



DATE ISSUED: March 4, 2009 REPORT NO.: CCDC-09-04  
09-03

ATTENTION: Honorable Chair and Members of the Redevelopment Agency  
Council President and City Council  
Docket of March 10, 2009

ORIGINATING DEPT.: Centre City Development Corporation

SUBJECT: Historic Balboa Theatre (868 Fourth Avenue) – Request to Bid  
Fourth Floor Build Out -- Horton Plaza Redevelopment Project

COUNCIL DISTRICT: Two

REFERENCE: None

STAFF CONTACT: Gary J. Bosse, Senior Project Manager – Construction  
(619) 533-7163

REQUESTED ACTION: That the Redevelopment Agency of the City of San Diego (“Agency”) and the City Council of the City of San Diego (“City Council”) approve all actions as necessary for the construction of the fourth floor build out of the historic Balboa Theatre located at 868 Fourth Avenue in the Horton Plaza Redevelopment Project (Attachment A – Site Map).

STAFF RECOMMENDATION: That the Agency:

- Authorize the Centre City Development Corporation (“Corporation”), on behalf of the Agency, to advertise and receive bids for the construction of the fourth floor build out of the historic Balboa Theatre located 868 Fourth Avenue in the Horton Plaza Redevelopment Project (“Project”);
- Authorize the Executive Director of the Agency, or his designee, to award the construction contract to the lowest responsible bidder, provided bids are within the established budget of \$399,300, that the construction contract shall not exceed \$399,300, and all other requirements are met; and
- Authorize the Agency’s Executive Director or designee to execute the construction contract with the lowest responsible bidder;
- Authorize the Corporation, on behalf of the Agency, to administer said construction contract;
- Make certain findings that the proposed Project benefits the Project Area 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 by enriching the downtown neighborhoods through preservation of a

historically-significant structure within 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 (Attachment B – Findings of Benefit); and

- Finds and determines that this activity is covered under the Final Master Environmental Impact Report for the Centre City Redevelopment Project and Addressing the Centre City Community Plan and Related Documents, certified by the Agency by Resolution No. R-2081, adopted April 28, 1992, and certified by the City Council by Resolution No. R-279875, on April 28, 1992, and the Environmental Secondary Study for the Proposed Balboa Theatre Rehabilitation, dated January 31, 2001 (“Secondary Study”), in accordance with and pursuant to the California Environmental Quality Act of 1970 (CEQA) and State and local regulations and guidelines adopted pursuant thereto, that assesses the environmental impacts of the rehabilitation of the Balboa Theatre, certified by the Agency on March 27, 2001 by Resolution No. R-03314. The effects of the proposed activity were adequately addressed in the previous environmental document and secondary study and the proposed activity is within the scope of the project described therein. Therefore, pursuant to CEQA Guidelines Section 15168, no further environmental documentation is required.

And that the City Council:

- Authorize the Agency, by and through the Corporation, to administer and manage the construction of the Project;
- 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 by enriching the downtown neighborhoods through preservation of a historically-significant structure within 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
- Finds and determines that this activity is covered under the Final Master Environmental Impact Report for the Centre City Redevelopment Project and Addressing the Centre City Community Plan and Related Documents, certified by the Agency by Resolution No. R-2081, adopted April 28, 1992, and certified by the City Council by Resolution No. R-279875, on April 28, 1992, and the Environmental Secondary Study for the Proposed Balboa Theatre Rehabilitation, dated January 31, 2001 (“Secondary Study”), in accordance with and pursuant to the California Environmental Quality Act of 1970 (CEQA) and State and local regulations and guidelines adopted pursuant thereto, that assesses the environmental impacts of the rehabilitation of the Balboa Theatre, certified by the Agency on March 27, 2001 by

Resolution No. R-03314. The effects of the proposed activity were adequately addressed in the previous environmental document and secondary study and the proposed activity is within the scope of the project described therein. Therefore, pursuant to CEQA Guidelines Section 15168, no further environmental documentation is required.

SUMMARY: The Balboa Theatre (“Theatre”) reopened on January 31, 2008, under the management of San Diego Theatres, Inc. (SDT), under a Cooperation Agreement executed between the Agency and SDT (Document No. 4206, dated 11/05/2007, filed in the office of the Agency) (“Cooperation Agreement”). Pursuant to Section 2, subsection 2.2 of said Agreement, the Agency is obligated to complete the fourth floor build out no later than 24 months after the public opening of the Theatre. The Cooperation Agreement between the Agency and SDT defines the roles and responsibilities of each party in the rehabilitation, operation and management of the Theatre. The Agency retains fee title to the Theatre and has the right to transfer title to the Theatre and assign the Lease to the City. The Cooperation Agreement provides that the Agency would be responsible for: the renovation of the Theatre; the payment of any and all property insurance premiums; and the cost of any and all major capital replacements or capital improvements to the Theatre.

The fourth floor will be utilized as additional public assembly space that can accommodate up to 115 patrons to be used in conjunction with a theatrical performance or special event. The space will contain a small pantry to support food and beverage operations, and a men’s and women’s restroom.

FISCAL CONSIDERATIONS: Agency funds in the amount of \$399,300 are available in the Agency Fiscal Year 2009 Horton Plaza Redevelopment Project Balboa Theatre budget.

