

CITY OF YUBA CITY
STAFF REPORT

Date: December 4, 2007
To: Chair and Members of Redevelopment Agency of the City of Yuba City
From: Administration
Presentation By: Steven R. Jepsen, Executive Director

Summary

Subject: Sutter Theater Performing Arts Feasibility Assistance (RDA)

- Recommendation:**
- a. Approve a three year forgivable loan in the amount of \$85,000 to the Sutter Performing Arts Association, subject to the inclusion of studies for historic preservation and alternatives to increase the Performing Arts utilization of the building, and
 - b. Direct the Chief Financial Officer to record a supplemental appropriation to Account No. 6011-65501 (RDA – Program Expenditures) in the amount of \$85,000 from unallocated fund balance.

Fiscal Impact: Supplemental appropriation to Redevelopment Agency Account No. 6011-65501 in the amount of \$85,000.

Background:

The Sutter Performing Arts Association (SPAA) has forwarded their plans for the operation of a combination Movie Theater and Performing Arts Center at the historic Sutter Theater in downtown Yuba City. Previous consideration of this facility was pending formation of a non-profit (501C-3) umbrella group and the formalization of plans for a movie theater operator. The non-profit, "Sutter Performing Arts Association," has been formed and negotiations with the movie theater operator are nearing completion.

The City Council/Redevelopment Agency held a workshop on October 23, 2007 to review the proposed conceptual plans for the Sutter Theater remodel. The remodel would provide for a two screen movie theater (175 seats) and a larger Performing Arts Theater (350 seats) operating in the rear. The remodel included new entries and restroom facilities. The non-profit association is requesting City assistance with the assessment of the Performing Arts portion of the facility, in an amount not to exceed \$85,000.

Analysis:

The Sutter Performing Arts Association is interested in developing a venue for Performing Arts that is financially viable and self-sufficient for the operation of community theater. Although the theater was originally acquired with the understanding that the entire theater be dedicated to

performing arts, the SPAA does not believe a stand alone Performing Arts Theater can operate profitably. The proposed concept combines a for profit movie theater with a Performing Arts facility, utilizing the profits to cover operational cost of the facility.

The preliminary cost to convert the Sutter Theater, as a combined movie/Performing Arts facility, has been estimated by SPAA at \$2.5 to \$4.5 million. Major unknowns at this time include seismic retrofits and additional land acquisition. Preliminary proforma provided by the SPAA shows projected revenue of \$3,500 to \$7,000 per month, or \$42,000 to \$84,000 annually, dependant upon the percentage of use of the three theaters for showing movies.

At the high estimate of revenue projections the theater could show a profit estimated at \$84,000 per year. In turn this profit level could leverage up to \$1 million in capital funds. Assuming the proposed theater could be built for the lower cost of the \$2.5 million estimate, the project funding shortfall is estimated in Table 1 at \$1.6 million.

TABLE 1 ROUGH COST VS. REVENUE	
<u>Cost</u>	
Construction	\$2,400,000
Existing Debt Service	230,000
Engineering Fees	80,000
Building Permit	<u>30,000</u>
	\$2,740,000
<u>Revenues</u>	
Loan against lease receipts	\$1,000,000
Mortgage donation	30,000
Bank donations	21,000
Yuba City RDA	<u>80,000</u>
	\$1,131,000
Additional funds required	\$1,609,000

The additional \$1.6 million in funding will need to be raised through a combination of grants, donations and/or Yuba City RDA contributions. RDA support would likely be necessary as match funds for future community donations. The result will be a Performing Arts venue with limited availability.

A comparative economic study of the cost of converting the Sutter Theater to a stand alone performing arts venue has not been conducted. Options to the proposed 2-screen movie theater with a 50% usage of the Performing Arts Theater include: (1) a 100% dedicated Performing Arts venue and 2-screen Movie Theater, and (2) a stand alone Performing Arts Theater without a movie venue.

The Sutter Performing Arts Association has forwarded a request for \$73,000 in assistance to conduct engineering and architectural feasibility studies for the proposed theater. The SPAA request for theater conversion feasibility is summarized in **Table 2**. This request includes both the "private for profit portion of the theater" and the "performing arts" portions of the building.

TABLE 2 CONSULTING SERVICES SUPPORT REQUEST		
<u>Item</u>	<u>Work Scope</u>	<u>Cost</u>
1	Architectural layout feasibility	\$18,500
2	Performing Arts feasibility	15,500
3	Accessibility	6,100
4	Fire	7,800
5	Structural	17,600
6	Material testing strength	4,800
7	Asbestos testing	<u>3,400</u>
		\$73,700

Table 2 provides an estimate of the work scope attributable to the Performing Arts portion of the theater. Other studies that have been suggested include: Marquee restoration, Exterior historic restoration, and financial proforma studies of alternative movie theater/Performing Arts scenarios. A portion of the grant funds should be reserved for these additional studies.

Fiscal Impact:

The submitted request outlines some \$73,700 in preliminary studies for the proposed conversion of the Sutter Theater. In addition to the original request, an \$11,300 in additional funds is recommended (for a total of \$85,000) to study historic preservation and project financial feasibility studies for alternative theater configuration as previously noted. The recommended three year forgivable loan would be applied to the project in equal annual installments based on the SPAA meeting the conditions of the agreed on workscope.


Alternatives:

- a. Do not fund the feasibility studies.
- b. Fund a portion of the feasibility studies as noted in Table 2.

Recommendation:

- a. Approve a three year forgivable loan in the amount of \$85,000 to the Sutter Performing Arts Association, subject to the inclusion of studies for historic preservation and alternatives to increase the Performing Arts utilization of the building, and
- b. Direct the Chief Financial Officer to record a supplemental appropriation to Account No. 6011-65501 (RDA – Program Expenditures) in the amount of \$85,000 from unallocated fund balance.

Submitted By:


 Steven R. Jepsen
 City Manager