



# Memorandum

**TO:** COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE  
**FROM:** Kerry Adams Hapner  
**SUBJECT:** UPDATE ON HAMMER THEATRE REUSE  
**DATE:** November 13, 2017

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Approved *Kin Walsh* Date *11/15/17*

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**RECOMMENDATION:**

Accept the update on the Hammer Theatre Center reuse effort in partnership with San José State University. The Committee will be updated on the activities and operating model for the facility including programming, theater capital maintenance, and staffing.

**BACKGROUND**

Built by the San Jose Redevelopment Agency for the San Jose Repertory Theatre (the Rep), the four-story, 528-seat and 58,000 square foot Susan and Phil Hammer Theatre Center was opened in the heart of the downtown in 1997 and operated by the Rep until 2014. Following the bankruptcy of the Rep in summer 2014, the City undertook a year-long public process to identify a new operator to reactivate the City-owned Hammer Theatre Center so that the facility could continue to be a vital arts and cultural anchor in the downtown.

An 11-member body was formed to advise staff and inform the final recommendation of the long-term operating model for the Hammer Theatre Center. Comprised of representatives with experience in the performing arts and nonprofit theaters, entertainment, nonprofit management, downtown issues, and facility management, the Hammer Theatre Advisory Committee oversaw an extensive Request for Interest process that resulted in the recommendation of San Jose State University (SJSU) to be the new operator for an initial incubation period of three years. The operator agreement includes an annual City subsidy of \$285,000, which is a fraction of the cost to operate the facility and the same level of operations and maintenance subsidy provided to the previous facility operator.

On December 1, 2015, City Council voted unanimously to approve the three-year operations and maintenance (O&M) agreement with SJSU to develop an innovative model for operating, programming and stewarding the Hammer Theatre Center. To allow sufficient time to evaluate actual operational experience, the term extends through December 31, 2018. City Council

through the Community and Economic Development Committee and Arts Commission will receive semi-annual progress updates during the three-year incubation term. The incubation model emphasizes co-creation and ongoing iterative improvement based on actual operational experience before considering a longer-term agreement.

The City's partnership with SJSU ensures ongoing, high quality cultural programming in the iconic downtown venue and brings the notable resources of SJSU to assist in the operations and maintenance of the Hammer Theatre Center.

### **ANALYSIS**

In its first two years of operating the Hammer Theatre, SJSU has begun to lay the foundations for a financially sustainable operating model, which retains the Hammer Theatre Center as a vital arts and cultural anchor in the downtown and supports the educational mission of SJSU.

In the development of a workable operating model, SJSU has received valuable input from the Hammer Theater Advisory Committee (HTAG), an advisory committee comprised of individuals presenting SJSU, City, downtown and arts community interests. The City is represented by Councilmember Raul Peralez, Arts Commission Chair Richard James, and Director of Cultural Affairs Kerry Adams Hapner. Other committee members include Interim Dean of the SJSU College of Arts and Humanities Dr. Shannon Miller (Chair); Barnaby Dallas (SJSU); Connie Martinez (Silicon Valley Creates); Michael Miller (formerly of Children's Musical Theatre); and Carmen Sigler (community member and former SJSU Provost, Dean and Professor of Spanish). After meeting monthly in the first year and bimonthly in the second year, HTAG is now transitioning to biannual meetings reflecting the model's progress towards increased stability and sustainability.

In the period since the last CEDC update, there continues to be significant progress in on several essential fronts including:

1. **Programming** a full and robust season of activities that includes diverse offerings for the public including professional theater productions;
2. **On-going investment in theater upgrades** that make the venue attractive to nonprofit and corporate renters; and
3. **Dedicated and experienced staffing** that oversees programming, client services and outreach.

