

SANDUSKY STATE THEATRE RESTART REPORT

An independent assessment of current conditions, challenges, and pathways to reopening



*Commissioned report to Greater Sandusky Partnership
Prepared by Einhouse Consulting, LLC
June 16, 2025*

Einhouse
CONSULTING LLC





Dear Community Members, Partners and Supporters,

The Greater Sandusky Partnership (GSP) was created in part to bring the experience and perspective of the business community to help solve complex regional challenges. One such challenge is the future of the Sandusky State Theatre. The Theatre is more than a historic landmark; it is a cultural anchor that draws people to our downtown, supports local businesses, and enriches the vibrancy and identity of our region through the performing arts.

The State Theatre is a critically important community asset. It has long served as a gathering place, an artistic hub, and an economic engine for our downtown. In the wake of the devastating 2020 storm damage, there has been no shortage of public attention and discussion about its future. Unfortunately, that dialogue has often been shaped by speculation and incomplete information.

As the area chamber, GSP felt a responsibility to provide clarity and support the efforts of the Sandusky State Theatre Board as they move closer to completion. That is why we engaged Tom Einhouse, a nationally respected leader in historic theatre restoration with more than four decades of experience, including leadership roles at Playhouse Square in Cleveland, to conduct an independent, fact-based review. The enclosed report is the result of his work, and it outlines what brought us to this moment, what challenges remain, and what opportunities lie ahead.

Much of what has transpired has been outside of the Theatre's control, from unprecedented insurance delays to the sheer complexity of restoring a century-old building. But the path forward is one we can shape together.

This is a pivotal moment for our region. We are calling on civic and business leaders alike to come together to ensure the Sandusky State Theatre can once again open its doors and provide high-quality cultural programming for the next 100 years. Let's rally for the future of this iconic space and for the vibrancy of our community.

A handwritten signature in black ink that reads "Duff Milkie".

Chairman of the Board
Greater Sandusky Partnership

A handwritten signature in black ink that reads "Eric Webber".

Chief Executive Officer,
Greater Sandusky Partnership

The **Greater Sandusky Partnership (GSP)** commissioned **Einhouse Consulting, LLC** to conduct an independent assessment of the **Sandusky State Theatre (SST)** restoration project. The goal was to evaluate the current state of the stalled construction, estimate the cost to complete the project, and outline the operational needs and funding required to reopen and sustain the theatre.

The State Theatre, a historic 1,500-seat landmark built in 1928, suffered damage in a 2020 storm, prompting a multi-year effort to rebuild. While initial remediation and design phases progressed with community support and insurance backing, the reconstruction phase, led by contractor GC3 Builders, became fraught with their management failures, leading to undisclosed budget overruns resulting in contract disputes.

Key findings include:

- The theatre is approximately 75% complete.
- The contractor could not provide an accurate estimate of cost over-runs, giving the theatre ranges from \$2.7M to \$7.6M within a short window of time and without sufficient justification or documentation.
- SST was forced to dismiss GC3 for breach of contract in August 2024 and has filed a formal claim against their performance bond.
- A significant portion of the cost overruns and delays stemmed from lack of proper change order processes, conflicts of interest with the Owner's Representative, and incomplete or missing documentation of critical building components.

The analysis and cost-to-complete estimates were developed with support from John G. Johnson Construction and with input from SST staff, board members, subcontractors, and the project architect.

Recommendations:

1. Engage a new Construction Manager with proven experience in historic restoration, cost control, and transparency.
2. Utilize a Guaranteed Maximum Price (GMP) contract structure with clear accountability.
3. Hire an independent and experienced Owner's Representative to oversee construction, schedule, and quality.
4. Proceed based on the outcome of the ongoing surety investigation, expected to conclude by July 2025.

The report acknowledges the extraordinary challenge of rebuilding under crisis and commends the high quality of completed work. With proper leadership, funding, and oversight, the Sandusky State Theatre can move toward completion and once again become a cultural and economic anchor for the region.

