



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Dan McFadden

SUBJECT: THEATER PRESERVATION FUND

DATE: February 12, 2007

Approved

Ray Winer

Date

2/27/07

COUNCIL DISTRICT: District 3

SUBJECT: AMENDMENT OF CONTRACT WITH TEAM SAN JOSE.

RECOMMENDATION

1. Adoption of a resolution authorizing the City Manager to negotiate and execute an amendment to the contract with Team San Jose to reflect the establishment of the Theater Preservation Fund.

OUTCOME

Team San Jose is establishing a theater preservation fee, which will help protect and improve the condition of theaters managed by Team San Jose including the Center for the Performing Arts, California Theatre, Civic Auditorium and Montgomery Theater. A separate 501(c) 3 would be established to oversee the collection and distribution of the facility fee and theater preservation fund.

BACKGROUND

Team San Jose manages and operates the McEnery Convention Center and Cultural Facilities including the Center for the Performing Arts, Montgomery Theater, Civic Auditorium and California Theatre on behalf of the City.

As the operator of multiple City owned theaters, Team San Jose has discovered its venues are in need of significant capital improvements without a long term capital improvement plan. Because a capital improvement plan has never been developed, the need to preserve and upgrade the theaters is a necessity in order to remain competitive in the performing arts circuit. An aggressive capital Improvement plan is necessary to realize the vision of the thriving theater district and downtown area.

ANALYSIS

Implementing a facility/theater fee that would be placed on individual tickets sold would create an independent revenue stream for capital improvements and upgrades. A new 501(c)3 organization would be established to manage the facility fees.

Capital improvements and equipment purchases that enhance the customer's experience would be considered by the board of directors under the direction with the City Manager's Office and the RDA. Examples include:

1. Carpet installation in public areas
2. Reupholstered house seating
3. Upgraded sound system
4. Theatrical lights and supplemental equipment

Collected fees would not fund projects subject to "deferred maintenance". These items would continue to be managed by the City and repaired on a predetermined maintenance schedule.

1. Equipment that has outlived its expected use and need to be replaced (i.e. air conditioning systems, fire alarm systems, generators, etc).
2. Equipment that is irreparable and need to be replaced.

All projects will be reviewed by the City Manager's office and the RDA to determine responsibility and funding proposed projects.

Immediate revenue would be established and collected for all commercial sponsored bookings occurring after February, 2007. Non-profit sponsored bookings would begin their participation after September 1, 2007.

Management of Fund

A 501(c)3 would be established by Team San Jose to oversee the collection and distribution of the facility fee and theater preservation fund. A board of directors, representative of the theater's major tenants, would have the power to determine the use of such collected funds and ensure that they are used exclusively for the preservation of the City's theaters. Other board members will include one representative from the City and a representative from the Redevelopment Agency.

The Theater Preservation Fund would also have the ability to secure additional funds from granting foundations and building preservation groups. Seed money provided by the newly formed 501(c)3 would serve as an incentive to attract additional participants in supporting the theater's preservation. On larger projects, the Theater Preservation Fund could support a certain amount of cost while an entity such as the RDA could provide additional funding. Team San Jose would encourage fund matching and actively pursue these opportunities from relative agencies.

Receipt and Distribution of Funds

Fees for the Theater Preservation Fund shall be collected at the time of settlement based on the final ticket manifest. If no ticket manifest is available, fees shall be collected based on event attendance at the time of settlement.

Fees collected shall be deposited in the Theater Preservation Fund by Team San Jose. Said funds shall be separately accounted for and the interest earned on such proceeds shall remain in the Theater Preservation Fund. Such proceeds and interest earned thereon shall not be considered gross receipts within the meaning of the Agreement between the City and Team San Jose.

Implementation

An implementation plan will begin introducing the Theater Preservation Fund to Team San Jose staff, resident clients, future clients and the public. An informational meeting will be held internally as well with local arts organizations that will be effected by the program. Press releases, a communications plan and postings on www.sanjose.org will also announce the Theater Preservation Fund.

Potential Earned Revenue

<i>Revenue</i>				
Company	Year '06/07	Year '07/'08	Year '08/'09	
<i>Per ticket fee</i>	\$1.00	\$1.00	\$1.00	TOTAL
TOTAL	\$116,911	\$403,545	\$418,225	\$938,681
<i>Expenses</i>				
TOTAL				
EXPENSES*	\$1,700	\$2,025	\$2,025	
TOTAL NET:	\$115,211	\$401,520	\$416,200	\$932,931

*Expenses include internal accounting and finance costs.

PUBLIC OUTREACH/INTEREST

The proposed theater preservation fund has been considered by the Team San Jose Board of Directors and its Cultural Arts and Facilities Planning Committees including representatives from American Musical Theater, Opera San Jose, Symphony Silicon Valley, Ballet San Jose, Teatro Vision and small arts groups.

COORDINATION

HONORABLE MAYOR AND CITY COUNCIL

Subject: Theater Preservation Fee

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This memo has been coordinated by staff from Team San Jose, City Manager's Office, City Attorney's Office and the Redevelopment Agency.

CEQA

Not Required.

A handwritten signature in black ink, appearing to read 'Dan McFadden', with a long horizontal flourish extending to the right.

Dan McFadden
Deputy City Manager

For questions please contact Dan McFadden (408) 535-8120.

Attachments

cc: Dan Fenton, Team San Jose
Paul Krutko, Office of Economic Development
Harry Mavrogenes, RDA