



# FINANCIAL HARDSHIP ANALYSIS 1910 CHESTNUT STREET (BOYD THEATER)

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Before the Philadelphia Historical  
Commission – Hardship Committee

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# QUALIFICATIONS

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- Peter A. Angelides, Ph.D., AICP
  - Econsult Solutions, Inc. (Principal)
  - University of Pennsylvania (Faculty)
- Econsult Solutions, Inc.
  - Economic Development
  - Transportation
  - Real Estate
  - Public Policy/Finance



# FINANCIAL HARDSHIP – CONCLUSION

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There is no use to which the Boyd Theater may be reasonably adapted given the cost of renovations and the revenues that can be expected by those uses.



# OUTLINE

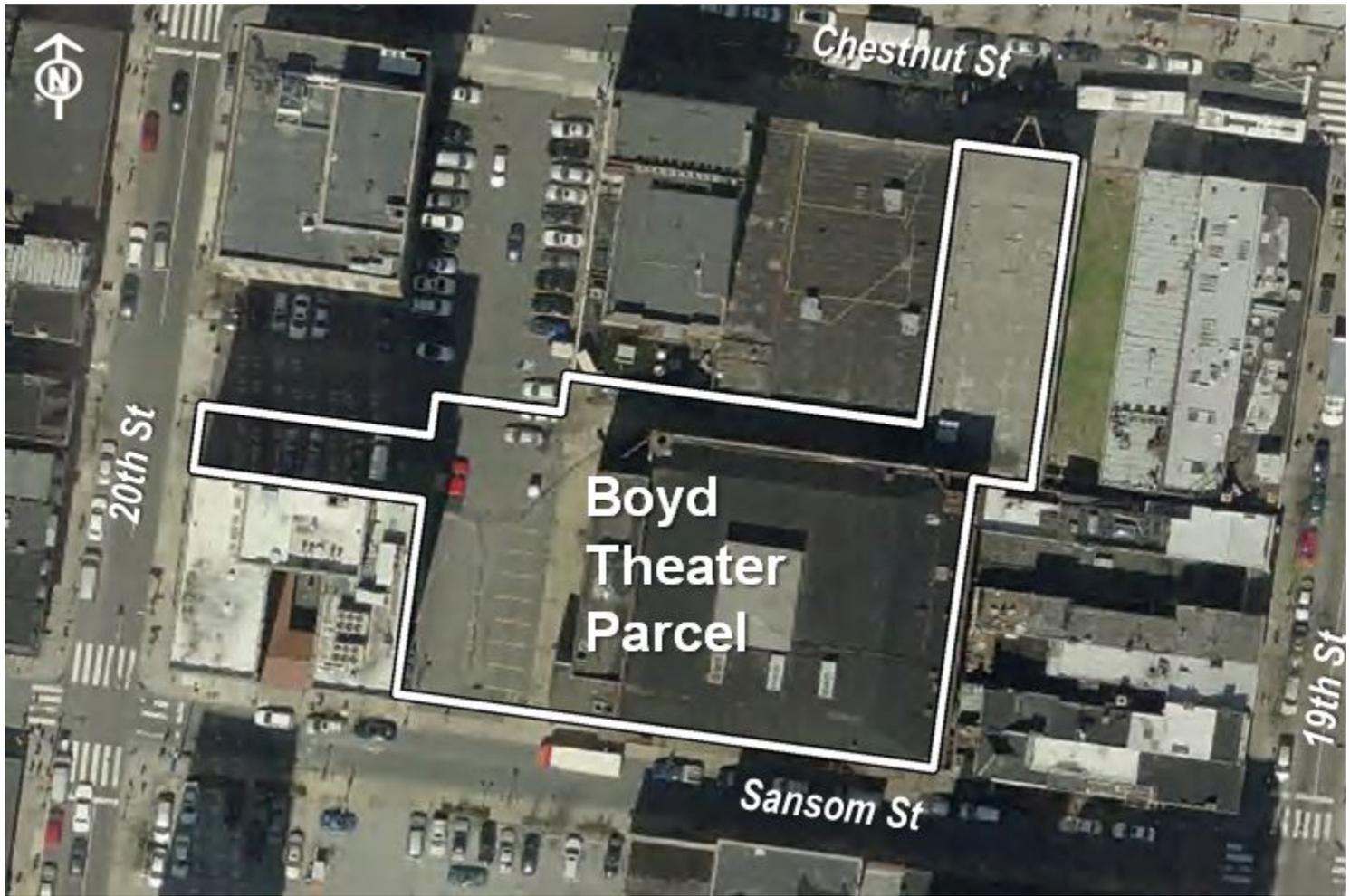
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- Boyd Background
- Hardship Criteria
- Uses and Analysis
  - Broadway Style Theater
  - Performance Venue
  - Movie Palace
  - Retail
  - Restaurant
- Summary



