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Memorandum

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Date: November 25, 2009
To: Curtis Gibbs
From: ERA
Subject: Economic and Fiscal Benefits of the Proposed Multi-Use Parking and Loading Parking Facility

Distribution: Amitabh Barthakur, Anne Wurts, Lance Harris

Introduction

Economics Research Associates, an AECOM Company (ERA), was retained by the Community Redevelopment Agency of The City of Los Angeles (CRA/LA) to estimate the potential economic impact and fiscal benefits of the proposed multi-use parking and loading facility adjacent to the Los Angeles Theatre located in downtown Los Angeles (City), California¹.

In April 2008, the City Council took action to create the Broadway Parking Task Force (Task Force). In September 2008, the Task Force, consisting of the Department of Transportation, CRA/LA, the Bureau of Engineering, General Services Department, Chief Legislative Analyst's Office and Council District 14, initiated a Statement of Interest (SOI) process to solicit information and evaluate interest in parking development from property owners located within an area bounded by 5th Street to the north, Spring Street to the east, 8th Street to the south and Hill Street to the west.

The SOI was distributed to 150 property owners requesting them to express their ideas for development including potential desire to sell land and/or in joint venturing with the City. The Task Force imposed the following criteria for considering and evaluating sites:

- Development of a site would not require demolishing a historically significant building;
- Site would have pedestrian orientation and connection to Broadway; and
- Properties are available and accessible to allow vehicles to enter or exit the parking facility within the targeted area.

Executive Summary

The following executive summary provides ERA's estimate of the potential new economic benefit associated with development of the multi-use parking and loading facility. The multi-use parking and loading facility is anticipated to provide commercial space, theatrical loading, ancillary support for filming, and between 350 - 500

¹ APN: 5144003012, 5144003013, 5144003014, 5144003023, 5144003024

parking spaces along with 10,000 to 15,000 square feet of retail space adjacent to the Los Angeles Theatre in downtown Los Angeles. The theater owner has pledged a multi-million dollar investment to restore both the Los Angeles and Palace Theatre if the City proceeds with the multi-use parking and loading facility. The proposed multi-use parking and loading facility and owner's commitment to restoration is expected to bring numerous benefits to the area. The following highlights the importance of adjacent parking and the quantifiable direct impacts (jobs and tax dollars) and indirect benefits of both projects moving forward.

Importance of Adjacent Parking for Theatre Operations

The current parking capacity in the area, including public-owned Pershing Square and other privately-owned locations within the area are an important component of satisfying demand for existing daytime uses and the proposed theatres; however, they do little to assist with the reactivation of the theatres along Broadway. On the other hand, the proposed multi-use parking and loading facility would catalyze the restoration and reactivation of two historic theatres as entertainment venues. While adjacent parking is a highly desirable theatre amenity, controlled parking for loading and unloading is an absolute necessity to successfully market and program the Los Angeles Theatre for use on a regular basis. Without addressing this critical problem, future programming of the Los Angeles Theatre will be limited, and therefore, the revenues, jobs, and other benefits to the City which could be realized with both the Los Angeles and Palace Theatres restored and programmed as activated theatre venues will be also be limited.

Direct Impacts

The impacts associated with the proposed developments will occur in two phases. The first and most immediate impact of the proposed developments will result from construction activity. Based on current construction cost estimates for the parking facility, the estimated \$25 million will support approximately 210 construction related jobs through the construction period. Current theatre renovation estimates are not known at this time, but using past cost estimates adjusted to today's dollars suggest that a \$10.5 million dollar investment would yield approximately 125 construction jobs for the Los Angeles Theatre alone. The costs and associated construction employment associated with the Palace Theatre is unknown at this time.

Unlike construction related job creation, which will occur over the construction period, ongoing new employment supported by the parking facility and theatres will occur on an annual basis. We estimate approximately 160 jobs will be created as a result of the proposed projects through parking operations, theatre operations, successful absorption of creative office space above the Palace Theatre, new film activity, and theatre induced off-site spending. The tax revenues associated with the developments is expected to come to the City via business license tax, sales tax, and parking tax. In total, ERA estimates the proposed projects will provide over \$518,000 in fiscal benefit to the City on an annual basis, in part due to the anticipated \$1.1 million annual off-site spending and \$4.5 million in ticket sales and revenues related to theatre use in the re-activated Los Angeles and Palace Theatres.

ES Table 1: Summary of Job Impacts*

	Jobs	Associated Earnings
Direct Job Impacts		
Construction		
Multi-Use Parking Structure	210	\$9,300,000
Theatre Renovations	<u>125</u>	<u>\$15,600,000</u>
	335 Jobs	\$24,900,000
Operations		
Multi-Use Parking Structure	10	\$292,000
Theatres		
Theatre Operations ¹	50	
Office Space (Palace Theatre) ²	60	
New Film Activity (45 new shooting days) ³	30	
Theatre Induced Off-Site Retail Spending ⁴	<u>10</u>	
	160 Jobs	
Other Potential Job Impacts		
Commercial Office Space Reactivation ⁵	300 - 500 Jobs	

¹ Based on comparable facilities

² Assumes 250 square feet per employee

³ Based on LAEDC estimates

⁴ Based on anticipated \$1.1 in off-site spending

⁵ Assuming absorption of 75,000 to 125,000 square feet of vacant commercial office space

*Note: Other jobs associated with new motion picture production would also create additional jobs not quantified in this report.

Source: ERA

ES Table 2: Summary of Direct Fiscal Benefit to the City*

	Tax Dollars
Business License Tax	\$12,100
Sales Tax (On-Site and Off-Site Theatre Induced Spending)	\$60,800
Sales Tax (New Film Activity)	\$345,600
Parking Tax	<u>\$100,000</u>
	\$518,500

*Note: The parking structure creates synergies with motion picture production. The fiscal benefit of the attraction of additional motion picture production, beyond the two theatres, has not been quantified in this report.

Source: ERA

Beyond the jobs and tax dollars the projects are anticipated to bring to the City, the restoration and reactivation of the theatres will be an essential component of the Bringing Back Broadway economic development strategy. The Bringing Back Broadway initiative is working to revitalize the area by establishing an entertainment district. In many major metropolitan areas, the anchor for such redevelopment is a regionally serving entertainment destination such as a cluster of theatres. Although entertainment districts can emerge organically through what could be described as a "snowball effect" as businesses are drawn to other businesses in a synergetic interaction, in most cases they owe their existence to proactive municipal efforts to revitalize the blighted areas. As such, the successful evolution into an entertainment district will likely require involvement by both public and private participants.

