90,000 cars drive by daily. It was also across from Hotel Roanoke, a local landmark and conference center.

At this point, the Taubman Museum story took a slight turn to the bizarre because the city already had plans for the Billy’s Ritz site, wanting to build an IMAX theater on that spot. A 1997 study by Wide Image Theatres Corporation found that once attendance stabilized in year three of operations, 250,000 people would come to an IMAX theater every year—about 50,000 more than required for the theater to break even on operating expenses. Assuming an adult ticket would cost $7.50 and a children’s ticket $5, the study projected an annual operating surplus of $360,000 a year. The study also projected that construction costs of the building would reach $7 million. The mayor first announced that the city was looking for an organization to take on the building and operations of such a theater in 1997, saying the project would give an economic development boost to the downtown area. Many leading organizations like Center in the Square said they liked the city’s proposal. However, they all declined to lead the effort, even after the mayor promised $1 million in funding.

Once the museum expressed interest in the site intended for the IMAX, Brian Wishneff, an economic development consultant attached to the IMAX effort, proposed merging the two projects. A profile of Wishneff in the Roanoke Times described him as someone not very good at the social niceties of small talk, but extremely adept with complex financing structures and the intricacies of applications for public funds intended for economic development. His pitch to the museum and Center in the Square leaders stressed the plan’s financial practicality. “You need only one heating system and one lobby and one ticketing area,” said Wishneff. The IMAX operating surplus would also help the museum. The mayor’s office was also very interested in seeing the IMAX project get started.

The museum leaders were stupefied by the suggestion of adding a novelty theater most frequently used to screen
3-D nature films to a museum intent on being taken seriously for its art collection. “They were kind of taken aback,” said Wishneff about the reaction. xxxii Larson said: “I think my first response was, ‘Hey, wait a minute. How do these go together?’” xxxiii Eventually though, she acquiesced. “I was sort of talked into the idea that film was an art form, that it would add interest and accessibility to the museum. I thought, ‘Why not?’” xxxiv In August of 1999, the merger of the museum and the IMAX project was announced by the mayor—along with the gift of the Billy’s Ritz site and a grant of $4 million from the city government. To fund this subsidy, the city planned to issue bonds. xxxv

From the point of view of the design, the merger was another baby step toward a giant price tag. As museum leaders knew, IMAX cinemas require several stories worth of vertical space. Indeed, to accommodate the IMAX, their proposed size changed from 65,000 square feet to 100,000 square feet, and the expected construction budget rose from $20-25 million to $30-35 million. xxxvi
Meanwhile, the cultural landscape in Roanoke was undergoing significant changes. Competition for gifts from the private sector was increasing. A study for the Funders Circle, a group of Roanoke’s most generous philanthropists, found that cultural institutions in the area alone were in the midst of $63 million worth of fundraising campaigns. Donors complained that the spate of campaigns showed few signs of awareness of other organizations’ efforts or coordination. In addition to that, the year 2000 brought the first rumors from Richmond of reductions in state funding for the arts. In 2001, the legislature cut all funding for cultural institutions not owned by the state and sent established Roanoke institutions—like the Science Museum, Mill Mountain Theater, Center in the Square, and even Taubman Museum itself—scrambling to cut expenses, sometimes by eliminating hours or jobs. With state cuts, the fundraising competition grew even more cutthroat.

This was the fundraising climate in which the museum began the quiet phase of its capital campaign as well as its search for additional public funds. The chair of the capital campaign was Jenny Taubman, a native of Romania, a former model as well as a former officer in the Israeli army. Taubman was fluent in six languages and ran her own personal image consulting firm. Her husband Nicholas Taubman headed the only Fortune 500 company still remaining in the Roanoke Valley, Advance Auto Parts, which had been founded by his father. In 2001, Jenny Taubman confirmed that Advance Auto Parts made a pledge of $4 million to pay for the naming rights to the IMAX theater. The museum was also successful in getting Virginia governor Jim Gilmore to request $10 million for the new building in his FY 2002-2003 budget. But the governor’s request for funding was denied by the legislature, and for years, no further public announcements of any gifts were forthcoming.

