

**1. Supplemental Report of Econsult Solutions, Inc.**

Jonathan E. Farnham, Ph.D.  
Executive Director  
Philadelphia Historical Commission  
Room 576, City Hall  
Philadelphia, PA 19107

**Re:** 1910 Chestnut Street, Philadelphia, Pennsylvania

January 9, 2014

Dear Dr. Farnham,

As a follow up to the December 6th meeting between you, Real Estate Strategies, Inc. (RES), and Econsult Solutions, Inc. (ESI), we have prepared this supplemental letter report to provide information about topics raised at the meeting.

### **Alternative Uses**

Our Report dated September 25, 2013 ("September Report") specifically analyzed three scenarios for adaptive reuse of the Boyd Theater: 1) A live performance theater for Broadway style shows, 2) A live performance theater for music, comedy, and other shows, 3) a single screen movie theater. These uses were chosen because they are all uses to which the Boyd could potentially be reasonably adapted. The September Report also mentions that the Boyd is a highly specialized structure and would not be suited for residential or office use. Other uses were considered but not specifically analyzed or mentioned.

Based on feedback from interviews and other research, we have prepared additional analyses regarding the potential adaptive reuse of the Boyd for retail and for use as a combination restaurant / movie theater. We have also addressed other items from our December 6<sup>th</sup> conversation.

### **1 Information about the Boyd**

The Boyd, as currently configured, is approximately 29,000 square feet. Please see Table 1.

**Table 1: Square Footage of Boyd**

Location	Area (SF)
Lobby	2,723
Auditorium	11,318
Stage	3,572
Total Ground Level	17,613
Balcony	7,454
Balcony Lobby	3,990
Total Balcony Level	11,444
Total	29,057

The total ground floor space, assuming all of it is leasable, is 17,613 square feet. The balcony and balcony lobby together are 11,444 square feet. The floors of both the auditorium and the balcony are sloped, the balcony steeply.

## **2 Retail**

### *General Requirements*

Retailers prefer corners to mid block locations because corners are more easily accessible – from two directions instead of one. Retailers also prefer a strong street presence, with dedicated frontage, so shoppers can easily identify the store and enter easily. In addition, retailers require loading and storage space.

Retailers generally require their space to have level floors, ample ceiling heights, and minimal internal obstructions. Ground floor space is more valuable than other floors, grade changes at the entrances or interior need to be minimal, and there should not be a significant number of steps up or down from the front door to the ground floor. Many larger format retailers require wide column spans (some interior columns are okay, but generally only if they are support columns). The walls typically do not need special treatment and in general should not detract from the merchandise.

### *Boyd Compared to Retail Requirements*

The Boyd is not on a corner and the frontage on Chestnut Street is narrow and deep. This inferior configuration diminishes the rental potential. The Boyd's current interior configuration is not acceptable to retailers because of the sloping floors in the auditorium and balcony. The auditorium floor would need to be leveled. While the footprint of the building may be large enough to create several levels, the resulting configuration would not work for retailers, due to logistical reasons for merchandizing, and a less conducive browsing environment for consumers.

Many large format tenants require ceiling heights of 19 ft and higher. Consequently, the ceiling height may be too low near the vicinity of the balcony. The second level lobby is inferior space for retail because it is difficult to access. Some of these problems may be fixable. For example, it is possible to level the ground floor by removing the currently sloping auditorium floor.

#### *Rehabilitation Costs and Rent Needed*

Rehabilitating the Boyd for retail space would require many of the same investments needed for other uses. All systems need to be replaced and the building envelope stabilized. The interior needs to be repaired as well. It is estimated that rehabilitation construction costs for retail purposes would be approximately \$19.7 million, which implies a total development budget of approximately \$30.2 million.<sup>1</sup> Please see Intech estimate in Exhibit A. The rehabilitation converts the Boyd to a "vanilla" box, and includes a level auditorium floor, but does not include rehabilitation of the interior historic elements. These costs must be recovered to justify converting the Boyd to retail use.

It is standard practice to use capitalization rates (cap rates) to determine the Net Operating Income (NOI) needed to justify investment.<sup>2</sup> Cap rates for Class A retail space in Center City Philadelphia were approximately 5.75 to 6.25 percent in February 2013. We note that the renovated Boyd would not be Class A space for the reasons discussed, and that interest rates and thus cap rates have risen since that time. National cap rates for retail were approximately 9.1 percent in the third quarter of 2013. Accordingly, we use a cap rate of 7.0 percent for the Boyd, so an expenditure of \$1,000,000 would require a \$70,000 annual NOI to be justified.<sup>3</sup> The cost of converting the Boyd to retail use is \$30.2 million so the required NOI is approximately \$2.1 million per year. It is not clear whether any of the renovation costs would be eligible for historic tax credits. We have assumed that work on the exterior façade, estimated to be \$1.5 to \$2.0 million, is eligible, and is worth approximately \$0.4 million in Federal Historic Tax Credits. The tax credit slightly reduces the net cost of renovation to \$29.8 million, which would still require an NOI of approximately \$2.1 million.

As indicated in Table 1, there are 17,613 square feet on the ground floor and 11,444 square feet on the balcony level, or 29,057 square feet in all. Not all of this space is usable retail space. The Auditorium could be used if leveled out, and the stage and balcony lobby are usable. The lobby is not good space for a retailer occupying the entire building because it is located near the entrance and hence could contribute to "shrinkage," and would be on a different level from the main selling space.<sup>4</sup> The balcony itself is not usable. Assuming the lobby rents for half what the auditorium rents for, and the balcony lobby rents for 80 percent of what the auditorium rents for, the auditorium must rent for \$108 per square foot (an average of \$97.21 after discounting the lobby and balcony lobby spaces) to generate \$2.1 million in NOI annually. Please see Table 2. This rental rate is net of all building expenses.