The central issue in the preservation and reuse of older buildings for modern uses is the lack of parking. The City of Pasadena is one example in the Greater Los Angeles area that proactively developed parking facilities to support revitalization efforts. ERA anticipates the proposed multi-use parking and loading facility will be a catalyst not only for near-term benefits associated with the theatres' operations, but also provide a needed amenity to assist in marketing existing vacant commercial space (discussed in the indirect impacts) and play a role in a long-term parking district strategy that is evolving in the downtown as it converts to a twenty-four hour mixed-use district.

Other Impacts

In addition to the direct on-site and off-site impacts quantified, the multi-use parking and loading facility presents the opportunity to capture a range of additional economic impacts that are not quantifiable at this time but will most certainly occur given the economic dynamics of the Broadway district.

In an effort to retain motion picture production downtown, it was recommended that the City identify parking lots, garages, or other vacant lands owned by governmental agencies that could serve as base-camp parking for film productions. These locations could be provided at low or no-cost to ensure that film productions have a steady, low-cost parking option. At the same time, downtown is developing a three-site pilot of "infrastructure nodes" that will provide power for filming. One node location is located adjacent to the privately-owned theatre parking lot behind the Palace Theatre. It was selected largely because the block bounded by 6th, 7th, Spring and Main is one of the most heavily used sites for filming operations in downtown.

The combination of the future infrastructure node and the proposed multi-use parking and loading facility (with electric/utility vault) may have synergies that go beyond the quantified film related benefit provided in the projects "direct impacts." ERA believes the indirect benefit of the multi-use parking and loading facility could rival or supersede the estimated direct job-related economic impact and fiscal benefit to the City. This is largely because the film industry plays such a vital role in the local economy due to the associated level of production spending in the region.

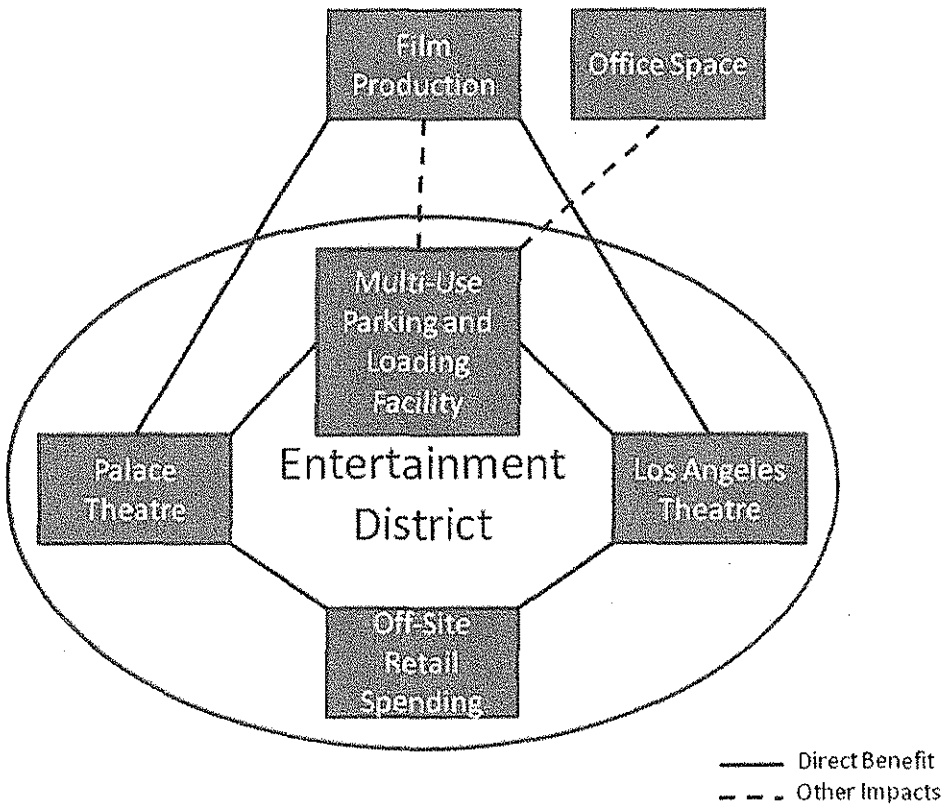
Daytime parking for employees and visitors is a necessary amenity to commercial office space. Without available parking it is very difficult to successfully market commercial space. As a result, the construction of 300 – 500 spaces could provide employee parking opportunities for 75,000 – 125,000 square feet of commercial office space (assuming four parking spaces per 1,000 square feet of office space or 250 square

feet per employee would support between 300 and 500 jobs). The successful absorption of the current vacant commercial space will depend on a number of factors beyond the increased parking capacity, but ERA believes the parking will indirectly assist with the reactivation of a portion of the currently unused space.

Summary of Benefits

The following chart illustrates how the multi-use parking and loading facility and renovated theatre will benefit the City. As shown, there is a direct relationship between the multi-use parking and loading facility and restoration/new programming at the Palace and Los Angeles Theatres. Once the theatres are renovated, ERA has assumed there will be consistent programming that will attract people to the area. Patrons who come to the area will spend retail dollars off-site. The synergies of the consistent programming and associated off-site spending will create critical components of the evolving entertainment district economic development strategy. The multi-use parking and loading facility will also stimulate potential additional motion picture production related activities at the theaters. Beyond the direct benefits, we anticipate the multi-use parking and loading facility's strategic location will yield positive benefit associated with increased capacity for motion picture production in the City and will provide a necessary amenity to assist market unused office commercial space in the area.

ES Chart 1: Illustrative Relation of Potential Benefit



Source: ERA

Project Description

Multi-Use Parking and Loading Facility (Project)

The Project is anticipated to provide between 350 - 500 parking spaces along with 10,000 to 15,000 square feet of retail space. The Project would replace existing buildings located at 621, 629, and 635 South Broadway and a current surface parking lot and small jewelry store with approximately 30 parking spaces located at 628 – 630 South Hill Street. The facility would be located adjacent the historic Los Angeles Theatre, between 6th and 7th Street, and would provide controlled City-owned parking and theatre semi-truck loading for future events and facility rentals.

While estimates are preliminary, the Project is estimated to cost \$25.3 million in construction costs² and \$31.2 million in land acquisition to purchase the five parcels on Broadway and Hill and the necessary pre-development costs.

Theatre Restoration

In response to the Project, Ezat Delijani (Delson Investment Group), in a letter of intent (LOI), pledged a multi-million investment to restore the Los Angeles and Palace Theatres if the City proceeds with the Project. The investment in the Los Angeles and Palace Theatres, which would coincide with the Project development, would (1) restore the facilities per the Secretary of the Interior Standards for Rehabilitation in a National Register Historic District, (2) make the theatres fully functional and adaptable to accommodate multiple uses, and (3) be marketed and programmed for public use on a regular basis to draw patrons to the venues. A brief description of the theatres current condition and anticipated future uses are provided below.

