



DATE ISSUED: May 4, 2005

REPORT NO. CCDC-05-18  
CCDC-05-09

ATTENTION: Honorable Chair and Members of the Redevelopment Agency  
Honorable Mayor and Members of the City Council  
Docket of May 10, 2005

SUBJECT: Balboa Theatre (located at Fourth Avenue and E Street) Seismic Retrofit Phase - Request to Bid - Horton Plaza Redevelopment Project

REFERENCE: Findings  
Locator Map

STAFF CONTACT: Gary Bosse, Senior Project Manager - Construction

## SUMMARY

### Issue - Should the Redevelopment Agency:

1. Authorize the Corporation to advertise and receive bids for the seismic retrofit phase for the rehabilitation of the Historic Balboa Theatre;
2. Authorize the Executive Director of the Redevelopment Agency ("Agency"), or his designee, to award the contract to the lowest responsible bidder, provided bids are within the established budget and all other requirements are met;
3. Authorize the Corporation, on behalf of the Agency, to administer said contract; and
4. Make certain findings that the proposed improvements benefit the Horton Plaza Redevelopment Project or the immediate neighborhood in which the Project is located; that no other reasonable means of financing the improvements are available to the community; that the payment of funds for such improvements will assist in the elimination of blighting conditions inside the Project Area; and that the proposed improvements are consistent with the Implementation Plan adopted for the Project Area pursuant to Health and Safety Code 33490; and
5. Adopt a resolution stating for the record that the Agency has previously reviewed and considered information contained in the Master Environmental Impact Report ("MEIR"), as it pertains to the rehabilitation of the Historic Balboa Theatre?

And, should the City Council:

1. Make certain findings that the proposed improvements benefit the Horton Plaza Redevelopment Project or the immediate neighborhood in which the Project is located; that no other reasonable means of financing the improvements are available to the community; that the payment of funds for such improvements will assist in the elimination of blighting conditions inside the Project Area; and that the proposed improvements are consistent with the Implementation Plan adopted for the Project Area pursuant to Health and Safety Code 33490?

Staff Recommendation - That the Agency:

1. Authorize the Corporation to advertise and receive bids for the seismic retrofit phase for the rehabilitation of the Historic Balboa Theatre;
2. Authorize the Executive Director of the Agency, or his designee, to award the contract to the lowest responsible bidder, provided bids are within the established budget and all other requirements are met;
3. Authorize the Corporation, on behalf of the Agency, to administer said contract; and
4. Make certain findings that the proposed improvements benefit the Horton Plaza Redevelopment Project or the immediate neighborhood in which the Project is located; that no other reasonable means of financing the improvements are available to the community; that the payment of funds for such improvements will assist in the elimination of blighting conditions inside the Project Area; and that the proposed improvements are consistent with the Implementation Plan adopted for the Project Area pursuant to Health and Safety Code 33490; and
5. Adopt a resolution stating for the record that the Agency has previously reviewed and considered information contained in the MEIR, as it pertains to the rehabilitation of the Historic Balboa Theatre.

And, that the City Council:

1. Make certain findings that the proposed improvements benefit the Horton Plaza Redevelopment Project or the immediate neighborhood in which the Project is located; that no other reasonable means of financing the improvements are available to the community; that the payment of funds for such improvements will assist in the elimination of blighting conditions inside the Project Area; and that the proposed improvements are consistent with the Implementation Plan adopted for the Project Area pursuant to Health and Safety Code 33490.

Centre City Development Corporation Recommendation - On April 20, 2005, the Corporation Board of Directors will consider recommending approval of the Balboa Theatre Seismic Retrofit Phase. The recommendation and vote of the Corporation will be reported to the Agency when the item is considered.

Other Recommendations - None.

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Fiscal Impact - Funds for the project are available in the Fiscal Year 2005 Project Budget for the Balboa Theatre. The source of funds are derived from tax increment funds and proceeds of the 2003 tax allocation bond issue. The maximum cost of this phase of the project is (estimated) not to exceed \$1,431,716.

## BACKGROUND

The rehabilitation of the Historic Balboa Theatre (the "Theatre") advances the Visions and Goals of the Horton Plaza Redevelopment Project by:

- Eliminating blight through the rehabilitation and upgrade of a significant historic structure;
- Strengthening the Arts District, thereby contributing to the growth of making downtown the dominant regional center for the arts, entertainment, dining and public festivals; and
- Providing a community facility to cater toward both downtown residents and visitors.

In addition, the Historic Preservation Focus Plan and the 1999-2004 Implementation Plans for Centre City and Horton Plaza specifically list the rehabilitation of the Theatre as a focus project.

A study conducted by Harrison Price Company, with assistance from Theatre Projects, in 1986 concluded that there was a need for a first-class, professional, mid-sized lyric theater (1,500 seats + or -). Over the past 17 years, no new or rehabilitated facilities have come on line and, therefore, the need has only grown.

