SUBMITTED BY BEN LEECH
AT CFH MTG 1/28/14

PRESERVATION ALLIANCE

for greater philadelphia

January 28, 2014

Jonathan Farnham
Philadelphia Historical Commission
City Hall Room 576
Philadelphia PA 19107

RE: BOYD THEATRE FINANCIAL HARDSHIP APPLICATION

The Preservation Alliance has carefully reviewed the Boyd Theatre hardship application submitted by iPic Gold-Class Entertainment, its supplementary materials, and the report produced by Real Estate Strategies. The hardship application is fundamentally incomplete, and we do not believe the burden of proof has been met to justify the irrevocable demolition of Center City's last movie palace. We strongly urge you to recommend denial of the application as submitted.

It is important to remember that Live Nation, the building's current owner, is the true applicant before you today, and that it is ultimately Live Nation's responsibility to prove its case of financial hardship. The application by iPic makes many claims on Live Nation's behalf, but provides little concrete evidence to support these claims. For example, the iPic application claims that Live Nation in 2010 explored conversion of the Boyd into a live music venue, but provides no supporting documentation of their analysis. This is exactly the kind of information the hardship process is designed to review, yet it is totally absent from this application. Likewise, iPic's application claims that Live Nation has continuously marketed the theater for sale, yet provides limited details about this marketing effort. Was a broker retained? How many inquiries were generated? What was the theater's asking price? Were there conditions placed on the sale? The application provides incomplete answers to these very relevant questions. We emphasize that, according to iPic's affidavit, the last time the theater was broadly and publicly advertised for sale was in 2008. This was nearly six years ago, when the economic climate was very different, the asking price was $7 million, and the terms of sale prohibited a live music venue for seven years.

The applicant might claim that these holes in the application are inconsequential, given the conclusion of the accompanying Econsult report that no reuse of the Boyd Theatre would justify the cost of its rehabilitation. However, our analysis finds serious flaws in this conclusion. Econsult's conclusions are based on INTECH cost estimates first developed in 2005 for an undefined scope of work. Their estimated development costs far exceed the most relevant comparable project, the renovation of the Queen Theater in Wilmington, Delaware, completed in 2012. The Queen was originally a 2,000-seat, 45,000-square-foot theater that sat vacant for fifty years. Its rehabilitation included

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substantial structural and mechanical interventions. Its total cost was $25 million, or $550 per square foot. INTECH's estimate for a similar program at the Boyd is $35 million or $1200 a square foot, more than double the real world Queen example. The Boyd is structurally sound; the Queen was not. Also, the INTECH estimates appear to be based on a 51,000-square-foot project, yet the Boyd is only 29,000 square feet. This major discrepancy is not explained in the application.

Econsult's analysis also consistently undervalues or misrepresents the potential of Federal Historic Tax Credits in each of the development scenarios, in some cases by $2 million or more. For example, their Broadway theater scenario designates only 72% of development costs as eligible expenses, and their live entertainment and movie theater scenarios designate only 68%. Our experience finds that real-world projects often reach upwards of 90% eligibility, both in hard and soft costs. Without an exact breakdown of what costs were considered eligible, these numbers are highly suspect, as is their flawed application of tax credits in the supplemental retail scenario. Here, they wrongly contend that tax credits could be applied to only the exterior scope of work, which displays a fundamental misinterpretation of the tax credit program and undermines the credibility of their overall analysis.

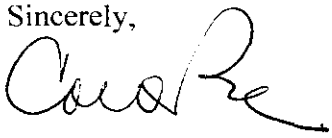
The RES report rightly highlights other discrepancies and omissions in the Econsult development scenarios, including the inflated acquisition cost of $8 million versus the current $4.5 million asking price and the lack of New Market Tax Credit analysis, which would realistically provide almost $3 million in additional funds. But neither report acknowledges that the Boyd remains eligible for $2 million in state Redevelopment Assistance Capital Program funds, as affirmed in Governor Corbett's 2010 program review. While the RES report tests some Econsult assumptions by discounting the INTECH numbers by 20%, this represents only a fraction of the possible cost savings if all of these variables are considered. To reiterate, no analysis accounts for the combined potential cost savings of $3.5 million in acquisition cost savings, $2 million in additional historic tax credits, $2.7 million in New Market tax credits, $2 million in RACP funds, plus development costs more in line with recent completed projects. It is highly likely that this analysis could lower total project costs by at least $15 million and eliminate the negative Net Present Values that support the application's claims that the theater presents a financial hardship.

