


5-2018

The Rise, Fall, and Revival of the Moviegoing Experience: The Viability of Independent Theatres in a Multiplex World

Isabel S. Cruz

Clark University, icruz@mhp.net

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**The Rise, Fall, and Revival of the Moviegoing Experience:
The Viability of Independent Theatres in a Multiplex World**

Isabel S. Cruz

MAY 2018

A DUAL DEGREE MASTER'S CAPSTONE REPORT

**Submitted to the faculty of Clark University,
Worcester, Massachusetts,
in partial fulfillment of
the requirements for
the degree of Master of Arts
in the department of
International Development, Community, and Environment Planning,
and Master's in Business Administration in the
Graduate School of Management**

ABSTRACT

The Rise, Fall, and Revival of the Moviegoing Experience: The Viability of Independent Theatres in a Multiplex World

ISABEL S. CRUZ

Moviegoing has been a leisure activity since the early twentieth century. From their origination, movie theatres have served as a community gathering place for people from different socioeconomic backgrounds to come together for a shared experience. Even as substitutes for movie viewing options threaten the movie theatre industry, independent cinemas are surviving and thriving. This paper includes results from interviews with independent cinema owners and managers on steps they are taking to preserve moviegoing as an immersive and personal experience. Findings are used to explore how lessons can be applied to create a credible business proposal to locate an independent cinema in Worcester, Massachusetts.

Ramón Borges-Méndez, Ph.D.
Chief Instructor

Donna Gallo, Ph.D.
Assistant Professor

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ACADEMIC HISTORY

Name: Isabel Sweetman Cruz

Date: May 2018

Baccalaureate Degree: Bachelor of Arts in Sociology

Source: University of Massachusetts, Amherst

Date: May 2011

Occupation and Academic Connection since date of baccalaureate degree:

Research Assistant, Clark University, 2016-2018

Research Assistant, Worcester Community Housing Resources, Inc., 2016-2018

Outreach Literacy Coordinator, Girls Inc. of the Island City, 2014-2015

AmeriCorps Academic Coach, Bay Area Youth Agency Consortium, 2013-2014

Corps Member, City Year San José/Silicon Valley, 2012-2013

ACKNOWLEDGEMENTS

I wish to thank my family and friends for their support and inspiration throughout these three years of the dual degree program. I also wish to thank my readers: Dr. Ramón Borges-Méndez and Dr. Donna Gallo for their patience, insight and guidance, along with Professor Kathryn Madden for her encouragement to see this project through to its completion.

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I. Introduction

Moviegoing has been a leisure activity since the early twentieth century. With admission prices set at a nickel, moviegoing began as a popular activity for the working-class population which was primarily condensed in cities. Deindustrialization combined with the rising popularity of automobiles, harmful federal and state policies, and people's desire to live in suburbs resulted in a mass exodus from cities, and sucked the vitality out of urban communities. Cities were drained of economic opportunities, culture, and life (Meeks & Murphy, 2016). Independent movie theatres were not spared during urban renewal. Multiplex chain theatres began opening up in suburban shopping mall developments, depleting the market base for movie theatres in small and mid-sized cities.

Today, the trend has shifted. It is expected that over 100 million people will move to urban areas by 2050. As people move back to cities at a rapid rate, cities are seeking to expand cultural and entertainment opportunities in order to remain competitive and foster a sense of place. Cultural amenities support further economic development in cities as they improve the quality of living and attract new residents and visitors. An independent cinema has the potential to function as not only an entertainment space, but a cultural and education place where individuals can convene and interact with others from different socioeconomic backgrounds. Accessible cultural, educational, and

entertainment spaces are a desirable and fundamental component to urban regeneration given the anonymity of city living.

This paper provides an overview of the history of the moviegoing experience, and cinemas' position as a third space: a place separate from the social environments of one's home, the first place, and work place, the second place (Oldenburg, 2005). As multiplex theatres are shuttering their doors, independent cinemas are surviving and thriving. Interviews were conducted with current independent cinema owners and managers still in operation across the Commonwealth of Massachusetts to gather information regarding business elements critical to their sustainability. Findings are used to create a business proposal for an independent cinema to be located in Worcester, Massachusetts. An independent cinema can be uniquely positioned as a community asset and contribute to the culture and sense of place within a city.

II. Conceptual Framework

A. History of Moviegoing

Moviegoing is an immersive and personal experience. Since the origination of the silent moving picture with mad cap adventures and hyperbolic gestures and facial expressions, moviegoing has long since served as the center of interclass entertainment. The immigrant population made up a significant portion of movie theatre audiences, as anyone was capable of understanding moving pictures regardless of what language they spoke.

Movies –and the actual trip to the movie theatre--offered immigrants their first non-work contact with the larger American society, and offered women and children freedom from the constrictiveness of family life (Rozenzweig, 1985, pp. 195-196).

Smaller, independent theatres, nickelodeons, attracted large diverse audiences as disposable incomes rose and shorter working hours fueled the growth of the leisure. All customers were on an equal plane in movie theatres due to democratic seating and the non-existence of differentiation by price that occurred in other higher-priced live performance (vaudeville and Broadway) theatres. Smaller theatres provided people the opportunity for informal socializing, people could stay as long as they chose to, eat, drink, and even sleep in the theatres (Rozenzweig, 1985, p. 200-202). This informal behavior, which the poorer working immigrants who mostly went to movies engaged in, deterred the middle class from attending the movies. In an effort to attract larger audiences, especially the middle and upper classes, theatres began to modernize and become more lavish, transforming from the “shabby nickelodeon into the opulent movie palace” (Rozenzweig, 1985, p. 210). Movie theatre management shifted from immigrant men to professional theater managers under the control of theatre chains. While the downtown movie palaces catered toward upper class populations with their more controlled, structured and

anonymous experience, the neighborhood theatres continued to foster active public sociability.

The Great Depression did not spare the movie industry, but the business adapted in order to survive. Movie theatres started to offer double, sometimes triple features, games and prize giveaways; broadened concessions selections, and expanded in size to add sound and air conditioning. Movie theatres became “an oasis in a desert of economic depression” (Corbett, 2001, p.23). During and after World War II, movie theatres were a form of escape and a key source of news and information surrounding the war.

With the increase in automobile ownership, disposable income that was once spent on moviegoing was divided over other leisure activities including travel (Corbett, 2001, p. 23). This, combined with suburbanization, resulted in the influx of shopping malls outside of cities. Starting with a few hundred in 1950, there were over twenty-two thousand shopping malls by 1980 (Gomery, 1992). In order to meet shifting leisure habits and living preferences, theatres followed their audiences to the suburbs in the form of multiscreen multiplexes. This relocation for theatres was subsidized by other overall development of shopping complexes (Melnick & Fuchs, 2004).

