



REPORT TO COUNCIL

City of Sacramento

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STAFF REPORT
 September 25, 2007

**Honorable Mayor and
 Members of the City Council**

Title: Report Back- Findings of the Community Center Theater Renovation Financial Feasibility Study

Location/Council District: 1301 L Street, District 1

Recommendation: Adopt a **Resolution**, directing staff to 1) complete a thorough analysis of Transient Occupancy Tax (TOT) projections of the next ten (10) years; 2) secure architectural services to complete design concept, formalize cost estimate, and assess phasing options for partial renovation of the Community Center Theater; 3) seek naming rights proposals; and 4) develop a formal facility fee ticket surcharge beginning with the Fall 2008 season.

Contact: Judy Goldbar, General Manager, Convention Center Complex 808-5630; and Tina McCarty, Administrative Officer, Convention Center Complex 808-8220

Presenters: Judy Goldbar, General Manager, Convention Center Complex

Department: Convention Culture and Leisure

Division: Convention Center

Organization No: 4321

Description/Analysis

Issue: Staff is seeking approval to move forward with a partial renovation of the Community Center Theater at the \$38 million level. Mayor Fargo requested a report back containing updated information regarding the renovation of the Community Center Theater, including a financial feasibility study and a recommendation for a financial plan to support a renovation project. A financial feasibility study was completed in early 2007, suggesting that raising funds for a full renovation at the \$75 million level was improbable. There are still pending needs for the 35 year old building that need to be addressed such as aging systems equipment, ADA accessibility features, inadequate restroom facilities, staging equipment and backstage/loading dock design. Staff worked with LMN Architects to create a renovation plan that would cost significantly less than a full building renovation, but would still address the most critical needs.

Policy Considerations: This report is consistent with the City's Strategic Plan Goal of Promoting and Supporting Economic Vitality by allowing the Community Center Theater to remain competitive while providing a cultural venue for residents and visitors alike.

While the Performing Arts community, (Ballet, California Musical Theater, Community Concerts, Philharmonic, and Opera), is supportive of the full renovation, they recognize the potential financial constraints and therefore also support the partial renovation concept. Most importantly, the Theater is valued and critical to their future financial success.

Committee/Commission Action: None.

Environmental Considerations: The proposed project will require CEQA review prior to construction.

Rationale for Recommendation:

The initial Theater Needs Assessment completed in 2003 found that the Theater was lacking in customer amenities such as space for pre-performance functions, adequate lobby space, concession points of sale, and restrooms. In addition, the Theater lacks adequate back-of-house space (room for show equipment and functional areas such as rehearsal space, dressing rooms and wig room) and an efficient loading dock set up. The complete renovation project originally derived from the needs assessment of 2003 proposed adding approximately 80,000 square feet to the Theater and would wrap the house or main seating area on three of the four sides. Wrapping nearly three-fourths of the way around the building, the renovation concept would re-invent the look of the theater dramatically. The concept would change the look of the theater from a concrete block to an open and inviting state of the art performing arts facility.

Given the magnitude of the proposed renovation, a consulting firm, Millennium Advantage, Inc. was hired to prepare a financial feasibility study to recommend a funding strategy for the project. Millennium Advantage conducted fifty-one (51) interviews of regional business and community leaders, elected officials, performing arts executives and board leaders, local arts supporters and potential partners to identify and assess potential funding sources for a \$75 million renovation and expansion project for the Community Center Theater. The study found that while people believed that a City of Sacramento's size required a theater of this size, they saw the Community Center Theater as a City facility and therefore the City's responsibility to renovate. Most people interviewed supported the idea of renovation to improve uncomfortable seating and a lack-luster exterior, and increase the number of restrooms. However those interviewed believed only a small amount of money could be raised to support the renovation. The study concluded that people would give only after the City contributed a majority of the needed funding. A full summary of the study's findings can be found as Attachment 2 of this report.

Since the likelihood of raising funds for the full renovation seemed low, staff worked with LMN Architects to scale back the project and address those issues that were of highest priority and/or need. The following is the list of proposed needs to be included in a partial renovation estimated to be \$38 million.