Finally, the hardship application is insufficient in its consideration of possible alternative uses. The original application and its supplement together proposed five uses--Broadway theater, live entertainment venue, single-screen movie theater, theater/restaurant, and retail. Notwithstanding our concerns about the analysis of these scenarios, we are also concerned that this analysis leaves out perhaps the most relevant alternative use: a multiscreen rehabilitation that would preserve the historic structure. This is relevant for two reasons: first, because it is a reuse strategy with a track record of success, and second, it is a reuse that is closest in program to the current iPic proposal. The application provides no evidence that a multiscreen adaptation is technically or financially infeasible for the Boyd. An equivalent movie palace in San Francisco, the New Mission Theater, is currently being renovated into a five-screen multiplex within the

historic theater volume. Initial schematic renderings commissioned by Friends of the Boyd suggest that the theater could be sympathetically divided into three screens, one of which could be an IMAX configuration. Two additional screens might also be accommodated in an addition that matches the footprint of the current iPic proposal. The hardship application contends that a one-screen theater is infeasible, and infers that an 8-screen theater is feasible, but provides no supporting documentation that fewer than eight screens was considered. The fact that eight screens is iPic's preferred business model is irrelevant to the question of whether five, four, or three screens is financially feasible. On this question, the application is completely silent, except for the specious observation that the Boyd had four screens when it closed. Again, this is exactly the kind of information the hardship process is designed to review, yet it is totally absent from this application. Indeed, there is nothing in the application to even support the claim that an 8-screen theater is more financially feasible than any of the other development scenarios presented, and the only thing that approval of this application would guarantee is the near-total demolition of one of Philadelphia's most significant art deco buildings and Center City's last grand movie palace.

To summarize, the application lacks transparent Live Nation data, contains flawed development estimates, misrepresents the availability of tax credits and other incentives, and lacks significant analysis of a major reuse program. For these reasons, the Preservation Alliance contends that the approval of this hardship application as presented would be an error, and we strongly encourage you to recommend denial.

Sincerely,



Caroline E. Boyce
Executive Director
Preservation Alliance for Greater Philadelphia

PRESERVATION ALLIANCE

for greater philadelphia

February 27, 2014

Jonathan Farnham
Philadelphia Historical Commission
City Hall Room 576
Philadelphia PA 19107

Supplemental Comments on the Boyd Theatre Application before the Committee on Financial Hardship

The fundamental question before you today is simple: is the sale of the Boyd Theater impracticable? The Historic Preservation Ordinance does not define impracticable, but we can assume the term to mean practically impossible or extraordinarily burdensome. So would the sale of the Boyd Theater be extraordinarily burdensome to its current owner, Live Nation? No. The Friends of the Boyd have secured funding to purchase the property. I have personally met with the donor and have seen the commitment letter. I assure you that the funds are real and the offer is sound and unconditional. Friends of the Boyd are making a good faith effort to purchase the property to save it from demolition. This fact alone demonstrates that the theater does not impose a financial hardship on its current owner. Therefore, there are no grounds to approve the building's demolition.

The hardship application before you claims that the Boyd Theater cannot be used for any purpose for which it is, or may be, reasonably adapted. In our testimony before you on January 28th, we argued that the application simply fails to demonstrate this fact. It lacks relevant Live Nation information, contains flawed and incomplete redevelopment estimates, misrepresents the availability of tax credits, grants and other incentives, and lacks relevant analysis of a major reuse program. The application is still insufficient today.

