



II. SUMMARY OF FINDINGS

AMC KABUKI THEATRES SOCIAL, CULTURAL AND ECONOMIC IMPACT ON JAPANTOWN

The following summarizes findings regarding the direct social, cultural and economic impacts of the AMC Kabuki Theatre on Japantown. The analysis characterizes the type and category of spending conducted by movie patrons in Japantown, in addition to the social and cultural attractions that contribute to Japantown's vitality. The purpose of the analysis is to assess the relative importance of the movie theatre in contributing to the overall vitality and viability of Japantown. In addition, the findings include a cursory assessment of the near- and long-term viability of the AMC Theatres in terms of trends in the movie industry, site opportunities, competitive sites and other factors.

ECONOMIC IMPACT ANALYSIS

Profile of AMC Kabuki Movie Theatre Patrons

The AMC Kabuki Theatres has long been one of the key anchors in Japantown, attracting San Francisco residents and visitors from outside the city, many on a frequent basis. The Theatres attracts diverse visitors to Japantown, including a wide range of age and ethnic groups, which broadens the exposure to and potential demand for other Japantown businesses.

Supporting Data

- In the year 2000, an estimated 527,000 individuals went to the AMC Kabuki Theatres. An additional 60,000 to 65,000 patrons were attracted to the theatres for special film festivals.
- The Kabuki Theatres attract a bifurcated market of local and non-San Francisco residents. Of those surveyed, 41 percent resided in western San Francisco (Richmond District/Sunset/West of Twin Peaks), including 20 percent within a one-mile radius of the site, 36 percent were non-San Francisco residents, and only 18 percent were from other parts of the City.
- The Theatres attract visitors in a wide range of age groups, with more than half of the respondents in the 19 to 30 years age group. The breakdown of movie patrons, by age follows:



13 to 18	10%
19 to 30	42%
31 to 50	34%
51 to 64	12%
65 and over	2%

- The majority of teens attracted to the AMC Kabuki resided in the immediate neighborhood and western San Francisco, with 71 percent coming from these areas, compared to 41 percent of all those surveyed. By comparison, about half of those patrons aged 51 and older (48 percent) were visiting from outside the City, compared to 37 percent of all respondents.
- The ethnic breakdown of AMC Kabuki patrons follows. As noted, the area attracts a high number of Asians, with over half of all the theatre patrons being from an identified Asian ethnic group. By comparison, 27 percent of the patrons were White/Caucasian, 9 percent were African American and 7 percent were Hispanic.

Japanese/Japanese Americans	7%
Korean/Korean Americans	8%
Chinese/Chinese Americans	23%
Filipino	9%
Other Asian	8%
African American	9%
Hispanic/Latino	7%
White/Caucasian	27%

Frequency of Theatre Use Attendance

The AMC Kabuki Theatres provide an important social venue and a frequent destination for many neighbors, other residents and out-of-town visitors.

Supporting Data

- The AMC Kabuki Theaters is a frequent destination for a majority of patrons. As noted below, nearly three quarters of those interviewed indicated that they come to come to the AMC Theatres at least every few months, with 44 percent patronizing the Theatres monthly:

At least once a month	44%
Once every 2 to 3 months	30%
One to three times per year	14%
Less than once a year	9%



- Monthly attendance at the theatres was greatest for patrons living within a one-mile radius of the site (64%). Non-San Francisco visitors and San Francisco residents from neighborhoods west of the area were less likely to come to the Theatres monthly (33 and 37 percent).

Economic and Social Impacts on Japantown

The AMC Kabuki Theatre is an important economic engine and anchor at Japantown. The estimated 527,000 annual patrons in the year 2000, contributed greatly to the general level of pedestrian activity, vibrancy and nightlife activity in Japantown. In addition, patrons infused about \$9 million dollars into Japantown businesses in connection with their visits to the movies. Nearly half the moviegoers patronize Japantown businesses before or after the shows. A compelling finding is that the most frequent moviegoers are also most likely to visit Japantown for non-movie outings. These findings suggest positive synergies between the Theatre and Japantown, with the presence of each reinforcing attendance at the other.