# BOYD BACKGROUND

# 1910 CHESTNUT STREET



# THE BOYD THEATER

- Single Screen Movie Palace
- Constructed in 1928
- Seated over 2,300



# THE BOYD THEATER

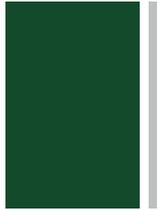
- Sold to SamEric in 1971
- Constructed three additional screens
- Sold to United Artists in 1988



# THE BOYD THEATER

- Ceased operation in 2002
- 3-screen addition sold (now Gap Outlet)





# FINANCIAL ANALYSIS OVERVIEW

# FINANCIAL HARDSHIP

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## Must Demonstrate:

- “...[the Boyd] cannot be used for any purpose for which it is or may be reasonably adapted.”
  - “the sale of the property is impracticable”
  - “commercial rental cannot provide a reasonable rate of return”
  - “other potential uses of the property are foreclosed”



# FINANCIAL HARDSHIP APPROACH

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- Conduct independent research
- Use existing information
- Construct Financial Analysis
  - Development cost
  - Income from operations
  - Sources of funding

# DEVELOPMENT COST

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- Property value - \$6.6 million appraised value
- Construction costs
  - Estimates by INTECH
  - Based on 2005 condition of the Boyd
- Soft Cost
  - 20 percent of construction costs

# COSTS- CONSIDERATIONS

- All systems need replacement
- Some structural work
- Historic rehabilitation requires restoration of finishes



# COSTS- COMPARISON

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<b>Theater Name</b>	<b>Seats</b>	<b>Renovation Cost</b>	<b>Expected Completion</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	2,600	\$50 million	2004
San Diego Balboa Theatre	1,339	\$26 million	2008



# INCOME FROM OPERATIONS

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- Operating revenue
  - Ticket sales
  - Rent
  - Advertising, concessions, etc.
- Operating costs
  - Programming
  - Material
  - Personnel

# CONSTRUCTION FUNDS

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- Owner equity
- Loan
- Tax Incentives
  - Philadelphia Property Tax Abatement
  - Federal Historic Tax Credit (20%)
  - State Historic Tax Credit (\$500,000)

# GENERAL APPROACH

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- Realistic to generous assumptions
- Generous assumptions examples
  - Bank loans based on development cost and not value
  - Revenue for Broadway scenario exceeds Kimmel's revenue for equivalent shows
  - Construction costs based on 2005 conditions