### Figure III

**Capital Campaigns in the Roanoke Valley, 2002**


<table>
<thead>
<tr>
<th>Organization</th>
<th>Goal ($ millions)</th>
<th>Amount Raised ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taubman Museum</td>
<td>$35.0</td>
<td>$4.0</td>
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<tr>
<td>Center in the Square</td>
<td>$12.0</td>
<td>$8.1</td>
</tr>
<tr>
<td>YMCA new buildings</td>
<td>$10.4</td>
<td>$9.1</td>
</tr>
<tr>
<td>Mill Mountain Zoo</td>
<td>$10.0</td>
<td>$0.6</td>
</tr>
<tr>
<td>Shaftman Performance Hall at Jefferson Center</td>
<td>$9.0</td>
<td>$9.0</td>
</tr>
<tr>
<td>O. Winston Link Museum (historical photographs)</td>
<td>$8.9</td>
<td>$5.3</td>
</tr>
<tr>
<td>North Cross School</td>
<td>$7.0</td>
<td>$5.5</td>
</tr>
<tr>
<td>Blue Ridge Public Television</td>
<td>$4.0</td>
<td>-</td>
</tr>
<tr>
<td>Smith Mountain Lake 4-H Educational Conference Center</td>
<td>$3.0</td>
<td>$1.5</td>
</tr>
<tr>
<td>Rescue Mission</td>
<td>$3.0</td>
<td>$2.0</td>
</tr>
<tr>
<td>SPCA new building</td>
<td>$3.0</td>
<td>$1.3</td>
</tr>
<tr>
<td>Virginia Museum of Transportation</td>
<td>$1.5</td>
<td>$0.4</td>
</tr>
<tr>
<td>Grandin Theatre restoration</td>
<td>$1.5</td>
<td>$1.3</td>
</tr>
<tr>
<td>Apple Ridge Farm</td>
<td>$1.3</td>
<td>$0.6</td>
</tr>
<tr>
<td>Saint Francis of Assisi Service Dog Foundation training center</td>
<td>$1.2</td>
<td>$0.6</td>
</tr>
<tr>
<td>Roanoke Area Ministries House</td>
<td>$0.8</td>
<td>$0.4</td>
</tr>
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</table>
If the board of the Taubman Museum felt at all deterred by this fundraising climate, their plans for the new building did not show it. The board appointed 11 trustees to an architect selection committee led by Deanna Gordon, a former school superintendent. Of great concern to them was ensuring that they accomplished something great for their city.

From the beginning, the Bilbao Effect—or the belief that if a great museum were built, the audience would come—began a touchstone in the architect selection committee discussions. The Guggenheim Bilbao opened in 1998 to instant acclaim from the architectural press, and newspaper stories across the globe soon followed, extolling the transformation of a small Spanish town into a world-class tourist attraction and an economic dynamo. Many commentators attributed this change to the architectural grand statement of a museum designed for Bilbao by Frank Gehry. This narrative impressed the Taubman Museum’s trustees. One of them, Damon Littlefield, wrote in March 2000 in the Roanoke Times, expressing an idea often mentioned by project leaders in other editorials and interviews:

If we want to move Western Virginia further up in recognition, we need to create a new art-museum facility that will be immediately recognized by world citizens. As an example, consider the Guggenheim Museum in Bilbao, Spain, designed by architect Frank Gehry. Had anyone ever heard of Bilbao before that museum was built? Not many of us can say that we did. But, now, we know Bilbao because Bilbao has a new world-recognized art-museum facility. We can do the same.