The Philadelphia Historical Commission exists to protect the public's right to the preservation of historic resources. This right is embedded in the City's ordinance, as well as the Constitution of the Commonwealth of Pennsylvania. It protects this right in part by preventing the unnecessary demolition of historic buildings like the Boyd Theatre, which is structurally sound and has a willing buyer. Demolition of the Boyd Theatre is unnecessary.

The Friends of the Boyd, with Preservation Alliance support, is actively pursuing rehabilitation funding to ensure that the building does not remain vacant indefinitely, and it is planning immediate improvements to the Chestnut Street façade to address some of the complaints lodged by neighbors about its current condition. But these efforts are

ultimately irrelevant to your decision today, just as the ultimate viability of iPic's proposal is irrelevant. Please remember that there is no guarantee that a multiplex theater would be successful here if the applicant's demolition request is approved. There is no guarantee that their project would even be built! The only guarantee is that an irreplaceable historic building would be lost forever, and that Philadelphia would have failed where every other major American city has succeeded, in preserving at least one major motion picture palace for the wonder and enjoyment of future generations.

Sincerely,

Caroline E. Boyce
Executive Director
Preservation Alliance for Greater Philadelphia

Supplemental Boyd materials

Ben Leech [ben@preservationalliance.com]

Sent: Friday, March 07, 2014 5:02 PM
To: Jon Farnham
Cc: caroline@preservationalliance.com; HowardBHaas@aol.com
Attachments: Caroline Boyce PA Boyd The~1.pdf (2 MB) ; Letter to the Phila Histor~1.pdf (642 KB) ; Letter for the Boyd Theater.pdf (86 KB)

Jon,
Please add the three attached documents into the record in advance of the forthcoming Historical Commission meeting on March 14th. These documents will be cited in testimony presented at the meeting by Caroline Boyce. Thank you.

Ben Leech
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Powers & Company, Inc.
Historic Preservation Services

March 7, 2014

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

Dear Dr. Farnham:

At the upcoming Historical Commission meeting scheduled for March 14th, the matter of the partial demolition of the Boyd Theater at 1908 Chestnut Street will be heard. There has been considerable discussion to date regarding this demolition at the two Hardship Committee meetings and at the Architectural Review Committee hearing. Affidavits, exhibits and other documents were presented at those hearings by the applicant that supported the claim that rehabilitation of the Boyd is so expensive that it is not financially feasible to reasonably develop the theater. Econsult cited construction costs of $37.7 million and a total development cost of $51.9 million in their analysis of the "Off Broadway Theater with Fly Tower" scenario and construction costs of $29.1 million and a total development cost of $41.5 million for the "Live Venue without the Fly Tower" option. I question the estimated construction costs noted by Econsult which form the basis of the claims of financial hardship by presenting below what I believe to be an extremely relevant and comparable project to the Boyd in which I was heavily involved as the project's preservation consultant.

Originally constructed in 1872 as the Clayton House Hotel, the Queen was converted into a theater by the Wilmington Amusement Company in 1915. As part of the transformation, designed by prolific Philadelphia theater architect William Harold Lee, the top floor of the 5-story building, which consisted of a Second Empire mansard roof, was removed, and the N. Market Street façade was re-clad in pressed white terra cotta tiles. Additionally, the heavy bracketed cornice of the original building was replaced by a smaller, plainer pressed metal cornice on the front façade. Inside, the two-level, 2,000 seat main theater space included elaborate decorative painting and plasterwork above and around the stage. Praised by local newspapers as the most beautiful theater in the country, the Queen officially opened on February 16, 1916 with the feature film "Between Men." In addition to movies, the theater hosted many vaudeville performances, especially after 1932. The building was a popular theater and community gathering place for over forty years – it was used for offices and meetings by various social organizations – until it closed in 1959. Although the theater was sold in 1967, it remained vacant until 2009.

In 2009, The Buccini/Pollin Group, Inc. of Wilmington, DE purchased the Queen and embarked upon a renovation of the property into a live performance venue for World Café Live. Since the theater had sat vacant for an extended period of time, it had suffered extensive deterioration. In particular, large areas of

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plaster were missing and or water damaged. The portion of the building facing along Market Street had substantial structural issues and all of the mechanical and electrical services required replacement. In addition, World Café Live had very specific programmatic requirements which needed to be met in the conversion into a live performance venue. These requirements involved work which normally would not be associated with a more traditional straight theater renovation.