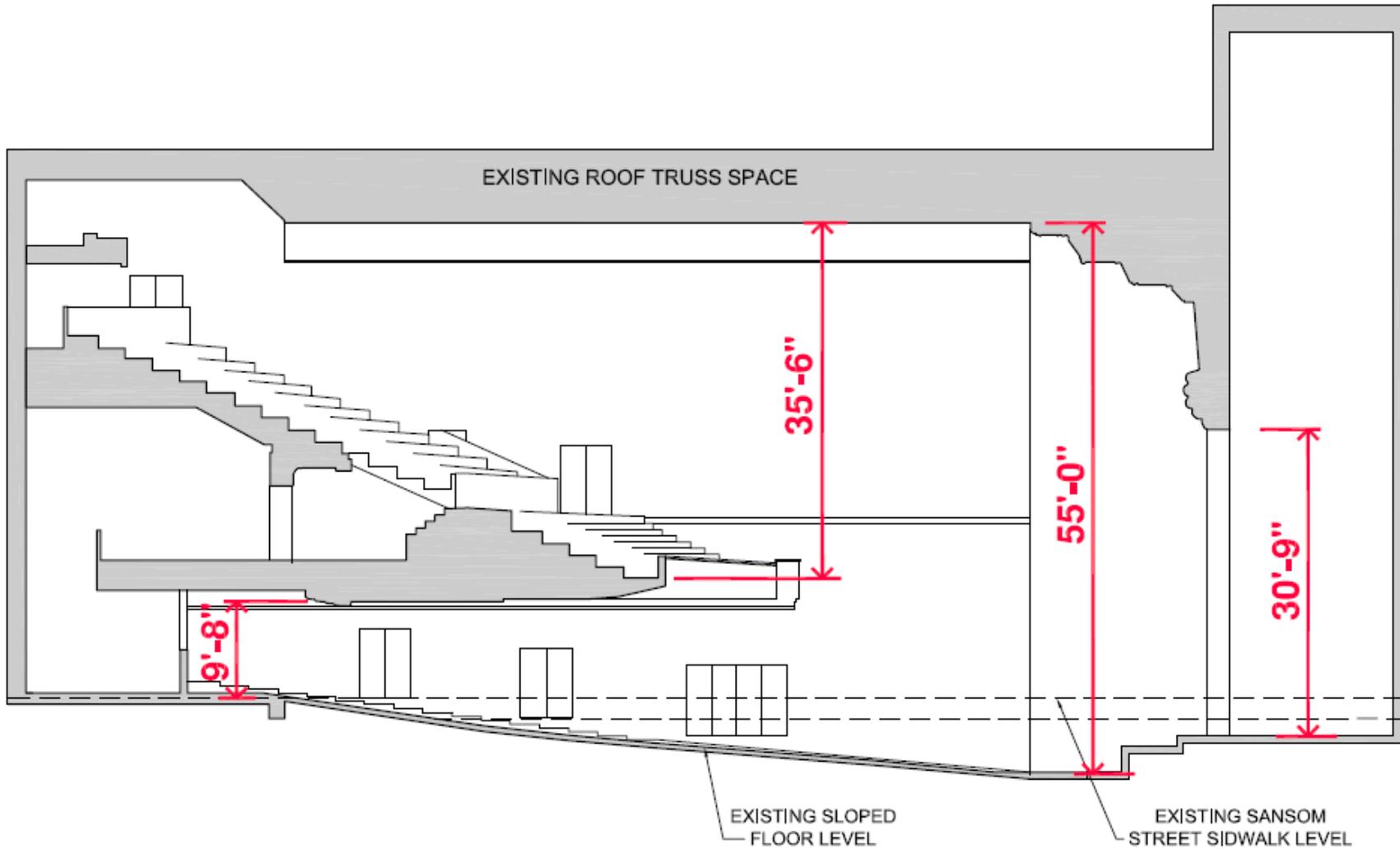
# REUSE SCENARIOS

# REUSE SCENARIOS

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- Highly specialized space
- Narrow, deep entrance on Chestnut Street, mid block frontage on Sansom Street
- Not appropriate for several common uses
  - Residential
  - Office
  - Hotel
  - Unlike Victory Building, which was readily adaptable

# INTERIOR SECTION







# REUSE SCENARIOS

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1. Broadway-Style Performance Theatre
2. Concert/Live Performance Venue
3. Single-Screen Cinema
4. Retail
5. Restaurant and Cinema

# CONSTRUCTION COST - SUMMARY

	Broadway	Perform- ance	Cinema	Retail	Restaurant
<b>Costs</b>					
Building	\$6.6	\$6.6	\$6.6	\$6.6	\$6.6
Construction	\$37.7	\$29.1	\$27.8	\$19.7	\$32.2
Soft	\$7.5	\$5.8	\$5.6	\$3.9	\$6.4
<b>Total Costs</b>	<b>\$51.9</b>	<b>\$41.5</b>	<b>\$40.0</b>	<b>\$30.2</b>	<b>\$45.2</b>
<b>Tax Incentives</b>					
Tax Credit - Federal	\$6.5	\$4.8	\$4.5	\$0.4	\$5.3
Tax Credit - State	\$0.5	\$0.5	\$0.5	\$0.0	\$0.5
<b>Net Cost after Tax Incentives</b>	<b>\$44.9</b>	<b>\$36.2</b>	<b>\$34.9</b>	<b>\$29.8</b>	<b>\$39.4</b>

# BROADWAY – DESCRIPTION

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- Broadway style shows
  - Lion King, Les Miserables, Mamma Mia
  - Other shows possible
- Demolition of back wall, extension of building, and construction of fly-tower
- Historic renovation
- Would compete directly with Academy of Music, Merriam, Forrest

# BROADWAY – COST

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## Construction Costs and Tax Incentives (m)

### *Costs*

Land Costs	\$6.6
Construction Cost	\$37.7
Soft Costs	\$7.5
<b>Total Costs</b>	<b>\$51.9</b>

### *Tax Incentives*

Tax Credit - Federal	\$6.5
Tax Credit - State	\$0.5
<b>Net Cost after Tax Incentives</b>	<b>\$44.9</b>

# BROADWAY – COMPARISONS

Theater	Revenue (m)	Expenses (m)	Margin	Margin w/o Donations
Lantern	\$0.8	\$0.8	-6%	-151%
Suzanne Roberts	\$3.9	\$5.5	-38%	-222%
Wilma	\$3.2	\$3.5	-7%	-141%
Arden	\$5.5	\$4.5	17%	-75%
Kimmel	\$51.3	\$50.4	2%	-57%
Plays & Players	\$0.4	\$0.4	-1%	-21%
Prince	\$0.6	\$1.0	-63%	-85%
Walnut Street	\$15.8	\$14.7	7%	-4%
Society Hill	\$0.5	\$0.3	36%	34%

# BROADWAY – OPERATING FINANCIAL MODEL

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- Based on Kimmel Center revenue and expenses for Broadway style shows
  - Academy of Music (2,650 seats)
  - Merriam (1,841 seats)
  - Forrest (1,851 seats)
- Assumptions
  - 2 Scenarios - 126% and 85% of Kimmel revenue from Broadway style shows
  - Lower revenues highly possible

# BROADWAY – OPERATING MODEL

<b>Operating Revenue</b>	<b>85% Scenario (m)</b>	<b>126% Scenario (m)</b>
Ticket, convenience fee, handling fee	\$9.5	\$14.1
Other Revenue	\$0.6	\$0.9
Venue Rental Revenue	\$3.4	\$5.0
<b>Total Revenue</b>	<b>\$13.5</b>	<b>\$20.0</b>
<b>Operating Expenses</b>		
Programming expenses	\$6.9	\$10.2
Venue Rental Expenses	\$2.3	\$3.5
Other Expenses	\$2.7	\$3.7
<b>Total Operating Expenses</b>	<b>\$11.9</b>	<b>\$17.4</b>
<b>Net Operating Income</b>	<b>\$1.6</b>	<b>\$2.6</b>