Attracting the kind of attention that the Taubman Museum wanted would require that their building make a grand architectural statement, but at the beginning of the process, not everyone on the committee agreed: “I guess I thought it should look like what we’ve got,” said Heman Marshall about his viewpoint early on. What Roanoke already had downtown was a preponderance of brick mid-century facades—like the Grand Home Furnishings and Piano building. A reporter describing her visit there wrote: “Until now, the prominent features of Roanoke’s skyline have been neon: a Dr Pepper sign, a giant star atop Mill Mountain and an animated coffee pot that pours its contents into a cup. Not far away, ‘Jesus Saves’ glows in red from a hilltop church.” Eventually, however, Marshall and all the other skeptics on the board were convinced by their peers that the Taubman Museum needed to create a building of architectural distinction downtown, something grand to symbolize Roanoke’s new identity as a city that was looking ahead toward a bold, new era of innovation, rather than backward to its coal and railroad roots. In interviews, members of the committee said they reached this consensus through a process of familiarizing themselves with contemporary architecture. The names of top architects in the world were divided among the committee’s members for research and presentation. Valetta Pittman showed the board the work done by Renzo Piano, who later declined to be considered for the project. Pittman told a reporter that for her, a primary criterion in selecting an architect was ensuring that the building was a work of art in and of itself. Others were also concerned with additional questions. “Does this person stay on budget?” asked executive director Judy Larson. In the end, the committee reached an agreement that they would look for an architect who could produce a bold design that hopefully would also attract the attention of the national and international press.

In 2000, the Taubman Museum sent invitations to a select group of architects to submit applications for the museum’s open selection process. The applications required the architects to submit their qualifications rather than asking for preliminary designs. In December 2001, the finalists—Michael Graves, Verner Johnson, Antoine Predock, and Randall Stout—came to Roanoke for their interviews with the board. Stout was the youngest in the group. As an associate at Gehry’s firm, Stout had had a hand in designing the Disney Performance Hall in Los Angeles. “Randall came totally prepared. He actually brought a tabletop model of the market area,” said Valerie Pittman. He used the model to give the board members an idea of where each part of the building would be situated on their unusually shaped site. This was in contrast to architects who “spoke in generalities, or gave dry architecture lectures.” Jenny Taubman, a trustee and chair of the capital campaign, said: “It came down to Predock and Randall. [Predock]’s very experienced. He’s already a star. I think he was also going to give us a beautiful product.” Stout was described as charming, but relatively young and inexperienced. Larson did not see this as too much of a drawback. “You just know you’re going to get 200 percent of that person. It’s always a risk. Anybody would have been a risk. I like the idea of giving younger people a chance.” In May of 2002, Stout’s selection for the project was officially announced.

In July, executive director Judy Larson resigned to take a job in Washington, DC, and yet another search for an executive director began. Stout finished a design concept quickly, even assembling and sending a model for use in...
the capital campaign in the fall of 2002. After this, and despite numerous inquiries from the newspapers and letters to the editor pillorying it for secretiveness, the museum refused to show the public their new design, insisting they must first convince key donors. Neither the design nor its costs were made public for three years.
U p until this point, the project had proceeded without encountering much resistance, but now several challenges arose. First, Stout’s design cost more than the $35 million project budget allowed. The board solicited the advice of a developer on cost in 2003, and then proceeded to attempt to trim the capital budget.\footnote{The estimate is based on press reports and has not been confirmed by either the museum or the Taubmans.} Yet they found compromising on any facet of the design exceedingly difficult. One telling example was their consideration of cheaper building materials. Stout’s original design called for Italian travertine marble in the lobbies. When the board began considering cost-cutting measures, Stout suggested a trendy sealed concrete finish on the floors instead. In the end however, the board went back to the costly travertine because they thought a marble lobby would look a great deal better.\footnote{The estimate is based on the Fralin Trust and museum financial filings. The estimate assumes that the total Fralin Trust gifts minus the cost of the museum’s major art acquisitions offers a rough estimate of the Fralin Trust donations towards the capital project.} Lacking resolve, the board found the value engineering process difficult.

