



THE CITY OF SAN DIEGO

Report to the Historical Resources Board

DATE ISSUED: January 14, 2021 REPORT NO. HRB-21-007

HEARING DATE: January 28, 2021

SUBJECT: **ITEM #10 – California Theatre Site Development Permit/Neighborhood Development Permit/Neighborhood Use Permit/Tentative Map No. 657138**

RESOURCE INFO: [California Historical Resources Inventory Database \(CHRID\) link](#)

APPLICANT: Caydon san Diego Property, LLC, represented by Khaled Noun

LOCATION: 1122 Fourth Avenue (north side of C Street between Third and Fourth avenues), Downtown Community Plan Area, Council District 3, APN 533-521-04, -05, and -08.

DESCRIPTION: Recommend to the Planning Commission adoption of the mitigation measures and findings associated with the Site Development Permit (SDP) as presented or recommend inclusion of additional permit conditions related to a designated historical resource.

STAFF RECOMMENDATION

Recommend to the Planning Commission approval of the findings and mitigation measures associated with the SDP related to the designated historical resource located at 1122 Fourth Avenue (HRB Site No. 291, California Theatre) as presented.

BACKGROUND

San Diego Municipal Code (SDMC) Section 126.0503(b)(2) requires a recommendation from the Historical Resources Board (HRB) prior to the Planning Commission decision on an SDP when a historical district or designated historical resource is present. The HRB has adopted the following procedure for making recommendations to decision-makers (Historical Resources Board Procedures, Section II.B):

When the HRB is taking action on a recommendation to a decision- maker, the Board shall make a recommendation on only those aspects of the matter that relate to the historical aspects of the project. The Board's recommendation action(s) shall relate to the cultural resources section, recommendations, findings and mitigation measures of the final environmental document, the SDP findings for historical purposes, and/or the project's

compliance with the Secretary of the Interior's Standards for Treatment of Historic Properties. If the Board desires to recommend the inclusion of additional conditions, the motion should include a request for staff to incorporate permit conditions to capture the Board's recommendations when the project moves forward to the decision maker.

Designated in 1990, the California Theater building is currently listed in the City of San Diego Register of Historical Resources as HRB Site No. 291 (Resolution R-901024) ("Resource"). The Resource was constructed in 1927 in the Spanish Colonial Revival style. The building spans the length of the north side of C Street between Third and Fourth avenues and originally contained offices, shops, and a 2,200-seat theater. The property was designated based on its history as San Diego's fifth major playhouse, its Spanish Colonial Revival design, as an example of the architecture of John Paxton Perrine (one of the principal architects of West Coast Theaters, Inc.), and its role in the development and exploitation of films in the 1920s. The area specifically designated was the exterior of the building and the lobby and interior of the theater. The Resource is also eligible for listing in the National Register of Historic Places (NRHP) and the California Register of Historic Resources (CRHR). The grand opening for the theater was April 22, 1927 and it operated as a vaudeville stage until vaudeville became obsolete and was discontinued in 1937. The theater continued operation as a movie theater until 1976, and remained a venue for special performances until the 1980's.

On April 4, 2017, the City Council approved Centre City Development Permit/Site Development Permit/Planned Development Permit/Neighborhood Use Permit 2014-76 to allow the demolition of the Resource and construction of a mixed-use development containing a 40-story tower (approximately 426-feet tall) comprised of 282 residential units and ground -level retail space. The approval included certification of a Supplemental Impact Report (SEIR) and amendments to the Downtown Community Plan (DCP) and Centre City Planned District Ordinance (CCPDO) to remove it from the Employment Overlay zone.

The Save our Heritage Organisation (SOHO) filed a lawsuit over the approval arguing that the SEIR did not adequately evaluate alternatives to the complete demolition of the historic building, specifically adaptive reuse of the existing building. Before a court judgement was finalized, the property owner, the new and current property owner and applicant, and SOHO negotiated a settlement agreement ("Settlement Agreement") to resolve the litigation. The Stipulated Judgement by the Superior Court filed on February 14, 2019 states in part "The Real Parties have agreed that they or their authorized successors-in-interest will apply for a revised project (Revised Project") fully supported by SOHO that will reconstruct major portions of the California Theater's exterior façade and rehabilitate and reuse certain non-structural ornamental historic components following demolition, all according to a treatment plan agreed upon by SOHO and Real Parties. Based on SOHO and Real Parties' settlement agreement, the City has agreed to waive its right to appeal the Court's determination regarding inadequacy of the SEIR." The Superior Court allowed the certification of the SEIR and the land use amendments to remain but invalidated the permits for the actual development proposal.

