

# Agenda Report

**TO:** CITY COUNCIL

**DATE:** MARCH 26, 2001

**FROM:** CITY MANAGER

**SUBJECT:** CALL FOR REVIEW OF VARIANCE #11319, THE RAYMOND THEATER AT 121-129 NORTH RAYMOND AVENUE

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## **CITY MANAGER'S RECOMMENDATION:**

It is recommend that the City Council overturn the decision of the Board of Zoning Appeals and,

- 1) Certify the revised final environmental impact report for the Raymond Theater;
- 2) Adopt Findings of Fact and the Statement of Overriding Considerations as contained in Attachment A;
- 3) Adopt a mitigation monitoring program as contained in Attachment B, adopt a de minimus finding as required by California Fish and Game Code 711.4(d)(1) and Title 14, California Code of Regulations Section 735.5(a)(3); and
- 4) Adopt the variance findings contained in Attachment C, adopt the conditions of approval contained in Attachment D and approve the proposed variances.

## **EXECUTIVE SUMMARY:**

In order to approve this project, the City Council must certify the Environmental Impact Report (EIR) and adopt the Statement of Overriding Considerations and findings. By certifying the EIR, the Council is determining that the EIR is adequate and that there are no feasible alternatives to the proposed project that would reduce the impacts on the theater.

The significant issue that has been before the Zoning Hearing Officer (ZHO) and the Board of Zoning Appeals (BZA) has been the adequacy of the EIR and in particular the adequacy of the Economic Viability Study performed by the consultant Economic Research Associates. At both previous hearing, the public has raised issues with the viability study as well as other issues. The issues included: 1) assumptions made on potential ticket pricing; 2) theater operations and cost coverage prospects if higher ticket revenues are obtained; 3) number of potential shows or events; 4) high cost of land and property of Raymond Theater; 5) restoration costs, 6) the potential for filming revenue and corporate sponsorship; and the possibility of using the State's Mills Act.

At the Council meeting of February 5, 2001, Council called for review the BZA decision and instructed staff to obtain an "as is" real estate appraisal of the market value of the Raymond Theatre property prior to their March 26<sup>th</sup> hearing. The property was appraised "as is", given its historical status and current zoning constraints.

## **BACKGROUND:**

### *Project Description*

The Raymond Theater is a three-story steel-framed and poured-in-place concrete building with a terra cotta and brick front façade. The interior of the theater consists of three major public spaces: the ground floor foyer, the mezzanine foyer and lounge, and the auditorium. While the interior of the theater has seen some alterations over the years, most of the interior of the theater remains intact and is an integral component of the architectural significance of the structure. Some of the remaining features include: distinctive curving ramps to the mezzanine, interior fountains, delicate painted plaster on walls and ceilings, an early asbestos curtain, and other neoclassical design elements.

This proposal is the conversion of the historic Raymond Theater building to a commercial/residential mixed-use project and development of the adjacent parking lot with residences to be integrated with the theater building. Buchanan/Perkins Ltd. is the project applicant. The original proposal included a multilevel parking garage within the theater auditorium space. However, the proposal was changed. The new proposal, although environmentally superior, requires a statement of overriding consideration as it would have significant environmental impacts to the Raymond Theater. The revised project as presented by Gene Buchanan at the December 20, 2000, Board of Zoning Appeals hearing changed the proposed project in several ways. The number of units remained the same. The most significant change was the removal of the proposed multilevel parking garage within the auditorium of the theater. Some parking was relocated to the addition on the south where a level of parking is located on the second floor. Additionally, parking will be underground beneath the theater and located below the proposed addition to the south. The total parking count has been reduced. The previous project had 168 spaces where the revised project has 156 parking spaces.