The Theatre is listed on the National Register of Historic Places and is proposed to be publicly rehabilitated for adaptive reuse as a publicly maintained and operated state-of-the-art, multi-purpose, performing arts center. Local requirements provide for any improvements, renovations, rehabilitation and/or adaptive reuse of properties listed on the National Register to be in accordance with the Secretary of the Interior Standard for Rehabilitation of Historic Buildings ("Rehabilitation Standards").

The facility would provide live theater, music and dance, as well as movies and conference venues, with seating provided for up to 1,300 persons. The exterior wall of the structure would be renovated to maintain the office facade and storefront design along Fourth Avenue. The five-story office component along Fourth Avenue would provide expanded lobby space, restrooms, and other patron support space. Back-of-the-house support facilities, such as dressing rooms, "green" rooms, and storage, would be housed in portions of the office component as well as the basement.

At the October 2, 2002 joint meeting of the Projects/Budget Finance Committees, staff was directed to proceed with the rehabilitation of the Theatre as a public initiative, proceed with issuing an Request for Qualifications ("RFQ") for professional services, and develop a business and financial plan.

In 2003, the necessary team of consultants were assembled in accordance with established Board policy through an RFQ process. In April 2003, Kitchell CEM was selected to provide Owner's Representative services for design and construction phases. This was followed by the selection of Westlake Reed Leskosky in August 2003 to provide architectural and engineering design services for the rehabilitation. Since authorizing the consultant team to proceed, the approximate 13-month planning phase of the project, which included the pre-design phase, has been completed.

The design phase represents a significant portion of the overall project schedule. This 16-month-long phase consists of the schematic design and design development sub-phases, as well as construction documents sub-phases for the renovation and restoration work in addition to selective demolition and abatement, and seismic retrofit. The seismic retrofit bid and award phase runs concurrent with the renovation and restoration construction documents phase, followed by the final renovation and restoration construction phase commencing in the first quarter of 2006. The selective demolition and abatement is the second phase of construction, and will prepare the building for the future installation of improvements.

Environmental Impact - Under the 1992 MEIR and Final Subsequent Environmental Impact Report ("SEIR"), an Environmental Secondary Study is prepared for all developments in the Centre City area in order to evaluate the project's compliance with the Community Plan and Planned District Ordinance and, therefore, the findings and conclusions of the MEIR and SEIR. Unless the project is found to be out of compliance with those planning documents, no further environmental review is required. The Balboa Theatre rehabilitation project is in compliance with the previous environmental documents.

Schedule - The following is a summary of the projected schedule for bidding and execution of the selective demolition phase of the project:

<u>Preliminary Schedule</u>	<u>Completion Date</u>
A. Advertise for Bidding	May 18, 2005
B. Bid Opening and Award	June 20, 2005
C. Begin Demolition and Abatement	July 30, 2005
D. Complete Construction	December 31, 2005

The following is a construction cost estimate prepared by Kitchell CEM:

<u>CONSTRUCTION ITEM</u>	<u>ESTIMATED COSTS</u>
Standard Foundations	\$ 126,207
Slab on Grade	10,292
Basement Walls	65,038
Floor Construction	12,227
Roof Construction	21,003
Exterior Construction	343,599
Partitions	434,026
Building Elements Demolition	<u>351,147</u>
<b>SUBTOTAL</b>	1,363,539
Contingency +/-5%	68,177
<b>TOTAL</b>	<b><u>\$ 1,431,716</u></b>

The above line items include an estimated contingency, general conditions, overhead and profit, insurance and bonds, and an escalation factor.

### FINDINGS

State law requires that certain findings be made by the City Council and Agency prior to the expenditure of Agency funds for public facilities/improvements. Attachment "A" recites the proposed findings with respect to the benefits of the proposed improvements to the Horton Plaza Redevelopment Project, the unavailability of other reasonable means to finance the proposed improvements, how the proposed improvements will assist in the elimination of blighting conditions inside the Horton Plaza Redevelopment Project, and that the proposed improvements are consistent with the Implementation Plan adopted for the Project pursuant to Health and Safety Code 33490.

EQUAL OPPORTUNITY

This project will utilize the City's Subcontracting Outreach Program ("SCOPE"). The purpose of SCOPE is to maximize opportunities for all qualified and available firms and to provide equal opportunity for all subcontractors. The program creates mandatory subcontractor outreach and utilization requirements for contractors.

Bid solicitation/outreach efforts identifying subcontracting and vendor opportunities will include CCDC's website(ccdc.com), Blue Hor net(e-based mail system to strategic trades), Ethnically/trade/community-focused organizations and publications, 10 multiple public agencies, surrounding municipalities and be advertised in the *San Diego Daily Transcript*, *Asian Journal*, *El Sol de San Diego*, and *San Diego Voice and Viewpoint*. A pre-bid meeting will be conducted. For additional outreach, the Corporation will use its data base of interested contractors and its community and trade organization list.

SUMMARY/CONCLUSION

To enhance the ongoing revitalization of the Horton Plaza Redevelopment Project, adjoining Gaslamp Historic District, and downtown San Diego as a whole, the restoration of the Historic Balboa Theatre will play a vital role in fostering community participation in the arts and economic growth. The Balboa will become a multi-purpose performing arts center in the heart of downtown San Diego. This community treasure will become an exciting venue for cultural, commercial, community and convention activities.