Historic movie palaces, once a place of vibrant social activity in the early to mid-twentieth century, fell into disrepair, were torn down, or transformed into concert halls (Hurley, 2014). By 2010, many independent cinemas that were

still in operation were notified by movie distributors that first-run films were no longer being distributed in reel-to-reel film format. One theater owner predicted, “We’re about to lose 1,000 small theaters that can’t convert to digital [format]” (Hurley, 2014, p. 1). Some theatres did not survive due to the high costs switching to digital equipment, and the hits kept coming. Digital television, home video rentals, and most recently, personal streaming platforms are threatening to substitute the moviegoing experience. Many theatres were supported by community members who could not bear to think of their city or town without a cinema and raised funds to save and support their local cinemas.

B. The Third Place

The first place is one’s home; the second is one’s place of employment. The third place is an individual’s home away from home, where seemingly unrelated people come together to relate over a commonality (Oldenburg, p. xvii). Third places are essential to community vitality. The modern American household has become a place of social isolation. More than a quarter of the U.S. population lives alone. Marriage rates and the number of children per household have declined due to lifestyle changes (American Psychological Association, 2017). Shifts in work environments also contribute to social isolation; people are working longer hours, commuting further distances. It is estimated that for every ten-minute increase in travel time, there is a ten

percent decrease in time spent establishing and maintaining social ties.

(Crouse, 2014).

A third place is important as people are living with no real connections to their larger community. A third place restores personal connection bringing unlike people together in a common setting (Oldenburg, 2005). A movie theatre has served as a third place since its introduction into society. Before movie theatres, the third places for the working class were the local saloons and churches. With their low admission prices and varying hours, movie theatres grew into a central working class institution, drawing working class individuals and people with growing disposable incomes together for a shared experience (Lewis, 2001).

Montgomery asserts that “cities must be regarded as more than engines of wealth; they must be systems that should be shaped to improve human well being” (p. 42). Entertainment and cultural facilities improve the quality of life for residents and attract visitors and capture their dollars (Grodach & Loukaitou-Sideris, 2007). Culture within a city contributes to a shared identity and can foster pride of place and inter-communal understanding. It is essential to have spaces and venues where people of any socioeconomic status can access, (Campo et. al, 2008; Miles & Paddison, 2005). An independent cinema can be positioned as a vital third place as they serve as a community gathering space

where people of different demographics can come together to view a film, participate in an event, and escape their reality.

III. Methodology

The goal of this research is to identify unique business components of independent cinemas that remain in operation across Massachusetts. Findings are used to design a business proposal for an independent cinema to be located in Worcester, Massachusetts.

A. Research Questions

This paper examines the following questions surrounding the viability and development of independent cinemas:

1. What are the business models of independent cinemas currently in operation?
2. Is there a market for an independent, community-centered cinema in Worcester, Massachusetts?
3. What financial resources are available to subsidize the development and start-up costs in order to open and operate an independent cinema in Worcester, Massachusetts?

B. Data Collection

Primary data was collected through in-person and over-the-phone interviews with six independent cinema owners and managers throughout Massachusetts. Refer to Appendix A for the Sample Qualitative Interview Protocol.

Secondary data was collected through newspaper article archives, academic journal and papers to support the claim that a cinema functions as vital entertainment and educational community resource.

IV. Analysis of Independent Theatres in Massachusetts

This section presents overviews of five independent cinemas in operation across Massachusetts, including their histories, organizational characteristics, and highlights of distinctive business elements of each cinema.

A. Amherst Cinema

Amherst Cinema is located in a former livery building that dates back to 1879. After a major downtown fire in 1926, the building was sold, and renovated into a single-screen cinema. The theatre remained in operation until 1999 when it closed after years of deteriorating neglect. In 1999, a group of concerned citizens banded together, raised three million dollars and formed a 501(c)(3) nonprofit organization, now known as Amherst Cinema, because they believed downtown Amherst would benefit from a movie theatre. Amherst Cinema reopened in 2006 as a state-of-the-art, three-screen cinema that presents new releases, along with international, independent and documentary films. The Studio Theatre opened in 2013 and provides a fourth screen to show a variety of films, often never screened in commercial theatres.

Amherst Cinema offers patrons an extensive variety of programming options. Films series include topics ranging from beekeeping to the physics of

time travel, along with series which highlight actors, directors, and films that changed the way films were made and watched. Their notable See-Hear-Feel-Film program teaches third-grade students from schools all throughout Pioneer Valley how to write their own stories using the power of visual image.

Through word-of-mouth, special screenings, and talk sessions, Amherst Cinema has built a devoted and dedicated audience and membership base. People can choose from two membership levels ranging from \$40-\$500 for one or two years. Members receive substantial discounts on movie admission prices, free popcorn, and invitations to special events. Annual memberships support Amherst Cinema in offering wide range of film and event program offerings, and subsidize operating expenses. Amherst Cinema is located in downtown and is accessible by foot, public transportation, and vehicle. Patrons visit Amherst Cinema from a 25-mile radius and beyond (About Amherst Cinema).

B. Capitol Theatre

The Capitol Theatre has been serving residents and neighbors of Arlington, Massachusetts since 1925. After years of operation by various local cinema chains, the theatre was sold to the Fraiman family who also operate the Somerville Theatre. During renovations, the original décor of the lobby was uncovered and restored; and in 1989, the Capitol Theatre was multiplexed into five separate screens, each decorated in the style of the original auditorium. A

sixth screen was added a year later due to the great success of the theatre. The Capitol Theatre is still known as “your home theatre.” It offers audiences a steady mix of movies, emphasizing family-friendly films and independent productions at low prices, ranging from \$7 to \$10, in the original restored auditorium.

Patrons have the option to rent theatres for private parties and can enjoy baby-friendly movies (volume at a lower decibel) every Monday afternoon for parents and their infants. Special events include Capitol Classics, throwback Thursdays, silent film screenings, and the Boston Jewish Film Festival. The Capitol Creamery, located around the corner from the theatre provides customers ice cream treat options in addition to the theatre’s traditional concession offerings (Capitol Theatre, n.d.).

C. CinemaSalem

CinemaSalem opened in 2006 in the East India Mall in historic downtown Salem. There were multiple independently-run theatres operating in the downtown mall space in previous years, only to be purchased by chain operated multiplex theatres. CinemaSalem opened with the intention to offer audiences a different experience from the traditional mall multiplex theatre. CinemaSalem screens recent feature films along with art house movies, documentaries, and hosts the popular Salem Film Fest every year.

CinemaSalem has been voted the “Best North Shore Theatre” for several consecutive years.

Films are not the only draw; CinemaSalem is a multi-use space, home to an art gallery and a coffee shop– both serve as community gathering spaces. CinemaSalem is actively involved in the community and collects \$0.25 from each movie admission to fund “Community Grants” that are awarded every month to area nonprofits. In 2012, CinemaSalem faced the threat of closure due to the high cost of converting equipment to digital projection. Over 1,000 people participated in a crowdfunding campaign, which raised \$68,925 to ensure that Salem did not lose its treasured community theatre (Curley, 2012).

D. Luna Theater

The Luna Theater opened in 2014 in a historic textile mill building near downtown Lowell, Massachusetts. A Limited Liability Corporation, the Luna Theater is owned by the developer of the building who created Mill No. 5. This indoor streetscape of shops houses independent retailers, a yoga studio, coffee shop, old-fashioned soda fountain, a weekly farmers’ market, and the Luna Theater.

