



Item #6

DATE ISSUED: January 6, 2017

ATTENTION: Design Review Committee
Meeting of January 11, 2017

SUBJECT: 1122 4th Avenue (commonly known as the California Theatre) (north side of C Street between Third and Fourth avenues) – Amendments to Downtown Community Plan and Centre City Planned District Ordinance for Removal of Employment Overlay and Centre City Development Permit/Site Development Permit/Centre City Planned Development Permit/Neighborhood Use Permit No. 2014-76 – Civic/Core Neighborhood of the Downtown Community Plan Area

STAFF CONTACT: Aaron Hollister, Senior Planner

STAFF RECOMMENDATION: That the Design Review Committee (“Committee”) receives a presentation on the revised design proposal and associated permits for the 1122 4th Avenue project (“Project”) and recommends that Civic San Diego (“CivicSD”):

1. Recommends Granting of Design Review approval to City Council;
2. Recommends approval of the following actions to City Council:
 - a. Recommend approval of the proposed amendments to the Downtown Community Plan (DCP) and Centre City Planned District Ordinance (CCPDO) to remove the Employment Overlay (EO) designation;
 - b. Recommend approval of the Site Development Permit for demolition of the historic resource;
 - c. Recommend approval of the Centre City Development Permit;
 - d. Recommend approval of the Planned Development Permit with requested Deviations; and,
 - e. Recommend approval of the Neighborhood Use Permit for the Comprehensive Sign Plan and outdoor seating associated with an eating and drinking establishment.

This is a Process 5 application which ultimately requires a public hearing before the City Council whose decision will be final with no possibility of appeal. Prior to the City Council Public Hearing, public hearings will also occur at the Historical Resources Board and the Planning Commission with advisory recommendations to the City Council. The CivicSD Board of Directors will also make an advisory recommendation to the aforementioned entities regarding the Project.

SUMMARY: 1122 4th Avenue, LLC (“Applicant”) is requesting Design Review approval and approval of Centre City Development Permit/Site Development Permit/Centre City Planned Development Permit/Neighborhood Use Permit (CCDP/SDP/PDP/NUP) No. 2014-76 for the demolition of the existing historic California Theatre building and construction of a mixed-use development comprised of a 40-story tower (approximately 422 feet tall) and podium located on a 25,000 square-foot (SF) site on the north side of C Street between Third and Fourth avenues in the Civic/Core neighborhood of the Downtown Community Plan (DCP) area (“Downtown”). The Project is comprised of 282 dwelling units (DU), approximately 11,000 SF of retail space, and 325 automobile parking spaces. Amendments to the DCP and Centre City Planned District Ordinance (CCPDO) are also proposed for the removal of the Employment Overlay from the Project site.

FISCAL CONSIDERATIONS: Under the Downtown Public Facilities Financing Plan, the Project will pay Development Impact Fees (DIF) to fund its fair share of new park, fire station, and traffic circulation improvements in the DCP area. The DIF for this Project is estimated to be \$2,457,755.

ECONOMIC IMPACTS: It is estimated that the Project will generate approximately 300 construction jobs and 53 permanent jobs. As of December 31, 2015, approximately 79,930 construction jobs and 28,000 permanent jobs have been generated as a result of redevelopment activities.

REAL ESTATE COMMITTEE RECOMMENDATIONS: On October 12, 2016, the Real Estate Committee (REC) provided recommendations regarding the EO amendment requests and provided recommendations and comments related to the Project’s Design. The REC voted to recommend that the proposed EO amendment requests are appropriate in this instance given a number of extenuating circumstances at the site (see below discussion regarding the EO). On November 2, 2016, the REC provided recommendations regarding the requested permits. At the November 2, 2016 meeting, the REC recommended that the Project be returned to the Committee for further Design Review discussion with instruction to specifically address design comments from the REC as follows:

1. Further enhancement of the northerly podium elevation should be proposed.
2. The treatment of the exposed building core at the upper stories of the northerly elevation needs to be re-designed.
3. The lasers on the exposed elevator core are too harsh – a different design solution may be needed for this area.
4. The parking screens, particularly at the northeast corner of the building, need further design revisions. Furthermore, operable windows may not be an appropriate design feature in an above-grade parking garage.
5. The garage portion of the northeast podium corner appears “tacked-on” and does not relate to the architecture of the remaining portions of the building.
6. The tower top needs further articulation and interest and appears cut-off.
7. Too many glazing colors have been proposed in the tower’s glazing scheme and the glazing color scheme needs to be simplified.

8. A concern was raised that the re-creation of the historic office tower may not be appropriate.
9. The design as a whole is not yet of a high enough standard.

Responses from the Applicant regarding the design comments received throughout the design review process can be found in Attachment I, while staff's latest design analysis begins on page 10. A summary of the design changes is as follows:

1. The plans for the office building replication are now based on drawings provided by the Project's historic preservation architect. The material of the replicated office building has been changed to Exterior Insulation Finish System (EIFS) to better match the materials of the historic building.
2. The recessed ground floor area of the northeast podium has been changed to a three-foot recess rather than a 10-foot recess.
3. The facade treatment of the northeast corner of the podium level has been changed to an all-glass facade with operable windows. The applicant intends to present the previous design, a facade featuring alternating horizontal bands of metal screens and a solid brown metal screen, to the Committee as an alternative to the newly proposed glass design.
4. The north podium blank wall has been enhanced with form-liner decorative trees and stripes.
5. A 30-foot by 30-foot shade structure has been added to the southwest corner of the roof terrace to provide a symmetrical element with the club room found at the southeast corner of the rooftop. Balconies have also been added to the upper 20% of the tower to provide further upper tower articulation.
6. Most of the exposed elevator core on the northern elevation will now be covered in spandrel glass, while the upper 23 feet of the elevator core will be finished in sealed, polished concrete. A tower sign for the residential component of the Project has also been proposed on the portion of the elevator core containing the sealed, polished concrete.
7. The tower glazing colors have been reduced in intensity by 60%, thus providing less color contrast among the five different tower glass colors.
8. All laser lights on the tower have been removed from the Project. Slab lighting has been added to the eastern portion of the south facade in select locations that will be on a computer programmed system.

The Committee previously reviewed the Project at its meeting of June 8, 2016. Design comments from the June 2016 Committee meeting have been captured in the above REC design comments.

DOWNTOWN COMMUNITY PLANNING COUNCIL: The Pre-Design Subcommittee of the Downtown Community Planning Council (DCPC) reviewed the design of the Project at its meeting on June 7, 2016. The DCPC Pre-Design Subcommittee requested that the Applicant consider the following additional comments and recommendations in revising the design before presenting to the DCPC:

1. The tower top needs further articulation and interest and appears cut-off.
2. Some comments indicated that too many glazing colors have been included in the design of the tower's glazing scheme.
3. The refractory laser light beam on the south elevation should be removed.
4. The design of the northeast podium does not relate to the rest of the Project and needs to be re-designed.
5. The design of the exposed elevator core at the upper stories of the northerly elevations needs to be re-designed.
6. A comment indicated that the northerly podium wall needs further enhancement.
7. A comment indicated that the re-creation of the historic office tower is not acceptable.
8. A comment indicated that the recessed streetwall area along Fourth Avenue may cause a security concern – especially at night.

OTHER RECOMMENDATIONS: None at this time.

DEVELOPMENT TEAM

ROLE	FIRM / CONTACT	OWNERSHIP
Applicant	1122 4 th Avenue, LLC Cyrus Sanandaji	See Attachment A (Privately Owned)
Property Owner	Sloan Capital Partners, LLC Faramarz Yousefzadeh	See Attachment A (Privately Owned)
Architect	Martinez + Cutri Corporation Joseph Martinez	Joseph Martinez Anthony Cutri
Relations Consultant	Bartell & Associates Jim Bartell	Jim Bartell
Historic Consultant	Marie Burke Lia	Marie Burke Lia
Legal Counsel	Seltzer/Caplan/McMahon/Vitek James Dawe	See Attachment A (Privately Owned)
Environmental Consultant	AECOM Michelle Fehrensens	See Attachment A (Publicly Owned)

BACKGROUND

When the California Theatre was opened in 1927, it was the largest movie complex of its kind in San Diego. With 2,200 seats and a 9-story office building, the California Theatre was considered a movie palace. 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 1980s. The building underwent its last renovation in 1988. Architectural surveys that took place in 1990 deemed the building vulnerable to seismic activity, and that the structural system needed to be strengthened to meet minimum safety standards. The building was subsequently closed to the public. Designated in 1990, the California Theatre is currently listed in the City of San Diego Register of Historical Resources as HRB #291 (Resolution Number R – 901024) as a local historic resource.

There are also several signs located on the exterior of the building that have been considered for designation as local historic resources. One sign is painted on the north wall of the 9-story office building. This sign advertises the Barbary Coast, a tavern located within the building in the 1970s. Two additional signs are painted on the south and west sides of the theater's stage fly structure. These signs date to 1962–1963 and advertise the Caliente racetracks in Tijuana, Baja Mexico. Although significantly faded, the signs are still legible. The Historic Resources Board (HRB) considered local designation of these signs in June 2016, but ultimately voted not to designate the signs.

The California Theatre has been determined eligible for listing in the National Register of Historic Places (NRHP) and in the California Register of Historic Resources (CRHR) at the local level of significance under NRHP Criterion A and CRHR Criterion 1 for its association with the booming development of downtown San Diego in the 1920s, and under NRHP Criterion C and CRHR Criterion 3 for its local significance as a good example of a Spanish Colonial Revival-style building.

In 2006, the City adopted the DCP which included goals and policies for significant future growth, including policies for historic preservation (See Attachment G). A program environmental impact report was prepared to evaluate cumulative impacts that would occur from Downtown's significant growth.

The Downtown Final Environmental Impact Report (FEIR) analyzed cumulative effects that may occur from development in accordance with the proposed DCP in Chapter 6.0 of the Downtown FEIR. The Downtown FEIR identified cumulative impacts to five different resources and provided mitigation for these impacts; however, mitigation would not reduce the cumulative impacts to below a level of significance; therefore, these impacts are considered cumulatively significant and potentially unmitigable. The Downtown FEIR identified historical resources as one of these resources. In the Mitigation Monitoring and Reporting Program (MMRP adopted with the certification of the Downtown FEIR), there is a distinction made between historic resources located on the local San Diego Register and those resources that were listed on, or eligible for, the NRHP or CRHR. The Downtown FEIR recognized that resources listed on the San Diego Register may be demolished due to development anticipated in the DCP, but that any demolition would have to comply with all applicable City regulations for substantial alterations to historic resources including the approval of a Site Development Permit. However, the potential loss of historic resources was considered a cumulative impact that could not be mitigated and therefore the City Council made certain Findings and adopted a Statement of Overriding Considerations when certifying the Downtown FEIR. However, the DCP and MMRP

state that historical resources that are listed on, or eligible for listing on, the NRHP or CRHR are to be retained on site and rehabilitated.

Therefore, the proposed demolition of the California Theater was not considered by the Downtown FEIR or MMRP and is subject to further review under the California Environmental Quality Act (CEQA). A Supplemental Environmental Impact Report has therefore been prepared in accordance with CEQA which evaluates the impacts of the demolition of the building, which is discussed further in the staff report under Environmental Review Section.

DISCUSSION

Neighborhood Context

The Civic/Core neighborhood is a compact district, extending just over one-half mile in the east-west direction and serves as the center of Downtown, both physically and functionally, where Federal, State, County, and City government offices combine with office, cultural, hotel, and some residential activity. Planning focuses on reinforcing this role, while improving civic spaces to invigorate the public realm. Ultimately, Civic/Core is projected to contain up to 5,000 residents and 35,000 employees.

The Civic/Core neighborhood contains significant uses including the Civic Center, the County Complex, and performing arts theatres such as the Civic Theatre, Symphony Hall, and Spreckels Theatre. Even with these significant features, Civic/Core lacks a defining center or node. In addition, there is little activity outside of weekday working hours or special theatre circuits.

Applicable DCP Goals

The DCP supports the Core's role as a center of regional importance and as a primary hub for business, communications, office, and hotels, with fewer restrictions on building bulk and tower separation than in other districts. The mix of uses in Civic/Core is the strength of the neighborhood. The Community Plan calls for embracing the varied environment while prioritizing new office and other employment-generating uses to maintain Civic/Core's unique role among downtown's districts.

- 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.
- 3.3-G-1 Provide a range of housing opportunities suitable for urban environments and accommodating a diverse population.
- 3.4-G-1 Continue to promote the production of affordable housing in all of downtown's neighborhoods and districts.
- 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.

- 9.1-G-1 Protect historic resources to communicate Downtown's heritage.
- 9.1-G-2 Encourage the rehabilitation and reuse of historical resources.
- 9.2-G-1 Integrate historical resources into the downtown fabric while achieving policies for significant development and population intensification.
- 9.2-P-1 Incorporate elements of historical buildings in new projects to impart heritage.
- 9.2-P-3 Promote the adaptive re-use of intact buildings and/or significant elements, as a cultural and sustainability goal.

SITE DESCRIPTION

The Project site is an approximately 25,000 SF premises located on the north side of C Street between Third and Fourth avenues in the Civic/Core neighborhood of Downtown. The site generally slopes down in elevation from west to east by approximately six feet of elevation change. The site is currently occupied by an approximate 5,000 SF surface parking lot at the northeast corner of the site, while the remainder of the site is occupied by the historic California Theatre building. The California Theatre building is a locally designated historic structure that was last utilized in 1990. The existing structure has also been determined to be eligible for listing on both the National Register of Historic Places and the California Register of Historical Resources as a significant historic resource. Surrounding land uses include:

- North – Low-Rise Commercial; Surface Parking Lots
- South – Mid-Rise Hotel (The US Grant)
- West – Mid- and High-Rise Institutional/Government Buildings (Civic Center)
- East – Mid- and High-Rise Commercial

The land use district for the site is Core (C). This district serves as a high-intensity office and employment center. The district operates as a center of regional importance and as a primary hub for businesses, communications, offices, and hotels with fewer restrictions on building bulk and tower separation than in other districts. Mixed-use development is accommodated as an important component of the area's vitality. Retail, educational, entertainment, residential, civic, governmental, and cultural uses are permitted.

Two overlay zones apply to this Project site. The Commercial Street (CS) Overlay applies to the C Street frontage only and requires a minimum 60% active commercial uses along C Street. The Employment Overlay (EO) requires that at least 50% of the gross floor area within each development in the E overlay district be dedicated to employment uses such as professional office, education, cultural uses, retail, hotel, or similar commercial uses. Residential uses in this district shall not exceed 50% of the gross floor area counted against the Base Maximum (10.0) floor area ratio (FAR). The E Overlay has been proposed for removal from the Project site in order to allow residential uses to exceed 50% of the Base Maximum gross floor area.

PROJECT DESCRIPTION

This Project proposes the demolition of the existing California Theatre building and construction of a 40-story tower (approximately 422 feet tall) and is comprised of 282 DUs (22 affordable

units, 260 market-rate units), approximately 10,900 SF of ground-floor retail space, and 325 parking spaces. Three levels of subterranean parking and four levels of above-grade parking are proposed.

The following is a summary of the Project (based on drawings dated December 7, 2016):

Site Area	25,103 SF		
Base Minimum FAR	6.0		
Base Maximum FAR	10.0		
Maximum FAR with Amenity Bonuses	20.0		
Maximum FAR with Affordable Housing Bonus	23.5		
Proposed FAR	15.60		
Above Grade Gross Floor Area	391,650 SF		
FAR Bonuses Proposed	3.5 – 35% Affordable Units 1.0 – LEED Silver 1.0 – 10% 3-Bedroom Units 0.10 – Eco Roof		
Density	489 DU per acre		
Stories / Height	40 stories / 422 feet		
Amount of Commercial Space	10,900 SF		
Amount of Office Space	None		
Housing Unit and Bedroom Count /Average Size	<u>#</u>	<u>Range</u>	<u>Average</u>
Total Number of Housing Units	282		
Studio	None		
1 Bedroom	126	731 SF to 798 SF	769 SF
2 Bedroom	99	1,056 SF to 1,844 SF	1,170 SF
3 Bedroom	57	1,187 SF to 2,053 SF	1,235 SF
Number of Units to be Demolished	N/A		
Number of Buildings over 45 Years Old	1 (California Theatre Building)		
Inclusionary Affordable Housing Compliance	Inclusionary Affordable Housing will be provided on-site with 22 affordable units.		
Automobile Parking			
Market-Rate Residential (Required / Proposed)	269 (1 per DU + 1 per 30 DU for guests) / 292 ¹		
Affordable Residential (Required/Proposed)	15 (per formula of SDMC Table 142-05D) / 22		
Retail (Required / Proposed)	None / None		
Motorcycle Parking (Required / Proposed)	14 (1 per 20 DU) / 16		
Bicycle Parking (Required / Proposed)	56 (1 per 5 DU) / 61		
Common Indoor Space (Residential)			
Required	500 SF		
Proposed	3,120 SF		
Common Outdoor Open Space (Residential)			
Required	3,765 SF		
Proposed	6,108 SF		

Private Open Space (Balconies and Decks) Required Proposed	50% of DU (with 40 SF minimum) 100% of DU
Pet Open Space Required Proposed	100 SF 4,630 SF
Residential Storage	240 cubic feet per DU
Assessor's Parcel Nos.	533-521-04,-05, and -08
Sustainability	LEED Silver

1. Plus additional compact spaces for a total market-rate residential total of 303 spaces.

PERMITS REQUIRED

- Amendments to the DCP and CCPDO to remove the property from the EO overlay to allow the residential project to be approved.
- CCDP with Design Review approval by the CivicSD Board of Directors for the construction of more than 50 DU, 100,000 SF of gross floor area, and 85 feet in height.
- SDP is required for a significant impact to a designated historic resource – specifically, the demolition of the historic California Theatre building.
- CCPDP is required for deviations from the Centre City Planned District Ordinance (CCPDO) to provide flexibility in the application of development regulations for projects where strict application of these regulations would restrict design options and result in a less desirable project. The deviations being requested for this Project are from the following development regulations:
 1. Maximum East/West Tower Dimension;
 2. Streetwall Setback;
 3. Maximum Streetwall Height; and,
- NUP is required for the proposed Comprehensive Sign Plan and Outdoor Eating and Drinking area.

In addition, the Final SEIR must be certified by, and certain Findings and a Statement of Overriding Considerations must be made by, the City Council prior to approving any other actions regarding this Project.

Per San Diego Municipal Code (SDMC) Section 112.0103, when an Applicant applies for more than one permit for a single development, the applications shall be consolidated for processing and shall be reviewed by a single decision-maker. The decision-maker shall act on the consolidated application at the highest level of authority for that development, and the findings required for approval of each permit shall be considered individually. The decision-maker for this Project will be the City Council in accordance with a Process Five review. The decision of the City Council will be final.

DCP/CCPDO EMPLOYMENT OVERLAY AMENDMENT

Staff has conducted a review of the EO overlay zone and its regulations over the past year in response to three different applications for the removal of certain properties from the designation. Staff not only examined the three applications, but conducted an analysis of the EO overlay in its totality which can be found in the Staff Report to the September 14, 2016 meeting of the CivicSD REC, which can be found at:

[http://www.civicsd.com/images/stories/Sept_2016_REC_Item_6 - 101_Ash_Amendments.pdf](http://www.civicsd.com/images/stories/Sept_2016_REC_Item_6_-_101_Ash_Amendments.pdf).

Staff concluded that the EO is still a valid and necessary planning tool based on the goals and policies of the SANDAG Regional Comprehensive Plan, the San Diego General Plan, and the DCP. By reserving land for employment uses, the EO simultaneously reduces the cost of land that would otherwise be in high-demand for residential development. The EO also incentivizes the development of dense office space that typically contains higher paying employment opportunities. In other words, the EO makes locating in the Core of the regional employment center more financially attractive than it would otherwise be if the EO were removed and allowed primarily residential development. Conversely, the consequence of removing the EO would likely be markedly higher land prices that would discourage office investment in the area. Therefore, staff has determined that any significant changes to the EO, either by its removal, significant change in boundaries, or significant relaxation in its regulations are not warranted nor desired.

At its October meeting, the REC voted to recommend that there are unique circumstances affecting this particular property that warrant the removal of the EO from the site. The existing building on the site, while historic, has not been occupied for over 25 years and contributes to the challenges associated with the C Street corridor including, but not limited to, the lack of economic investment, the prevalence of the homeless population, and increased crime activity, thus warranting removal of the EO from the Project site to facilitate a development project that will activate the C Street corridor.

DESIGN REVIEW

The Project is a mixed-used development comprised of a 40-story tower that would be located in the central part of the site, while the footprint of the seven to-nine-story podium element would cover the entire site area. The Project's common open space and other amenity areas will be located on the rooftops of the podium (seventh level) and the tower (40th level).

Three levels of subterranean parking and four levels of above-grade parking will be provided by the Project. Above-grade parking will be screened, but not enclosed or encapsulated, by the podium-level building walls and by a combination of a perforated metal screen and metal panel system. Provisions of the CCPDO require that the Project's above-grade parking levels are shielded from view by a solid wall or headlight-obscuring screen a minimum of 42 inches in height. The CCPDO does not require a minimum of 50% encapsulation of the above-grade parking encapsulation since the Project site is less than 30,000 SF in area. The above-grade parking areas will be naturally ventilated. Vehicular ingress/egress to the Project's below-grade

parking is provided on the Fourth Avenue frontage, while vehicular ingress/egress for the above-grade parking is provided from the Third Avenue frontage.

Overall Massing/Neighborhood Context

The Project is located in an area of the Civic/Core with mixed building typologies and a mixed built environment ranging from low-rise commercial buildings to high-rise office and hotel buildings. Contemporary large-scale construction and redevelopment of the surrounding blocks has not occurred in the project vicinity for over three decades, resulting in developments that would not typically comply with current standards including streetwall heights and building bulk. Much of the surrounding development was constructed in the 1960s, 70s, and 80s with some older buildings, such as The U.S. Grant, that were constructed in the early 1900s.

A high-rise tower measuring approximately 422 in height with dimensions of 150 feet by 85 feet has been proposed near the center of the Project site. Other high-rise buildings exist in the Project vicinity including the 330-foot tall Wells Fargo Building, located to the northeast of the Project site, the 200-foot tall Westgate Hotel located to the southwest; and, multiple buildings in the Civic Center to the west that range in height from 120 feet to 260 feet. Additional high-rise buildings can be expected in the Project vicinity when underutilized sites such as the surface parking lot and the low-rise commercial building to the north are redeveloped. Although the proposed tower is taller than the surrounding high-rise development, the precedent for high-rise buildings has already been set in the surrounding neighborhood with many towers that are bulkier than the Project. Towers with dimensions similar to or larger than what has been proposed by the Project have been envisioned in the DCP for the Civic/Core neighborhood and through implementation of the Core development standards in the CCPDO.

The streetwall heights of the Project will be varied between 70 and 90 feet. The surrounding streetwall heights vary greatly in the Project vicinity with streetwalls ranging between two stories and 12 stories plus. Given the varied streetwall heights of the Project vicinity, staff believes that the proposed streetwall heights are consistent with the neighborhood. Overall, staff feels that the general scale and dimensions of the Project are consistent with the neighborhood context.

Podium/Mid-Rise

A seven- to nine-story mid-rise podium will occupy the entire Project site. The podium will contain ground-floor retail, four levels of above-grade parking and a residential storage area on the fourth floor parking level. The podium level will be topped with a variety of indoor amenity spaces and common outdoor open areas including a pool terrace and passive green roof space.

The nine-story portion of the podium level at the southeast corner of the site will be developed to approximate the dimensions, scale, and features of the historic California Theatre building. The plans for this part of the Project will now be based on drawings provided by the Project's historic preservation architect, Heritage Architecture. The material of this portion of the building has now been changed to EIFS to better match the materials of the historic building. The previously proposed design featured a faux replication of the historic building with porcelain ceramic tile –

a design that staff did not support. With drawings that will be based on the historic plans, and with the proposed material change, staff can recommend that newly proposed design of this portion of the Project is an appropriate design.

Above-Grade Parking Screening

On the northeast, south, and southwest elevations of the podium, a perforated metal screen is proposed to partially screen the above grade parking levels. The perforated metal screen with 50% solid area located on the south and southwest elevations of the podium previously featured large superimposed graphics of historic photos of the California Theatre building. The Applicant has committed to retaining an artist to provide an art feature instead of the large graphics that have been proposed on much of the above-grade parking screening areas. The artist and the proposed art piece have not been selected; however, the Development Permit would contain a condition that requires the Board to review and approve the art concept for the above-grade parking screening at a future date when the art concept is fully developed since it will have a significant presence on C Street.

Where the existing 5,000 SF surface parking lot currently lies at the northeast corner of the podium facade, a six-story building area is now proposed to feature glazing with operable windows instead of the previously proposed alternating patterns of the perforated metal screen with a solid brown metal screen. Staff believes that the design of this portion of the podium offers a more elegant facade treatment that better relates to other portions of the Project; thus, representing an appropriate design for this facade. The Applicant intends to present the previous design to the Committee as a potential design alternative; however, as previously outlined in past staff analysis, staff cannot support the previous design iteration.

On the westerly facade of the podium, the parking is screened by a combination of solid building materials (EIFS) and large vertical glass elements with operable windows (see plan page A3.4). The Applicant has provided a plan detail (see plan page A3.5.1) based on the historic building drawings that demonstrate awkward relationships will not exist with the windows and headlight screening and the sloped garage floors.

The northerly elevation of the podium elevation facing the adjacent surface lot has been designed to be a 200-foot long, seven- to nine-story tall blank wall (see pages A2.3 and A5.6). The design of this podium elevation has now been enhanced on the westerly portion of the elevation to include a decorative form-liner tree design and inset, vertical form-liner stripes on the concrete wall. It is expected that northerly facade will eventually be covered by future developments on the adjoining properties. Staff is now recommending that the proposed blank wall treatment is appropriate and consistent with the DDGs. It should also be noted that these enhanced blank wall design features will be carried over to the western podium elevation to further enhance its design.

Tower

The tower portion of the Project will start on the eighth level and reach 40 stories in height, with rooftop open space and amenity space located on the roof of the tower. The residential tower will

contain the Project's residential units, with the affordable units located on levels 10, 11, and 12. The tower will feature contemporary materials with large expanses of glass and a regular pattern of metal mullions located within the glass system. Balconies and recessed terraces are prominent features on all four sides of the residential tower with each unit in the project containing private open space with either a balcony or a recessed terrace. The balconies and terraces provide visual interest and shadow on the buildings facades and help express its residential nature.

The residential tower is proposed to rise from the ground in a regular, rectangular fashion to the top of the tower without setbacks from both Third Avenue and C Street frontages and with a 15-foot setback from the northerly property line and a 50-foot setback from the Fourth Avenue frontage. The CCPDO requires towers to be setback a minimum of 15 feet from any property line adjoining a public street. One elevation can be exempt by right, with a second elevation permitted as an exemption through the Design Review process if the resulting tower design is improved and does not result in massing that is inconsistent with the neighborhood. Staff recommends that the tower massing design is appropriate as it results in a well-proportioned vertical tower compatible in scale and massing with the surrounding neighborhood.

The CCPDO also requires a 20-foot tower setback from interior property lines. The interior tower setback may be reduced to 10 feet with an exception via the design review process provided that any existing tower on an adjacent parcel is located a minimum of 40 feet from the proposed tower and provided that the applicant can demonstrate that construction techniques permit glazing with views into, and out from, habitable areas within the tower. With a 15-foot tower setback from the northerly property line, the Project would require an exception to the typical 20-foot standard. Any reduction in the tower setback could also impact the placement of future towers on the adjacent properties to the north, which would have to observe the 20-foot setback; however, both sites are large enough to accommodate typical tower footprints. Given that adequate glazing has been proposed in the north elevation, the Project meets the exception criteria.

Upper Tower

The Downtown Design Guidelines (DDGs) stipulate that the upper 20% of any tower should achieve an articulated form and composition by means of architectural techniques such as layering, material changes, fenestration pattern variation and/or physical step-backs. The DDGs also note that actual reductions of floor areas and/or recessed balconies can assist this composition goal, but are not required. A shade structure with dimensions of 30 feet by 30 feet has been added at the southwest corner of the roof terrace. The shade structure is anticipated to provide a more cohesive upper tower design by providing a balancing, symmetrical element to the club room located at the southeast corner of the roof level. Additionally, balconies have been added on the south and west elevations at levels 29, 31, 33 and 35 to help further differentiate the upper tower portion. A Juliet Balcony has also been added on level 38.

Previously, the middle of the upper north facing facade exhibited a blank wall of the concrete building core measuring approximately 77.5 feet in width and 100 feet in height with refractory lasers located in the exposed building core area. The Committee and staff both concluded that the

exposed core with the lasers was not appropriate in a well-designed tower, especially considering that the northerly elevation is anticipated to be visible from vantage points to the north including the Cortez Hill and Uptown neighborhoods.

The elevator core area on the northern elevation has been re-designed. Most of the core area is now covered in spandrel glass with the exception of the upper 23 feet of the core area. This upper core area will be sealed, polished concrete, while a tower sign has now been proposed on the upper core area. The individual letters in the sign will be a maximum of five feet in height and will be illuminated via back-lighting. The newly proposed tower sign requires approval of an NUP for a Comprehensive Sign Plan as a tower sign exceed 65 feet in height above the sidewalk on a residential building requires approval of an NUP. The tower sign has been added to the existing NUP request for a Comprehensive Sign Plan for the re-created California Theatre blade sign and marque. Findings in support of all three signs in the Comprehensive Sign Plan have been included in this staff report. Particular to the tower sign, staff can support the tower sign given that it is of similar size and illumination as other recently approved tower signs in the greater Core neighborhood such as the Manchester Financial Group tower sign at 101 W Ash Street and the Procopio tower sign at 525 B Street. A further discussion of the tower signage can be found in the below Comprehensive Sign Program of the staff report.

With these aforementioned design revisions of the upper tower, staff can now support the upper tower design and has found the design consistent with the DDGs.