Building Systems:

- HVAC Renovation & Replacement
- Electrical Renovation
- Fire Systems Upgrade

ADA Improvements:

- Seating re-configuration for ADA access in front section including direct emergency exits
- Mobility path of travel created to front section of house seats
- Additional ADA restrooms added (+3)
- Access to Lobby from front section seats

House - Interior Seating Area:

- New/Refurbished Seats
- Add ADA Seats

Technical- Back of House:

- Retro-fit existing entry doors to improve backstage utilization
- Sound and Lighting system upgrades

Lobby Area:

- Slightly Increased Lobby Space
- Slightly Expanded Box Office
- Reduced Permanent Concession Area & New Moveable Concession Kiosks

Exterior:

- Add Permanent, Covered Patio on 13th Street
- New Lighting and Landscape

The proposed items above would add approximately 15,000 square feet to the Theater, not including the exterior space. The exterior look of the building would also be enhanced on the L Street side and would reflect additions that accommodate ADA accessibility. The new construction required on L Street would provide an opportunity to enliven the look of the exterior. A listing of items that would not be addressed in the proposed, partial renovation is included in Attachment 3.

Financial Considerations: The Community Center Theater is funded by the Community Center Enterprise Fund, which also supports the Sacramento Convention Center and the Memorial Auditorium. While the Fund has met and out-performed its revenue budget since Fiscal Year 2004/05, the revenue currently generated will support partial debt service on a \$38 million renovation. Additional funding sources to complete the project include ticket surcharge, naming rights, investment from food and beverage operation, and TOT support. A thorough analysis of future TOT performance is recommended in order to get a more detailed perspective of potential proceeds that may be available for this project.

Securing architectural services to complete conceptual plans and estimate project costs; and an acoustical study, are expected to be approximately \$200,000. This cost can be paid out of the existing Community Center Fund CIP budget. Currently there is \$200,000 in PC11, Community Center Theater Renovation. If needed, additional ancillary funds can be covered through the Community Center Fund operating budget.

The following is the proposed renovation project estimate and possible funding scenario:

Project Estimate:

- \$15 M Seats & Building Systems (Electrical, HVAC, Fire, Lighting, and Sound)
- \$ 7 M ADA Accessibility Improvements
- \$ 1 M Back of House Improvements (functionality for promoters/clients)
- \$10 M Lobby Enhancements (exterior improvements, 15,000 sq. ft. of add'l. space, improved concessions & Box Office)
- \$ 5 M Exterior Improvements (13th St. Covered Patio, New Lighting & Landscape)
- \$38 M Total

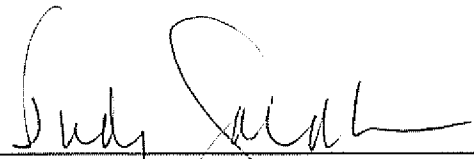
Funding may include the following:


- \$ 1 M Food & Beverage Investment
- \$ 7 M Naming Rights*
- \$ 10 M Ticketing Service Charge (enacted FY2008/09, \$1 M annually)
- \$ 20 M TOT contribution (\$2 M annually)**
- \$ 38 M

* If naming rights fall short of estimate, TOT may substitute

** If \$5M from the Community Reinvestment Bonds is refunded, it would lower the TOT contribution required.

Emerging Small Business Development (ESBD): Not Applicable.

Respectfully Submitted by: 
 Judy Goldbar, General Manager
 Sacramento Convention Center Complex

Approved by: 
 Barbara E. Bonebrake, Director
 Convention, Culture, and Leisure Department

Recommendation Approved:

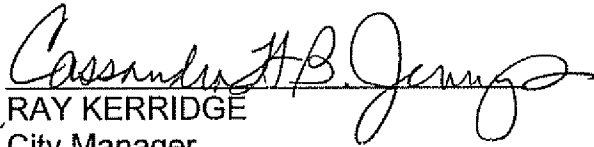

for RAY KERRIDGE
City Manager

Table of Contents:

Report Pgs 1

Attachments

1	Background Information	Pg	7
2	Summary of Financial Feasibility Study Findings	Pg	8
3	Listing of Items not Included in Partial Renovation	Pg	9
4	Conceptual Theater Renovation Rendering	Pg	10
5	Resolution	Pg	11

Background**Attachment 1**

The following is a timeline of past events:

- The Community Center Theater (Theater) was built in 1974 and has not had a major renovation since opening.
- In June 2000, City Council directed staff to complete an initial needs assessment and conceptual design for renovating the Community Center Theater.
- LMN Architects was selected to work on this project.
- On May 15, 2001, Council approved the three-step process for the development of the project including Needs Analysis, Preparation of Alternative Design Concepts, and Final Conceptual Design Development.
- Costs of the conceptually designed project were estimated at \$40,725,000 in 2003 by Davis Langdon Adamson, Construction Cost Planning Firm.
- In April 2003, Council approved funding for a fiscal feasibility study, which would identify funding options and remedies to be explored; however due to budgetary concerns later in 2003, the funding for the study was delayed.
- Following the Mayor's request in mid-2005 to once again look at this project, LMN Architects has completed a thorough assessment of the conceptual design and assessed a new project cost at \$75 million.
- Construction costs had risen substantially (up to \$75 million) based on three factors:
 1. National and state construction market demand,
 2. Greater replacement of facility systems, and
 3. More finely tuned assessment of added square footage.
- In September Council requested that a Financial Feasibility study be completed to assess the funding strategy for a potential \$75 million Theater Renovation project.
- Millennium Advantage Inc. was hired to perform a Financial Feasibility Study which was completed in early 2007.

Attachment 2**SACRAMENTO COMMUNITY CENTER THEATER FINANCIAL FEASIBILITY STUDY
SUMMARY OF FINDINGS**

Millennium Advantage conducted fifty-one (51) interviews of regional business and community leaders, elected officials, performing arts executives and board leaders, local arts supporters and potential partners to identify and assess potential funding sources for a \$75 million renovation and expansion project for the Community Center Theater.

GENERAL SUMMARY OF FINDINGS

1. 80% of survey participants attend performances at the Community Center Theater
2. Most people feel it is important for a city the size of Sacramento to have a facility that accommodates and defines the importance of the arts and entertainment to the city.
3. Most people were impressed with the condition of the theater, especially given its age, and commended the City for maintaining the building in good repair.
4. Almost 70% of participants strongly agreed or agreed with the City's proposed plan to expand and renovate the Sacramento Community Center Theater.
5. Five areas of most concern: outdated design, restrooms, concessions, lack of a center aisle, and parking.
6. Described the building as bland and uninteresting, and liked the more imposing look of the new design.
7. Most of the participants believe that the Community Center Theater is the City's asset and therefore the City should pay for the majority of the renovation cost.

FUNDING OPTIONS AND RECOMMENDATIONS

- Potential for securing naming rights- not more than \$10M.
- Potential for TOT supported revenue bonds.
- Implement Ticket Facility Fee from 5% of ticket cost to a maximum of \$3.00 per ticket.
- Establish a support group—"Friends of the Sacramento Community Center Theater" to initiate a fundraising entity for the theater – Small fundraising value; no real support for large donations, but would serve as collecting mechanism.

Attachment 3**Theater Renovation Project
List of Items Not Included in Reduced Project**

The following are items that will not be addressed or included at original levels in the newly refined project in order to reduce project costs from \$75 million to \$38 million.