Twelve residential units will be located within the fly loft and stage area of the theater. While the decorative arch over the stage will remain, a wall will be constructed that will separate the stage from the auditorium. The balcony of the auditorium will be converted to commercial (office or retail) space and two level floors constructed. The first floor lobby will be altered by the removal of the ramps that flank the entry. Portions of the back wall of the lobby will be removed in order to provide a larger entry into the auditorium. The floor of the auditorium will be leveled so that it is about the same height as the lobby floor. Measured from the lowest point in the theater, the floor will be about 5 feet higher. The proposed plan will allow for a variety of commercial tenants to use the auditorium space including possibly using the space for a theater. Most likely, the space will be used for retail sales.

The proposed project will leave the walls and ceiling of the auditorium from the balcony to the stage intact. The applicant plans to restore the theater's Raymond Avenue façade, to the extent possible, to its original 1921 appearance. The front portion of the stage will remain, including the decorative arch around the stage.

### *Environmental Review Process*

The Raymond Theater is a contributing building to the Old Pasadena National Register Historic District. This district consists of approximately 175 buildings that were listed on the National Register of Historic Places in 1983. The district is significant because it is the largest and best collection of downtown buildings within Pasadena and is one of the finest remaining examples of a late 19<sup>th</sup> Century and early 20<sup>th</sup> Century downtown districts in Southern California.

Because of the potential impacts on the interior of the theater, an EIR has been required as part of the project's review. The EIR analyzed the significant environmental impacts associated this project. As part of the EIR process, the City held a scoping session on January 28, 2000 to

elicit comments on the scope of the EIR. The Draft EIR was made available for public comment 45 days. This review period ran from April 25, 2000 to June 8, 2000. On May 17, 2000, the City held a hearing and took comments on the Draft EIR. The response to these comments are included in the Final EIR (FEIR).

The EIR concluded that the project has an unavoidable significant impact on the historic resource because of the demolition of the interior of the theater. It also concluded that there were other potentially significant impacts that could be mitigated. The impacts that could be mitigated were: conformance with development regulations and design guidelines, and new construction within a historic district. Mitigation measures that require compliance with applicable regulations, as interpreted and applied by responsible City hearing bodies, will reduce such impacts to a less-than significant level. There were impacts considered by the EIR and found not to have a significant impact. These impacts included: land use compatibility, traffic on the local and regional circulation systems, transit service, pedestrian movement, and parking.

The City has the authority under CEQA to approve a project even though the project would cause significant effect on the environment if it makes a fully informed and publicly disclosed decision that: 1) there is no feasible way to lessen or avoid the significant effect, and 2) specifically identified expected benefits from the project outweigh the policy of reducing or avoiding significant environmental impacts of the project. This is called adopting a *Statement of Overriding Considerations*. Because of the unmitigated impacts, the City as the decision-maker would have to adopt such a statement in order to approve this project.

The EIR also considered if there were alternatives to the proposed project. It considered the following options: 1) no project (it is required to consider this alternative), 2) theater restoration and reuse, 3) nightclub, 4) cultural or institutional use, and 5) health club. The EIR concluded that alternatives 2, 3, 4, and 5 represent alternatives that are capable of avoiding a significant impact on the historic structure while still having the possibility of making the building usable.

Staff held a public hearing on the Final EIR and the proposed variances on June 28, 2000. At that time staff had recommended denial of the project because the information at that time suggested that there were feasible alternatives to the applicant's proposal. Before conducting the hearing, but after publication of the Final EIR, the City made the determination that a technical economic viability analysis of project alternatives would provide additional information for consideration by decision-making bodies. The intent of this study was to determine the viability of the alternatives. The City continued the hearing and undertook preparation of a study which was completed in August of 2000.

The City determined that the information contained in the economic viability analysis constituted significant new information not considered in the Final EIR and that the EIR required revision and recirculation. In August of 2000, the City recirculated those sections of the EIR in which new information was added. These recirculated sections were the Executive Summary, the discussion of the Project Alternatives, and the Responses to Comments on the Draft EIR, and a complete copy of the economic viability study.

Following circulation of the Revised Final EIR for comments on the new information, the City prepared responses to comments received on the recirculated sections of the EIR. A Revised Final EIR dated November 3, 2000, was prepared incorporating the responses to comments and all changes made to previously circulated EIR documents.