The Luna Theater shows first-run independent and classic films. Customers are treated to “Two-fer-Tuesdays” where two tickets can be purchased for the price of one (\$8-\$9.75), and “Weirdo Wednesdays,” a free event where an obscure film is shown, but the audience does not know the film

until it begins. Customers can purchase traditional concession fare such as popcorn and candy, and bottled soft drinks, beer and wine. Customers are also able to bring drinks and food from other establishments located in Mill No. 5. Funded by personal equity and the owner's love for movies, the Luna Theater continues to make upgrades over time to create further value for customers.

E. Somerville Theatre

Originally designed for vaudeville, opera, and stage shows, the Somerville Theatre opened in 1914. Weekly play performances complemented film and vaudeville events. Like many other theatres, the Somerville Theatre went through several owners and renovations, but remained a prime neighborhood movie house for decades. In 1990, the Fraiman family acquired the building and undertook long overdue renovations and upgrades while preserving the structural integrity of the theatre. In response to declining movie attendance, and in order to remain competitive, vacant space in the building was converted into four new theatres; modern bathrooms were created, an elevator installed and the lobby was expanded.

In 2006 the main theatre was restored to its original color scheme, and the stage was upgraded with new curtains and a movie screen. Somerville Theatre became one of the first theatres in New England to offer customers beer and wine, in addition to traditional quality concession offerings. The main theatre continues to host live musical and theater events. Along with first-run

films, and live events, special events include silent films, film festivals and midnight specials. Because of significant investment in restoration from the Fraiman Family, now known as Frame One, and thoughtful programming selections, Somerville Theatre continues to provide the community with quality entertainment options (Somerville Theatre, n.d.).

Table 1. Business Elements of Independent Theatres

	Amherst Cinema	Capitol Theatre	Cinema Salem	Luna Theater	Somerville Theatre
Location	Downtown Amherst, MA	East Arlington, MA	Downtown Salem, MA	0.5 miles from downtown Lowell, MA	Davis Square, Somerville, MA
Building Type	Historic Building	Original Auditorium Theatre	Mall, Commercial Space	Historic Textile Mill Building	Original Vaudeville Theatre
Type of Ownership	Non-profit	Private*	Private	LLC	Private*
Number of Screens	Four	Six	Four	One	Five
Capacity	~550	1,068	-	~80	1,379
Ticket Price	\$6.50-\$10.75	\$7.00-\$10	\$9.50-\$12	Free-\$9.75	\$7-\$10
Discount	Member, Student, Senior	Senior	Child, Student, Senior, Teacher	Student, Senior	Senior
Special Events	Film Series, Discussions, Educational Programs	Baby-friendly Movies, Silent Films, Film Festivals, Birthday Party Rentals,	Baby-friendly , Private Rentals Salem FilmFest, Discussions	Classic & cult films	Silent Films, Midnight Specials, Film Festivals
Alternative Programs	Live Theatre	-	Music, Art Gallery Showings	Music	Live theatre, Music, Museum of Bad Art
2017 Gross Revenue	-	~\$1,790,000	-	~\$190,000	~\$2,648,000

* Frame One Theatres is a family owned circuit established to preserve the classic Capitol and Somerville theatres, and provide their audiences great entertainment and refreshments. Frame One Theatres invested significantly in the renovations and restorations of both historic theatres “so that generations of movie-goers can continue to experience the grandeur of a traditional movie house and enjoy high-quality sound and visual experience (Frame One Theatres).

V. Findings

Even with the variety of movie viewing options such as televisions, personal devices, and online streaming platforms, 71 percent of the U.S./Canada population, 246 million people, went to the cinema at least once in 2016, a two percent increase from 2015 (Motion Picture Association of America, 2016). There are 116 movie theatres in operation in Massachusetts, of which approximately 61 percent, an estimated 71 theatres, are independently owned and operated. There is a mixture of formulas that result in an independent cinemas success, or failure. Results from interviews with independent theatre owners and managers were characterized into common themes that are proven to be fundamental for continued sustainability and competitiveness in the marketplace.

A. Central Location

Porter (1995) argues that there is a significant competitive advantage for businesses that decide to locate in inner cities. Inner cities have the capability to support viable businesses by definition. Businesses in cities have proximity to downtown business districts, transportation and communication hubs. The local market demand is also a strategic advantage for businesses deciding to position themselves in the inner city. Somerville Theatre is located in Davis Square, Somerville Massachusetts, steps away from MBTA bus and train stops,

and where approximately 20,000 people are less than a twenty-minute walk away from the theatre.

An additional vital quality of the inner city market is its character. Most services and businesses have not been adapted to meet the needs of inner city customers (Porter, 1995). Independent cinemas offer diverse entertainment options that can suit a variety of interests at low prices meeting the various economic backgrounds of potential patrons. A centrally located cinema has the potential to create new nodes of activity in downtown districts, attracting residents and visitors to Worcester. Amherst Cinema and CinemaSalem are located in downtown centers, and the Capitol Theatre and Luna Theater located on the edge of downtown districts. Independent cinemas may attract people to underutilized but potentially vital areas, sparking further economic development by enticing new businesses to locate in this culturally vibrant area.

B. Significance of Building Type

Buildings play a critical role in contributing to the authentic character of a city and cultivate a sense of place. Character and sense of place result in sustainable and resilient cities where people want to live, and spend their time and money (Miles & Paddison, 2005) thereby creating their own narratives. Historical buildings differentiate one place from another and keep cities relevant.

Investment in the preservation and maintenance of historical buildings can spur economic growth and nurture start-up businesses, while retaining a city's character and uniqueness (Meeks & Murphy, 2016). A historic building is a perfect space to locate an independent cinema. Historic buildings attract a wide-range of people to an area, allowing people to experience their city's history while writing their own story.

C. Forms of Ownership

Independent cinemas operate as private or nonprofit entities. As nonprofit organizations, theatres may apply for exemption from state and federal taxes and be eligible for specialized grants. Both the exemption status and grant eligibility are beneficial perks, but grants require research, application submission, monitoring, and outcome reporting which requires additional staff capacity.

Amherst Cinema is one of the few independent cinemas that operates as a nonprofit organization. Others include the noteworthy Coolidge Corner Theatre in Brookline, Massachusetts, and the Brattle Theatre in Cambridge, Massachusetts. These theatres collect membership fees from patrons in exchanges for discounts on movie admissions, concessions, and invitations to special events. While membership fees result in a steady annual income stream, members are often from a higher income and older age demographic, therefore, theatres need to strategize how to supplement membership income

based on the demographics of their location. According to The Coolidge Corner 2015 Annual Report, membership dues comprise seven percent of their total revenues and support. The other independent cinemas throughout Massachusetts operate as private entities run by people who have a passion for movies and the desire to preserve the moviegoing experience for further generations.