Tower Glazing

As previously discussed, the tower will be largely identified by its utilization of glassy facades on all four building elevations. Five different glass colors will be utilized for large expanses of glazing area, while five different slab cover colors will be utilized. Staff previously had concerns that the total number of glazing colors utilized for large areas of glazing will contribute to an overly-busy expression, and furthermore, believed that the differing glass colors were being emphasized as a signature tower element. The DDGs discourage the use of glass as a signature element (see Attachment C). Of particular concern were the south and east elevations where five different glazing colors have been proposed. In response to these concerns, the applicant has reduced the glass color intensity by 60%, which has resulted in glazing colors that do not significantly contrast with one another. Overall, staff believes that the revised, simplified glazing color scheme is more elegant and complies with the DDGs as the differing tower colors are not being emphasized as a signature tower element.

Tower Lighting

Lighting features were originally proposed on both the north and south elevations of the tower. A light beam was proposed to zig-zag across the southerly tower facade via small refractory mirrors mounted to various building parts. This feature has been removed from the Project and has been replaced with LED lights that will be located in the floor slabs on the eastern portion of the south elevation (see plan pages A2.1 and A3.6). The slab lights would be operated on a computer-programmed system to allow color variations in the lighting. As previously mentioned,

the refractory lasers proposed for the northern elevator core have also been removed. Lasers are no longer included as a part of the tower lighting scheme.

The DDGs generally only promote modest, restrained and focused lighting on the upper tower. Bright hues and neon outlines are strongly discouraged, while white or warm-color washes of the upper tower are preferred if lighting is proposed (see Attachment C). Staff believes that the proposed LED lights found in select slab areas on the southern elevation comply with the DDGs and represent an appropriate tower lighting element.

Street Level

C Street is a Commercial Street requiring 60% active commercial uses along its frontage. The ground floor will be activated by gracious ground-floor heights over 20 feet in height and by the approximately 11,000 SF of ground-floor commercial retail space. An outdoor seating area for potential future eating and drinking establishments has been proposed on the C Street frontage. The outdoor seating area requires approval of an NUP. Staff is in favor of the outdoor seating area as it would add much-needed street-level vitality to this block of C Street. Differing color gradient awnings were proposed on both the ground-floor contemporary retail area and on the ground-floor of the re-created office tower. Staff did not believe that the color gradient awnings were a particularly desirable design. The color gradient awnings have been replaced with a more traditional single-color metal awning that staff can support.

The ground floor of the aforementioned northeast corner of the building was a previous design concern as it contained an overly tall garage opening (approximately 18 feet in height), a deeply recessed storefront, and a display window (plan page A3.5). These features resulted in a poor pedestrian experience and an attractive nuisance at the deeply recessed storefront. The garage height has been reduced to 16 feet in height, while the deeply recessed storefront (previously a 10-foot recession) has been reduced down to three feet. Staff believes that these changes will allay previous concerns regarding design of the northeast ground-floor area and will result in a desirable pedestrian experience on the Fourth Avenue frontage.

A letter has been sent by the Civic Theatre regarding the Project and has been attached as Attachment D. The Civic Theatre has voiced concerns that Project construction and the above-grade parking access area on Third Avenue will have conflicts with their loading/unloading activities that occur on Third Avenue. The applicant has met with Civic Theatre representatives to discuss a construction plan that would not affect the loading activities of the Civic Theatre. Additionally, the Civic Theatre does not have a dedicated legal loading zone along the Project site's Third Avenue frontage. All legal loading activities are to occur on the west side of Third Avenue adjacent to the Civic Theatre. Most loading activities for theatre occur during the early morning hours with completion of loading activities typically ending by 4:00 a.m.

Sustainable Design

The Applicant has proposed a LEED Silver Certification in order to earn an FAR bonus of 1.0. The LEED Silver level will optimize energy performance, provide enhanced building

commissioning prior to occupancy verifying building performance, providing green power to the residents, and use low emitting and recycled content materials in the construction.

Affordable Housing Density Bonus Law

Pursuant to implementing the State of California Density Bonus Law provisions, the San Diego Municipal Code (SDMC) provides for the following when a project includes affordable housing:

1. Floor Area Ratio (FAR) Bonus;
2. Reduced Parking Requirements; and,
3. Development Incentives.

The Applicant is proposing to restrict 10% of the Base Maximum FAR residential units to persons qualifying as low income residents, or those earning less than or equal to 80% of the Area Median Income (AMI). Based on the provision of affordable housing, the Project is entitled to the following:

1. A 35% FAR Bonus; and
2. One incentive from development standards.

The purpose of the Affordable Housing Density Bonus regulations is to incentivize developers to provide affordable housing and reduce the burden of providing costly parking in areas served by transit.

The Applicant has stated that the Project may be a for-sale condominium project or may be a rental apartment project. Under the San Diego Municipal Code (SDMC) and CCPDO provisions for FAR bonuses, the CCPDO offers a more aggressive bonus program for the provisions of affordable housing within the project. Based on the 22 units provided, the 35% FAR bonus is available for either a) rent restrictions based on low-income levels, equivalent to 80% Area Mean Income (AMI) restricted for 55 years or b) for-sale restrictions based on moderate-income levels, equivalent to 120% AMI restricted for 45 years. The City has experienced significant difficulty enforcing and maintaining for-sale restrictions for the long term. Typically for-sale affordability restrictions are based on the initial buyers and then there is an equity sharing agreement with the Housing Commission based on how long the initial buyer occupies the unit. Because of this difficulty, the CCPDO allows the 10% qualifying units to be either rental or for-sale regardless of whether the market-rate units are for sale or rental. Staff and the Housing Commission would prefer that long-term restrictions be applied to rental units only. The SDMC allows for the initial buyer restrictions for an FAR bonus, but only grants a 5% FAR bonus rather than the 35% the Project is proposing. Therefore, staff is recommending that the affordable units in the Project be rental units restricted for 55 years, regardless of whether the market rate units are rental or for sale.

Per SDMC Section 143.0740, the applicant is requesting that one incentive be used for a deviation from the requirement for underground parking for the Project. The section states that an incentive can mean a deviation to a development regulation. The Section further states that:

“Upon an applicant’s request, development that meets the applicable requirements of Sections 143.0720 and 143.0725 shall be entitled to incentives pursuant to Section 143.0740 unless the City makes the a written finding of denial based on substantial evidence, of any of the following:

- (A) The incentive is not required in order to provide for affordable housing costs, as defined in California Health and Safety Code Sections 50052.5 and 50053;*
- (B) The incentive would have a specific adverse impact upon public health and safety as defined in Government Code section 65589.5, the physical environment, including environmentally sensitive lands, or on any real property that is listed in the California Register of Historical Resources and for which there is no feasible method to satisfactorily mitigate or avoid the specific adverse impact without rendering the development unaffordable to low income and moderate income households;*
- (C) The incentive would be contrary to state or federal law. Requested incentives shall be analyzed in compliance with the California Environmental Quality Act as set forth in Chapter 12, Article 8, and no incentive shall be granted without such compliance.”*

Thus, if the findings for applicable sections A-C above cannot be made, the incentives must be granted. Staff did not find any substantial evidence that the incentive would (1) not be required to provide for affordable costs; (2) adversely affect public health or safety; and (3) would be contrary to State of Federal law. The incentive is requested for the following deviation from development standard:

SDMC Section 142.0560(c) requires the proposed off-street parking areas to contain drive aisles of at least 24 feet in width adjacent to perpendicular parking spaces. The Project proposes to provide 22-foot-wide drive aisles rather than the minimum required width of 24 feet throughout the parking garage due to the design of the building core and the general 100-foot width of the garage. Staff supports the incentive based on the inability to make the findings cited above.

SITE DEVELOPMENT PERMIT FOR DEMOLITION OF HISTORIC RESOURCES

Chapter 9 of the DCP establishes the strategy for meaningful preservation of historic resources as part of Downtown’s continued growth and development. Historic Buildings are identified under a well-defined, three-tiered system based on their classification. The NHRP – representing the highest level of designation, and marking resources contributing to the nation’s history – bestows the greatest protection. Listing on the CRHR also establishes substantial protections in recognition of contributions to state heritage. The third tier, the San Diego Register of Historical Resources, includes properties deemed to have contributed significantly to regional history and culture.

The DCP identifies the integration of pieces of the past, while facilitating the dynamics of an evolving, contemporary high-intensity center as some of the most exciting opportunities and challenges facing Downtown. The DCP’s direction for historic preservation is premised on maintaining National Register sites as Downtown anchors and integrating buildings of state historic significance into the Downtown fabric. The strategy for conserving downtown historic qualities largely relies on the established process through National Register, California Register, and Local Register designations of individual properties. Each designation is associated with

preservation goals and development restrictions. Specifically, Chapter 9 of the DCP calls for the following preservation goals as they relate to historic designations for national and state-eligible buildings:

NHRP Eligible – Evaluate and encourage listing in the National Register through the State Office of Historic Preservation or the National Park Service. Resources determined eligible by either agency shall have the same protection status as individually-listed resources in the National Register. Retention of NHRP buildings on-site is a preservation goal, and furthermore, any improvements, renovation, rehabilitation, and/or adaptive reuse should facilitate preservation consistent with the Secretary of the Interior's Standards for the Treatment of Historic Properties and Guidelines for Preserving, Rehabilitating, Restoring, and Reconstructing Historic Buildings.

CRHR Eligible - Evaluate and encourage listing in the California Register through the State Office of Historic Preservation. Resources determined eligible by either agency shall have the same protection status as individually-listed resources in the California Register. Retention of NHRP buildings on-site is a preservation goal, and furthermore, any improvements, renovation, rehabilitation, and/or adaptive reuse should facilitate preservation consistent with the Secretary of the Interior's Standards for the Treatment of Historic Properties and Guidelines for Preserving, Rehabilitating, Restoring, and Reconstructing Historic Buildings.

As previously outlined in the Background section of the staff report, demolition of NHRP and CRHR-Eligible buildings (such as the California Theatre) was not considered by the Downtown FEIR or MMRP and is subject to further review under CEQA under a SEIR. Furthermore, the MMRP stipulates that all applications for construction and development permits where historical resources are present shall be evaluated pursuant to the Historical Resources Regulations of the SDMC. The Project proposes a substantial alteration (demolition) of a designated historic resource, the California Theatre, which would require the Project to meet a number of specific findings required for a SDP (see Attachment F for the Applicant's SDP Findings) including findings that require analysis of less environmentally damaging alternatives that could further minimize the potential adverse effects on the designated historical resource. Less damaging project alternatives have been analyzed in both the Draft SEIR and in the SDP application as follows:

1. Project Alternative 1 would remove all existing improvements on the site as proposed in the base project, construct the base project's 40-story mixed-use tower, and construct a connected new nine-story tower with two reconstructed facades replicating the Fourth Avenue and C Street facades of the existing office tower.
2. Project Alternative 2 would remove all existing improvements on the theater portion of the site, construct the base project's 40-story mixed-use tower at the location of the demolished theater portion of the building, and retain and rehabilitate the nine-story office tower building.
3. Project Alternative 3 would remove all existing improvements on the theater portion of the site with the exception of the ground floor C Street facade and the decorative elements above it, which would be rehabilitated. This alternative would also construct the

- base project's 40-story mixed-use tower at the location of the demolished theater portion of the building, and retain and rehabilitate the nine-story office tower building.
4. Project Alternative 4 would remove all existing improvements on the theater portion of the site with the exception of the ground floor C Street facade and the decorative elements above it, which would be rehabilitated. This alternative would also construct the base project's 40-story mixed-use tower at the location of the demolished theater portion of the building, and retain and rehabilitate the nine-story office tower building. This alternative differs from Alternative 3 by creating a 20-foot-wide galleria running north-south between the nine-story tower and any new construction to the west of the galleria, creating an open space from the ground level through the ninth floor.
 5. Project Alternative 5 would rehabilitate all existing improvements on the site in accordance with the Secretary of the Interior's Standards for adaptive re-use as a theater and office building and would maintain the 5,000 SF parking lot. No additional area would be added and no changes in the building's massing would occur.

The SDP contains further findings that stipulate that 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 a property and it is not feasible to derive a reasonable economic return from the property.

The Applicant has contended that the desired Project, which does not propose retention of any features of the historic building, is the only Project option that would be economically viable and able to obtain financing based on gross revenue. The Applicant has also contended that all other Project alternatives that propose retention and/or rehabilitation would not generate enough predicted gross revenue to obtain financing to complete the Project as indicated by an economic analysis prepared by the London Group (see Attachment F). In the London Group's analysis, only the base project was able to achieve a minimum 10% return on investment, which according to the report, is typically the minimum return on investment that would need to be demonstrated to lenders to obtain financing.

Staff retained Keyser Marston Associates (KMA) to complete a peer review of the Applicant's economic analysis of the Project alternatives (please see Attachment G). The KMA report estimated the base project will only result in a 6.7% return as a percentage of value or a 7.4% return as a percentage of cost; thus, making the base project not financeable. Each of the Project's alternatives were deemed less financially feasible, confirming the London Group analysis. It is also KMA's experience that a minimum 15% return on investment may be needed to finance a project in Downtown. Given the return on investment numbers that were generated in both reports, only the base project appears economically viable. Denial of the proposed development would, therefore, result in economic hardship to the owner. Accordingly, findings supporting the SDP request have been included in the below permit findings section of the staff report.

While the DCP's policies cited above call for the preservation and rehabilitation of NHRP and CRHR eligible buildings, it also encompasses economic development, improvement to neighborhoods, and the development of the Core neighborhood as goals and policies. The Project

site plays a role in the continued challenges that face the C Street corridor due the Project site's vacant status of the last 25 years. Both the London Group and the KMA economic analysis have identified theatre structures as particularly difficult rehabilitation projects related to project feasibility. According to the KMA analysis, a project that proposes rehabilitation of the California Theatre building would result in a developer profit of ~\$45.4 million, a scenario which has contributed to the continued and likely vacant status of the structure.

PLANNED DEVELOPMENT PERMIT DEVIATIONS

The Applicant is proposing four deviations to development standards of the CCPDO, all of which have design implications for the Project. The following sections will analyze the four deviation requests.

CCPDO 156.0310(d) (3) (B) Maximum Tower Dimensions: The maximum East-West Tower Floor Plate Dimension in the Core Land Use District is 130 feet.

The overall tower dimensions and form of the tower largely remains the same as the tower rises from the ground with an east-west tower dimension of 150 feet and a north-south tower dimension of 85 feet. The east-west tower dimension exceeds the maximum 130-foot east-west tower dimension allowed in the Core district. If the E Overlay was not proposed for removal, an east-west tower dimension deviation would not be required as the CCPDO allows a maximum 150-foot east-west tower dimension in this overlay zone. Given the tower's location in relationship to other towers and development in the area, the 150-foot-wide east-west dimension is compatible with the neighborhood, especially with other towers that are bulkier than the proposed tower, as many of these towers were constructed prior to the current bulk regulations of the CCPDO.

CCPDO 156.0310(d) (1)(C) Streetwall Setback: The street wall shall be located within five feet of the property line adjoining any street.

CCPDO 156.310(d)(1)(E) Streetwall Height: A maximum street wall height of 85 feet may be provided within five feet of a property line adjoining any street in the Core Land Use District.

The re-creation of the office portion of the California Theatre building also creates the need for two deviations. One deviation would result in a streetwall deviation to exceed the maximum streetwall height of 85 feet at 90 feet in height. The Project proposes a recessed entry that would not meet the maximum streetwall setback allowances (or exemptions) by creating a recessed entry 31 feet wide and eight feet deep exceeding the CCPDO maximum dimensions of 25 feet in width and 15 feet in depth.

NUP/Comprehensive Sign Plan

The purpose and intent of the Comprehensive Sign Plan is to allow some flexibility to the signage regulations, provided the modifications are complementary to, and in scale with, the buildings on which they are placed. Three proposed signs in the Project require approval of a

NUP for a Comprehensive Sign Plan – the proposed tower sign on the north tower elevation, the replicated California Theatre projecting sign located at the corner of Fourth Avenue and C Street and the faux movie marquee that will be located above the recessed entry on the re-created office tower.

The re-created California Theater corner projecting sign would require a Comprehensive Sign Program to exceed the following sign limitations:

- The CCPDO limits signage on residential buildings to 65 feet above the sidewalk. The projecting sign extends to approximately 83 feet above the sidewalk.
- The SDMC limits corner projecting signs located 16 feet or greater above the sidewalk to a projection of six feet, four inches. The projecting sign extends eight feet from the corner of the building.
- The SDMC limits the projecting double-sided sign to 100 SF of sign area. Six hundred total square feet of sign area has been proposed.

The SDMC further specifies that movie theater marquees are subject to the approval of a NUP. Since the marquee will be effectively re-creating a moving marquee, an NUP will be required. The size of a movie marquee is not specified in the SDMC, but rather, the size of the marquee is a discretionary decision under the NUP.

The CCPDO limits signage on residential buildings to 65 feet above the sidewalk. Logos may not be used on the upper tower of a building where more than 50 percent of the building is for residential use. At approximately 410 feet in height on a residential building, the proposed tower sign would require approval of an NUP to exceed 65 feet above the sidewalk. The sign would feature letters a maximum of five feet in height and all sign areas will be back-lit.

Both of the signs subject to the NUP/Comprehensive Sign Program have been included to approximate former signs that were located on the historic building. Staff believes that the two signs subject to the Comprehensive Sign Program will be supportable with permit conditions that limit the sign copy to the design that has been proposed in the plans. Staff is concerned that, if left without conditions, future commercial tenants could have access to large sign areas. However, if the office building is not constructed to truly replicate the historic facade, staff could not support these signs as they would again draw attention to a faux replication of the building.

Although high-rise signs are not allowed by the CCPDO on residential towers (located over 65 feet above the sidewalk), staff believes that the tower sign can be supported given that it is in scale with the building on which it will be placed and will be similar in scale or smaller than other recently approved tower signs in the Core neighborhood such as the Manchester Financial Group at 101 W Ash Street (five-foot-tall letters and 735 square feet of tower sign area per sign) and the Procopio tower signs at 525 B Street (five-foot-tall letters and 351 square feet of tower sign area per sign). At approximately 250 square feet with five-foot-tall letters, the proposed tower sign occupies less area than other approved tower signs in the area.

Furthermore, due to the commercial nature of the surrounding neighborhood, the tower sign on the residential building is not expected to cause conflicts with surrounding residential uses (e.g. light and glare) and is a feature that can often be found on commercial towers in the neighborhood and in greater Downtown.

PERMIT FINDINGS

CCDP for the Overall Project

The purpose and intent of a CCDP is to administer and ensure compliance with the CCPDO, DCP, Centre City Streetscape Manual, and any policies or guidelines adopted by the City of San Diego to implement the DCP.

Findings

1. *The proposed development is consistent with the DCP, CCPDO, SDMC, and all other adopted plans and policies of the City of San Diego pertaining to the CCPD.*

In order for the proposed development to be consistent with the DCP and the CCPDO, the EO would need to be removed from the Project site. The Project has been found to be consistent with most aspects of the DCP, CCPDO, SDMC, and other adopted plans and policies of the City of San Diego pertaining to the CCPD as the development advances the goals and objectives of the DCP and CCPD by:

- Providing for an overall balance of uses;
- Adding to the range of Downtown housing opportunities;
- Contributing to the vision of Downtown as a major residential neighborhood;
- Increasing the Downtown residential population;
- Providing the production of affordable housing;
- Creating 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; and,
- Promoting the adaptive re-use of significant historic elements as a cultural and sustainability goal.

In addition, with approval of the Amendments to the Employment Overlay and CCDP/SDP/CCPDP/NUP No. 2014-76, this Project will be consistent with the requirements of the SDMC and CCPDO.

SDP for Demolition of Historic Resources

The purpose of the SDP procedures is to establish a review process for proposed development that, because of its site, location, size, or some other characteristic, may have significant impacts on resources or on the surrounding area, even if developed in conformance with all regulations. The intent of these procedures is to apply site-specific conditions as necessary to assure that the

development does not adversely affect the applicable land use plan and to help ensure that all regulations are met.

The following three findings are required for all SDPs:

1. *The proposed development will not adversely affect the applicable land use plan;*

With approval of the EO removal amendments to the DCP and CCPDO, the proposed Project would be consistent with the objectives of the DCP, CCPDO, and the DDGs in that the Project provides a mixed-use development that is consistent with the orderly growth and scale of the neighborhood and would have a negligible impact on the surrounding neighborhood and would not affect the applicable land use plan.

The goals and policies of the DCP generally stipulate that NHRP and CRHR eligible buildings should be retained on-site, and furthermore, any improvements, renovation, rehabilitation and/or adaptive reuse should facilitate preservation consistent with the *Secretary of the Interior's Standards*. While the DCP's policies cited above call for the preservation and rehabilitation of NHRP and CRHR eligible buildings, it also encompasses economic development, improvement to neighborhoods, and the development of the Core neighborhood as goals and policies. The Project site plays a role in the continued challenges that face the C Street corridor due the Project site's vacant status of the last 25 years. Implementation of the Project would allow for economic development and improvements to the C Street corridor and the surrounding Core neighborhood, thus promoting the goals and policies of the DCP and not adversely affecting the DCP.

2. *The proposed development will not be detrimental to the public health, safety, and welfare; and,*

The granting of the SDP and approval of the Project will not negatively impact the public health, safety, and general welfare. Overall, the proposed development is consistent with the plans for this neighborhood and will contribute to its vitality by providing a contextual development and demolishing a structurally unsound building.

3. *The proposed development will comply with the regulations of the Land Development Code (LDC) including any allowable deviations pursuant to the LDC.*

The proposed development will comply to the maximum extent feasible with the regulations of the CCPDO and City of San Diego Land Development Code with approval of the SDP, including obtaining all additional applicable permits as required by the City of San Diego Development Services Department.

In addition to the above findings, the SDMC requires the following findings for substantial alterations of a designated historical resource:

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;*

Five project alternatives have been analyzed. The Project alternatives range in scope from demolition and replication of select facades to a complete rehabilitation consistent with the Secretary of the Interior's Standards for reuse. As outlined in Finding #3 below, the base project is the only project that would not result in an economic hardship to the owner. Given these circumstances, there are no less environmentally damaging alternatives that can further minimize the potential adverse effects on the designated historical 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*

Demolition of the existing California Theatre is the only economic viable option given current economic conditions and the condition of the building. The demolition and construction of the Project would allow for a Project that may result in a 10% return on investment – a figure that has been estimated by the Project's economic analysis as the minimum figure that could potentially obtain financing. The other analyzed project alternatives that proposed an array of mitigation measures would not result in a Project that would yield a return on investment that would be eligible for financing.

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 a property and it is not feasible to derive a reasonable economic return from the property.*

In the Applicant's economic analysis of the Project alternatives, only the proposed Project was able to achieve a minimum 10% return on investment, which according to the report, is typically the minimum return on investment that would need to be demonstrated to lenders to obtain financing. A peer review of the Applicant's economic analysis of the Project alternatives yielded results that were less optimistic. The peer review analysis estimated the base project will only result in a 6.7% return as a percentage of value or a 7.4% return as a percentage of cost; thus, questioning the proposed Project's economical viability. However, the peer review confirmed that none of the Project alternatives were economically viable. Given the return on investment numbers that were generated in both reports, only the base project appears economically viable. Denial of the proposed development would result in economic hardship to the owner.

CCPDP

The purpose and intent of a CCPDP is to allow applicants to request greater flexibility from the strict application of the development regulations of the CCPDO, provided such deviations result

in the implementation of a unique and superior design. The findings for approval of a CCPDP listed below are evaluated to determine if the proposed deviations facilitate development that is beneficial to the community and results in a more desirable project than could otherwise be achieved if the project were required to rigorously adhere to the development regulations.

Deviations

Findings

In order to grant approval of a CCPDP, the following findings must be made:

1. *The proposed development will not adversely affect the applicable land use plan;*

With approval of the EO removal amendments to the DCP and CCPDO, the proposed Project would be consistent with some objectives of the DCP, CCPDO, and the DDGs in that the Project provides a mixed-use development that is consistent with the orderly growth and scale of the neighborhood. The requested deviation for the maximum east-west dimension will allow development that is of similar size to other developments in the neighborhood. The streetwall setback and streetwall height deviations will allow for the re-creation of the historic office building. These requested deviations would provide relief from the strict application of the development standards and would have a negligible impact on the surrounding neighborhood.

2. *The proposed development will not be detrimental to the public health, safety, and welfare;*

The granting of the deviations and approval of the Project will not negatively impact the public health, safety, and general welfare. Overall, the proposed development is consistent with the plans for this neighborhood and will contribute to its vitality by providing a contextual development.

3. *The proposed development will comply to the maximum extent feasible with the regulations of the CCPDO; except for any proposed deviations which are appropriate for this location and will result in a more desirable project than would be achieved if designed in conformance with the strict regulations of the CCPDO; and,*

The proposed development will meet all of the requirements of the SDMC and CCPDO with the approval of the deviations, which are allowable under a CCPDP. Furthermore, the EO removal amendment of the CCPDO would need to be approved. The maximum east-west tower dimension deviation will allow development that is of similar size to other developments in the neighborhood. The streetwall setback and streetwall height deviations will allow for the re-creation of the historic office building.

4. *The development is consistent with the Downtown Design Guidelines (DDG) and exhibits superior architectural design.*

Approval of the requested deviations will result in a mixed-used development consistent with the surrounding area and the DDGs. The mixed-use Project exhibits appropriate massing in scale with the long-term development plans for the Core neighborhood. Overall, the Project will result in a distinctive development compatible with the surrounding neighborhood that exhibits superior architectural design.

NUP – Comprehensive Sign Plan

Per SDMC Section 141.1103, Comprehensive Sign Plans may be permitted with a Neighborhood Use Permit.

Findings

In order to grant approval of a Comprehensive Sign Plan, staff would recommend that the following findings can be made only if the office building is designed in compliance with HABS documentation as a true replication:

1. *That the proposed sign, as a whole, is in conformance with the intent of the sign regulations and any exceptions result in an improved relationship among the signs and building facades on the premises;*

The proposed signs, as whole, are in conformance with the intent of the sign regulations, suitable for the location, and do not interfere with the existing design of the building. The requested sign areas and placements are proportional to the heights and widths of the buildings and will also help re-create historic signs that were once located on the property. The proposed signage is designed in a fashion that maintains a balanced relationship with the architecture of the building so as to not detract from the Project design.

2. *That the proposed use will not adversely affect the applicable land use plan;*

The proposed Comprehensive Sign Plan is located within the Core Land Use District of the DCP area. The tower sign and the re-created historic signage are permitted within this land use district through a Comprehensive Sign Plan with approval of an NUP. Therefore, the proposed Comprehensive Sign Plan does not adversely affect the applicable land use plan as the proposed use with approval of an NUP is consistent with the regulations of the CCPDO.

3. *That the proposed use will not be detrimental to the public health, safety and welfare; and,*

The proposed Comprehensive Sign Plan will not be detrimental to the public health, safety, and welfare of the community when installed in compliance with the recommended conditions of approval. The conditions of approval are anticipated to include conditions that stipulate that the proposed signs may not be utilized for tenant signage, and furthermore, that the signs may only be used to re-create the historic signage

dimensions, materials, and sign copy. The tower sign will contain limitations on signage dimensions and illumination.

4. *That the proposed use will comply with the regulations of the Land Development Code including any allowable deviations pursuant to the Land Development Code.*

The proposed use will comply to the maximum extent feasible with the regulations of the CCPDO and City of San Diego Land Development Code with approval of an NUP, including obtaining all additional applicable permits as required by the City of San Diego Development Services Department.

NUP – Outdoor Seating Associated with an Eating and Drinking Establishment

Eating and drinking establishments with outdoor use areas require an NUP per CCPDO Table 156-0308-A. The Applicant is proposing outdoor seating along the C Street frontage. Within the CCPDO, establishments with outdoor areas for eating or drinking located either on private property or in the ROW in connection with a commercial establishment shall be required to obtain a NUP. Sidewalk cafes in the ROW or any other outdoor area for eating or drinking on private property used in connection with a commercial establishment require approval of an NUP.

The NUP procedures establish a review process for developments that propose new uses, changes to existing uses, or expansions of existing uses that could have limited impacts on the surrounding properties. The intent of these procedures is to determine if the development complies with all applicable regulations of the zone and any supplemental regulations pertaining to the use, and to apply conditions that may be necessary to help ensure compliance. Staff has reviewed the Applicant's request for outdoor seating, and has considered any potential impacts that could result from allowing the proposed uses. Overall, the proposed use is consistent with the goals and the policies of the DCP. Staff is recommending approval of the sidewalk cafe subject to typical permits conditions to ensure that the establishment does not become a nuisance.

Findings

1. The proposed use or development will not adversely affect the applicable land use plan:

The outdoor use area will be open to the general public. Outdoor use areas associated with eating and drinking establishments are an allowed use in the CCPDO.

2. The proposed use or development will not be detrimental to the public health, safety, and welfare; and,

The proposed uses will not be detrimental to the public health, safety, and welfare provided the Owner and Permittee adheres to the standard and Project-specific conditions of approval including, but not limited to, conditions related to hours of operations, activity restrictions,

and sound and security measures to ensure that the use is compatible with the surrounding neighborhood.

3. The proposed use or development will comply to the maximum extent feasible with the regulations of the SDMC.

The proposed uses are permitted uses in the CCPDO and SDMC with approval of a NUP, and will comply to the maximum extent feasible with the regulations of SDMC and the CCPDO with approval of a NUP.

ENVIRONMENTAL REVIEW

Development within the Downtown Community Planning area is covered under the Final Environmental Impact Report (FEIR) for the San Diego DCP, CCPDO, and 10th Amendment to the Centre City Redevelopment Plan, certified by the former Redevelopment Agency ("Former Agency") and the City Council on March 14, 2006 (Resolutions R-04001 and R-301265, respectively) and subsequent addenda to the FEIR certified by the Former Agency on August 3, 2007 (Former Agency Resolution R-04193), April 21, 2010 (Former Agency Resolution R-04510), and August 3, 2010 (Former Agency Resolution R-04544), and certified by the City Council on February 12, 2014 (City Council Resolution R-308724) and July 14, 2014 (City Council Resolution R-309115). Pursuant to Section 15163 of the CEQA Guidelines, a SEIR is required if there is potential for substantial increase in significant impacts not discussed in the Final EIR for the San Diego Downtown Community Plan, Centre City Planned District Ordinance, and 10th Amendment to the Redevelopment Plan for the Centre City Redevelopment Projects (SCH No. 2003041001). The SEIR only addresses probable environment effects as they relate to historical/cultural resources.