### **Programming**

As proposed by SJSU in its plans to operate the Hammer Theatre Center, the core programmatic business model includes three pillars of programming and rentals:

1. **SJSU programming:** cultural and other events (including concerts, plays, exhibits, lectures, etc.) created by SJSU academic programs and vetted by a campus committee to ensure that the offerings are suitable for the scale and character of the facility and are likely to appeal to diverse local and student audiences;
2. **SJSU sponsored programming:** sponsored by SJSU academic and other units for the benefit of the university and the community, including co-produced theater and other cultural programming between SJSU and outside cultural organizations; and
3. **Community rentals:** the tiered rental model encompasses rental of all performance and reception spaces at the facility, including the theater itself, the rehearsal studio/black box, the rooftop terrace, the downstairs cafe and lobby, and the VIP lounge.

The Hammer Theatre opened for public programming in Fall 2016, with nearly 30,000 people attending 102 arts and cultural events in the inaugural nine-month season. The FY 2017-2018 season, which started in July 2017, will be the Hammer Theatre's first full twelve-month season. Thus far, there are already 90 events that are under contract or pending contract, representing over 150 performances (**Attachment A**).

Recent highlights in the FY2017-2018 season included:

**Aug 4-6**, Asian Youth Orchestra + San Jose Youth Orchestra

**Aug 5**, National Theatre Live: *Peter Pan*

**Aug 11-13**, San Jose Jazz Summerfest

**Aug 18-19**, Sundance Film Institute's Short Film Masterclass

**Sept 16**, Ballet Folklorico Mexicano de Carlos Moreno

**Sept 28**, National Theatre Live: *Rosencrantz & Guildenstern are Dead*

**Sept 30**, Legacy of Bhangra

**Oct 6-8**, *Peace on Your Wings*, original musical by Ohana Arts

**Oct 13**, Cornerstone of the Arts Awards

**Oct 18**, Viet Nguyen, Pulitzer prize winning author of *The Sympathizer*

**Oct 20**, SJSU's *Kaleidoscope*

**Nov 1-11**, SJSU's *Picasso at the Lapin Agile*

**Nov 16**, Grammy nominee Reginal Carter, *Simply Ella*

**Nov 18**, Mezzo-soprano Carla Dirlikov Canales, *Songs of Strength, Songs of Regret*

**Nov 19**, Persian musicians Sina Sarlak and Jaana Ensemble

The quality and diversity of events underscore the ability to create a robust programming model inclusive of high quality theater productions that reflect the Hammer's historical roots. These productions represent a rich diversity of programming by a variety of producers including SJSU, community and national touring entities:

- 23 events are being produced or co-produced by SJSU; three of these are theater (16 performances);

- 41 events are being produced by local, regional and national arts organizations; eight of these are theater (38 performances); and
- 27 events are being presented by Hammer Theatre (i.e., National Theater Live, National Geographic Live), with one of these being theater (6 performances).

Upcoming holiday offerings at the Hammer Theatre feature diverse programming that is suitable for all ages, enhancing the activation of the downtown during the early winter months. Two of the companies (Tandy Beal and New Ballet) are returning nonprofit clients, indicating a high degree of satisfaction with the venue and the customer service provided by the theater. Winter holiday productions include:

- **Nov 28: An Irish Christmas**, featuring an award-winning cast of Irish dancers and traditional music.
- **Dec 1-3: Tandy Beal & Company present JOY!**, a festive extravaganza of visuals, circus comedy and acrobatics.
- **Dec 6: Cool Yule**, presented by the Jazz Orchestra at SJSU.
- **Dec 7: Ultimate Christmas Show**, an irreverent yet heartwarming trip through the holidays presented by the Reduced Shakespeare Company.
- **Dec 15-24: The San Jose Nutcracker**, a Nutcracker set in turn-of-the-century San Jose featuring scenic elements iconic to San Jose and presented by the New Ballet School.