Los Angeles Theatre

Built in 1931 at the height of the Depression, the Los Angeles Theatre was constructed as an independent movie house on leased land. It was the last and most ornate movie palace built on Broadway. With a construction cost of \$1.5 million, the theatre was considered one of the four or five finest movie palaces in the world when it opened.

At this time, the Los Angeles Theatre auditorium has a total of 1,978 seats, which is comparable to its original seating of 1,949. A total of 1,344 seats are on the main floor, 276 on the mezzanine and 358 on the balcony levels. Built as a movie palace, the theatre has a present stage width of 60 feet and a depth of 25.

In addition to the theatre's auditorium, other event spaces include: (a) two 5,000-square-foot, column-free spaces upstairs above the theatre, (b) multi-function areas of approximately 2,400-2,500 square feet at mid-level, and (b) a 2,400-square foot ballroom and 2,000-square foot restaurant area with an attached kitchen on

² Based on ERA experience and industry norms the hard costs associated with the Project's development seem high. Structured parking (above grade) typically costs \$20,000 to \$25,000 per space. Below grade subterranean parking (below grade) typically costs \$30,000 to \$35,000. Even after accounting for soft costs, and any extraordinary costs related to commercial areas and truck loading areas, the current estimates appear to be 20% to 30% higher than the norm.

the basement level.

In recent years, the theatre has primarily been rented by film crews for location shoots. Commercials, television and other types of production, such as music videos and still photography, comprise the majority of these shoots. Though feature film activity in Los Angeles has been down significantly since 2006, past productions include *Batman*, *Charlie's Angels*, and *Dreamgirls*. Other special event uses at the Los Angeles Theatre include the popular *Last Remaining Seats* film series program each summer (typically two shows), Fashion Week in March and October, and various other small functions.

Palace Theatre

Across the street from the Los Angeles Theatre, the Palace Theatre opened in 1911 as part of the Orpheum Circuit and was named the Orpheum Theatre. It was the first new theatre built specifically for the vaudeville Orpheum chain. The Palace Theatre originally opened with 1,956 seats but currently has a total of 1,116. This includes 643 total on the main floor and 473 on the balcony level. The stage dimensions are approximately 48 feet in width and 27 in depth.

Outside of the theatre auditorium, other potential event spaces include a 7,000-square-foot basement, and a 5,000-square-foot, column-free area on the fourth floor fronting Broadway. In addition, The Palace Theatre contains three levels of creative office space, totaling approximately 15,000 square feet.

Though not as popular a destination for film shoots as the Los Angeles Theatre, the Palace Theatre is used for location shooting, with an emphasis on commercial productions, still photography and other types of smaller productions. At present, the theatre also hosts approximately four concerts annually, one of the film screenings in the *Last Remaining Seats* film series, and has held events related to Fashion Week. Recently, pop singer Julian Casablancas has staged a series of concerts at the venue.

Broadway Initiative

Located in the center of downtowns' Historic Core, the Broadway corridor is part of an important National Register Historic District and features one of the largest concentrations of historic theatres on one street in the United States. Twelve theatres are located within eight blocks that reflect the architectural and engineering achievements of the early 20th century. Collectively, the historic theatres are known as the Broadway Theatre District.

Bringing Back Broadway

Bringing Back Broadway is a multifaceted public private initiative aimed to revitalize the Broadway corridor. In the Bringing Back Broadway 2008 Year in Review Report, the organization indicated the following key goals as they directly relate to the proposed Project:

- 1) Activate inactive theatres;
- 2) Activate inactive commercial space; and
- 3) Increase parking for Broadway.

The restoration and reactivation the Broadway Theatre District is an essential component of the Bringing Back Broadway effort. The successful revitalization of these historic theatres is anticipated to establish a new

entertainment district in downtown. In 2008, the Million Dollar Theatre opened, marking the third historic theatre currently operating on Broadway. In addition to the Million Dollar Theatre, the Orpheum Theatre was restored several years ago and offers regular entertainment programming while the Globe Theatre currently functions as a night club.

The creation of municipal parking facilities is one of Bringing Back Broadway's highest priorities along with ensuring parking that already exists is utilized to its fullest capacity. In response to these needs, a task force was created by City Council motion to research the needs and make recommendations on locations for potential new parking facilities and create a plan for working with existing parking operators within the district.

Urban Entertainment Center Districts

The Bringing Back Broadway initiative is attempting to revitalize the area by establishing what the Urban Land Institute describes as an Urban Entertainment Center (UEC). UEC districts are urban areas that have been revitalized and/or repositioned as entertainment destinations through the redevelopment and renovation of properties. For the most part, the urban structure of streets, sidewalks, and buildings remains intact.

In many major metropolitan areas, the anchor for such redevelopment is a regionally serving entertainment destination such as a theatre. Although UEC districts can emerge organically through what could be described as a "snowball effect" as businesses are drawn to other businesses in a synergetic interaction, in most cases they owe their existence to municipal efforts to revitalize the blighted areas. As such, the successful evolution into an UEC will likely require involvement by both public and private participants.

There are many examples of the formation of theatre districts being used as an economic development strategy in other parts of the County. The clustering of venues, which helps establish the UEC, creates a variety programming opportunities associated with additional performance capacity. One such example is The Playhouse Square Center in Cleveland, Ohio (summarized in the appendix of this report). The reactivation of historic theaters led to Cleveland's most successful urban renewal project.

Parking Demand

Assessment of Need

Similar to other historic buildings, many of the properties along Broadway were built at a time when the car was not the primary mode of transportation and therefore lack adequate parking based on current City standards. In recent years, the CRA/LA has undertaken efforts to study and understand parking needs throughout the downtown area. Two major studies relevant to the proposed Project include the Kimley-Horn "Parking Study for Historic Core and Adjacent Areas" from November 2003 and the "Downtown Parking Management Ordinance Implementation Project Summary Report" led by Wilbur Smith Associates in 2007. Key highlights as they pertain to the proposed Project are provided below.

Kimley-Horn

As part of the Kimley-Horn study, parking counts were conducted for all on-street and off-street parking facilities in the downtown study area to determine the usage characteristics in the area (zones) that service the district.

As of the study date, there were approximately 8,200 total spaces in Zone 1 (5,646) and Zone 2 (2,555)³. The vast majority of the spaces are concentrated within privately controlled off-street parking. According to the Study, daytime utilization was near or above 100 percent occupancy during business hours. Evening occupancy was determined to be significantly lower than in the day, but deemed to be insufficient to support minimal future increases in activity along Broadway.