A Draft SEIR has been prepared that has concluded that the proposed project would result in a substantial increase in significant environmental impacts to historical resources that were not analyzed under the previously certified Final EIR with the proposed demolition of the California Theatre, a building individually eligible for listing in the NRHP and the CRHR. The Draft SEIR was circulated for public review for a 45-day review period from August 8, 2016 to September 22, 2016. A total of three comment letters were received during public review period including letters from SANDAG, the San Diego County Archaeologic Society, and the State Public Utilities Commission. The public comment period for the Draft SEIR was re-opened for an additional 45 days between October 6, 2016, and November 21, 2016, to allow for adequate posting at the San Diego County Clerk and to allow for further public comment. The Draft SEIR can be found at the offices of Civic San Diego located at 401 B Street, Suite 400, San Diego, 92101, and on the Civic San Diego website at: <http://www.civicsd.com/planning/environmental-documents.html>. A copy of the draft SEIR is also available for review at the Central Library located at 330 Park Boulevard, San Diego, CA, 92101.

The considerations and conclusions contained within the SEIR will ultimately need to be considered by the City Council. The City Council will need to make new Findings and adopt a new Statement of Overriding Considerations as part of the SEIR during its consideration of potential SEIR certification in order to approve the Project.

CONCLUSION

That the Committee recommends that CivicSD recommends to the City Council that it grants Design Review approval and approval of Amendments to Downtown Community Plan and Centre City Planned District Ordinance for Removal of Employment Overlay and Centre City Development Permit/Site Development Permit/Centre City Planned Development Permit/Neighborhood Use Permit No. 2014-76.

Respectfully submitted,

Concurred by:



Aaron Hollister
Senior Planner



Reese A. Jarrett
President



Brad Richter
Assistant Vice President, Planning

Attachments: A – Ownership Disclosure Statement
B – Architectural Narrative (provided by Applicant)
C – Downtown Design Guidelines
D – Letter from Civic Theatre
E – DCP/CCPDO Employment Overlay Figures
F – SDP Findings from Applicant with Economic Alternatives Analysis
G – Peer Review of Economic Alternatives Analysis by KMA
H – DCP Historic Preservation Goals and Policies
I – Applicant's Response to Design Comments dated December 7, 2016
Basic Concept/Schematic Drawings dated December 7, 2016



Ownership Disclosure Statement

Approval Type: Check appropriate boxes for type of approval(s) requested:

- | | | |
|---|--|--|
| <input type="checkbox"/> Limited Use Approval | <input type="checkbox"/> Neighborhood Development Permit | <input checked="" type="checkbox"/> Centre City Development Permit |
| <input type="checkbox"/> Temporary Use Permit | <input checked="" type="checkbox"/> Planned Development Permit | <input type="checkbox"/> Gaslamp Quarter Development Permit |
| <input checked="" type="checkbox"/> Neighborhood Use Permit | <input checked="" type="checkbox"/> Site Development Permit | <input type="checkbox"/> Marina Development Permit |
| <input type="checkbox"/> Conditional Use Permit | <input type="checkbox"/> Coastal Development Permit | <input type="checkbox"/> Other: _____ |

Project Title: 1122 4th Avenue

Project Address: 1122 4th Ave, San Diego, CA 92101

Assessor Parcel Number(s): 533-521-04, -05, -08

Part 1 – To be completed by property owner when property is held by individual(s)

By signing this Ownership Disclosure Statement, the property owner(s) acknowledges that an application for a permit, map, or other matter, as identified above, will be filed with Civic San Diego on the premises that is the subject of the application, with the intent to record an encumbrance against the property or properties. List below the owner(s) and tenant(s) (if applicable) of the above referenced property or properties; all subject properties must be included. The list must include the names and addresses of all persons who have an interest in the property or properties, recorded or otherwise, and state the type of property interest (e.g., tenants who will benefit from the permit, all individuals who own the property or properties). Original signatures are required from at least one property owner for each subject property. Attach additional pages if needed. Note: The Applicant is responsible for notifying the Project Planner of any changes in ownership during the time the application is being processed or considered. Changes in ownership are to be given to the Project Planner at least thirty days prior to any public hearing on the subject property or properties. Failure to provide accurate and current ownership information could result in a delay in the hearing process.

Additional pages attached: ☐ Yes ☐ No

Name of Individual (type or print):

Assessor Parcel Number(s):

Street Address:

City/State/Zip Code:

Phone Number:

E-mail:

Signature:

Date:

Name of Individual (type or print):

Assessor Parcel Number(s):

Street Address:

City/State/Zip Code:

Phone Number:

E-mail:

Signature:

Date:

Project Title: 1122 4th Avenue

Part 2 – To be completed by property owner when property is held by a corporation or partnership
By signing this Ownership Disclosure Statement, the property owner(s) acknowledges that an application for a permit, map, or other matter, as identified above, will be filed with Civic San Diego on the premises that is the subject of the application, with the intent to record an encumbrance against the property or properties. List below the names, titles, and addresses of all persons who have an interest in the property or properties, recorded or otherwise, and state the type of property interest (e.g., tenants who will benefit from the permit, all corporate officers, and/or all partners in a partnership who own the property or properties). Original signatures are required from at least one corporate officer or partner who own the property for each subject property. Attach additional pages if needed. Provide the articles of incorporation, articles of organization, or partnership agreement identifying all members of the corporation or partnership. Note: The applicant is responsible for notifying the Project Planner of any changes in ownership during the time the application is being processed or considered. Changes in ownership are to be given to the Project Planner at least thirty days prior to any public hearing on the subject property or properties. Failure to provide accurate and current ownership information could result in a delay in the hearing process.

Additional pages attached: ☐ Yes ☒ No

Corporation/Partnership Name (type or print):

Sloan Capital Partners, LLC

☐ Corporation ☒ LLC ☐ Partnership

Assessor Parcel Number(s):

533-521-04, -05, -08

Street Address:

301 N Canon Dr, Ste 205

City/State/Zip Code:

Beverly Hills, CA 90210

Name of Corporate Officer/ Partner (type or print):

F. Yousefzadeh

Title:

President


Phone Number:

(310) 858-5350 ext. 101

E-mail:

Info@SloanCapital.com

Signature:



Date:

8/3/2015

Corporation/Partnership Name (type or print):

☐ Corporation ☐ LLC ☐ Partnership

Assessor Parcel Number(s):

Street Address:

City/State/Zip Code:

Name of Corporate Officer/ Partner (type or print):

Title:

Phone Number:

E-mail:

Signature:

Date:

Project Title: The Overture San Diego

Part 3 – To be completed by all other financially interested parties

List below the names, titles, and addresses of all financially interested parties and state the type of financial interest (e.g., applicant, architect, lead design/engineering professional). Original signatures are required from at least one individual, corporate officer, and/or partner with a financial interest in the application for a permit, map, or other matter, as identified above. Attach additional pages if needed. Note: The applicant is responsible for notifying the Project Planner of any changes in ownership during the time the application is being processed or considered. Changes in ownership are to be given to the Project Planner at least thirty days prior to any public hearing on the subject property or properties. Failure to provide accurate and current ownership information could result in a delay in the hearing process.

Additional pages attached: ☐ Yes ☒ No

Name of Individual (type or print):

☐ Applicant ☐ Architect ☐ Other _____

Street Address: _____

City/State/Zip Code: _____

Phone Number: _____

E-mail: _____

Signature: _____

Date: _____

Corporation/Partnership Name (type or print):

1122 4th Ave, LLC

☐ Corporation ☒ LLC ☐ Partnership
☒ Applicant ☐ Architect ☐ Other _____

Street Address: _____

301 N Canon Dr, Ste 205

City/State/Zip Code: _____

Beverly Hills, CA 90210

Name of Corporate Officer/Partner (type or print):

Cyrus Sanandaji

Title: _____

Manager

Phone Number: _____

(310) 858-5350 ext. 101

E-mail: _____

Info@SloanCapital.com

Signature: _____

Date: _____

K Sanandaji

8-5-15

Name of Individual (type or print):

☐ Applicant ☐ Architect ☐ Other _____

Street Address: _____

City/State/Zip Code: _____

Phone Number: _____

E-mail: _____

Signature: _____

Date: _____

Corporation/Partnership Name (type or print):

Martinez + Cutri Corporation

☒ Corporation ☐ LLC ☐ Partnership
☐ Applicant ☒ Architect ☐ Other _____

Street Address: _____

402 W Broadway, Suite 2600

City/State/Zip Code: _____

San Diego, CA 92101

Name of Corporate Officer/Partner (type or print):

Joseph Martinez

Title: _____

Phone Number: _____

(619) 233-4857 ext. 101

E-mail: _____

jmartinez@martinezcutri.com

Signature: _____

Date: _____

[Signature] 8/7/2015

Attachment to Ownership Disclosure

Project Title: The Overture San Diego
Project Address: 1122 4th Avenue, San Diego, CA 92101
APN: 533-521-04,05,08

Part 2.

Farhad Yousefzadeh
Member of Owner, Sloan Capital Partners, LLC
301 North Canon Drive, STE 205
Beverly Hills, CA 90210
(310) 858-5350
Farhad@SloanCapital.com

 , Date: June 1, 2016

Windmill California Holdings, LLC
Member of Owner, Sloan Capital Partners, LLC
301 North Canon Drive, STE 205
Beverly Hills, CA 90210
(310) 858-5350
Faramarz@SloanCapital.com

 , Date: June 1, 2016

The AFY Nevada Trust,
Member of Windmill California Holdings, LLC
4525 Dean Martin Drive, STE 2900
Las Vegas, NV 89103
(702) 650-5504
Faramarz@SloanCapital.com

 , Date: June 1, 2016

The AFY Family Trust,
Member of Windmill California Holdings, LLC
4525 Dean Martin Drive, STE 2900
Las Vegas, NV 89103
(702) 650-5504
Faramarz@SloanCapital.com

 , Date: June 1, 2016

Faramarz Yousefzadeh
Sole Beneficiary of AFY Nevada Trust and AFY Family Trust
4525 Dean Martin Drive, STE 2900
Las Vegas, NV 89103
(702) 650-5504
Faramarz@SloanCapital.com

 , Date: June 1, 2016

Project Title: 1122 4th Avenue

Part 3 – To be completed by all other financially interested parties

List below the names, titles, and addresses of all financially interested parties and state the type of financial interest (e.g., applicant, architect, lead design/engineering professional). Original signatures are required from at least one individual, corporate officer, and/or partner with a financial interest in the application for a permit, map, or other matter, as identified above. Attach additional pages if needed. Note: The applicant is responsible for notifying the Project Planner of any changes in ownership during the time the application is being processed or considered. Changes in ownership are to be given to the Project Planner at least thirty days prior to any public hearing on the subject property or properties. Failure to provide accurate and current ownership information could result in a delay in the hearing process.

Additional pages attached: ☒ Yes ☐ No

Name of Individual (type or print):

☐ Applicant ☐ Architect ☐ Other _____

Street Address: _____

City/State/Zip Code: _____

Phone Number: _____

E-mail: _____

Signature: _____

Date: _____

Corporation/Partnership Name (type or print):

Seltzer Caplan McMahon Vitek

☒ Corporation ☐ LLC ☐ Partnership
☐ Applicant ☐ Architect ☒ Other Attorney

Street Address: _____

750 B Street, Suite 2100

City/State/Zip Code: _____

San Diego, California 92101

Name of Corporate Officer/Partner (type or print):

James R. Dawe, Esq. / Erik Schraner, Esq.

Title:

Vice-president

Phone Number:

(619) 685-3060

E-mail:

Dawe@scmv.com

Schraner@scmv.com

Signature:



Date:

6/1/2016

Name of Individual (type or print):

☐ Applicant ☐ Architect ☐ Other _____

Street Address: _____

City/State/Zip Code: _____

Phone Number: _____

E-mail: _____

Signature: _____

Date: _____

Corporation/Partnership Name (type or print):

☐ Corporation ☐ LLC ☐ Partnership
☐ Applicant ☐ Architect ☐ Other _____

Street Address: _____

City/State/Zip Code: _____

Name of Corporate Officer/Partner (type or print):

Title:

Phone Number:

E-mail:

Signature:

Date:

List of Owners

Robert Caplan
Gerald L. McMahon
Reginald A. Vitek
David J. Dorne
James R. Dawe
Brian T. Seltzer
Dennis J. Wickham
John H. Alsbaugh
Michael G. Nardi
Thomas F. Steinke
Neal P. Panish
Sean T. Hargaden
Michael A. Leone
J. Scott Scheper
Daniel E. Eaton
Gregory A. Vega
David M. Greeley
Rhonda K. Crandall
Robert M. Traylor
Joseph P. Martinez, II
G. Scott Williams
Erik Schraner
James H. Siegel
Christine M. La Pinta
Matthew D. Seltzer
Andrea N. Myers
Brian M. Katusian

Project Title: 1122 4th Avenue Development Project

Part 3 – To be completed by all other financially interested parties

List below the names, titles, and addresses of all financially interested parties and state the type of financial interest (e.g., applicant, architect, lead design/engineering professional). Original signatures are required from at least one individual, corporate officer, and/or partner with a financial interest in the application for a permit, map, or other matter, as identified above. Attach additional pages if needed. Note: The applicant is responsible for notifying the Project Planner of any changes in ownership during the time the application is being processed or considered. Changes in ownership are to be given to the Project Planner at least thirty days prior to any public hearing on the subject property or properties. Failure to provide accurate and current ownership information could result in a delay in the hearing process.

Additional pages attached: ☐ Yes ☐ No

Name of Individual (type or print):

☐ Applicant ☐ Architect ☐ Other _____

Street Address: _____

City/State/Zip Code: _____

Phone Number: _____

E-mail: _____

Signature: _____

Date: _____

Corporation/Partnership Name (type or print):

AECOM

☒ Corporation ☐ LLC ☐ Partnership

☐ Applicant ☐ Architect ☐ Other _____

Street Address: _____

401 West A Street, Suite 1200

City/State/Zip Code: _____

San Diego, CA 92101

Name of Corporate Officer/Partner (type or print):

Teri Fenner

Title: _____

Vice President

Phone Number: _____

619-610-7616

E-mail: _____

teri.fenner@aecom.com

Signature: _____

Date: _____

6/1/2016

Name of Individual (type or print):

☐ Applicant ☐ Architect ☐ Other _____

Street Address: _____

City/State/Zip Code: _____

Phone Number: _____

E-mail: _____

Signature: _____

Date: _____

Corporation/Partnership Name (type or print):

☐ Corporation ☐ LLC ☐ Partnership

☐ Applicant ☐ Architect ☐ Other _____

Street Address: _____

City/State/Zip Code: _____

Name of Corporate Officer/Partner (type or print):

Title: _____

Phone Number: _____

E-mail: _____

Signature: _____

Date: _____

AECOM Employees Working on 1122 4th Ave Project (06/2/2016)

Cardenas, Anabell
Dam, Khanhchi
Dolan, Christy C
Droessler, Rachel
Fabrigas, Marisa A
Fehrensens, Michelle S
Fisher, Yara L
Friedman, Kara A
Gerken, Matthew
Hollins, Jeremy
Jones, Shoshana
Jordan-Connor, Stacey C
Lavictoire, Tiffany A
Maloney, Michelle L
Meiser, Maria K
Mello, Monica J
Murphey, Erin M
Ohanesian, Chelsea A
Paukovits, Jason
Race, Shannon T
Recksieck, Colin
Rice, Robin G
Sorensen, Justin T
Tempereau, Therese E
Trimble, Lauren W

April 28, 2016

The design parti draws its inspiration from several sources, in particular: the variety of entertainment venues contained within the once celebrated California Theater in the early part of the 20th century; the volume, form and space of the existing 9-story office building along Fourth Avenue, the dynamics of the architectural, mixed-use program on a truncated site, and the project's position at 4th and C within the fabric of the city's urban core.

By recreating and using the 9-story building mass (40 ft. width, 100 ft. length and 102 ft. height) as a "scaling measure" for horizontal space and vertical form, the new 40-story residential tower will have a street level façade whose rhythm along C Street will be proportional to the street level apertures (space) of the adjoining 40 ft. C Street façade. Similarly, the residential tower will be proportioned in 90 ft. vertical-stacked increments (form) of the recreated east façade thereby providing contextual-scaling to the tower.

The exuberance of the new tower's composition is a direct reflection of the "performances" of a bygone era (e.g., theater, movies, plays, opera, concerts, etc.), on the one hand and on the other, the promise of the C Street Corridor (e.g., "stimulate the Public Realm") as a pedestrian oriented, mass-transit thoroughfare, bustling with richness, energy and vitality. Synthesizing the above attributes into an aesthetic language produces an elegant development which fully engages the public realm and offers a quality work of architecture to the city's skyline. This can be seen on the south elevation, for example, along C Street where the 200 ft. long retail program containing restaurants, bars, and boutique shops, which will serve as a magnet for downtown visitors, workers, and residents – virtually the entire retail façade, 20 to 26 feet in height, will be in clear glass with some tenants having indoor/outdoor venues. Above the C Street retail program will be a 150 ft. long by 50 ft. high perforated metal screen containing images of the California Theater (e.g., Public Art). Behind the screen are four levels of above ground parking. Moreover, screen will be trimmed at its top with a zig-zag light beam which will weave up the full height of the tower. The zig-zag light will visually connect the activities of the streetscape with those of the cityscape at the rooftop terrace. For the upper tower façade two glass colored tints will depict "stage curtain being drawn to present the performance".

Situated on 40th floor (404 ft.), the roof terrace will contain a small indoor Club Room Suite with a photovoltaic roof, an outdoor viewing area with a bosque of trees covered in festive twinkle lights, and simultaneously affording superb views to Balboa Park, the Pacific Ocean and Coronado Islands, and San Diego Bay.

The podium level/Amenities Level has been designed as an "interactive venue" featuring passive and active uses, from swimming and exercising to barbecuing and reading in a passive mini-park. In turn, these spaces view out onto the public streets and promote a sense of safety and security.

The character of each exterior façade is intended to respond to its immediate surroundings, while at the same time 1122 Fourth Avenue Tower will offer a modern aesthetic juxtaposed against the recreated Spanish Revival architecture of the 9-story office building. This can be seen in the tower's composition of a glass wall system and the use of five different color tones of glass set in a neutral color mullion Kynnar finish in order to vertically stripe the façade at the south east corner. Juxtaposed to the vertical glass stripes are four strongly articulated painted metal bands at the slab edge of the 10th, 19th, 27th and 37th floors. The overarching intent is to provide a "macro grid" (e.g. stripes, bands and mullions) across the façade and "set the stage" for the residents and residential units to be an integral part of a dynamic composition.

The materials for 1122 Fourth Avenue Tower will have its base-podium clad in porcelain ceramic tile (12"x24"), while the "old building" will be clad in natural stone (12"x24") or porcelain ceramics, and granite (2"x12") trimmed window openings at street level. For the tower, expressed structural columns will be clad in brush stainless steel while street level retail facades will use ultra clear glass and 6-inch mullions with a Silver Kynnar finish. The window wall system of the tower will contain three basic colored tones (blue, gray and green) of high performance glass in order to create a dynamic composition. 1122 Fourth Avenue Tower has been designed to achieve a LEED Silver. In addition to the PV roof, passive mini-park and Eco Roof, the project will use, to name a few, recycled materials, regional materials, as well as Best Management Practices for water efficient landscape design by using planting areas to filter stormwater.

The project contains 282 residential units – inclusive of 22 affordable units – and 11,816 sq. ft. of retail. The project will provide 314 parking spaces in its three underground levels and four above ground levels.

SAN DIEGO DOWNTOWN DESIGN GUIDELINES

4.5.8

Historical Resources

The Community Plan recognizes the importance of historical resources in maintaining the history of downtown and that historical resources enrich the urban fabric. Therefore, new projects are strongly encouraged to incorporate existing historical resources into them. This is also a beneficial reuse of existing resources and reduces construction waste.

Guidelines

- **4.5.8.A** Historical resources should be retained and integrated into larger projects, wherever feasible, with adaptive use consistent with the Secretary of Interior's Standards for the Treatment of Historic Properties and Guidelines for Preserving, Rehabilitating, Restoring and Reconstructing Historic Buildings.
- **4.5.8.B** New construction adjacent to, or new additions to historical resources, should avoid mimicking the historical resource but rather stand in contrast to accentuate the existing building. Inappropriate additions that detract from the architectural and/or historic integrity of the existing buildings are strongly discouraged.



A new addition to a historic building should build on the architectural composition of the existing building and/or stand in contrast to accentuate the historic building. Top and middle, San Diego, CA



Buildings towers should employ a variation in massing and fenestration and material patterns to create visual interest. Above, San Francisco, CA



Multiple towers in one project should display variation in either form or elevation in order to prevent close similarity. Above, Philadelphia, PA



Building design should incorporate appropriate shading devices, balconies, projections and louvers.

4.5.4

Building Tower Design

Guidelines

- **4.5.4.A** All building façades of towers should include a variety of fenestration and material patterns to create visual interest and avoid the appearance of a repeated single floor extrusion. Building façades more than 100 feet in width should consider the use of plane offsets and material changes to create shadows and relief. Some elements of towers should integrate with, and extend into the building base façades to avoid the appearance of towers isolated both from the street and their own bases.
- **4.5.4.B** Designers should carefully study their tower orientation to maximize energy conservation. Although orienting the tower's longer edge along the east-west axis to maximize northern/southern exposure and minimize western exposure is typically preferred, the use of sun-shading devices should be studied on the western and southern facades where appropriate to reduce heat gain.
- **4.5.4.C** Regardless of height or plan variation, no two towers within a project should exhibit identical, or closely similar, form and/or elevations. No tower should be designed to be identical, or closely similar, to another tower located elsewhere in Centre City.
- **4.5.4.D** To create a graceful transition to the sky and avoid a cut off, flat-top appearance, the upper 20 percent of any tower (measured above the base or midzone) should achieve an articulated form and composition by means of architectural techniques such as layering, material changes, fenestration pattern variation and/or physical step-backs. Actual reductions of floor areas and/or recessed balconies can assist this composition goal, but are not required. Tower top designs should resolve mechanical penthouses and other technical requirements in an integrated, coherent manner consistent with the composition below them.

SAN DIEGO DOWNTOWN DESIGN GUIDELINES

- **4.5.4.E** Façades should have distinct solar orientations with integrated and appropriate shading devices, balconies, projections, louvers and/or window treatments. These treatments will provide desirable elevation and composition variety.
- **4.5.4.F** Towers should be designed with a majority of the facades composed of glazing, including façades facing interior property lines. Large expanses of solid walls should be avoided and should not exceed 20 feet in width. Solid walls should contain enhanced materials, deep reveals and scoring, and other textures.
- **4.5.4.G** Reflective or mirror glass is strongly discouraged, as is heavily tinted bronze, black, or gray glass. Glass color should not be emphasized as a "signature" element, and subtle gray-green or blue-gray tints are encouraged if clear glass is not proposed. Glass materials should exhibit visible light transmittance of a minimum of 60 percent.
- **4.5.4.H** Projecting balconies facing public streets should be an average of no less than 40 percent open or transparent (perforated mesh, 40 percent translucent glass, or open rail) above a height of 18 inches, measured from the balcony walking surface.
- **4.5.4.I** To ensure a cohesive and compatible night skyline, and to mitigate night-sky pollution, tower accent lighting should be modest, restrained and focused on the upper tower. Bright hues and neon outlines are strongly discouraged, and white or warm-color washes are preferred. Any signature lighting, including rooftop lanterns and other lighting effects, should be designed with adjustable intensity controls for subsequent testing and approval as part of the Design Review process.



The upper 20 percent of any tower shall achieve an articulated form and composition through layering, material changes fenestration patterns and/or physical stepbacks. Top, Chicago, IL; bottom left, Philadelphia, PA; bottom right, San Diego, CA.

SAN DIEGO DOWNTOWN DESIGN GUIDELINES

4.5.10

Blank Walls

Guidelines

- **4.5.10.A** Blank walls on the ground level or on façades of buildings are to be limited to provide a pleasant and rich pedestrian experience. Blank walls include any street wall area that is not transparent, including solid doors and mechanical areas.
- **4.5.10.B** Unavoidable blank walls along public streets or those viewed from public streets, open spaces and thoroughfares should be treated to create an inviting visual experience. All blank wall area should be enhanced with architectural detailing, material texture, ornamentation, landscape treatment and/or artwork.



Unavoidable blank walls viewed from public streets should be enhanced with architectural detailing, material texture, and other devices. Above, San Diego, CA.



Blank walls at street-level should be treated through use of rich and textured materials, color, and landscape materials. Top, Portland, OR; bottom, San Diego, CA.

Aaron Hollister

From: Reese A. Jarrett
Sent: Monday, April 25, 2016 12:18 PM
To: Brad Richter
Cc: Aaron Hollister
Subject: FW: California Theatre project important FYI

FYI

Regards,
Reese A. Jarrett

Civic San Diego
619.533.7181

Please Note: This email communication may be subject to the California Public Records Act and may be viewed by third parties upon request.

From: Elizabeth Doran [mailto:Elizabeth.Doran@sandiegotheatres.org]
Sent: Monday, April 25, 2016 11:19 AM
To: Nicole Newton; Eli Sanchez; Reese A. Jarrett
Cc: Lyle Mardis; Carolyn Satter
Subject: California Theatre project important FYI

Dear Reese, Eli and Nicole,

Good morning! I hope all is well with you and the many projects you are managing.

I'd like to make you aware of a very important issue we have with the current design proposal of the California Theatre parcel: its planned use of Third Avenue at this time impedes our ability to do 90% of our work at the Civic Theatre, which includes Opera, major concerts and Broadway touring shows.

Three of my senior staff met with architect Joe Martinez last week to inform him of the potential issues. Joe was gracious and optimistic that we can resolve these issues, but as this is so important I need to make you aware as well. It is critical these issues be addressed to the City's and our satisfaction before any decisions are made to approve this plan.

The issue: Our Loading Dock is Compromised

Of course we want nothing more than to see that site be developed. Having residents living this close to our cultural center will be an exciting and fruitful step for downtown. However, as we have informed the architects, these current plans for the California Theatre risk our ability to park and load/unload touring trucks at our loading dock and along Third Ave. As with the Convention Center, our loading dock is literally our lifeline. Without it, we cannot persist. Nor can our local producing partners, as we are the only facility in our region that can properly support their major performing arts events.

Our loading dock at the Civic is on Third near the C Street trolley line. Right now we see two potential issues:

- 1) during construction, Third Ave could be compromised, which would make operating the Civic impossible. Cement trucks, other construction vehicles loading in and out...if these utilize Third it would have to be done so in a way that absolutely and reliably protects our use of Third for our shows. There can be no errors

in this, no sudden changes due to weather, no unanticipated conflicts. Imagine 13 semi's jam packed with literally tons of sets, costumes and theatrical equipment showing up at 4am for a 5am load-in and discovering no access to our loading dock, with a sold out show that evening. This would be a crisis moment that our producing partners would not risk occurring, and therefore they would instead choose to avoid San Diego.

This would be disastrous. Broadway San Diego has thousands of subscribers who have paid in advance for shows like The Lion King. This show and all others would be at risk if this project proceeded as planned. So, if something unexpected occurred, or The Lion King's or another producer determined the loading dock risk was too problematic, the business models of our partner organizations would also be at major risk. These include Broadway San Diego, San Diego Opera, AEG, Live Nation, The California Ballet, and more.

- 2) during activation of the new building, any of its parking lot entrances or exits along Third could compromise our use of Third for loading in and staging trucks. Meanwhile, our use of Third could cause unexpected traffic problems for residents in the new building. This everyday use of Third for the Civic in tandem with a new parking lot entrance/exit across the street will have unintended, difficult to predict consequences.

In addition, we have another concern unrelated to the loading dock issue. We have 3,000 people coming in and out at the same time whenever we have a show at the Civic. Has this plan for the California, including its 2+ year construction phase (apparently scheduled for as soon as Jan 2017), considered all the potential issues of this? We were not contacted at all about these plans. No one requested any information from us. We simply saw the article in the paper and reached out. Do you know if anyone informed the architect of the surrounding area's use? Were inquiries made by the architect? If not, how can Joe and his team understand our neighboring business model and its impact on their construction and vice versa? We welcome such a dialogue, and that is why we instigated it.

Our line of work is very time-sensitive. A major touring show like Phantom of the Opera, for example, is very tightly scheduled between cities and we spend many months planning out the logistics so that these large tractor-trailer trucks can arrive, be unloaded and be reloaded smoothly. We cannot cart things down the street from some new location (a suggestion made in our meeting last week). It would be too labor and time consuming for our producing partners and our staff. Instead, these shows would skip San Diego, totally closing down our business, and eliminating San Diego's access to Broadway touring shows. This would also eliminate our economic benefit to our city. We have measured the following annual fiscal impact of our company: we support 544 full time equivalent jobs; we activate \$18.6 million in total expenditures; \$12.8 million in household income; and \$1.8M in local and state government revenues.

So, to be clear about the problem, without unimpeded access to our loading dock to park our trucks for loading in/out shows, we cannot persist, and the City would experience a real loss on many levels.

I seek your guidance on this before communicating these issues any further to the architect or anyone else. I have let my board know of this potential serious issue. Please let me know how we can help to resolve this.