---

<sup>1</sup> The construction cost is \$19.7 million, to which we add 20% soft costs, or \$3.9 million, and \$6.6 million in appraised value for the property, for a total of \$30.2 million.

<sup>2</sup> The NOI is operating revenue less operating expenses and does not include financing costs.

<sup>3</sup> Cap Rate Survey, CBRE, February 2013, pg. 26

<sup>4</sup> "Shrinkage" refers to the loss of inventory, principally through theft.

**Table 2: Rent Needed to Justify Construction as Retail Space**

Location	Usable Area (SF)	Rent Discount	Rent	Income
Lobby	2,723	50%	\$54.00	\$147,049
Auditorium	11,318	0%	\$108.01	\$1,222,403
Stage	3,572	0%	\$108.01	\$385,795
Total Ground Level	17,613			\$1,755,247
Balcony	0	100%	\$0.00	\$0
Balcony Lobby	3,990	20%	\$86.40	\$344,753
Total Balcony Level	3,990			\$344,753
Total	21,603		\$97.21	\$2,100,000

*Types of Retailers*

Because the Boyd space is large and interior to the block, there are not many retailers who would find it attractive. Most retailers require significantly less square footage than what the Boyd has to offer. The types of retailers who use 15,000 to 25,000 square feet of space include pharmacies, home goods stores, some clothing stores, discount stores, and art supply stores. Many of the retailers that would consider this size space are not interested in a Center City location. For example, Michaels, an art supply store, prefers a high concentration of families and schools, and typically looks to suburban locations or edge markets near suburbs. Retailers that take space as large as the Boyd are accustomed to paying \$17 to \$45 per square foot.<sup>5</sup> Further, many retailers who are interested in a Center City location would prefer a location near the core of the city, and are not interested in any location west of 18<sup>th</sup> Street.

*Attainable Rents*

For retail markets west of Broad, the most valuable street is Walnut Street between Broad and 18<sup>th</sup> Streets. Streets to the west of 18<sup>th</sup> and north of Walnut command lower retail rents.<sup>6</sup> Rent information for spaces south of Market and west of Broad is shown in Table 3.

<sup>5</sup> Stores will occasionally pay more for space they value highly and strongly desire. Also, some stores that will pay more are not looking right now, or would not find the Boyd's layout acceptable.

<sup>6</sup> Information on achieved rent is difficult to come by, as there is no central source for this information. Therefore, information on rents comes from a variety of sources, such as interviews with brokers or tenants, newspaper articles, and similar one by one sources.

**Table 3 : Rental Information for Retail Space in Center City**

Address	Rents (\$/SF)	SF	Tenant or Asking Rent
1734 Chestnut	125	1,054	Campers Shoes
1736 Chestnut	140	1,200	Allen Edmonds
23 S 19th	60	2,000	Asking rent
114 South 19th	26	2,270	NNN, asking rent, 3% procurement fee
1508 Chestnut	45	2,400	Asking rent
1516 Chestnut	45	3,465	Asking rent
1821 Chestnut	40	3,500	Asking rent
1601 Market	90	5,315	Asking rent, new space
1529 Chestnut	40	6,088	Asking rent
1811 Chestnut	27	8,500	Asking rent
1524-26 Chestnut	50	16,703	NNN, Tin Roof Restaurant, Liberty Travel
1435 Walnut	58	24,032	NNN, LA Fitness
1700 Chestnut	50	40,000	NNN, Nordstrom Rack
111 S. 15th	20	3,700	Modified gross, asking rent
1528 Chestnut	22	17,518	Modells (SF for entire building)

*\*NNN is "net net net", meaning the tenant is responsible for all costs (i.e. net of property taxes, building insurance, maintenance and repairs)*

Rents in this area vary from \$22 per square foot to \$140 per square foot. The two highest rents are for small stores with very high sales per square foot on a high-income block next to a prominent food retailer (DiBruno Brothers). Rents for spaces within one block of the Boyd vary from \$26 to not more than \$60. The space near the Boyd renting for \$60 refers to asking rent, and actual achieved rent will not be greater than \$60, but could be significantly less than \$60. Further, the space asking \$60 is 1,000 or 2,000 square feet just south of Market on 19th, and has a large sign. The space that will house the 40,000 square foot Nordstrom Rack store at 1700 Chestnut (formerly occupied by Bonwit Teller's and later Daffy's) leased for an average \$50 per square foot (\$2 million NNN for 40,000 square feet). The location of that space is superior to that of the Boyd, is on a street corner, was designed for retail, and has multiple retail display windows. The Boyd would command significantly less in rent. The totality of information on market comparables indicates that rent for the Boyd space would likely be \$30 to \$40 per square foot.

#### *Other Items*

**Limelight** – One example of a renovation from a historic open space to retail use is the Limelight Marketplace in New York, at 20<sup>th</sup> Street and 6<sup>th</sup> Avenue in Manhattan. The Limelight Marketplace is not an appropriate comparison because New York City retail in general is a very different marketplace than Philadelphia retail. Retail rents can exceed \$1,000 per square foot in Manhattan, several times the highest retail rent in Philadelphia.

