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Market Study Shows Promise for Proposed San José Downtown Theater

San José ---- A market and facility study released today for a 5000-seat theater proposed for downtown San José concludes that it could support higher ticket prices than originally projected but that there would be fewer events than first estimated.

Overall, the results indicate that there is a very promising market potential for a theater in downtown San José. Anticipated market and feasibility studies as the project moves forward will provide greater detail to define the scope, design, and cost of the downtown concept.

Silicon Valley Sports & Entertainment, the management and marketing arm of the San José Sharks, proposed the downtown theater to the City of San José earlier this month. The concept is similar to the Dodge Theater in Phoenix and would be based on a public-private partnership with the city and its redevelopment agency.

The study was conducted for SVSE by Convention Sports and Leisure International, a consulting firm based in Minneapolis (www.cslintl.com).

It found that a theater in downtown San José would likely book approximately 120 events a year with a paid attendance of about 322,000 people annually, generating revenue of about \$3.9 million. After local redevelopment taxes are paid and capital reserves are set aside, net annual revenue is estimated at about \$3.5 million.

“Downtown San José is the cultural center of the region, home to the Tech, Museum of Art, the restored California Theater and HP Pavilion. We’re encouraged that these initial findings support an exciting new entertainment attraction in the heart of our city,” said Councilmember Cindy Chavez who represents the downtown area.

“This is good news, but we still have a lot of work to do to make sure the project is economically feasible and results in a good deal for our residents, businesses, and return on our investment.”

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SVSE has proposed developing the theater in a downtown location still to be determined. Although it indicated early interest in the area generally north of San Pedro Square, other downtown sites will be considered as part of the planned feasibility studies.

Very early estimates suggest that the cost of constructing the theater would be approximately \$50 million, not including land or fixtures. Refinements of cost estimates will occur as further market, site, design and financial analysis is done.

Currently the proposal indicates the level of investment would be \$20 million each from SVSE and the San José Redevelopment Agency, with \$40 million to be borrowed through taxable bonds. These estimates also will change as a result of additional analysis.

“We share the goal with SVSE for a culturally vibrant downtown that enriches the life of our community and supports economic development,” said Mayor Ron Gonzales. “These findings show that downtown San José is the right location for this project. However, we must be careful to prevent any risk to our basic public services.”

The next step for the Redevelopment Agency will be to enter into an agreement with SVSE to develop more detailed estimates for costs, operations and programming, alternate locations, design and size, and community impacts.

Authorization for such an agreement and cost sharing for feasibility studies is expected to be considered on April 6 by the city council sitting as the redevelopment agency board.

The results of these studies will allow the board to determine if an agreement to develop a downtown theater is practical, provides benefits, and is prudent. That decision is expected this summer.

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