

# Memorandum


**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Kim Walesh

**SUBJECT:** UPDATE ON HAMMER THEATRE  
REUSE ACTIVITIES AND PUBLIC  
PROCESS

**DATE:** January 12, 2015

Approved



Date

1/12/15

## INFORMATION

This memo provides an update to Council on the activities pertaining to the reuse of the Susan and Phil Hammer Theatre Center, including the public process to help identify a new permanent operating model.

### **Background**

In summer 2014, the San José Repertory Theatre (Rep) filed for bankruptcy. The Rep operated and maintained the City-owned theater since it was constructed in 1997. The City provided an annual Operations and Maintenance (O&M) subsidy to the Rep in the amount of \$285,000 to cover a portion of the O&M costs. Since the bankruptcy, a City interdepartmental team has been working on multiple fronts to manage the transition associated with the facility and bankruptcy. The City has been responsible for managing facility maintenance, security, as well as inventory and cleaning items in the facility. The City has worked with the bankruptcy trustee to resolve ownership of items in the theater and purchased from the Trustee, for the amount of \$60,000, certain items owned by the Rep that staff determined was necessary to operate the facility as a theater. The City has submitted its claim to the Bankruptcy Court for the \$1,865,000 in outstanding debt owed by the Rep to the City. Furthermore, the City has been working to identify plans for both interim and long-term facility uses.

### **Hammer Theatre Advisory Committee and Public Process**

A public process is underway to identify a permanent operating model for the Hammer Theatre Center. The City Administration formed a Hammer Theatre Advisory Committee (HTAC) to advise staff and inform recommendations to the City Council. The HTAC is composed of 11 people with demonstrated experience in performing arts, entertainment, nonprofit management, downtown issues, and facility management who are volunteering their time and expertise for this effort. Members include: Rich Braugh, Brad Erickson, Julie Fry, Chris Esparza, Richard James, Connie Martinez, Michael Miller, Elisa Orona, Eva Terrazas, Geri Wong and Irene Wong. Staff from the Office of Cultural Affairs division of the Office of Economic Development (OED) and Department of Public Works will work with the HTAC.

The HTAC meets monthly to consider relevant information about the theater and potential permanent operating models. To date, the HTAC has: toured the facility, considered input from a community forum on the Rep and theater held on July 1<sup>st</sup>, reviewed the annual O&M expenses incurred by the Rep (approximately \$850,000), and considered market conditions. A City-commissioned report entitled *Best-Use Options for the Hammer Theater Center*, prepared by the Northern California Community Loan Fund, was presented to the HTAC. The report outlines examples of models in comparable markets. Based on available audited financial data, the report outlines preferable theater operator characteristics for viability: ability to activate the theater as much as possible, offering of programs that meet market/audience demand, and financial sustainability. The HTAC also provided input on the draft guiding principles and criteria that will inform the forthcoming Request for Interest (RFI) for the Hammer Theatre Center.

The third meeting of the HTAC will be on Tuesday, January 13<sup>th</sup>, from 5:00 to 7:00 p.m., in Wing Rooms 118 and 119 of City Hall, 200 E. Santa Clara Street. These public meetings are held on the second Tuesday of each month at the same time and place. The agenda, meeting materials, and minutes can be found [here](#) or at the San José Office of Cultural Affairs' webpage, [www.sanjoseculture.org](http://www.sanjoseculture.org) (click on the *Arts Commission & Committees* link on the left navigation pane and then select *Hammer Theatre Advisory Committee*).

The first two HTAC meetings have been attended by 40 to 50 members of the public, and public input is reflected in the meeting minutes. Those that have expressed interest in the future reuse of the Hammer Theatre are notified via email of every HTAC meeting and will be notified about the RFI upon its release.

### **Request for Interest (RFI) for the Hammer Theatre Center**

The City plans to issue an RFI for the Hammer Theatre Center in early 2015 with the goal of completing the process as soon as practical, ideally by summer 2015. The RFI will be written broadly to explore a full continuum of potential options for the facility's reuse. Sale of the facility is also an option explored through the RFI, but a potential buyer would need an offer of over \$28,000,000 to pay off the outstanding balance of tax allocation bonds issued for the construction bonds of the theater, and covenant to continue to operate the facility as a performing arts/cultural venue. It is envisioned that maximum utilization of the Hammer Theater for cultural purposes will support goals in the Council-adopted [Cultural Connection: San José's Cultural Plan for 2011-2020](#).

The HTAC is involved with the RFI including its framework, criteria, and distribution as well as the review of responses. The HTAC will review a draft of the RFI at its January 13<sup>th</sup> meeting and provide input.

Primary evaluation criteria under consideration include:

- *Experience & Qualifications, Operational Structure & Governance:* Experience & qualifications of firm to manage, operate and maintain facilities and to provide programming, if applicable. Qualifications of facility management personnel. Stability of its operational structure and governance.
- *Financial Soundness & Sustainability of Business Plan:* Financial soundness and sustainability of a proposed Business Plan, including any subsidies requested if applicable. Track record of strong and diversified revenue. For parties interested in purchasing the building, the proposed purchase price and intended use.
- *Programming:* Track record in presenting or producing diverse, high-quality arts and cultural programming. Effectiveness of its audience-development activities and its plans for reaching a broad-based audience and accessibility to community-based renters. Alignment with *Cultural Connection* cultural plan goals.

A review panel, consisting of staff and representatives of the HTAC, will evaluate submissions and conduct an oral interview with qualified interested parties. The review panel will forward a recommendation to the City for its consideration. Upon completion of the RFI process, a recommendation will be made to the City Council.

### **Interim Facility Reuse: “Pop-Up” Retail Stores**

To further enliven the downtown area during the popular winter holiday season, OED launched a “pop-up” retail stores initiative in partnership with the San José Downtown Association. One of the sites for this temporary retail project is the lobby of the Hammer Theatre and the plaza immediately outside the theater on Paseo de San Antonio. The activation of the theater has the additional benefit of protecting this valuable asset while the building is otherwise not in use. With the success of the “pop-up” program, an extension of the temporary program is being considered through the spring of 2015.

The Hammer Theatre Center is an important facility in our vibrant downtown. The administration is committed to working with the Council and community to identify a long-term solution to ensure that this facility remains a viable community asset. Informational memoranda pertaining to the reuse of the theater will be provided to the Council approximately every two months. An update will be provided to the Community and Economic Development Committee in April 2015.

/s/

KIM WALESH

Deputy City Manager

Director of Economic Development

For questions, please contact Kerry Adams Hapner, Director of Cultural Affairs, at (408) 793-4333.