All information contained in this report is based on conversations and documentation provided by Sandusky State Theatre staff, board members, and subcontractors.

SANDUSKY STATE THEATRE RESTART REPORT

Einhouse Consulting LLC has been engaged by the **Greater Sandusky Partnership (GSP)** to assist the **Sandusky State Theatre (SST)** in determining the cost to complete the stalled renovation of the theatre, as well as fixed and supplemental costs to maintain operations, start-up of programming and business until the theatre begins to earn revenue at a level to become self-sustaining. The goal of this study is to define these costs via detailed analysis of existing data, as well as staff, board member, and sub-contractor input. Background and milestones are provided to support the current state and suggested options for completion.

The team that developed this report includes Einhouse Consulting, John G Johnson Construction, SST staff, and SST board. Input was sought from all parties that worked on the project including the architect of record, sub-contractors, consultants and equipment providers.



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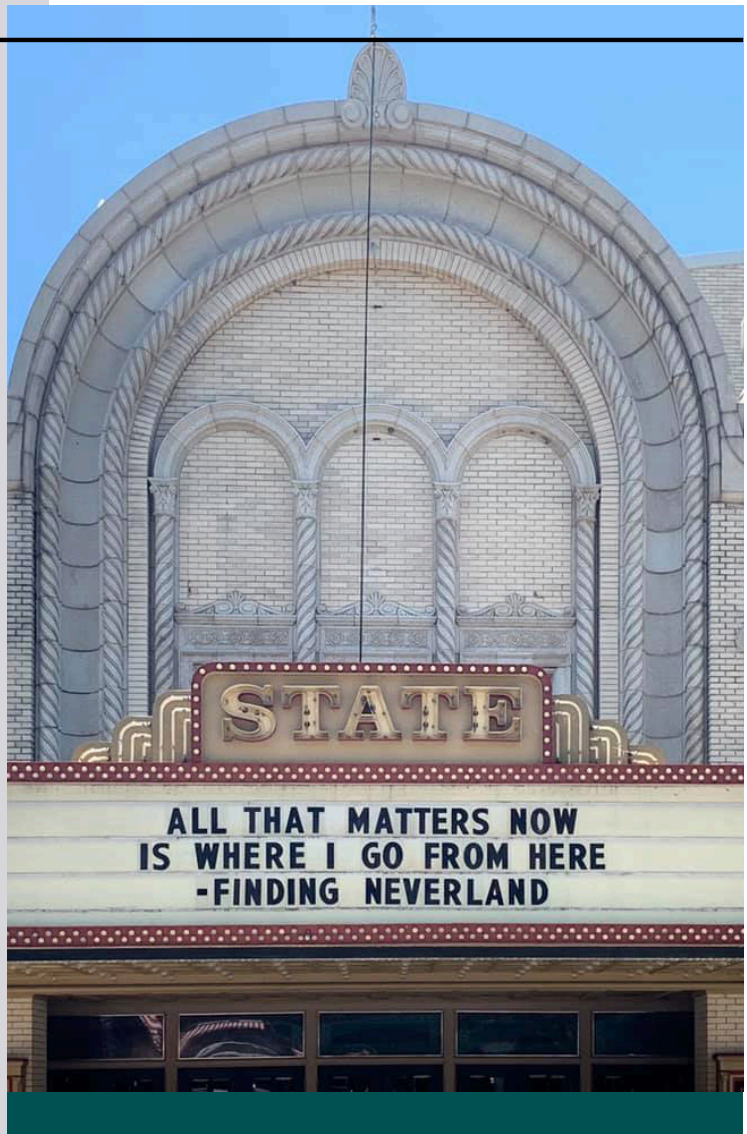
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BACKGROUND

On June 10, 2020, a severe storm came across Lake Erie and caused extensive damage to the 1,500 hundred-seat, 1928 Landmarked historic SST. The damage was extensive. The entire stage house was leveled and the front of the auditorium from the balcony rail to the proscenium was heavily damaged by the partial collapse of the roof and related ceiling areas. The collapse also caused a water main break resulting in significant flooding of the entire theatre basement.

