MEETING OF THE COMMITTEE ON FINANCIAL HARDSHIP
OF THE PHILADELPHIA HISTORICAL COMMISSION

TUESDAY, 28 JANUARY 2014
ROOM 18-029, 1515 ARCH STREET, ONE PARKWAY BUILDING
SAM SHERMAN JR., CHAIR

PRESENT

Sam Sherman Jr., chair
Dominique Hawkins, AIA, NCARB, LEED AP
Joann Jones, Esq., Office of Housing & Community Development
Sara Merriman, Commerce Department
Robert Thomas, AIA

Jonathan Farnham, Executive Director
Kim Broadbent, Historic Preservation Planner I
Laura DiPasquale, Historic Preservation Planner I

ALSO PRESENT

Robert J. Hotes, AIA Philadelphia
Kevin McMahon, Powers & Co.
Gloria Reisman
David Litofsky
Henry Hauptfuhrer, Friends of the Boyd (FOB)
Richard K. Gelber, SPG3 Architects
Peter Angelides, Econsult Solutions
Matthew McClure, Esq., Ballard Spahr
Hamid Hashemi, iPic Gold Class
Paul Safran, iPic Gold Class
Meg Sowell, Real Estate Strategies
Stephen Kazanjian, Real Estate Strategies
Patrick Quinn, iPic Gold Class
Bill Lloyd, iPic Gold Class
Herb Moskovitz, FOB
Charles Arnao, FOB
Maria Panaritis, Philadelphia Inquirer
Daniel Coyle, William Penn House
Kathy Dowdell, AIA Philadelphia
Robert Bender, FOB
Jason Clement, National Trust for Historic Preservation
Nelda Horwitz, FOB
Andrew Yaffe
James Pearlstein, Pearl Properties
Reed Slogoff, Pearl Properties
Travis Alderson, Alderson Engineering
Janice Vacca, Harman Group
Randy Cotton, FOB
Caroline Boyce, Preservation Alliance
Ben Leech, Preservation Alliance

Leonard F. Reuter, Esq.
Sal D'Angelo, FOB
Eugene Dichter, William Penn House
Richard Gross, 1920 Chestnut Street
Kera Armstrong, iPic
Vincent Feldman, University of the Arts
Mary Obropta, FOB
Phillipa Campbell
John Andrew Gallery
Michael Rosen
Jennifer Kelly, FOB
Silvia Schwartz, FOB
Andrew Simpson, National Trust for Historic Preservation
Grant Stevens
Nan Gutterman, Vitetta
J. Matthew Wolfe, FOB
Michael Hare, Boyd's Clothing
Corie Moskow, Rittenhouse Row
Sharon Pinkenson, Greater Philadelphia Film Office
Howard Haas, FOB
Robert Schusterman, Esq.
Jeff Greene, EverGreene Architectural Arts, Inc.

CALL TO ORDER

Mr. Sherman called the meeting to order at 9:00 a.m. Mses. Hawkins, Jones, and Merriman and Mr. Thomas joined him.

ADDRESS: 48 E LOGAN ST

Project: Legalize and replace windows
Review Requested: Final Approval
Owner: Garnett C. Littlepage
Applicant: Isom Gladden, Ultimate Construction
History: 1860
Individual Designation: 3/28/1967
District Designation: East Logan Street Historic District, Significant, 11/12/2010
Staff Contact: Randal Baron, randal.baron@phila.gov, 215-686-7660

OVERVIEW: This application proposes to legalize vinyl windows already installed and approve vinyl windows yet to be installed in the house at 48 E. Logan Street. The property was individually designated as historic in 1967 and classified as Significant in the E. Logan Street Historic District in 2010. The property is vacant. The current owner of the property purchased it in 1996 and intends to rehabilitate it as a multi-unit residential building. The Department of Licenses & Inspections issued violations and a stop work order for the installation of the windows without a permit or approval as well as for demolition by neglect and an unsecured vacant property on 13 September and 26 November 2012. The City initiated an enforcement case to instigate compliance. The equity case is currently being heard in the Court of Common Pleas. On 26 July 2013, the judge ordered the owner to submit an application to the Historical

Commission to bring the building into compliance. The judge has issued absolute and conditional fines in this matter and is awaiting the outcome of this review.

The owner claims that the windows were purchased and partially installed before he was aware of the historic designation. The applicant provides documentation showing that the vinyl windows were paid for on 15 April 2010, before the owner was notified of the consideration of the establishment of the E. Logan Street Historic District in writing on 2 September 2010. However, the property is a multi-unit apartment building and, as such, a building permit is required to replace windows in existing openings regardless of its historic designation status. Had the owner sought the requisite permit for the windows, he would have been informed that the building had been individually designated as historic since 1967, long before the designation of the historic district in November 2010. Moreover, the owner was informed in writing of the property's historic designation on 5 May 2010, when the Historical Commission sent letters to all owners of designated properties reminding them of the designations, before the windows were apparently shipped on 2 June 2010.

The applicant presents a financial analysis contending that the building could not feasibly be rehabilitated if the owner is compelled to replace the vinyl windows with historically appropriate windows. The applicant estimates that the new windows would cost $33,000 plus $11,000 for installation. The staff asserts that the analysis is fundamentally flawed because any hardship suffered from the purchase of two sets of windows, vinyl and historically appropriate, is self-induced. The hardship provision in the preservation ordinance is not designed to protect owners from their own illegal work or lack of due diligence.

The applicant contends that other buildings in the historic district have non-historic windows. The staff counters that some may predate the designation and therefore be legal; others may be illegal. The staff will review the documents provided by the applicant and request that the Department of Licenses & Inspections issue violations if windows are found to be illegal. The staff notes that the potential for illegal windows at nearby properties does not excuse the illegal windows in question.

The Architectural Committee reviewed the application on 22 October 2013 and voted to recommend denial, pursuant to Standard 6 and owing to incompleteness. The Committee concluded that the vinyl windows do not satisfy preservation standards because they do not replicate the exterior appearance of the historic windows. The Committee also concluded that the application was incomplete for many reasons including that it did not provide photographs of all facades of the building and did not specify the total number and configurations of the windows in the building or indicate which had been replaced with vinyl. The Architectural Committee recommended denial owing to incompleteness in part because there is no comprehensive accounting for the window openings in the building. Some historic windows were removed and vinyl windows installed, some windows were removed and openings left empty, and some historic windows remain in place.

STAFF RECOMMENDATION: Denial, pursuant to Section 14-1005(6) of the Philadelphia Code, Standard 6, and owing to incompleteness. Any hardship suffered in this case resulting from work undertaken without requisite approvals and permits and is therefore self-induced.

DISCUSSION: Mr. Farnham presented the application to the Committee on Financial Hardship. No one represented the application.

Mr. Farnham suggested that the applicant propose a compromise solution that takes into account visibility of the various windows from the public right-of-way. Vinyl windows may be appropriate in rear window openings that are not visible from the street. Historic windows at the rear may be able to be moved to forward to openings at the front and sides. Existing historic windows at the front and sides may be able to be retained and repaired. Historically appropriate windows could then be installed at front and side openings that are visible from the public right-of-way that have vinyl or no windows. With such a compromise, the cost to bring the windows of this building into compliance could be greatly reduced from the estimate provided.

Mr. Sherman asked if the applicant was in attendance. No one responded.

Mr. Thomas stated that he concurred with the staff's assessment of the application. He noted that a building permit is required for window replacement in a multi-family residential building and asserted that, if the applicant had sought the requisite permit for the windows, he would have been made aware of the historic designation. Mr. Thomas stated that he agreed that a compromise was possible in this case that would reduce the cost of bringing the building into compliance. He added that, in addition to factoring visibility from the street into the replacement decisions, the Commission may be willing to agree to a phased replacement of the illegal windows. He concluded that any hardship in this case is self-imposed and the application should be denied.