In the rehabilitation of the Queen Theater the following work plus more was undertaken:

- All non-historic elements on the front, western elevation – including the permastone storefronts installed in the 1970s – were removed and all significant features were restored. This work included repair, repointing and cleaning of the terra cotta. Where terra cotta pieces were damaged and/or missing, replacement pieces to match the originals were custom made.
- New glass storefronts were installed on both the east and west elevations.
- The original Market Street windows on the upper stories were restored.
- The brickwork on the south and east elevations were cleaned and repointed.
- A new roof was installed.
- The cast-iron ground floor of the east elevation was stripped and repainted. New fiberglass elements were custom manufactured and installed.
- An entirely new canopy and marquee, echoing the appearance of the 1915 original, was custom manufactured and placed above the main front entrance on Market Street.
- New lighting and signage was installed.

On the interior of the building the work included:

- The existing flooring and structural system was replaced in the Market Street section of the building (see Appendix photo #3).
- A new basement level was added where previously only a partial basement existed.
- The balcony was modified extensively to accommodate a revised plan for dining and seating.
- A new concrete floor was poured in the main venue.
- Two restaurant kitchens were installed.
- Two full bars were installed.
- Two new elevators were installed.
- A new restaurant was built off of the Market Street entry.
- All of the historic finishes, including the plaster walls and moldings, a bas-relief plaster ceiling and cornice, limited wood moldings, brass railings, water fountains and mirrors were maintained and repaired as necessary. Instead of fully restoring the deteriorated decorative painting, however, the existing paint finishes were just stabilized and left intact to retain its unique appearance of age in keeping with the operator's desired aesthetic.
- The massive, central plaster medallion was completely restored and painted the original colors.
- Historic murals were conserved and left in place.
- All new HVAC, electrical, plumbing and life safety systems were installed.
- All new theatrical lighting and sound system were installed.
- All new seating both bench style and traditional style was installed.

As is apparent from the above list of work completed to convert the vacant shell of a theater into a live performance venue with associated entertainment components, the Queen Theater underwent a top to bottom rehabilitation. ***Completed in 2011, the construction costs for the 41,000 square foot facility renovation were $14 million and the total development was $25 million.*** The project was approved for

federal tax credits for the work completed. These are real numbers from a recently completed project and not a hypothetical cost estimate of a possible renovation that has not been fully vetted by a construction and development team.

By comparison, in stark contrast to the Queen, the comparable scenario (Live Venue without the Fly Tower) for the Boyd as outlined in the Econsult Report, lists construction costs of $29.1 million and a total development cost of $41.5 million. *This amount is more than double the actual Queen rehabilitation costs.* The Boyd is in much better condition than the Queen (having been open for business until 2002 vs. the Queen closing thirty-five years earlier) and does not require the structural work nor many of the other costly programmatic alterations required of the Queen renovation. Therefore, the validity of the Econsult construction numbers, which are more than double a recently completed, comparably sized, theater project in the Greater Philadelphia area, needs to be seriously questioned. Using the Queen Theater as a comparable project, it seems reasonable to assume that the Boyd Theater could be rehabilitated in the $15 million range and certainly not for $29.1 million.

In the January 16, 2014 letter report to the Historical Commission prepared by Real Estate Strategies, Inc. (RES) they stated that the renovation of the Queen Theater in Wilmington, DE was a "recent and comparable" project to a potential Boyd rehabilitation. We agree completely. Unfortunately, RES later dismissed the comparison saying "A large percentage of the **$25 million in construction costs** to renovate the historic theater was provided by government and philanthropic sources." RES is incorrect in stating that the Queen Theater construction costs were $25 million, when they were actually $14 million. It is also unclear as to why RES did not compare the Queen's actual construction costs to what Econsult proposed for the Boyd. It is also questionable as to why Econsult did not include The Queen Theater project as a comparable case study in their report.