After publication of the EIR, the City retained a consultant to evaluate the economic feasibility of the four alternatives outlined in the EIR for the Raymond Theater. None of the options were found to be economically viable.

## **ANALYSIS:**

The following is an analysis of the issues that were raised at both hearings. These issues are: 1) assumptions made on potential ticket pricing; 2) theater operations and cost coverage prospects if higher ticket revenues are obtained; 3) number of potential shows or events; 4) high cost of land and property of Raymond Theater; 5) restoration costs, 6) the potential for filming revenue and corporate sponsorship; and the possibility of using the State's Mills Act. The consultant, Economic Research Associates (ERA), prepared an addendum to its initial economic viability report that addressed the first three issues. The issue of the land and property value has been included in the appraisal. The remaining issues are addressed by staff.

### *Theater Economic Viability*

The following is a summary of ERA addendum as contained in Attachment F. ERA in its previous report of August 9, 2000 had assumed individual ticket prices of \$18. In the addendum it assumed individual ticket price of \$45. ERA has increased the major event base rent and revised the revenue upward. This has resulted in a doubling of the potential theater revenues from \$630,500, to more than \$1.2 million in annual gross revenues. This has been accomplished by increasing the base rent for non-major events, revenue for setup and take down days, and the number of location filming shoots at the Raymond. ERA has included additional revenue from the sales of alcohol and fees for community arts organizations and for business conferences.

In the initial viability study, ERA assumed 120 major event days, 3 days of filming, 30 days of community use and 15 days of business/convention use for a total of 168 days of use. In the revised addendum, ERA continued to assume 120 major event days, but increased filming to 12 days, community use to 60 days and 30 days for a business/convention use for a total of 222 days of use

These projections roughly double the prior estimate made by ERA. The total operating costs have also been adjusted upwards to account for the additional time spent by personnel. With the net revenue adjusted upwards, the theater will have a net revenue of about \$300,000 but an annual debt service of roughly \$1.26 million. Thus, annual expenses exceed costs by about \$900,000 per year.

If the \$300,000 in net revenue were converted to a calculation of the debt load able to be supported by the annual net revenue, the value is approximately \$2.6 million. This is significantly less than the costs of property acquisition and property improvement so that the theater can be positioned and presented as an effective competitor for commercial shows.

The report highlights a number of other issues as they relate to theater uses that could significantly affect the ability of any theater to operate. It notes that the consolidation of presenters and promoters limits the capability of larger theaters and venues that are competitively seeking to attract live performances. Additionally, the study points out that the rise of amphitheaters has dramatically increased competition because five major venues can consistently offer year round programming capturing significant portions of the evolving marketplace. There are a significant number of competitors in the Los Angeles market besides commercial show presentation including civic, private and public universities and other publicly owned venues. These facilities are seeking to enhance their revenues.

### *Restoration Costs*

The architectural consultant, Thirtieth Street Architects, specializes in the restoration of historic structures and has directly applicable knowledge and experience relevant to theater reuse

options. The cost estimates for the various alternatives were based upon the consultant's experience in the field and an on-site assessment of the Raymond Theater.

Substantial work is required on all building systems to ensure a safe building for the occupancy proposed (see A Summary of Restoration Costs contained in Attachment G). The cost for seismic improvements, at \$12 per square foot for a total of \$452,256, is based on observations made by Thirtieth Street Architects. Life/safety costs, at \$5.25 per square foot for a total of \$179,750, includes costs to install sprinklers, fire alarms, and exit lights. Mechanical and plumbing work would cost \$10 and \$4 per square foot, for a total of \$376,880 and \$150,752, respectively. The seismic, life/safety, and utility improvements, which total approximately 45% of the estimated renovation costs, must be made for the building to operate safely for theater occupancy.

With regard to stage lighting and rigging, the architect assumed \$90 per square foot, for a total estimate of \$298,350, which includes smoke evacuation systems. The cost of new seats and restoring balcony seats is estimated at \$466,676 (12.3% of total renovation costs). Thus, necessary life/safety, mechanical/plumbing, lighting costs, and seating costs – the minimum necessary improvements required to make the theater operational as a theater – account for 65% of estimated renovation costs. These costs do not include demolition to prepare the structure for rehabilitation, which would add another 1.5 percent of total costs. Nor do these costs include “soft costs” such as a contingency allocation, architectural and engineering services, and permitting costs.