The Hammer Theatre is increasing its visibility as a desirable venue for national theatrical producers. As an example, Emery Entertainment recently selected San Jose as a new west coast location for its popular productions. In keeping with its historical roots as a venue for quality live theater, the confirmed theater offerings in the first half of 2018 include:

- **Jan 12-21: *Menopause the Musical*** (Emery Entertainment)
- **Feb 3: *Not a Genuine Black Man*** (Brian Copeland)
- **Feb 7-11: *Shakespeare, His Wife and the Dog*** (Bated Breath Productions)
- **Mar 29-31: *Book of Moron*** (Emery Entertainment)
- **Apr 26-May 7: *In the Heights*** (SJSU)
- **May 18-20: *Late Night Catechism*** (Emery Entertainment)

SJSU is also pursuing creative ways to improve revenue by presenting self-produced programming including regular film offerings such as National Theatre Live and National Geographic Live, which earn ticket sales revenue on nights when no other performing arts or other events are scheduled. National Theatre Live broadcasts the best of British theater performed live on stage, and National Geographic Live provides insider commentary on the compelling photography and videography produced for National Geographic. More presenting plans are being considered for future seasons.

In addition to increasing performances inside the Hammer Theatre, SJSU has been successful with activation activities in Theatre Plaza, the public area immediately outside the theater.

Events such as the Paseo Prototyping Festival, International Jazz Day and Legacy of Poetry Day are providing expanded opportunities for the public to enjoy the downtown.

### **Theatre Capital Maintenance and Improvements**

To bring the facility and its production equipment up to competitive standards, SJSU, in coordination with the City, has continued to make important infrastructure and equipment upgrades. City Council approved \$900,000 in the first eighteen months of the agreement for capital investments to repair critical building systems infrastructure and upgrade aging technical control systems to modern standards. In addition, SJSU has invested \$1.5 million for the purchase of upgraded technical equipment, office furniture and fixtures which will be the property of SJSU. At its own cost, SJSU has also invested in repairs and upgrades that will make the facility more attractive to potential nonprofit and commercial renters, including a state-of-the-art acoustic orchestra shell system, new lobby and bathroom fixtures, automated ticketing system, water treatment, café and concession improvements, and upgraded wifi access for clients and patrons. The City and SJSU also shared the costs to replace two prominent electric signs with enhanced digital displays which has significantly improved marketing potential for events at the Hammer.

Similar to the City's other cultural facility operating agreements with nonprofit partners, SJSU is responsible for performing routine maintenance on the interior of the facility, preventive maintenance of the building systems and capital repairs. The City is responsible for routine exterior facility maintenance and full replacement of building system assets or its components that have reached the end of their usual life. The City and SJSU continue to meet regularly to address facility issues that require coordination. Projects currently in process include elevator modernization, assessment of back-up safety lighting in the auditorium and Phase 1 of carpet replacement in the auditorium. SJSU also provides input to the City's multi-year Capital Improvement Plan (CIP) for the Hammer so that critical building systems such as the HVAC system are dealt with in a timely way according to life-cycle needs. This input is balanced with the needs of the City's other cultural facilities which also have CIPs in place.

### **Staffing**

The Hammer Theatre now has a core staff in place for effective operations of the Hammer Theatre. Led by Christopher Burrill, a seasoned arts administrator with over 20 years of experience, the Hammer Theatre staff consists of four experienced technical, production and front-of-house staff that provide high quality service to clients and patrons. Marketing of the Hammer Theatre has benefited from the hiring of a full-time marketing director who oversees promotions for all programs within the College of Humanities and the Arts. Under her direction, a team of capable students have designed season brochures (**Attachment B**) and promoted activities of the Hammer in print and social media channels. SJSU is also developing a dedicated website for the Hammer which will feature upcoming programs, drive online ticket sales and highlight rental opportunities. This new website is planned to launch in early 2018.