Sincerely,

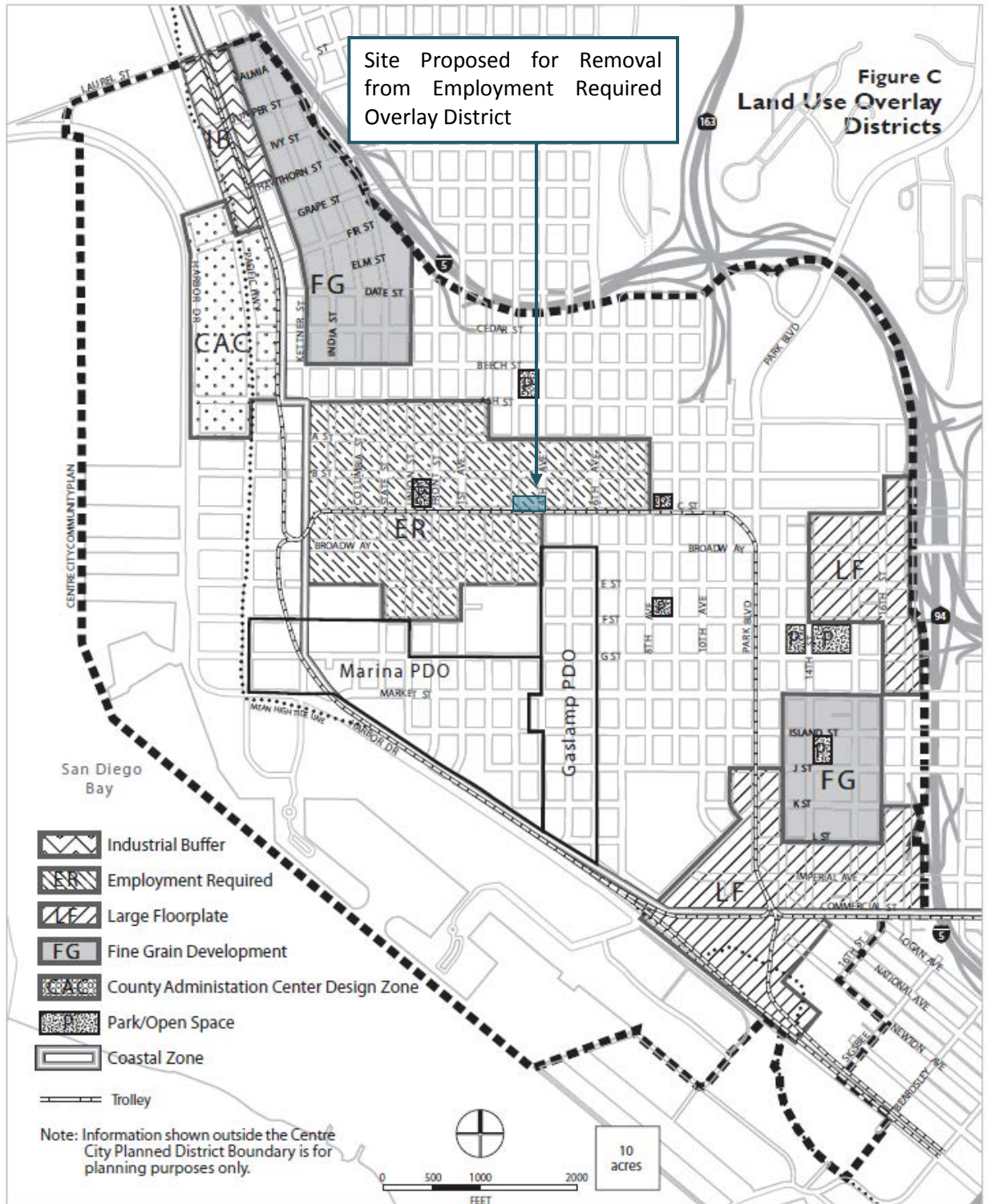
Elizabeth Doran

Elizabeth Doran
President & CEO
San Diego Theatres

New Mailing Address:
PO Box 124920 / San Diego CA 92112-4920
619-615-4000 / fax 619-615-4001
elizabeth.doran@sandiegotheatres.org
@elizartsleader

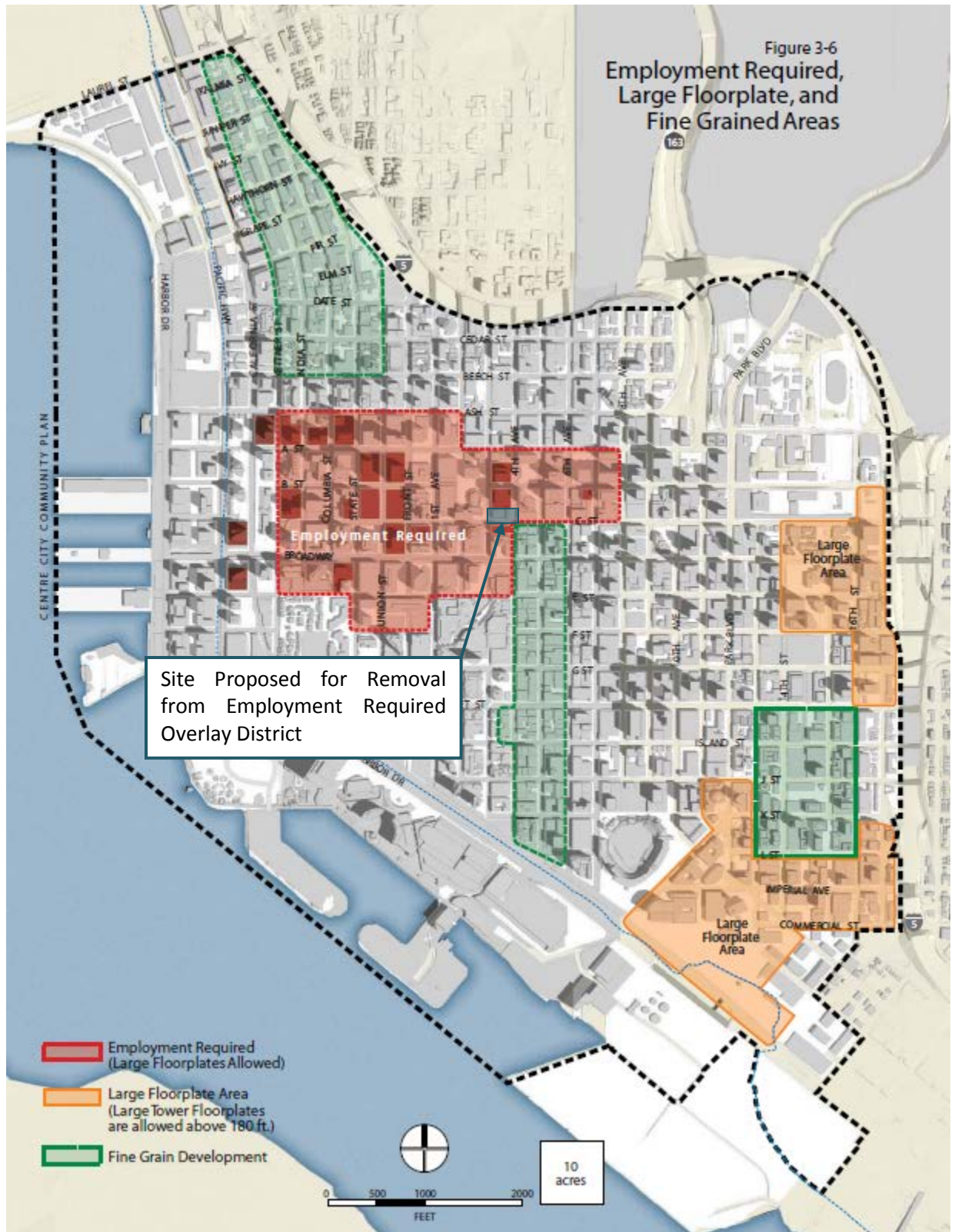
Civic Theatre 1100 Third Avenue

CCPDO Figure C



DCP Figure 3-6

Figure 3-6
Employment Required,
Large Floorplate, and
Fine Grained Areas



**DRAFT
SITE DEVELOPMENT PERMIT FINDINGS
FOR 1122 FOURTH AVENUE**



ATTACHMENT F

**Prepared by:
Marie Burke Lia, Attorney at Law, on behalf of the Project Applicants**

June 2016

FINDINGS

Site Development Permit – Section 126.0504

(a) Findings for all Site Development Permits

1. The proposed development will not adversely affect the applicable land use plan.

The proposed project is the demolition of a historic resource, #263, the California Theatre Building, at its current location in the Core Subarea of the Centre City Planned District at 1122 Fourth Avenue in the Downtown Community Plan area to permit new development on the site. The project was initiated by the current property owner, Sloan Capital Partners, LLC, after it acquired three parcels on the block that is bounded on the south by C Street, on the east by Fourth Avenue, on the north by B Street and on the west by Third Avenue. The three parcels are identified by APN 533-521-04, 533-521-05 and 533-521-08.

Land use and housing issues are addressed in Chapter 3 of the Downtown Community Plan. According to Figure 3-2, the Plan's Downtown Structure, this property is located in the Central District. According to the Plan's Figure 3-4, the Land Use is Neighborhood Mixed-Use Center, which is described on Page 3-12 as follows. "This classification is intended to ensure development of distinctive centers around plazas or "main streets" that provide a focus to the neighborhoods. It supports mixed-use (residential and non-residential) projects that contain active ground floor uses. A broad array of compatible uses, including retail, restaurants and cafes, residential, office, cultural, educational, and indoor recreation are permitted with active ground floor uses. Building volume restrictions apply to allow sunlight to reach streets and public spaces, and design standards seek to establish highly pedestrian oriented development." According to Figure 3-6, this block is subject to the Employment Required Overlay, which is described on Page 3-13 as follows, this means that 50 percent of any project area will be devoted to office, education, retail, and other commercial uses. That is, residential use cannot exceed more than 50 percent of the project area. On October 15, 2015, a proposal to initiate amendments to the Downtown Community Plan, Centre City Planned District Ordinance and the Local Coastal Program regarding the Employment Required Overlay Zone, to further encourage appropriate growth in the Downtown Community Plan area, was approved by the City's Planning Commission. According to the Plan's Figure 3-7, retail is required on the C Street under the Street Level Active Frontage Requirements. According to Page 3-17, these Requirements are intended to facilitate vital retail districts in strategic locations, consequently the plan exempts retail/commercial uses and other public uses on the ground floor from FAR calculations on designated Main Street and Commercial Streets.

The desired development intensity for the area is described on page 3-17 where the Plan establishes intensity standards for various parts of downtown. Intensity is measured as Floor Area Ratio (FAR), obtained by dividing gross floor area by lot area. Figure 3-9 of the Plan shows the allowable minimum and maximum FARs for various sites. The minimum FAR for the subject property is 6.0 and the maximum is 10.0. "Proposed base development intensities in the Community Plan range from 2.0 to 10.0, modulated to provide diversity of scale, as well as high intensities in selected locations." The subject property has a maximum FAR of 10.0, and it is within a selected location for high intensity development.

The Plan Goal 3.2-G-2 is to “Maintain a range of development intensities to provide diversity, while maintaining high overall intensities to use land efficiently and permit population and employment targets to be met.” Policy 3.2-P-3 allows “intensity bonuses for development projects in specific locations established by this Plan that provide public amenities/benefits beyond those required for normal development approvals.” The proposed project will qualify for several of these intensity bonuses and will qualify for a FAR of 16.23.

If the above-described proposed amendments to the Downtown Community Plan, Centre City Planned District Ordinance and the Local Coastal Program regarding the Employment Required Overlay Zone are ultimately approved, this project would no longer be subject to this Overlay and the project would comply with Chapter 3 of the Downtown Community Plan,

Historic Preservation is addressed in Chapter 9 of the Downtown Community Plan. The existing structure on the project site is a locally designated historical resource, the California Theatre Building, San Diego Historical Landmark # 263. As indicated in Table 9-1 of the Plan, locally designated resources are to be retained on-site whenever possible. “Partial retention, relocation or demolition of a resource shall only be permitted through applicable City procedures.” The applicable City procedures are established in San Diego Municipal Code Chapter 14, Article 3, Division 2, entitled “Historical Resources Regulations.” §143.0210 (2) (C) requires a Site Development Permit in accordance with Process Four for any development that proposes to deviate from the development regulations for historical resources described in this division. Substantial alteration of a designated resource by demolition or other means is a deviation from the historical resources regulations and therefore a Site Development Permit, as authorized by Chapter 12, Article 6, Division 5, entitled “Site Development Permit Procedures” is required. The decision maker, in this instance the Planning Commission, must make all of the Findings in §126.0504(a) and §126.0504(i) before the demolition of a locally designated historical resource can occur. Therefore, the processing of this Site Development Permit application is in compliance with and will not adversely affect this aspect of the applicable land use plan. The proposed project will comply with Chapter 9 of the Downtown Community Plan.

The Mitigation Monitoring and Reporting Program (MMRP) for the Downtown Community Plan requires the implementation of Mitigation Measure *HIST- A.1-3* if a (locally) designated historical resource would be demolished. That Mitigation Measure requires the submission of a Documentation Program that must include Photo Documentation and Measured Drawings of the resource to the Historical Resources Board Staff for review and approval. This Mitigation Measure will be implemented.

The subject property was evaluated in a *Historical Resources Technical Report* prepared by AECOM for 1122 4th Avenue LLC in July of 2015. That Report concluded that the subject property is eligible for the National Register under Criterion A and the California Register under Criterion 1, for its local significance associated with the booming development of downtown San Diego in the 1910s; and eligible for the National Register under Criterion C and the California Register under Criterion 3, for its local significance of a good example of a Spanish Colonial Revival-style building.

The Mitigation Monitoring and Reporting Program (MMRP) for the Downtown Community Plan requires the implementation of Mitigation Measure *HIST- A.1-3*, if a National Register or California

Register eligible resource would be demolished. That Mitigation measure requires that the resource be retained on site and any improvements, renovation, rehabilitation and /or adaptive reuse of the property shall ensure its preservation and be consistent with the Secretary of the Interior's Guidelines. This Mitigation Measure cannot be implemented,

The Downtown Community Plan and Centre City Planned District Ordinance are subject to the Downtown FEIR, a "Program EIR" prepared in compliance with the California Environmental Quality Act (CEQA). A Downtown FEIR Consistency Evaluation has been prepared for the Project in compliance with CEQA and Local Guidelines. Under this process, an Evaluation is prepared for each subsequent proposed action to determine whether the potential impacts of a project were anticipated in the Downtown FEIR. On August 31, 2015, such a Consistency Evaluation was prepared by AECOM on behalf of Civic San Diego. This Consistency Evaluation made the following findings:

1. New information of substantial importance to the Centre City Redevelopment Project has become available that shows the Project will have significant effects related to historical resources that will be substantially more severe than shown in the Downtown FEIR or subsequent addenda to the FEIR;
2. A Supplement to the Downtown FEIR, as amended, is necessary or required;
3. The proposed actions will have a significant effect on the environment, which exceeds those identified and considered in the Downtown FEIR and subsequent addenda to the Downtown FEIR for the Centre City Redevelopment Project; and
4. The proposed actions would have new effects that were not adequately covered in the Downtown FEIR or the addenda to the Downtown FEIR, and therefore, the proposed project is not within the scope of the program approved under the Downtown FEIR and subsequent addenda listed in Section 6 of this Consistency Evaluation.

The proposed project activities detailed in the above-referenced Consistency Analysis would result in impacts to historical resources that were not adequately addressed in the prior environmental documents. Therefore, this project will require Supplement to the Downtown FEIR under CEQA. Once this Supplement to the Downtown FEIR under CEQA has been prepared, reviewed and certified, the proposed project will comply with Chapter 9 of the Downtown Community Plan.

2. The proposed development will not be detrimental to the public health, safety and welfare.

The proposed project would remove the existing improvements on the site and construct a high density, 40-story high rise tower of mixed use residential development with street level retail, lobby, associated residential amenities, two and a half levels of underground parking as well as four levels of above grade parking. The 40-story tower will be a concrete framed structure with a window wall system containing five different tones of high performance glass. The above grade parking element will be screened with perforated metal panels with images of the California Theater in its heyday. The 40-story tower will be accompanied by a connected new 9-story tower replacing the current tower on the east portion of the site. The wall surface material for the new 9-story tower will be GFRC (Glass/Fiber Reinforced Concrete) with a finished surface that will look very similar to the original

tower. The street level storefronts will have a glass and metal mullion system. Along C Street and 3rd and 4th Avenues, the landscape program will be in support on an urban experience and consistent with the Downtown Community Plan.

The proposed development will be consistent with the Downtown Community Plan once the property is no longer subject to the Employment Required Overlay and once the Supplement to the Downtown FEIR has been certified.

The project site is 25,000 square feet bounded by 4th Avenue to the East (150 ft.), C Street to the South (200 ft.), Third Avenue to the West (100 ft.), and Parcels 2 and 3 to the north of Horton's Addition, Block 16 in the City of San Diego, County of San Diego, State of California, according to Map thereof filed in the County Recorder's Office of the County of San Diego, APN 533-521-04, 533-521-05 and 533-521-08. The construction will be Type 1, fire rated and sprinklered, meeting occupancy classification R1 as required by the California Building Code CBC 2010.

The proposed development complies with the Development Regulations of the Centre City Planned District Ordinance (§ 156.0310), including the Residential Development Regulations (§ 156.0310 (g)) as they apply to developments containing more than 50 units in terms of Common Outdoor Open Space, Common Indoor Space, Private Open Space and Pet Open Space.

The proposed development complies with the Urban Design Regulations of the Planned District Ordinance (§ 156.0311), the Performance Standards of the Planned District Ordinance (§ 156.0312), the Residential Off-Street Parking Space Requirements of the Planned District Ordinance (§ 156.0313), The proposed project specifically complies with the FAR Bonus Regulations (§156.0309) in that it will provide Affordable Housing, Three-Bedroom Units, a Silver LEED certified Green Building and purchased FAR.

The proposed development complies with all San Diego Municipal Code and Uniform Building Code provisions intended ensure that the public health, safety and welfare are protected and enhanced by this construction.

3. The proposed development will comply with the applicable regulations of the Land Development Code.

The proposed project will construct a high density, 40 story high rise tower of mixed use residential development with street level retail, lobby, associated residential amenities, two and a half levels of underground parking as well as four levels of above grade parking.

The proposed development will comply with the applicable provisions of the Centre City Planned District Ordinance in the following manner. It is located within a Neighborhood Mixed-Use Center that specifically calls for this type of property use. The development will comply with the PDO's FAR regulations that call for a maximum floor area ratio of 10 at this site and with the FAR Bonus regulations for the inclusion of Affordable Housing, Three-Bedroom Units, a Silver LEED certified Green Building and purchased FAR. It will comply with the PDO's Development Regulations pertaining to lot size, minimum building setbacks, building heights, building bulk, building base, ground floor heights, commercial space depth and residential development regulations. It will comply

with the PDO's Urban Design Regulations pertaining to building orientation, façade articulation, street level design, pedestrian entrances, transparency, blank walls, tower design, glass and glazing, exterior projecting balconies, rooftops, encroachments into public rights-of-way, building identification, regulations pertaining to historical resources requiring a Site Development Permit, additional standards for residential developments, additional standards for main streets, and urban open space design guidelines. It will comply with the PDO's Off Street Parking and Loading Standards.

The relevant Land Development Code's Planning and Development Regulations for topics not addressed in the Centre City Planned District Ordinance are contained in that Code's Chapter 14 and include: Grading Regulations, Draining Regulations, Landscape Regulations, Parking Regulations, Refuse and Recyclable Materials Storage, Mechanical and Utility Equipment Storage Regulations, Loading Regulations, Building Regulations, Electrical Regulations and Plumbing Regulations. The proposed development will comply with all of these regulations, since a building permit would not be issued without such compliance. Therefore, the proposed development will comply with all applicable regulations of the Land Development Code

(i) Supplemental Findings – Historical Resources Deviation for Substantial Alteration of a Designated Historical Resource

Finding (1) There are no feasible measures, including a less environmentally damaging alternative, that can further minimize the potential adverse effects to the designated historical resource.

The existing theater and office building was constructed between 1926 and 1927 and the theater portion was used for movies and vaudeville from 1927 to 1937 and used exclusively for movies from 1937 to 1976. In 1976, Mann Theaters ceased operations due to lack of profitability for an urban single screen movie theater. During the 1980s, the theater functioned as a venue for rock concerts and organ recitals. On June 24, 1990, the Theatre Organ Society of San Diego held their last performance in the Theater entitled "Our Final Curtain." The organ was relocated by its owner soon thereafter and the building has not been used since.

The exterior alterations of the building have been extensive. The theater marquee on the Fourth Avenue façade has been altered four times since 1927 and within the past decade it was removed because of structural instability. The office tower's east façade and south facades have retained their historical appearance from the fourth level and above, but on the lower levels almost all of the windows are gone and the storefronts boarded over. Similar conditions occur on the first two levels of the south façade of the auditorium and on the south and west facades of the fly loft.

All aspects of the building's interior are in a state of disrepair and degradation from lack of use, occupancy by vagrants, rainwater leaks, and other maladies common to abandoned buildings. The theater portion retains some original elements including a small lobby, the main decorated seating area, the curved upper balcony, and intricately carved stage surrounds. Rain water from leaking roofs has caused significant damage to finishes throughout the building. The auditorium has more than a dozen large holes in the ceiling, some larger than ten feet across. The upper floors of the office wing display similar damage.

Base Project The proposed project would remove the existing improvements on the site and construct a new 40-story mixed-use tower with ground floor retail, residential dwelling units and adequate above and below grade parking for both uses. The proposed new facades in a modern vocabulary will provide 400,000 gross square feet of development at this location with multiple parking levels. The 40-story tower would be accompanied by a connected new 9-story tower at the location of the current office tower. Images of the “old California Theater” on perforated metal screens will recall the property’s history.

Five less environmentally damaging alternatives, that would minimize the potential adverse effects, have been evaluated and found inappropriate as follows:

Alternative 1 *Would remove all existing improvements on the site as proposed in the Base Project, construct the Base Project’s 40-story mixed use tower, and construct a connected new 9-story tower with two reconstructed facades replicating the 4th Avenue and C Street facades of that tower at their same locations.* This Alternative would provide an aesthetic appearance that recalls the original design of the 9-story tower and would provide 400,000 gross square feet of usable space at the site.

Alternative 2 *Would removal all existing improvements on the theater portion of the site, construct the Base Project’s 40-story mixed use tower at that location, and retain and rehabilitate the 9-story tower building as part of the project.* This Alternative would retain a significant portion of the resource in place.

Alternative 3 *Would remove all existing improvements on the theater portion of the site with the exception of the ground floor C Street façade and the decorative elements above, which would be rehabilitated, construct the Base Project’s 40-story mixed use tower on the former theater portion of the site, and retain and rehabilitate the 9-story tower in place.* This alternative would only be functionally feasible if no setbacks were imposed the C Street or Third Avenue façades at all levels in order to accommodate the required above and below grade parking.

Alternative 4 *Would remove all existing improvements on the theater portion of the site with the exception of the ground floor C Street façade and the decorative elements above, which would be rehabilitated, construct the Base Project’s 40-story mixed use tower on the former theater portion of the site, retain and rehabilitate the 9-story tower in place, and create a 20’ wide galleria running north and south between the 9-story tower and any new construction to the west of that galleria, creating an open space from the ground level through the ninth floor.* This alternative would only be functionally feasible if no setbacks were imposed the C Street or Third Avenue façades at all levels in order to accommodate the required above and below grade parking.

Alternative 5 *Would rehabilitate all existing improvements on the site in accordance with the Secretary of the Interior’s Standards for adaptive re-use as-is with the existing parking. No additional square footage would be added and no changes in the building’s massing would occur.* This Alternative would modify the office and retail portions of the site for the highest and best use based on a timely market analysis.

Analysis of the Base Project and the Five Alternatives

The architectural plans for the Base Project were developed by the Project Architects, Martinez + Cutri Corporation, and included site plans, floor plans, elevations and sections. The HABS documentation for the existing building was prepared by Heritage Architecture and Planning and included site plans, floor plans, elevations and sections. The construction cost estimates for the Base Project and each alternative were prepared by BCCI and Clark Construction, two California licensed construction firms with historical and new property experience. The Economic Feasibility Analysis for the Base Project and each alternative was prepared by The London Group and was based upon information provided by the above listed parties. Such information included feedback on the scope, schedule and budget for purposes of the economic feasibility analysis. An architectural graphic, illustrating the five project alternatives was prepared by the Project Architects and is attached to these Findings as Exhibit A.

Economic Analysis of the Base Project by the London Group

The Base Project assumes the entire site is cleared and a new mixed-use project is developed. The project includes 310,651 square feet of net saleable residential (282 for-sale condominiums) and 10,900 square feet of retail. The total gross square footage, including parking, is 607,000 square feet.

The total estimated net sales revenue is \$201.5 million. The total estimated costs of construction are estimated at \$175.4 million. **The resulting net profit is \$26.1 million.**

Economic Analysis of Alternative 1 by the London Group

Alternative 1 assumes the construction of a new mixed-use project that includes the reconstruction of the 4th Avenue and C Street facades of the existing 9-story office tower. The project design is the same as the Base Project and includes 310,651 square feet of net saleable residential (282 for-sale condominiums) with 10,900 square feet of retail. The total square footage, including parking, is 607,000 square feet.

The total estimated net sales revenue is the same as the Base Project at \$201.5 million. However, the estimated construction costs are increased by \$2.1 million to a total of \$177.5 million. The resulting net profit is calculated at \$24.0 million. **This is a reduction in total profit of negative 7.9% or 2.1 million, compared to the Base Project.**

Economic Analysis of Alternative 2 by the London Group

Alternative 2 assumes that the theater portion is cleared from the site, but the existing 9-story tower is renovated to accommodate residential use. The project design is the same as the Base Project and includes 310,651 square feet of net saleable residential (282 for-sale condominiums) with 10,900 square feet of retail. The total square footage, including parking, is 607,000 square feet.

The total estimated net sales revenue is the same as the Base Project at \$201.5 million. However, the estimated construction costs are increased by \$8.2 million to a total of \$183.6 million. The resulting net profit is calculated at \$17.9 million. **This is a reduction in total profit of negative 31.4% or 8.2 million, compared to the Base Project.**

Economic Analysis of Alternative 3 by the London Group

Alternative 3 assumes a new mixed use development with the C Street façade retained and rehabilitated and the 9-story office tower retained and rehabilitated. The project design is the same as the Base Project and includes 310,651 square feet of net saleable residential (282 for-sale condominiums) with 10,900 square feet of retail. The total square footage, including parking, is 607,000 square feet.

The total estimated net sales revenue is the same as the Base Project at \$201.5 million. However, the estimated construction costs are increased by \$11.6 million to a total of \$187.1 million. The resulting net profit is calculated at \$14.4 million. **This is a reduction in total profit of negative 44.6% or 11.6 million, compared to the Base Project.**

Economic Analysis of Alternative 4 by the London Group

Alternative 4 assumes a new mixed use development with the C Street façade retained and rehabilitated or reconstructed if necessary with retail on the ground floor and the 9-story office tower retained and rehabilitated or reconstructed if necessary. This alternative also includes a 20-foot wide galleria between the 9-story tower and any new construction to the west of that galleria. This project design comprises a total of 647,000 square feet and includes seven levels of underground parking, with 310,923 square feet of net saleable residential (282 for-sale condominiums) with 10,900 square feet of retail,

The total estimated net sales revenue is the same as the Base Project at \$201.5 million. However, the estimated construction costs are increased \$216.2 million. The result is a project loss of \$14.5 million. **This is a reduction in total profit of negative 156% or 40.6 million, compared to the Base Project.**

Economic Analysis of Alternative 5 by the London Group

Alternative 5 assumes the full renovation of both the California Theater and the existing 9-story office tower. In this scenario, the buildings are restored to their original uses as an approximately 2,000 seat theater, 29,350 square feet of office and 4,640 square feet of retail. Total costs of rehabilitation and construction are estimated at \$40.8 million.

Research conducted by the Economic Feasibility Analysts on the reuse and rehabilitation of the former theater portion for theater purposes would result in, at best, a break-even proposition, since most theaters struggle to cover their operating costs and these locations depend largely on donations to cover their deficits, and the building rehabilitation and construction costs at this site have been estimated at \$40.8 million. Therefore, a developer who would invest in rehabilitating the theater would not receive any value or significant income to recover the money spent on rehabilitation.

The analysis of the office component demonstrates a value of \$4.9 million for 29,350 square feet of space at \$168 per square foot. These rents and sale value are in-line with what is being achieved for better quality Class B office space in downtown San Diego. The retail component is estimated to have a value of approximately \$2.1 million for the 4,640 square foot space at \$446 per square foot. These

rents and sale values are in line with better quality, and located, retail in downtown San Diego.

With these values combined, Alternative 5 has a total value of approximately \$7.0 million, which is based solely on the office and retail components. **Based on the estimated construction costs of \$40.8 million, the result is a loss of negative \$33.8 million.**

As demonstrated by the Economic Feasibility Analysis, attached to these Findings as Exhibit B and discussed above, only the Base Project is economically feasible, resulting in a net profit of \$26.1 million, which would be realized over a three year investment period.

Conclusions of Economic Alternatives by the London Group

Alternative 1 adds significant costs to the Base Project without enhancing the revenue or value of the development. Overall, it diminishes the financial returns of the Base Project, which is already marginally financeable due to relatively low profit margins.

Alternatives 2, 3 and 4 add an order-of-magnitude higher costs that result in single-digit returns (Alternative 4 is negative). These three alternatives result in a project that is not economically feasible, nor financeable. There is not enough profit margin or financial “cushion” for private investors or other sources of capital to achieve their required minimum rates of return. Nor does it give investors and lenders a comfort level that the development could sustain cost overruns or revenue corrections (e.g. lower sales prices). Based on their performing feasibility analyses and consulting services on hundreds of real estate projects, it is the London Group’s experience that a mixed-use redevelopment project requires the margin on gross revenue to exceed 10% for a project to be economically feasible and to qualify for project financing. In fact, in their experience, even a 10% margin may not be financeable. None of Alternatives 2, 3, or 4 achieve a margin on gross revenue of 10% and, as a result, are not economically feasible alternatives.