With regard to interior finishes and façade restoration, the estimates are conservative but market based and assume that quality, comprehensive restoration work would be required for the Raymond Theater to be competitive with similar historic venues (e.g., the Pantages). As shown in Table A, costs to restore the architectural shell would be expected to be about \$30 per square foot, for a total of \$1,130,640 without contingency or other costs, or about 30 percent of the total. These costs, although conservative, represent real costs expected to ensure that the Raymond Theater could compete with other venues. Restoration of the theater facade is an important City objective. These costs would be expected to total \$155,250, or about four percent of the total costs expected.

If, for example, these costs could be reduced by \$1,000,000 by organizing free labor and/or materials, deferring some work to a future date, or by other means, the owner would still have difficulty meeting debt service obligations, as indicated in the prior discussion.

#### *Recent History of Theater Events*

Staff has looked at the past historical use of the theater, including the frequency of shows and the amount of gross receipts for the theater. One of the assumptions that the City's consultant made in the analysis of the Raymond Theater as a commercial theater venue was that the Raymond Theater might attract up to 120 use and event days per year in its early years of operation, if restored and reused.

The applicant provided a letter from Marc Perkins detailing the number of concerts held at the Raymond Theater for the period of 1980 to 1985.

These are summarized in the following Table:

<b>Year</b>	<b>Total Shows</b>
1980	16
1981	69
1982	67
1983	56
1984	16
1985	0
Total	224
Average	37

This shows that the Raymond Theater held 224 concerts in a 6-year period or averaged 37 concerts per year during this period. The information from Marc Perkins shows that the Raymond Theater averaged between three and five concerts a month.

Using Marc Perkins information as an indicator of the number of events that the theater would attract in today's market, then the number of events would have to triple. Even if one looks at the year (1981) with the highest number of event days (69), this number is well short of 120 or 115 event days. The economic viability report concluded that even with 120 concerts,

"When the potential expenses of operations are compared to the potential revenues, the theater may optimistically approach cost coverage before liability for debt service and owner equity are added, the prospects fail. It will still need a band of "angels" to cover costs and experience significant patience before capital facilities debt and owner equity can be met."

The consultant further looked at the possibility of increasing the number of event days from 120 days to 180 days but this would not be enough to meet all of the capital costs debt service and equity requirement needs.

It should be noted that the revenue derived from the period when Marc Perkins ran the theater is not know. However, the applicant has provided staff with the revenue for the period between 1986 and 1999. This shows that the theater had a total gross income of \$209,537 or an average of \$14,964 per year. If one were to focus on the period of 1986 through 1994 (which are the years when the theater was primarily in use), the average does increase to about \$24,061.

The property taxes alone ranged from approximately \$18,000 from 1986-1999 up to the current tax rate of approximately \$24,000 for 2000-01. This does not pay for other fixed costs such as liability and fire insurance, the utilities, the alarm systems, regular maintenance, and business licenses, etc.

The recent past history is an indicator of what is the demand for events, then even the consultant's assumption of 120 events a year may be too high. The consultant assumed this number not only given the economic changes that have occurred over the past ten years but also because to determine a reasonable base in which to evaluate the viability of the a theater use.

#### *Filming Revenue*

The Zoning Hearing Officer believed that the economic viability report underestimated the filming revenue. Currently, the Zoning Code allows a maximum of 15 days of filming per calendar quarter for commercial properties (this amounts to 60 days over a year) for the

Raymond Theater.

The Civic Auditorium, which is the most frequently, filmed theater in Pasadena, averages 12 filming days a year, minus filming that is part of its award events. The rental fee charged varies with the extent of the use. The Civic Auditorium reported that theaters in Los Angeles County charge in the general range of \$6,000 to \$12,000 per film day. It is customary to charge half the filming day rate for preparation and set removal days.