D. Programming

Cinemas are constantly striving to keep audiences interested by offering diverse film choices and supplementing films with other events at the theatre. The first step is to get patrons through the door, and then provide them a reason to want to return. There are more popular times of the year for moviegoing. Clusters of impressive films are released during “film award season, from November- February/early March, followed by summer blockbusters. During offseason months to bridge the gaps in notable film releases, theatres choose to host film festivals, special screenings of throwback, classic and cult films, along with screening more obscure films often never seen at a main stream movie theater chains.

The experience of going to the movies does not stop at watching a film (Lewis, 2001, p.15). A well-established cinema that offers patrons a variety of film screenings and events can engage people from different communities and encourage dialogue across communities (Grodach & Loukaitou-Sideris, 2007)

through discussion panels and sessions after films are shown. Cinemas are positioned to support local artist communities because they have the space for artists to display their work, whether it be film, artwork, poetry or music. A wide-range of events can attract audiences from various age groups, racial and ethnic backgrounds.

V. Applicability to Worcester

Moving pictures first appeared in Worcester, Massachusetts in the late 1890's. By 1904, moving pictures held a regular spot on the programming of two vaudeville theatres. In 1906, the Nickel Theatre, part of the Nickelodeon era, opened and saw over 10,000 customers during its first week of operations. Their model was to offer low admission prices, short film programming, and democratic seating. Under this model, motion pictures quickly became the popular new form of working class leisure. Worcester's population grew by seventy-two percent between 1890 to 1910, with the city's immigrant population increasing by eighty-two percent in that same time frame. By 1910, Worcester had over 4,250 seats across seven theatres devoted to moving pictures (Rozenzweig, 1985, p. 191). By 1919, more than 128,000 Worcester area residents attended the movies each week (Rozenzweig, 1985, p. 209).

Worcester vibrant moviegoing scene weathered the Great Depression, and two World Wars due to theatres expanding programming options while sustaining low ticket prices. Admission prices were maintained at low prices

because movie theatres were often owned by the movie studios, and movie studios charged exhibitors only a small fee for film distribution. After the 1948 Paramount Case, which banned vertical integration and forced movie studios to sell their theatres, movie admission prices increased significantly as movie studios raised distribution fees for films in order to recoup film production costs (Corbett, 2001). This increase in admission prices combined with deindustrialization and the loss of residents to surrounding suburbs resulted in decreased attendance and the neglect of Worcester's movie theatres.

A large area of Worcester's downtown was demolished to make way for the Worcester Center Galleria mall. The Galleria opened in 1971 and housed the Worcester Center Cinema. After being closed for several years the theatre reopened as "The Bijou Cinema", a three screen art cinema which eventually closed in 2004, and was demolished along with the Galleria mall to make way for the downtown "CitySquare" redevelopment project. The only movie theatre that remains in Worcester and shows films year-round is a multiplex.

In the last two years there has been a rise in new dining and drinking establishments throughout the city; 55 restaurants received permits to operate in the city (Discover Central Massachusetts, 2018). Additionally, there has been an influx in housing and commercial development with a heavy focus on downtown Worcester. There is a critical need for inclusive entertainment venues to complement Worcester's already existing cultural institutions

including the Worcester Art Museum and the Hanover Theatre. Eighty percent of The Hanover Theatre's audience comes from outside of Worcester (Eckelbecker, 2018), and ticket prices are set at exclusionary price levels. There is a scarcity of lower cost entertainment options in Worcester.

A. Customer Base and Evidence of Demand

According to the American Community Survey's 2016 five-year estimates, the city of Worcester's population totals more than 183,000 people, a six percent increase since the 2010 census. Worcester County's population totals over 826,000 individuals, a three and a half percent increase since the 2010 census. The median household income of Worcester residents is \$45,499, and \$67,005 for Worcester County. The 2017 unemployment rates for the city of Worcester and county are 4.5 percent and 3.7 percent respectively. The median age of Worcester residents is 34 years old, and 39.9 across Worcester County. Worcester serves as the home to over 36,000 college students. Figures 1, 2 and 3 provide a snapshot of the age, racial, and ethnic breakdown of Worcester city and county residents.