Supporting Data

- On average, AMC patrons spend \$17.35 each in Japantown every time they go to the movies. Based on the 527,000 attendance rates achieved in the year 2000, theatre patrons generated approximately \$9.1 million in annual revenues in Japantown. These revenues constitute approximately eight percent of the gross sales estimated to have occurred in Japantown in 1999. (The latest figures available).
- AMC Kabuki employees contributed to spending in Japantown. The average annual employee expenditure at businesses proximate to the urban workplace is \$3,900, based on the market data compiled by the International Council of Shopping Centers. AMC Kabuki Theatres' 19 to 22 full-time employees contribute approximately \$78,000 in retail spending in the Japantown area.
- The above spending by movie patrons is also quite impressive when compared with the amount the survey respondents indicated they spend on trips to Japantown that do not include a movie. The \$17.35 average per capita spending represents 70% of the \$24.84 reportedly spent on non-movie trips to Japantown.
- While spending by moviegoers averaged \$17.35 in Japantown, the rates of spending varied. For example, as noted below, 6 percent of movie patrons spent an average of under \$10 per trip to the movies, while 7 percent spent \$40 or more. Opportunities to enhance spending by some of the "under spending" movie-going public and reinforce opportunities for higher spenders are discussed in the following section.



Movie Patron Spending in Japantown

Under \$10	6%
\$10 to \$14	33%
\$15 to \$19	23%
\$20 to \$39	31%
\$40 or more	7%

- The following chart displays the array of Japantown venues visited by moviegoers most or every time they go to the movies. As shown, moviegoers patronize restaurants and bars with the greatest propensity, followed by other retail outlets, such as hardware stores, bookstores, and video arcades. These two categories represent over two-thirds of the Japantown venues patronized by the respondents.

Restaurants and bars	43%
Other retail	23%
Grocery stores	19%
Public areas	19%
Cultural attractions	14%
Local services	12%

- Spending at restaurants and bars was greater for people who live outside the City (60%), and those who more often go to Japantown without also going to the movie theatres (54%).
- Frequent moviegoers (at least monthly) were nearly twice as likely to go to Japantown for non-movie going trips than less frequent patrons. An estimated 61 percent of frequent moviegoers also patronize Japantown monthly for non-movie going outings. By comparison, for less frequent moviegoers, 34 percent stated that they visit Japantown at least monthly when not going to a movie. These findings suggest that for a core of Japantown patrons, the availability of the range of entertainment, social, cultural and recreation activities increases their overall visits to Japantown.

AMC Theatre Competitive Advantages and Opportunities

The AMC Theatres benefit from several positive attributes that attract patrons to the area. The Theatres' primary draw (rated very and somewhat important to over 90% of respondents) was the movies and show times, as well as the clean, safe and comfortable theatre. Ease and affordability of parking, and the Japantown environment, also were cited as important draws for over three-quarters of the respondents.



In addition, survey respondents noted several factors that could increase the frequency of their visits and spending in Japantown. Approximately three-quarters of the respondents stated that easier access to the mall, more entertainment, a wider variety of stores and restaurants, and increased security and safety would be important to increasing their trips to Japantown.

Supporting Data

- While convenient show times was cited as the primary reason for attending the AMC Kabuki, 41% of respondents cited the Japantown environment as very important to selecting AMC Kabuki for movies. This was a more important reason for Asians (49%) and non-San Francisco residents (53%).
- The Japantown environment was more important to those of Asian background (49%) than White/Caucasian patrons (25%). In fact, it appears that Japantown is a significant destination for Asians residing outside the area. Nearly half the respondents who live outside the western area of San Francisco identified the Japantown environment as very important in selecting a film at the AMC Kabuki. By comparison, just under a third of the residents from a one-mile radius and western neighborhoods noted the environment as very important.
- At present, access between the AMC Kabuki Theatres and the Japan Center is somewhat constrained and circuitous. If direct access were provided between the two venues, 12 percent of respondents indicated they would go to Japan Center all the time, with an additional 52 percent indicating they would go most of the time or frequently. Another third of the respondents indicated they would not patronize Japan Center often.
- When rating the importance of each of six factors for attracting them to Japantown more often, approximately 40 percent of the respondents identified easier access to the mall, more entertainment or social activities, increased security and safety, and a better variety of retail stores and restaurants all as very important. Improved urban design, and businesses that stay open later were noted by about one-third of respondents as very important.