**Retail Consultant** – Our retail analysis has been informed by consultation with retail expert Catherine Timko, Principal of the Riddle Company. A memo from Ms. Timko with information relevant to the Boyd retail analysis is contained in Exhibit B.

**Operating Costs** – The construction costs assume that the balcony stays in place and that the ceiling is not closed off. If the ceiling is not closed off, heating and cooling costs would be significantly affected. The selling space would become much more difficult to keep at an

appropriate temperature, and utility costs would increase significantly. Any increase in utility costs from normal costs would come at the expense of rents.<sup>7</sup> Alternatively, utility costs could be reduced to normal costs if a ceiling were installed at balcony level, cutting off the existing ceiling. This option would require an increase in development costs.

Fit Out – The analysis assumes no provision for tenant fit out. If the Boyd were required to offer tenant fit out credits or reduced rent for early years, the effective rent for the Boyd's owners would decrease.

#### *Summary*

The rent needed to reactivate the Boyd is approximately \$100 per square foot. Stores that would find the Boyd's size appealing are willing to pay, in general, less than \$45 per square foot. Moreover, rents for retail space on Chestnut Street and others near the Boyd indicate that the owners could expect rents in the range of \$30 to \$40 -- and perhaps less. Thus, achievable rents are significantly lower than what is needed to rehabilitate the Boyd into retail space.

### **3 Restaurant / Movie Theater**

#### *Scenario Definition*

The restaurant / movie theater scenario would place a high-end restaurant on the auditorium level and enclose the balcony for a movie theater on the second level. The auditorium floor would be leveled, and the auditorium would receive a full historic renovation. This scenario offers two revenue streams.

The amount of renovation required to transform the Boyd into a restaurant is significantly more expensive than that which a restaurant would normally face. In addition to leveling the floor, extensive electrical and ventilation work is required. Construction costs are estimated to be \$32.2 million, and total development costs would be \$45.2 million.<sup>8</sup> Please see Intech estimate in Exhibit C. Assuming the developer will receive both the Federal and State Historic Tax Credit, the remaining uncovered cost to the developer totals \$39.4 million. Note that this construction cost is for a restaurant of approximately 7,500 square feet. If the full auditorium and stage were used for restaurant space, the cost would be greater.

The cap rate for restaurants is 11.8 percent and the cap rate for movie theaters is approximately 10.0 percent.<sup>9</sup> The cap rate for the combined project is a composite of these two rates. Thus, the net construction cost requires an annual NOI of between \$3.9 million and \$4.6 million to make the project viable. Please see Table 4.

---

<sup>7</sup> Sophisticated retailers care about bottom line cost of occupancy, which includes rent, utilities, taxes, maintenance, and other location specific expenses. If one of these costs increases, another cost must decrease to balance the cost of occupancy.

<sup>8</sup> Assumes \$32.2 in construction cost, \$6.4 in soft costs, and \$6.6 in appraised value for the property

<sup>9</sup> Restaurants: RealtyRates.com Investor Survey – 4<sup>th</sup> Quarter 2013, "Current and Historic Cap Rate indices." Movie Theater: This is the same cap rate as in our September Report, and is based on observed theater transactions.

**Table 4: Rent Needed to Justify Construction as Restaurant / Movie Space**

Rehabilitation/Construction Costs	\$45.2	
- Less Historic Tax Credits	\$5.8	
Net Construction Cost	\$39.4	
	Restaurant	Theater
Cap Rate	11.8%	10.0%
Required Income	\$4.6	\$3.9

**Restaurant Rental Revenues**

There are few spaces as large as the Boyd that would be listed as leasable for restaurant use. Within Philadelphia, leasable restaurant space is commonly a few thousand square feet. Smaller spaces with prime location demand higher value and higher rent. Table 5 shows some of the highest rent restaurant locations currently listed in or near Center City Philadelphia. The rental rate shown reflects the asking rate from the current property owner.

**Table 5: Asking Rents for Restaurant Space in Philadelphia**

Address	Restaurant Size (Square Feet)	Rent	Lease*
1200 Arch Street	1,950	\$50.00	NNN
Rittenhouse Square - 1720 Sansom St	2,300	\$44.35	NNN
BNY Mellon Center - 1735 Market Street	1,124	\$40.00	NNN
The Arts Garage - 1533 Ridge Avenue	4,392 - 9,592	\$30.00	NNN
Northern Liberties - 614 N 2nd Street	1,100	\$27.27	NNN
The Sher Building - 1916 Passyunk Avenue	2,000	\$27.00	NNN
810 North Broad Street	3,200	\$25.00	NNN
132 South 8th Street	900 - 1,300	\$24.00	NNN
234 Market Street	9,000	\$23.00	NNN

\*NNN is "net net net", meaning the tenant is responsible for all costs (i.e.net of property taxes, building insurance, maintenance and repairs)

Assuming that the Boyd would rent all 17,613 square feet on the ground floor to the restaurant at \$50 per square foot, revenue from the restaurant would be approximately \$880,000 per year.

**Movie Theater Revenue**

The upstairs theater would also generate revenue. Because there is no information on rental rates for movie theaters, we have analyzed the theater assuming that the building owner operates the theater. We modified the analysis used in Scenario 3 of the September Report to reflect 1.0 times the annual revenue one screen at the Rave University 6, and to remove taxes that we assume are paid by the restaurant. NOI for the theater is approximately \$210,000.