It should be noted that the negotiation of the Settlement Agreement, including the preparation of a Treatment Plan, involved the property owners and SOHO who are the only parties to the agreement (the City is not). Therefore, the City will not enforce the agreement or any part of it, including the

Treatment Plan it contains. The Treatment Plan was not a requirement or mitigation measure of the certified SEIR.

[The National Park Service](#) defines a Reconstruction as “the act or process of depicting, by means of new construction, the form, features, and detailing of a non-surviving site, landscape, building, structure, or object for the purpose of replicating its appearance at a specific period of time and in its historic location.” The current California Theatre project cannot be classified as a reconstruction of the historic structure because it does not accurately depict the appearance of the theatre during any part of its lifespan. Numerous windows will be added to the facades of the fly loft and auditorium in order to accommodate the new interior program. Additionally, the soft story of the office tower will now be enclosed with glazing. The length of the auditorium section of the building will be expanded and the sizes of the Moorish decorative features will be modified due to the increased length. The truss system of the auditorium roof, a significant engineering feature, will not be replicated. Lastly, a massive tower will be placed in the center of the structure. While the new project includes replicated portions of the Resource and even some salvaged decorative details, the proposed structure does not accurately replicate the historically significant California Theatre during any specific period of time because its historic form, features and details have been modified.

The Project is located within the Civic/Core neighborhood of the Downtown Community Plan (DCP) area. The Civic/Core neighborhood serves as the center of Downtown, both physically and functionally, where government offices combine with commercial office, cultural, hotel, and some residential activity. The mix of uses in Civic/Core is a strength. The DCP calls for embracing the varied environment while prioritizing new office and other employment-generating uses to maintain Civic/Core’s unique role. Civic/Core will be distinguished from the other neighborhoods with its concentration of tall buildings and generous floorplate and bulk. Ultimately, Civic/Core is projected to contain up to 5,000 residents and 35,000 employees.

The DCP encourages historic resources to be retained on-site and that any improvements, rehabilitations, or reuse should be consistent with the Secretary of Interior’s Standards for Treatment of Historic Properties. In the DCP, historic buildings are identified under a three-tiered system based on their classification. The California Theatre is a locally listed property, but eligible for the NRHP and CRHR. The following are some key applicable DCP Goals and Policies for the Project:

- 3.1-G-2: Provide for an overall balance of uses—employment, residential, cultural, government, and destination—as well as a full compendium of amenities and services.
- 3.5-G-2: Foster a rich mix of uses in all neighborhoods, while allowing differences in emphasis on uses to distinguish between them.
- 6.1-G-1: Create an intense district with large and tall buildings reflecting Civic/Core’s character as San Diego’s business and political center, while promoting a mix of uses.
- 9.2-P-1: Incorporate elements of historical buildings in new projects to impart heritage.
- 9.2-P-3: Promote the adaptive reuse of intact buildings and/or significant elements, as a cultural and sustainability goal.

Project Description:

The Project consists of a 41-story, 426-foot tall mixed-use development comprised of 336 dwelling units (DU), 190 hotel guest rooms, and 3,686 SF of commercial/retail space on the ground level. The base of the building is designed to partially replicate the facades of the Resource. The Project proposes the complete demolition of the Resource with the use of salvaged architectural ornamentation, as well as the replication of the historic entrance canopy/marquee on Fourth Avenue and the large projecting blade sign at the corner of Fourth Avenue and C Street. The hotel component is contained within the base of the Project up to Level 8, which also contains the first floor of residential condominium DU and a shared outdoor amenity space with a pool and lounge areas (Attachment 2, Sheet P27). Dedicated residential amenities are located on Level 9 (gym, pet relief area) (Attachment 2, Sheet P63) and the tower top on Level 41 (pool, cabanas, barbeque and bar space, lounge areas) (Attachment 2, sheet P65). In total, the Project provides 3,765 SF of common outdoor open space. The residential DU are proposed to be condominiums, for which a TM is requested, and 10% of the DU will be three-bedroom units, for which the Project is receiving a floor area ratio (FAR) bonus. The Project is also earning a FAR bonus for achieving LEED Gold certification and purchasing FAR through the FAR Bonus Payment Program (Attachment 2, Sheet P4). Parking for the residential DU totaling 194 spaces is provided in five subterranean levels, which is also where motorcycle parking and bicycle storage is located. Personal storage units are proposed for 50% of the residential DU and balconies are provided for 30% of the residential DU.