The second challenge was the operating plan for the expanded museum. A closer look at the IMAX audience projections made the board fearful that instead of boosting the museum’s bottom line with operating income, the cinema would run a deficit instead. Moreover, finishing the space was costly, and the board had trouble finding the money in the capital budget. Finally, in 2005, they announced they would not include the cinema in their new museum, though Stout’s design already included the space and was difficult to modify. With Stout’s design finalized, a revision to reallocate the space intended for an IMAX projector was never completed. The built museum still has 5,000 square feet of unfinished, unusable space originally intended for IMAX equipment on its gallery floor.\footnote{The campaign was grueling enough that testing the numbers over and over again.” It was reduced to $10 million that was to be raised by 2012.\footnote{The campaign was grueling enough that testing the numbers over and over again.”} By the time it opened, the museum had $2.7 million in its endowment fund.\footnote{“Until we build that endowment, we’re going to have issues with the operating budget,” said executive director Georganne Bingham in an interview after the endowment target was reduced.\footnote{The issues with the capital campaign were the museum’s third principal challenge between 2002 and 2006. From the beginning, the campaign struggled to raise the large gifts that form the foundation of a successful fundraising effort. By opening day, public records showed that only four donors had made gifts over $1 million: the Taubman family ($25 million gift),\footnote{Approximately $8 million came from government sources. The rest of the funds (about $7 million by opening day) had to be raised one small, five- or six-figure gift at a time, from about 200 other donors.\footnote{The campaign was grueling enough that testing the numbers over and over again.” Unconvinced donors or the insufficiency of funds in Roanoke could have been the root causes of these difficulties. As capital campaign chair, however, Jenny Taubman assumed most of the responsibility. She said: “It became necessary for someone to come up with additional funds to make this happen. It just so happened it was us. Because I couldn’t get anybody else to give it except for Nick.”}} the Fralin Trust (over $8 million),\footnote{Advance AutoParts ($4 million), and the Mary “Peggy” Macdowell Thomas estate ($1 million). Approximately $8 million came from government sources. The rest of the funds (about $7 million by opening day) had to be raised one small, five- or six-figure gift at a time, from about 200 other donors.\footnote{The campaign was grueling enough that testing the numbers over and over again.” Unconvinced donors or the insufficiency of funds in Roanoke could have been the root causes of these difficulties. As capital campaign chair, however, Jenny Taubman assumed most of the responsibility. She said: “It became necessary for someone to come up with additional funds to make this happen. It just so happened it was us. Because I couldn’t get anybody else to give it except for Nick.”}} Advance AutoParts ($4 million), and the Mary “Peggy” Macdowell Thomas estate ($1 million). Approximately $8 million came from government sources. The rest of the funds (about $7 million by opening day) had to be raised one small, five- or six-figure gift at a time, from about 200 other donors.\footnote{The campaign was grueling enough that testing the numbers over and over again.” Unconvinced donors or the insufficiency of funds in Roanoke could have been the root causes of these difficulties. As capital campaign chair, however, Jenny Taubman assumed most of the responsibility. She said: “It became necessary for someone to come up with additional funds to make this happen. It just so happened it was us. Because I couldn’t get anybody else to give it except for Nick.”}

Another difficulty with the operating plan was the projected quadrupling of the annual budget. The estimate for the annual operating budget in the new building was $3.75 million. This figure made other cultural groups in the city fearful that the museum would suck up all the available funding, in the end causing all but the strongest of them to struggle for their very survival. The museum planned to make this annual budget manageable by earning $1.25 million in revenue, raising $1.5 million from private and government sources, and meeting the rest of their annual funding requirement by drawing on a $20 million endowment they planned to raise once the capital campaign was complete.\footnote{The campaign was grueling enough that testing the numbers over and over again.” Unconvinced donors or the insufficiency of funds in Roanoke could have been the root causes of these difficulties. As capital campaign chair, however, Jenny Taubman assumed most of the responsibility. She said: “It became necessary for someone to come up with additional funds to make this happen. It just so happened it was us. Because I couldn’t get anybody else to give it except for Nick.”} Former president of the board Valeta Pittman spoke about the process of coming up with a business plan in an interview. “There have been some spectacular public failures. I think we’ve learned from that. We keep