**Total Revenue**

Total revenue for the owner of the building is approximately \$1.1 million in this scenario, which is substantially less than the \$3.9 - \$4.6 million required to make the renovation economically

feasible. Even if restaurant rent and movie NOI were double the projected amount (\$2.2 million), that amount is still far short of what is needed to justify the investment.

#### *Examples of High End Philadelphia Restaurants in Large Spaces*

Two restaurants that are similar in scale to the Boyd's space are Union Trust and Del Frisco's.

The Union Trust occupied a former bank building at 717 Chestnut Street. The restaurant opened in 2009, and cost approximately \$12 million to construct. It was approximately 20,000 square feet. In 2012, after four years of operation, the Union Trust filed for bankruptcy and closed its doors.

Del Frisco's Double Eagle Steakhouse, owned by the Del Frisco Group, occupies approximately 22,000 square feet on three levels at 15<sup>th</sup> and Chestnut Street. The restaurant opened in November 2008, and cost approximately \$12 million to construct. While the actual figure is not available for the Philadelphia location at this time, we estimate that Del Frisco's pays less than \$50 per square foot per year based on rents paid at other Del Frisco's locations.<sup>10</sup>

#### *Vanilla Box plus Restaurant*

We have also investigated whether it is possible to use the plain vanilla box for the restaurant space. That restaurant would receive few or no historic tax credits, and might not be able to command the same rent as the full renovation because the space would be less grand. That analysis indicates that annual NOI would need to be \$3.4 - \$4.0 million to be feasible, which is still significantly less than the revenue potential identified above.

## **4 Multiplex Movie Theater**

The Boyd could theoretically be rebuilt as a four-screen movie theater within the current envelope of the building. The current balcony would be removed and a second level would be inserted in the auditorium space. The current auditorium space would have two screens and the second floor would have two additional screens, for a total of four screens, two on top of two. Each screen would be against the western side of the theater, and the seats would face west. The current building envelope cannot fit more than four screens.<sup>11</sup> This rebuild would not be a historic renovation of the auditorium. Rather, the auditorium would be essentially gutted.

This project would be at least as expensive as the vanilla box retail option. Most likely, the cost would be considerably greater because of the need to remove the balcony (which we understand is structural), shore up the side walls by building another structure within the existing structure, and construct another level, all of which is work that is not required in the vanilla box approach.

---

<sup>10</sup> According to the Del Frisco Group's most recent annual report, rent across all 34 of their restaurants averages \$31 per square foot, including rents paid by Del Frisco's other two restaurant brands, Sullivan's and Del Frisco's Grille. Using additional information from Del Frisco's 2012 annual report, the average rent for two specific Double Eagle Steakhouse locations (one located in Denver, Colorado and one in Fort Worth, Texas) is approximately \$43 per square foot.

<sup>11</sup> Based on information from spg3 Architects

In its most recent active use, the Boyd was a four-screen movie theater, the Sameric 4. That theater closed in 2002. The fact that the venue could not survive as a theater, even without the debt of renovations, indicates that rebuilding the Boyd as a four screen would not succeed.

## 5 Other Issues

Below are some thoughts on other issues discussed at our December 6<sup>th</sup> meeting.

### *Acquisition costs*

There has been discussion of how to treat acquisition costs in a hardship application. There are several potential costs that could be used – the appraised value, historic purchase price, the current market value, or even zero.

**Zero Dollars** – In this approach, the purchase price is a sunk cost, or a cost that has already been incurred and is not relevant for decision making. This approach denies the owner any value for the existing property. It also does not reflect the owner's internal calculation of return on investment.

**Current Offered Price** – In this approach, the purchase price is replaced with a current offer for the property. This price does not reflect the owner's actual return on investment, but does reflect the return on a hypothetical buyer transacting at the time of the hearing. The current offered price is observable, but does not necessarily reflect all costs to the purchaser. The price also reflects the post 2008 historic designation, reflecting potential impairment of value from the historic designation.

**Historic Purchase Price** – In this approach, the historic purchase price is used as the basis for the return on investment calculation. This price, assuming it reflects the market value at the time of purchase, does reflect the owner's return on investment. The Commission has accepted this method in the past.

**Appraised Value** – In this approach, the market value, as determined by an appraisal, is used. The appraised value reflects the highest and best use of the land at the time of the appraisal, and should account for encumbrances on the property.

The analyses conducted for this letter report (retail, restaurant / movie theater) use the appraised value.<sup>12</sup> The analyses of the September Report (Broadway, live performance, single screen movie theater) used the historic purchases price. We have adjusted our scenarios from the September Report using the appraised value in place of the purchase price. The results, attached to this letter, do not change any conclusions from the September Report.

### *Standard of Analysis*

In all cases, our analysis is conducted to a reasonable degree of professional certainty. We have relied on all the documents specifically cited in the report, but also look to other documents, interviews, and other sources of information.

---

<sup>12</sup> CBRE Appraisal of the Boyd Theater Site, April 14, 2008

### *Discount rates*

For several reasons, a dollar that you expect to receive in the future is not as valuable as a dollar you have today. It is standard to use a discount rate in valuations to determine what cash expected in the future is worth in cash today. The discount rate is based on three things – 1) inflation, 2) the natural time value of money, and 3) risk. Inflation and the natural time value of money are similar across industries and projects. However, risk varies substantially. Any project to rehabilitate and earn return from the Boyd is a risky project. Given the number of prior attempts to renovate the Boyd, the uncertainty of construction and operating costs, and the risk of revenue not meeting expectations, a high discount rate is fully justified. A discount rate in the teens or even twenty percent would be appropriate. Our analysis uses 12 percent, which is on the low end of the appropriate range.