As part of the study, Kimley-Horn study examined the effect on parking based on the possible reuse of the Los Angeles and Palace Theatres. Peak demand for the two theatres, assuming full capacity, would be 1,500 parking spots. The parking demand factor utilized for the estimate overall demand of 0.4 parking spaces per occupied seat⁴.

While many theatre events take place during the evening, based on the Kimley-Horn research there is not sufficient capacity in the zones serving the Broadway Theatre District to absorb a significant daytime event, such as shows, business gatherings, conferences, or other events at either of these facilities. Even though there is excess parking capacity in the evening, the study suggests that theatre patrons are less likely to be willing to walk long distances to and from a parked vehicle after dark or in the late evening when many events end.

It is important to note that this study was conducted before a significant number of properties converted to residential uses, which has further compounded the demand for parking in the district⁵. There is currently over one million square feet of unused commercial office space along the Broadway corridor. Assuming absorption of all of this unused commercial space, the study estimated that future parking demand in the Broadway Theatre District will exceed 9,000 total spaces. Due to existing demand daytime demand, even marginal increases in absorption would trigger the need for additional parking capacity in the area. Furthermore, the current availability of private-owned "public" parking is no guarantee of future availability.

Wilbur Smith

The Wilbur Smith study noted that the ultimate goal of Los Angeles Downtown Parking Management Ordinance Implementation Project is to enhance downtown and continue the evolution of a 24-hour mixed-use activity center for the City. Specifically, the project provides a framework to better understand parking issues and develop new policies that: (1) support better use of on-street parking spaces; (2) prioritize parking for downtown residents and customers as part of multi-mobility and access strategy; and (3) provide parking support for business, institutional, and entertainment uses.

³ 100 percent of Zone 1 and 50 percent of Zone 2 services the Broadway Theatre District.

⁴ The demand for theatre parking was estimated using a ratio of 2.5 people per vehicle.

⁵ Anecdotal evidence suggests that a number of privately-owned parking is contracted out for residential users. Furthermore, there are approximately 8,180 existing units, 780 units under construction, 2,110 approved units, and 1,560 planned/proposed residential/ARO residential units located within or fronting the boundaries of 4th, 9th, Main and Grand, which is about two blocks in each direction from the proposed Project.

One of the main concerns and issues raised by involved stakeholders was that while overall there may be sufficient parking in Downtown at some times of the day, it is not located in the necessary places, with the correct pricing and hours of operation to make parking useful and accessible in order to serve the evolving needs of Downtown businesses, customers, employees, residents, and visitors.

District Parking Strategy

In past instances, parking has been used as a critical component in developing an UEC district strategy by providing inexpensive, adjacent parking with secured pathways between the parking and a regionally serving entertainment attractor. The Bringing Back Broadway effort notes that providing parking to serve the specific needs of the theatres (in order to reactivate entertainment uses) is paramount to the success of the Broadway Theatre District. In addition, municipal parking is desired to support all types of commercial activity along Broadway in order to create a well balanced, active, and sustainable corridor culminating in the transformation from a nine hour to a vibrant twenty-four hour mixed use UEC district.

Santa Monica and Pasadena are two examples of cities in the Greater Los Angeles area which proactively developed parking facilities to support areas undergoing revitalization. These cities have experienced success in their attempts to support economic development by providing easily accessible and affordable parking for patrons. The efforts in Old Pasadena are particularly informative because, like the Broadway Theatre District, issues unique to historic preservation are applicable.

As previously noted, a central issue in the preservation of older buildings for modern uses is the lack of parking. To address this issue, the City of Pasadena undertook a substantial public investment in parking well before it was known that new retail in commercial development would be successful. Not only did this investment in parking enable successful rehabilitation, remodeling, and in some cases redevelopment of existing buildings, but it fostered pedestrian movement that gave further vitality to Old Pasadena.

Building owners within the Broadway Theatre District are unlikely to invest in renovation if they cannot provide adequate adjacent or nearby parking for their patrons or employees. Similar to Old Pasadena, the prevalence of historic buildings may warrant the City to consider the development of a number of strategically located municipally-owned parking structures to accelerate investment in the area.

Importance of Adjacent Parking to Theatre Operations

Patrons

Symphony halls and venues that attract an older demographic, such as the Walt Disney Concert Hall, require controlled on-site parking. At such venues, accessible parking is critical since: (a) older patrons may have difficulty walking greater distances, and (b) patrons feel comfortable walking back to their cars at night. ERA has assumed that the Los Angeles Theatre's programming⁶ will appeal to an audience that will value and desire the adjacent parking capacity more so than the anticipated patrons of the Palace Theatre.

In ERA's discussions with various theatre managers, while having nearby and affordable parking for attendees

⁶ Please see "Potential Programming Performance" section.

is certainly desirable, the type of demographic are assumed to be attracted⁷ to the Palace Theatre (i.e. younger, urban) are used to attending clubs in areas such as West Hollywood and Hollywood where parking is scattered, generally private-owned, and at a premium. Several managers also report that club goers in areas like Hollywood and Downtown often take the Metrorail to avoid driving while intoxicated.

Unlike parking in West Hollywood and Hollywood that typically costs in excess of \$20⁸, the proposed Project intends to provide reasonably priced event parking. Using assumptions provided in Kimley-Horn study and assuming a live music event attracted an average audience of 75 percent capacity, the proposed Project could accommodate a significant number of patrons arriving by car for any one theatre⁹ (Table 1). The parking is deemed necessary in order to attract patrons who will not buy tickets or attend special events unless the adjacent parking is available. However, if both theatres are in use patrons would use existing parking capacity located at Pershing Square and other near-by privately-owned lots.

Table 1: Event Parking Utilization

	Los Angeles Theatre	Palace Theatre
Capacity (approximate)	2,000 Seats	1,000 Seats
Event Attendance	1,700 People	750 People
Arrive by Car (85%)	1,400 People	600 People
People per Car	2.5	2.5
Required Parking	560 Spaces	240 Spaces

Source: Kimley-Horn and ERA

Operations

The Los Angeles Theatre currently does not have a loading dock or controlled loading access to the theatre. Promoters and event planners must rent spaces and park in a 28-space parking lot which fronts Hill Street and load through St. Vincent's alley. This not only presents logistical challenges for shows moving in and out quickly, but film shoots and other special event producers must often pay the restaurant merchants whose tables, chairs, and umbrellas line the alley adjacent to the theatre and prevent access to the theatre's loading doors. This, in addition to renting the parking lot can cost a production thousands of dollars per day to park and unload trucks onsite. Additionally, because of the location of the theatre's stage loading doors, which are below grade, loading large stage sets and equipment pieces is difficult at best, even when the alley is made available.