Mr. Sherman asked in anyone in the audience wished to comment on the application. No one offered comments.

COMMITTEE ON FINANCIAL HARDSHIP RECOMMENDATION: Mr. Thomas moved that the Committee on Financial Hardship recommend denial, pursuant to Section 14-1005(6) of the Philadelphia Code, Standard 6, and owing to incompleteness. Ms. Jones seconded the motion, which passed unanimously.

ADDRESS: 1910 CHESTNUT ST
Project: Partially demolish building, restore entry arcade, construct addition
Review Requested: Final Approval
Owner: Live Nation Worldwide, Inc.
Applicant: Matt McClure, Ballard Spahr, LLP
History: 1928; Boyd Theater, Sameric Theater; Hoffman & Henon, architects
Individual Designation: 8/9/2008
District Designation: None
Staff Contact: Jon Farnham, jon.farnham@phila.gov, 215-686-7660

OVERVIEW: The Boyd Theater is an Art Deco movie palace located at 1910 Chestnut Street, on the south side of the street. The theater was constructed in 1928 and operated until 2002. The building has been vacant since 2002. It is an L-shaped building with an entry arcade and lobby running south from Chestnut to an auditorium, which runs east-west along Sansom Street. The Art Deco front façade is clad in limestone and includes art glass windows. The marquee is not original, but is a later replacement. Behind the front façade, the exterior of the building is clad with brick. The auditorium facades, which face Sansom Street, rears of buildings, and a surface parking lot, are unornamented and include fire escapes, flush metal doors, and windows.

The Historical Commission individually designated the Boyd Theater as historic on 9 August 2008. The designation authorizes the Commission to regulate the exterior envelope of the building only. The Commission has not designated the interior of the building as historic and has no authority to regulate any interior features, except where alterations to those interior features would impact the exterior.

This application proposes to retain and restore the Chestnut Street façade and the entry arcade, demolish the auditorium and lobby sections, and construct an addition that would house a movie theater complex. The application contends that the building cannot be used for any purpose for which it is or may be reasonably adapted, or, in other words, that its compulsory preservation would deny the owner of all economically viable use of the property, thus creating a financial hardship.

Section 14-1005(6)(d) of the City's historic preservation ordinance expressly prohibits the Commission from approving demolitions of historic buildings such as the demolition proposed in this application in all but two instances. The Commission may approve a demolition after determining that:

- the demolition is necessary in the public interest; or,
- the building cannot be used for any purpose for which it is or may be reasonably adapted.

Section 14-1005(6)(d) of the ordinance elaborates, stating that:

> In order to show that building cannot be used for any purpose for which it is or may be reasonably adapted, the owner must demonstrate that the sale of the property is impracticable, that commercial rental cannot provide a reasonable rate of return, and that other potential uses of the property are foreclosed.

Section 9.4 of the Commission's Rules & Regulations further elaborates, stipulating that the "applicant has an affirmative obligation in good faith to attempt the sale of the property, to seek tenants for it, and to explore potential reuses for it."

With the 2010 revision of the Commission's Rules & Regulations, the Commission clarified the roles of the Committee on Financial Hardship and Architectural Committee in the reviews of applications claiming financial hardship. Section 9.5.e of the Rules & Regulations stipulates that the Committee on Financial Hardship focus on the hardship question and seek to determine whether the application demonstrates that the property cannot be used for any purpose for which it is or may be reasonably adapted. Section 9.6 of the Commission's Rules & Regulations, which refers to Sections 6.9 and 6.11 of the Rules & Regulations as well as Section 14-1005(6)(e) of the preservation ordinance, stipulates that the Architectural Committee apply its standard review criteria and seek to determine whether the proposed work complies with the Secretary of the Interior's Standards and other review criteria.

The application materials consist of a cover letter introducing the application, a building permit application, photographs and plans of the property, architectural drawings documenting the proposed demolition, renovation, and new construction, and an affidavit with supporting exhibits providing:

- information on the property ownership and leasing structures,
- deeds for the property,

- information on easements and restrictions at the property,
- appraisals and assessments of the property,
- an accounting of income and expenses related to the property,
- assessments of the condition of the property,
- information on the marketing of the property for reuse,
- analyses of potential reuses of the property.

The application seeks to prove that the property has been marketed for reuse for many years, but, although several have tried, no one has devised a successful reuse project of the property. The application also seeks to prove with financial analyses that potential reuses including a Broadway-style theater, multipurpose live entertainment venue, single-screen movie, restaurant and movie theater, and a retail space would be financially infeasible and are therefore foreclosed. The application concludes that the theater cannot be used for any purpose for which it is or may be reasonably adapted.

The Historical Commission has retained an independent consultant, Real Estate Strategies, Inc., with significant expertise in financial analyses of potential real estate projects to assess the application and assist in determining whether the Boyd Theater can be used for any purpose for which it is or may be reasonably adapted. The consultant has issued a report, which concludes that the income generated by any of the potential new uses of the Boyd addressed herein is not sufficient to cover the costs associated with the rehabilitation of the property and the ongoing expenses associated with maintenance and operations.

Several interested parties have submitted documents to the Historical Commission expressing various opinions on the application. The Commission received letters in opposition from the Friends of the Boyd, Preservation Pennsylvania, and the Philadelphia Chapter of the American Institute of Architects. The Commission received many emails in opposition generated by the website groundswell.com. The Commission also received several emails in opposition from members of the Theatre Historical Society of America.

The Commission received letters of support or non-opposition for the project from the City Council President and District Councilman Darrell Clarke; State Senator Lawrence Farnese; State Representative Brian Sims; the Center City Residents Association; the Center City District; Independence Visitor Center Corporation; Greater Philadelphia Film Office; several nearby businesses as well as Rittenhouse Row, the neighborhood business organization; and several nearby residents and condominium associations.

STAFF RECOMMENDATION: The staff offers no recommendation on the reasonable adaptation question, but defers to the independent consultant's assessment.

DISCUSSION: Before the application was introduced, Messrs. Thomas and Sherman disclosed for the record that they have involvement with parties or potential parties to this matter, but stated that they did not have conflicts that would prevent them from participating. Mr. Thomas stated that he is a member of the Friends of the Boyd, has made contributions to the group, and has attended fundraisers held by the group. He stated that he has consulted with the City's Board of Ethics and the Chief Integrity Officer, who concluded that his involvement with the advocacy organization does not constitute a conflict. He stated that he believes that he can evaluate the application and all evidence presented in this matter fairly. Mr. Sherman stated that he was a senior advisor at Econsult, the consulting company that participated in the preparation of the application. He stated, however, that he had no involvement in the preparation of the application and no exparte communications with anyone at Econsult. He stated that he sought the advice of the City's Chief Integrity Officer, who concluded that his involvement with the consulting company does not constitute a conflict. He stated that he believes that he can evaluate the application and all evidence presented in this matter fairly.

Mr. Farnham presented the application to the Committee on Financial Hardship. Attorneys Matthew McClure and David Gest, architect Richard K. Gelber, consultant Peter Angelides, iPic executives Hamid Hashemi and Paul Safran, engineer Janice Vacca, engineer Travis Alderson, and contractor and cost estimator Will Schwartz represented the application.