# BROADWAY – DEVELOPMENT MODEL

<b>Measure</b>	<b>85% Scenario (m)</b>	<b>126% Scenario (m)</b>
Development Cost	\$51.9	\$51.9
Tax Credits	\$7.0	\$7.0
Net Operating Income	\$1.6	\$2.6
Cash Flow	-\$0.3	\$0.7
Implied Value of Building	\$16.3	\$26.0
<b>Net Present Value (12%)</b>	<b>-\$17.6</b>	<b>-\$8.5</b>
<b>Internal Rate of Return</b>	<b>Not Defined</b>	<b>Not Defined</b>

*NOI, cash flow and implied value are all based on first operating year*

# PERFORMANCE – DESCRIPTION

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- Venue for
  - Concerts
  - Comedy shows
  - Plays
  - Other performances
- Full historic restoration
- No fly tower

# PERFORMANCE – COST

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## Construction Costs and Tax Incentives (m)

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### *Costs*

Land Costs	\$6.6
Construction Cost	\$29.1
Soft Costs	\$5.8
<b>Total Costs</b>	<b>\$41.5</b>

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### *Tax Incentives*

Tax Credit - Federal	\$4.8
Tax Credit - State	\$0.5
<b>Net Cost after Tax Incentives</b>	<b>\$36.2</b>

# PERFORMANCE – MARKET CONSIDERATIONS

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- Boyd performance modeled after comparable venues in the area:
  - Keswick, Kimmel, Tower Theater, etc.
- Only profitable shows considered in modeling financial performance
- Competition with other venues and limited supply of profitable shows would diminish financial performance

# PERFORMANCE – ASSUMPTIONS

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<u>Venue</u>	<u>Events per Year</u>
Keswick Theatre	90-125
Tower Theater	56-75
<b>Boyd (Assumed)</b>	<b>180</b>

# PERFORMANCE – OPERATING MODEL

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<b>Operating Revenue</b>	<b>Amount (m)</b>
Ticket Revenue	\$10.0
Ticket Surcharge	\$0.8
Other Revenue	\$0.8
<b>Total Revenue</b>	<b>\$11.7</b>
<b>Operating Expenses</b>	
Artist Fee	\$5.9
Other Expenses	\$4.7
Taxes	\$0.3
<b>Total Costs</b>	<b>\$10.9</b>
<b>Net Operating Income</b>	<b>\$0.7</b>

# PERFORMANCE – DEVELOPMENT METRICS

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Measure	Amount (m)
Development Cost	\$41.5
Tax Credits	\$5.3
Net Operating Income	\$0.7
Cash Flow	-\$0.8
Implied Value of Building	\$7.5
<b>Net Present Value (12%)</b>	<b>-\$18.9</b>
<b>Internal Rate of Return</b>	<b>Not Defined</b>

*NOI, cash flow and implied value are all based on first operating year*



# CINEMA – DESCRIPTION

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- Original use of the Boyd Theater
- Full historic renovation
- One Screen
  - One film at a time

# CINEMA – COST

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## Construction Costs and Tax Incentives (m)

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### *Costs*

Land Costs	\$6.6
Construction Cost	\$27.8
Soft Costs	\$5.6
<b>Total Costs</b>	<b>\$40.0</b>

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### *Tax Incentives*

Tax Credit - Federal	\$4.5
Tax Credit - State	\$0.5
<b>Net Cost after Tax Incentives</b>	<b>\$34.9</b>

# CINEMA – PHILADELPHIA CINEMA REVENUE

<b>Theater</b>	<b>Screens</b>	<b>2012 Gross Ticket Revenue</b>	<b>Revenue per Screen</b>
University 6	6	\$2,837,261	\$472,877
Main Street Theatre 6	6	\$2,820,202	\$470,034
Franklin Institute IMAX	1	\$423,496	\$423,496
Franklin Mills 14 with IMAX	14	\$5,924,066	\$423,148
Riverview Plaza	17	\$6,442,094	\$378,947
Pearl At Avenue North	7	\$2,547,011	\$363,859
Ritz East Twin	2	\$601,038	\$300,519
Ritz 5	5	\$1,477,299	\$295,460
UA Grant Plaza 9	9	\$2,510,635	\$278,959
Ritz At The Bourse 5	5	\$863,748	\$172,750
Roxy Philadelphia Twin (2011)	2	\$210,085	\$105,043

# CINEMA – MARKET

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- No comparable single-screen theater in Philadelphia market
- Boyd modeled as 150% of a single screen at the Rave University Six, plus inflation
  - Also looked at 300%
- Single-screen theater generally not a viable for-profit business model
- Boyd was a 4-screen theater (SamEric) that closed in 2002