The design of the Project exhibits a modern architectural aesthetic with a base that is inspired by the existing Resource to create a unique street-level experience. The ground floor of the Project is characterized by the partially replicated Resource façade and contains the hotel lobby and lounge/bar on Fourth Avenue, a commercial/retail space on C Street, and the residential lobby on Third Avenue (Attachment 2, P5). The vehicular entries onto the site are confined to the northwest corner of the site on Third Avenue. A key design feature of the tower is the use of the balconies, various materials, different colors of glazing, and a curtainwall system to create a “ribbon” that appears wrap the tower (Attachment 2, Sheets P42 & P52). This unique architectural feature vertically modulates the tower and creates a visually appealing, high-quality design.

Staff received one public comment concerning the Project that is included as Attachment 3.

ANALYSIS

The currently proposed Project was submitted to the City of San Diego for review on January 28, 2020. The Project proposes to demolish the Resource and replicate portions of it as the new building's base, including the nine-story office tower and the C Street façade and rehabilitate and integrate original ornamental historical features. Above the base, the Project proposes construction of a 41-story, 422-foot tall mixed-use development, comprised of 336 residential dwelling units, 190 hotel guest rooms, approximately 3,686 SF of commercial space, and five levels of below-grade parking containing 183 parking spaces. The full development plans are included as Attachment 2.

The proposed demolition of the Resource is, by definition, a substantial alteration requiring an SDP, consistent with SDMC Section 143.0250(a)(3). Specific SDP Supplemental Findings are required for projects proposing substantial alterations (including demolition) to a designated historical

resource or within a historical district, including findings that require analysis of alternatives that could minimize the potential adverse effects on the Resource or avoid its total loss.

The required SDP Supplemental Findings regarding the Project’s proposed substantial alteration to the California Theatre and supporting information are below. The Applicant-submitted Draft SDP findings are included as Attachment 6.

1. There are no feasible measures, including a less environmentally damaging alternative, that can further minimize the potential adverse effects on the designated historical resource or historical district;

The Project proposes demolition of the existing Resource and replacing it with a 41-story mixed-use tower with five levels of subterranean parking, 336 residential DU and 190 hotel guest rooms. The base of the tower is designed to partially replicate the street facades of the Resource, although the massing, details, and materials differ from the existing resource. The Project includes the installation of a replicated entrance canopy/ marquee on Fourth Avenue and the large blade sign at the corner of Fourth Avenue and C Street. The design of the Third Avenue façade of the Project replicates the volume of the fly loft of the existing Resource and continues the architectural aesthetic of the Resource; however, the approximately 15-foot setback of the existing fly loft from Third Avenue has been eliminated and windows have been added on upper floors for the hotel guest rooms contained within.

The Applicant submitted a Structural Condition Assessment (Attachment 7) by A.B. Court & Associates that analyzed the current condition of the site and concluded that much of the existing structure is structurally unsound and would require major structural upgrades to bring the structure into compliance with current building and safety codes. As demonstrated in the structural report, any reuse of this site will likely result in substantial alterations to the Resource. Additionally, because of the desire to maintain all parking levels below-grade, any Project that retains the Resource further constrains the possible configurations of the parking. The Project currently proposes five levels of below-grade parking containing 194 parking spaces, which is less than one parking space per DU.

To evaluate the Project (“Base Project”) and four alternatives for potential feasible measures to avoid the complete loss of the Resource, the Applicant retained the London Moeder Advisors (LMA) to conduct an economic analysis (Attachment 5) of alternatives. Each alternative to the Base Project examined preserving all or a portion of the original existing Resource and its economic impact on the financial feasibility of the Project. The following alternatives were evaluated in the LMA analysis and are summarized in the table below:

Alternative	Description
Base	Demolish entire Resource, replicate Fourth Avenue and C Street facades, construct mixed-use high-rise above
1	Retain and rehabilitate only the office tower on Fourth Avenue, and construct mixed-use behind and high-rise above
2	Retain and rehabilitate both the office tower and C Street façade, and construct mixed-use high-rise behind and above

3	Retain and rehabilitate both the office tower and C Street façade, construct mixed-use high-rise behind and above, but add a 20-foot wide galleria between the office tower and the new construction behind it
4	Full rehabilitation of the entire Resource and reuse as a theater

The LMA analysis concluded that the three alternatives that retained portions of the existing structure of the Resource and include new construction above the Resource are not economically viable due to their failure to meet the minimum Return on Investment (ROI) and Margin on Revenue (MOR) needed to achieve project financing (see #3 below). Alternative 4, to fully rehabilitate and reuse the Resource as a theater, results in a loss of \$39.1 million. Therefore, it was determined that the Base Project, which includes full demolition and partial replication of the facades of the Resource, was the only alternative that is economically feasible on the site and no other feasible measures, including a less environmentally damaging alternative, can further minimize the potential adverse effects on the Resource.