Figure 1. Age Breakdown of Worcester city and County Residents

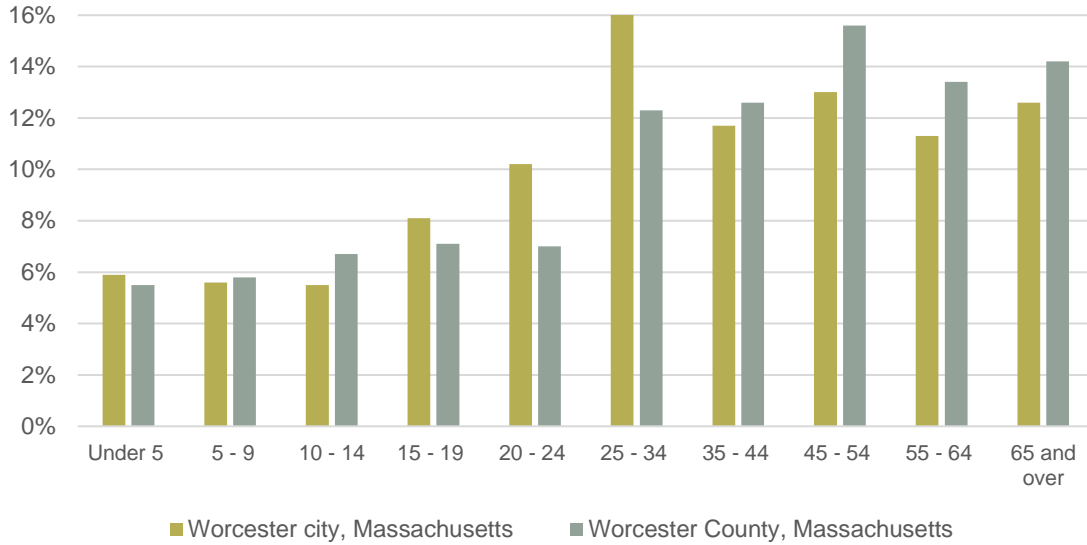


Figure 2. Racial Breakdown of Worcester city and County Residents

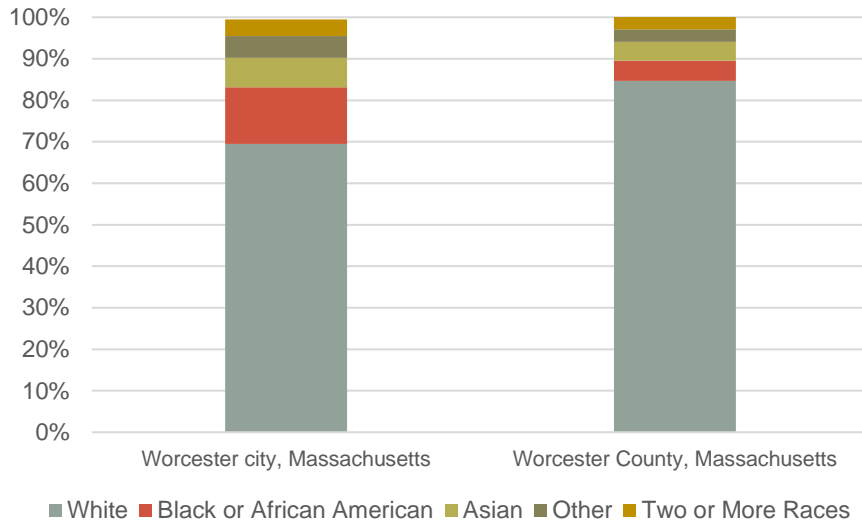
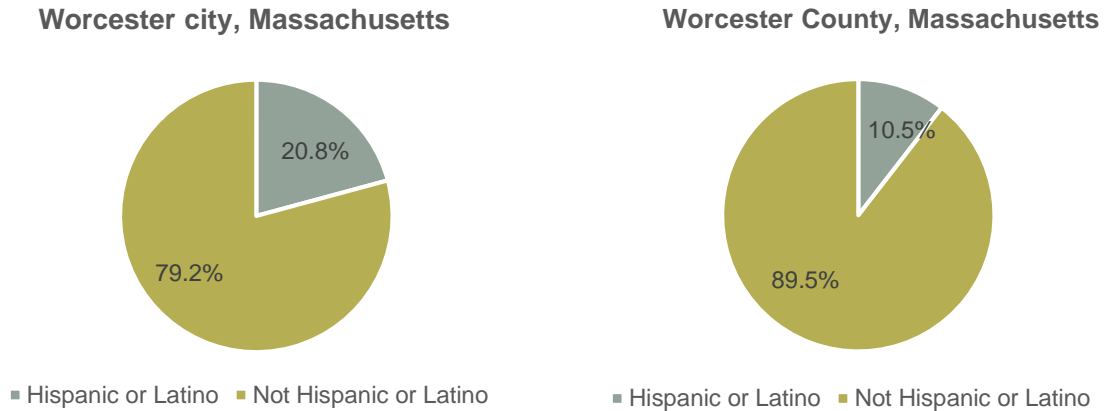


Figure 3. Ethnicity Breakdown of Worcester city and County Population



B. Market Environment

As of March 2018, only the multiplex, Showcase Cinemas Worcester North, shows films year-round in the city of Worcester*. Although there are film screenings at area universities, including the Seelos Theatre at Holy Cross, and Cinema 320 at Clark University, these venues follow the school schedule and are only in operation during selected months of the school calendar year.

C. Local Area Competition

Surrounding area movie theatres outside of the city include:

The Elm Draught House Cinema | Millbury, Massachusetts

Originally opened in 1939 with 700 seats, The Elm converted to cinema pub in 1983 with 300 seats. The theatre shows second-run movies for one

* A potential new entrant to the market is cinema-worcester—a group of individuals working to garner interest and support for an independent cinema in Worcester, Massachusetts. Their primary goal is to “create a non-profit, independent, full time, community cinema for Worcester” (cinema-worcester). The group has hosted screenings at the Worcester Senior Center, the Sprinkler Factory, Acoustic Java, and in collaboration with Cinema320 at Clark University.

week at a time, featuring a new film every Friday. The Elm serves beer, wine, and soft drinks along with pub food including pizza, nachos, burgers and more. Movie admission is \$6.00, sporting events are free to the public, and Comedy Tickets range from \$15-\$18.

The Strand Theatre | Clinton, Massachusetts

The Strand Theatre is one the oldest existing movie theatres in Central Massachusetts. Built in 1924 and operated as a vaudeville theatre and movie house until the 1970's, The Strand was renovated and reopened in 1995 as a cinema pub with 304 seats, and shows recently released films while offering patrons a wide selection of beer, wine, and pub food. Movie admission ranges from \$5-\$5.50 (About The Strand, n.d.)

West Boylston Cinema | West Boylston, Massachusetts

West Boylston Cinema is a five screen movie theatre that shows second-run, and the occasional first-run film at prices ranging from \$4-\$9.

Blackstone Valley Cinema De Lux | Millbury, Massachusetts

This multiplex theatre is owned by National Amusements, Inc., which also owns Showcase Cinemas Worcester North, offers audiences a wide variety of first-run motion picture options at prices \$9.75-12.75. Patrons have the option to reserve plush recliner seating beforehand, and can have meals delivered to their seats.

VI. Recommendations

Worcester is an ideal location for a community-centered, independently run cinema. There are limited low cost entertainment options for Worcester's diverse population and visitors. An independent cinema can operate as an affordable entertainment, educational, and cultural resource for residents and visitors of the city, and will serve as an alternative to the only multiplex movie theatre in Worcester.

For the remainder of this section, a community-centered, independent cinema will be referred to as "The Cinema". The Cinema will be different than the standard multiplex in that it will show independent, foreign, and locally produced films and documentaries at lower admission prices. The Cinema will complement the surrounding area cinemas to offer Worcester residents and visitors a personal and immersive movie-going experience. Although funding data is specific to Worcester Massachusetts, the model for The Cinema can be applicable to any city in Massachusetts with comparable demographics and building characteristics that does not have already have a community cinema.

A. Offer a Variety of Programming Options

Differentiating entertainment offerings from multiplex theatres is a crucial part of the business model for The Cinema. This can be achieved by offering a diverse selection of film screenings and a variety of weekday events that will encourage people to gather at The Cinema and to engage and interact with

their larger community. Products and service offerings are based on the programming and events offered at CinemaSalem, and the Luna Theater.

The Cinema will provide comfortable seating for its customers to view high quality, first-run, classic, foreign, documentary, and locally directed films. The Cinema can collaborate with community agencies and educational institutions to screen locally directed films and host discussion-based screenings. Films are shown every day of the week, with one screening per day Monday through Wednesday, two screenings on Thursdays, and three screenings per day on Saturday and Sundays. The Cinema can collaborate with community agencies and educational institutions to screen locally directed films and host discussion-based screenings. In addition to film screenings, The Cinema will host a variety of free weekly events. An assortment of quality, reasonably priced snacks and beverages will be available for purchase during both film screenings and community events.

Products Include:

- Movie screenings
- Private theatre rentals
- Daily events
 - Monday: Open Mic
 - Tuesday: Trivia
 - Wednesday: Documentary and Discussion
 - Thursday: Game Night
 - Friday: Kids and Crafting Afternoons

Services Include:

- Private theatre rentals

- On-screen advertising opportunities

Hours of Operation

According to the Downtown Worcester Theatre District Master Plan, Worcester is striving to be an 18-hour city with a vibrant entertainment and cultural environment (Crosby, et. al, 2012). The Cinema will match this vision for Worcester. The Cinema is will be open seven days a week and offer residents and visitors daytime and evening entertainment options.

Suggested hours of operation are:

- *Monday-Thursday*: 6:00 pm until 30 minutes after the conclusion of the film showing for the week.
- *Friday*: The Cinema will open at 3:30pm to cater towards youth and will close 30 minutes after the last evening showing
- *Saturday*: 4:00pm to 30 minutes after the conclusion of the final film showing for the week
- *Sunday*: 11:00am to 30 minutes after the conclusion of the final film showing for the week.