Many in the community gathered immediately following the storm, including local contractors who sprang into action to help make the site safe and secure. With the remaining structure determined to be viable, there was no question that the theater would be rebuilt. With the benefit of casualty insurance coverage, the theater called on its representative from Westfield Insurance to begin an assessment.

The first step was to stabilize the theatre and protect it from further environmental damage. On the recommendation of the Westfield adjuster, GC3 Builders of West Des Moines, Iowa was brought in to stabilize and protect the remains of the theatre. With catastrophic remediation being the expertise of the contractor, this phase of the engagement went well.



While the stabilization was under way, the theater set about interviewing and selecting an architect to begin designing the restoration. DLR Architects was selected from a field of three firms.

This award was based on cost as well as their extensive theatre and performance venue expertise, along with having the heart of that practice located in Cleveland, Ohio.

Continued on next page....

BACKGROUND



DLR provided a feasibility and community input report to provide the theater with an understanding of available funding sources that could be realistically accessed and achieved, (insurance proceeds, Historic Tax Credits, philanthropic contributions, grants, etc.). Based on the results, a design was developed taking into consideration long term financial stability and earned revenue potential in addition to preservation and restoration. The carefully planned design accommodated the expansion of an undersized stage and support spaces, which would allow the theatre to expand its programming and economic viability. Additionally, a modest second stage was planned to retain and expand the ability of the theater to provide more intimate programming of the previous "State Room." Much needed audience circulation space was designed to eliminate the constant challenge of lobby crowding, and the rework of outdated and insufficient restrooms and concession areas were included in the rebuilding plans. A modest gallery space, a corner speakeasy, and outdoor terrace areas were incorporated into the design, with all renovations and additions planned to provide additional sources of sales or rental revenue to support financial viability of the theater.

These plans were put out for bid, with three construction firms providing responses. Based on their previous performance of the stabilization phase, including their established relationships with several local subcontractors, familiarity with the site and project, and their claims of favorable pricing based on their cost estimate and related expertise, GC3 Builders was selected to perform the restoration/reconstruction phase.

RENOVATION MILESTONES

A. From Storm to Remediation

April 2021

The contract was signed with DLR Architects to design the restoration, and rebuilding was based on a budget of \$15M. The Owners Representative who signed to represent the interest of the theater is a well-respected local architect with previous theater history and who was a member of the rebuild committee since the collapse the previous year.

April 2021 - March 2022

Remediation and stabilization of theatre site continued with GC3 builders completing on time and slightly under budget. GC3 Builders was selected for the full rebuild from a field of three contractors based on their familiarity from the first phase of the project and their performance of that phase. A rebuild budget of \$15.5M was developed from a complete set of schematic drawings, and subcontractor bids were sought to validate budget pricing. A favorable completion date was also within their proposal.

March 2022

Design development progressed, and GC3 reported that the detailed design exceeded their budget estimate. GC3 stated they would work with the mechanical contractor to bring pricing in line with the budget.

B. From Reconstruction Kick-off to Present

April 2022

A public groundbreaking ceremony to mark the beginning of the reconstruction phase was conducted with leadership representatives from the theater, GC3, DLR, local community leaders, donors, and city and state government officials.

May 2022

May 5, 2022: The cost-plus contract of \$15.5M was signed with GC3 Builders via start up agreement/memo of understanding so work could commence while a full contract was being developed. The Design Development (DD) and Construction Documents (CD) were in process but not yet complete. GC3 was to contract directly with and pay all construction subcontractors, and bill SST monthly with detailed invoices/pay applications showing what was being completed each month by each subcontractor. The owner's representative, insurance representative and DLR were contracted to provide review and approval of invoices. SST retained direct contracts only with selected technical vendors.