CENTRE CITY DEVELOPMENT CORPORATION RECOMMENDATION: On January 21, 2009, the Corporation Board of Directors voted 5 to 0 in favor of the staff recommendation.

### BACKGROUND

The rehabilitation of the Theatre advances the Visions and Goals of the Centre City Community Plan and the Objectives 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 2004-2009 Implementation Plans for Centre City and Horton Plaza specifically list the rehabilitation of the Theatre as a focus project.

The Theatre reopened on January 31, 2008, after a five-year rehabilitation effort by the Corporation, on behalf of the Agency. The Theatre operations are under the management of SDT. Due to financing and scheduling constraints at the time, the fourth floor build out was not included in the original rehabilitation scope of work. When funding became available during the course of construction of the final phase of the rehabilitation, an effort was made to incorporate the fourth floor build out into the Project via change order. The change order pricing that was received for the fourth floor build out far exceeded the project management team's estimate of the value of work. At that time, it was decided to proceed with the Project as a separate public improvement project, after the opening of the Theatre. However, some steps were taken during the rehabilitation to ensure that the build out could be completed as efficiently and successfully as possible, such as:

- The metal stud framing and gypsum wall board necessary to frame out the new walls on the fourth floor were purchased and delivered to the fourth floor. This ensured that the new finishes in the Theatre would not be damaged by material deliveries and it eliminated the need for crane rentals to fly the material to the fourth floor;
- The carpet for the fourth floor was purchased and stored. This ensured that the carpet came out of the same dye lot and would match the carpeting on the adjacent floors exactly;
- All mechanical, electrical, plumbing and fire protection systems were run to the fourth floor for easy future connections;
- The exterior windows were refurbished during the rehabilitation to ensure the quality and fit and finish was the same throughout the building; and
- The design team incorporated surplus light fixtures from the rehabilitation into the fourth-floor build out, reducing cost and eliminating long lead times for procurement.

### EQUAL OPPORTUNITY

This Project will utilize the Subcontracting Outreach Program (SCOPE). The mandatory subcontracting outreach percentage for this Project will be determined by the City's Engineering and Capital Improvement Projects Department.

This agreement is subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Section 22.2701 through 22.2702) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

### DISCUSSION

Project Description – The Project consists of completion of approximately 2,000 square feet of tenant improvements on the fourth floor of the Theatre. This space will contain a small pantry to

support food and beverage operations, a men’s and women’s restroom and a special event space to accommodate up to 115 patrons for either pre or post show activities. The special event space will also provide a rental income opportunity aside from the rental of the Theatre as a whole.

Project Financing – The construction cost has been estimated as follows:

Construction	\$300,000
Audio/Visual Allowance	\$33,000
Additive Alternates 1-5	\$30,000
<b>Subtotal</b>	<b>\$363,000</b>
Contingency (10%)	\$36,300
<b>Total</b>	<b>\$399,300</b>

Participation by Agency – The Agency will fund the total cost of the Project in an amount not to exceed \$399,300.

Proposed Schedule of Performance – The following is a summary of the Project schedule:

<b>Date</b>	<b>Action</b>
January 21, 2009	Corporation Board - Request to Bid authorization recommendation
March 10, 2009	Agency/Council - Request to Bid authorization
March 30, 2009	Bid advertisement
May 14, 2009	Bid opening
June 2009	Notice to Proceed
December 2009	Project completion (130 calendar days)

Project Benefits – The Project will fulfill the Agency’s obligation pursuant to the Cooperation Agreement. It will also provide the Theatre with additional public assembly space that can be used in conjunction with a theatrical performance or a special event.

Environmental Impact – This activity is covered under the Final Master Environmental Impact Report for the Centre City Redevelopment Project and Addressing the Centre City Community Plan and Related Documents, certified by the Agency by Resolution No. R-2081, adopted April 28, 1992, and certified by the City Council by Resolution No. R-279875, on April 28, 1992, and the Secondary Study for the Proposed Balboa Theatre Rehabilitation, dated January 31, 2001 (“Secondary Study”), in accordance with and pursuant to the California Environmental Quality Act of 1970 (CEQA) and State and local regulations and guidelines adopted pursuant thereto, that assesses the environmental impacts of the rehabilitation of the Theatre, certified by the Agency on March 27, 2001, by Resolution No. R-03314. The effects of the proposed activity were adequately addressed in the previous environmental document and Secondary Study and the proposed activity is within the scope of the project described therein. Therefore, pursuant to CEQA Guidelines Section 15168, no further environmental documentation is required.


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 B recites the proposed findings with respect to the benefits of the proposed Project to the Horton Plaza Redevelopment Project, the unavailability of other means to finance the proposed Project, how the proposed Project will satisfy the requirement of the Cooperation Agreement executed between the Agency and SDT (Document No. 4206, dated 11/05/2007, filed in the office of the Agency), and that the proposed Project is consistent with the Implementation Plan adopted for the Project pursuant to Health and Safety Code 33490.


CONCLUSION

Staff recommends that the Agency and City Council approve all actions as necessary for the construction of the fourth floor build out of the Theatre.

Respectfully submitted,

Concurred by:

  
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Gary J. Bosse  
Senior Project Manager - Construction

  
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Frank Alessi  
Senior Vice President and  
Chief Financial Officer

Attachments:

- A – Site Map
- B – Findings of Benefit