B. Equitable Pricing Structure

It is recommended that The Cinema offer admission and concession prices that will attract various populations of Worcester and the greater region, and foster an inviting and inclusive environment. The following prices are based off of The Luna Theater in Lowell, Massachusetts which has similar demographics to Worcester, and the Capitol Theatre.

- Movie Admission Ticket
 - \$10 general public

- \$8.75 student/senior
- Theatre Rental
 - Weekdays: \$250/hour
 - Weekends: \$300/hour
- Concessions
 - Popcorn
 - \$3 small (24 oz)
 - \$5 large (48 oz)
 - Boxed Candy: \$2
 - Beer/Wine: \$5/glass
 - Bottled Soft Drinks: \$2
- On-screen Advertising
 - \$300/month minimum six months

C. Strategically Locate in a Historic Building

Worcester, Massachusetts was once home to thirteen movie theatres.

As of March 2018, only four of the original theatres remain, none of which show films. Two have been restored and are currently in use: The Palladium, a live music venue, and the Hanover Theatre, a live performing arts venue. The Vernon Theatre is undergoing renovations to be converted into apartments. The last theatre, Lothrop's Opera House, also known as the Olympia Theatre, currently sits vacant, but could be a potential location for The Cinema.

Lothrop's Opera House, also known as the Olympia Theatre, located at 17-27 Pleasant Street, opened in 1891, and is the oldest surviving theatre structure in Worcester. It is a four-story structure with three commercial storefronts on the ground floor. Its brick façade is a characteristic of 19th century theatre architecture (Lothrop's Opera House, n.d).

Lothrop's was listed in the Downtown Urban Revitalization Plan as a structure to be demolished. BSC Group (2016) cites that the exterior features of the building are not architecturally significant and do not contribute to the historical context of the [downtown] area (46). Restoration of this building would require substantial capital investment. The city of Worcester estimates renovation costs will total \$15 million dollars, but the demolition of Lothrop's Opera House would be a greater loss to the city's history and character than the redevelopment expenses. The commercial storefronts would supplement operating expenses for a developer, and due to the theatre's large size it could be split into several theatres to offer more variety of screening options for audiences. The Somerville and Capitol Theatres may serve as examples for this size of a project.

Mission Chapel, located at 205 Summer Street is another prospective location for The Cinema. Listed on the National Register of Historic Places, this historic building has been on the market since 2009. This building is central located to downtown, the freeway, and Union Station to attract a large customer base.

Other potential locations for The Cinema include:

- The Little Theatre, Worcester Memorial Auditorium, Lincoln Square
- The Worcester Market Building, 627 Main Street

All of these locations require site control and significant capital for redevelopment activities. A historical building is a recommended location for

The Cinema as it will attract tourists and new residents. It would be beneficial to choose a location that has the space to expand into and increase the number of screens to show a wider variety of films to audiences. The Cinema can be positioned as an anchor organization for a mixed-use and adaptive reuse project. The Cinema will bring a beautiful building back to life while creating a stronger and more resilient community by serving as an inclusive entertainment space in Worcester.

D. Pursue a Combination of Funding Sources

Cinemas operate with a slim profit margin. On average, 50 percent of revenues from admission sales is returned to film distributors for film licensing or rental fees. The subsequent table presents a sample 7-year pro forma for The Cinema (see Table 2). Revenue numbers are based off admission and concessions prices from the five theatres analyzed. Expenses are created from general research and input from theatre owners and managers. The property taxes are based on the Fiscal Year 2018 Commercial Tax Rate of \$34.03 per \$1,000, using 205 Summer Street. Appendix B provides a sample operating budget and delivers a more in-depth breakdown of revenues and expenses.

Table 2. Sample Seven-Year Pro Forma

Line Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Revenues							
Movie Admission Price	\$10	\$10	\$10	\$10	\$10	\$10	\$10
Capacity	90	90	90	90	90	90	90
Occupancy	50.00%	55.00%	59.00%	62.00%	65.00%	67.00%	70.00%
Total Ticket Sales Revenue	\$292,500	\$321,750	\$345,150	\$362,700	\$380,250	\$391,950	\$409,500
Less Movie Distribution Fees (50% of sales)	\$146,250	\$160,875	\$172,575	\$181,350	\$190,125	\$195,975	\$204,750
Concessions	\$184,660	\$193,893	\$201,279	\$206,819	\$212,359	\$216,052	\$221,592
Theatre Rentals	\$14,400	\$15,120	\$16,632	\$18,295	\$20,125	\$22,137	\$24,351
On Screen Advertising	\$9,000	\$9,450	\$9,923	\$10,419	\$10,940	\$11,487	\$12,061
Total Revenues	\$354,310	\$379,338	\$400,409	\$416,883	\$433,548	\$445,651	\$462,754
Expenses							
Payroll	\$172,900	\$181,545	\$190,622	\$200,153	\$210,161	\$220,669	\$231,703
Concessions	\$41,550	\$47,783	\$49,445	\$50,691	\$51,938	\$52,769	\$54,015
Marketing	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Utilities	\$37,800	\$40,446	\$43,277	\$46,307	\$49,548	\$53,016	\$56,728
Insurance	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000
Taxes*	\$12,706	\$12,706	\$12,706	\$12,706	\$12,706	\$12,706	\$12,706
Loan Payment	\$13,101	\$13,101	\$13,101	\$13,101	\$13,101	\$13,101	\$13,101
Replacement Reserve	\$16,603	\$17,479	\$18,158	\$18,848	\$19,573	\$20,313	\$21,113
Total Expenses	\$348,661	\$367,060	\$381,309	\$395,807	\$411,027	\$426,575	\$443,366
Net Operating Income	\$5,649	\$12,278	\$19,100	\$21,076	\$22,521	\$19,076	\$19,388

*assuming 100% TIF for 10 years

Viable cinema operations should include a combination of debt and equity investment, public and private investment. A compilation of potential financing sources from various local, state and federal programs that may be used to subsidize cinema operational activities in addition to traditional bank loans are below.

The City of Worcester's Economic Development Incentive Program

A collaborative effort between the City of Worcester, and the Commonwealth of Massachusetts' Office of Business Development, the Economic Development Incentive Program (EDIP) provides local and state tax incentives to businesses that choose to locate, expand or relocate in or to Worcester. Projects must show the potential to increase property values as a result of new investment, and create new jobs for Worcester residents. A community cinema would meet both of these requirements. As outlined in the sample annual operating budget (Appendix B), The Cinema would create six new employment opportunities for Worcester residents. Any investment in building upgrades to locate a cinema would result in increased property value.

The Financial Benefits of the EDIP include:

“Abandoned Building Tax Deduction

If the project involves the renovation and reuse of an abandoned building in which 75% of the space has been vacant for a period of 24 months, the project may be entitled to receive a one-time corporate tax deduction equal to 10% of the cost associated with the renovation of the abandoned building.