July 2022

As work commenced, the Owner's Representative informed the theatre he would like to step away from that role for personal reasons. Around the same time, the CEO of GC3 left the company and became an independent Owner's Representative.

August 2022

Meeting with insurance consultant took place and included discussion of the need for an owner's rep to protect theater interest, Tom Nadler was brought up by the consultant as potential option due to familiarity with project.

RENOVATION MILESTONES

September 2022

SST put out bid requests for owner's reps, insurance company advised theater they would pay the cost for Tom Nadler as owner's rep. SST documented due diligence and accepted this as the most cost effective and efficient decision at the time. Tom Nadler owner's rep contract was signed.

Sept 2022 - March 2023

Construction proceeded with progress seemingly on track. Issues that arose were resolved along the way, and there was no indication of budget issues until March, when the board was informed that cost savings were being pursued, and a half day budget review meeting was set previewing a potential issue with cost.

April 2023

GC3 called a meeting to reveal that the project was in fact running approximately 60% over budget. All interested parties, including board, staff, DLR Architects, GC3 Builders and subcontractors explored all available options to reduce costs. Due to the construction progress, price-reducing options were limited and offered little relief.

May 2023

With all price reduction options exhausted, and SST exploring additional funding opportunities, SST and GC3 signed a change order for a \$23.5M Guaranteed Maximum Price (GMP) to complete the project. Within this GMP change order, SST incentivized GC3 to find cost savings to come in below the GMP wherever possible, and work proceeded.

October 2023

The Owner's Representative became one of the new owners of GC3 Builders, but did not disclose this to SST.

Nov - Dec 2023

A major dispute developed regarding neighboring property and incorrect placement of new transformers for theater, resulting in need to relocate at significant cost, and disagreements regarding fault. The SST paid full cost to get the additional work for relocation completed so as not to delay the project, but reserved rights to continue to pursue responsibility with DLR, GC3 and other involved parties. This was a major focus of attention during this time.

January 2024

The Owner's Representative disclosed his ownership interest in GC3 since the fall and was dismissed by the board in that role. However, in "aligned interest" of the theater, he was allowed to continue finalizing procurement of remaining insurance proceeds and ongoing discussions with architect regarding costing issues.



RENOVATION MILESTONES

February 2024

February and March 2024: The former Owner's Representative, now GC3 owner, presented an estimated \$2.7M cost overrun to the board. He blamed DLR Architects for the overrun, with no indication the theater is responsible for these costs. DLR then met with SST executive board representatives to share objections and demonstrate GC3 failures. SST Board directed DLR and GC3 to collaborate and work out a solution and meet the terms of the GMP contract. At this time, based upon representations from GC3, SST's understanding was that the theater would be usable by August 2024, and was actively pursuing contracts for opening acts and programming throughout the fall.

March 2024

In late March 2024, GC3 and DLR were having a conflict about how the project would be completed at the contracted price. GC3 moved the project completion date to the 3rd quarter 2024, however this information was not shared with SST until June 2024.

April 2024

December 2023 through April 2024: Construction continued. April 2024: The monthly pay application was unusually large but aligned with GMP costs. GC3 sent 22 pages of change orders to SST including for the cost overruns previously attributed to the architect. These had not been previously seen or signed. Many of the change orders were for work completed or in progress, and GC3 now claimed these were outside the terms of the GMP.

May 2024

SST learned from 2 key subcontractors that GC3 was behind in their payments to the subcontractors, and is forced to take emergency action to draw on a line of credit and direct pay key subcontractors approximately \$853K to avoid liens being filed. SST informed GC3 and received approval to make these direct payments outside of the normal payment process, and demanded immediate improvement in process and communication, and requested meetings and finalization of accountabilities for cost over-runs to honor the GMP.