# CINEMA – OPERATING MODEL

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## Operating Revenue

Ticket	\$0.8
Concessions	\$0.4
Advertising	\$0.1
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Total Revenue	\$1.2

## Operating Expenses

Movie Rentals	\$0.4
Personnel	\$0.2
Other Expenses	\$0.6
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TOTAL COSTS	\$1.2

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Net Operating Income	\$0.03

# CINEMA – DEVELOPMENT

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Development Cost	\$40.0
Tax Credits	\$5.0
Net Operating Income	\$0.03
Cash Flow	-\$1.4
Implied Value of Building	\$0.3
<b>Net Present Value (12%)</b>	<b>-\$24.3</b>
<b>Internal Rate of Return</b>	<b>Not Defined</b>

*NOI, cash flow and implied value are all based on first operating year*

# RETAIL – DESCRIPTION

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- Large store retail space
  - Approximately 21,600 square feet, including
    - Balcony lobby
    - Entrance vestibule
    - Stage
- Reconstructed as a “Vanilla Box”
  - Limited Historic Tax Credit benefits
  - Level floor

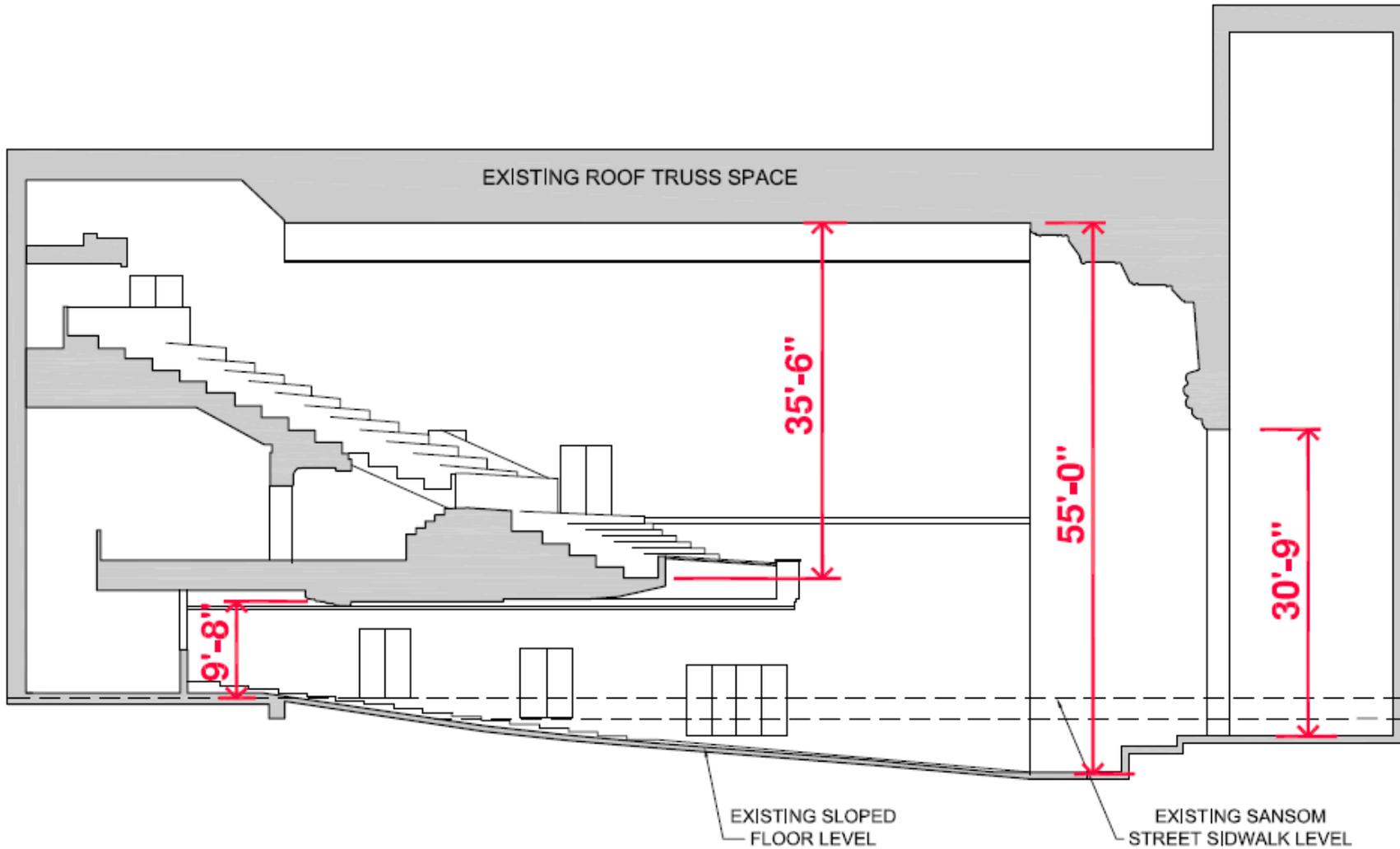
# RETAIL – DEVELOPMENT COST

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<u>Cost</u>	<u>Amount</u>
Land Costs	\$6.6
Construction Cost	\$19.7
Soft Costs	\$3.9
<u>Total Cost</u>	<u>\$30.2</u>
Tax Incentives	\$(0.4)
<b><u>Net Cost</u></b>	<b><u>\$29.8</u></b>