### *Sources of information*

For all scenarios, we examined a variety of data sources, and did not rely on only one source without checking against other sources. For performance venues, we checked against other venues. We examined the IRS Form 990 (which details revenue and expenses for non-profits) from numerous performance venues, both in Philadelphia and in other cities. For movie theaters we examined industry publications, newspaper articles, and publicly available financial information.

### *Rehabilitation Costs in Context*

The estimated costs to rehabilitate the Boyd are significant because of the nature of the work that has to be done. All systems, including electric, plumbing, HVAC, and life safety need to be replaced. To place the Boyd's renovation costs in context with other renovations of historic theaters, we have researched other efforts. Table 6 shows four comparable renovation projects for large single-screen theaters. The realized cost of renovation for these theaters is consistent with cost estimates for the Boyd.

**Table 6: Renovation Costs for Comparable Theaters**

<b>Theater Name</b>	<b>Number of Seats</b>	<b>Cost of Renovation</b>	<b>Expected Completion Date</b>
Jersey City Landmark Loew's Theatre	3,021	\$70 million	2007
Brooklyn Loew's Kings Theatre	3,200	\$94 million	2015
Boston Opera House (Boston)	2,600	\$50 million	2004
San Diego Balboa Theatre	1,339	\$26 million	2008

## APPENDIX

The original analysis of the September Report used the historic purchase price of \$8.0 million in the economic feasibility calculation. As requested in our December meeting, we have also ran the analysis using a 2008 CBRE appraisal of the Boyd, which placed the value at \$6.6 million. Altering the acquisition value from \$8.0 million to the appraised value of \$6.6 million did not change any conclusion in the analysis.

**Table 7: Summary of Financial Analysis – Broadway Style Theater (Scenario 1)**

<b>Sources and Uses</b>	
<i>Uses</i>	
Land Costs	\$6,600,000
Construction Cost	\$37,725,822
Soft Costs	\$7,545,164
<b>Total Uses</b>	<b>\$51,870,986</b>
<i>Sources</i>	
Owner Equity	30% \$13,449,748
Loan	70% \$31,382,745
Tax Credit - Federal	\$6,538,493
Tax Credit - State	\$500,000
<b>Total Sources</b>	<b>\$51,870,986</b>
<b>Financial Summary</b>	
Development Cost	\$51,870,986
Tax Credits	\$7,038,493
Net Operating Income (first operating year)	\$2,599,799
Cash Flow (first operating year)	\$716,835
Net Operating Income (sale year)	\$3,009,093
Cap Rate for Terminal Value	10%
Terminal Value	\$30,090,928
Net Present Value (12%)	-\$8,557,209
Internal Rate of Return	-16.4%

**Table 8: Summary of Financial Analysis – Live Performance Venue (Scenario 2)**

**Sources and Uses**

*Uses*

Land Costs		\$6,600,000
Construction Cost		\$29,097,465
Soft Costs		\$5,819,493
Total Uses		\$41,516,958

*Sources*

Owner Equity	30%	\$10,872,856
Loan	70%	\$25,369,997
Tax Credit - Federal		\$4,774,106
Tax Credit - State		\$500,000
Total Sources		\$41,516,958

**Financial Summary**

Development Cost	\$41,516,958
Tax Credits	\$5,274,106
Net Operating Income (first year)	\$747,074
Cash Flow (first year)	-\$775,126
Net Operating Income (sale year)	\$880,894
Cap Rate for Terminal Value	10%
Terminal Value	\$8,808,940
Net Present Value (12%)	-\$18,876,719
Internal Rate of Return	Not Defined

**Table 9: Summary of Financial Analysis – Single Screen Movie Theater (Scenario 3)**

<b>Sources and Uses</b>		
<i>Uses</i>		
Land Costs		\$6,600,000
Construction Cost		\$27,793,038
Soft Costs		\$5,558,608
Total Uses		\$39,951,646
<i>Sources</i>		
Owner Equity	30%	\$10,479,613
Loan	70%	\$24,452,431
Tax Credit - Federal		\$4,519,601
Tax Credit - State		\$500,000
Total Sources		\$39,951,646

<b>Financial Summary</b>	
Development Cost	\$39,951,646
Tax Credits	\$5,019,601
Net Operating Income (first year)	\$32,465
Cash Flow (first year)	-\$1,434,681
Net Operating Income (sale year)	\$60,033
Cap Rate for Terminal Value	10%
Terminal Value	\$600,327
Net Present Value (12%)	-\$24,271,778
Internal Rate of Return	Not Defined

**Conclusion**

The use of appraised value instead of historic property costs changes IRR and NPV values slightly, but the overall conclusion remains. None of these uses are economically viable.