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Those who disliked the proposal attacked Stout’s project for one of two reasons: either they believed the design was too modernist to fit well within Roanoke’s downtown landscape and local culture, or they believed that the design was not avant-garde enough. The first group pointed out that most of the downtown had simple mid-century facades made of brick, and that an angular titanium edifice would be out of place there. They nicknamed the design “A Wreck of the Flying Nun.” The second camp’s most vocal member was Virginia Tech architecture professor, Dennis Kilper. He accused Stout of “expensive mimicry” of Gehry’s ideas rather than true innovation. Because the design was imitative, it would fail at being a visionary project, he said. In fact, the New York Times wondered if the design constituted an act of architectural plagiarism. Kilper also questioned why so much money would be spent on the multiple planes of the design’s exterior walls and roof. Each additional plane, Kilper wrote, increased the cost of both construction and operation. Yet every letter from a detractor like Kilper was answered in the paper by another museum supporter. The community debate continued in spurts for years.
Despite these challenges, in April 2006, one year after its original planned groundbreaking, the museum chose to begin construction. Fralin, board president at the time, announced that work would begin as soon as possible because every month of waiting was costing the museum $400,000. The delays due to design decisions and fundraising progress had cost the museum millions because prices of raw materials had skyrocketed while they had been waiting. The hard costs of construction were now $40.5 million, with $66 million needed to cover the project’s total costs. Of this money, $46 million had been raised. In order to begin work immediately, the museum secured a credit line with a limit of $20 million from Wachovia, SunTrust Bank, and the Virginia Tech Foundation. The museum planned to raise the remaining $30 million needed to complete the capital and endowment campaign while the construction was ongoing.

Yet another increase in the target of the museum’s capital campaign was cause for an outcry from other cultural organizations. Since 2001, the fundraising climate in Roanoke had not improved. The competition had gotten so fierce that two different ballet companies presented two different Nutcrackers—a reliable revenue generator for ballets across the country—and feuded in the press about which production was the best. Some companies, like the Roanoke Symphony, blamed the art museum’s capital campaign for their inability to run campaigns and endowment drives. In addition, they said they were seeing reductions in giving, with donors explaining that they were giving less due to commitments to the art museum. By 2006, the increased competition for both fundraising and audiences was resulting in program cuts and deficits at Mill Mountain Theatre and the Jefferson Center for performing arts. In 2009, with the onset of the recession exacerbating the theatre’s situation even further, Mill Mountain announced it would close.

By the time of the new museum’s opening in November of 2008, $53 million of the $66 million needed had been raised. An 81,000 square foot building now belonged to the museum. Visitors entered into a 4,600-square-foot atrium that stretched the entire height of the building. The building had three floors, with a gift shop, café, catering kitchen, auditorium, theater, and education center on the first floor; galleries, storage, and the space planned for the IMAX projector on the second; and offices, as well as a board room and an events terrace, on the third. The first floor was below the flood plain and could not be used to exhibit art. The museum now has 15,000 square feet of gallery space—7,000 more than the gallery space at the Taubman’s disposal at Center in the Square. This was in contrast to the original aspirations, which had called for 20,000 square feet of galleries in a 66,000 square foot building.

![FIGURE IV ESTIMATED PROJECT COST (USD MILLIONS)](chart.png)

* Board’s best preliminary guess
In an exercise of revisionism, after the attendance proved disappointing, museum leaders began telling the Roanoke Times that their most conservative scenario projected 177,000 visitors a year.\(^{\text{xcvi}}\) In the first month, attendance was encouraging, reaching 20,000, but then the number of visitors declined.\(^{\text{xcvii}}\) Simultaneously, the cost of operating the facility exceeded expectations. By the end of July, 2008, $14.4 million had been borrowed for construction. In the first year of expanded operations, an additional $2.8 million had been borrowed. This $172 million loan cost $945,000 in interest payments in FY 2009, further stressing the budget. In FY 2010, another $14.3 million in cash towards the building was raised and collected through a concerted effort of board and new leadership. Additionally, a loan of $4.4 million from trustees and other philanthropies permitted the museum to retire the construction loan in its entirety. Some of the benefactors do not expect to ever be repaid. Yet even with the loan retired, the museum still struggled to pay its expenses. The museum’s cash flow statements reflected that cash produced by operating activities and contributions was $3.4 million less than cash spent for FY 2009 and $1.3 million less than cash spent for FY 2010. These shortfalls were covered by payments on the capital campaign intended to repay the building refinancing loans from donors and other foundations, who consented to the arrangement.\(^{\text{xcviii}}\) The entrance fee was raised from $3 before the expansion to $10.50, then dropped again to $7 after community members expressed dismay. Four rounds of layoffs followed, reducing the staff from 52 employees at opening to 17 employees in September of 2010.\(^{\text{xcix}}\) In that same month, citing family reasons, Jenny Taubman left the museum’s board.\(^{\text{ci}}\) in a few short years, the museum had gone from a financially stable and accessible museum with a growing specialization in American paintings to a fiscally challenged institution that owned a large building.