Production staff at the Hammer Theatre are supported by a cadre of trained student volunteers who are gaining valuable exposure to a professionally-equipped theater as interns and volunteers. SJSU is in its second-year of a mutually beneficial arrangement with the International Alliance of Technical Stage Employees (IATSE) that provides students with the opportunity to earn credit towards their journeyman card while working with IATSE professionals. This arrangement helps manage technical costs at the theater while providing a new pipeline for emerging technical professionals.

The College of Humanities and the Arts also provides staffing support and leadership via the office of the Dean and accountancy support through the Division of Administration and Finance. Dr. Shannon Miller, SJSU professor of English and Comparative Literature, was named Interim Dean near the end of the FY2016-17 term after the announcement of the departure of Dr. Lisa Vollendorf, who was instrumental in developing the Hammer Theatre partnership. Committed to the success of the City-SJSU partnership, Dr. Miller continues to work closely with Mr. Burrill to ensure a smooth transition and continue the successful momentum initiated under Dr. Vollendorf's tenure.

### **Progress on a Fiscally Sustainable Model**

Operating the Hammer Theatre as a performing arts facility is an expensive undertaking with significant fixed costs. As with the other City-owned cultural facilities that are managed by nonprofit partners, the City provides an operations and maintenance subsidy that is intended to partially offset the costs, but operators understand that they have the primary financial responsibility for facility operations as a benefit for utilizing the property without rent and with maximum flexibility.

SJSU tracks the Hammer Theatre as its own cost center according to a fiscal year that is aligned with the City. All expenses including personnel, benefits and other operating costs are captured against revenues. During FY2016-17, SJSU has reported that expenses for Hammer operations have been supported by revenues received. SJSU's sources of funds in FY 2016-17 for the Hammer Theatre Center totaled \$2.99 million dollars, the majority of which came from SJSU annual appropriation for operations (\$1.35 million) and one-time appropriation for equipment purchases (\$994,581). Other smaller sources of income were the City, for operations and maintenance subsidy (\$285,000) and for capital expenditure reimbursements (\$70,000). Revenues associated with facility rentals represented \$288,788 of the total sources of funds, a figure which has grown from the previous year. SJSU has raised questions about the adequacy of City O&M subsidy given the high costs of facility operations and its own financial commitment to the partnership.

With solid programming framework in place for theater activation, an important linchpin for the development of a successful operating model includes a robust rental program that will bring revenues to offset the cost of operations, particularly renters like private touring companies who can pay more than subsidized non-profit rates. To incentivize performing arts organizations with potential for significant multi-year booking or to provide broad exposure of the theater to

potential renters, the Office of Cultural Affairs has set aside up to \$75,000 from Transient Occupancy Tax funds. Through these incentives the initial risk of renting a venue in a new market will be offset for producers that have the potential to be consistent renters. The availability of this fund has already helped influence Emery Entertainment, a national production company, to select San Jose as a new west coast location for select productions.

With key staffing positions filled, one goal for the near term continues to be expanded networking into the corporate community to generate market-rate rentals that can help subsidize the lower rates for nonprofit users. The Hammer's rooftop terrace, with its freshly repainted walls and sweeping views, has the potential to be an attractive site for special events and corporate receptions.

#### Next Steps

The City's three-year agreement with SJSU to operate and maintain the Hammer Theatre will expire on December 31, 2018 but allows for an extension for up to fifteen years. This shorter initial term was intended to cover an incubation period for this new operating model for the Hammer Theatre which follows previous successful City-SJSU partnerships such as the development and operations of the Martin Luther King Jr. Library. Based on the positive momentum and results of the programming model to date, City and SJSU staff will begin discussions to prepare for contract renewal during 2018.

City Council through its Community and Economic Development Committee will continue to be kept informed through semiannual updates. An update will also be provided to the Arts Commission at its regular meeting on January 22, 2018.

/s/

KERRY ADAMS HAPNER  
Director of Cultural Affairs

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

Attachment A: Programming Calendar to Date – FY2017-2018

Attachment B: Fall 2017 Programming Brochure