June 2024

June 28, SST was informed by GC3 that the project could be as high as \$6M over budget. GC3 offered to reduce their profits on all future construction, but it was still not clear what the actual cost would be and who would be responsible. SST immediately directed GC3 to slow work and spend except what was needed for safety, security, and main auditorium progress, until cost validation and solutions were agreed upon.

July 2024

Urgent in-person meetings with GC3 and SST leadership were conducted in attempt to negotiate a solution. This failed when GC3 refused accountability for overspending without theatre approval/change orders. The July pay app received in early August for work conducted during July was very large, demonstrating that GC3 did not take the directed action to slow spending.

RENOVATION MILESTONES

August 12, 2024

GC3 stated that the project was now \$7.6M over budget. GC3 insisted SST show proof of additional funding to cover the millions of overspend and threatened to abandon the project. GC3 had not provided any cost breakdowns or evidence of how the overruns tied to the CDs. SST retains counsel with expertise and a proven track record in construction disputes to advise and represent them due to the seriousness of the situation.

August 16, 2024

GC3 CEO sent an email with notice of immediate work stoppage, which would only resume if SST provided proof of funding, or agreed to a supplemental agreement amending the contract.

August 19, 2024

Without informing SST, GC3 sent messages to all subcontractors to stop work the following day.

August 23, 2024

After exhausting all attempts to solve the issue, and with the careful guidance of the construction attorney, SST informed GC3 that they had lost all trust, and they were likely in breach of contract. GC3 was dismissed from the project, and the surety was put on notice.

Aug - October 2024

Additional attempts to negotiate were made with surety present, but these fail when GC3 continued to deny any responsibility for exceeding cost without signed change orders or SST approvals.

November 2024

SST officially filed a claim against the performance bond with Old Republic Surety for breach of contract. The breach was ultimately confirmed by DLR Architect as the contractual arbiter of verifying any breach of contract between GC3 and SST.

December 2024 to date

With the activation of the surety process, a private firm was hired by Old Republic Surety Company to investigate the issues and determine liability. That process should be completed in July 2025.



PROCESS

At the request of the Greater Sandusky Partnership, a meeting was held at their office on February 10, 2025. At that meeting, key SST Executive Committee members shared a thorough background on the project from the time of the disaster through the shutdown.

With the mutual acceptance of an agreement to proceed, Einhouse Consulting was engaged. John G Johnson Construction joined the effort to provide a Probable Cost to Complete Estimate to complete the project from its current state, and to provide input and perspective regarding the outstanding claims.

For a period of about two months, weekly meetings were held in person and on Teams.

The weekly meetings included updates on discussion with the architect, sub-contractors, staff members, and board members.



FINDINGS

Projected costs to complete construction and reopen SST include: (Estimates do not account for potential surety support.)

- SST Direct Expenses
- Outstanding GC3 claims
- Estimate of monthly operating expenses
- Legal fees (surety, Historic Tax Credit compliance, tax credit accounting, other)
- Opening costs
- Construction estimates through completion

OBSERVATIONS & OPINIONS

Typically, the planning and implementation of a theater restoration project requires several years. The Sandusky State Theatre only had time to respond to a disaster and were forced to make hard decisions under unimaginable circumstances.

Author's note: Having 44 years of direct experience with the restoration of five historic theaters and the creation of several new venues, it would be unimaginable to undertake this in such short order and without the benefit of an organization that is well suited to take on such an endeavor.

GC3 served the SST well in the stabilization of the disaster-stricken areas of the theater. However, they failed to manage the project, maintain budgets, meet crucial deadlines, and execute the contracts during the restoration/rebuild phase.