# RETAIL – INTERIOR SECTION



# RETAIL – MARKET CONSIDERATIONS

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- Retail likes corners, wide street frontage
- The Boyd is not well configured for retail
  - Poor layout
  - Poor location
  - Undesired interior décor
  - Sloping floor
- 1900 block of Chestnut is not prime location
- Larger space than most retailers want

# RETAIL – MARKET RENTS

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)

# RETAIL – COMPETITIVE SPACE I



# RETAIL – COMPETITIVE SPACE II



*Images from Google Streetview*

# RETAIL – ACHIEVABLE RENT

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- Not on corner
- Oddly configured
- Not at a prime location
- Achievable rent: **\$30 to \$40 per square foot**

# RETAIL – RENT NEEDED TO JUSTIFY

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<u>Cost</u>	<u>Amount</u>
Net Costs	\$29.8
Capitalization Rate	7%
Annual Revenue Needed	\$2.1
Rentable Square Feet	21,603
<b><u>Annual Rent Needed (S.F.)</u></b>	<b><u>\$98</u></b>

*Achievable rent is \$30 to \$40 per square foot*



# RESTAURANT – DESCRIPTION

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- Restaurant
  - Ground Floor
  - Floor to be levelled
  - Rent all 17,613 square feet on ground floor
- Cinema
  - Upstairs
  - Single Screen
  - Same level as Rave 6 screen

# RESTAURANT – DEVELOPMENT COST

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Cost	Amount
Land Costs	\$6.6
Construction Cost	\$32.2
Soft Costs	\$6.4
Total Cost	\$45.2
Tax Incentives	\$(5.8)
<b>Net Cost</b>	<b>\$39.4</b>

# RESTAURANT – MARKET RENTS

Address	Restaurant Size (S.F.)	Asking 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

# RESTAURANT – OPERATING MODEL

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- Restaurant
  - \$50 / S.F. in rent
  - \$0.88m year
  - Generous assumption (\$30-\$40 more likely)
- Cinema
  - Same revenue as Rave 6 screen
  - \$0.21m per year
- Net Operating Income is approximately \$1.1m

# RESTAURANT – REVENUE NEEDED TO JUSTIFY

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Cost	Amount	
Net Costs	\$39.4	
	Restaurant	Cinema
Capitalization Rate	11.8%	10.0%
<b>Annual Revenue Needed (m)</b>	<b>\$4.6</b>	<b>\$3.9</b>

*Total Revenue is approximately \$1.1m*

# ALTERNATIVE APPROACH

	Broadway (85% Scenario)	Broadway (126% Scenario)	Perform- ance	Movie House	Retail	Restaurant / Cinema
Net Operating Income	\$1.6	\$2.6	\$0.7	\$0.0	\$0.8	\$1.1
Capitalization Rate	10%	10%	10%	10%	7%	11.5%
Economic Value	\$16.3	\$26.0	\$7.5	\$0.3	\$10.8	\$9.6
Development Cost	\$51.9	\$51.9	\$41.5	\$40.0	\$30.2	\$45.2
Tax Incentives	(\$7.0)	(\$7.0)	(\$5.3)	(\$5.0)	(\$0.4)	(\$5.8)
Net Development Cost	\$44.9	\$44.9	\$36.2	\$34.9	\$29.8	\$39.4
<b>Net Economic Value</b>	<b>(\$28.6)</b>	<b>(\$18.9)</b>	<b>(\$28.7)</b>	<b>(\$34.6)</b>	<b>(\$19.0)</b>	<b>(\$29.8)</b>



# FINANCIAL HARDSHIP – CONCLUSION

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There is no use to which the Boyd Theater may be reasonably adapted given the cost of renovations and the revenues that can be expected by those uses.