PROJECTED STABILITY OF THEATRE USE

The previous analysis demonstrated that the AMC Kabuki Theatres are a significant economic engine and social gathering place in Japantown. The theatre patrons generate substantial foot traffic and patronize existing retail outlets and restaurants.



Over the last decade, significant changes in the movie industry have resulted in the closing of many theaters across the country. This section provides a brief summary of trends in the movie theatre industry, summarizes San Francisco's competitive theatre environment, and addresses overall strengths and challenges faced by AMC at the Kabuki Theatres.

Findings reflect information included in the theatre survey, interviews with theatre industry professionals, analysis of AMC Theatres' performance data, and a review of a recent movie theatre market overview conducted for the San Francisco Redevelopment Agency by the consulting firm Bay Area Economics (BAE).

In sum, given the range of strengths and weaknesses of the theatre climate the AMC Kabuki, in particular, the Consultants project that AMC is most likely carefully monitoring several key indicators of the long-term viability of the Theatres. This includes attendance data, Japan Center renovation and Japantown revitalization investments, in addition to the future of the Lower Fillmore Jazz District theatre site. Positive findings and actions will contribute to AMC's decision to continue their long-term investment in the community. On the other hand, negative results could potentially trigger corporate decisions to proceed with the property disposition.

Theatre Industry Trends

- The last couple decades have been tumultuous for the movie theatre industry. The rapid expansion of megaplexes and larger multiplexes has driven many smaller movie theatre chains out of business and resulted in the closing of many movie screens, particularly single screen and small multiplexes. The poor financial condition of companies is expected to lead to continuing industry consolidation.
- Megaplexes and multiplexes offer several advantages that contribute to higher rates of attendance and operating efficiencies. These include staggered movie times for the most popular first-run movies, and concessions and staffing that is spread over a larger number of screens. Also, newer theatres often include stadium seating and provide a wider range of food and beverage options. Most new theatres are a minimum of 8 screens, with theatre operators preferring at least 10 to 12 screens in 45,000 square foot theaters.
- Over the next couple of years, new multiplex theatre construction will again increase, as theatre chains work out bankruptcies, dispose of their poorest performing assets, and achieve recapitalization.
- Some smaller multiplexes and single-screen theatres have been successfully converted into art-houses or second-run operations. With the aging of the population, this option is continuing to attract the interest of some theatre owners.



Competitive Facilities in San Francisco

- San Francisco currently has 21 movie theatres with 74 screens, including two new multiplex theatres totaling 29 screens (Loews Theatres at Metreon with 15 screens and AMC 1000 on Van Ness with 14 screens). During the past few years, six movie theatres with eight screens closed (including the Alhambra, Northpoint, Regency I and II, St. Francis and the Cinema 21). Two other small theatres are projected to close in the near future. The Coronet on Geary is slated to be torn down and converted into a new research center on aging, and Century Theatre owners indicated that the Presidio, on Chestnut Street might soon close.
- Despite individual theatre closings, the BAE report found San Francisco undersupplied with movie screens given the City's population, high rates of tourism and the number of local employees. Two new projects are currently in the planning pipeline. A 9-screen theatre proposed as part of the Bloomingdales mixed-use project on Market Street, and a 30-screen multiplex that is part of the proposed Candlestick Mills mall project. This project has been delayed several years and is less likely to be developed in the foreseeable future. Even with these projects, the San Francisco market could support other additions to the supply.
- Barriers to entry, however, will most likely constrain new projects. These barriers include the limited supply of suitable sites, high land prices, and a typically uncertain, lengthy and relatively costly entitlement process.

Performance of AMC Kabuki Theatres

- AMC Theatres is one of the largest national movie chains. They currently operate 2,626 screens in North America, with an average of 15 screens per theatre. Of their total inventory, 67 percent are in megaplexes and 81 percent in multiplexes. Like most of the national and local chains, they have been in a retrenchment mode. Currently, an estimated 19 percent of their screens are in a disposition portfolio (approximately 548 screens), with the majority of the dispositions forecast to occur within the next 18 months.
- The AMC Kabuki's eight-screen theatre totals 21,768 square feet in size. Attendance during the year 2000 was 527,000. The attendance declined 28 percent from 676,000 in 1999 and 35 percent from 807,000 in 1998. It is assumed that the opening of the Metreon and AMC 1000 significantly impacted the AMC Kabuki attendance during the past three years.