The ability of a restored Raymond Theater to attract filming would vary on a number of issues for example, their event calendar. Filming is a business that has tight scheduling. Filming locations are identified in a matter of days. Long-term planning for film locations is not the normal procedure. A theater use would have a set schedule that may not allow for large amounts of filming particularly if there are theater events occurring over 100 days a year.

If there were an assumption of 5 days of filming a year at \$9,000 a day (\$9,000 is the average between \$6,000 and \$12,000), this would result in \$45,000 in revenue from filming. If one assumes that the Raymond Theater would generate as much as 12 days of filming a year similar to the Civic Auditorium, then the revenue generated would be about \$108,000 a year.

#### *Corporate Sponsorship*

There are two kinds of corporate sponsorships; one is for the facility while the other is for programs. The highest level of support involves naming rights for the facility. There also may be fundraising program involving numerous corporate or private donors and recognized on a "donor wall."

A sponsor may elect to provide sponsorship for a performing arts, or performance programs. Typically the sponsor will select the programs that it will sponsor. The highest level of corporate and donor support for program seasons for a community venue was at the Santa Barbara Bowl, and in its highest revenue year collected about \$300,000.

The dependence upon corporate donations, private funding, and gifts from businesses, trusts and other entities should be a minimal part of the business plan for funding both the restoration of an existing historic facility, or for the development of an all-new property unless the prospectus clearly identifies the sustained quality of the venue and of the programming.

#### *Mills Act*

The Mills Act, through state-enabling legislation, allows jurisdictions in California to reduce property taxes on historic resources by assessing them at a different rate than conventional property. Thusfar, Pasadena has not executed any Mills Act contracts, though a proposal maybe presented to the City Council later this year for the rehabilitation of the Royal Laundry complex on S. Raymond Avenue into commercial offices and retail space.

It was determined that the Mills Act is unlikely to produce substantial tax savings to the owners of the Raymond Theater. Based on an assessed property value of \$3.5 million and the revenue projections in the SIER, it was estimated annual tax savings in the range of \$26,000 to \$38,000.

#### **Variance Requests**

The variances requested are: (1) tandem parking; (2) a setback of 5 feet from the Raymond Avenue property line (consistent with the Raymond Theater); (3) 65 feet in height and six stories; and (4) a higher percentage of compact parking spaces than allowed by the zoning code.

Although the Raymond Theater is not within the Civic Center Specific Plan, the vacant lot is within the plan area. The Civic Center Specific Plan states, "In order to promote housing development in the Civic Center, a flexible attitude must be maintained. In some locations, allowable densities and building heights should be increased and parking requirements modified to reflect shared use of office parking spaces." (Page 130) This document anticipated the problems that are associated with the development of urban housing in the downtown and encourages flexibility in using the development standards for housing. This project has requested such flexibility.

It is staff's recommendation that the findings for these variances be made. Regarding the front setback, the Zoning Code requires that no setback be permitted in this block. The front setback variance is a request to match the five-foot setback of the existing Raymond Theater. Both the Raymond Theater and the Armory Center for the Arts, directly to the north, are set back from the street. These buildings were constructed before the current code requirements. The issue is one of design compatibility, and in order to get a new building that is consistent with the design of the existing Raymond Theater, the setback variance has been requested.

The issue of height is one in which the applicant is trying to locate units and parking formally proposed to be located within the theater (and thus destroying that space) to the new building south of the theater. The height variance request is to allow a 65-foot maximum height rather than a 45-foot height. It should be noted that while the Civic Center Specific Plan calls for a 45-foot height limit, the Zoning Code allows for a 60 foot height limit for residential buildings and 56-foot height limit for commercial buildings. In this case, the specific plan overrules the Zoning Code requirements. The applicant's request is similar to transferring the development rights from within the theater to the vacant parcel on the south. The City has a procedure for transfer of development rights, but in this case it would not be applicable given the small size of the site. Thus in order to preserve a portion of the theater auditorium, staff is recommending the approval of the height variance. The building to the south will be only a few feet higher than the front façade of the Raymond Theater, thus it will not be out of scale or overwhelm the theater building.