Mr. Farnham explained that the Committee must consider all of the evidence and then offer an advisory, non-binding recommendation to the Historical Commission as to whether the building can or cannot be used for any purpose for which it is or may be reasonably adapted. In order to show that it cannot be reasonably adapted, the owner must demonstrate that the sale of the property is impracticable, that commercial rental cannot provide a reasonable rate of return, and that other potential uses of the property are foreclosed. The Committee must determine whether the building's compulsory preservation would deny the owner of all economically viable use of the property, thus creating a financial hardship. If it does, Commission must relax its regulation and approve a project that will restore some value to this property. Mr. Farnham reminded the Committee that the financial resources of the current owner are irrelevant. The Committee must determine whether any reasonable owner, not merely the current owner, could feasibly reuse the property; in other words, whether the property itself, not any particular owner, suffers from an insurmountable deficiency - poor condition, configuration, or location - that renders any adaptive reuse infeasible. The relative historical significance of the property is irrelevant. The hardship test is the same whether the property is of greater or lesser significance. The Committee must determine whether the property can be reasonably adapted for a new use. Reasonable adaptations might include repair and rehabilitation of existing fabric, interior fit-out, replacement of mechanical systems, additions of service spaces such as loading docks and fire stairs, and additions of relatively small occupied spaces such as penthouses. However, the construction of a large addition or new structure to create significant new space that would subsidize the historic structure is more than a reasonable adaptation. Simply stated, the structure itself must be able to be rendered financially self-sufficient with upgrades and improvements. The Commission cannot require the property owner to seek a benefactor, who would invest without expectation of return. On the other hand, the Historical Commission need not permit a demolition to allow an owner to achieve the maximum rate of return on a property. The Commission's regulation can legitimately prevent a property owner from putting a property to the highest and best use and from attaining the maximum return on it as long as the regulation allows for a reasonable rate of return. In the end, the Commission must decide whether the Boyd Theater can or cannot be used for any purpose for which it is or may be reasonably adapted.

Mr. McClure introduced himself as the attorney for the applicant, who he identified as iPic-Gold Class Entertainment LLC, the equitable lessee of the property, and Live Nation Worldwide, the owner of the property. He introduced the development team and consultants. He stated that they filed the initial application on 30 September 2013 and a supplement on 9 January 2014. He stated that the Historical Commission designated the property in August 2008, more than three years after Live Nation, then Clear Channel, purchased the property. Mr. McClure stated that the primary character-defining features of the exterior are associated with the decorative limestone façade on Chestnut Street. The box that houses the auditorium and is situated on Sansom Street is a utilitarian brick structure with little ornamentation. He stated that, despite the property's Center City location, the building has suffered from decades of chronic underuse. The building is bounded on three sides by vacant lots and buildings and parking lots. The surrounding area is revitalized, but the immediate area around the theater is blighted. Mr. McClure observed that the letters of support from nearby residents and business people note the blighting influence of the vacant and boarded theater building. He also observed that letters of support from others contend that this application is the best possible compromise to redevelop the property in way that preserves the primary designated feature. Mr. McClure stated that the application proposes the full restoration of the elaborate Art Deco head house facing Chestnut Street, not just the façade. It also proposes the demolition of the back section including the auditorium and its replacement with a modern, upscale movie theater complex. Mr. McClure stated that they are not contesting the historical significance of this building as designated by the Historical Commission in 2008. He contended, however, that private property is entitled to relief under the historic preservation ordinance's financial hardship provision. He noted that he has submitted a lengthy affidavit with many exhibits. It describes the many past attempts to sell and redevelop the property.

Mr. McClure summarized the affidavit. He reported that Sameric added three theaters to the Boyd to the west in the 1980s in an effort to generate more revenue from the aging theater. He stated that in the 1980s fewer and fewer people ventured into Center City for movies and instead patronized the growing number of suburban multiplexes. In 1990s, United Artists purchased the building from the Sameric Company. United Artists had trouble making money with the building and attempted to enter into an agreement of sale with developers Neil Rodin and Ralph Heller to convert the building for retail use. The deal never closed because they could not find an end user. Eventually, United Artists entered into a sale-lease back agreement with an entity controlled by the Goldenberg Group. In 2002, after United Artists filed for bankruptcy, the movie theater was closed.

Mr. McClure explained that, before 2002, Goldenberg began exploring adaptive reuses for the theater. Goldenberg worked with the Nederlander Company, a major owner of performance venues across the country, to redevelop the theater, but Nederlander dropped out citing project costs and lack of available public subsidies. Goldenberg also explored rehabilitations for dinner theater and catered events with two potential operators, but neither project went forward. Goldenberg also discussed rehabilitating it as a live performance venue with the Trocadero and as offices, classrooms, and performance space with the Pennsylvania Ballet, but neither proceeded owing to project costs. In 2003, Goldenberg announced that it had made a deal with Clear Channel Entertainment to rehabilitate the building as a Broadway-style theater. They conceded, however, that the project would require substantial public funding including tax credits as well as a $11.5 million Redevelopment Assistance Capital Program (RACP) grant from the Commonwealth of Pennsylvania and $6.4 million in tax increment financing (TIF), which would require a change in state law to permit amusement taxes to be used for TIFs. In 2003, the Philadelphia City Council held a lengthy hearing to discuss the Boyd and TIF. At that time, all involved conceded that the property could not be redeveloped without significant public subsidies, but the City Council and School District declined to act on the TIF. Also, the Commonwealth failed to move forward with RACP grants.

Mr. McClure recounted that Clear Channel purchased the property in 2005 with the intention of rehabilitating it for Broadway-style musicals, without public subsidies. At that time, Goldenberg retained the adjunct theaters. Also at that time, easements were put in place to allow for the reuse of the Boyd Theater. The property was purchased for about $8 million plus transfer taxes, closing costs, legal fees, and other costs. Clear Channel proposed to demolish the existing stage house and replace it with a larger one with a fly tower and obtained the necessary zoning and building permits. However, soon thereafter, Clear Channel spun off Live Nation and sold off its theatrical division. Before abandoning the project, the costs had reached $49.7 million.

According to Mr. McClure, Live Nation began to market the property for sale in 2006, listing it with CB Richard Ellis (CBRE). CBRE marketed it locally and nationally. After a year of marketing, CBRE found no interest in the property. In May 2008, Live Nation undertook a request for proposals (RFP) process to find a redeveloper. The Preservation Alliance for Greater Philadelphia and the National Trust for Historic Preservation worked with Live Nation to identify potential purchasers. The proposed sale price was $6.7 to $7.3 million, which is significantly less than the acquisition cost of $8 million plus costs. Live Nation was willing to sell it for a loss. Live Nation proposed a restriction in which the new owner would be not be allowed to host live musical acts except Broadway-style shows and comedy acts for seven years. Live Nation required bidders to submit plans for the renovation or preservation of the historic building. The RFP was sent to many including live theater producers across the nation including Broadway Across America, the ACE Theatrical Group, Bowtie Partners, Andrew Feltz, and Hal Wheeler of ARC/Wheeler. Only Mr. Wheeler submitted a proposal, which included a purchase price of $6.8 million, a substantial loss to Live Nation. The agreement included an arrangement with Live Nation for 70 live music events annually. Live Nation would partner with Hal Wheeler for the programming. The Wheeler proposal included a 28-story hotel addition and the rehabilitation of the theater. Even with the hotel, the Wheeler project needed substantial public assistance. Mr. Wheeler sought $15 million in state grants and spent two years seeking the release of funds with the assistance of the Preservation Alliance and Friends of the Boyd. However, only $1 million had been released at the time of Wheeler's death in 2010. The agreement between Live Nation and ARC/Wheeler, which had been extended five times, expired after Mr. Wheeler's death.

After the Wheeler project collapsed, Mr. McClure explained, Live Nation explored converting the building to a live music venue in 2010. No formal financial analysis, cost estimates, or architectural drawings were generated, but Live Nation decided that the project would generate a negative rate of return and abandoned the endeavor. However, the current application includes an analysis of such a venture. In 2011, Live Nation signed an agreement of sale with a group called 1910 Chestnut Street, headed by Scott Isenhart and Greg Gray. The parties had worked together for more than one year to develop the agreement to sell the property for $5 million, well below the Live Nation acquisition cost or appraisal value. Live Nation would have provided financing for half the purchase price. After four extensions of the purchase agreement, the project collapsed.