Alternative 5 would comply with the Downtown Community Plan’s Mitigation Measure *HIST- A.1-3* by rehabilitating the property in accordance with the Secretary of the Interior’s Standards, but this Alternative would result in a net loss of \$33.8 million, which demonstrates that a subsidy of at least an equal amount would be required just to break even on the investment. As a result, Alternative 5 is not economically feasible.

All of the Alternatives to the Base Project have been evaluated and determined to be economically infeasible in varying degrees; therefore, Supplemental Finding (1) can be made.

Supplemental Finding (2) This deviation (from standard protective historical resource regulations) 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.

This deviation from the standard protective historical resource regulations is the minimum necessary to afford relief and accommodate the development of the site in accordance with the density and other provisions of the Planned District Ordinance. Feasible measures to mitigate for the Base Project’s demolition of the subject buildings will be implemented pursuant to the Centre City Mitigation,

Monitoring and Reporting Program (MMRP), which requires the preparation of a Documentation Program consisting of a Historic American Building Survey (HABS) for the property prior to the start of demolition. This Documentation Program will include professional quality photo documentation of all four elevations with close ups of selected elements and measured drawings of the exterior elevations. Supplemental Finding (2) can be made.

Supplemental Finding (3) The denial of the proposed development would result in economic hardship to the owner. For the purpose of this finding, "economic hardship" means there is no reasonable beneficial use of a property and it is not feasible to derive a reasonable economic return from the property.

As demonstrated by the Economic Feasibility Analysis attached to these Findings as Exhibit B, and discussed above, only the Base Project is economically feasible, resulting in a net profit of \$26.1 million, which would be realized over a three year investment period.

Alternative 1 adds significant costs to the Base Project without enlarging the revenue or the value of the development. Alternatives 2 and 3 add an order-of-magnitude higher costs that would result in single-digit returns and Alternative 4's return is negative. Alternative 5 would comply with the Downtown Community Plan's Mitigation Measure *HIST- A.1-3* by rehabilitating the property in accordance with the Secretary of the Interior's Standards, but this Alternative would result in a net loss of \$33.8 million, which demonstrates that a subsidy of at least an equal amount would be required just to break even on the investment.

Furthermore, the subject property has been determined to present a public safety hazard of significant proportions. In October of 2009, a Preliminary Structural Study of the property was prepared by Tony Court of A.B. Court & Associates in response to a request from the San Diego City Attorney's Office. The findings of that report were as follows:

"The entire facility is in poor, dilapidated and deteriorating condition. The roofing system is in poor condition and leaks extensively, resulting in excessive damage to the interior finishes, particularly in the theater spaces and rental spaces. Power and water systems are not functional."

"The concrete cover over the exposed roof trusses at the auditorium is heavily cracked and spalled, contributing to heavy rusting of the roof structure over the auditorium and resulting in a potentially critical long-term safety issue. The wood framing at the roof and second floor of the retail spaces is rotted in various locations."

"Several external features are deteriorated to the point of presenting significant near term falling hazards. These elements include the cast stone ornamentation, delaminating stucco plaster, the marquee, the water tank at the roof of the office tower, the URM parapets at the retail space and the lights structures and other appendages around the building."

After the Easter earthquake in April of 2010, new damage was visible on the property and the engineering firm of Flores Lund was retained to provide an updated structural evaluation on the

property. That report, dated March 11, 2011, found that “The majority of the building complex contains deterioration due to elements exposed to the environment and damage due to previous earthquakes. This structure has the maximum potential for collapse.” As the result of these evaluations and other factors, this entire building complex has been ordered vacated, closed and secured pursuant to orders from the City’s public safety officials.

The denial of the proposed project could also result in economic hardship to the owner and the City of San Diego if the collapse predicted by the structural engineers occurs before the building can be removed. Supplemental Finding (3) can be made.

EXHIBIT A



MARTINEZ + OJEDA
ARCHITECTURE + PLANNING
INTERIORS + URBAN DESIGN

402 W Broadway Suite 2000
San Diego, CA 92101
Tel 619 232-4887 Fax 619 232-7417

10/10/10 (Drawing, Information, and
Development of the project is the
property of Martinez + Ojeda. All
rights reserved. No part of this
document may be reproduced or
transmitted in any form or by any
means, electronic, mechanical,
photocopying, recording, or by any
information storage and retrieval
system, without the prior written
permission of Martinez + Ojeda.

REVISIONS

1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	
26	
27	
28	
29	
30	
31	
32	
33	
34	
35	
36	
37	
38	
39	
40	
41	
42	
43	
44	
45	
46	
47	
48	
49	
50	
51	
52	
53	
54	
55	
56	
57	
58	
59	
60	
61	
62	
63	
64	
65	
66	
67	
68	
69	
70	
71	
72	
73	
74	
75	
76	
77	
78	
79	
80	
81	
82	
83	
84	
85	
86	
87	
88	
89	
90	
91	
92	
93	
94	
95	
96	
97	
98	
99	
100	

1122 FOURTH AVENUE

SLOAN CAPITAL 301 N. CANON DRIVE, SUITE 205
BEVERLY HILLS, CA 90210

CIVIC SAN DIEGO SUBMITTAL - CALIFORNIA THEATER SITE - RESUBMITTAL

SHEET TITLE

**DEVELOPMENT
ALTERNATIVES**

DATE

AUGUST 21, 2015

SCALE

1/2"=1'-0"

DESIGNED BY

JOB NO.

3110

SHEET NO.

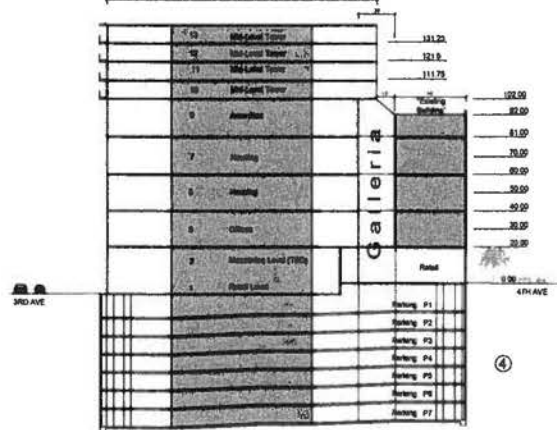
A1.21

DRAWN BY

DATE

BY

FIGURE 1 - BASE ALTERNATIVE ④

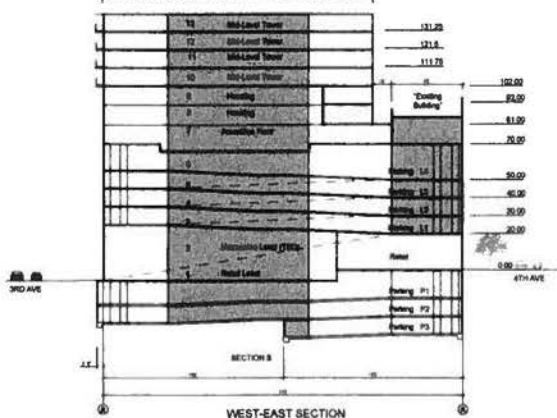


WEST-EAST SECTION

Alternative ④

Clear theater portion of the site (with the exception of the old ground floor facade on C St) and retain and rehabilitate existing 9-story tower portion of the old California Theater office tower and add a mixed-use tower with ground floor retail, residential dwelling units, and adequate u/g parking for both uses (from the base project). Additionally, rehabilitate the southern theater facade on C St, recreating the appearance of historic facade's first floor for new retail purposes. The main residential entrance lobby still occurs off 4th Ave, and further a 20 ft. wide gallery, 92 ft. high, would occur off C Street. Amenities for the new residential units above are similar to the Base Project.

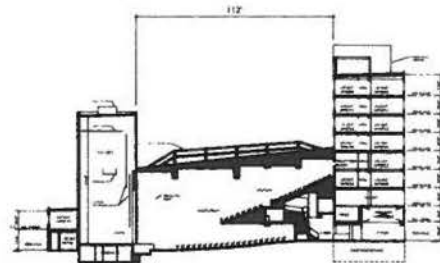
FIGURE 2 - BASE ALTERNATIVE ③



WEST-EAST SECTION

Alternative ③

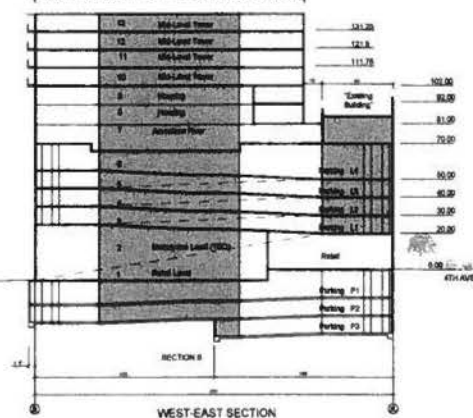
Clear theater portion of the site (with the exception of the old ground floor facade on C St) and retain and rehabilitate existing 9-story tower portion of the old California Theater office tower and add a mixed-use tower with ground floor retail, residential dwelling units, and adequate u/g parking for both uses (from the base project). Additionally, rehabilitate the southern theater facade on C St and recreate appearance of historic facade above grade with retail on ground floor and decorative elements above, all of which would be covering the a/g parking inside. Similar to Alternative 2, the rehabilitated tower structure massing will include a/g parking. The main residential entrance lobby and amenities for the new residential units above.



Alternative ⑤

Complete rehabilitation of theater and tower portions of the existing structure for adaptive reuse as-is with existing parking. No additional square footage or changes to existing building massing. This alternative contemplates utilizing the theater space as a functioning theater. The office tower portion will be modified for the highest and best use based on our market analysis.

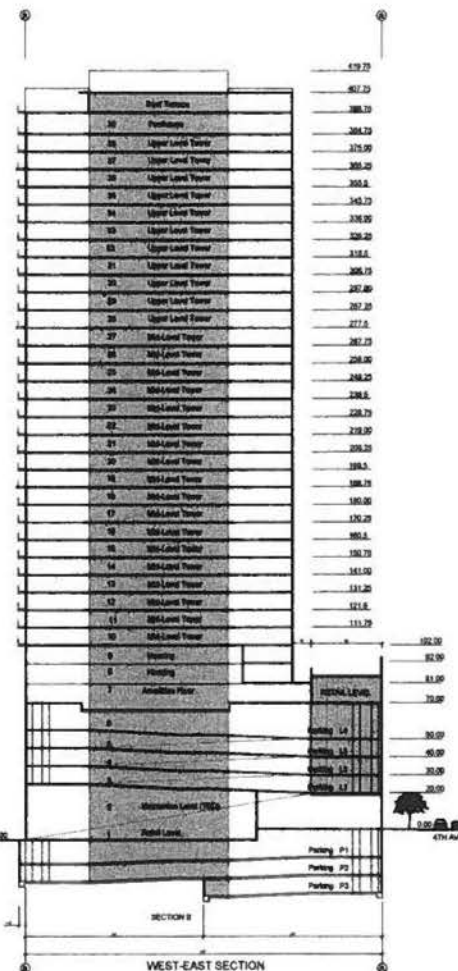
FIGURE 3 - BASE ALTERNATIVE ②



WEST-EAST SECTION

Alternative ②

Clear theater portion of the site and retain and rehabilitate existing 9-story tower portion of the old California Theater office tower and add a mixed-use tower with ground floor retail, residential dwelling units, and adequate u/g parking for both uses (from the base project). The rehabilitated tower structure massing will include a/g parking, the main residential entrance lobby and amenities for the new residential units above.



WEST-EAST SECTION

Alternative ①

Clear entire site and construct a new mixed-use tower as proposed in the Base Project with a reconstruction of the 4th Avenue and C Street facades from the existing 9-story office tower on that portion of the newly constructed building.

EXHIBIT B



THE LONDON GROUP
Realty Advisors

September 8, 2015

Mr. Cyrus Sanandaji
Overture
301 N. Canon Drive, Suite 205
Beverly Hills, CA 90210

Via email: cyrus@presidiobay.com

RE: Economic Alternative Analysis for 1122 4th Street

The London Group Realty Advisors has completed an economic analysis of the five development options pertaining to the California Theater site at 1122 4th Street in San Diego, CA ("Subject Property"). The purpose of this analysis is to analyze the impact on the profitability of the project and how each alternative impacts the reasonable use of land.

We have analyzed the proposed Base Project as well as five alternatives for development of the property, which includes:

- ➡ **The Base Project**: Clear the entire site and develop a new mixed-use project.
- ➡ **Alternative 1**: Clear entire site and construct a new mixed-use tower as proposed in the Base Project with a reconstruction of the 4th Avenue and C Street façades from the existing 9-story office tower on that portion of the newly constructed building.
- ➡ **Alternative 2**: Develop a new mixed-use development; clear the California Theater but renovate the existing nine-story tower.
- ➡ **Alternative 3**: Clear the theater portion of the site with the exception of the ground floor C Street façade, retain and rehabilitate the C Street façade with retail on the ground floor and decorative elements above, retain and rehabilitate the 9-story office tower, and add a new 40-story mixed-use tower with ground floor retail, residential dwelling units and adequate parking.
- ➡ **Alternative 4**: Clear the theater portion of the site with the exception of the ground floor C Street façade, retain and rehabilitate, or reconstruct if necessary, the C Street façade with retail on the ground floor, retain and rehabilitate, or reconstruct if necessary, the 9-story

El Cortez Building
702 Ash Street, Suite 101
San Diego, CA 92101
(619) 269-4010 | www.londongroup.com



office tower, add a new 40-story mixed-use tower with ground floor retail, residential dwelling units and adequate parking. Create a 20' wide galleria running north and south between the rear façade of the 9-story office tower and any new construction to the west of that galleria, creating open space from the ground level through the ninth floor.

- ➡ **Alternative 5:** Perform a full renovation of California Theater and the nine-story office tower and restore to original historical uses.

Conclusions of Economic Alternatives

We analyzed the project performance of the Base Project that is proposed for the Subject Property. The Base Project assumes that the entire site is cleared for a new mixed-use development. The development is planned to include 310,651 square feet of net saleable residential (282 for-sale condominiums) and 10,900 square feet of retail. The total gross square footage, including parking, is 607,000 square feet.

We have assumed a project duration of three years for the Base Project as well as Alternatives 1 through 4. The total estimated costs of construction are estimated at \$175.4 million, which includes a land acquisition of \$5 million. The total estimated net sales revenue is approximately \$201.5 million. The resulting net profit is estimated at \$26.1 million, which is realized over the three year investment period.

Alternative 1 adds significant costs to the Base Project without enhancing the revenue or value of the development. Overall, it diminishes the financial returns of the Base Project, which is already marginally financeable due to relatively low profit margins.

Alternatives 2, 3 and 4 add an order-of-magnitude higher costs that result in single-digit returns (Alternative 4 is negative). These three alternatives result in a project that is not economically feasible, nor financeable. There is not enough profit margin, or financial "cushion," for private investors and other sources of capital to achieve their required minimum rates of return. Nor does it give investors and lenders a comfort level that the development could sustain cost overruns or revenue corrections (e.g. lower sale prices). Based on performing feasibility analyses and consulting services on hundreds of real estate projects, it is our experience that a mixed-use redevelopment project requires the margin on gross revenue to exceed 10% for a project to be economically feasible and to qualify for project financing. In fact, in our experience, even a 10% margin may not be financeable. None of Alternatives 2, 3 or 4 achieve a margin on gross revenue of 10% and, as a result, are not economically feasible alternatives.

Alternative 5 is a full renovation of the California Theater and existing 9-story office tower. This development alternative results in a net loss of \$33.8 million, which demonstrates that a subsidy of at least an equal amount is required just to break even on the investment. As a result, Alternative 5 is not economically feasible.

The table on the following page demonstrates the impact on project profit for each of the five development alternatives.



Summary of Scenarios
1122 4th Street

Base Project

Clear Entire Site and Develop New Mixed-Use Project

# Units:	282
Residential S.F.	310,651
Retail S.F.	10,900
Total Net Useable S.F.	321,551
Net Development Profit	\$26,081,666

Alternative 1

New Mixed-Use Development That Includes Reconstruction of the 4th Avenue and C Street Facades from the Existing 9-Story Office Tower

# Units:	282
Residential S.F.	310,651
Retail S.F.	10,900
Total Net Useable S.F.	321,551
Net Development Profit	\$24,031,627
Difference From Base Project (\$)	-\$2,050,039
Difference From Base Project (%)	-7.9%

Alternative 2

New Mixed-Use Development; Clear CA Theater; Renovate Existing 9-Story Tower

# Units:	282
Residential S.F.	310,651
Retail S.F.	10,900
Total Net Useable S.F.	321,551
Net Development Profit	\$17,904,459
Difference From Base Project (\$)	-\$8,177,207
Difference From Base Project (%)	-31.4%

Alternative 3

New Mixed-Use Development; Retain and Rehabilitate C Street Façade; Retain and Rehabilitate 9-Story Office Tower

# Units:	282
Residential S.F.	310,651
Retail S.F.	10,900
Total Net Useable S.F.	321,551
Net Development Profit	\$14,446,930
Difference From Base Project (\$)	-\$11,634,736
Difference From Base Project (%)	-44.6%

Alternative 4

New Mixed-Use Development; Retain, Rehabilitate or Reconstruct C Street Façade and 9-Story Office Tower; Create 20' Wide Galleria

# Units:	282
Residential S.F.	310,923
Retail S.F.	10,900
Total Net Useable S.F.	321,823
Net Development Profit	(\$14,534,455)
Difference From Base Project (\$)	-\$40,616,121
Difference From Base Project (%)	-155.7%

Alternative 5

Full Renovation of CA Theater and Existing 9-Story Tower

Theater:	2,000 seats
Office	29,350
Retail	4,640
Net Development Profit	-\$33,780,804
Difference From Base Project (\$)	-\$59,862,470
Difference From Base Project (%)	-229.5%

Source: The London Group Realty Advisors



Approach to Analysis

To determine the impact to the project, we prepared a financial proforma for the five alternatives and compared the performance to the Base Project proforma. For each of the proforma inputs we were furnished with both revenue and cost assumptions, as well as project timelines, as follows:

- 6 months for permits
- 24 months for construction
- 6 months of disposition and unit sales
- Construction costs are provided by BCCI
- Market revenues and timing assumptions are provided by Overture
- Affordable housing prices based on 2014 figures from San Diego Housing Commission

The following summarizes the financial proformas we have prepared for analyzing the project, which are included in the [Appendix](#).

Base Project

The Base Project assumes that the entire site is cleared and a new mixed-use project is developed. The project includes 310,651 square feet of net saleable residential (282 for-sale condominiums) and 10,900 square feet of retail. The total gross square footage, including parking, is 607,000 square feet.

The total estimated net sales revenue is \$201.5 million. The total estimated costs of construction are estimated at \$175.4 million. The resulting net profit is calculated at \$26.1 million.

Alternative 1

Alternative 1 assumes construction of a new mixed-use project that includes reconstruction of the 4th Avenue and C Street facades from the existing 9-story office tower. The project design is the same as the Base Project and includes 310,651 square feet of net saleable residential (282 for-sale condominiums) with 10,900 square feet of retail. The total gross square footage, including parking, is 607,000 square feet.

The total estimated net sales revenue is the same as the Base Project at \$201.5 million. However, the estimated construction costs are increased by \$2.1 million to a total of \$177.5 million. The resulting net profit is calculated at \$24.0 million. **This is a reduction in total profit of negative 7.9%, or \$2.1 million, compared to the Base Project.**

Alternative 2

Alternative 2 assumes that the California Theater is cleared from the site, but the existing 9-story tower is renovated to accommodate residential. The project design is the same as the Base Project



and includes 310,651 square feet of net saleable residential (282 for-sale condominiums) with 10,900 square feet of retail. The total gross square footage, including parking, is 607,000 square feet.

The total estimated net sales revenue is the same as the Base Project at \$201.5 million. However, the estimated construction costs are increased by \$8.2 million to a total of \$183.6 million. The resulting net profit is calculated to be \$17.9 million. **This is a reduction in total profit of negative 31.4%, or \$8.2 million, compared to the Base Project.**

Alternative 3

Alternative 3 assumes a new mixed-use development with the C Street façade retained and rehabilitated and the 9-story office tower retained and rehabilitated. The project design is the same as the Base Project and includes 310,651 square feet of net saleable residential (282 for-sale condominiums) with 10,900 square feet of retail. The total gross square footage, including parking, is 607,000 square feet.

The total estimated net sales revenue is the same as the Base Project at \$201.5 million. However, the estimated construction costs are increased by \$11.6 million to a total of \$187.1 million. The resulting net profit is calculated to be \$14.4 million. **This is a reduction in total profit of negative 44.6%, or \$11.6 million, compared to the Base Project.**

Alternative 4

Alternative 4 assumes a new mixed-use development that retains and rehabilitates, or reconstructs if necessary, the C Street façade with retail on the ground floor. The 9-story office tower would also be retained and rehabilitated, or reconstructed if necessary. This alternative also includes a 20-foot wide galleria between the rear façade of the 9-story office building and any new construction to the west of that galleria. This project comprises a total of 647,000 gross square feet and includes seven levels of underground parking. There is also a 20-foot setback between the existing structure and new construction. The project design includes 310,923 square feet of net saleable residential (282 for-sale condominiums) with 10,900 square feet of retail.

The total estimated net sales revenue is estimated to be \$201.7 million with total construction costs of approximately \$216.2 million. The result is a project loss of \$14.5 million. **This is a reduction in total profit of negative 156%, or \$40.6 million, compared to the Base Project.**

Alternative 5

Alternative 5 assumes a full renovation of both the California Theater and the existing 9-story office tower. In this scenario, the buildings are restored to their original uses as an approximately 2,000-seat theater, 29,350 square feet of office and 4,640 square feet of retail. Total costs of restoration and construction are estimated at \$40.8 million.



In our research of theaters in San Diego and Southern California, we have determined that there is no “sale value” for the theater. That is because there is no positive income that is generated by a theater for investors or owners. At best, operating a theater is a break-even proposition, with most theaters operating at a deficit.

Our research included interviews with theater operators throughout Southern California. Two operators¹, one from a city-owned facility and the other a privately owned non-profit entity, indicated that ticket sales and facility rentals do not typically cover operating costs. These locations depend largely on donations to cover the deficit created from low revenues compared to higher expenses.

Therefore, a developer who would invest in rehabilitating the theater would not receive any value or significant income to recover the money spent on reconstruction. In the case of the California Theater, the loss would be substantial.

Our analysis of the office component demonstrates a value of approximately \$4.9 million for the 29,350 square feet of space (\$168 per square foot). The rents and sale value are in-line with what is being achieved for the better quality Class B office space in Downtown San Diego.

The retail component is estimated to have a value of approximately \$2.1 million for the 4,640 square-foot space (\$446 per square foot). The rents and sale value are consistent with the better quality, and located, retail space in Downtown San Diego.

Combined, Alternative 5 has a total value of approximately \$7.0 million, which is based solely on the office and retail components. Based on the estimated costs of construction of \$40.8 million, the result is a loss of negative \$33.8 million.

Should you have any questions regarding this analysis, please contact us.

Sincerely,

A handwritten signature in black ink, reading "Gary H. London".

Gary H. London

A handwritten signature in black ink, reading "Nathan Moeder".

Nathan Moeder

¹ Avo Theater- Vista, CA (Robert Tannenbaum- Theatre Rental and Events Manager) and Segerstrom Center for the Arts - Costa Mesa, CA (Whitney Kofford- Theater Operations)



Economic Alternative Analysis
1122 4th Street

APPENDIX



CORPORATE PROFILE

THE LONDON GROUP
Realty Advisors

REPRESENTATIVE SERVICES

Market and Feasibility Studies	Development Services	Litigation Consulting
Financial Structuring	Fiscal Impact	Workout Projects
Asset Disposition	Strategic Planning	Valuation
Government Processing	Capital Access	Economic Analysis

The London Group is a full service real estate investment and development consulting, capital access and publishing firm. We determine the answers to the questions: Should I purchase the property? If so, how much should I pay and what is my potential rate of return? What type of project should I invest in or develop? What type of deal should I structure?

To answer these questions we conduct market analysis, feasibility studies, provide financial structuring advice and general economic consulting. Often we 'package' the deal and provide access to capital sources. We also have capabilities in pre-development consulting including asset management and disposition and in providing team coordination, processing and disposition services (packaging and promotion).

The Real Estate & Economic Monitor is a newsletter published by The London Group providing market trend analysis and commentary for the serious real estate investor. The principals of the firm, Gary London and Nathan Moeder, bring acknowledged credentials and experience as advisors and analysts to many successful projects and assignments throughout North America. It is available and regularly updated on the World Wide Web at the following address: <http://www.londongroup.com/>.

The London Group also draws upon the experience of professional relationships in the development, legal services, financial placement fields as well as its own staff.

Clients who are actively investigating and investing in apartment projects, retail centers and commercial projects have regularly sought our advice and financial analysis capabilities.

We have analyzed, packaged and achieved capital for a wide variety of real estate projects including hotels, office buildings, retail shopping centers and residential housing communities. We are generalists with experiences ranging from large scale, master planned communities to urban redevelopment projects, spanning all land uses and most development issues. These engagements have been undertaken throughout North America for a number of different clients including developers, investors, financial institutions, insurance companies, major landholders and public agencies.

702 Ash Street, Suite 101, San Diego, CA 92101
619-269-4012 • www.londongroup.com

Base Project - 1122 4th Street

Clear Entire Site and Develop New Mixed-Use Project

FINANCING

Loan Amount	\$122,798,134
Loan to Value	70%
Interest Rate	6.00%

DEVELOPMENT SUMMARY

Gross Building S.F.	607,000 S.F.
Bldg Core & Parking	47% of Gross S.F. 285,449
Commercial S.F.	10,900 S.F.
Net Residential S.F.	310,651 S.F.

Market Rate Units	Average Unit Size	# of Units	Total Net Rentable	Sale Price	\$/S.F.
1 BR	795	117	93,015	\$628,300	\$790
2 BR	1,250	92	115,000	\$790,314	\$632
3 BR	1,522	53	80,645	\$954,014	\$627
Subtotal Market Rate	1,102	262	288,660	\$751,079	\$682

Affordable Units	Average Unit Size	# of Units	Total Net Rentable	Sale Price	\$/S.F.
1 BR	795	9	7,155	\$235,884	\$297
2 BR	1,250	7	8,750	\$263,079	\$210
3 BR	1,522	4	6,086	\$293,982	\$193
Subtotal Affordable	1,100	20	21,991	\$257,022	\$234

Total/Av. Wt.	1,102	282	310,651	\$716,040	\$650
----------------------	--------------	------------	----------------	------------------	--------------

Project Timing	Months
Permits	6
Construction	24
Disposition	6
Total (Months)	36

CONSTRUCTION BUDGET

	Total Cost	Cost Per Gross S.F.	Cost/Unit
Land Acquisition	\$5,000,000	\$8.24	\$17,730
Land Closing Costs	\$54,925	\$0.09	\$195
Hard Costs	\$131,324,450	\$216.35	\$465,690
Soft Costs	\$23,450,787	\$38.63	\$83,159
Miscellaneous (Sales office, Market, Opex)	\$4,232,971	\$6.97	\$15,011
Const. Loan Interest	\$11,362,772	\$18.72	\$40,294
Contingency	\$0	\$0.00	\$0.00
Total Project Costs	\$175,425,905	\$289.00	\$622,078
Less: Loan Amount	\$122,798,134		
Initial Investment:	\$52,627,772		

INVESTMENT PERFORMANCE

Gross Revenue: Market Rate Units	\$196,782,713	\$751,079 avg price
Gross Revenue: Affordable Units	\$5,140,437	\$257,022 avg price
Total Gross Revenue	\$201,923,150	
Sales Commission	2.5% (\$5,048,079)	
Other Costs of Sale	0.0% \$0	
Net Residential Revenue	\$196,875,071	
Retail Revenue	\$4,632,500	\$425 psf
Total Net Revenue	\$201,507,571	
Development Costs	(\$175,425,905)	
Net Profit	\$26,081,666	
Margin on Total Cost	14.9%	
Margin on Gross Revenue	12.6%	
Equity Investment	\$52,627,772	
Return On Investment (ROI)	50%	

Alternative 1 - 1122 4th Street

New Mixed-Use Development That Includes Reconstruction of the 4th Avenue and C Street Facades from the Existing 9-Story Office Tower

FINANCING

Loan Amount	\$124,233,161
Loan to Value	70%
Interest Rate	6.00%

DEVELOPMENT SUMMARY

Gross Building S.F.		607,000 S.F.
Bldg Core & Parking	47% of Gross S.F.	285,449
Commercial S.F.		10,900 S.F.
Net Residential S.F.		310,651 S.F.