I have included as an addendum to this letter photographs of the Queen Theater before, during and after rehabilitation as a comparison to the Boyd. These photos vividly display the poor condition of the Queen before the commencement of the rehabilitation, the extensive amount of work involved in the project and the final results of spending $14 million on the renovation of a historic theater. These photos graphically show what can be done to transform a long shuttered historic property for a $14 million construction investment.

Thank you for this opportunity to discuss what I believe to be a compelling, comparable project. I am hopeful that Historical Commission will seriously consider the information provided in this letter and ultimately turn down the Hardship Application for the Boyd Theater. I look forward to seeing you on the 14th.

Sincerely,

Robert M. Powers
President

Fig. 1 - Front facade, before

Fig. 2 - Front facade, after

Fig. 3 - Front facade, during construction

Fig. 4 - Main seating floor and stage, before

Fig. 5 - Main seating floor and stage, after

Fig. 6 - View from balcony, before

Fig. 7 - View from balcony, after

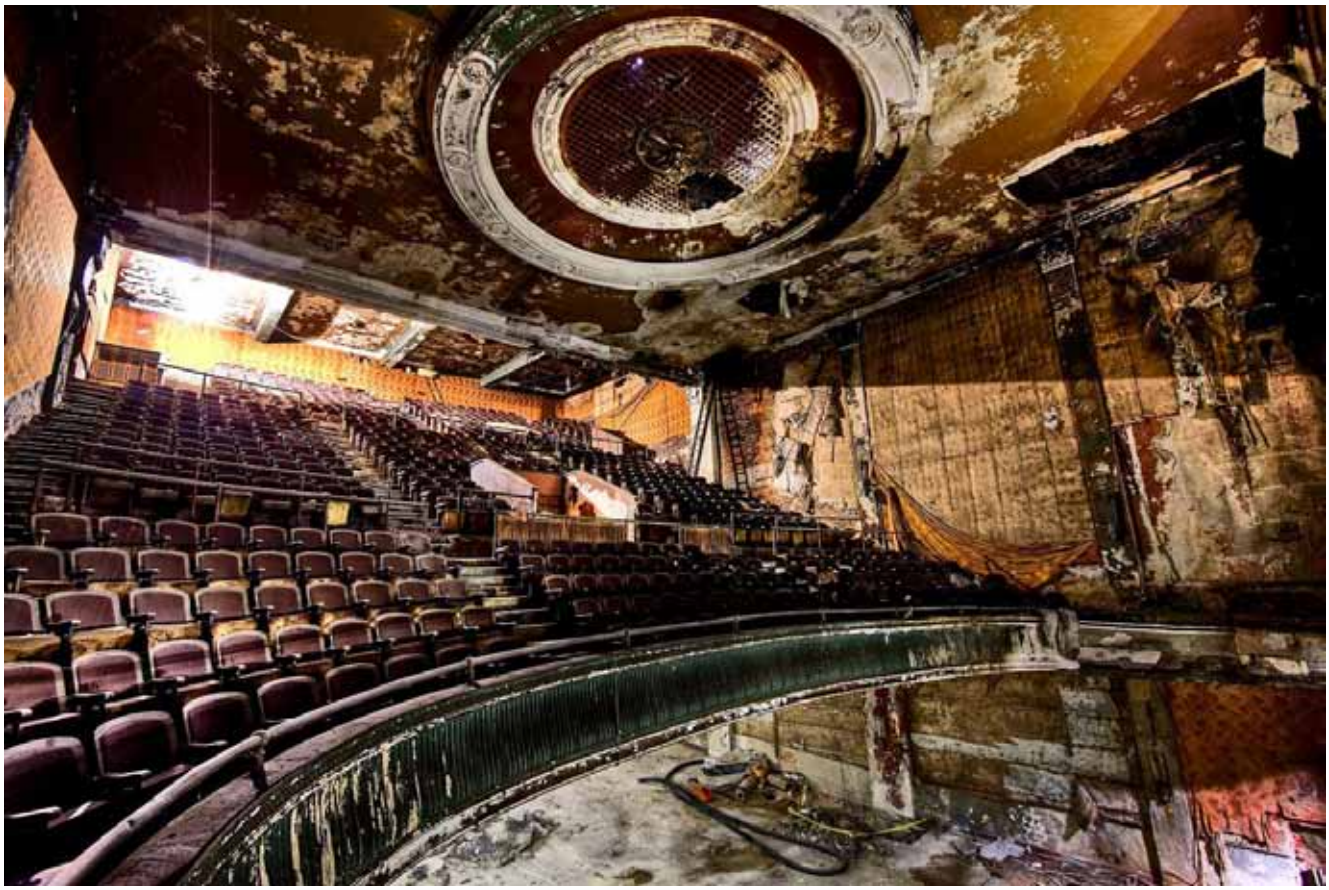

Fig. 8 - View of balcony, before

Fig. 9 - View of balcony, after

Fig. 10 - Ceiling medallion during restoration

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March 7, 2014

Ms. Caroline E. Boyce, CAE
Executive Director
Preservation Alliance for Greater Philadelphia
1608 Walnut Street, Suite 1300
Philadelphia, PA 19103

Re: Boyd Theatre

Dear Caroline:

During 2011 - 2012, I had several opportunities to tour the Boyd Theatre, 1910 Chestnut Street, in Philadelphia. The reason for these visits was to assist one of my Clients in his considerations for development options for the building. My Client was interested in an approach that could preserve the building with new multi-use functions that did not include a live performance theatrical venue. We explored various scenarios including, but not limited to: a.) "Mothballing" the building; b.) Restoring the exterior and adaptively reusing the interior and; c.) Subdividing the interior spaces for condominium users. Each one of these approaches would essentially preserve the important features, volumes and architectural fabric should future opportunities present themselves to return the building into a theatrical venue of some kind.