The extraordinary expansion in the Taubman Museum project scope thus came as the result of a gradual drift by small increments away from the original purpose. From attempting to preserve and display works of art, the trustees turned to attempting to create a piece of architecture that was art. From a project the purpose of which was to best display a small but distinguished group of paintings to their best advantage on the inside, the museum turned into a showcase of modern architecture, best enjoyed from without. The project, which started as a modest proposal to renovate a building in order to have a larger and leak-free exhibition space, turned into a quixotic quest to draw the eyes of the world to a small town in western Virginia.

### FIGURE V

**BY THE NUMBERS: THE IMPACT OF THE TAUBMAN MUSEUM’S NEW BUILDING**

<table>
<thead>
<tr>
<th>Museum’s Resources</th>
<th>Before New Building</th>
<th>Aspirations for New Building</th>
<th>Year the New Building Opened</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total space</td>
<td>20,000 square feet</td>
<td>66,000 square feet</td>
<td>81,000 square feet</td>
</tr>
<tr>
<td>Gallery space</td>
<td>8,000 square feet</td>
<td>20,000 square feet</td>
<td>15,000 square feet</td>
</tr>
<tr>
<td>Seats in theater</td>
<td>0</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Employees</td>
<td>20</td>
<td>55</td>
<td>17</td>
</tr>
<tr>
<td>Art acquisition budget</td>
<td>$1-2 million per year</td>
<td>$60,000 per year</td>
<td></td>
</tr>
<tr>
<td>Public programs budget</td>
<td>$537,000</td>
<td>$800,000</td>
<td></td>
</tr>
<tr>
<td>Hindrances</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term loans</td>
<td>$0</td>
<td>$0</td>
<td>$17 million</td>
</tr>
<tr>
<td>Annual fundraising requirement</td>
<td>$0.7 million</td>
<td>$1.5 million</td>
<td>$4.4 million</td>
</tr>
</tbody>
</table>

\(^{\text{ci}}\) In an exercise of revisionism, after the attendance proved disappointing, museum leaders began telling the Roanoke Times that their most conservative scenario projected 177,000 visitors a year.
FIGURE VI
TAUBMAN MUSEUM PAST PERFORMANCE, BUSINESS PLAN, AND CURRENT PERFORMANCE

<table>
<thead>
<tr>
<th>Operating Expenses</th>
<th>FY03 (Before Opening) $ thousands</th>
<th>Business Plan for After Opening $ thousands</th>
<th>FY09 (After Opening) $ thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earned revenue</td>
<td>$85</td>
<td>$1,250</td>
<td>$893</td>
</tr>
<tr>
<td>Endowment (5% draw rate)</td>
<td>$34</td>
<td>$1,000</td>
<td>$110</td>
</tr>
<tr>
<td>Annual giving and government grants requirement</td>
<td>$697</td>
<td>$1,500</td>
<td>$4,433</td>
</tr>
<tr>
<td>Total endowment size</td>
<td>$685</td>
<td>$20,000</td>
<td>$2,200</td>
</tr>
<tr>
<td>Total long-term debt</td>
<td>$-</td>
<td>$-</td>
<td>$17,000</td>
</tr>
</tbody>
</table>

Notes:
1. For both FY 2003 and FY 2009, only the amount of total pledges, including those to the capital campaign, were reported. This is the cost of annual giving is estimated based on how much the museum required from annual giving to end the year with a balanced budget. The total amount of gifts for both FY 2003 and FY 2009 can be seen in the budget detail below.
2. Total endowment size for FY 2003 is estimated based on assets held in securities in both FY 2002 and FY 2003, as recorded on 990 tax forms. Endowment during FY 2009 was reported in Allen’s 2010 article cited below.