Market Rate Units	Average Unit Size	# of Units	Total Net Rentable	Sale Price	\$/S.F.
1 BR	795	117	93,015	\$628,300	\$790
2 BR	1,250	92	115,000	\$790,314	\$632
3 BR	1,522	53	80,645	\$954,014	\$627
Subtotal Market Rate	1,102	262	288,660	\$751,079	\$682

Affordable Units	Average Unit Size	# of Units	Total Net Rentable	Sale Price	\$/S.F.
1 BR	795	9	7,155	\$235,884	\$297
2 BR	1,250	7	8,750	\$263,079	\$210
3 BR	1,522	4	6,086	\$293,982	\$193
Subtotal Affordable	1,100	20	21,991	\$257,022	\$234

Total/Av. Wt.	1,102	282	310,651	\$716,040	\$650
----------------------	--------------	------------	----------------	------------------	--------------

Project Timing	Months
Permits	6
Construction	24
Disposition	6
Total (Months)	36

CONSTRUCTION BUDGET

	Total Cost	Cost Per Gross S.F.	Cost/Unit
Land Acquisition	\$5,000,000	\$8.24	\$17,730
Land Closing Costs	\$54,925	\$0.09	\$195
Hard Costs	\$132,951,210	\$219.03	\$471,458
Soft Costs	\$23,741,279	\$39.11	\$84,189
Miscellaneous (Sales office, Market, Opex)	\$4,232,971	\$6.97	\$15,011
Const. Loan Interest	\$11,495,559	\$18.94	\$40,764
Contingency	\$0	\$0.00	\$0.00
Total Project Costs	\$177,475,944	\$292.38	\$629,347
Less: Loan Amount	\$124,233,161		
Initial Investment:	\$53,242,783		

INVESTMENT PERFORMANCE

Gross Revenue: Market Rate Units	\$196,782,713	\$751,079 avg price
Gross Revenue: Affordable Units	\$5,140,437	\$257,022 avg price
Total Gross Revenue	\$201,923,150	
Sales Commission	2.5% (\$5,048,079)	
Other Costs of Sale	0.0% \$0	
Net Residential Revenue	\$196,875,071	
Retail Revenue	\$4,632,500	\$425 psf
Total Net Revenue	\$201,507,571	
Development Costs	(\$177,475,944)	
Net Profit	\$24,031,627	
Margin on Total Cost	13.5%	
Margin on Gross Revenue	11.6%	
Equity Investment	\$53,242,783	
Return On Investment (ROI)	45%	

Alternative 2 - 1122 4th Street

New Mixed-Use Development; Clear CA Theater; Renovate Existing 9-Story Tower

FINANCING

Loan Amount	\$128,522,179
Loan to Value	70%
Interest Rate	6.00%

DEVELOPMENT SUMMARY

Gross Building S.F.	607,000 S.F.
Bldg Core & Parking	47% of Gross S.F. 285,449
Commercial S.F.	10,900 S.F.
Net Residential S.F.	310,651 S.F.

Market Rate Units	Average Unit Size	# of Units	Total Net Rentable	Sale Price	\$/S.F.
1 BR	795	117	93,015	\$628,300	\$790
2 BR	1,250	92	115,000	\$790,314	\$632
3 BR	1,522	53	80,645	\$954,014	\$627
Subtotal Market Rate	1,102	262	288,660	\$751,079	\$682

Affordable Units	Average Unit Size	# of Units	Total Net Rentable	Sale Price	\$/S.F.
1 BR	795	9	7,155	\$235,884	\$297
2 BR	1,250	7	8,750	\$263,079	\$210
3 BR	1,522	4	6,086	\$293,982	\$193
Subtotal Affordable	1,100	20	21,991	\$257,022	\$234

Total/Av. Wt.	1,102	282	310,651	\$716,040	\$650
----------------------	--------------	------------	----------------	------------------	--------------

Project Timing	Months
Permits	6
Construction	24
Disposition	6
Total (Months)	36

CONSTRUCTION BUDGET

	Total Cost	Cost Per Gross S.F.	Cost/Unit
Land Acquisition	\$5,000,000	\$8.24	\$17,730
Land Closing Costs	\$54,925	\$0.09	\$195
Hard Costs	\$137,813,280	\$227.04	\$488,700
Soft Costs	\$24,609,506	\$40.54	\$87,268
Miscellaneous (Sales office, Market, Opex)	\$4,232,971	\$6.97	\$15,011
Const. Loan Interest	\$11,892,431	\$19.59	\$42,172
Contingency	\$0	\$0.00	\$0.00
Total Project Costs	\$183,603,113	\$302.48	\$651,075
Less: Loan Amount	\$128,522,179		
Initial Investment:	\$55,080,934		

INVESTMENT PERFORMANCE

Gross Revenue: Market Rate Units	\$196,782,713	\$751,079 avg price
Gross Revenue: Affordable Units	\$5,140,437	\$257,022 avg price
Total Gross Revenue	\$201,923,150	
Sales Commission	(55,048,079)	
Other Costs of Sale	\$0	
Net Residential Revenue	\$196,875,071	
Retail Revenue	\$4,632,500	\$425 psf
Total Net Revenue	\$201,507,571	
Development Costs	(\$183,603,113)	
Net Profit	\$17,904,459	
Margin on Total Cost	9.8%	
Margin on Gross Revenue	8.7%	
Equity Investment	\$55,080,934	
Return On Investment (ROI)	33%	

Alternative 3 - 1122 4th Street

New Mixed-Use Development; Retain and Rehabilitate C Street Façade; Retain and Rehabilitate 9-Story Office Tower

FINANCING

Loan Amount	\$130,942,449
Loan to Value	70%
Interest Rate	6.00%

DEVELOPMENT SUMMARY

Gross Building S.F.	607,000 S.F.
Bldg Core & Parking	47% of Gross S.F. 285,449
Commercial S.F.	10,900 S.F.
Net Residential S.F.	310,651 S.F.

Market Rate Units	Average Unit Size	# of Units	Total Net Rentable	Sale Price	\$/S.F.
1 BR	795	117	93,015	\$628,300	\$790
2 BR	1,250	92	115,000	\$790,314	\$632
3 BR	1,522	53	80,645	\$954,014	\$627
Subtotal Market Rate	1,102	262	288,660	\$751,079	\$682

Affordable Units	Average Unit Size	# of Units	Total Net Rentable	Sale Price	\$/S.F.
1 BR	795	9	7,155	\$235,884	\$297
2 BR	1,250	7	8,750	\$263,079	\$210
3 BR	1,522	4	6,086	\$293,982	\$193
Subtotal Affordable	1,100	20	21,991	\$257,022	\$234

Total/Av. Wt.	1,102	282	310,651	\$716,040	\$650
----------------------	--------------	------------	----------------	------------------	--------------

Project Timing	Months
Permits	6
Construction	24
Disposition	6
Total (Months)	36

CONSTRUCTION BUDGET

	Total Cost	Cost Per Gross S.F.	Cost/Unit
Land Acquisition	\$5,000,000	\$8.24	\$17,730
Land Closing Costs	\$54,925	\$0.09	\$195
Hard Costs	\$140,556,920	\$231.56	\$498,429
Soft Costs	\$25,099,442	\$41.35	\$89,005
Miscellaneous (Sales office, Market, Opex)	\$4,232,971	\$6.97	\$15,011
Const. Loan Interest	\$12,116,383	\$19.96	\$42,966
Contingency	\$0	\$0.00	\$0.00
Total Project Costs	\$187,060,641	\$308.17	\$663,336
Less: Loan Amount	\$130,942,449		
Initial Investment:	\$56,118,192		

INVESTMENT PERFORMANCE

Gross Revenue: Market Rate Units	\$196,782,713	\$751,079 avg price
Gross Revenue: Affordable Units	\$5,140,437	\$257,022 avg price
Total Gross Revenue	\$201,923,150	
Sales Commission	(\$5,048,079)	
Other Costs of Sale	\$0	
Net Residential Revenue	\$196,875,071	
Retail Revenue	\$4,632,500	\$425 psf
Total Net Revenue	\$201,507,571	
Development Costs	(\$187,060,641)	
Net Profit	\$14,446,930	
Margin on Total Cost	7.7%	
Margin on Gross Revenue	7.0%	
Equity Investment	\$56,118,192	
Return On Investment (ROI)	26%	

Alternative 4 - 1122 4th Street

New Mixed-Use Development; Retain, Rehabilitate or Reconstruct C Street Façade and 9-Story Office Tower; Create 20' Wide Galleria

FINANCING

Loan Amount	\$151,349,905
Loan to Value	70%
Interest Rate	6.00%

DEVELOPMENT SUMMARY

Gross Building S.F.	647,000 S.F.
Bldg Core & Parking	50% of Gross S.F. 325,177
Commercial S.F.	10,900 S.F.
Net Residential S.F.	310,923 S.F.

Market Rate Units	Average Unit Size	# of Units	Total Net Rentable	Sale Price	\$/S.F.
1 BR	795	115	91,425	\$634,730.00	\$798
2 BR	1,250	90	112,500	\$798,403	\$639
3 BR	1,522	53	80,645	\$963,778	\$633
Subtotal Market Rate	1,103	258	284,570	\$759,420	\$689

Affordable Units	Average Unit Size	# of Units	Total Net Rentable	Sale Price	\$/S.F.
1 BR	795	11	8,745	\$235,884	\$297
2 BR	1,250	8	10,000	\$263,079	\$210
3 BR	1,522	5	7,608	\$293,982	\$193
Subtotal Affordable	1,098	24	26,353	\$257,053	\$234

Total/Av. Wt.	1,103	282	310,923	\$716,666	\$650
----------------------	--------------	------------	----------------	------------------	--------------

Project Timing	Months
Permits	6
Construction	24
Disposition	6
Total (Months)	36

CONSTRUCTION BUDGET

	Total Cost	Cost Per Gross S.F.	Cost/Unit
Land Acquisition	\$5,000,000	\$7.73	\$17,730
Land Closing Costs	\$54,925	\$0.08	\$195
Hard Costs	\$163,691,000	\$253.00	\$580,465
Soft Costs	\$29,230,526	\$45.18	\$103,654
Miscellaneous (Sales office, Market, Opex)	\$4,232,971	\$6.54	\$15,011
Const. Loan Interest	\$14,004,729	\$21.65	\$49,662
Contingency	\$0	\$0.00	\$0.00
Total Project Costs	\$216,214,150	\$334.18	\$766,717
Less: Loan Amount	\$151,349,905		
Initial Investment:	\$64,864,245		

INVESTMENT PERFORMANCE

Gross Revenue: Market Rate Units	\$195,930,422	\$759,420 avg price
Gross Revenue: Affordable Units	\$6,169,266	\$257,053 avg price
Total Gross Revenue	\$202,099,688	
Sales Commission	2.5% (\$5,052,492)	
Other Costs of Sale	0.0% \$0	
Net Residential Revenue	\$197,047,196	
Retail Revenue	\$4,632,500	\$425 psf
Total Net Revenue	\$201,679,696	
Development Costs	(\$216,214,150)	
Net Profit	(\$14,534,455)	
Margin on Total Cost	-6.7%	
Margin on Gross Revenue	-7.0%	
Equity Investment	\$64,864,245	
Return On Investment (ROI)	-22%	



THE LONDON GROUP
Realty Advisors

April 12, 2016

Mr. Aaron Hollister
Civic San Diego
401 B Street
Fourth Floor
San Diego, CA 92101

RE: ECONOMICS OF HISTORICAL PRESERVATION

Dear Mr. Hollister:

The London Group Realty Advisors completed an Economic Alternative Analysis of the 1122 4th Avenue (California Theater site) in September 2015. A full report has been completed and submitted to the City of San Diego. In that report, we detailed our analysis of the economics of our client's preferred project, called the "Base Project", as well as five alternative scenarios which address various approaches to historical preservation. We concluded that none of the alternative scenarios are economically viable, and have summarized our analysis below. This letter supplements our Economic Alternative Analysis. We have made no revisions to the original report.

The purpose of this letter is to respond to a request by the Save Our Heritage Organization (SOHO) to further examine certain tax incentives which might be available to this project, to determine if those incentives would change our conclusion. They do not.

Alternative Approaches

The planned Base Project requires clearing the entire site to develop a new mixed-use project, which includes 282 residential units (20 affordable units) and 10,900 square feet of commercial retail.

However, we addressed five development alternatives which would preserve portions of the existing California Theatre structure. They are:

- **Alternative 1:** Clear the entire site and construct a new mixed-use tower as proposed in the Base Project with a reconstruction of the 4th Avenue and C Street façades from the existing 9-story office tower on that portion of the newly constructed building.



El Cortez Building
702 Ash Street, Suite 101
San Diego, CA 92101
(619) 269-4010 | www.londongroup.com

The estimated construction costs are increased by \$2.1 million to a total of \$177.5 million.

- **Alternative 2:** Develop a new mixed-use development; clear the California Theater but renovate the existing nine-story tower.

The estimated construction costs are increased by \$8.2 million to a total of \$183.6 million.

- **Alternative 3:** Clear the theater portion of the site with the exception of the ground floor C Street façade, retain and rehabilitate the C Street façade with retail on the ground floor and decorative elements above, retain and rehabilitate the 9-story office tower, and add a new 40-story mixed-use tower with ground floor retail, residential dwelling units and adequate parking.

The estimated construction costs are increased by \$11.6 million to a total of \$187.1 million.

- **Alternative 4:** Clear the theater portion of the site with the exception of the ground floor C Street façade, retain and rehabilitate, or reconstruct if necessary, the C Street façade with retail on the ground floor, retain and rehabilitate, or reconstruct if necessary, the 9-story office tower, add a new 40-story mixed-use tower with ground floor retail, residential dwelling units and adequate parking. Create a 20' wide galleria running north and south between the rear façade of the 9-story office tower and any new construction to the west of that galleria, creating open space from the ground level through the ninth floor.

The estimated construction costs are increased by \$14.7 million to a total of \$216.2 million.

- **Alternative 5:** Perform a full renovation of California Theater and the nine-story office tower and restore to original uses.

Based on the estimated costs of construction of \$40.8 million, the result is a loss of negative \$33.8 million. This alternative achieves a total value of approximately \$7 million, which is based solely on the office and retail components. There is no consequent market value of the theatre that is achieved with this high cost of reconstruction.

Incentives and Tax Credits

The main incentive for historic preservation is use of "Federal Tax Incentives for Rehabilitating Historic Buildings."¹ This is a 20% federal tax credit for qualified rehabilitation costs.

Importantly, it is our understanding that these tax credits would only be available for a full rehabilitation of the structure. Therefore, their application would apply solely to Alternative 5, the full renovation of the California Theatre. It is not available for any of the other alternatives that retain or reconstruct portions of the original structure.

¹ 26 U.S. Code Section 47 – Rehabilitation credit



Based on the significant costs related to the preservation of the California Theater, a 20% tax credit does not sufficiently offset the high expense of preservation. If the entire theater is preserved (Alternative 5), the total rehabilitation costs are \$40.8 million and the profit loss is \$33.8 million. Even if a 20% credit is achieved, the offset of approximately \$10 million is insufficient.

We have conducted research on how the tax credit has been utilized recently in San Diego²:

- The first example is at the Naval Training Station at 2816 Historic Decatur Rd. This was for a building of 65,000 SF that had a total rehab cost of \$8.2 million. However, there was an economically viable use of retail and office tenants. The tax credit offset the costs. Coupled with the market rate lease revenue, the project was feasible and profitable for the developer.
- The second example is the World Trade Center building at 1250 Sixth Avenue. This project was converted to low-income housing and services for the homeless. There was no viable use in the private sector due to the high costs required for rehabilitation. As a result, the City contributed public funds, combined with the tax credit, that preserved the building.

These two examples demonstrate how historic preservation via tax credits require that the intended use of the structure either be economically viable (NTS property), or alternatively requires financial support from the public sector, or other non-profit entities, that are willing to pay the expensive rehabilitation costs regardless of the economic consequences.

We have conducted market analyses, which have concluded that the theatre market is over supplied, and there is no viable use for the California Theater as a theatre operation. We have also determined that even if the use were market viable, it is not financially viable. Absent a non-profit entity, such as SOHO, able and willing to buy the development rights from the property owner and/or otherwise pay for the rehabilitation costs, this structure cannot be rehabilitated partially or wholly under any scenario.

The only other tax incentives are a future Mills Act Agreement, which could reduce the post rehabilitation property taxes on the building by up to 40%.

To put our client's project into perspective, we would observe that the California Theatre building is a blighted property in the Downtown core. Its' critical location informs the surrounding area, and has contributed to an overall blight in this central "heart" of Downtown, despite the significant and mostly successful redevelopment which has taken place in surrounding neighborhoods over the past five decades. We believe that rather than continue to pursue non-viable preservation approaches, the far more compelling public purpose is to remove the blight. Our analysis empirically demonstrates how this must occur.

² <http://ohp.parks.ca.gov/pages/1074/files/2014%20Cert%20Tax%20Projects%20matrix.pdf>



Should you have any questions regarding this analysis, please contact us.

Sincerely,

Gary H. London

Nathan Moeder

cc: Save Our Heritage Organization (SOHO) c/o Bruce Coons, Executive Director
bruce.coons@sohosandiego.org



KEYSER MARSTON ASSOCIATES™
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADVISORS IN:
REAL ESTATE
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

To: Brad Richter, Assistant Vice President - Planning
Civic San Diego

SAN FRANCISCO
A. JERRY KEYSER
TIMOTHY C. KELLY
KATE EARLE FUNK
DEBBIE M. KERN
REED T. KAWAHARA
DAVID DOEZEMA

From: KEYSER MARSTON ASSOCIATES, INC.

Date: October 7, 2016

Subject: 1122 4th Avenue
Peer Review of Economic Alternative Analysis

LOS ANGELES
KATHLEEN H. HEAD
JAMES A. RABE
GREGORY D. SOO-HOO
KEVIN E. ENGSTROM
JULIE L. ROMEY

I. INTRODUCTION

SAN DIEGO
PAUL C. MARRA

In accordance with your request, Keyser Marston Associates, Inc. (KMA) has undertaken a peer review of the economic feasibility analysis prepared for alternative development scenarios for the 0.58-acre California Theatre site at 1122 4th Avenue (Site).

As background, it is the KMA understanding that Civic San Diego (CivicSD) has received a development proposal from the Site's current owner, Sloan Capital Partners, LLC (Developer). The Developer proposes to demolish the existing California Theatre and office building to develop 282 residential units and 10,900 square feet (SF) of retail space on the Site. San Diego Municipal Code Section 126.0504(i) requires that developers seeking a Site Development Permit for the demolition of historic resources must provide findings that the denial of the Permit would result in an economic hardship for the Developer.

To that end, an economic analysis has been prepared by The London Group (London) on behalf of the Developer to demonstrate the comparative economic feasibility of six (6) alternative development scenarios proposed for the Site. CivicSD requested that KMA conduct a peer review of the London analysis to determine:

(1) If the assumptions and conclusions used in the analyses are acceptable; and

- (2) If any of the alternatives are economically feasible, that is, able to be financed and generate a reasonable rate of return.

II. KEY FINDINGS

Development Alternatives

KMA analyzed six development alternatives for the Site as presented by the Developer and London:

- *Base Case* – Clear the Site of all existing improvements and develop a new mixed-use project featuring a 40-story condominium tower connected to a new nine-story tower at the location of the current office tower. The Base Case Project would consist of 282 residential units (262 market-rate, 20 affordable) and 10,900 SF of ground floor retail.
- *Alternative #1* – Base Case Project with the reconstruction and replication of the 4th Avenue and C Street facades at their same locations.
- *Alternative #2* – Base Case Project with only the theatre portion of the Site cleared. The existing nine-story office tower would be retained and rehabilitated into residential units.
- *Alternative #3* – Alternative #2 with the ground floor C Street façade and decorative elements retained and rehabilitated.
- *Alternative #4* – Alternative #3 with a galleria running north and south between the rear façade of the existing nine-story tower and new construction to the west. This alternative would create open space from the ground level through the ninth floor.
- *Alternative #5* – Full renovation and restoration of the California Theatre and the existing nine-story office tower to their original uses of an approximately 2,000-seat theatre, 29,350 SF of office, and 4,640 SF of retail.

KMA Pro Forma Modifications

For each alternative, KMA reviewed the London assumptions regarding product mix, construction cost estimates, achievable sales and rental values, and estimated developer profits. KMA adjusted selected inputs and assumptions, as more fully discussed below. These KMA adjustments resulted in different conclusions from London with respect to the relative economic feasibility of each development alternative. Table II-1 below presents a comparison of the London vs. KMA conclusions in terms of developer profit for each alternative.

Table II-1 – Estimate of Developer Profit – London vs. KMA Adjustments						
	Base Case	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
London						
Total Profit	\$26.1 M	\$24.0 M	\$17.9 M	\$14.4 M	(\$14.5) M	(\$33.8) M
% of Cost	14.9%	13.5%	9.8%	7.7%	(6.7%)	(82.8%)
% of Value	12.6%	11.6%	8.7%	7.0%	(7.0%)	(1,634%)
KMA Adjustments						
Total Profit	\$13.0 M	\$10.9 M	\$4.8 M	\$1.4 M	(\$27.6) M	(\$45.4) M
% of Cost	7.4%	6.2%	2.6%	0.7%	(12.8%)	(79.5%)
% of Value	6.7%	5.7%	2.5%	0.7%	(14.3%)	(2,194.7%)

The London analysis indicates that to achieve economic feasibility and qualify for project financing, a mixed-use, redevelopment project requires a developer profit exceeding 10% of value. In KMA's experience, target profit levels for a high-rise condominium development of this type should be at least 15% of project value in unadjusted dollars. This higher profit threshold reflects the risk associated with Type I high-rise for-sale residential development in the subject location. As indicated above, the KMA adjustments resulted in profit levels for all six alternatives substantially below a minimum target profit of 15%.

Threshold Feasibility Questions

Based on the above financial analysis, KMA provides the following responses to CivicSD's questions for this assignment:

(1) Are the assumptions and conclusions used in the (London) analyses acceptable?

- KMA finds the development cost assumptions used by London to be reasonable with the exception of Alternative #5, which appears to exclude indirect, financing, and acquisition costs. KMA finds the London projections of market-rate and affordable sales prices to be overstated.

(2) Are any of the alternatives economically feasible, that is, able to be financed and generate a reasonable rate of return?

- KMA finds all six development alternatives analyzed by London to be economically infeasible. The resulting developer profit levels for all the alternatives studied were found to be insufficient to warrant development of the Project. In the case of the Base Case and Alternatives #1 through #3, improving profit levels can be expected as Downtown

condominium values continue to rise. In other words, while none of these four alternatives appears feasible today, one or more may become financially feasible within the next couple of years. However, it is important to keep in mind that rising condominium values may be offset by increases in construction costs, thereby negating the benefit of increased values on the Project's financial feasibility.

- KMA also analyzed the feasibility of the Project as rental apartments rather than for-sale condominiums. Currently, the highest quality apartment complexes in Downtown command rents on the order of \$3.00 per SF per month. Applying this rental rate to the Base Case would result in a negative developer profit, i.e., the Base Case as a rental development is not feasible today. (This assumes that all other pro forma inputs are held constant, with the exception of the affordable units, which would be rented at 65% of Area Median Income.) KMA estimates that market rents in the range of \$3.75 to \$4.00 per SF per month are required in order to generate an industry standard developer profit. In other words, as Downtown rental rates continue to rise, the Project may become feasible, unless offset by increased construction costs.

III. METHOD OF ANALYSIS

The KMA peer review of the London analysis involved using the KMA financial pro forma template to evaluate the development costs, gross sales proceeds, and estimated developer profit for the six development alternatives under study. As detailed below, KMA reviewed the inputs and assumptions used in the London analysis, as well as cost estimates prepared for the Developer by BCCI Construction Company (BCCI). KMA further compared this information with recent KMA experience with comparable projects and industry standards. Appendix A presents the London feasibility analyses in the KMA pro forma template; Appendix B presents the modified pro formas incorporating the KMA adjustments. A detailed comparison of the London vs. KMA pro forma analyses is discussed below.

- *Table 1 – Project Description* provides the physical description of the Project. KMA relied on data provided by London, the BCCI Cost Report, site plans, and discussions with CivicSD staff to determine the Project's gross building area, Floor Area Ratio, affordability mix, density, and parking count.

The London analysis assumed the need for a total of 20 affordable units (for Base Case and Alternatives #1 through #3) and 24 affordable units (for Alternative #4) to achieve both a density bonus and satisfy the City of San Diego's inclusionary housing requirements. Discussions with the San Diego Housing Commission indicate that the Project would need a

total of 22 affordable units to meet its inclusionary housing obligations. KMA assumed a total of 22 affordable units at 100% Area Median Income (AMI) for all the alternatives, excluding Alternative #5.

- *Table 2 – Development Costs* presents an estimate of the Project's total development costs. KMA reviewed the costs estimated by BCCI and London and finds them to be reasonable given the level of quality anticipated for the Project and the unique aspects of replicating, restoring, and/or retaining historic buildings and theatres.

The London estimate of development costs for Alternative #5 however appears to reflect only the construction cost estimate provided by BCCI. The BCCI estimates do not include any costs for indirects (architecture and engineering, permits and fees, legal and accounting, taxes and insurance, developer fee, market/lease-up, etc.), financing (loan fees, interest during construction, operating lease-up/reserves, etc.), and acquisition. As such, KMA estimates that the development costs for Alternative #5 should be \$57,066,000 vs. the London estimate of \$40,793,000.

- *Table 3 – Net Sales Proceeds and Developer Profit* presents an estimate of the Project's net sales proceeds and developer profit. The following discussion compares the London vs. KMA estimates of net sales proceeds by component.

Table III-1 presents an estimate of market-rate sales proceeds for the Project as estimated by London and KMA.

- *Market-Rate Units* - As shown, the Project's market-rate units are projected to sell for an average of \$682 per SF, or \$751,000 per unit. KMA reviewed recent condominium sales in Downtown between July 2016 to the present, and weighed this information relative to the higher value associated with a new development and the location of the Site. Based on this review, KMA finds the London projected sale prices to be overstated. As such, KMA has reduced the Developer projected market-rate prices to an average \$642 per unit, or \$708,000 per unit.

Table III-1: Sales Proceeds – Market-Rate Units					
Unit Type	Unit Size	London		KMA Adjustments	
		\$/SF	\$/Unit	\$/SF	\$/Unit
One Bedroom	795 SF	\$790	\$628,000	\$700	\$557,000
Two Bedroom	1,250 SF	\$632	\$790,000	\$625	\$781,000
Three Bedroom	1,522 SF	\$627	\$954,000	\$600	\$913,000
Average	1,102 SF	\$682	\$751,000	\$642	\$708,000

- *Affordable Units* - The London and KMA estimates of the maximum affordable sales prices for a household at 100% AMI are presented in Table III-2. London did not provide the assumptions used to determine the affordable sales prices. The KMA estimate was based on the U.S. Department of Housing and Urban Development's (HUD's) 2016 income limits and underwriting parameters provided by the San Diego Housing Commission. As shown, KMA estimates the maximum weighted average affordable sales price is \$200,000, \$57,000 lower than the London analysis.

Table III-2: Affordable Sales Price – 100% Area Median Income			
Unit Type	Unit Size	London	KMA Adjustments
		\$/Unit	\$/Unit
One Bedroom	795 SF	\$236,000	\$188,000
Two Bedroom	1,250 SF	\$263,000	\$206,000
Three Bedroom	1,522 SF	\$294,000	\$217,000
Average	1,100 SF	\$257,000	\$200,000

- *Commercial Component* - Table III-3 provides a summary of the sales proceeds from the Project's commercial components. KMA finds the London estimate of proceeds from the retail component to be reasonable, ranging from \$425 to \$446 per SF. Alternative #5 is the only development alternative with an office component. KMA finds the London estimate of value for Alternative #5's office component to be low. KMA has adjusted this figure upward based on the capitalized value of the office component's net operating income using the following assumptions: monthly rent of \$3.25 per SF, 10% vacancy, expenses of \$10 per SF per year, and a capitalization rate of 7.5%.

Table III-3: Sales Proceeds – Commercial Component – Per SF		
	London	KMA Adjustments
Retail	\$425 - \$446/SF	\$425 - \$446/SF
Office	\$168/SF	\$328/SF
California Theatre	\$0/SF	\$0/SF

As shown above, the London analysis assumed that the restoration and use of the existing California Theatre would not generate any economic value as there is no positive income generated by the theatre. The London analysis indicated that theatre ticket sales and the rental of facilities do not typically cover operating expenses, causing theatres to depend largely upon donations.

KMA concurs with London, based on review of industry trends and experience of comparable theatres in San Diego County. In particular, a recent survey conducted by the Theatres' Communications Group (TCG) of 177 theatres throughout the U.S. The TCG study serves as the annual report on the fiscal state of the U.S. professional not-for-profit theatre field during fiscal year 2014. The TCG study examined attendance, performance, and fiscal health of 177 theatres including the San Diego Repertory Theatre, La Jolla Playhouse, and Old Globe Theatre. The TCG study found that between 2010 and 2014 nearly half operated at levels insufficient to cover all expenses with 52% reporting negative working capital during the same period. As indicated in the TCG report this would suggest that a number of theatres are regularly experiencing cash flow shortages. In other words, the renovated California Theatre is highly unlikely to generate any operating income or cash flow to its owner.

Developer Profit

Table 3, attached, also presents the KMA estimates of the Developer's profit for each alternative, calculated as the difference between total net sales proceeds less development costs. Tables III-4 and III-5, below, provide summary level profit calculations by alternative for London and KMA respectively.

Table III-4 – Developer Profit – London						
	Base Case	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
London						
Net Sales Proceeds	\$201.5 M	\$201.5 M	\$201.5 M	\$201.5 M	\$201.7 M	\$7.0 M
(Less) Development Costs	(\$175.4) M	(\$177.5) M	(\$183.6) M	(\$187.1) M	(\$216.2) M	(\$40.8) M
Developer Profit	\$26.1 M	\$24.0 M	\$17.9 M	\$14.4 M	(\$14.5) M	(\$33.8) M
% of Cost	14.9%	13.5%	9.8%	7.7%	(6.7%)	(82.8%)
% of Value	12.6%	11.6%	8.7%	7.0%	(7.0%)	(1,634%)

Table III-5 – Developer Profit – KMA Adjustments						
	Base Case	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
KMA						
Net Sales Proceeds	\$188.4 M	\$188.4 M	\$188.4 M	\$188.4 M	188.6 M	\$11.7 M
(Less) Development Costs	(\$175.4) M	(\$177.5) M	(\$183.6) M	(\$187.0 M)	(\$216.2) M	(\$57.1) M
Developer Profit	\$13.0 M	\$10.9 M	\$4.8 M	\$1.4 M	(\$27.6) M	(\$45.4) M
% of Cost	7.4%	6.2%	2.6%	0.7%	(12.8%)	(79.5%)
% of Value	6.7%	5.7%	2.5%	0.7%	(14.3%)	(2,194.7%)

IV. LIMITING CONDITIONS

1. KMA has made extensive efforts to confirm the accuracy and timeliness of the information contained in this study. Such information was compiled from a variety of sources deemed to be reliable including state and local government, planning agencies, and other third parties. Although KMA believes all information in this study is correct, it does not guarantee the accuracy of such and assumes no responsibility for inaccuracies in the information provided by third parties.
2. The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured.
3. The analysis, opinions, recommendations, and conclusions of this study are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of

To: Brad Richter, Assistant Vice President - Planning
Subject: 1122 4th Avenue – Peer Review of Economic Alternatives

October 7, 2016

Page 9

the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.