Investment Tax Credit (ITC)

A 5% tax credit provided by the state for all types of businesses. The ITC applies to the cost of renovations of the real estate and to capital acquisitions having a depreciable life of four or more years.

Local Property Tax Relief

A TIF Agreement may allow relief from new taxes attributable to the increment generated by the private investment, or a special property tax assessment schedule ranging from 0% to 100% of the total valuation.” (Economic Development Incentive Program, 2018).

The City of Worcester’s Microloan Program

The objective of the Microloan Program offered through the City of Worcester is to support businesses through providing short and long-term, fixed-rate, low-interest loans to qualified borrowers. Loan amounts range from \$5,000 to \$10,000 with terms ranging between one to ten years. Similar to the Section 108 Loan guarantee program, eligible projects must meet one of the three national objectives of the CBDG program:

1. Principally benefit low- and moderate-income persons, or
2. Aid in the elimination or prevention of slums or blight, or
3. Meet urgent needs of the community

Preference is given to applicants whose business will occupy available vacant space (Microloan Program, n.d.).

The City of Worcester’s Small Business Grant Program

New small business owners whose businesses occupy vacant space in the Commercial Area Revitalization District, are eligible for forgivable loans ranging from \$10,000-\$30,000 dollars, depending on the total square footage to

be occupied. Businesses must be located in a first-floor store front, and have an emphasis towards the creative economy. The Small Business Grant Program is funded through the city's CDBG program, and again must meet one of the three National Objectives of the CDBG program:

1. Principally benefit low- and moderate-income persons, or
2. Aid in the elimination or prevention of slums or blight, or
3. Meet urgent needs of the community

HUD Section 108 Loan Guarantee Program

The Section 108 Program allows the City of Worcester's Executive Office of Economic Development to transform a portion of their Community Development Block Grant (CDBG) funds into federally guaranteed loans in order to pursue physical and economic revitalization projects capable of renewing entire neighborhoods. All projects and activities must meet one of the three National Objectives of the CDBG program:

1. Principally benefit low- and moderate-income persons, or
2. Aid in the elimination or prevention of slums or blight, or
3. Meet urgent needs of the community (HUD Section 108 Guarantee Program, n.d.)

According to the Section 108 Loan Guarantee Program Fact Sheet "one of the best uses of the 108 program is to provide gap financing for projects that promote business growth and create jobs." A community cinema will create at least new six employment opportunities of which at least 51 percent will be made available and held by low to moderate income persons.

The maximum Section 108 Loan Guarantee amount is 80 percent of the conventional loan to value amount, or the minimum amount required to move a project forward. Applicants must demonstrate a financing gap, and must demonstrate the ability to manage the anticipated debt service (HUD Section 108 Loan Guarantee Program, n.d.). Although it operates on a narrow profit margin, The Cinema is a profitable endeavor and will be able to manage the anticipated debt service.

Massachusetts & Federal Historic Tax Credits

The Massachusetts Historic Rehabilitation Tax Credit program “allows the certified rehabilitation of an income-producing property to receive up to 20% of the cost of certified rehabilitation expenditures in state tax credits.” (Preservation Massachusetts, n.d.). Tax credits can be sold to third party investors for funds that can be put back into a project. This program is a critical tool for preservation projects and economic development throughout Massachusetts. State tax credits can be combined with Federal Historic Tax Credits, which also offer up to 20 percent. The rehabilitation of historic properties face investor and lender bias due to higher renovation costs, design challenges and weaker market locations (National Trust for Historic Preservation, n.d.).

Worcester Arts Council Project Grants

The Worcester Arts Council issues grant funding for projects and programs that demonstrate a tangible benefit to Worcester residents (Arts & Culture Grants, 2018). The mission of the Worcester Arts Council is to “promote excellence, access, education and diversity in the arts, humanities and interpretative sciences to improve the quality of life for Worcester residents and contribute to the economic vitality of [Worcester]” (Worcester Arts Council, 2018). The Cinema would be able to apply for funding to host specific film screenings and discussion events.

Financing sources available only for nonprofit organizations include:

Massachusetts Cultural Facilities Fund

The Capital Grants Program, part of the Massachusetts Cultural Facilities Fund through Massachusetts Cultural Council provides funding to

“assist with the acquisition, final-stage design, construction, repair, renovation, rehabilitation, or other capital improvements or deferred maintenance of cultural facilities in Massachusetts. The goal of this program is to promote the development of cultural facilities that are thoughtfully planned and developed, contribute to the cultural and economic lives of their communities, have a transformative impact on the community, and are supported by significant matching contributions from the private sector” (Massachusetts Cultural Council, 2018).

The Capital Grant Program offers grant funds for site or facility acquisition, the repair, rehabilitation or renovation of existing properties, and the purchase of major equipment or integrated systems. (Massachusetts Cultural

Council, 2018). The Capital Grants program has the potential to be a significant source of financing for a nonprofit community cinema. Funds could be leveraged to offset costs of site acquisition, development costs, and necessary system upgrades such as sprinkler systems.

Mass Humanities Project Grants

Mass Humanities supports public humanities projects that benefit and engage Massachusetts residents and enhance and improve civic life. A nonprofit cinema organization would be able to apply for a Project Grant for up to \$7,500 dollars to fund film-and-discussion events (Mass Humanities, n.d.).

Massachusetts Preservation Project Fund

This is a state-funded grant aimed to support the preservation of historic properties listed in the State Register of Historic Places. Nonprofit organizations are eligible to receive reimbursement for up to 50 percent of material and labor costs of the stabilization, rehabilitation and restoration of historical cultural resources (Massachusetts Preservation Projects Fund, 2018).

Public Crowdfunding

Crowdfunding is an additional stream of funding that uses a cyber-platform to solicit donations from community members. Often donors are invested in the viability and success of the organization fundraising. When Hollywood studios decided to distribute films only in digital format, independent cinemas turned to crowdfunding to obtain the expensive upgrades to digital

projectors. (Jofesy, et. al, 2017). In 2012, CinemaSalem ran a crowdfunding campaign to raise funds to convert their theatre equipment into digital projectors and digital surround sound and raised \$68,000 dollars from just over 1,000 people. The Strand Theatre in Clinton, Massachusetts raised \$15,000 from just over 125 people in 15 months to restore their historic marquee. Crowdfunding can be leveraged to raise additional capital for project feasibility.

Table 3. displays the general funding sources for which The Cinema would be eligible, and Table 4. outlines the funding sources available specifically for a nonprofit cinema organization.