2. The deviation is the minimum necessary to afford relief and accommodate the development and all feasible measures to mitigate for the loss of any portion of the historical resource have been provided by the applicant; and

The Project proposes the minimum deviation necessary to afford relief and accommodate the development of the site in accordance with the density and development regulations of the SDMC and the population and employment goals of the DCP. An economic analysis of alternatives to demolition that retain some or all of the original Resource was provided by the Applicant in the LMA analysis (Attachment 5), which concluded that of the five projects evaluated, only the Base Project that proposes to demolish and partially replicate the facades of the Resource, accommodates an economically viable development of the site because it is the only project that exceeds the minimum ROI and MOR necessary to make the Project financially feasible. As discussed in the SEIR, impacts to the California Theatre were determined significant and unavoidable even with implementation of project-specific mitigation measures (Mitigation Measures HR-1 through HR-3). Implementation of Mitigation Measure HIST-A.1-3, which reduces the impact of demolishing a Designated Local Historical Resource, would still be required to ensure the project would not result in any new or more severe impacts to historical resources. The Development Services Department Environmental Analysis Section (EAS) determined that the Project is consistent with the Downtown FEIR as amended by the SEIR (Attachment 4). The Mitigation Monitoring and Reporting Program (MMRP) for the SEIR requires the implementation of a documentation program submitted to City Historical Resources Section staff for review and approval, a pre-construction meeting, and implementation of measures pertaining to the demolition. The Resource was documented through the measured drawings and photography in Attachment 9 consistent with the Historical American Building Survey (HABS). A copy of this documentation will be archived with the City and other depositories as outlined in the MMRP. Additionally, mitigation required as part of the SEIR include architectural salvage of any architectural material for donation to museums, archives curation facilities, the public and nonprofit organizations prior to demolition, and an interpretive display and material that could be in a brochure format will be installed at the site. Therefore, the Project is designed with the minimum necessary deviation to afford relief to and accommodate the

Project and reasonable, feasible measures to mitigate the loss of the Resource are proposed.

3. The denial of the proposed development would result in economic hardship to the owner. For purposes of this finding, “economic hardship” means there is no reasonable beneficial use of the property and it is not feasible to derive a reasonable economic return from the property.

The LMA analysis used the ROI and MOR as measures to determine the economic feasibility of each alternative. As stated in the report (Attachment 5, page 3), for a for-sale residential project to be economically feasible, it must achieve a minimum ROI of 50% and a MOR of 12% to 13%; anything less would struggle to attract investors and achieve project financing. The table below summarizes the conclusions of the LMA analysis for each alternative. Note that Alternative 4 proposes full rehabilitation of the Resource and reuse as a theater without a residential component; therefore, the ROI and MOR metrics are not applicable for Alternative 4.

Alternative	ROI Min: 50%	MOR Min: 12-13%
Base	56%	14%
1	35%	9.4%
2	25%	6.8%
3	-45%	-15.3%
4	N/A	N/A

The LMA Analysis concluded that only the Base Project is economically feasible, as the three alternatives with residential components fail to meet the minimum ROIs and MORs to successfully attract investors and achieve project financing. As shown in the report, Alternative 4 results in a loss of \$39.1 million. Therefore, denial of the Project would result in economic hardship to the owner because there is no reasonable beneficial use of the property that does not require complete demolition and redevelopment in order to derive a reasonable economic return from the property.

The Project was submitted to the City’s Economic Development Department (EDD) for a requested peer review as has been done on some previous SDPs; however, due to current workloads and programs associated with the COVID-19 pandemic, EDD was unable to perform the review. Urban Division staff compared the LMA analysis to previous economic alternatives analysis for Downtown projects and found the assumptions consistent with those analyses.

City Staff from the Urban Division and Historical Resources Section determined that there is sufficient evidence to support the SDP Supplemental Findings related to the Resource. In addition, Staff determined that the proposed mitigation measures of the MMRP (Attachment 4) and draft permit conditions (Attachment 1) are sufficient to mitigate to the extent feasible the loss of the California Theatre.

CONCLUSION

Staff recommends that the HRB recommend to the Planning Commission adoption of the mitigation measures and findings associated with the SDP related to the designated historical resource.



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Attachments:

1. Draft Permit
2. Development Plans
3. Public Comment
4. Downtown FEIR Consistency Evaluation & MMRP
5. London-Moeder Associates Economic Analysis of Alternatives
6. Applicant-submitted Draft SDP Findings
7. Structural Conditions Assessment
8. Historical Element Salvage Plan
9. Historic Resources Technical Report
10. Historic American Building Survey (HABS) documents