Mr. McClure concluded that the property has had significant market exposure. He asserted that there have been many attempts to sell the property. In the 10 Rittenhouse hardship case, the property was not marketed for sale; the Commission relied on a financial analysis that demonstrated that a sale was impracticable. In this case, the property has been marketed extensively. The availability of the property and attempts to sell the property are well known and well documented. For the last 19 years, there has been a good-faith effort to find a reuse for the property and to market the property. Mr. McClure asserted that his clients have met the burden of a good-faith effort to sell the property as stipulated in Section 9.4 of the Commission's Rules

& Regulations. Owners and others have been seeking buyers and reuses since at least 1995. During that time, the property was conveyed twice to private parties who spent substantial resources attempting to reuse the building. The owners entered into numerous agreements of sale and extensions thereof, but no projects were successful. Even seller financing and sale at a loss were not enough to allow a redevelopment to take place. He concluded that there has been good-faith market exposure. He added that their documentation shows that there was broad knowledge that the building was for sale. He noted that the president of the Friends of the Boyd observed in a *USA Today* article in 2012 that the building was for sale and needed an "angel" to purchase the property.

Mr. McClure pointed the Committee to a letter from Katherine Timko, a retail consultant of the Riddle Company. The Center City District engaged Ms. Timko to market properties in Center City for retail redevelopment between 2010 and 2013. Ms. Timko states that there has been general knowledge of the availability of the Boyd since Hal Wheeler's death. She states that she attempted to market the property to several businesses including Alamo Drafthouse Cinema, a brewery theater, but none was uninterested in the Boyd.

Ms. Hawkins inquired about the date of the Econsult report at Tab O. Mr. McClure apologized for the omission and stated that the date of the report in 30 September 2013.

Mr. Angelides addressed the Committee. He showed a Powerpoint presentation while discussing his feasibility analyses for the theater building. Mr. McClure provided resumes for all of his witnesses and Mr. Angelides summarized his experience and expertise in financial analyses of development projects. Mr. Angelides presented his conclusion first, stating that there is no use for which the Boyd Theater can be reasonably adapted, given the cost to renovate and the potential revenues it would generate. He showed a plan of the property to orient the Commissioners. He explained that they have developed financial analyses of five reuse schemes, a Broadway style theater, performance venue, movie palace, retail space, and restaurant. He stated that his financial analyses are directed at addressing the second two prongs of the tripartite hardship test, that is: Can commercial rental provide a reasonable rate of return, and, are other potential uses of the property foreclosed? He stated that Econsult conducted independent research and used existing studies like the construction cost estimates and created three pieces of information to drive the models. First, they determined how much it would cost renovate the theater for the potential new uses. Second, they identified the sources for funding for those developments. And third, they determined how much income each potential reuse would generate. He stated that value of the property was set at $6.6 million, the appraised value. He explained that the construction costs or hard costs were provided by Intech Construction and based on 2005 conditions. He stated that soft costs such as architect's fees and insurance were also included and set at 20% of the construction costs. He stated that all mechanical systems in the building need replacement. Some structural work is needed. Mr. Angelides presented summaries of the costs to rehabilitate four comparable theaters, which ranged from $26 to $94 million. He stated that typical costs to renovate comparable theaters is $50 million plus. He explained the components of the potential operating costs including programming, material, and personnel and revenue including ticket sales, rent, advertising, and concessions. He broke down the potential funding for such projects including equity from the developer, loans, and tax incentives such as tax abatements and tax credits. He stated that they incorporated non-discretionary incentives into their analyses; in other words, they incorporated incentives that could be certainly obtained by applying and comply with the rules of the program. He stated that their assumptions were very generous. For example, they based the loan calculations on development costs, not ultimate value. He explained that this assumption is very generous because the construction costs would be much more than the resulting value of the building and, therefore, in reality, the loans would not be available. However, for this analysis, they were generous and assumed that much more financing was available than actually would be. They were also very generous with their predictions of revenue, assuming a significant expansion in the market that might not occur in reality. And they based the construction costs on the 2005 condition of the building, which is generous. The condition of the building is not better, but might be worse than it was in 2005.

Mr. Angelides stated that the Boyd Theater is a highly specialized space that was built for one specific use and is not easily converted to other uses. The building has a long narrow entranceway running south from Chestnut to a very large box at the back. The configuration is not conducive to office, hotel, or residential uses. He stated that potential reuse scenarios for this building are limited by its configuration in a way that, for example, the Victory Building was not. He stated that the Boyd Theater cannot be reasonably adapted to office, hotel, or residential uses for configuration reasons. He displayed a section drawing through the auditorium section of the building. He noted the sloping floor of the main section as well as the very steep balcony section.

Mr. Angelides explained that the first three reuse scenarios they considered, Broadway-style theater, concert/live performance venue, and single-screen cinema, are entertainment reuses similar to the original use. The other two are retail and restaurant/cinema reuses. He displayed a Powerpoint slide that summarized the estimates of redevelopment costs and incentives for the five potential reuses. He explained that, to make financial sense, the redevelopment costs minus the incentives, or net costs, must be less than the value of the building after the renovation. He stated that the net cost varies from $29.8 to $44.9 million for the five schemes.

Mr. Angelides explained the Broadway-style theater conversion first. He stated that the existing stage house would need to be removed and replaced with a larger stage house with fly tower. The building would be renovated according to historic preservation standards. It could then house productions like those that are currently staged at the Academy of Music and Merriam and Forrest Theaters. The total project cost would be $51.9 million and the net cost would be $44.9 million. Mr. Angelides displayed a Powerpoint slide comparing the revenue, expenses, margin, and margin without donations of nine theaters in Philadelphia. He stated that the margins for five of the nine are negative, meaning that their total revenue does not cover expenses. He stated that margins without donations for eight of the nine are negative, meaning that the revenue they generate without donations does not cover expenses. He stated that nearly all theaters in Philadelphia lose money without donations and many lose money even if donations are considered. He also noted that in all cases the theaters generate very little revenue. He stated that they based the projected revenues of the Boyd on the Kimmel, which includes the Academy of Music, Merriam, and Forrest Theaters. He stated that they used two revenue numbers, 126% and 85% of the Kimmel revenue, which includes three venues. He contended that the actual revenue would likely be much less. He stated that this scenario represents a doubling of the market for Broadway-style shows in Philadelphia, which is a very generous assumption. He stated that it is difficult to imagine a scenario in which the Boyd would generate more income than they are projecting. With those generous assumptions, the Boyd would produce $1.6 million annually under the 85% scenario and $2.6 million annually under the 126% scenario. He stated that these revenues would not support the project. Under the 85% scenario, the net present value would be -$17.6 million and, under the 126% scenario, it would be -$8.5 million. The revenues would not fund the redevelopment. In both cases there is no internal rate of return, much less a reasonable rate of return. Mr. Angelides concluded that it would not be economically feasible to redevelop the Boyd Theater for Broadway-style shows, even with the generous assumptions.

Mr. Angelides explained the performance venue conversion next. He stated that this type of renovation would support live music, plays, comedy shows, movies, and other events. This would require a renovation, but no expansion of the stage house. The total project cost would be $41.5 million and the net cost would be $36.2 million. He stated that they modeled this project on comparable venues in the area such as the Kimmel, Keswick, and Tower. He stated that they based their model on the profitable shows only, even though some shows produce a loss. He also noted that the addition of the new competition of the Boyd would likely lower the revenue at each venue, but, to be generous, they did not factor increased competition into their model. He explained that they assumed a very generous 180 shows per year at the Boyd, even though the Keswick stages 90 to 125 and the Tower stages 56 to 75. Mr. Angelides reported that the model predicts that the Boyd would generate total revenue of $11.7 million annually and have total operating expenses of $10.9 million, for a net annual operating income of $0.7 million. Under this scenario, the net present value would be -$18.9 million and the internal rate of return would be undefined because there would be no return. The performance venue would not be a feasible use.