SUPPLEMENT

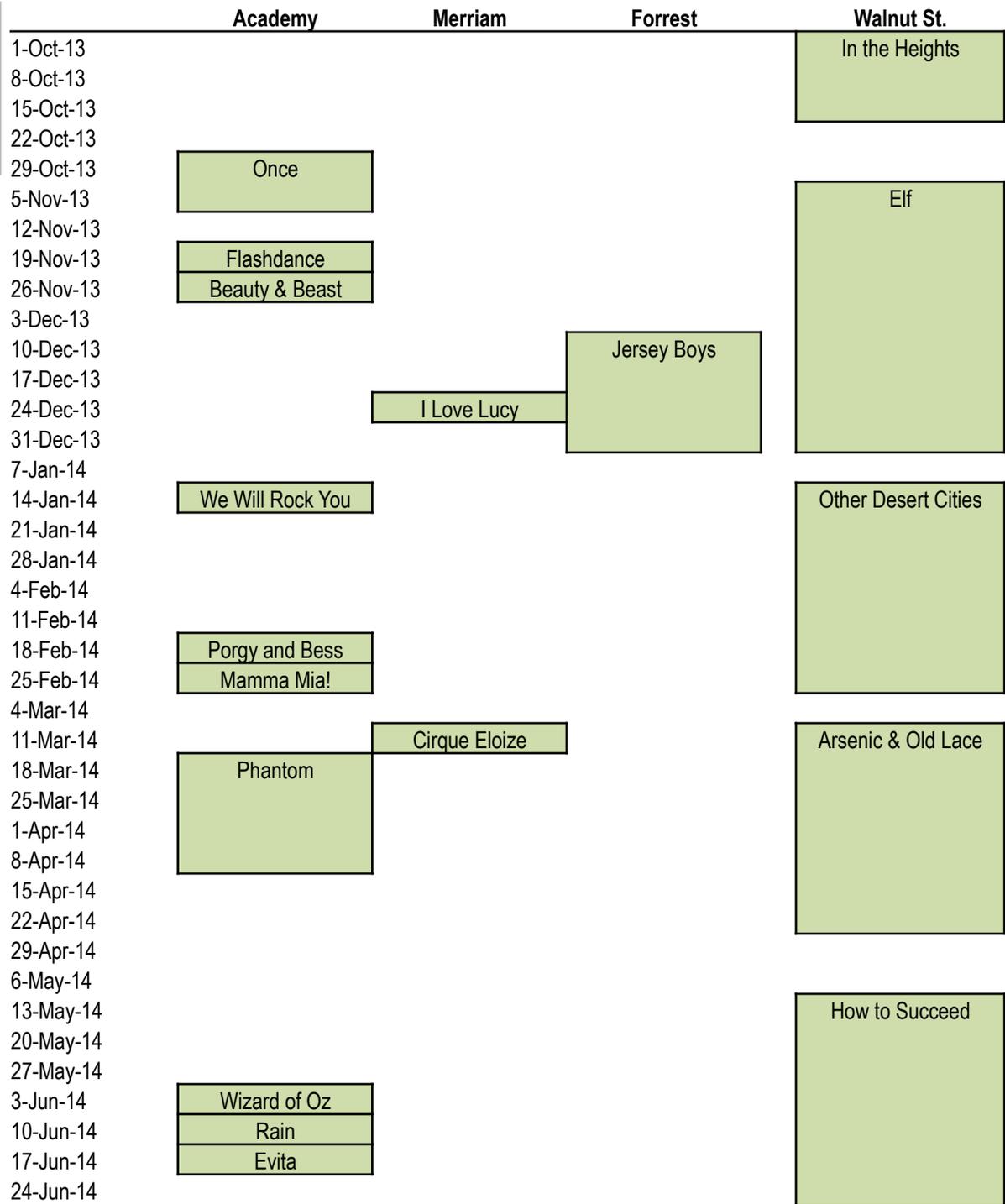
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# Response to Friends of the Boyd