Table 3. Financing Sources

	Funding Source	Amount	Uses	Requirements
Economic Development Incentive Program	City of Worcester & Commonwealth of Massachusetts' Office of Business Development	-10% deduction of costs associated with renovation of Abandoned Building -5% tax credit applicable to acquisition and development costs -Up to 100% in local property tax relief	Capital Expenditures	Project must - Create jobs for Worcester residents - Increase Property Values
Microloan Program	City of Worcester's Community Development Block Grant funds	\$1,000-\$10,000	-Construction - Purchase of Equipment - Purchase of Inventory - Remediation - Working Capital	Meet at least one of the three objectives of the CDBG program: Benefit low- and moderate-income persons, or - Aid in the elimination or prevention of slums or blight, or - Meet urgent needs of the community
Small Business Grant Program	City of Worcester's Community Development Block Grant funds	\$10,000-\$30,000		-Located in first floor storefront property -Focus on creative economy -Meet at least one of the three objectives of the CDBG program (see above)
HUD Section 108 Loan Guarantee Program	City of Worcester's Executive Office of Economic Development CDBG Funds, United States Department of Housing and Urban Development	80% of the conventional loan to value amount, or minimum amount required to move a project forward	Capital Expenditures	- Demonstrate Financing Gap Meet at least one of the three objectives of the CDBG program (see above)
Massachusetts & Federal Historic Tax Credits	Massachusetts Historical Commission	Up to 20% of total rehab costs in tax credit, can be sold to third-party investors	Capital Expenditures	-Income producing property -Listed n National Registrar of Historic Places, or located in a National Registrar Historic District
Worcester Arts Council Project Grants	Massachusetts Cultural Council	\$250-\$6,000	Events	-Demonstrate benefit to Worcester residents

Table 4. Funding Sources for Nonprofit Cinema Organizations

	Funding Source	Amount	Uses	Restrictions/ Requirements
Capital Grants Program, Massachusetts	MassDevelopment, Mass Cultural Council	\$250,000- \$675,000	Capital Expenditures	Nonprofit Cultural organizations 1:1 Cash match
Project Grant	Mass Humanities	Maximum \$7,500	Events	-Municipality or nonprofit organization - Applicant must demonstrate a cash cost-share that equals or exceeds 10 percent of the MH funds requested
Massachusetts Preservation Projects Fund	Commonwealth of Massachusetts, Massachusetts Historical Commission	\$7,500 to \$100,000	-Site Acquisition -Development Projects: building preservation, building code compliance, and barrier-free access	-Municipality or Nonprofit organization -Property must be listed in the State Register of Historic Places

Organizational Structure

The Cinema has the potential to be structured as a sole-proprietorship, limited liability corporation, or nonprofit organization. The Limited Liability Company (LLC) structure is recommended, as it allows for flexibility in business operations and the protection of the owner’s assets. The Cinema can be committed to the Worcester community even if it is not operated as a nonprofit organization.

VII. Conclusion

Lewis (2001) raises the question as to whether a film is a commodity or service. He defines a commodity as “something whose value to the consumer is both material and immaterial, something that both enhances the self and can be used to communicate or signify to others” (p. 14). The activity of going to the movies often has to compete with mass entertainment, performing arts, and other leisure activities, but has remained a prevalent leisure interest even with shifting lifestyle preferences and technological advances. Cinemas provide the highest quality of entertainment at the lowest possible price (Melnick & Fuchs, 2004, p. 193).

Independent cinemas fill the role of a necessary third place: a space separate from home and work places, where people from different demographics can come together for a stimulating collective experience. Independent cinemas have immeasurable worth in fulfilling the need for an inclusive cultural entertainment spaces in cities, all vital to a city’s economic development efforts. Location, building characteristics, form of ownership, and diverse programming are all critical elements of an independent cinema’s business model that ensure viability. There is a market for a community-centered independent cinema in Worcester, Massachusetts which will serve as an accessible entertainment space while preserving the moviegoing experience for current and future audiences.

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Appendix A. Sample Qualitative Interview Protocol

“For this interview, the goal is to learn about various business models of independent cinemas that remain in operation. I’d like for this interview to be flexible, and to learn more about your role and expertise in managing and running an independent cinema. If you feel I have neglected to inquire about a specific part of your role, please let me know. In addition, if you feel uncomfortable answering any question, please let me know and we will move on to the next. With your help, I hope to develop a better understanding of the successes and challenges in running an independent cinema, and the specific business model you operate under to maintain a viable cinema business.”

*Note: specific questions are tailored here, not all questions will be asked depending on the individual participant. Probing questions are indented.

Individual Participant Roles

Please describe your business

Number of Employees? Years in business?

How many screens does [cinema] have? What is the capacity of [cinema]?

What type of business ownership do you have, sole proprietorship, partnership, corporation?

What are the advantages of this form of business ownership?

Where did your organization’s funding/capital come from and how did you go about getting it?

How did you obtain investors for your venture?

How did you get started with the [cinema]

What is your background? Education, Work Experience

Internal Challenges

How do you go about marketing your business? What has been your most successful form of marketing?

What are the biggest issues in running an independent cinema?

Resources? Funding? Customer base?

Where do you see your business in the next year? In the next five years? The next ten years?

Solutions to Challenges

To what do you attribute your success?

What is the future for this type of business?

What is a cinema’s connection to greater community development?

If you had one piece of advice to someone just starting out, what would it be?

“Thank you for your time. Do you have any questions for me, or care to add anything else?”

Appendix B. Sample Annual Operating Budget

Annual Revenue				
Ticket Sales	\$10	90 seats	assume 50% capacity per show, 13 shows/week, 50 weeks/year	\$292,500
<i>Less Distribution Fees</i>	50%			\$146,250
Ticket Sale Revenue				\$146,250
Movie Concession Sales	\$10		assume 70% of customers spend \$7 on concessions per show	\$114,660
Event Concession Sales	\$10		assume 20 people/event, 5 events/week, each spend \$7	\$70,000
Theatre Rentals	\$200	hour	Two 3-hour events/month *12	\$14,400
On Screen Advertising	\$300	month	Five organizations, each advertise for six months	\$9,000
TOTAL REVENUE				\$354,310
Annual Operating Expenses				
Staff				
General Manager/Owner	\$30	hourly	30hours/week*50wks/year	\$45,000
Creative Director	\$25	hourly	20hrs/week *50 weeks/year	\$25,000
Custodial Services	\$20	hourly	3hrs/week * 50	\$3,000
Ticket/Concessions	\$15	hourly	4 PT Staff: 20 hours/week	\$60,000
<i>Fringe Benefits</i>			30% of staff expenses	\$39,900
Total Staff				\$172,900
Concessions				
Popcorn	\$60	50 lbs	50lbs week, 50 weeks/year	\$3,000
Candy	\$0.54	box	150 boxes/week *50	\$4,050
Alcohol	\$2.00	glass	180 people/week * 50	\$18,000
Soft Drinks	\$0.50	bottle	180 people/week* 50	\$4,500
Paper Goods	\$1,000	per month		\$12,000
Total Concessions				\$41,550
Marketing	\$500	per month	Social/print media	\$6,000
Utilities				
Electric	\$2,000	per month		\$24,000
Gas	\$400	per month		\$4,800
Water/Sewer	\$750	per month		\$9,000
Total Utilities				\$37,800
Insurance	\$2,000	per month		\$48,000
Taxes				\$12,706
Loan Payment	\$1,092	per month	10 % of annual NOI 20 year term 8.5 interest	\$13,101
			Subtotal	\$332,058
Replacement Reserve				\$16,603
TOTAL OPERATING COSTS				\$348,661
NET OPERATING INCOME				\$5,649