Regards,



Peter Angelides, PhD, AICP  
January 9, 2014

**EXHIBIT A**

**Project: Boyd Theatre - Vanilla Box**  
**Location: 1908 Chestnut Street**  
**Owner: IPic Entertainment**  
**Est #: 13-ES-160**  
**Sq. Feet: 50,814**  
**Type: Conceptual Budget**  
**Date Revised: 22-Dec-13**



NO.	CODE	DESCRIPTION	A TOTAL	D COST / SF
	02065	DEMOLITION	\$ 1,146,705	\$ 22.57
	02080	HAZARDOUS MATERIAL ABATEMENT ALLOWANCE	\$ 188,615	\$ 3.67
	02200	EARTHWORK & UTILITIES	\$ 532,556	\$ 10.48
	02360	CAISSONS	N/A	\$ -
	03310	CAST-IN-PLACE CONCRETE	\$ 1,222,788	\$ 24.06
	04200	PRE-CAST CONCRETE	N/A	\$ -
	04500	MASONRY & EXTERIOR RESTORATION & CLEANING	\$ 826,096	\$ 16.26
	05120	STRUCTURAL STEEL	\$ 220,027	\$ 4.33
	05500	MISCELLANEOUS AND ORNAMENTAL METALS	\$ 200,079	\$ 3.94
	06100	ROUGH CARPENTRY	\$ 273,899	\$ 5.39
	06200	FINISH CARPENTRY AND MILLWORK	\$ 55,727	\$ 1.10
	06210	RESTORATION OF INTERIOR MILLWORK	\$ 52,793	\$ 1.04
	07110	WATERPROOFING & DAMPROOFING	\$ 112,507	\$ 2.21
	07242	MANUFACTURED ROOF PANELS	\$ 31,274	\$ 0.62
	07250	SPRAYED-ON FIREPROOFING	\$ 19,305	\$ 0.38
	07510	ROOFING / FLASHING / SHEET METAL & ROOF ACCESSORIES	\$ 489,895	\$ 9.64
	07900	CAULKING & JOINT SEALERS	\$ 16,248	\$ 0.32
	07901	FIRESTOPPING	\$ 32,175	\$ 0.63
	08110	DOORS/FRAMES/HARDWARE	\$ 33,977	\$ 0.67
	08300	SPECIAL DOORS	\$ 21,879	\$ 0.43
	08410	ALUMINUM & GLASS AND GLAZING	\$ 87,556	\$ 1.72
	09210	STAGING AND SCAFFOLDING REQUIREMENTS	\$ 449,060	\$ 8.84
	09220	PLASTER RESTORATION AND DECORATIVE PAINTING	\$ 150,000	\$ 2.95
	09250	DRYWALL & ACOUSTICAL	\$ 273,110	\$ 5.37
	09300	TILE	\$ 58,108	\$ 1.14
	09600	INTERIOR STONEMWORK AND RESTORATION	N.I.C.	\$ -
	09550	WOOD FLOORING & STAGE FLOORING	N.I.C.	\$ -
	09650	RESILIENT FLOORING & CARPETS	N.I.C.	\$ -
	09651	FLOOR LEVELING & PREPARATION	\$ 183,494	\$ 3.22
	09900	PAINTING	\$ 10,000	\$ 0.20
	09950	WALL COVERINGS & ACOUSTICAL PANELS	N.I.C.	\$ -
	10050	MISCELLANEOUS SPECIALTIES	\$ 10,425	\$ 0.21
	10160	TOILET PARTITIONS & ACCESSORIES	\$ 50,000	\$ 0.98
	10200	LOUVERS & VENTS	\$ 6,096	\$ 0.12
	10440	SIGNAGE	N.I.C.	\$ -
	11060	THEATRE & STAGE EQUIPMENT ALLOWANCE	N.I.C.	\$ -
	11400	FOOD SERVICE EQUIPMENT ALLOWANCE	N.I.C.	\$ -
	12690	ENTRANCE MATS	\$ 3,861	\$ 0.08
	12710	THEATRE SEATING	N.I.C.	\$ -
	14210	ELEVATORS	\$ 218,790	\$ 4.31
	15050	H.V.A.C.	\$ 3,883,759	\$ 72.49
	15100	PLUMBING	\$ 1,060,289	\$ 20.87
	15300	SPRINKLERS	\$ 497,049	\$ 9.78
	16050	ELECTRIC	\$ 2,210,255	\$ 43.50
	17001	TELEPHONE / DATA / CABLE WIRING	N.I.C.	\$ -
	17002	SECURITY	N.I.C.	\$ -
	19001	TEMPORARY PROTECTION	\$ 148,005	\$ 2.91
	19002	HOISTING	\$ 101,930	\$ 2.01