# BROADWAY – OTHER CITIES

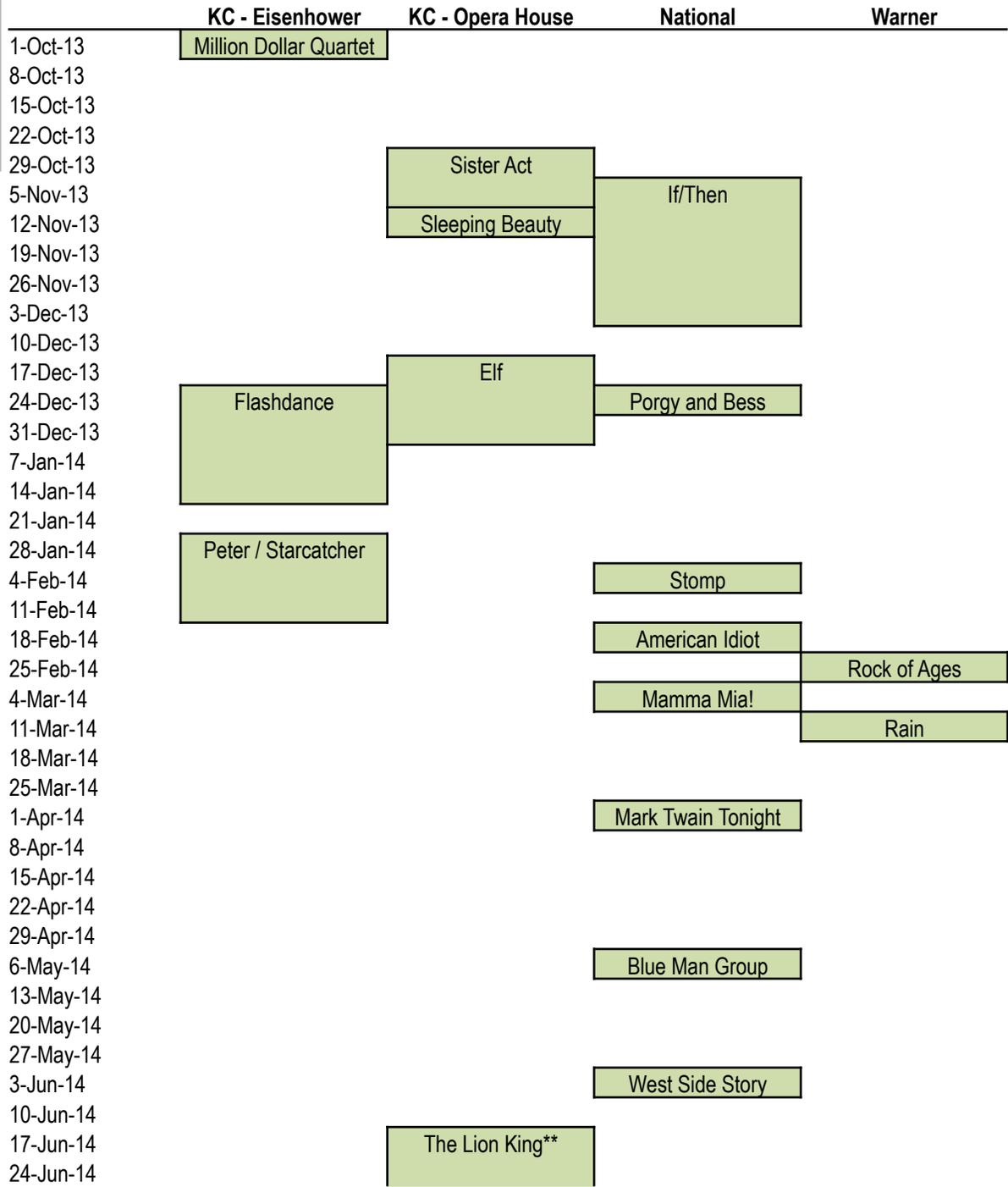
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- Boston, DC have similar performance pattern
- Short runs in season
  - 1-4 weeks
- Long runs during the summer
  - Book of Mormon – 7 weeks at Forrest
  - Wicked – 5 weeks at Academy
  - Lion King – 9 weeks in DC
- Suggests supply of venues is adequate
- Suggests demand is limiting factor



# PHILADELPHIA SHOWS

*Note: Book of Mormon has a 7 week run in the Summer at the Forrest*



# WASHINGTON SHOWS

*Note: Lion King has a 9 week run in the Summer*



	Wang	Colonial	Shubert	Opera House
1-Oct-13				
8-Oct-13		Million Dollar Quartet		
15-Oct-13				
22-Oct-13				
29-Oct-13		Fifty Shades: Musical		
5-Nov-13				We Will Rock You
12-Nov-13				
19-Nov-13	A Christmas Story			
26-Nov-13				
3-Dec-13		I Love Lucy		
10-Dec-13				
17-Dec-13				
24-Dec-13				
31-Dec-13				
7-Jan-14				Once
14-Jan-14				
21-Jan-14				
28-Jan-14				
4-Feb-14				American Idiot
11-Feb-14				
18-Feb-14	Rain			
25-Feb-14				
4-Mar-14				
11-Mar-14		Flashdance		
18-Mar-14				
25-Mar-14				
1-Apr-14				Book of Mormon
8-Apr-14				
15-Apr-14				
22-Apr-14				
29-Apr-14				
6-May-14				
13-May-14				
20-May-14				
27-May-14			Peter / Starcatcher	
3-Jun-14				
10-Jun-14				
17-Jun-14				
24-Jun-14				Phantom***

# BOSTON SHOWS

*Note: Phantom of the Opera has a 5 week run in the Summer*

# FIVE SCREEN – DESCRIPTION

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- Restaurant
  - Operate in basement
  - 3,000 square feet of usable restaurant space
- Cinema
  - Second floor and ground floor
  - Mezzanine level removed for additional screens
  - Five Screens
  - Same level as Rave 6 for each screen

# FIVE SCREEN – OPERATING MODEL

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- Restaurant
  - \$50 / S.F. in rent
  - \$0.15m year
  - Generous assumption (\$30-\$40 more likely)
- Cinema
  - Same revenue per screen as Rave 6 screen
  - \$0.76m per year
- Net operating Income is approximately \$0.91m

# FIVE SCREEN – DEVELOPMENT COST

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<u>Cost</u>	<u>Amount</u>
Land Costs	\$6.6
Construction Cost	\$37.5
Soft Costs	\$7.5
<u>Total Cost</u>	<u>\$51.6</u>
Tax Incentives	\$(6.4)
<b>Net Cost</b>	<b>\$45.2</b>

# FIVE SCREEN – REVENUE NEEDED TO JUSTIFY

Cost	Amount	
Net Costs	\$45.2	
	Restaurant	Cinema
Capitalization Rate	11.8%	10.0%
<b>Annual Revenue Needed (m)</b>	<b>\$5.3</b>	<b>\$4.5</b>

*Total Revenue is approximately \$0.91m*