



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Kim Welsh
Barry Ng
Jennifer Maguire

**SUBJECT: CAMERA 3 THEATER – CAPITAL
INFRASTRUCTURE IMPROVEMENT
PLAN**

DATE: May 30, 2017

Approved

Date 5/30/17

RECOMMENDATION

Approve the following 2017-2018 Proposed Operating Budget amendments in the General Fund:

1. Establish an appropriation to the Public Works Department in the amount of \$500,000 for the Camera 3 Theater project; and,
2. Increase Beginning Fund Balance in the amount of \$500,000.

BACKGROUND

The City of San José owns multiple cultural facilities that serve as regional and local destinations for cultural enrichment. Camera 3 Theater is located at the corner of 2nd Street and San Carlos Avenue and is part of the 2nd and San Carlos Garage structural footprint. Camera 3 Entertainment, Inc. has a lease agreement with the City for five years which began on August 1, 2015. In addition to the original five-year term there are two options to renew the lease agreement for an additional five years each for a potential total lease term of 15 years. The current lease agreement also provides that the City can terminate the lease in 360 days after notifying the lessee. Camera 3 Theater has three theaters, a lobby that is subleased to Psycho Donuts, and outdoor patio seating. Overall, the theater has 409 seats, with 89 and 90 seats in the two smaller theaters and 230 seats in the large theater.

The Mayor's March 2017 Budget Message for Fiscal Year 2017-2018 provided the following direction: "The City Manager is directed to allocate one-time funding from the TOT Cultural Facilities Reserve to fund capital improvements at the Camera 3 Theater with a goal to make the facility commercially viable and attractive within this calendar year."

ANALYSIS

The Camera 3 Theater is outdated and needs upgrades to be a competitive theater location to annually host Cinequest and continue to be a viable entertainment location for movies, live theater, comedy shows, speaker series, seminars, and annual film festivals. The theater currently

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experiences functional, economic, and physical obsolescence. Some examples include a poorly configured lobby space, outdated restrooms, deteriorating floor coverings, theater seating that needs replacement, windows that need replacement or repair, interior and exterior painting and building systems that have reached the end of their service life. Based upon the extent and cost of the upgrades staff is recommending that the focus for the 2017-2018 fiscal year be on activities that yield the highest return on the City's investment.

For the 2017-2018 fiscal year work will be on the highest priority items including a refurbishment of the largest theater, upgrades to the restrooms, and interior and exterior improvements. The following activities are listed in priority sequence:

- 1) Upgrading the largest theater with new seats, carpet, wall coverings, and paint.
- 2) Upgrading the restrooms with new floor coverings, new bath fixtures, and paint.
- 3) Replacement of carpet in the common areas (only those areas that will not be impacted by future activities).
- 4) Replacement or repair of damaged windows and doors.
- 5) Painting the interior corridors and lobby.
- 6) Painting the exterior façade.

The goal is to have all six listed activities completed by end of the 2017 calendar year with an overall budget not to exceed \$500,000. Camera 3 Entertainment would be responsible for procuring and managing all interior work and the Department of Public Works would be responsible for the exterior shell. The recommended budget amendments establish the project in the General Fund and recognize additional fund balance from the 2016-2017 Cultural Facilities Capital Maintenance Reserve.

Additional work is necessary for this facility and subsequent phases will be considered in future budget documents in accordance with project scope, timing, and available funds. The next phases may include upgrades to the two smaller theaters, renovation of the lobby area to allow for more open space, and upgrades to the major building systems. The improvements can be sized based upon available funds and the greatest return on the City's investment.

/s/

KIM WALES

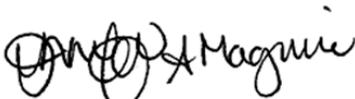
Deputy City Manager

Director of Economic Development

/s/

BARRY NG

Director of Public Works



JENNIFER MAGUIRE

Senior Deputy City Manager/

Budget Director

For more information, please contact Joe Garcia, Deputy Director, Public Works at (408) 535-1298.