Project: Boyd Theatre - Vanilla Box

Location: 1908 Chestnut Street

Owner: IPic Entertainment

Est. #: 13-ES-160

Sq. Feet: 50,814

Type: Conceptual Budget

Date Revised: 22-Dec-13

**INTECH**

CONTRACTORS • CONSTRUCTION MANAGERS

NO.	CODE	DESCRIPTION	A TOTAL	D COST / SF
	19003	CONSTRUCTION DUMPSTERS	\$ 66,602	\$ 1.31
	19004	FINAL CLEANING	\$ 32,699	\$ 0.64
	19005	TEMPORARY FACILITIES	\$ 79,721	\$ 1.57
	19006	WATCHMAN / SECURITY GUARD	\$ 102,716	\$ 2.02
	19007	CONTROL LAYOUT	\$ 7,500	\$ 0.15
	19008	GENERAL CLEAN-UP / MISC. LABOR	\$ 184,912	\$ 3.64
	19009	GENERAL SAFETY	\$ 63,500	\$ 1.25
	60001	LANDSCAPE & STREETScape ALLOWANCE	\$ 66,000	\$ 1.30
	60002	PUBLIC AREA FINISH ALLOWANCE	N.I.C.	\$ -
	60003	WINTER PROTECTION / TEMPORARY HEAT ALLOWANCE	\$ 100,000	\$ 1.97
		<b>SUBTOTAL:</b>	<b>\$ 15,359,984</b>	<b>\$ 302.28</b>
		GENERAL CONDITIONS - STAFFING :	\$ 1,670,435	\$ 32.87
		GENERAL CONDITIONS - REIMB. :	\$ 205,300	\$ 4.04
		PERMIT ALLOWANCE:	\$ 28,047	\$ 0.55
		INSURANCES:	\$ 215,797	\$ 4.25
		BUILDERS RISK	BY OWNER	\$ -
		MERCANTILE TAX:	\$ 122,357	\$ 2.41
		DESIGN CONTINGENCY (2%) :	\$ 307,200	\$ 6.05
		CONTRACTOR'S CONTINGENCY ( 5% ) :	\$ 895,456	\$ 17.82
		<b>SUBTOTAL:</b>	<b>\$ 18,804,576</b>	<b>\$ 370.07</b>
		PRE-CONSTRUCTION SERVICES:	\$ 100,000	\$ 1.97
		CONSTRUCTION FEE:	\$ 567,137	\$ 11.16
		SUBCONTRACTOR BONDING:	\$ 235,057	\$ 4.63
		PAYMENT & PERFORMANCE BOND:	N.I.C.	\$ -
		<b>TOTAL:</b>	<b>\$ 19,706,770</b>	<b>\$ 387.82</b>

## EXHIBIT B

THE  
**RIDDLE COMPANY**  
Strategy | Implementation | Impact

To: Peter Angelides, PhD      From: Catherine Timko

Re: The Boyd Theater      Date: December 20, 2013

Below is a brief summary of my work with the Center City District (CCD) on retail attraction and marketing, specifically as the same relates to the Boyd Theater.

My retail venture, Community Retail Catalysts, was retained by CCD in 2008 to prepare a retail marketing and attraction plan. The Riddle Company was subsequently retained by CCD to implement the retail attraction component for the CCD and the Philadelphia Retail Marketing Alliance (PRMA) for just over three years – from 2010 through Spring 2013. My responsibility in this capacity was as the point person to retailers and brokers regionally and nationally. This included regular outreach to the retail industry, as well as representing Philadelphia at the International Council of Shopping Center (ICSC) meetings and general PR. During the tenure of the contract with CCD/PRMA, we participated in ten national and regional ICSC conferences, and held meetings or dialogues with over 200 retailers and their representatives.

During this period, there was general knowledge within the brokerage community that the prior efforts to redevelop the Boyd Theater had stalled and that the building was vacant and available. Therefore, the Boyd Theater was among the vacant properties we discussed with, and attempted to market to, the retail community. During this period of time, the only restrictions I was personally aware of included the historic designation and potential distribution issues related to the film industry, i.e. certain theater brands and film companies have a 3-mile minimum.

The only retailer who expressed interest in the Boyd Theater was Alamo Cinema and Draft Company (Alamo). At ICSC RECON May 2013, PRMA pitched Philadelphia to Alamo, which is a bar/theater restaurant concept that is expanding on the east coast. The Boyd Theater is one of the properties we discussed with them. We followed up after RECON with information on the Boyd Theater. They rejected the Boyd site; the broker said he knew the site and Alamo could not make the numbers work. Alamo typically pays rent between \$18-22 dollars a foot with healthy tenant allowances for tenant improvements.