We had also looked at ways to phase the development of various scenarios to allow for financing over a period of years. One of these Phase One considerations was for the exterior restoration of the envelope and restoration of the arcade (Outer Lobby) and Main Lobby areas (AKA the "Chestnut Street" wing) into a café/restaurant space with offices above. This would preserve the building as a whole while giving vibrancy to the Chestnut Street façade. The construction cost estimate for this phase (at that time) was approximately $6.5M. Following this would be Phase Two which considered various adaptive-reuse options for the main auditorium, stage, mezzanine, loggias and balconies. In this regard, we prepared plans for a restaurant/special events venue and a combination of smaller cinemas that were inserted within the stage floor and upper levels. Phase Two estimates came in at $18.5M.

Our Client reviewed these plans with potential users, including well-experienced restaurateurs. It seemed the numbers could work. Due to another set of circumstances, however, which were out of his control, our Client ultimately did not pursue this project further. In my professional opinion, however, I believe that an adaptive reuse with a mixed-program is a viable option for the current or future owner to ensure the preservation of the building and the invigoration of this neighborhood.

As a principal of my firm and in practice as a preservation architect for 40 years, I had managed the restoration of the Majestic Theater in Gettysburg and gained an understanding of the structure and renovation process. That building was designed by the same architect as the Boyd and during the same general time period, so there were many similarities between the two. The Majestic Theater has become an overwhelming success and has invigorated a large sector of the downtown. Doing something innovative and exciting with the Boyd would surely have the same effect.

Sincerely yours,

Mary Werner DeNadai, FAIA

MWD/m

National Trust Community Investment Corporation
a subsidiary of the
National Trust *for* Historic Preservation

March 6, 2014

Ms. Caroline E. Boyce, CAE
Executive Director
Preservation Alliance for Greater Philadelphia
1608 Walnut Street Suite 1300
Philadelphia, PA 19103

Dear Caroline,

You have asked the National Trust Community Investment Corporation (NTCIC) to estimate the value of the federal historic tax credits (HTC) and the new markets tax credits (NMTC) to help rehabilitate the Boyd Theater for use as a for profit-managed Broadway show venue. I am pleased to provide the following brief analysis.