4. The analysis assumes that neither the local nor national economy will experience a major recession. If an unforeseen change occurs in the economy, the conclusions contained herein may no longer be valid.
5. Any estimates of development costs, interest rates, income and/or expense projections are based on the best available project-specific data as well as the experiences of similar projects. They are not intended to be projections of the future for the specific project. No warranty or representation is made that any of the estimates or projections will actually materialize.

attachments

APPENDIX A

**1122 FOURTH AVENUE
PEER REVIEW OF ECONOMIC ALTERNATIVE ANALYSIS**

Developer

TABLE A-1

PROJECT DESCRIPTION
1122 FOURTH AVENUE
CIVIC SAN DIEGO

	Base Case		Alternative 1		Alternative 2	
	Demolish Existing Site New 40 Story Condo Tower With Ground Floor Retail		Base Case, Plus Reconstruction of 4th Ave and C St Façade		Base Case, Plus Demolition of Theater and Renovation of 9 Story Tower	
I. Site Area	25,103 SF	0.58 Acres	25,103 SF	0.58 Acres	25,103 SF	0.58 Acres
II. Gross Building Area						
Net Residential	310,651 SF	79.3%	310,651 SF	79.3%	310,651 SF	79.3%
Retail	10,900 SF	2.8%	10,900 SF	2.8%	10,900 SF	2.8%
Office	0 SF	0.0%	0 SF	0.0%	0 SF	0.0%
California Theater	0 SF	0.0%	0 SF	0.0%	0 SF	0.0%
Common Area/Circulation	70,099 SF (1)	17.9%	70,099 SF (1)	17.9%	70,099 SF (1)	17.9%
Total Gross Building Area Before Parking	391,650 SF	100.0%	391,650 SF	100.0%	391,650 SF	100.0%
Parking	144,000 SF		144,000 SF		144,000 SF	
III. Approximate Floor Area Ratio (FAR)						
Total FAR	15.60		15.60		15.60	
IV. Market-Rate Units	262 Units	92.9%	262 Units	92.9%	262 Units	92.9%
Affordable Units (2)	20 Units	7.1%	20 Units	7.1%	20 Units	7.1%
Number of Units	282 Units	100.0%	282 Units	100.0%	282 Units	100.0%
Average Unit Size	1,102 SF		1,102 SF		1,102 SF	
V. Density	489.3 Units/Acre		489.3 Units/Acre		489.3 Units/Acre	
VI. Number of Stories	40 Stories		40 Stories		40 Stories	
VII. Construction Type	Type I		Type I		Type I	
VIII Parking						
Type	Underground & Podium		Underground & Podium		Underground & Podium	
Spaces	314 Spaces		314 Spaces		314 Spaces	
Ratio	1.11 Spaces/Unit		1.11 Spaces/Unit		1.11 Spaces/Unit	

(1) Imputed by KMA as the difference between net building area (per London Study) and gross building area per site plans (Martinez + Cutri, May 26, 2016).

(2) San Diego Housing Commission indicates the Project would require 22 affordable units to satisfy inclusionary housing obligation.

(3) Includes 25,000 SF of Core & Shell Office SF per BCCI Alternative #4 Cost Report, October 30, 2014; 25,000 SF of office space does not appear in London Study.

(4) Imputed by KMA as the difference between net building area (per London Study) and Alternative #5 gross building area per BCCI Builders Cost Report, September 23, 2014.

TABLE A-1

PROJECT DESCRIPTION
1122 FOURTH AVENUE
CIVIC SAN DIEGO

	Alternative 3		Alternative 4		Alternative 5	
	Base Case, Plus Rehabilitate C St Facade and Renovation of 9 Story Tower		Base Case, Plus Rehabilitate 1st Floor of C St Facade and Renovation of 9 Story Tower, Plus Galleria		Restore Historic Uses Full Renovation of California Theater and 9 Story Tower	
I. Site Area	25,103 SF	0.58 Acres	25,103 SF	0.58 Acres	25,103 SF	0.58 Acres
II. Gross Building Area						
Net Residential	310,651 SF	79.3%	310,923 SF	76.5%	0 SF	0.0%
Retail	10,900 SF	2.8%	10,900 SF	2.7%	4,640 SF	5.7%
Office	0 SF	0.0%	0 SF	0.0%	29,350 SF	36.2%
California Theater	0 SF	0.0%	0 SF	0.0%	47,020 SF ⁽⁴⁾	58.0%
Common Area/Circulation	<u>70,099</u> SF ⁽¹⁾	<u>17.9%</u>	<u>84,827</u> SF ⁽³⁾	<u>20.9%</u>	<u>0</u> SF	<u>0.0%</u>
Total Gross Building Area Before Parking	391,650 SF	100.0%	406,650 SF	100.0%	81,010 SF	100.0%
Parking	144,000 SF		144,000 SF		0 SF	
III. Approximate Floor Area Ratio (FAR)						
Total FAR	15.60		16.20		3.23	
IV. Market-Rate Units	262 Units	92.9%	258 Units	91.5%	0 Units	0.0%
Affordable Units ⁽²⁾	<u>20</u> Units	<u>7.1%</u>	<u>24</u> Units	<u>8.5%</u>	<u>0</u> Units	<u>0.0%</u>
Number of Units	282 Units	100.0%	282 Units	100.0%	0 Units	0.0%
Average Unit Size	1,102 SF		1,103 SF		0 SF	
V. Density	489.3 Units/Acre		489.3 Units/Acre		N/A	
VI. Number of Stories	40 Stories		40 Stories		9 Stories	
VII. Construction Type	Type I		Type I		N/A	
VIII Parking						
Type	Underground & Podium		Underground & Podium		Existing Surface	
Spaces	314 Spaces		314 Spaces		18 Spaces	
Ratio	1.11 Spaces/Unit		1.11 Spaces/Unit		N/A Spaces/Unit	

(1) Imputed by KMA as the difference between net building area (per London Study) and gross building area per site plans (Martinez + Cutri, May 26, 2016).
(2) San Diego Housing Commission indicates the Project would require 22 affordable units to satisfy inclusionary housing obligation.
(3) Includes 25,000 SF of Core & Shell Office SF per BCCI Alternative #4 Cost Report, October 30, 2014; 25,000 SF of office space does not appear in London Study.
(4) Imputed by KMA as the difference between net building area (per London Study) and Alternative #5 gross building area per BCCI Builders Cost Report, September 23, 2014.

TABLE A-2

DEVELOPMENT COSTS
1122 FOURTH AVENUE
CIVIC SAN DIEGO

	Base Case			Alternative 1			Alternative 2		
	Demolish Existing Site New 40 Story Condo Tower with Ground Floor Retail			Base Case, Plus Reconstruction of 4th Ave and C St Façade			Base Case, Plus Demolition of Theater and Renovation of 9 Story Tower		
	<u>Totals</u> <i>(Rounded)</i>	<u>Per Unit</u>	<u>Comments</u>	<u>Totals</u> <i>(Rounded)</i>	<u>Per Unit</u>	<u>Comments</u>	<u>Totals</u> <i>(Rounded)</i>	<u>Per Unit</u>	<u>Comments</u>
I. Direct Costs									
Sitework ⁽¹⁾	\$3,849,000	\$13,600	\$153 /SF Site Area	\$3,849,000	\$13,600	\$153 /SF Site Area	\$6,192,000	\$22,000	\$247 /SF Site Area
Parking	\$13,359,000	\$47,400	\$42,545 /Space	\$13,359,000	\$47,400	\$42,545 /Space	\$13,609,000	\$48,300	\$43,341 /Space
Residential & Common Area	\$112,720,000	\$399,700	\$296 /SF Res. & Comm. Area	\$114,347,000	\$405,500	\$300 /SF Res. & Comm. Area	\$116,616,000	\$413,500	\$306 /SF Res. & Comm. Area
Retail	\$1,396,000	\$5,000	\$128 /SF Retail	\$1,396,000	\$5,000	\$128 /SF Retail	\$1,396,000	\$5,000	\$128 /SF Retail
Retail Tenant Improvements	\$0	\$0	Included above	\$0	\$0	Included above	\$0	\$0	Included above
Office	\$0	\$0	\$0 /SF Office	\$0	\$0	\$0 /SF Office	\$0	\$0	\$0 /SF Office
Office Tenant Improvements	\$0	\$0	\$0 /SF Office	\$0	\$0	\$0 /SF Office	\$0	\$0	\$0 /SF Office
California Theater	\$0	\$0	\$0 /SF Theater	\$0	\$0	\$0 /SF Theater	\$0	\$0	\$0 /SF Theater
Contingency	<u>\$0</u>	<u>\$0</u>	0.0% of Above Directs	<u>\$0</u>	<u>\$0</u>	0.0% of Above Directs	<u>\$0</u>	<u>\$0</u>	0.0% of Above Directs
Total Direct Costs	\$131,324,000	\$465,700	\$335 /SF GBA	\$132,951,000	\$471,500	\$339 /SF GBA	\$137,813,000	\$488,700	\$352 /SF GBA
II. Indirect Costs	\$27,684,000	\$98,200	21.1% of Directs	\$27,974,000	\$99,200	21.0% of Directs	\$28,842,000	\$102,300	20.9% of Directs
III. Financing Costs	\$11,363,000	\$40,300	8.7% of Directs	\$11,496,000	\$40,800	8.6% of Directs	\$11,892,000	\$42,200	8.6% of Directs
IV. Total Development Costs - excluding Land	\$170,371,000	\$604,200	\$435 /SF GBA	\$172,421,000	\$611,400	\$440 /SF GBA	\$178,547,000	\$633,100	\$456 /SF GBA
V. Land Acquisition Costs									
Land Acquisition	\$5,000,000	\$17,700	\$199 /SF Site Area	\$5,000,000	\$17,700	\$199 /SF Site Area	\$5,000,000	\$17,700	\$199 /SF Site Area
Land Closing Costs	<u>\$55,000</u>	<u>\$200</u>	<u>1.1%</u> of Land Acquisition	<u>\$55,000</u>	<u>\$200</u>	<u>1.1%</u> of Land Acquisition	<u>\$55,000</u>	<u>\$200</u>	<u>1.1%</u> of Land Acquisition
Total Land Acquisition Costs	\$5,055,000	\$17,900	\$201 /SF Site Area	\$5,055,000	\$17,900	\$201 /SF Site Area	\$5,055,000	\$17,900	\$201 /SF Site Area
VI. Total Development Costs - with Land	\$175,426,000	\$622,100	\$448 /SF GBA	\$177,476,000	\$629,300	\$453 /SF GBA	\$183,602,000	\$651,100	\$469 /SF GBA

(1) Where applicable includes preserving existing portions of project during demolition, removal of exisiting steel windows in tower, and temporary bracing of 9-story tower, and C-Street façade.

(2) For Alternative #5 assumes the pro rata distribution of general conditons, contractor fee, construction contingency, and market escalation.

(3) Alternative #5 development costs appear to exclude indirect, financing, and land acquisition costs.

TABLE A-2

DEVELOPMENT COSTS
1122 FOURTH AVENUE
CIVIC SAN DIEGO

	Alternative 3			Alternative 4			Alternative 5	
	Base Case, Plus Rehabilitate C St Facade and Renovation of 9 Story Tower			Base Case, Plus Rehabilitate 1st Floor of C St Facade and Renovation of 9 Story Tower, Plus Galleria			Restore Historic Uses Full Renovation of California Theater and 9 Story Tower	
	<u>Totals</u> (Rounded)	<u>Per Unit</u>	<u>Comments</u>	<u>Totals</u> (Rounded)	<u>Per Unit</u>	<u>Comments</u>	<u>Totals</u> ⁽²⁾ (Rounded)	<u>Comments</u>
I. Direct Costs								
Sitework ⁽¹⁾	\$7,512,000	\$26,600	\$299 /SF Site Area	\$4,181,000	\$14,800	\$167 /SF Site Area	\$3,355,000	\$134 /SF Site Area
Parking	\$13,609,000	\$48,300	\$43,341 /Space	\$20,377,000	\$72,300	\$64,895 /Space	\$0	\$0 /Space
Residential & Common Area	\$118,040,000	\$418,600	\$310 /SF Res. & Comm. Area	\$137,737,000	\$488,400	\$348 /SF Res. & Comm. Area	\$0	\$0 /SF Residential
Retail	\$1,396,000	\$5,000	\$128 /SF Retail	\$1,396,000	\$5,000	\$128 /SF Retail	\$0	Included below
Retail Tenant Improvements	\$0	\$0	Included above	\$0	\$0	Included above	\$0	Included below
Office	\$0	\$0	\$0 /SF Office	\$0	\$0	\$0 /SF Office	\$21,322,000	\$627 /SF Office & Retail GBA
Office Tenant Improvements	\$0	\$0	\$0 /SF Office	\$0	\$0	\$0 /SF Office	\$0	Included above
California Theater	\$0	\$0	\$0 /SF Theater	\$0	\$0	\$0 /SF Theater	\$16,115,000	\$343 /SF Theater GBA
Contingency	<u>\$0</u>	<u>\$0</u>	0.0% of Above Directs	<u>\$0</u>	<u>\$0</u>	0.0% of Above Directs	<u>\$0</u>	0.0% of Above Directs
Total Direct Costs	\$140,557,000	\$498,400	\$359 /SF GBA	\$163,691,000	\$580,500	\$403 /SF GBA	\$40,793,000	\$504 /SF GBA
II. Indirect Costs	\$29,332,000	\$104,000	20.9% of Directs	\$33,463,000	\$118,700	20.4% of Directs	\$0 ⁽³⁾	0.0% of Directs
III. Financing Costs	\$12,116,000	\$43,000	8.6% of Directs	\$14,005,000	\$49,700	8.6% of Directs	\$0 ⁽³⁾	0.0% of Directs
IV. Total Development Costs - excluding Land	\$182,005,000	\$645,400	\$465 /SF GBA	\$211,159,000	\$748,800	\$519 /SF GBA	\$40,793,000	\$504 /SF GBA
V. Land Acquisition Costs								
Land Acquisition	\$5,000,000	\$17,700	\$199 /SF Site Area	\$5,000,000	\$17,700	\$199 /SF Site Area	\$0 ⁽³⁾	\$0 /SF Site Area
Land Closing Costs	<u>\$55,000</u>	<u>\$200</u>	<u>1.1%</u> of Land Acquisition	<u>\$55,000</u>	<u>\$200</u>	<u>1.1%</u> of Land Acquisition	<u>\$0</u> ⁽³⁾	0.0% of Land Acquisition
Total Land Acquisition Costs	\$5,055,000	\$17,900	\$201 /SF Site Area	\$5,055,000	\$17,900	\$201 /SF Site Area	\$0	\$0 /SF Site Area
VI. Total Development Costs - with Land	\$187,060,000	\$663,300	\$478 /SF GBA	\$216,214,000	\$766,700	\$532 /SF GBA	\$40,793,000	\$504 /SF GBA

(1) Where applicable includes preserving existing portions of project during demolition, removal of exisiting steel windows in tower, and temporary bracing of 9-story tower, and C-Street façade.

(2) For Alternative #5 assumes the pro rata distribution of general conditons, contractor fee, construction contingency, and market escalation.

(3) Alternative #5 development costs appear to exclude indirect, financing, and land acquisition costs.

TABLE A-3

SALES PROCEEDS AND DEVELOPER PROFIT
1122 FOURTH AVENUE
CIVIC SAN DIEGO

Base Case							Alternative 1					Alternative 2				
Demolish Existing Site New 40 Story Condo Tower With Ground Floor Retail							Base Case, Plus Reconstruction of 4th Ave and C St Façade					Base Case, Plus Demolition of Theater and Renovation of 9 Story Tower				
	Average Unit Size	# of Units	Average Price Per SF	Average Price Per Unit	Gross Sales		Average Unit Size	# of Units	Average Price Per SF	Average Price Per Unit	Gross Sales	Average Unit Size	# of Units	Average Price Per SF	Average Price Per Unit	Gross Sales
I. Sales Proceeds - Market-Rate Units																
One Bedroom	795 SF	117	\$790	\$628,300	\$73,511,000		795 SF	117	\$790	\$628,300	\$73,511,000	795 SF	117	\$790	\$628,300	\$73,511,000
Two Bedroom	1,250 SF	92	\$632	\$790,314	\$72,709,000		1,250 SF	92	\$632	\$790,314	\$72,709,000	1,250 SF	92	\$632	\$790,314	\$72,709,000
Three Bedroom	1,522 SF	53	\$627	\$954,014	\$50,563,000		1,522 SF	53	\$627	\$954,014	\$50,563,000	1,522 SF	53	\$627	\$954,014	\$50,563,000
Subtotal	1,102 SF	262	\$682	\$751,079	\$196,783,000		1,102 SF	262	\$682	\$751,079	\$196,783,000	1,102 SF	262	\$682	\$751,079	\$196,783,000
II. Sales Proceeds - Affordable Units																
One Bedroom @ 100% AMI	795 SF	9	\$297	\$235,884	\$2,123,000		795 SF	9	\$297	\$235,884	\$2,123,000	795 SF	9	\$297	\$235,884	\$2,123,000
Two Bedroom @ 100% AMI	1,250 SF	7	\$210	\$263,079	\$1,842,000		1,250 SF	7	\$210	\$263,079	\$1,842,000	1,250 SF	7	\$210	\$263,079	\$1,842,000
Three Bedroom @ 100% AMI	1,522 SF	4	\$193	\$293,982	\$1,176,000		1,522 SF	4	\$193	\$293,982	\$1,176,000	1,522 SF	4	\$193	\$293,982	\$1,176,000
Subtotal	1,100 SF	20	\$234	\$257,022	\$5,140,000		1,100 SF	20	\$234	\$257,022	\$5,140,000	1,100 SF	20	\$234	\$257,022	\$5,140,000
III. Gross Sales Proceeds	1,102 SF	282	\$650	\$716,039	\$201,923,000		1,102 SF	282	\$650	\$716,039	\$201,923,000	1,102 SF	282	\$650	\$716,039	\$201,923,000
IV. Net Sales Proceeds - Residential - For-Sale																
Gross Sales Proceeds					\$201,923,000						\$201,923,000					\$201,923,000
(Less) Cost of Sale @		2.5% of Gross Sales Proceeds			(\$5,048,000)			2.5% of Gross Sales Proceeds			(\$5,048,000)		2.5% of Gross Sales Proceeds			(\$5,048,000)
Subtotal					\$196,875,000						\$196,875,000					\$196,875,000
V. Commercial Space Proceeds																
Retail Sales Proceeds	10,900 SF		\$425 /SF		\$4,632,500		10,900 SF		\$425 /SF		\$4,632,500	10,900 SF		\$425 /SF		\$4,632,500
Office Sales Proceeds			\$0 /SF		\$0				\$0 /SF		\$0			\$0 /SF		\$0
California Theater Sales Proceeds			\$0 /SF		\$0				\$0 /SF		\$0			\$0 /SF		\$0
Subtotal					\$4,632,500						\$4,632,500					\$4,632,500
VI. Net Sales Proceeds					\$201,508,000						\$201,508,000					\$201,508,000
VII. Developer Profit																
Net Sales Proceeds					\$201,508,000						\$201,508,000					\$201,508,000
(Less) Total Development Cost					(\$175,426,000)						(\$177,476,000)					(\$183,602,000)
Net Profit					\$26,082,000						\$24,032,000					\$17,906,000
% of Cost					14.9%						13.5%					9.8%
% of Value					12.6%						11.6%					8.7%

TABLE A-3

SALES PROCEEDS AND DEVELOPER PROFIT
1122 FOURTH AVENUE
CIVIC SAN DIEGO

Alternative 3						Alternative 4					Alternative 5				
Base Case, Plus Rehabilitate C St Facade and Renovation of 9 Story Tower						Base Case, Plus Rehabilitate 1st Floor of C St Facade and Renovation of 9 Story Tower, Plus Galleria					Restore Historic Uses Full Renovation of California Theater and 9 Story Tower				
	Average Unit Size	# of Units	Average Price Per SF	Average Price Per Unit	Gross Sales	Average Unit Size	# of Units	Average Price Per SF	Average Price Per Unit	Gross Sales	Average Unit Size	# of Units	Average Price Per SF	Average Price Per Unit	Gross Sales
I. Sales Proceeds - Market-Rate Units															
One Bedroom	795 SF	117	\$790	\$628,300	\$73,511,000	795 SF	115	\$798	\$634,730	\$72,994,000	0 SF	0	\$0	\$0	\$0
Two Bedroom	1,250 SF	92	\$632	\$790,314	\$72,709,000	1,250 SF	90	\$639	\$798,403	\$71,856,000	0 SF	0	\$0	\$0	\$0
Three Bedroom	1,522 SF	53	\$627	\$954,014	\$50,563,000	1,522 SF	53	\$633	\$963,778	\$51,080,000	0 SF	0	\$0	\$0	\$0
Subtotal	1,102 SF	262	\$682	\$751,079	\$196,783,000	1,103 SF	258	\$688	\$759,420	\$195,930,000	0 SF	0	\$0	\$0	\$0
II. Sales Proceeds - Affordable Units															
One Bedroom @ 100% AMI	795 SF	9	\$297	\$235,884	\$2,123,000	795 SF	11	\$297	\$235,884	\$2,595,000	0 SF	0	\$0	\$0	\$0
Two Bedroom @ 100% AMI	1,250 SF	7	\$210	\$263,079	\$1,842,000	1,250 SF	8	\$210	\$263,079	\$2,105,000	0 SF	0	\$0	\$0	\$0
Three Bedroom @ 100% AMI	1,522 SF	4	\$193	\$293,982	\$1,176,000	1,522 SF	5	\$193	\$293,982	\$1,470,000	0 SF	0	\$0	\$0	\$0
Subtotal	1,100 SF	20	\$234	\$257,022	\$5,140,000	1,098 SF	24	\$234	\$257,053	\$6,169,000	0 SF	0	\$0	\$0	\$0
III. Gross Sales Proceeds	1,102 SF	282	\$650	\$716,039	\$201,923,000	1,103 SF	282	\$650	\$716,663	\$202,099,000	0 SF	0	\$0	\$0	\$0
IV. Net Sales Proceeds - Residential - For-Sale															
Gross Sales Proceeds					\$201,923,000					\$202,099,000					\$0
(Less) Cost of Sale @		2.5% of Gross Sales Proceeds			<u>(\$5,048,000)</u>		2.5% of Gross Sales Proceeds			<u>(\$5,052,000)</u>		0.0% of Gross Sales Proceeds			<u>\$0</u>
Subtotal					\$196,875,000					\$197,047,000					\$0
V. Commercial Space Proceeds															
Retail Sales Proceeds	10,900 SF		\$425 /SF		\$4,632,500	10,900 SF		\$425 /SF		\$4,632,500	4,640 SF		\$446 /SF		\$2,067,120
Office Sales Proceeds			\$0 /SF		\$0			\$0 /SF		\$0	29,350 SF		\$168 /SF		\$4,944,888
California Theater Sales Proceeds			\$0 /SF		<u>\$0</u>			\$0 /SF		<u>\$0</u>			\$0 /SF		<u>\$0</u>
Subtotal					\$4,632,500					\$4,632,500					\$7,012,008
VI. Net Sales Proceeds					\$201,508,000					\$201,680,000					\$7,012,000
VII. Developer Profit															
Net Sales Proceeds					\$201,508,000					\$201,680,000					\$7,012,000
(Less) Total Development Cost					<u>(\$187,060,000)</u>					<u>(\$216,214,000)</u>					<u>(\$40,793,000)</u>
Net Profit					\$14,448,000					(\$14,534,000)					(\$33,781,000)
% of Cost					7.7%					-6.7%					-82.8%
% of Value					7.0%					-7.0%					-1634.2%

APPENDIX B

**1122 FOURTH AVENUE
PEER REVIEW OF ECONOMIC ALTERNATIVE ANALYSIS**

KMA

TABLE B-1

PROJECT DESCRIPTION
1122 FOURTH AVENUE
CIVIC SAN DIEGO

	Base Case		Alternative 1		Alternative 2	
	Demolish Existing Site New 40 Story Condo Tower With Ground Floor Retail		Base Case, Plus Reconstruction of 4th Ave and C St Façade		Base Case, Plus Demolition of Theater and Renovation of 9 Story Tower	
I. Site Area	25,103 SF	0.58 Acres	25,103 SF	0.58 Acres	25,103 SF	0.58 Acres
II. Gross Building Area						
Net Residential	310,651 SF	79.3%	310,651 SF	79.3%	310,651 SF	79.3%
Retail	10,900 SF	2.8%	10,900 SF	2.8%	10,900 SF	2.8%
Office	0 SF	0.0%	0 SF	0.0%	0 SF	0.0%
California Theater	0 SF	0.0%	0 SF	0.0%	0 SF	0.0%
Common Area/Circulation	<u>70,099</u> SF ⁽¹⁾	<u>17.9%</u>	<u>70,099</u> SF ⁽¹⁾	<u>17.9%</u>	<u>70,099</u> SF ⁽¹⁾	<u>17.9%</u>
Total Gross Building Area Before Parking	391,650 SF	100.0%	391,650 SF	100.0%	391,650 SF	100.0%
Parking	144,000 SF		144,000 SF		144,000 SF	
III. Approximate Floor Area Ratio (FAR)						
Total FAR	15.60		15.60		15.60	
IV. Market-Rate Units	260 Units	92.2%	260 Units	92.2%	260 Units	92.2%
Affordable Units (2)	<u>22 Units</u>	<u>7.8%</u>	<u>22 Units</u>	<u>7.8%</u>	<u>22 Units</u>	<u>7.8%</u>
Number of Units	282 Units	100.0%	282 Units	100.0%	282 Units	100.0%
Average Unit Size	1,102 SF		1,102 SF		1,102 SF	
V. Density	489.3 Units/Acre		489.3 Units/Acre		489.3 Units/Acre	
VI. Number of Stories	40 Stories		40 Stories		40 Stories	
VII. Construction Type	Type I		Type I		Type I	
VIII. Parking						
Type	Underground & Podium		Underground & Podium		Underground & Podium	
Spaces	314 Spaces		314 Spaces		314 Spaces	
Ratio	1.11 Spaces/Unit		1.11 Spaces/Unit		1.11 Spaces/Unit	

(1) Imputed by KMA as the difference between net building area (per London Study) and gross building area per site plans (Martinez + Cutri, May 26, 2016).

(2) San Diego Housing Commission indicates the Project would require 22 affordable units to satisfy inclusionary housing obligation.

(3) Includes 25,000 SF of Core & Shell Office SF per BCCI Alternative #4 Cost Report, October 30, 2014; 25,000 SF of office space does not appear in London Study.

(4) Imputed by KMA as the difference between net building area (per London Study) and Alternative #5 gross building area per BCCI Builders Cost Report, September 23, 2014.

KMA changes to Developer's pro forma appear in bold and italics.

TABLE B-1

PROJECT DESCRIPTION
1122 FOURTH AVENUE
CIVIC SAN DIEGO

	Alternative 3		Alternative 4		Alternative 5	
	Base Case, Plus Rehabilitate C St Facade and Renovation of 9 Story Tower		Base Case, Plus Rehabilitate 1st Floor of C St Facade and Renovation of 9 Story Tower, Plus Galleria		Restore Historic Uses Full Renovation of California Theater and 9 Story Tower	
I. Site Area	25,103 SF	0.58 Acres	25,103 SF	0.58 Acres	25,103 SF	0.58 Acres
II. Gross Building Area						
Net Residential	310,651 SF	79.3%	310,923 SF	76.5%	0 SF	0.0%
Retail	10,900 SF	2.8%	10,900 SF	2.7%	4,640 SF	5.7%
Office	0 SF	0.0%	0 SF	0.0%	29,350 SF	36.2%
California Theater	0 SF	0.0%	0 SF	0.0%	47,020 SF ⁽⁴⁾	58.0%
Common Area/Circulation	<u>70,099</u> SF ⁽¹⁾	<u>17.9%</u>	<u>84,827</u> SF ⁽³⁾	<u>20.9%</u>	<u>0</u> SF	<u>0.0%</u>
Total Gross Building Area Before Parking	391,650 SF	100.0%	406,650 SF	100.0%	81,010 SF	100.0%
Parking	144,000 SF		144,000 SF		0 SF	
III. Approximate Floor Area Ratio (FAR)						
Total FAR	15.60		16.20		3.23	
IV. Market-Rate Units	260 Units	92.2%	260 Units	92.2%	0 Units	0.0%
Affordable Units ⁽²⁾	<u>22</u> Units	<u>7.8%</u>	<u>22</u> Units	<u>7.8%</u>	<u>0</u> Units	<u>0.0%</u>
Number of Units	282 Units	100.0%	282 Units	100.0%	0 Units	0.0%
Average Unit Size	1,102 SF		1,103 SF		0 SF	
V. Density	489.3 Units/Acre		489.3 Units/Acre		N/A	
VI. Number of Stories	40 Stories		40 Stories		9 Stories	
VII. Construction Type	Type I		Type I		N/A	
VIII. Parking						
Type	Underground & Podium		Underground & Podium		Existing Surface	
Spaces	314 Spaces		314 Spaces		18 Spaces	
Ratio	1.11 Spaces/Unit		1.11 Spaces/Unit		NA Spaces/Unit	

(1) Imputed by KMA as the difference between net building area (per London Study) and gross building area per site plans (Martinez + Cutri, May 26, 2016).

(2) San Diego Housing Commission indicates the Project would require 22 affordable units to satisfy inclusionary housing obligation.

(3) Includes 25,000 SF of Core & Shell Office SF per BCCI Alternative #4 Cost Report, October 30, 2014; 25,000 SF of office space does not appear in London Study.

(4) Imputed by KMA as the difference between net building area (per London Study) and Alternative #5 gross building area per BCCI Builders Cost Report, September 23, 2014.

KMA changes to Developer's pro forma appear in bold and italics.