Sources:
For FY 2003 and FY 2009, information is based on 990 tax forms filed by the museum.
For business plan, estimates are based on news reports.

FIGURE VII
BUDGET COMPARISON
Based on the 990s

<table>
<thead>
<tr>
<th>Revenue</th>
<th>FY03 (Before Opening) $ thousands</th>
<th>FY09 (After Opening) $ thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government grants</td>
<td>$246</td>
<td>$426</td>
</tr>
<tr>
<td>Earned revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Admission</td>
<td>$-</td>
<td>$280</td>
</tr>
<tr>
<td>Membership</td>
<td>$32</td>
<td>$418</td>
</tr>
<tr>
<td>Educational programs</td>
<td>$30</td>
<td>$49</td>
</tr>
<tr>
<td>Museum store</td>
<td>$11</td>
<td>$69</td>
</tr>
<tr>
<td>Cafe</td>
<td>$-</td>
<td>$47</td>
</tr>
<tr>
<td>Other</td>
<td>$12</td>
<td>$32</td>
</tr>
<tr>
<td><strong>Earned Revenue Subtotal</strong></td>
<td>$85</td>
<td>$895</td>
</tr>
<tr>
<td>Pledges received</td>
<td>$2,314</td>
<td>$9,996</td>
</tr>
<tr>
<td>(including capital campaign pledges)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and capital gains</td>
<td>$25</td>
<td>$89</td>
</tr>
<tr>
<td>Sale of securities</td>
<td>$(63)</td>
<td>$(199)</td>
</tr>
<tr>
<td>Special events 1</td>
<td>$63</td>
<td>$(250)</td>
</tr>
<tr>
<td><strong>Revenue Total</strong></td>
<td>$2,670</td>
<td>$10,957</td>
</tr>
</tbody>
</table>

Notes:
1. FY 2009 Special Events revenue includes the cost of the grand opening.

Taubman Museum of Art  16
Notes:
2. Management and general differs from amount in IRS tax forms since the amount in this figure excludes new building design architect fees recognized as expenses in FY 2003 as well as depreciation expenses recorded in both years.
3. FY 2003 990 tax forms reported $0 for fundraising expenses and $99,000 for capital campaigns expenses listed under management expenses. In this figure, they are reclassified as fundraising.

This case was last revised on June 7, 2012.

ABOUT THE AUTHORS

Dr. Peter Frumkin is a professor of nonprofit leadership and director of the Center for High Impact Philanthropy at the University of Pennsylvania. His books include On Being Nonprofit, Strategic Giving, and Serving Country and Community.

Ana Kolendo is a research associate at the University of Texas at Austin. Previously, she worked at Harvard Business School and McKinsey & Co.
NOTES

iii. Art Museum of Western Virginia, “Form 990 for tax year beginning 7/01/2008 and ending 6/30/2009.”
v. U.S. Census Bureau.
viii. Ibid.

xiv. Ibid.
xv. Kittredge, Kevin. “‘From $250 to $66 million.”’
xvi. Ibid.
xviii. Ibid.
xix. Kittredge, Kevin. “Art museum acquires work of Winslow Homer; this purchase, at $900,000, was not a bargain like Wednesday’s million-dollar deal.” Roanoke Times, May 28, 1999.
xx. Kittredge, Kevin. “Roanoke gets major work: steal of a deal; $1 million bid, much less than expected, is a winner.” Roanoke Times, May 27, 1999
xxxv. Kittredge and Schnabel. “Center in the Square accepts a ‘grand’ donation: Grand Home Furnishings gives its Campbell Avenue site to downtown cultural center.”
xxxviii. Ibid.
xxiii. Kittredge, Kevin. “Search yielded California visionary with Southern draw—Roanoke Times exclusive report.”
xxv. Kittredge, Kevin. “Search yielded California visionary with Southern draw—Roanoke Times exclusive report.”