As you know, NTCIC is a for profit subsidiary of the National Trust for Historic Preservation. We were established in 2000 to provide tax credit syndication services to for profit, nonprofit and local government sponsors of rehabilitation projects that qualify for federal and state historic and new markets tax credits. Since its inception, NTCIC has worked with 17 different corporate investors to invest in nearly 100 transactions totaling about $690 million in debt and equity investments on projects with total development costs in access of $2.4 billion.

Among those investments have been 13 large and small theater projects. Most of these theater investments have received allocations of new markets tax credits from NTCIC. These theaters have included for profit and nonprofit-managed Broadway show venues including the Hippodrome in Baltimore, the Landmark in Richmond and the Saenger in New Orleans. We have been a Certified Community Development Entity (CDE) since 2003 and have been awarded $413 million in new markets allocation authority since then.

You have asked us to base our analysis on the estimated total development cost for the Boyd of $53,271,000 from the EConsult Solutions report to the Philadelphia Historical Commission. This is roughly comparable in cost to one of our more recent investments in the Saenger Theater in New Orleans, a for profit-managed Broadway show venue that we think can serve as a useful comparison to what is possible with the Boyd.

The Saenger was flooded and heavily damaged during Hurricane Katrina and had been closed since 2005. Its owner, Ace Theatrical, had operated the Saenger profitably before the storm and led the development team that completed the restoration. The Saenger has 2,800 seats, and its total development cost was approximately $50,200,000. Its qualified rehabilitation expenditures(QREs) were approximately $46,200,000 or 92% of total costs. Rehabilitation included expansion of the stage house which is also contemplated for the Boyd. However, to facilitate funding from the City of New Orleans, the property title was transferred to the City and leased back to the Ace Theatrical, so there was no comparable acquisition cost. The land acquisition cost for the Boyd of $8 million would not be an eligible cost for federal HTCs.

The Saenger's corporate federal investor provided approximately $10 million in net equity to the

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transaction. There were four CDEs that provided $39 million in allocation including $14 million from NTCIC. Equity to the project from the new markets credits was $10.5 million or a net credit amount after transaction costs and investor pricing of about 27%.

NTCIC has compared its experience on the Saenger to the numbers provided for the Boyd. We estimate that the qualified rehabilitation expenditures for the Boyd would be approximately $43,275,000, deducting $8 million in acquisition costs and an estimated $2 million in new construction costs for the stage house enlargement. (The Saenger enlargement cost was $1.5 million.) That would make QREs 81% of total development costs. In our professional opinion, this is a better projection of Boyd Theater costs eligible to earn the federal HTC than the EConsult Solutions estimate of 68-72%. At an assumed investor pricing of $.98 on the tax credit dollar, and transaction costs of $200,000, the net equity generated would be approximately $8.3 million.

It should be noted that if the current owner of the theater were to execute scenario #1 in the EConsult report, there would be no $8 million acquisition cost. This would increase the ratio of total development costs to QREs to above 90%.

The new markets potential for Boyd is less predictable. The NMTC is not an "as of right" credit, but depends on attracting allocations from CDEs. The Saenger example shows what is possible when the City, a for profit entertainment company and community leaders work together to bring back an iconic theater venue. If the Boyd's developer can articulate a strong set of low-income community benefits, it would be reasonable to assume that three CDEs may contribute $10 million each in NMTC allocation for a total of $30 million. Using the Saenger example of the net equity to the transaction, an additional $8.1 million could be raised.

The City of Philadelphia may want to consider the approach used by the City of New Orleans. By taking title to the Boyd and leasing it back to a for profit operator, it would make the project eligible for charitable donations and other public funding that can only be used for public or nonprofit controlled property.

This analysis is high level, and has not had the benefit of feedback from other CDEs, the City of Philadelphia, the owner or other stakeholders. It is provided to the Preservation Alliance to help determine whether these tax credit incentives, along with potential state and local grants and other sources could lead to a feasible transaction.

Sincerely,

John Leith-Tetrault
President
National Trust Community Investment Corporation