



REPORT NO. CCDC-06-02  
CCDC-06-02

DATE ISSUED: January 18, 2006

ATTENTION: Honorable Chair and Members of the Redevelopment Agency  
Council President and Members of the City Council  
Docket of January 24, 2006

SUBJECT: Request to Bid Balboa Renovation/Budget Amendment for the  
Rehabilitation of the Historic Balboa Theatre - Horton Plaza  
Redevelopment Project

REFERENCE: Attachment A - Findings  
Attachment B - 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 renovation 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;
4. Approve an amendment to the Horton Plaza Redevelopment Project budget in the amount of \$2,500,000;
5. 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
6. 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; and
2. Adopt a resolution stating for the record that the City Council has previously reviewed and considered information contained in the MEIR, as it pertains to the rehabilitation of the Historic Balboa Theatre?

Staff Recommendation - That the Agency:

1. Authorize the Corporation to advertise and receive bids for the renovation 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;
4. Approve an amendment to the Horton Plaza Redevelopment Project budget in the amount of \$2,500,000;
5. 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
6. 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; and
2. Adopt a resolution stating for the record that the City Council has previously reviewed and considered information contained in the MEIR, as it pertains to the rehabilitation of the Historic Balboa Theatre.

Centre City Development Corporation Recommendation – On November 30, 2005, the Corporation Board of Directors voted unanimously to approve staff's recommendation for the Balboa Theatre Renovation Phase.

Other Recommendations - None.

Fiscal Impact – Funds are available in the Horton Plaza Project Area for the \$2.5 million budget amendment from the Balboa Theatre Foundation in the amount of \$275,000, additional tax increment in the amount of \$1,025,000, and \$1,200,000 of deferred public improvements, within the Horton Plaza Project Area budgeted for FY 2006. Funds for the remainder of this construction phase are available in the Fiscal Year 2006 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 \$14,038,383.

## 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

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visitors.

In addition, the Historic Preservation Focus Plan and the 2004-2009 Implementation Plan 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±). 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, and 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 1,350 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 a joint meeting of the CCDC Board Projects/Budget Finance Committee on October 2, 2002, 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 (service now being provided by Pfocus LLC) 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.

The selective demolition and abatement (phase I of construction) was completed in August 2005, with a 1.2% change order rate. The seismic retrofit construction package (phase II of construction) is underway, and will be completed in April 2006. The construction documents for the renovation and restoration (phase III of construction) are being finalized and a building permit should be secured by the end of the year.

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 renovation and restoration phase of the project:

<u>Preliminary Schedule</u>	<u>Completion Date</u>
A. General Contractor Pre-qualification period	Nov. 1 – Dec. 30, 2005
B. Advertise for Bidding	January 3, 2006
C. Bid Opening and Award	February 22, 2006
D. Begin Renovation	April 10, 2006
E. Complete Construction	September 2007

The following is a construction cost estimate prepared by Pfocus LLC:

**CONSTRUCTION ITEM**

The estimate is comprised of the following components:

Substructure (foundations/basement)  
Shell (superstructure/exterior closure)  
Interiors (interior construction/finishes)  
Services (MEP/fire protection/conveying)  
Equipment & Furnishings  
Special Construction/Demolition (hazmat/demo)  
Building Sitework (site civil improvements)

TOTAL probable construction cost on bid day                      \$14,038,383

This total includes the following assumptions:

Estimating contingency (2.5%)  
General Conditions (10%)  
Overhead and Profit (9%)  
Insurance and Bonds (2.25%)

Escalation to Bid Day (2.5%)

On April 6, 2005, staff presented the recommended program and proposed budget to the CCDC Board Budget/Finance Committee. The Committee directed that staff identify the cost of future enhancements that were not included in the recommended program for the project at that time. Some of the more notable items that were not in the recommended program included: the build out of the third and fourth floors, the expansion and conservation of the lobby rotunda, conservation painting of the lobby spaces, replication of the historic house curtain, acquisition of a concert grand piano, and orchestra shell walls. Project management staff has worked with finance staff to identify a phased funding approach. The \$2.5M amendment proposal for FY 2006, together with future budget allocations in FY 2007 and 2008, allows for the incorporation of the above noted items into the project, assuming there are no bid day market anomalies. The project cost for the rehabilitation of the Theatre will be approximately \$23.2M. The proposed funding approach allows the project management staff to award a contract to a General Contractor inclusive of two of the most important items of work with respect to coordination of trades; decorative painting of the audience chamber and the theatrical equipment package. Some of the work related to enhancements will be completed in a separate construction package (tenant improvement) or will be a purchase of FF&E after the Theatre is opened. Examples of these items are the build out of the fourth floor special event space as a tenant improvement and the purchase of the grand piano.

## FINDINGS

State law requires 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 for 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

The 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.

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Bid solicitation/outreach efforts identifying subcontracting and vendor opportunities will include CCDC's website (ccdc.com), Blue Hornet (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

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. The added investment to this project will assure that the Historic Balboa Theatre will enhance the Horton Plaza Redevelopment Project, the ongoing revitalization of the Gaslamp Quarter Historic District, and downtown San Diego as a whole. The project management and design team that has been assembled has the commitment and capability to implement a project that the whole community can be proud of.

Respectfully submitted,

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Gary Bosse  
Senior Project Manager-Construction

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Approved: Nancy C. Graham  
President

Attachments: Attachment A - Findings  
Attachment B - Locator Map

ATTACHMENT A  
FINDINGS

SUBJECT IMPROVEMENTS:

Renovation 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 Quarter 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 Quarter 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 renovation is the third phase of construction required for the rehabilitation, and will allow the building to obtain a Certificate of Occupancy and restore it to a fully functioning theatrical assembly use building.



## 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 2006 Budget for the City of San Diego (City) decreased 3.3%. 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 Transnet funds. The Fiscal Year 2006 Capital Improvement Program Budget decreased 38.8% from the Fiscal Year 2005 Budget. The Fiscal Year 2006 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. This is mainly attributable to the City temporarily being unable to access the bond market.
- C. Most major tax revenue categories continue to show signs of growth. Moderate growth is anticipated for most Fiscal Year 2006 major revenues. The economic growth rates for major revenue categories are: property tax (7.5%), sales tax (4.5%), Transient Occupancy Tax (5.0%) and franchise fees (7.5%).
- D. The City's Fiscal Year 2006 Capital Improvements Budget (CIP) is embodied in Volumes IV and V of the City's Budget. The Agency's Fiscal Year 2006 Program Budget was adopted on June 20, 2005. 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 \$356.9 million, a decrease of \$128.8 million over Fiscal Year 2005.

### 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 Quarter 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.