Based on conversations with the Delson Investment Group, numerous productions and business investments have been lost because controlled parking for loading and unloading could not be guaranteed at the Los Angeles Theatre. Unlike adjacent parking, which is a highly desirable theatre amenity, controlled parking for

⁷ Ibid.

⁸ These are privately-owned locations. There are a number of public/quasi-public facilities in the area (e.g. Hollywood & Highland, Arclight, etc.).

⁹ ERA has estimated 15 percent of attendees will use alternative mobility methods (e.g. Metro). This calculation was incorporated in original parking factor of 0.4 parking spots per occupied seat, but ERA has increased the share based on information from comparable venues in Los Angeles and Hollywood.

loading and unloading is a necessary amenity to successfully market and program the Los Angeles Theatre for use on a regular basis (particularly if different types of events need to be turned around quickly). Without addressing this critical problem, future programming of the Los Angeles Theatre will be limited, and therefore, the revenues, jobs, and other benefits to the City which could be realized with both the Los Angeles and Palace Theatres restored and programmed as activated theatre venues will be also be limited, as will be the catalytic affect of the restoration and reactivation of two historic theatres as entertainment venues.

It should be noted that existing parking capacity at Pershing Square is an important component of an overall parking strategy (as described in the previous section) it does little to assist with the reactivation of the theatres. The physical presence of the adjacent garage is paramount to serve the specific needs of the theatre. ERA believes the theatres' ability to control access and loading is ultimately more important to its future success than issues surrounding patron convenience.

Potential Los Angeles Theatre and Palace Theatre Performance

Though no specific business plan has been presented, ERA understands that the restored Los Angeles Theatre will be used for a combination of live music, theatrical / artistic / performance productions, film shoots, fashion shows, broadcast television events, conferences, weddings, and a broad range of special events. The mix of event types is projected to be roughly comparable among these three event types. The two upstairs spaces with approximately 5,000 square feet each could contain separate entrances and be used for other activities such as a nightclub. The owners have obtained the necessary permits for entertainment/show events, film screenings, and a dance club/hall.

The restored Palace Theatre will primarily function as a live music and nightclub venue. The focus of the renovations would be in improvements to the circulation and support spaces in addition to significant improvements to the infrastructure (electrical, lighting, plumbing) technology capabilities (stage rigging, lighting, projection and sound) as well as historical renovation.

Comparable Venues

The following comparable venues are presented to illustrate potential programming potential at the Los Angeles and Palace Theatres. It is our assumption that the Los Angeles Theatre will attract a number of high profile, well established, and diverse music and other entertainment acts as well as other live performances similar to those booked at the Wiltern Theatre. The Palace Theatre is likely to be oriented towards emerging artists that typically perform at locations such as the El Rey Theatre in Los Angeles.¹⁰

Estimated Event Potential and Financial Assumptions

Based on ERA's industry experience and comparable venues the following provides the number of nights, utilization, and ticket/leasing revenue for event days at the Los Angeles and Palace Theatre¹¹ (please see Table 3 and Table 4). A comprehensive market study would be necessary for refined programming estimates.

¹⁰ Specific operating details from these two venues (El Rey and Wiltern Theatres, as provided in summary format in Table 11, influenced programming, utilization, and financial assumptions.

¹¹ ERA has not included potential revenue associated with venue sponsorship.

Table 2: Comparable Facilities

Theatre	Management	Year Built	Capacity	Types of Events	Annual Events
Club Nokia at L.A. Live	Golden Voice (AEG)	2007	2,300	Concerts, Grammy Awards, corporate events	NA
The Wilburn ¹	Live Nation	1931	2,200	Concerts, dance, theater, corporate events	100 in 2008 (concerts only). Est. 125 events total
Los Angeles Theatre ¹	Rental House	1931	1,978	Film shoots, Last Remaining Seats (2 annually) and Fashion Week	4-5 major events;
Orpheum Theatre ¹	Rental House	1926	1,970	Film shoots, Last Remaining Seats (2 annually) and concerts	72 events (6 per month)
The El Rey Theatre ¹	Golden Voice/AEG Live	1936	771	Live music, film shoots, private parties	109 events and 115 event days in 2008
The Mayan Theatre ¹	Golden Voice/AEG Live	1927	1,491	Live music, wrestling matches, film shoots, private parties	
Million Dollar Theatre ¹	Rental House	1918	2,345		10 in 2009
The Palace Theatre ¹	Performing Arts Center of Los Angeles Management Co.	1911	1,116	Concerts, film shoots, Last Remaining Seats (1)	
Ahmanson Theatre		1967	2,115	Broadway productions, dramas, musicals, comedies	NA
Pasadena Civic Auditorium	Pasadena Center Operating Company	1931	3,029	Pasadena Symphony Orchestra, musicals, operas, concerts, and Distinguished Speakers series	210 in 2005
House of Blues	Live Nation	1994	1,100	Live Music, private parties, restaurant and brunches	173 events/207 event days in 2008

¹ Historic movie house conversion.

Source: Billboard 2008 AudArena Guide, Pollstar, Individual Facilities, Delson Investment Group, and ERA

Table 3: Los Angeles Theatre Programming and Financial Assumptions

Ticket/Rental Revenue	Events	Assumption	Base	Net New	Capacity	Total Attendance	Average Ticket Price	Total Ticket Revenue	Average Rent	Total Rent	Total Revenues
Live Music	24	2 per month	0	24	85%	40,800	\$30.00	\$1,224,000			\$1,224,000
Comedy/ Other Performance	12	1 per month	0	12	85%	20,400	\$35.00	\$714,000			\$714,000
Film	45	50% increase over base	30	15					\$ 20,000	\$ 300,000	\$300,000
Weddings	30	2.5 per month	0	30					\$ 35,000	\$ 1,050,000	\$1,050,000
Special Events	11	.5 per month over base	5	6		10,200	\$18.00	\$183,600			\$183,600
Total	122		35	87							\$3,500,000