Respectfully submitted, \_\_\_\_\_ Concurring by:

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Gary Bosse \_\_\_\_\_  
Senior Project Manager-Construction

\_\_\_\_\_  
Peter J. Hall  
President \_\_\_\_\_

Attachment(s):     A - Findings  
                          B - Locator Map

ATTACHMENT A  
FINDINGS

**SUBJECT IMPROVEMENTS:**

Seismic retrofit for the Rehabilitation of the Historic Balboa Theatre (located at Fourth Avenue and E Street) - Horton Plaza Redevelopment Project

The subject improvements for which the Redevelopment Agency of the City of San Diego (Agency) proposes to pay will benefit the Horton Plaza Redevelopment Project or the immediate neighborhood in which the Project area is located in that:

- A. The Balboa Theatre is within the Horton Plaza Redevelopment Project, and adjacent to the Gaslamp Historic District;
- B. The Balboa Theatre is located adjacent to properties that have been redeveloped and will not likely be redeveloped in the near future;
- C. The Balboa Theatre has suffered several failed attempts of rehabilitation and reuse by the private sector due to a failure to deliver the building program, operation scenario, and financial resources necessary;
- D. The improvements will enhance the Horton Plaza Redevelopment Project, and adjacent Gaslamp Historic District by eliminating blight and advancing the development of an historic asset;
- E. The Balboa Theatre rehabilitation will advance the Visions and Goals of the Horton Plaza Redevelopment Project by strengthening the Arts District, thereby contributing to the growth of making downtown the dominant regional center for the arts, entertainment, dining and public festivals;
- F. The Balboa Theatre will provide a community facility to cater toward both downtown residents and visitors.
- G. The rehabilitation of the Balboa Theatre will fulfill the requirements of the Historic Preservation Focus Plan and the 2004-2009 Implementation Plans for Centre City and Horton Plaza; and
- H. The seismic retrofit is the second phase of construction required for the rehabilitation, and will prepare the building for the future installation of improvements.

## II. NO OTHER REASONABLE MEANS OF FINANCING

There are no other reasonable means available to the community for financing the subject improvements for which the Agency proposes to pay in that:

### City of San Diego

- A. The Fiscal Year 2005 Budget for the City of San Diego (City) increased 7.4%. The increase includes Special Revenue, water and sewer, tax funds, General and revenue funds from other Agencies. Over the last several years, as the City's CIP has grown and revenues have leveled off, the City has developed phase funding to use available cash and minimize the issuance of bond proceeds. This is a means whereby large projects may be budgeted and contracted for in an efficient manner that maximizes the City's use of available funds.
- B. The City's capital improvement budget is funded primarily with water and sewer fees, developer impact fees, grant funds, enterprise fund revenues, Facility Benefit Assessment funds, Gas Tax and Transit funds. The Fiscal Year 2005 Capital Improvement Program Budget increased 17.2% from the Fiscal Year 2004 Budget. The Fiscal Year 2005 CIP Budget provides for the sewer upgrade of the City's Metropolitan and Municipal Wastewater System, water projects, Parks and Recreation projects, library projects, transportation projects and special projects.
- C. Most major tax revenue categories continue to show signs of growth. Moderate growth is anticipated for most Fiscal Year 2005 major revenues. The economic growth rates for major revenue categories are: property tax (8.0%), sales tax (3.5%), Transient Occupancy Tax (6.0%) and Motor Vehicle License fees (3%).
- D. The City's Fiscal Year 2005 Capital Improvements Budget (CIP) is embodied in Volumes IV and V of the City's Budget. The Agency's Fiscal Year 2005 Program Budget was adopted on June 22, 2004. The CIP and the Agency's Budget were developed in accordance with City and Council Policy, and each project activity was evaluated and incorporated in the respective budgets. Projects are funded based on need and the availability of appropriate funding sources. The City's CIP Budget totals \$548.3 million, an increase of \$80.7 million over Fiscal Year 2004.
- E. Although there is an increase in the CIP FY2004 Budget of the City of San Diego there is \$385.9 million of infrastructure that remains unfunded.



### III. ELIMINATION OF BLIGHTING CONDITIONS

The payment of funds toward the cost of the rehabilitation of the subject project will assist in the elimination of one or more blighting conditions inside the Horton Plaza Redevelopment Project and adjoining Gaslamp Historic District. The proposed improvements are consistent with the Implementation Plan adopted for the Project pursuant to Health and Safety Code 33490, in that:

- A. The blighted historic structure will become a cultural amenity in the Project Areas, thereby attracting additional investment to the area and improving a blighted property.
- B. The rehabilitation will enrich the downtown neighborhoods through preservation of an historically significant structure.
- D. The rehabilitation will include improvements that provide improved pedestrian access to public and private properties.
- E. The rehabilitation of this property is included in the work program of the Implementation Plan adopted July 20, 2004 pursuant to Health and Safety Code 33490.

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