Mr. Angelides explained the single-screen movie theater project next. This project would restore the theater to its original use. The total project cost would be $40.0 million and the net cost would be $34.9 million. Mr. Angelides displayed a Powerpoint slide comparing the number of screens, total 2012 revenue, and revenue per screen of 11 movie theaters in Philadelphia. He stated that the annual revenue per screen for movie theaters in the area is less than $500,000. He stated that the most comparable theater to the restored Boyd would be an IMAX, which generates about $423,000 annually. He stated that they used the highest per screen revenue, $472,877 at the Rave University Six, and then increased it by 150% and also 300% for their modeling. He suggested that one bear in mind that single-screen movie theaters are not generally a viable for-profit business model today and the Boyd failed in 2002 as a four-screen theater. Mr. Angelides reported that, the most generous revenue projections, the model predicts that the Boyd as a single-screen movie theater would generate total revenue of $1.2 million annually and have total operating expenses of $1.2 million, for a net annual operating income of $30,000. He stated that that net income does not justify the investment. Under this scenario, the net present value would be -$24.3 million and the internal rate of return would be undefined because there would be no return. The single-screen movie theater would not be a feasible use.

Mr. Angelides explained the retail conversion next. He stated that the building would have about 22,000 sf of retail space including the main auditorium, entrance, vestibule, stage, and balcony lobby. He contended that the balcony would be too steep to reuse. He noted that their model is based on a generic vanilla box space. He stated that, because the interior renovation would be more extensive, it would qualify for fewer tax incentives. The auditorium floor would need to be leveled. The total project cost would be $30.2 million and the net cost would be $29.8 million. He noted that the building is not on a corner of the block, the street frontage is narrow, and the entrance is lengthy. All of these aspects of the configuration limit the retail appeal of this site. He also explained that the 1900-block of Chestnut Street is not a prime retail location and the space is much larger than most retailers want. Ms. Merriman asked if they considered opening the building up to Sansom Street for retail access from the south. Mr. Angelides responded that they did not design a particular store for their analysis, but their analysis would account for the additional access from Sansom Street. He observed that the space is very large for retail. Most retailers want 1,000 sf, 2,000 sf, or 5,000 sf, not 20,000 sf. He displayed a Powerpoint slide comparing the sizes and per sf rents for 15 retail locations around the Boyd Theater. He stated that rents range from $20 to $140 per sf. The highest rents nearby are for small corner spaces at 18th and Chestnut with excellent street frontage. Most rents are in the $20 to $50 per sf range. He stated that the best comparable is 1700 Chestnut, which will rent 40,000 sf to Nordstrom Rack for $50 per sf. He stated that the location is better than the Boyd, the building is on the corner and has lengthy street frontage, and was built for retail use. He contended that the achievable retail rent for the Boyd is between $30 and $40 per sf. Mr. Angelides stated that, with net development costs of $29.8 million and a capitalization rate of 7%, an annual revenue of $2.1 million would be needed to support the project. With 21,603 sf of rentable space, if all space is rented, the rent would need to be $98 per sf to sustain the project, more than double and about triple the predicted achievable rent. He noted that the Commission's independent consultant believes that $98 per sf is too low and even additional rent would be needed to make retail viable.

Mr. Angelides then described the restaurant and movie theater conversion. He explained that the restaurant would occupy the entirety of the main floor, which would need to be leveled, and the single-screen movie theater would be located in the balcony. The total project cost would be $45.2 million and the net cost would be $39.4 million. Mr. Angelides displayed a Powerpoint slide comparing nine restaurant sizes and rents in the area and stated that restaurant space rents for $23 and $50 per sf. He noted that the restaurants are much smaller than the available space in the Boyd. He stated that they estimated the revenues of the theater to be equivalent to one screen at the Rave University Six mentioned earlier. He stated that, assuming that the restaurant would rent for $50 per sf, the restaurant would generate $880,000 per year. He noted that $30 or $40 was a more likely rental number, but they used $50 to be generous. He reported that the cinema portion of the project would earn $210,000 per year for a total net operating income of $1.1 million. He explained that, to be feasible, the project would need an annual revenue of between $3.9 and $4.6 million. He concluded that the restaurant and movie theater project would not be feasible.

Mr. Angelides explained that his numbers could be interpreted in a different way to test his conclusions. He showed a Powerpoint slide entitled "Alternate Approach." He stated that one could compare the value being generated by each reuse scenario with the net development cost for that scenario. Looking at six scenarios, the Broadway-style venue with 85% of the Kimmel profit, the Broadway-style venue with 126% of the Kimmel profit, the performance venue; the single-screen movie house, the retail, and the restaurant-cinema, one can see that the economic values of the various projects ranges from $0.3 million to $26 million. However, the net development costs range from $29.8 million to $44.9 million. Every scenario produces a significant negative net economic value, from -$18.9 million to -$34.6 million. None of the scenarios is feasible. Mr. Angelides concluded that the Boyd Theater cannot be used for any purpose for which it is or may be reasonably adapted.

Mr. Angelides stated that he wanted to address some issues raised in a letter submitted by the Friends of the Boyd (FOB). He noted that the FOB suggested that the Boyd Theater could potentially be used for long-running shows like *The Lion King*. To address this suggestion, Mr. Angelides stated that they considered similar shows and theaters in Boston and Washington, DC, which are similar markets. He explained that they discovered that Boston and Washington, DC have similar performance patterns to Philadelphia. During the season, fall through spring, Broadway-style shows have relatively short runs of one to four weeks. During the summer, there are longer runs, five to nine weeks, for example seven weeks for *The Book of Mormon*. He asserted that the constraint is demand for tickets, not theater space. He stated that his analysis of the conversion to a Broadway-style theater presented earlier assumed a significant increase in the market size, which this analysis demonstrates is probably unrealistic. Mr. Angelides displayed three Powerpoint slides showing the runs of shows in comparable theaters in Philadelphia, Boston, and Washington, DC for the current season. He stated that the slides demonstrate the same performance patterns, with short runs of one to four week runs and no very long shows. Mr. McClure noted that the Opera House in Boston, which is included in the analysis, was developed by Live Nation's predecessor and does not have resident companies like ballet or opera companies. Mr. Angelides observed that the Opera House is a 2,600 seat theater that was renovated for $50 million 10 years ago. He stated that they concluded that the Boyd would not have the demand to host extended runs as the FOB letter claimed. Such runs are not seen in comparable cities with higher incomes and available theater space. The limiting factor is demand for tickets, not theater space. Mr. Angelides asserted that the analysis of the Broadway-style theater conversion presented earlier is accurate and not contradicted by the FOB's contention.

Mr. Angelides next considered the FOB's claim that the Boyd could be converted to a five-screen movie theater. The scenario would require constructing two new screens, converting the balcony to two screens, and rehabilitating the main theater for one screen. A restaurant would be added in the basement. He reported that they developed a financial model for this proposed project. He stated that Intech developed a construction cost estimate for the project of about $37.5 million. The project would require significant new construction. The total net development cost after incentives would be $45.2 million. Assuming $50 per sf for the rental of the 3,000 sf restaurant, it would generate $150,000 annually. A rent of $30 to $40 per sf is more likely. Using the generous per screen movie theater revenue developed earlier, the five screens would generate $760,000 annually. The total net operating income would be $910,000 annually. The annual net income needed to support the $45.2 million development costs would be between $4.5 and $5.3 million. Clearly the $0.91 million projected income would not support the project. Mr. Angelides concluded that the project proposed by the FOB is not feasible.