House

- New Carpet and Paint in the House
- New Coverings over Ceiling Catwalks

Lobby & Exterior

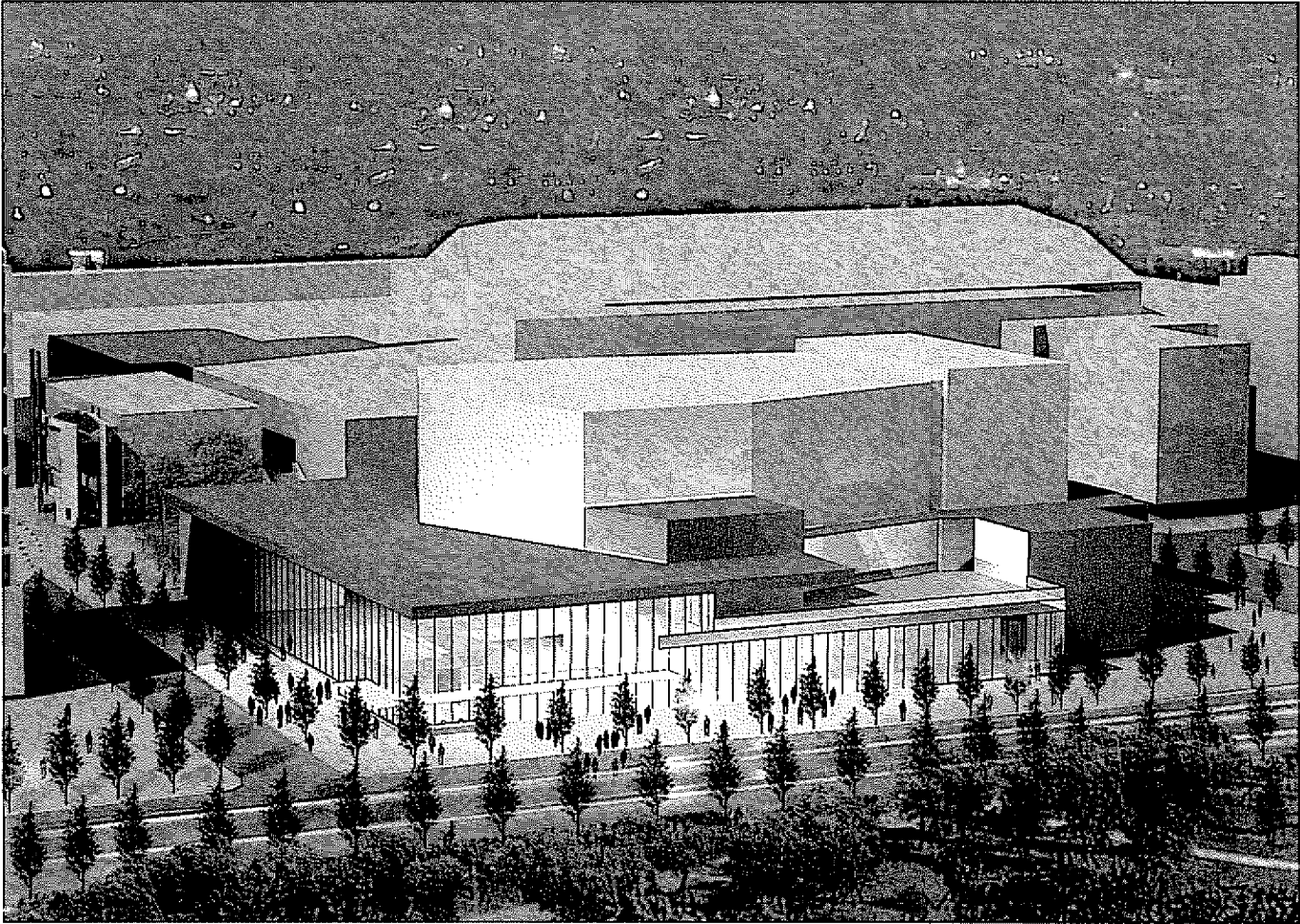
- Additional 65,000 sq ft of Lobby space
- 71 Additional Restrooms
- Expanded Box Office
- Expanded Concession Area
- Rehearsal Hall
- Pre-performance function space- (Donor's Lounge)
- New Exterior Appearance Covering 75% of building

Back Stage

- Additional 15,000 Sq Ft in Backstage Area
- New & Expanded Dressing rooms
- Wardrobe / Laundry Room
- Expanded/Remodeled Green Room
- Production & Technical Offices
- Orchestra Shell Storage
- Expanded and Relocated Loading Dock

Attachment 4

Conceptual Theater Renovation Rendering



RESOLUTION NO. 2007-

Adopted by the Sacramento City Council

September 25, 2007

**APPROVING DIRECTION TO STAFF RELATED TO THE COMMUNITY CENTER
THEATER RENOVATION FINANCIAL FEASIBILITY STUDY**

- A. In June 2000, City Council directed staff to complete an initial needs assessment and conceptual design for renovating the Community Center Theater.
- B. Costs of the conceptually designed project were estimated at \$40,725,000 in 2003 by Davis Langdon Adamson, Construction Cost Planning Firm.
- C. In April 2003, Council approved funding for a fiscal feasibility study, which would identify funding options and remedies to be explored; however due to budgetary concerns later in 2003, the funding for the study was delayed.
- D. Following the Mayor's request in mid-2005 to once again look at this project, LMN Architects has completed a thorough assessment of the conceptual design and assessed a new project cost at \$75 million.
- E. In September Council requested that a Financial Feasibility study be completed to assess the funding strategy for a potential \$75 million dollar Theater Renovation project.
- F. Millennium Advantage Inc. was hired to perform a Financial Feasibility Study which was completed in early 2007.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL
RESOLVES AS FOLLOWS:**

- Section 1. Staff is directed to complete a thorough analysis of projected Transient Occupancy Taxes for the next 10 years.
- Section 2. Staff is directed to secure architectural services to complete design concept, formalize cost estimate, acoustical study, and assess phasing options.
- Section 3. Staff is directed to seek naming rights proposals in connection with a Community Center Theater Renovation project.
- Section 4. Staff is directed to develop a formal facility fee ticket surcharge, beginning with the Fall 2008 season.