An additional request is to have six floors on the new building while the Zoning Code permits four stories for non-residential buildings. Because the new building is a mixed-use structure, it is limited to four stories. Staff has previously applied the commercial development standards to mixed-use projects in order to ensure designs that are compatible with the urban architectural forms of the City's downtown. The Zoning Code did not fully anticipate mixed-use projects and thus there are no development standards for such uses.

The code allows for more than a four-story building when the project is residential, and this building is predominately residential having only ground floor commercial space of 2,089 square feet. The proposed building on the parking lot is essentially a residential building with a small amount of retail space, thus approving this variance would still be meeting the intent of the zoning code provisions, that is to allow a greater number of stories for residential projects. Also, the additional floors are needed to accommodate parking which was removed from the interior of the auditorium to this lot. Even with the applicant providing parking spaces underneath the theater, it is necessary to place a floor of parking above the ground floor.

The applicant has applied for a variance for tandem parking. The project site will have a 157 parking spaces of which 39 spaces will be tandem. The applicant is providing parking even though it is not required by the Zoning Code. For any tandem parking, the Zoning Code requires a variance. Through the variance process, the City has allowed for tandem parking for excess parking.



There is a request to have a higher compact ratio because the applicant wishes to provide as much parking on the site as possible and not have a significant parking impact on surrounding land uses. The site is constrained by the ability of the applicant to provide parking on the vacant lot that is 72 feet by 180 feet while the remainder of the site is covered by the theater.

**Parking**

The Zoning Code requires that residential units over 550 square feet have 1.5 covered spaces per unit while units that are 550 square feet and under are required 1 covered space per unit. The project will have 61 units of which 20 units will be 550 square feet or less. Thus the total number of parking spaces needed for the residences is 82 spaces. Of these 82 spaces, the code allows 40 percent to be compact; thus 33 spaces can be compact. The applicant will be meeting the code requirement for parking for the residential units.

The new building will add 2,089 square feet of retail space at the corner of Holly Street and North Raymond Avenue and approximately 12,250 square feet of retail space within the first floor of the auditorium. The balcony will be subdivided into two floors. The upper floors, along with the mezzanine, will be approximately 12,200 square feet. It is anticipated that these floors will be used for office space.

The parking needs for the retail space are 36 spaces. The parking for the office use would be 37 spaces. The combined office/retail parking needs would be 73 spaces. Added to the 82 needed for the residential component, the project would need 155 parking spaces. The project is providing 157 spaces.

The Zoning Code does not require the conversion of a building to a less intense use to meet the current parking requirements of the zoning code. Only if a use that is more intense (in terms of parking) does the code require the parking to be brought up to code. Regardless of this, the applicant has sought to lessen the nonconforming parking situation by providing parking.

**General Plan Consistency:**

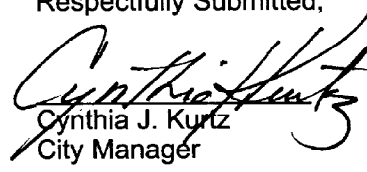
The General Plan contains seven Guiding Principles, each of which include a number of objectives and policies. These provide the policy framework for reviewing this project. This project is consistent with the policies and objectives in the General Plan. Additionally, staff has reviewed the Civic Center Specific Plan and had determined that the project is consistent with that document. Consistency with the General Plan and Civic Center Specific Plan have been included in Attachment H.

**Fiscal Impact:**

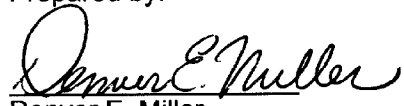
It is anticipated that the approval of this variance application will provide the following fees to the City:

- Plan check fees of \$116,430
- Permit and construction tax fees of \$259,955
- Commercial impact fee of \$68,750
- Residential impact fee of \$46,116
- Initial mitigation monitoring fee \$5,000

Respectfully Submitted,

  
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