Ms. Jones asked Mr. Angelides why he based his conclusions on estimates of the income for the first year of each project. She asked if the income would increase over time as the development projects stabilized. He responded that they assumed that there was no ramp-up time in these developments. They assumed that the businesses were fully operational immediately. He stated that they used a standard analysis method and estimated the income for the fully operational business and applied a capitalization rate to it. The capitalization rate incorporates into it the assumption that the net operating income would increase over time. Income growth over time is incorporated into the analysis. Ms. Jones asked Mr. Angelides to comment on the financial performance of the Boston Opera House. He responded that he did not have detailed financial information about that venue with him. Mr. McClure stated that the Opera House was developed with subsidies by a company that was willing to spend to obtain market share. He also noted that the Boston differs from Philadelphia; incomes are higher. Mr. McClure concluded that several theaters have been restored throughout the country, but primarily with very large subsidies. Mr. Sherman asked the applicants whether the subsidies included in their models were subsidies that were realizable and obtainable. Mr. Angelides replied that they included all subsidies that could be assured of being obtained. Mr. Thomas stated that he is trying to understand how theaters in other cities have been restored. He asked the applicants if subsidies are the only answer. Mr. McClure replied that every theater rehabilitation story is unique, but nearly all have relied on subsidies. He noted that the Kimmel Center and Wilma Theater projects required significant subsidies. He asserted that the city has made choices, spending subsidy money on the construction of new theaters. Mr. McClure reminded the Committee that this property is privately owned. He stated that the analysis has appropriately included subsidies that are "off-the-shelf" or available and attainable. He contended that anything is possible if a property owner is given money. The question here is whether this property can be reasonably adapted for a new use. Mr. Sherman asked the applicants to estimate the amount of subsidies a single-screen project at the Boyd would require such that the net operating income would support the debt load. Mr. Angelides stated that the model indicated that the single-screen movie theater would essentially break even, not making any appreciable income. Therefore, the entire development costs of $35 million would need to be subsidized. Mr. Sherman concluded that, for the single-screen movie theater to be feasible, funding to support the entire development costs would need to "drop out of the sky." Mr. Angelides agreed. Mr. McClure noted that the Commission received a letter supporting the iPic project from Jim Currato, who is the director of the Independence Visitors Center and was the director of the City's Commerce Department when the City considered the TIF funding to support the Boyd about 10 years ago. Mr. Currato acknowledges in his letter that subsidies were sought but not obtained.

Mr. McClure introduced Ms. Vacca, the project's structural engineer. Ms. Vacca explained that her company, the Harman Group, has extensive experience in restoration and rehabilitation in the City of Philadelphia. She stated that she conducted a structural conditions survey of the Boyd Theater. She explained that the building has a structural steel frame on concrete with brick non-load bearing exterior walls. The condition of the interior is good, except where the roof has leaked. Where it has leaked, the structural steel has corroded and the concrete has spalled where the reinforcing steel has corroded. The brick veneer is compromised in places near the base of the building owing to environmental conditions. At the northeast corner of the building, there is a rubble-stone foundation at a party wall that is compromised. In conclusion, she stated that the condition of the interior is good and the exterior is fair. Ms. Vacca explained that she was also requested to explore the structural implications of removing the balcony for a potential reuse project. She stated that the balcony is steel framed and is clear-spanning from the north wall to the south wall without intermediary supports. The balcony is supported by structural steel columns that are embedded within the exterior brick walls. The supporting columns are integral to the stability and support of the building. Ms. Vacca stated that the removal of the balcony would require the addition of supplemental structural steel to stabilize and maintain the integrity of the masonry façade and building. Mr. McClure asked Ms. Vacca to provide additional explanation of the implications of removing the balcony to insert other spaces into the interior of the building. He asked her to confirm that it would essentially require building a new building with the walls of the auditorium. Ms. Vacca stated that one would need to add a structure to provide stability for the exterior walls as well as the building as a whole. She agreed with Mr. McClure that removing the balcony, which plays an important structural role, would require the construction of a new structure within the existing building.

Mr. McClure introduced Mr. Alderson of Alderson Engineering, a plumbing, mechanical, electrical, and fire protection engineering company. He stated that his company has 24 years of experience in the Philadelphia area. He stated that his company conducted an assessment of the building's mechanical, electrical, and plumbing (MEP) systems. He reported that the HVAC system is original to the building and therefore 86 years old; the life expectancy is 35 years. It is non-operational and cannot be repaired. The large chill water handler is original to the building and therefore 86 years old. Its life expectancy is 30 years. It is non-operational and cannot be repaired. The cooling tower is in disrepair, cannot be repaired, and has no value. Most copper and steel piping has been removed. The cast iron sanitary system has cracks, leaks, and is not adequate for new use. The surviving plumbing fixtures are damaged, do not meet code, and cannot be reused. The pumping system has been removed. The two-phase service electrical system is antiquated and not fully supported by PECO. There is no electrical distribution system in building; all wiring has been removed. There is no life safety system including no fire alarm system. The fire pump has been disconnected. The sprinkler system is in disrepair and cannot be reused. The emergency generator is undersized, non-operational, and cannot be repaired. In conclusion, Mr. Alderson stated that the existing MEP systems are missing or in complete disrepair and cannot be reused.

Mr. Thomas asked Mr. McClure to confirm that the costs associated with rectifying the problems addressed by the two engineers were included with the financial analyses presented by the applicants earlier. Mr. McClure stated that the costs were included within their construction cost estimates for the various rehabilitation schemes. He stated that he thought it was important to have everyone who prepared a report for the application to testify before the Committee. He summarized that the building needs significant structural work, but is not about to collapse. The MEP systems all need complete replacement.

Mr. McClure introduced Mr. Schwartz, co-founder and co-owner of Intech Construction. He stated that his company has been in business for 29 years and has completed numerous rehabilitations of historic buildings in Philadelphia. He listed several prominent preservation projects his company has undertaken in Philadelphia and noted that they have won awards from the Preservation Alliance. He stated that his company excels in accurately predicting, evaluating, and estimating costs of construction. He stated that his firm has been involved with the Boyd Theater since 1999. His company worked with the Goldenberg Group and the Nederlander theater company of Detroit on the Broadway-style theater renovation for one year before the project was abandoned owing to high construction costs and a lack of public funding. In 2005 and 2006, his company worked with Suffolk Construction of Boston to submit a joint bid on the Clear Channel project for the Boyd. Suffolk Construction was the company that renovated the Boston Opera House. He stated that his construction cost estimates for the Boyd Theater were based on a fully completed set of architectural, structural, electrical, and mechanical bid drawings. He noted that the project was permitted. He reported that Intech and Suffolk Construction working jointly was one of four bidders on the project and was awarded the construction contract as the low bidder. He added that that Martinez & Johnson of Washington, DC was the architectural firm and had been the architects on the rehabilitation of the Boston Opera House. In 2005, his company did some building stabilization at the site and had a project manager at the site for eight months. He explained that they were then asked to look for cost savings in the project and were able to reduce their original construction cost estimate from $31.4 million to $29 million. However, even at the reduced cost, Clear Channel determined that the project was not financially feasible and abandoned it. Mr. Schwartz continued to tell of his involvement with the Boyd Theater, stating that he worked with Hal Wheeler on his hotel scheme in 2008 and 2009. He stated that the project was eventually shelved, owing to a lack of public funding. In 2010 and 2011, he worked with Scott Isenhart and 1910 Chestnut Street Partners LP to consider numerous reuses for the theater including restaurants, performance venues, and small-screen theaters. The architects for those projects were Martinez & Johnson and John Milner. He explained that, eventually, after several months, the project was abandoned, owing to high construction costs and a lack of public funding.