Source: ERA

Table 4: Palace Theatre Programming and Financial Assumptions

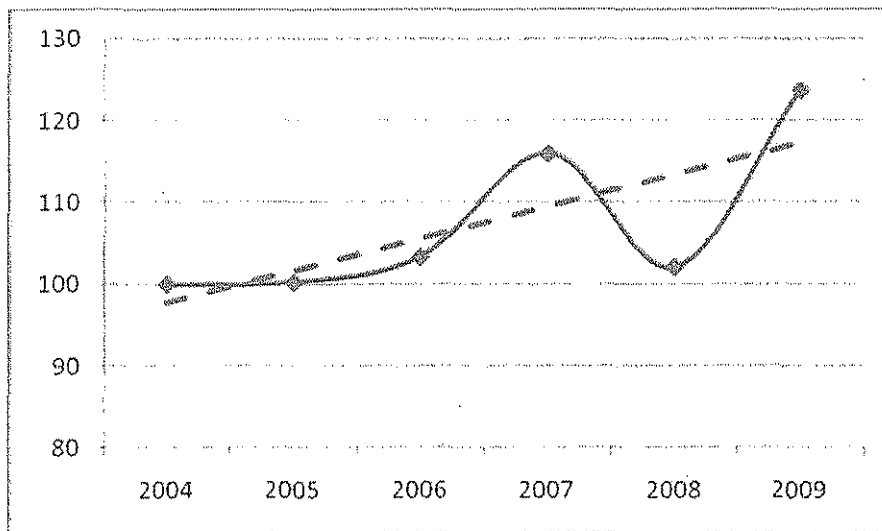
Ticket/Rental Revenue	Events	Assumption	Base	Net New	Capacity	Total Attendance	Average Ticket Price	Total Ticket Revenue	Average Rent	Total Rent	Total Revenues
Live Music	52	1 per week	4	48	75%	36,000	\$20.00	\$720,000			\$720,000
Club/DJ	104	2 per week	0	104	25%	26,000	\$10.00	\$260,000			\$260,000
Film	9	50% increase over base	6	3					\$7,500	\$ 22,500	\$22,500
Special Events	6	.5 per month over base	0	6					\$ 15,000	\$ 90,000	\$90,000
Total	171										\$1,092,500

Source: ERA

Cultural Consumerism

It should be noted that while a market study is beyond the scope of this study, the addition of two new entertainment venues is not anticipated to negatively affect the supply of entertainment programming options in the City. As evidenced below, the opening of Club Nokia at LA Live in 2009 has increased the overall ticket sales for all of the similar sized venues in the greater Los Angeles Area. The new facility has likely negatively impacted competitive venues, such as House of Blues and the Wiltern Theatre, but for the first time seven venues appeared in the Pollstar Top 100 Worldwide Club venues¹². The latest survey was extrapolated out to year-end 2009 assuming that the 3rd Quarter ticket sales represent 75 percent of year-end ticket sales (Table 5). As previously noted, the clustering of active theatres will enhance programming options rather than provide direct competition for theatres in the district.

Table 5: Ticket Sales in Los Angeles (Index = 2004)



Note: Facilities include: Club Nokia, Wiltern , El Rey, House of Blues, Troubadour, Knitting Factory, and Henry Fonda Music Box.

Source: Pollstar and ERA

Potential Project Performance

ERA has relied on the Kimley-Horn study, which provided a general, non-specific financial analysis to test the potential feasibility of a parking structure in the study area. In this analysis, the facility was assumed to be 400 spaces, located in a high-demand area, with rates that would be appropriate for that area. The development also assumed a portion of the ground floor, 5,000 square feet, would be allocated to retail/commercial uses keeping with the character of the area. The parking development prototype also assumed longer hours of operations than is typically offered in the area with an orientation towards satisfying parking demand at night to accommodate entertainment uses in the area.

¹² Based on ticket sales data reported from 2004 to 3rd Quarter 2009.

Table 6: Summary Financial Analysis for 400-Space Parking Structure

	First Full Year of Operations (\$2009)
Revenue	\$1,161,000
Parking	\$1,073,000
Retail	\$87,000
Expenses	\$531,000
Personnel	\$292,000
Operating & Maintenance	\$239,000
Net Operating Revenue before Debt Service	\$630,000

Source: Kimley-Horn

Economic Impact

In this report, the economic impact of the Project is estimated in terms of “net new” job creation to the City. It is ERA’s assumption that moving forward with the Project will result in significant renovations of the Los Angeles and Palace Theatres as noted in the LOI. Using future performance estimates, outlined above in Table 3 and Table 4, the following provides our estimate of economic benefit to the City.

Construction

The first and most immediate economic impact of the proposed Project is the costs associated with its development. Based on a preliminary soft and hard cost estimate for the Project, the total costs are estimated to be approximately \$25 million¹³. This direct construction related spending is expected to create approximately 210 daily construction related jobs over the construction period with associated earnings of \$9.3 million. All construction related employment will occur only during the development phase and is a one-time economic impact on the City.

While renovation costs associated with the Los Angeles and Palace Theatres are unknown, the last study (conducted by the CRA/LA in 1995) estimated total hard and soft costs would be \$7.4 million (1995 dollars) for the Los Angeles Theatre. This estimate did not include any costs associated with land acquisition or financing costs. Delson Investment Group has committed to a multi-million dollar investment as noted in the LOI. Assuming the previous benchmark is accurate, adjusted to 2009 dollars, ERA estimates the restoration would support 125 construction related jobs during the development period with associated wages of \$5.65 million. We have assumed that the previous estimate is inclusive of renovation costs for both facilities, however, this is likely conservative because the restoration costs associated with the Palace are unknown at this time.

Parking Operations

Distinct from the construction period, the proposed Project will have an annual recurring impact from its operations. The Project is estimated to provide 10 full time equivalent jobs associated with the parking

¹³ Based on Bureau of Engineering cost estimate.

component of the development. The retail component will replace existing retail already located on-site. As a result, ERA has not provided an additional number of net new employment for the retail space. However, it should also be noted that 300 – 500 parking spaces would support between 75,000 and 125,000 square feet of office space in the area, which could represent between 300 and 500 new jobs, respectively.

Theatre Operations

The Los Angeles and Palace Theatres will also have ongoing recurring impacts as a result of their operations. ERA estimates the facilities will employ approximately 50 FTE employees during their first stabilized year of operations. This calculation assumes that the 10,000 square feet of nightclub space will employ 20 FTE jobs¹⁴ and the theatre operations would create an additional 30 FTE jobs¹⁵. The actual number of jobs (both full time and part time) will be significantly higher due to additional part time staff working in connection with live events (e.g. security). The Palace Theatre also has 15,000 of office space, which if fully leased, could support around 60 FTE jobs¹⁶.

ERA has estimated that the theatre operations will stimulate approximately \$1.1 million in annual off-site spending. This level of retail sales would support approximately 10 FTE jobs assuming that the average supportable sales per square foot is \$300 (4,000 supportable square feet) and such retail employees 1 FTE job per 400 square feet.

