



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Nanci Klein

**SUBJECT: SAN JOSE STAGE COMPANY
EQUIPMENT ASSISTANCE GRANT
AMENDMENT**

DATE: April 5, 2021

Approved 

Date

4/8/2021

COUNCIL DISTRICT: 3

RECOMMENDATION

Approve a Continuation and First Amendment to extend the term of the Equipment Assistance Agreement with the San Jose Stage Company so that the organization has until September 25, 2023 to apply for a City building permit for tenant improvements for its renovated theater that will be a part of a mixed-use facility located at 490 South First Street, with no change in the grant amount.

OUTCOME

Council approval of this amendment will result in the following outcomes:

- Provide the San Jose Stage Company (“The Stage”) additional time, up to three years, to apply for a City building permit for tenant improvements for facility renovation that is part of a mixed-use development of its current facility and to subsequently acquire modern theater equipment, seating and furnishings in its new facility; and
- Ensure the downtown retains a theater venue or other cultural facility in perpetuity in the South of First Area (SoFA) arts and cultural district.

BACKGROUND

Established in 1983, The Stage is recognized as a leading Bay Area off-Broadway theater company that draws a regional audience of 30,000 and has an economic impact estimated at \$1.9 million. The Stage also provides emerging artists and arts groups access to its theater through a community rentals program and maintains a robust internship program with local universities. As

the original anchor cultural organization in SoFA, The Stage was the first arts group in San Jose to build out and lease its own theater facility from the San Jose Redevelopment Agency in 1990.

In 2012, following the dissolution of all redevelopment agencies in California, the Successor Agency to the Redevelopment Agency (SARA) was tasked with the disposition of the former San Jose Redevelopment Agency properties, including 490 South First Street, the property inhabited by The Stage. The Stage elected to acquire its facility for the appraised price of \$2.3 million, and SARA approved the sale at its meeting on May 15, 2018.

Recognizing the potential for City funds to leverage substantial contributions from private and external public sources to advance cultural priorities in SoFA, the FY2016-2017 Mayor's Budget Message directed the City Manager to support The Stage in its efforts to acquire and develop the performance venue with supplemental funds from the Cultural Facilities Maintenance Reserve Fund (Transient Occupancy Tax).

In Fall 2018, the County of Santa Clara approved a \$435,000 grant to support The Stage's site acquisition costs and The Stage secured private financing for the remaining \$1,865,000 required to purchase the property. On September 25, 2018, the City Council approved a \$1.0 million grant to assist The Stage in the purchase of theater equipment and furniture upon development of its new theater, which was to be developed as part of a mixed-use development. The Stage's ability to secure site acquisition funds was significantly enhanced by the City's willingness to contribute to the venue's development.

ANALYSIS

Executed on September 25, 2018, the original agreement included a stipulation that The Stage apply for a City building permit within two years for tenant improvements as part of a newly developed theater contained within a mixed-use development project. Due to several unanticipated factors, including impacts of the COVID-19 pandemic, the project has experienced delays but is now on track to move forward.

This amendment extends the time, through September 25, 2023, for The Stage to file a building permit for tenant improvements for its new theater. All other terms remain unchanged. Upon The Stage's obtaining a building permit and submitting equipment/furniture invoices, the City will provide up to \$1.0 million from the FY2016-2017 Cultural Facilities Maintenance Reserve (TOT) so that the new theater can be a flagship facility that will attract regional audiences to SoFA for years to come. The entire theater project, including site acquisition and theater build-out, is estimated at nearly \$7.0 million.

The Stage's current theater is approximately 6,700 square feet with a 200-seat theater, a small lobby, and an office area. The Stage is working with developers (Swenson Builders together with Hilton Hotel Group), who are obtaining planning approvals to develop a mixed-use hotel project on the site that will include a new 20,000 square foot theater on the ground and second

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floors and one level of underground parking. The new theater will feature 330 seats in the main theater and include a 2,000 square foot cabaret space with a stage that will allow additional space for live performances to contribute to SoFA's cultural milieu. The private developers will bear the majority of the development and construction costs. The Stage is responsible for the costs associated with build-out and equipping of the theater spaces.

In accordance with the original agreement, The Stage recorded a binding covenant upon acquiring the property which requires a theater or other cultural facility to be included on the site in perpetuity. The covenant requirement was put in place to protect SoFA as a vital cultural center for future generations.

CONCLUSION

In conclusion, Council approval of this recommendation will advance our cultural development goals in the SoFA district and for the City of San Jose.

EVALUATION AND FOLLOW-UP

Staff will monitor the progress of The Stage's development project and provide updates to the Arts Commission.

CLIMATE SMART

The recommendation in this memo aligns with one of more Climate Smart San Jose energy, water, or mobility goals.

PUBLIC OUTREACH

This memorandum will be posted on the City Council's Agenda website for April 20, 2021 Council meeting.

COORDINATION

This memorandum was coordinated with the City Attorney's Office and the City Manager's Budget Office.

COMMISSION RECOMMENDATION/INPUT

The Arts Commission has actively supported the efforts of The Stage to acquire and develop its facility, supporting grant recommendations to fund a capital campaign feasibility study and a capital campaign consultant.

FISCAL/POLICY ALIGNMENT

This project aligns with the City's Economic Development goal of advancing Downtown San José as Silicon Valley's cultural center. It also aligns with the Council-adopted *Cultural Connection: San José's Cultural Plan*.

COST SUMMARY/IMPLICATIONS

This continuation and amendment agreement allows The Stage additional time to obtain a building permit for development and tenant improvements for its future theater expansion. No additional funding is being requested beyond the \$1.0 million amount previously approved. The City's \$1.0 million investment will ultimately leverage \$5.8 million in private and other public dollars for a new theater facility that will enhance the vibrancy of the downtown.

BUDGET REFERENCE

The table below identifies the funds and appropriations proposed to fund the grant agreement recommended as part of this memorandum.

Fund#	Appn#	Appn. Name	Current Total Appn.	Amt. for Contract	2020-2021 Adopted Capital Budget Page	Last Budget Action (Date, Ord. No.)
001	7874	San José Stage Company	\$1,000,000	\$1,000,000	III-22	6/23/2020 Ord. No. 30437

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CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/

NANCI KLEIN

Director of Economic Development

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