Mr. Schwartz stated that he provided the construction cost estimates for the five financial analyses prepared by Mr. Angelides. He stated that the Broadway-style theater, performance venue, and single-screen theater analyzed by Mr. Angelides were identical to schemes that he had been involved with over the years at the Boyd Theater. He stated that they used the budgets developed for earlier projects, for example the 2005 Clear Channel project, and escalated the costs to 2014 dollars. He stated that he used reasonable rates of escalation including no escalation for the years 2009 to 2011. He stated that he drew on his earlier costs estimates to develop an estimate for the vanilla-box rehabilitation for retail use. He stated that the cinema and restaurant project, the fifth scenario analyzed by Mr. Angelides, is very similar to a project that he developed for 1910 Chestnut Street Partners and the cost history from that project was used to inform the cost estimates for the analysis. He stated that there are some elements of any rehabilitation of this building that would be very costly, including the structural stabilization and the introduction of new mechanical, electrical, and fire protection systems into the existing structure. He informed the Commission that "we are in a rapidly escalating construction market." Therefore, the three percent escalation costs used in his analysis will become obsolete quickly. He stated that five to seven percent escalation annually is more accurate in the current market.

Mr. McClure asked Mr. Schwartz if there are basic costs that would be confronted by any reuse scheme. Mr. Schwartz stated that are basic core and shell costs including selective demolition and abatement, structural stabilization, reroofing, and the largest, the introduction of new systems, which would be incurred regardless of the reuse of the building. Ms. Hawkins asked Mr. Schwartz whether he had accounted for changes in the building since he undertook his initial estimates. She asked whether he had inspected the building recently and compared its current condition with its condition when he produced the earlier estimates. Mr. Schwartz stated that he has been in the building "multiple times" since preparing the estimates and has seen "some further deterioration," especially at the stage house. He stated that the stage house was in a "state of disarray in 2005." He stated that they assumed that the stage house would need to be completely reconstructed in 2005. He concluded that any additional deterioration would not impact the projected rehabilitation costs substantially.

Mr. McClure introduced Mr. Gelber, the project architect. He stated that Mr. Gelber would concentrate his testimony on the demolition and restoration, but would also mention the new construction. Mr. Gelber used a Powerpoint presentation to accompany his testimony. He stated that his firm, SPG3, has extensive experience with movie theaters. He stated that he also has experience with retail and parking projects. His firm is also involved with historic preservation projects. He displayed images of the Chestnut Street façade of the restored historic theater. He displayed images of the Sansom Street façade of the new building. He noted that the new building would only be a few feet taller than the historic building. He stated that it would be clad in brown brick and then buff brick where it extends out into the parking lot. The brown brick would indicate the location of the historic auditorium. He showed a plan of the proposed building and indicated where the restoration of the entranceway would occur. He pointed out the street improvements proposed for the front and rear. He walked the audience through the plan of the proposed building including the four auditoriums at each of the two levels. He noted that the loading area would be enclosed. The new auditorium building would be 67 feet tall. The existing building ranges from 57 to 72 feet tall. He noted the emergency exit and staff doors and poster cases on Sansom Street. He noted the service door for the loading area set back from 20th Street. He noted the headhouse on Chestnut, which is 44.5 feet by 55 feet; it would be restored. He added that the stair in that area does not meet code and would be rebuilt. He stated that they intend to use the roof of the headhouse for outdoor dining, which would not be visible from the street, owing to the height of the front façade above the roof.

Ms. Hawkins asked Mr. Gelber if the headhouse area would be restored using a restoration standard. Mr. Gelber stated that it would. He added that they intend to work with the staff to ensure that the details meet the standards. Mr. McClure elaborated, stating that iPic intends to work with the Commission's staff to salvage elements such as glass and murals from the interior for reuse in the new theater.

Mr. McClure stated that several politicians including Councilman Clarke, Senator Farnese, and Representative Sims, who have worked in the past to find funding to save the Boyd Theater, all support the project. He also noted that the Center City District, Philadelphia Retail Marketing Alliance, Rittenhouse Row, the Greater Philadelphia Film Office, Center City Residents Association, the William Penn Cooperative, 1920 Chestnut Street Condominium Association, Independence Visitors Center, and many businesses and residents support the project. The supporters all have a history with and knowledge of the building. They have expressed frustration with the blighting influence the Boyd has on the surrounding area. They want something to happen at this site, which has sat dormant. Mr. McClure stated that the property is privately owned; it is not a public building. It is not an office building like the Victory Building; it is not easily reused. It is a single-purpose structure. This application proposes to restore the front section of the building and restore the historic use. He agreed with Councilman Clarke, who said that the proposal strikes the right balance between historic preservation and economic viability. He asked the Committee to recommend approval of the application.