New Filming Activity

ERA has estimated that the Project will provide an additional 18 facility rentals resulting in 45 new shooting days for motion picture production¹⁷. In 2005 the Los Angeles County Economic Development Corporation (LAEDC) reported the impact for a variety of motion picture production types in terms of supported number of jobs (Please see Table 9).

While the exact number of jobs cannot be provided, the additional filming at the theatres will support significant employment across several sectors in the City. Using an illustrative distribution of potential motion picture activity, the 45 new shooting days could support an additional 30 FTE jobs. The following Table 7 provides a breakout of projected filming activity by type at the theatres. The analysis assumes that approximately 40 percent of new filming would be commercial, 40 percent are television, 10 percent are feature films with a \$17 million budget, and 10 percent are feature films with a \$32 million budget. All assumptions regarding FTE employment and hours per shoot were taken from the LAEDC Study.

¹⁴ ERA assumes one FTE job per 500 square feet of nightclub space.

¹⁵ Based on comparable facilities in Los Angeles.

¹⁶ ERA assumes one FTE job per 250 square feet of office space.

¹⁷ Motion picture production includes film , TV programs, and commercials.

Table 7: Motion Picture Job Creation based on Net New Filming Days

	Commercial	1 Hour Drama	\$17 MM Film Budget	\$32 MM Film Budget
Employees (FTE)	7	60	304	565
Hours Per Shoot	12.0	12.5	12.0	12.0
Extra Work Hours	84	750	3,648	6,780
Shoot Days	18	18	5	5
New Hours	1,512	13,500	16,416	30,510
New FTE ¹	0.7	6.5	7.9	14.7

¹ Assuming 2,080 annual work hours (40 hours per week x 52 weeks)
Source: LAEDC and ERA

Fiscal Benefits

Similar to the economic impact, the fiscal benefit of the Project is estimated in terms of “net new” revenue to the City. Once again, ERA has only provided the anticipated level of direct tax revenues generated by the Los Angeles and Palace Theatres. The fiscal benefit of the proposed retail space has not been included because it is replacing existing retail already at the site location.

Sales Tax

The current tax rate in the Los Angeles County is 9.75 percent. The City retains 1.0 percent of the total tax levied on applicable goods and services. Based on ERA estimates, the theatres would generate \$60,800 in annual sales tax revenue to the City. This projection is based on both on-site and off-site retail sales based on theatre operations¹⁸. We have assumed no net gain in sales tax revenues as a result of the new retail space associated with the Project.¹⁹

Another generator of sales tax to the City would come from the incremental shooting days on-site. Based on the LAEDC study (please see Table 10), ERA estimates the following sales tax revenue creation based on the aforementioned distribution of filming activity for 45 extra days. In total, the City could attract or retain \$345,600.

Table 8: Motion Picture Sales Tax Creation based on Net New Filming Days

	Commercial	1 Hour Drama	\$17 MM Film Budget	\$32 MM Film Budget
City Sales Tax Per Day	\$1,000	\$12,000	\$12,200	\$12,600
Shoot Days	18	18	5	5
Total Taxable Sales	\$18,000	\$216,000	\$54,900	\$56,700

Source: LAEDC and ERA

Business License Tax

The City’s Business License Tax (BLT) for similar entertainment venues is \$1.27 per \$1,000 in gross sales (Class 5). Based on ERA estimates, the theatres would generate \$12,100 in annual BLT revenue to the City.

¹⁸ Please see Table 12 for specific spending assumptions. ERA assumes 66% capture of per capita spending estimates.

¹⁹ This does not refer to on-site and off-site sales tax generated by the theatres operations. Based on limited information, ERA understands the proposed Project related retail will be similar in size and value to which it is expected to replace.

This includes gross ticket sales and on-site retail expenditures.

Parking Tax

The City currently has a 10 percent parking tax that would apply to all parking related revenues generated by the Project. Assuming parking revenues in excess of \$1 million dollars, the City would receive \$100,000 in annual parking tax revenues.

Property Tax

The anticipated level of renovations would add an additional \$10.5 million in assessed value to the Los Angeles Theatre²⁰. The costs associated with the Palace Theatre renovation are unknown at this time. Existing property tax in the City is one percent of total assessed value. However, no direct property tax would flow to the City's general fund because of the properties location within the redevelopment area.

Indirect Impact

Film Production

On February 17th, 2009, a report was issued regarding "Ugly Betty and Film Production Flight." As part of the analysis, the report identified that one of the highest costs for film productions is parking. In an effort to retain motion picture production downtown, it was recommended that the City identify parking lots, garages, or other vacant lands owned by governmental agencies that could serve as base-camp parking for film productions. These locations could be provided at low or no-cost to ensure that film productions have a steady, low-cost option reducing impacts on the costs of production.

In another effort to make film production more attractive in downtown, a three-site pilot of "infrastructure nodes" that will provide power for filming sites and base camps were selected. In response to a previous study, the Future of Filming in Downtown Los Angeles, the concept of the infrastructure nodes is to provide points where film crews can plug in to get utility power, reducing their dependency on generators. Such strategically placed infrastructure nodes will make shoots greener and reduce diesel exhaust that has disturbed residents in the downtown. As early as February 2010, the pilot infrastructure nodes will be operational. The current locations selected for the program are at the DWP's Bunker Hill headquarters, City Hall, and in a parking lot next to 650 South Spring Street. According to FilmL.A. the block bounded by 6th, 7th, Spring and Main is one of the most heavily used sites for filming operations.

The combination of the future infrastructure node, located across the street from the parking lot adjacent to the Palace Theatre, and the proposed Project adjacent to the Los Angeles Theatre (that is anticipated to include an electrical/utility vault in the garage) may have synergies that go beyond the incremental shooting days attracted to the theatres that will benefit the City. The indirect benefit of the Project could supersede the job related economic impact and fiscal benefit of the Project and the renovated theatres. This is largely because the film industry plays such a vital role in the local economy due to the associated level of production spending in the region.

²⁰ The municipally owned parking structure would not generate property tax to the City.

Office Space

Employee parking is a necessary amenity to commercial office space. Without available parking it is very difficult to successfully market commercial space. As a result, the construction of 300 – 500 spaces could provide employee parking opportunities for 75,000 – 125,000 square feet of commercial office space (assuming four parking spots per 1,000 square feet of office space or 250 square feet per employee). The successful absorption of the current vacant commercial space will depend on a number of factors beyond the increased parking capacity, but ERA believes the parking will indirectly assist with the reactivation of a portion of the currently unused space.