TABLE B-2

DEVELOPMENT COSTS
1122 FOURTH AVENUE
CIVIC SAN DIEGO

Alternative 5
Restore Historic Uses Full Renovation of California Theater and 9 Story Tower

	<u>Totals</u> (Rounded)	<u>Comments</u>
I. Direct Costs ⁽¹⁾		
Sitework ⁽²⁾	\$3,355,192	\$134 /SF Site Area
Parking	\$0	\$0 /Space
Residential & Common Area	\$0	\$0 /SF Residential
Retail	\$0	Included below
Retail Tenant Improvements	\$0	Included below
Office	\$21,322,430	\$627 /SF Office & Retail
Office Tenant Improvements	\$0	Included above
California Theater	\$16,115,189	\$343 /SF Theater
Contingency	<u>\$0</u>	0.0% of Above Directs
Total Direct Costs	\$40,793,000	\$504 /SF GBA
II. Indirect Costs	<i>\$8,159,000</i>	<i>20.0% of Directs</i>
III. Financing Costs	<i>\$3,059,000</i>	<i>7.5% of Directs</i>
IV. Total Development Costs - excluding Land	\$52,011,000	\$642 /SF GBA
V. Land Acquisition Costs		
Land Acquisition	<i>\$5,000,000</i>	<i>\$199 /SF Site Area</i>
Land Closing Costs	<i><u>\$55,000</u></i>	<i><u>1.1%</u> of Land Acquisition</i>
Total Land Acquisition Costs	\$5,055,000	<i>\$201 /SF Site Area</i>
VI. Total Development Costs - with Land	\$57,066,000	\$704 /SF GBA

(1) Assumes the pro rata distribution of general conditions, contractor fee, construction contingency, and market escalation.

(2) Includes demolition.

KMA changes to Developer's pro forma appear in bold and italics.

TABLE B-3

SALES PROCEEDS AND DEVELOPER PROFIT
1122 FOURTH AVENUE
CIVIC SAN DIEGO

Base Case						Alternative 1					Alternative 2				
Demolish Existing Site New 40 Story Condo Tower With Ground Floor Retail						Base Case, Plus Reconstruction of 4th Ave and C St Façade					Base Case, Plus Demolition of Theater and Renovation of 9 Story Tower				
	Average Unit Size	# of Units	Average Price Per SF	Average Price Per Unit	Gross Sales	Average Unit Size	# of Units	Average Price Per SF	Average Price Per Unit	Gross Sales	Average Unit Size	# of Units	Average Price Per SF	Average Price Per Unit	Gross Sales
I. Sales Proceeds - Market-Rate Units															
One Bedroom	795 SF	116	\$700	\$557,000	\$64,612,000	795 SF	116	\$700	\$557,000	\$64,612,000	795 SF	116	\$700	\$557,000	\$64,612,000
Two Bedroom	1,250 SF	91	\$625	\$781,250	\$71,094,000	1,250 SF	91	\$625	\$781,250	\$71,094,000	1,250 SF	91	\$625	\$781,250	\$71,094,000
Three Bedroom	1,522 SF	53	\$600	\$913,200	\$48,400,000	1,522 SF	53	\$600	\$913,200	\$48,400,000	1,522 SF	53	\$600	\$913,200	\$48,400,000
Subtotal	1,102 SF	260	\$642	\$708,098	\$184,105,000	1,102 SF	260	\$642	\$708,098	\$184,105,000	1,102 SF	260	\$642	\$708,098	\$184,105,000
II. Sales Proceeds - Affordable Units															
One Bedroom @ 100% AMI	795 SF	10	\$236	\$188,000	\$1,880,000	795 SF	10	\$236	\$188,000	\$1,880,000	795 SF	10	\$236	\$188,000	\$1,880,000
Two Bedroom @ 100% AMI	1,250 SF	8	\$165	\$206,000	\$1,648,000	1,250 SF	8	\$165	\$206,000	\$1,648,000	1,250 SF	8	\$165	\$206,000	\$1,648,000
Three Bedroom @ 100% AMI	1,522 SF	4	\$143	\$217,000	\$868,000	1,522 SF	4	\$143	\$217,000	\$868,000	1,522 SF	4	\$143	\$217,000	\$868,000
Subtotal	1,093 SF	22	\$183	\$199,818	\$4,396,000	1,093 SF	22	\$183	\$199,818	\$4,396,000	1,093 SF	22	\$183	\$199,818	\$4,396,000
III. Gross Sales Proceeds	1,102 SF	282	\$607	\$668,443	\$188,501,000	1,102 SF	282	\$607	\$668,443	\$188,501,000	1,102 SF	282	\$607	\$668,443	\$188,501,000
IV. Net Sales Proceeds - Residential - For-Sale															
Gross Sales Proceeds					\$188,501,000					\$188,501,000					\$188,501,000
(Less) Cost of Sale @		2.5% of Gross Sales Proceeds			<u>(\$4,713,000)</u>		2.5% of Gross Sales Proceeds			<u>(\$4,713,000)</u>		2.5% of Gross Sales Proceeds			<u>(\$4,713,000)</u>
Subtotal					\$183,788,000					\$183,788,000					\$183,788,000
V. Commercial Space Proceeds															
Retail Sales Proceeds	10,900 SF		\$425 /SF		\$4,632,500	10,900 SF		\$425 /SF		\$4,632,500	10,900 SF		\$425 /SF		\$4,632,500
Office Sales Proceeds			\$0 /SF		\$0			\$0 /SF		\$0			\$0 /SF		\$0
California Theater Sales Proceeds			\$0 /SF		<u>\$0</u>			\$0 /SF		<u>\$0</u>			\$0 /SF		<u>\$0</u>
Subtotal					\$4,632,500					\$4,632,500					\$4,632,500
VI. Net Sales Proceeds					\$188,421,000					\$188,421,000					\$188,421,000
VII. Developer Profit															
Net Sales Proceeds					\$188,421,000					\$188,421,000					\$188,421,000
(Less) Total Development Cost					<u>(\$175,426,000)</u>					<u>(\$177,476,000)</u>					<u>(\$183,602,000)</u>
Net Profit					\$12,995,000					\$10,945,000					\$4,819,000
% of Cost					7.4%					6.2%					2.6%
% of Value					6.9%					5.7%					2.5%

KMA changes to Developer's pro forma appear in bold and italics.

TABLE B-3

SALES PROCEEDS AND DEVELOPER PROFIT
1122 FOURTH AVENUE
CIVIC SAN DIEGO

Alternative 3						Alternative 4					Alternative 5				
Base Case, Plus Rehabilitate C St Facade and Renovation of 9 Story Tower						Base Case, Plus Rehabilitate 1st Floor of C St Facade and Renovation of 9 Story Tower, Plus Galleria					Restore Historic Uses Full Renovation of California Theater and 9 Story Tower				
	Average Unit Size	# of Units	Average Price Per SF	Average Price Per Unit	Gross Sales	Average Unit Size	# of Units	Average Price Per SF	Average Price Per Unit	Gross Sales	Average Unit Size	# of Units	Average Price Per SF	Average Price Per Unit	Gross Sales
I. Sales Proceeds - Market-Rate Units															
One Bedroom	795 SF	116	\$700	\$557,000	\$64,612,000	795 SF	116	\$700	\$557,000	\$64,612,000	0 SF	0	\$0	\$0	\$0
Two Bedroom	1,250 SF	91	\$625	\$781,250	\$71,094,000	1,250 SF	91	\$625	\$781,250	\$71,094,000	0 SF	0	\$0	\$0	\$0
Three Bedroom	1,522 SF	53	\$600	\$913,200	\$48,400,000	1,522 SF	53	\$600	\$913,200	\$48,400,000	0 SF	0	\$0	\$0	\$0
Subtotal	1,102 SF	260	\$642	\$708,098	\$184,105,000	1,102 SF	260	\$642	\$708,098	\$184,105,000	0 SF	0	\$0	\$0	\$0
II. Sales Proceeds - Affordable Units															
One Bedroom @ 100% AMI	795 SF	10	\$236	\$188,000	\$1,880,000	795 SF	10	\$236	\$188,000	\$1,880,000	0 SF	0	\$0	\$0	\$0
Two Bedroom @ 100% AMI	1,250 SF	8	\$165	\$206,000	\$1,648,000	1,250 SF	8	\$165	\$206,000	\$1,648,000	0 SF	0	\$0	\$0	\$0
Three Bedroom @ 100% AMI	1,522 SF	4	\$143	\$217,000	\$868,000	1,522 SF	5	\$143	\$217,000	\$1,085,000	0 SF	0	\$0	\$0	\$0
Subtotal	1,093 SF	22	\$183	\$199,818	\$4,396,000	1,111 SF	23	\$180	\$200,565	\$4,613,000	0 SF	0	\$0	\$0	\$0
III. Gross Sales Proceeds	1,102 SF	282	\$607	\$668,443	\$188,501,000	1,103 SF	283	\$604	\$666,848	\$188,718,000	0 SF	0	\$0	\$0	\$0
IV. Net Sales Proceeds - Residential - For-Sale															
Gross Sales Proceeds					\$188,501,000					\$188,718,000					\$0
(Less) Cost of Sale @		2.5% of Gross Sales Proceeds			<u>(\$4,713,000)</u>		2.5% of Gross Sales Proceeds			<u>(\$4,718,000)</u>		0.0% of Gross Sales Proceeds			<u>\$0</u>
Subtotal					\$183,788,000					\$184,000,000					\$0
V. Commercial Space Proceeds															
Retail Sales Proceeds	10,900 SF		\$425 /SF		\$4,632,500	10,900 SF		\$425 /SF		\$4,632,500	4,640 SF		\$446 /SF		\$2,067,120
Office Sales Proceeds			\$0 /SF		\$0			\$0 /SF		\$0	29,350 SF		\$328 /SF		\$9,632,000
California Theater Sales Proceeds			\$0 /SF		<u>\$0</u>			\$0 /SF		<u>\$0</u>			\$0 /SF		<u>\$0</u>
Subtotal					\$4,632,500					\$4,632,500					\$11,699,120
VI. Net Sales Proceeds					\$188,421,000					\$188,633,000					\$11,699,000
VII. Developer Profit															
Net Sales Proceeds					\$188,421,000					\$188,633,000					\$11,699,000
(Less) Total Development Cost					<u>(\$187,060,000)</u>					<u>(\$216,214,000)</u>					<u>(\$57,066,000)</u>
Net Profit					\$1,361,000					(\$27,581,000)					(\$45,367,000)
% of Cost					0.7%					-12.8%					-79.5%
% of Value					0.7%					-14.3%					-2194.7%

KMA changes to Developer's pro forma appear in bold and italics.

9

HISTORIC PRESERVATION

Downtown's historical attributes, reflecting 150 years of evolution, contribute greatly to its complexity and sense of place. The fine collection of memorialized buildings—such as the El Cortez, County Administration Building, U.S. Grant Hotel, and concentration in the Gaslamp Historic District—help to convey downtown's historicity. Just as important are enduring representations of the public realm such as streets, sidewalks, parks, and neighborhood centers. This chapter of the Community Plan establishes the strategy for meaningful preservation of historic resources as part of downtown's continued growth and development.

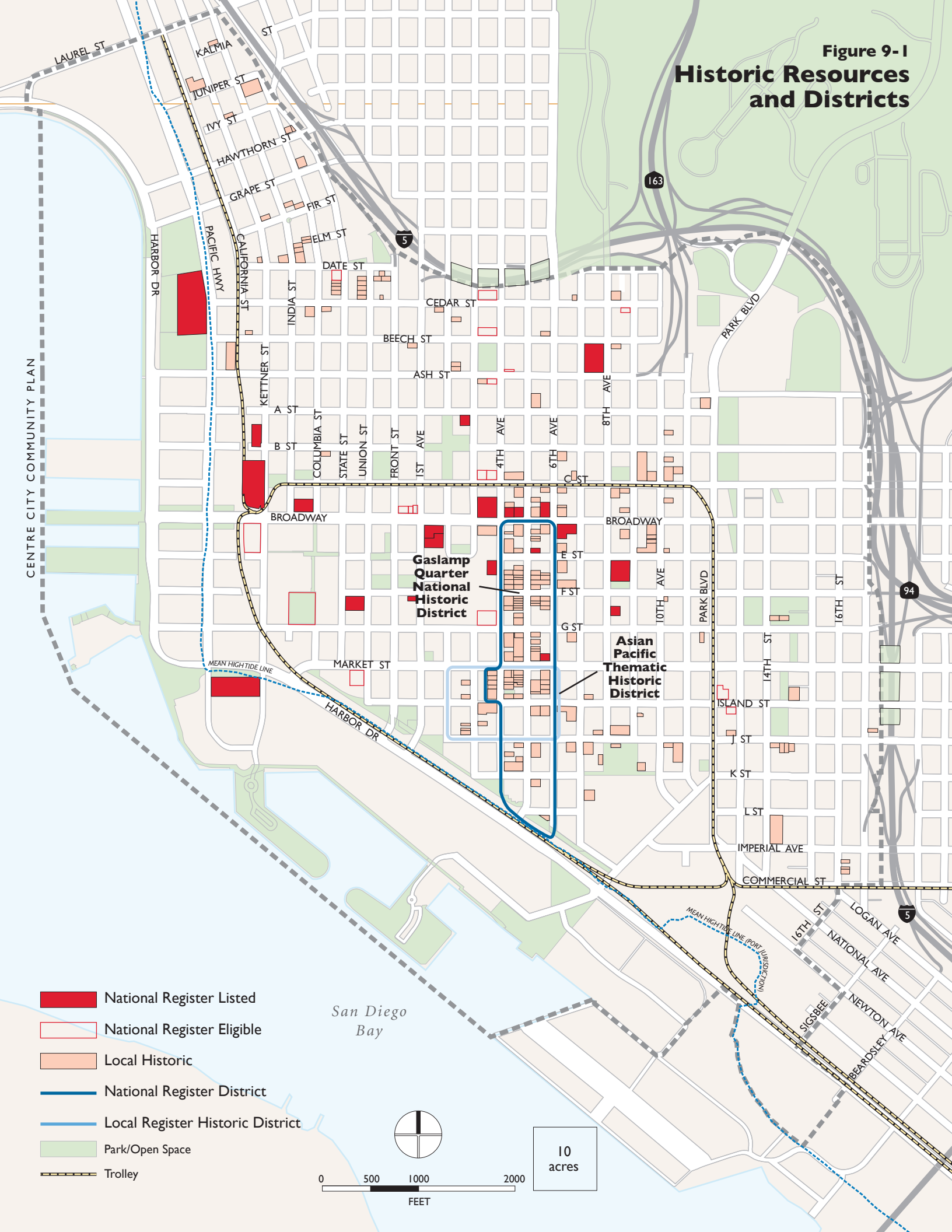
Historic buildings and districts downtown are identified under a well-defined, three-tiered system. Based on their classification, appropriate development incentives and regulations are applied. The National Register of Historic Places—representing the highest level of designation, and marking resources contributing to the nation's history—bestows the greatest protection. Listing on the California Register of Historic Resources also establishes substantial protections in recognition of the contributions

to state heritage. The San Diego Register of Historical Resources includes properties and districts deemed to have contributed significantly to regional history and culture. A variety of building types reflecting downtown's heritage are designated at the national and local levels – from the hotels, civic buildings, theaters, and commercial establishments representative of downtown's early roots as the city's center, to the warehouses associated with waterfront activity. State listings are limited to two markers and two historic vessels docked at the waterfront.

Some of the most exciting opportunities and challenges in downtown San Diego involve integrating pieces of the past into the future, while facilitating the dynamics of an evolving, contemporary high-intensity center. The Community Plan's direction for historic preservation is premised on maintaining National Register sites as downtown anchors, integrating buildings and districts of state and local historic significance into the downtown fabric, and looking at historical precedents for fostering connections with Balboa Park and the surroundings.



Figure 9-1 Historic Resources and Districts





9.1 HISTORIC CONSERVATION

The strategy for conserving downtown historic qualities largely relies on the established process through National Register, California Register, and Local Register designations of individual properties and districts. Each designation is associated with preservation goals and development restrictions. The designated properties downtown are shown in Figure 9-1. Table 9-1 summarizes the preservation goals associated with the designations. The responsibility for designating Local Register sites and districts belongs to the City's Historical Resources Board, while the federal Department of Interior and State Office of Historic Preservation respectively designate National Register and California Register sites and districts.

Table 9-1: Historic Designations and Preservation Goals

Designation	Preservation Goal
National Register of Historic Places – Listed	Retention on-site; any improvements, renovation, rehabilitation, and/or adaptive reuse should facilitate preservation, consistent with the <i>Secretary of the Interior's Standards for the Treatment of Historic Properties and Guidelines for Preserving, Rehabilitating, Restoring, and Reconstructing Historic Buildings</i> . Historical resources contributing to a National Register District have the same protection status as individually-listed resources.
National Register of Historic Places – Eligible	Evaluate and encourage listing in the National Register through the State Office of Historic Preservation or the National Park Service. Resources determined eligible by either agency shall have the same protection status as individually-listed resources in the National Register. If not listed in, or not determined eligible for listing in the National Register, determine eligibility for listing in the San Diego Register and, if designated, provide San Diego Register protections.
California Register of Historical Resources – Listed	Retention on-site; any improvements, renovation, rehabilitation, or adaptive reuse should facilitate preservation. Resources contributing to a California Register District have the same protection status as individually-listed resources. Resources listed on the National Register of Historic Places or determined to be eligible for listing in the National Register are automatically listed in the California Register of Historical Resources.
California Register of Historical Resources – Eligible	Evaluate and encourage listing in the California Register through the State Office of Historic Preservation. Historical resources determined eligible for listing have the same protection status as individually-listed resources in the California Register. Retention on-site; any improvements, renovation, rehabilitation, or adaptive reuse shall be consistent with the <i>Secretary of the Interior's Standards for the Treatment of Historic Properties and Guidelines for Preserving, Rehabilitating, Restoring, and Reconstructing Historic Buildings</i> .
San Diego Register of Historical Resources – Listed	Whenever possible, retain resource on-site. Partial retention, relocation or demolition of a resource shall only be permitted through applicable City procedures. Resources contributing to a San Diego Register District have the same protection status as individually-listed resources.
Potential Designation to San Diego Register of Historical Resources	The Land Development Code and Planned District Ordinances require review and processing for potential designations for resources over forty-five years of age, including those listed on applicable surveys



Historic sites—such as the National Register listed El Cortez (top), Santa Fe Depot (middle), and County Administration Center (above)—impart our region's heritage and downtown's evolution as well as contribute to the richness of the environment.



Downtown San Diego is characterized by diversity in neighborhoods and business districts as well as people and culture. Celebrating the unique contributions of movements and places—and preserving the living history—is in part accomplished by designated geographic and thematic districts (see Figure 9-1).

There are two existing historic districts:

- **Gaslamp Quarter District:** Encompasses the historic entertainment district centered on Fifth Avenue that extends from Broadway south to Harbor Drive near its historic waterfront terminus (now the Convention Center). As part of a National Register District, the buildings designated as contributing to the historical significance of the Gaslamp Quarter have protected status. As a geographically-based district, new infill developments must follow tightly defined design standards to create a consistent fabric of historicity.
- **Asian Pacific Thematic District:** Marks the contributions and architecture of early Asian businesses and residents, and is listed on the San Diego Register of Historical Resources. Structures contributing to the district are subject to preservation goals per the San Diego Register provisions, as well as development regulations per the San Diego Municipal Code. Diversity in infill structures is allowed in accordance with those goals and regulations. A Master Plan for the Asian Pacific Thematic Historic District was adopted by the Redevelopment Agency in 1995 and remains a valuable source of historic information on the area.

Two additional thematic districts are currently under study for San Diego Register designations: the Warehouse District in downtown's southeastern quadrant and the African-American District south of Broadway. If designated for listing on the San Diego Register, these districts will accommodate flexible integration of new development.



Downtown's designated historic districts—the Gaslamp Quarter (top and middle) and Asian Thematic District (above)—commemorate and protect important vestiges of historic development, commerce, and culture while at the same time providing unique and popular environments for modern pursuits.

Goals: Historical Conservation

- 9.1-G-1** Protect historic resources to communicate downtown's heritage.
- 9.1-G-2** Encourage the rehabilitation and reuse of historical resources.
- 9.1-G-3** Allow development adjacent to historical resources respectful of context and heritage, while permitting contemporary design solutions that do not adversely affect historical resources.

Policies: Historical Conservation

- 9.1-P-1** Maintain review procedures for projects potentially affecting resources listed in, or eligible for listing in the National Register, State Register, or San Diego Register either individually or as contributors to historic districts.
- 9.1-P-2** Offer incentives to encourage rehabilitation and reuse of historical resources, including transfer of development rights, floor area bonuses and exceptions to parking requirements.



9.1-P-3 Assist in the rehabilitation of historic properties through five on-going programs:

- Rehabilitation loans and grants,
- Low- and moderate-income housing loans and grants,
- Off-site improvements,
- Façade improvements, and
- Grants and funds.

9.1-P-4 Encourage the retention of historical resources on-site with new development. If retention of a historical resource on-site is found to be infeasible under appropriate City review procedures, the potential relocation of the historical resource to another location within downtown shall be explored, and if feasible, adopted as a condition of a site development permit.

9.2 INTEGRATING HERITAGE IN DOWNTOWN'S FUTURE

Downtown continues on a path of major transformation. Considerable strides have been made in designating, preserving, and restoring historic assets. Additional historical resources preserved through rehabilitation and/or re-use will contribute to the future downtown environment. The preservation, rehabilitation, restoration, reconstruction, and retention of designated historical resources, and their incorporation into new development projects, whether in whole or in part, is strongly encouraged. However, some loss of properties listed on the San Diego Register may inevitably occur to accommodate growth and population goals. The relocation or demolition of designated historical resources shall only be permitted when alternatives are not feasible, and adequate mitigation is provided.



A wide variety of exemplary historic building re-use and restoration projects exist downtown, including the Pannikin Building with ground-floor retail and upper floor office (left) and the Balboa Theatre restoration accommodating return of its original use (right).



Several properties in the eastern portion of downtown are under study for eligibility for San Diego Register listings. Since this is the last district to experience major redevelopment, a number of older buildings still exist, including warehouses, commercial structures and modest “worker cottages.”

Downtown’s historical integrity will be preserved with a combination of rehabilitated buildings, historic districts, portions of older buildings integrated in new projects (like warehouses in East Village), emphasis on downtown’s historic public realm, and on-going architectural and cultural history interpretive programs.

The places where public life takes place—the streets laid out in a grid system, sidewalks, parks, plazas, and Neighborhood Centers—are part of the historic armature. The historic platting of small block sizes and the connections to surrounding neighborhoods and Balboa Park are also important. The organization and character of these components makes downtown different from other places in the City, and convey downtown’s unique development history. As downtown evolves and new neighborhoods come to life, the historic public realm will be strengthened. Reinforcing these components is addressed in *Chapter 3: Land Use and Housing*; *Chapter 4: Parks, Open Space, and Recreation*; *Chapter 5: Urban Design*; *Chapter 6: Neighborhoods*; *Chapter 7: Transportation*; and *Chapter 10: Arts and Culture*.

Another aspect of the historic conservation strategy is to continue interpretive programs, particularly those related to the historic districts. Such programs should target San Diegans as well as tourists who seek travel experiences enriched with cultural pursuits and ethnic connections. The goal should be to communicate downtown’s evolving physical and cultural development, and to convey the factors that are attributed to change and growth.



Integration of distinguishing features of noteworthy historic buildings into new development allows for achievement of redevelopment and population goals while retaining important ties to downtown’s roots, as illustrated in the incorporation of a historic warehouse in Petco Park (top) and a landmark corner in new residential development (middle). The Community Plan gives historic open space, such as Pantoja Park in Marina (featured above), and the original street grid platting with small blocks special emphasis as public realm, an essential component of downtown’s historicity.



Goals: Integrating Heritage in Downtown's Future

- 9.2-G-1** Integrate historical resources into the downtown fabric while achieving policies for significant development and population intensification.
- 9.2-G-2** Preserve and enhance downtown's historic public realm in redevelopment planning.
- 9.2-G-3** Keep history alive through interpretive programs.

Policies: Integrating Heritage in Downtown's Future

- 9.2-P-1** Incorporate elements of historical buildings in new projects to impart heritage.
- 9.2-P-2** Partner with business, community, cultural, and historic organizations associated with designated historical resources to prepare and implement interpretive programs, such as walking and audio tours or a "story pole," permanent displays and signage, informational pamphlets, banners, and special events celebrating downtown's history.
- 9.2-P-3** Promote the adaptive re-use of intact buildings (designated or not) and/or significant elements, as a cultural and sustainability goal.
- 9.2-P-4** Encourage the historic interpretation of various cultural resources as they are established over time, including but not limited to Asian-Pacific, African American, warehouse buildings, etc.



December 7, 2016

Sent Electronically

Mr. Aaron Hollister, Senior Planner/Project Manager
CIVIC SAN DIEGO
401 B Street, Suite 400
San Diego, CA 92101

RE: 4th and C: 1122 FOURTH AVENUE
California Theater Site

Subj: **Before and After Description of Design Modifications**

Dear Mr. Hollister:

Indicated below were the remaining design issues, items 1 to 7, which are based on Civic San Diego's Staff Report of October 28, 2016.

Please recall, since our design presentation to the Real Estate Committee on November 2, 2016, two meetings with Civic staff have taken place: (1) On November 8, 2016 with Messrs. Jarrett, Richter and Hollister; and (2) on November 30, 2016 with Messrs. Richter and Hollister. At the conclusion of the last meeting, both civic staff (Richter and Hollister) and the design representatives (Messrs. Bartell and Martinez, and Ms. Burke-Lia) were in concurrence that all design issues have been completely resolved and acceptable. In Particular:

1. Replication of Old Historic California Theater Office Tower Façade

Satisfied with replication of the two facades, Fourth Avenue and C Street; specifically, the technical documents will be based on the drawings provided by Heritage Architecture. In addition the construction system will be EIFS (Exterior Insulation Finish System) in order to better match the color, texture and details of the existing building.

Previously, the two old facades were to be clad in porcelain ceramic tile, mechanically fastened, with a honed finish.

2. Northeast corner of podium along Fourth Avenue: Provide more street level interest and minimize alcove in front of Venue Space

The alcove has been reduced to 3'-0" from 10'-0", thus minimizing the potential for any nuisances to occur in this recessed space. Also, a large picture window (6 ft. by 6 ft.) had been added to the storefront thereby projecting onto the street interior activities of the Venue Space.

Previously, the outdoor alcove was intended for pre-function activities associated with the Venue Space. Also, the storefront was divided into three equally spaced window panes.

3. Northern Blank Podium Wall

The wall has been re-designed to include decorative trees (form-liner) on the concrete wall along the base, while above, vertical, inset stripes (form-liner) have been introduced to provide visual interest. Note: the same design is now on the adjacent, perpendicular wall facing west. Also, the North podium wall will be “framed/outlined” in porcelain ceramic tile to compliment the west façade along Third Avenue.

Previously, the concrete surfaces on the northern podium walls contained 2-inch wide reveals in a vertically oriented layout. The concrete surfaces were painted.

4. Composition of upper 20% of tower

The re-design now provides a shade structure at the southwest corner of the roof terrace. Measuring 30 feet by 30 feet, the open shade feature is nearly symmetrical in width to the roof edge of the Club Room at the southeast corner. The shade structure offers a more cohesive character to the overall building composition.

In addition, on the south elevation, west side, additional balconies (levels 29, 31, 33, and 35) have been added. This inclusion provides compositional rhythm to the façade and serves as a transition to the top of the tower. Also, on the south elevation at level 38, a “Juliet Balcony” has been introduced to add more grace to the composition.

Previously, the façade was intended to “look like a stage curtain in a theater with three draw-strings (balconies)”. As such, this rendered the south façade to feel “solid and plain”.

5. Exposed Concrete Core

This surface, north façade of tower, has been re-designed by covering most of the core wall with spandrel glass; the glass color and pattern will match the façade below. In addition, signage (“The Overture”) has been added to the upper portion and will be set into the exposed concrete core. The sign’s letters are 5-feet high and will comply with the City’s Signage Standards.

Previously, the concrete core’s surface featured a dual laser beam venue on a computerized program. Again, the lasers have been eliminated from the project.

6. Total number of glazing Colors (five colors)

As was presented to the Real Estate Committee, the color glass intensity has been reduced by nearly 60% and now blends more harmoniously with each other.

Previously, the colored glazing, most pronounced at the southeast corner of the tower, was intended to draw a sharp contrast to the otherwise brown and beige towers in and around this part of downtown.

7. Tower Lighting

As was presented to the Real Estate Committee, slab-lighting on the south façade, eastern portion of tower, will celebrate this important intersection as well as activate the C Street Corridor. The lighting is a computer programmed system.

Previously, a zig-zag dual laser beam was featured on the south façade; the lighting was a computer programmed system.

8. Window Detail and Automobile Lights in Parking Garage

An architectural sectional detail has been provided which is based on the drawings provide by Heritage Architecture for the Old Building. Detail "A" illustrates an L-metal attached to a concrete bulkhead which will block the headlights of parked automobiles.

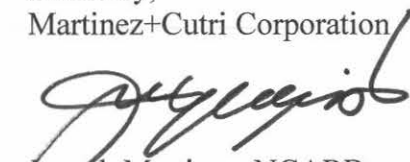
Previously, spandrel glass was intended to block the headlights of automobiles.

Finally, concerning the small façade, north side, along Fourth Avenue:

The perforated metal screen, horizontally stripped light brown/dark brown, and shielding above grade parking floors has been replaced with an all glass façade containing operable windows. However, it was mutually agreed to present to Civic San Diego Board the perforated metal screen as an option.

Per our last meeting, the "before/after" description needs to be in your hands by December 14th, while the Booklet (sent electronically) needs to be transmitted to Nicole Pare by January 3-5, 2017; please let me know if any of this has changed and confirm receipt of this letter.

Sincerely,
Martinez+Cutri Corporation



Joseph Martinez, NCARB
Principal Architect

cc. Jim Bartell, Marie Burke-Lia