Of note:

- It does not appear that the estimates provided by GC3 were developed with careful study of the construction drawings. This led to unexpected cost overruns.
- GC3 failed to include contingency costs in the estimate.
- Sub-contractors complained of non-payment despite funds made available by SST.
- The pay applications were essentially un-auditable. There was very little correlation between the contractor costs and the billings. Retainers were said to be held, but there was no evidence of this in the pay apps.
- Change orders were issued to subcontractors by GC3, exceeding the amounts being represented to the theater, without theater knowledge, review or sign off.
- The Owner's Representative was heavily conflicted in his dual role as owner of the GC3, a fact he withheld for months. He should have been looking out for the owner's (SST's) interest as though it was his own, but that was impossible.
- GC3 allowed an adversarial relationship to develop with the architect.
- The work in place appears to be top quality. It is recommended that the sub-contractors be engaged wherever possible to complete the project.
- During the development of the Probable Cost to Complete Estimate, JGJ discovered many building components were missing from either GC3's Pay Application or no evidence was discovered that GC3 submitted shop drawings of the specified materials and products to DLR Group for review and/or approval.

See next page for list of items...

OBSERVATIONS & OPINIONS

053100 Decorative Metal Railings
057313 Glazed Decorative Metal Railings
062023 Finish Carpentry
064113 Wood Veneered Faced Architectural Cabinets
064216 Flush Wood Paneling
071900 Water Repellents
072100 Thermal Insulation
072726 Fluid-Applied Membrane Air Barriers
074210.11 Composite Framing Support (CFS) Clip System
074123.23 Metal Composite Material Wall Panels
075423 Thermoplastic-Polyolefin (TPO) Roofing
078123 Intumescent Fire Protection
078443 Joint Firestopping
079100 Performed Joint Seals
079200 Joint Sealants
079219 Acoustical Joint Sealants
083113 Access Doors and Frames
083123 Floor Doors
083473.13 Metal Sound Control Door Assemblies
083475 Horizontal Sliding Sound Control Door Assemblies
088113 Decorative Glass Glazing
089119 Fixed Louvers
092900 Gypsum Board
093013 Tiling
096513 Linear Metal Ceilings
096400 Wood Flooring (Stage Flooring)
096519 Static-Control Resilient Flooring
096813 Tile Flooring
096816 Sheet Carpeting
097200 Wallcovering
098100 Acoustic Insulation
098436 Sound-Absorbing Ceiling Units
09960 High-Performance Coatings
102113.19 Plastic Toilet Compartments
102600 Wall and Door Protection
102800 Toilet, Bath, and Laundry Accessories
104413 Fire Protection Cabinets
104416 Fire Extinguishers

111313 Loading Dock Bumpers
111316 Loading Dock Seals
122413 Roller Window Shades
123623.13 Plastic-Laminate-Clad Countertops
123661.16 Solid Surfacing Countertops
123661.19 Quartz Agglomerate Countertops
264113 Lightning Protection



NEXT STEPS & RECOMMENDATIONS

1. While the historic auditorium appears in a more advanced stage of completion, our estimate is that the full construction project is approximately 75% complete. The outcome of the surety claim will establish the amount of funds available to complete the project. It is estimated that the project will take 11-13 months to complete from the time a contract is signed with a new Construction Manager.
2. Hire a qualified Construction Manager, with local knowledge, preservation expertise, impeccable budget and schedule accountability, excellent communication tools and practices, and a sterling reputation. It is recommended that the construction contract be Guaranteed Maximum Price with the Construction Manager at Risk.
3. A133-2019, Standard Form of Agreement Between Owner and Construction Manager as Constructor where the basis of payment is the Cost of the Work Plus a Fee with a Guaranteed Maximum Price. This contract is used on projects where a construction manager, in addition to serving as advisor to the owner, assumes financial responsibility for construction of the project.
4. Hire a qualified Owner's Representative, with relevant experience - one who carefully monitors costs, maintains the project schedule, demands quality craftsmanship, seeks creative and cost-effective solutions, values teamwork and knows how to bring the architect, contractor, government officials, and owners to consensus.



President, Einhouse Consulting, LLC