## EXHIBIT C

**Project: Boyd Theatre - Restaurant/Theater**

**Location: 1908 Chestnut Street**

**Owner: iPic Entertainment**

**Est. #: 13-ES-160**

**Sq. Feet: 50,814**

**Type: Conceptual Budget**

**Date Revised: 22-Dec-13**

# INTECH

CONTRACTORS • CONSTRUCTION MANAGEMENT

NO.	CODE	DESCRIPTION	A TOTAL	D COST / SF
	02065	DEMOLITION	\$ 1,146,705	\$ 22.57
	02080	HAZARDOUS MATERIAL ABATEMENT ALLOWANCE	\$ 186,615	\$ 3.67
	02200	EARTHWORK & UTILITIES	\$ 532,556	\$ 10.48
	02360	CAISSONS	N/A	\$ -
	03310	CAST-IN-PLACE CONCRETE	\$ 1,234,376	\$ 24.29
	04200	PRE-CAST CONCRETE	N/A	\$ -
	04500	MASONRY & EXTERIOR RESTORATION & CLEANING	\$ 826,096	\$ 16.26
	05120	STRUCTURAL STEEL	\$ 220,027	\$ 4.33
	05500	MISCELLANEOUS AND ORNAMENTAL METALS	\$ 468,612	\$ 9.22
	06100	ROUGH CARPENTRY	\$ 467,207	\$ 9.19
	06200	FINISH CARPENTRY AND MILLWORK	\$ 446,092	\$ 8.78
	06210	RESTORATION OF INTERIOR MILLWORK	\$ 432,113	\$ 8.50
	07110	WATERPROOFING & DAMPROOFING	\$ 112,507	\$ 2.21
	07242	MANUFACTURED ROOF PANELS	\$ 31,274	\$ 0.62
	07250	SPRAYED-ON FIREPROOFING	\$ 19,305	\$ 0.38
	07510	ROOFING / FLASHING / SHEET METAL & ROOF ACCESSORIES	\$ 493,756	\$ 9.72
	07900	CAULKING & JOINT SEALERS	\$ 48,947	\$ 0.96
	07901	FIRESTOPPING	\$ 32,175	\$ 0.63
	08110	DOORS/FRAMES/HARDWARE	\$ 301,737	\$ 5.94
	08300	SPECIAL DOORS	\$ 32,175	\$ 0.63
	08410	ALUMINUM & GLASS AND GLAZING	\$ 276,071	\$ 5.43
	09210	STAGING AND SCAFFOLDING REQUIREMENTS	\$ 449,060	\$ 8.84
	09220	PLASTER RESTORATION AND DECORATIVE PAINTING	\$ 1,211,964	\$ 23.85
	09250	DRYWALL & ACOUSTICAL	\$ 433,631	\$ 8.53
	09300	TILE	\$ 157,938	\$ 3.11
	09600	INTERIOR STONEMWORK AND RESTORATION	\$ 90,278	\$ 1.78
	09550	WOOD FLOORING & STAGE FLOORING	N/A	\$ -
	09650	RESILIENT FLOORING & CARPETS	\$ 258,348	\$ 5.08
	09651	FLOOR LEVELING & PREPARATION	\$ 163,494	\$ 3.22
	09900	PAINTING	\$ 131,539	\$ 2.59
	09950	WALL COVERINGS & ACOUSTICAL PANELS	\$ 106,986	\$ 2.11
	10050	MISCELLANEOUS SPECIALTIES	\$ 188,969	\$ 3.68
	10160	TOILET PARTITIONS & ACCESSORIES	\$ 108,610	\$ 2.14
	10200	LOLVERS & VENTS	\$ 6,096	\$ 0.12
	10440	SIGNAGE	\$ 280,492	\$ 5.52
	11060	THEATRE & STAGE EQUIPMENT ALLOWANCE	\$ 38,610	\$ 0.76
	11400	FOOD SERVICE EQUIPMENT ALLOWANCE	N.I.C.	\$ -
	12690	ENTRANCE MATS	\$ 3,861	\$ 0.08
	12710	THEATRE SEATING	\$ 159,810	\$ 3.14
	14210	ELEVATORS	\$ 218,790	\$ 4.31
	15050	H.V.A.C.	\$ 3,685,613	\$ 72.14
	15100	PLUMBING	\$ 1,097,978	\$ 21.61
	15300	SPRINKLERS	\$ 584,810	\$ 11.51
	16050	ELECTRIC	\$ 3,889,753	\$ 72.61
	17001	TELEPHONE / DATA / CABLE WIRING	\$ 24,614	\$ 0.48
	17002	SECURITY	\$ 115,830	\$ 2.28
	19001	TEMPORARY PROTECTION	\$ 257,400	\$ 5.07

**Project: Boyd Theatre - Restaurant/Theater**  
**Location: 1908 Chestnut Street**  
**Owner: iPic Entertainment**  
**Est. #: 13-ES-160**  
**Sq. Feet: 50,814**  
**Type: Conceptual Budget**  
**Date Revised: 22-Dec-13**



NO.	CODE	DESCRIPTION	A TOTAL	D COST / SF
	19002	HOISTING	\$ 101,930	\$ 2.01
	19003	CONSTRUCTION DUMPSTERS	\$ 88,803	\$ 1.75
	19004	FINAL CLEANING	\$ 65,398	\$ 1.29
	19005	TEMPORARY FACILITIES	\$ 104,421	\$ 2.05
	19006	WATCHMAN / SECURITY GUARD	\$ 102,716	\$ 2.02
	19007	CONTROL LAYOUT	\$ 31,750	\$ 0.62
	19008	GENERAL CLEAN-UP / MISC. LABOR	\$ 245,364	\$ 4.83
	19009	GENERAL SAFETY	\$ 63,500	\$ 1.25
	60001	LANDSCAPE & STREETScape ALLOWANCE	\$ 66,000	\$ 1.30
	60002	PUBLIC AREA FINISH ALLOWANCE	\$ 604,890	\$ 11.90
	60003	WINTER PROTECTION / TEMPORARY HEAT ALLOWANCE	\$ 128,700	\$ 2.53
	60004	RESTAURANT CONSTRUCTION ALLOWANCE	\$ 3,500,000	\$ 68.88
<b>SUBTOTAL:</b>			<b>\$ 25,854,302</b>	<b>\$ 508.80</b>
GENERAL CONDITIONS - STAFFING :			\$ 2,123,435	\$ 41.79
GENERAL CONDITIONS - REIMB. :			\$ 230,300	\$ 4.53
PERMIT ALLOWANCE:			\$ 43,047	\$ 0.85
INSURANCES:			\$ 353,139	\$ 6.95
BUILDERS RISK BY OWNER:			\$ -	\$ -
MERCANTILE TAX:			\$ 200,230	\$ 3.94
DESIGN CONTINGENCY (2%) :			\$ 517,086	\$ 10.18
CONTRACTOR'S CONTINGENCY ( 5% ) :			\$ 1,466,077	\$ 28.85
<b>SUBTOTAL:</b>			<b>\$ 30,787,616</b>	<b>\$ 605.89</b>
PRE-CONSTRUCTION SERVICES:			\$ 100,000	\$ 1.97
CONSTRUCTION FEE:			\$ 926,628	\$ 18.24
SUBCONTRACTOR BONDING:			\$ 384,845	\$ 7.57
PAYMENT & PERFORMANCE BOND:			N.I.C.	\$ -
<b>TOTAL:</b>			<b>\$ 32,199,089</b>	<b>\$ 633.67</b>