Intended Goals for the Project

Council District 14 has provided the following as key goals for the Project:

- Providing parking and loading facilities for adjacent theatre is critical to economic development
- Commercial space is required on the ground floor, fronting Broadway
- A pedestrian paseo should be constructed between Hill & Broadway, connecting to St. Vincent's Alley
- Loading dock capable of handling two semi trucks; preferably level with stage; with adjustable dock plates
- Utility vault and above-grade power nodes for use in filming and for base camp
- Valet parking pull-in dropoff area on Hill Street side
- Commercial loading space needed for retail tenants
- Public restrooms
- 1% art fee used at least in part for permanent wayfinding features of garage
- Broadway facade compatible with the existing streetscape and historical architectural elements and in compliance with the Broadway Entertainment Overlay Zone and Design guidelines
- Potentially dedicate storefront space for multi-venue theater ticketing or Broadway / Los Angeles visitor and tourist info
- Explore the use of rooftop solar power
- Explore rooftop recreation options - soccer field, tennis court or park
- LEED certification
- Possible public / private partnership for construction operation (with City controlled rates, and agreements with theatre venues for special needs)

Appendix

Table 9: Motion Picture Production Job Impact in Los Angeles

	City Sales Tax (\$2009)
Commercial	\$2,000
Movie of the Week	\$30,000
1 Hour Drama	\$12,000
Film (\$2MM Budget)	\$11,000
Film (\$17MM Budget)	\$97,000
Film (\$32MM Budget)	\$209,000
Film (\$70MM Budget)	\$487,000

Source: LAEDC

Table 10: Motion Picture Production Tax Impact in Los Angeles

	Actual	FTE
Commercial	96	7
Movie of the Week	341	102
1 Hour Drama (1 Episode)	404	60
Film (\$2MM Budget)	290	59
Film (\$17MM Budget)	1,001	304
Film (\$32MM Budget)	1,770	565
Film (\$70MM Budget)	1,300	928

Source: LAEDC

Table 11: Comparable Facilities Historic Performance

Name	Total Shows	Total Tickets	Average Tickets/Show	Capacity	Average Ticket Price/Show
El Rey Theatre ¹	599	349,641	584	77%	\$21.12
Wiltern Theatre ²	542	1,364,608	2,518	89%	\$31.83

¹ Data from January 2000 to October 2009

² Data from March 1999 to October 2009

Source: Pollstar

Table 12: On-Site and Off Site Spending Potential Assumptions (not including ticket or parking)

	On-Site	Off-Site	Total
Los Angeles Theatre Distribution			
Live Music	\$8.00	\$16.50	\$24.50
Comedy/Other			
Performance	\$10.00	\$20.50	\$30.50
Special Events	NA	\$20.50	\$20.50
Weddings	NA	\$2.00	\$2.00
Palace Theatre (1,000 Seats)			
Live Music	\$6.00	\$4.50	\$10.50
Club/DJ	\$12.00	\$4.00	\$16.00

Note: In financial analysis ERA assumes 2/3 capture of potential per capita spending.

Source: ERA

The Playhouse Square Center Case Study

Cleveland, Ohio

Project Summary

What began as a group of concerned Clevelanders working to preserve a handful of long-neglected theaters has grown into an economic jewel that is Cleveland's most successful urban renewal project. The largest theater restoration project in the world, the Playhouse Square Center (PSC) sets the standard for theater restoration and is credited with galvanizing other cities to save their cultural facilities.

After dodging the wrecking ball in the 1970s, and finally emerging from a two decade-long, \$55 million restoration and rehabilitation, five architecturally and historically significant theaters are now the shining stars in Cleveland's downtown revitalization. But the PSC—which includes the Playhouse Square Foundation and Development Corporation—has a pragmatic and creative mission that extends far beyond that of renovating theaters. The foundation has developed and now owns more commercial properties—including a hotel, five restaurants, more than 95,000 square feet (8,826 square meters) of retail space, and three parking lots—than theaters. These commercial properties generate enough income to make the PSC 94 percent self-supporting.

"The creation of Playhouse Square Center out of five neglected vaudeville theaters built in the early 1920s exceeded everyone's expectations, both in terms of community impact and financial returns," says Art J. Falco, president and chief executive officer of the Playhouse Square Foundation. "It was the result of the first public/private partnership in the city of Cleveland. The Playhouse Square Foundation sold the redevelopment plan to the community as an economic development project, as well as a way to improve the quality of life for the citizens of northeast Ohio. We went on to become the informal development authority for the theater district, developing a hotel and a parking garage and acquiring office buildings to complement and improve the theater district as a whole. We believe this project is a great example of using a performing arts center as an anchor in a community's development plan. Representatives from many communities in the United States and abroad have visited Playhouse Square to learn how we developed the project."

The PSC serves as an example of what is possible when nonprofit organizations think outside the box and forge ahead with creative financing, strategic alliances, and an "anything is possible" attitude. It has become a premier builder of public/private partnerships, attracts thousands of volunteers from all walks of life, generates more than \$60 million annually in economic spin-off revenue, and pays some \$5 million annually in payroll, property, and other taxes, despite its nonprofit status. Since the project began, more than \$100 million in new private money has been invested in renovating and refurbishing other buildings in the district. PSC is recognized as one of the nation's best examples of the cultural arts acting as a catalyst for reinvestment.

The Development Team

Developer(s)

Playhouse Square Foundation

Designer(s)

van Dijk and Johnson
Roger Morgan Studios
Jaffe Acoustics
C.W. Shaver & Company

The Playhouse Square Center Case Study
Cleveland, Ohio

Site Statistics

	Acres	Hectares
Site Size	8	3.2
	Square Feet	Square Meters
Office Space	889,525	82,640
Retail Space	95,873	8,907
Industrial Space	0	0
Residential Units	0	
--Single-Family Units	0	
--Multifamily Units	0	
Hotel Rooms	205	
Parking Spaces	NA	
Max Floors	NA	
Use Data Status	Unknown	

* NA = Not Available

Date Started	
Date Opened	
Date Completed	

Project Web Site : <http://www.playhousesquare.com/About/About.aspx?ID=29>

Project Street Address

Euclid Avenue and East 14th Street
 Cleveland, Ohio, USA

Source: Urban Land Institute

General & Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this report are accurate as of the date of this study; however, factors exist that are outside the control of Economics Research Associates, an AECOM company (ERA) and that may affect the estimates and/or projections noted herein. This study is based on estimates, assumptions and other information developed by Economics Research Associates from its independent research effort, general knowledge of the industry, and information provided by and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives, or any other data source used in preparing or presenting this study.

This report is based on information that was current as of November, 2009 and Economics Research Associates has not undertaken any update of its research effort since such date.

Because future events and circumstances, many of which are not known as of the date of this study, may affect the estimates contained therein, no warranty or representation is made by Economics Research Associates that any of the projected values or results contained in this study will actually be achieved.

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