Theatre Strengths and Challenges

- The long-term viability of a movie theatre at the Kabuki is uncertain. Within the overall competitive movie theatre market, the AMC Kabuki Theatre has strengths and weaknesses. In addition, there are an array of proactive actions that could be undertaken by the Theatre and Japantown to bolster the Theatres' attendance, and in turn result in greater patronage to Japantown. A set of preliminary actions are outlined in the following section.
- While modern mega- and multiplexes have been undermining the solvency of many smaller, older theatres nationally, San Francisco's movie theatre inventory is atypical. Out of the 21 theatres in the City, only the new AMC 1000 and the Loews Metreon have more screens than the Kabuki. The Embarcadero Center Landmark Theatre has five-screens, although this theatre offers art and independent, rather than first-run films. All other theatres in the City have four screens or less.
- As noted in the previous section, the San Francisco market is undersupplied in the number of screens that are available. The AMC Kabuki plays an important role in satisfying demand for movie screens.
- The location of the Kabuki meets many general locational criteria sought by theatre operators. The population density, the presence of good quality restaurants, affordable parking, limited nearby competition, and constraints on new development underscore Japantown's strength as a continuing venue for a movie theatre.
- Direct nearby competition is also likely to be limited. There are few large sites available in the area. Available land within the Lower Fillmore Revitalization District was recently considered for a new multiplex. However, a recent study commissioned by the San Francisco Redevelopment Agency concluded that movie revenue generation would be constrained in the Redevelopment Area because the site lies within the same film distribution zone as Kabuki, and hence would compete with that theatre for new releases and first-run films.
- Given San Francisco's formidable barriers to entry and strong market conditions, demand is likely to remain strong for the retention or acquisition of strategically located existing theatres. Theatre industry professionals also indicated that despite widespread dispositions of older or smaller theatres, there is a viable market for existing multi-screen theatres, particularly if they satisfy the company's long-term investment strategy and are located in urbanized areas with limited possibilities for new competition. Ultimately, pricing for an acquisition would also need to be



favorable. The fact that the AMC Theatre site is owned outright by AMC Theatres bodes well for the continued operation of the theatre.

- The AMC Kabuki also faces several challenges. Perhaps most significantly is the recent precipitous decline in attendance. The next two years will be important benchmarks indicating market stabilization or continuing declines.
- The age, configuration, size and number of screens at the AMC Kabuki do not fit the optimal prototype being pursued by movie theatre chains. Given the configuration of the theatre and adjacent uses, expanding the number of screens would likely be difficult.
- Survey respondents were asked to identify other uses that would attract them to Japantown as often, if the AMC Kabuki Theater were no longer there. While the above discussion suggests uncertainty about the potential near-term closure of the AMC Kabuki Theatres, it is useful for the community to develop some preliminary consensus regarding the types of uses they would like to see incorporated in Japantown if AMC sells the property.
- The following chart summarizes the percentage of respondents that selected each use as one that would attract them to Japantown as frequently as the movie theater:

Entertainment Retail	45%
Live Music	40%
Bowling Alley	38%
Asian or Japanese Dept. Store	37%
Recreation and Sports	36%
Asian Arts and Culture	34%
Children's Activities	15%
Other	1%

- Teenagers surveyed at the AMC Kabuki were disproportionately in favor of bowling (67%), entertainment retail (56%), and recreation and sports facilities (52%). Entertainment retail was also a highly desired alternative use for nearby residents (54%). Live music had little appeal for teens, while those aged 31 to 50 (54%) and those living within a one-mile radius (54%) identified music as a positive alternative use. Asian arts appealed mostly to those over 51 years of age (48%) and San Francisco residents living outside the immediate neighborhoods.



SUMMARY

The continuing use of the site as a theatre is very important to Japantown's overall economic vitality. The survey data revealed significant opportunities to increase the patronage to the Kabuki Theatres and Japantown as a whole, thereby strengthening the synergies between and long-term viability of both venues. Specific economic development strategies are provided in Chapter IV.