Mr. Sherman invited the Commission's independent consultants from Real Estate Strategies, Inc. to address the Committee. Meg Sowell and Stephen Kazanjian introduced themselves. Ms. Sowell informed the Committee of her company's extensive experience and expertise in analyzing the financial viability of real estate development projects. Ms. Sowell stated that she and her colleague accepted this task with mixed feelings because they so much wanted to find a feasible reuse for the important historic theater but also knew that a feasible reuse would be unlikely for such a building. Ms. Sowell stated that they analyzed very carefully the application materials, especially the financial projections prepared by Econsult, but did not rely on them alone. She stated that they also conducted their own research and prepared their own financial analyses of potential reuse projects for the property. She stated that they reviewed the Historical Commission's documents related to the property, most notably those related to the Wheeler project. She stated that they inspected the building inside and out with the Historical Commission's staff. She stated that they examined the condition of the building and photographed it extensively. She stated that their inspection put the cost estimates into context. Mr. Kazanjian added that they also explored the surrounding neighborhood including Chestnut, Sansom, 19th, and 20th Streets as well as adjacent blocks and took account of the uses of nearby buildings. That exploration allowed them to better evaluate potential reuses for the theater building. She stated that they had many meetings with stake holders including the Preservation Alliance, Friends of the Boyd, an area retailer, City Commerce Department staff, and others. She reported that the Commerce Department representatives provided them with two pieces of important information: details about the financing of projects previously proposed for the site and information about businesses seeking large spaces in Center City. She stated that Duane Bumb of the Commerce Department has a long history with the theater building and previous reuse projects. He shared information and reports. Ms. Sowell stated that they also met with the applicants in early December and requested additional information and analyses. Mr. Kazanjian added that they were especially interested in an analysis of the retail potential for the space. Ms. Sowell stated that they did not simply accept the applicants' analyses, but built their own spreadsheets for the reuse projects and ran sensitivity analyses to determine the impacts of modifying numerous variables in the equations. She stated that they independently reviewed and verified all of the assumptions in the applicants' analyses. Ms. Sowell stated that they were unable to devise "a use that would be economically feasible, that would produce positive returns on investment, no matter how many different scenarios we modeled, even with sensitivity analyses we just couldn't get there." Mr. Kazanjian pointed the audience to page five of their report and stated that the property suffers from several drawbacks including its small street frontage and deteriorated condition. He stated that they concluded that the construction cost estimates used by the applicants are conservative or low; actual construction costs would likely be higher. Ms. Sowell stated that "the income generated by any of the potential uses that we examined simply will not produce a financially feasible development." She stated that they were especially disappointed by the retail scheme because they initially thought it might be a way of generating additional revenue. The Broadway theater scenario generates the greatest income. Therefore, Ms. Sowell explained, they looked very closely at it to see if it could be modified in any way to be feasible. She stated that they built their own model to study this scenario. She stated that they determined that the costs that Econsult used were conservative, or lower than they actually would be. Mr. Kazanjian stated that, despite their belief that the construction cost estimates were low, they decided to reduce the cost estimates by 20%. They also decided to use $4.5 million for the acquisition cost, not the higher $6.6 used by Econsult, to see if, even with those significant reductions, they could find a feasible project. Ms. Sowell continued, stating that they increased the revenue numbers in their analysis by 20%, even though they believed that Econsult's projected revenue numbers were generous. She stated that they also lowered the operating costs by 20% to try to find a feasible project. She stated that they concluded, after reducing costs and increasing revenues, that the project would not be feasible. "It doesn't work." Mr. Kazanjian reported that, instead of using base-year stabilized operating income, they did a ten-year discounted cash flow analysis and projected out ten years of operations and then discounted back to derive a present value of the project. He concluded that they found a negative net present value for each scenario. Ms. Sowell reiterated that they found that every scenario has a negative net present value, meaning all of the scenarios are financially infeasible. Mr. Kazanjian elaborated, stating that they analyzed Econsult's revenue projects and determined that they were generous or high. He stated that they do not believe that a renovated Boyd would produce as much revenue as Econsult predicted. He stated that Econsult assumed that the Boyd would do as well as the Kimmel from Day One and would compete favorably with the Kimmel. He contended that such assumptions may be too generous and the Boyd as a Broadway-style theater would likely produce less revenue. He noted that the Kimmel locations are better than the Boyd's. He stated that they tested the sensitivity of the revenues and always obtained a negative net present value, meaning that the project would not be feasible. Ms. Sowell reported that they examined the impacts of the federal preservation tax credits, the state historic preservation tax credit, and the New Markets Tax Credit. She stated that they were surprised to learn that the property is within a census tract that is currently eligible for New Market Tax Credits, which are targeted at low-income communities and persons. She explained that they analyzed the impact of New Market Tax Credits on projects at the Boyd. Mr. Kazanjian reminded the Committee members that the New Market Tax Credit program is a discretionary program; not all applicants for the credits receive the credits; it is not an as-of-right program. He stated that they spoke to two entities with New Market Tax Credit allocations. One said they would consider funding a project at the Boyd. The other stated that they too would consider it, but it would be difficult to justify using tax credits targeted at low-income communities on a project such as this in a location such as this. Ms. Sowell stated that, if one could maximize the New Market Tax Credits that this project could expect to attract, one might garner a large sum of money. However, a realistic estimate of the amount of New Market Tax Credits that this project might attract is $10 million. Mr. Kazanjian added that, to attract $10 million, one would likely need to work with two, probably three, Community Development Entities, the organizations that distribute New Market Tax Credits. Ms. Sowell stated that New Market Tax Credits are worth between $0.25 and $0.29 per dollar of tax credits, meaning that $10 million in New Market Tax Credits could provide $2.5 to $2.9 million in equity for the project, which is a relatively small number. She concluded that, even if one assumes a $10 million allocation of New Market Tax Credits, the project is not financially feasible. Mr. Kazanjian stated that a $10 million direct subsidy would be needed on top of federal and state tax credits, real estate tax abatement, and other subsidies to make any project at the Boyd financially feasible. He stated that at least $15 or $16 million in subsidies would be needed to create a feasible project. Ms. Sowell summarized that, even if you reduce the costs and increase the revenues by 20% over the Econsult estimates, and even if you consider every possible subsidy, credit, and abatement, the projects for the Boyd Theater are not financially feasible.

Sharon Pinkenson of the Greater Philadelphia Film Office addressed the Committee. She stated that she is a businesswoman and advocate for Philadelphia's culture and economy. She stated that she has been the region's film commissioner since 1992. She stated that she is a historic preservationist and contended that Philadelphia's wealth of historic buildings is one of the primary reasons for its success as a film location. She stated that the Preservation Alliance gave her a preservation award in 1999. She reported that she grew up across the street from the Boyd Theater at the William Penn House. She noted that she went Girls High School and Temple University and saw *South Pacific* at the Boyd. In 1993, she hosted the world premiere of *Philadelphia* at the Boyd Theater, then called the Sameric. At that time, the theater was in very poor condition and required a major clean-up before the premiere. In 1995, she formed a committee to save the Boyd Theater, which later became the Friends of the Boyd. She stated that she also tried to save the Convention Center, which had hosted many important events. She converted it to a sound stage for movies and television, but it was eventually demolished for the expansion of the hospital. Turning her attention to the Boyd, she asserted that the theater cannot be feasibly adapted for a new use, especially a single-screen movie theater. Movie goers do not want to sit in a room with 1,000 other movie viewers. There are myriad ways that people can now watch movies including home theaters and mobile devices. She stated that people are attracted to movie experiences that exceed the quality of movie experiences in our own homes. The traditional theater cannot provide that level of experience. She asserted that iPic's luxury seating, food and drink, high-tech projection equipment, and reserved tickets will lure people back to the theater. We still love movie palaces, but with contemporary amenities and luxuries. She observed that this project will restore the historic façade and bring new life to the block and neighborhood. She also noted that this project will be completed without public money. She contended that the appearance of an entity that can restore the interior is highly unlikely. All of Philadelphia's theaters, old and new, are operating as non-profits and are hurting, she claimed. They all require donor support. They cannot operate on their own. She stated that the city should not create another theater that will be underused and require public funds to operate. Ms. Pinkenson stated that she never thought she would "give up on the old girl," but she does not support "letting it decay until it falls to the ground." She asked the Commission to consider the residents of the city who long for a movie theater in the area. She asked the Commission to consider the business and residences that are suffering from the blight that the Boyd brings to the block and the neighborhood. She stated that a restored façade would greatly benefit Chestnut Street. The blighted Boyd reduces property values and causes shoppers to cringe. She also noted that the iPic Theater would generate taxes for the city. She asked the Committee to recommend approval of the iPic project.

Richard Gross introduced himself as a resident of the building at 1920 Chestnut Street, adjacent to the Boyd Theater. He stated that he is also the managing director of a real estate finance company that finances historic renovations. His company, BW Realty Advisors, has financed the historic renovations of the City Hall in Washington, DC and Penn Station in Newark, New Jersey. He stated that he is an expert in historic renovation and preservation and knows what it takes to create a financially feasible project. He stated that he is also a Broadway producer who won the Tony Award for *Who's Afraid of Virginia Woolf* in 2013. He stated that he is an expert in the economics of Broadway-style theater. He asserted that he is very concerned about the blighting influence the vacant, dilapidated property has on the neighborhood. He stated that the Boyd attracts unwanted people and behavior. He noted the rats, feces, and urine. He contended that seven businesses on the block have shut down recently because of the blighting influence of the Boyd. He asserted that the building causes a hardship on the block. The 1900-block of Chestnut Street is the most blighted block of Chestnut Street in Center City. Turning to the financial analyses of reuse projects, Mr. Gross contended that the analyses do not take into account the financing of buildings with episodic uses. He stated that such propositions are very risky because the buildings do not have guaranteed sources of income. He noted that the federal preservation tax credit would be available if one renovated according to approved plans, but he also noted that the tax credit would have to be returned if the business failed within five years. He stated that that recapture scenario, in which the government takes back the tax credit, would cause many potential developers to avoid this project. Without a guaranteed income, the project would be too risky. With an episodic use, there is no guaranteed revenue or long-term tenancy. In this case, there would only be the hope that the project was successful and the credit was retained. He estimated that any project would access an $8 or $9 million preservation tax credit, which would pose an insurmountable risk for any developer. He stated that he makes these types of decisions for his real estate finance company. He noted that the renovation of the City Hall in Washington, DC cost $65 million and the tenant was the United States government, which leased two-thirds of the building. His renovation of Newark's Penn Station cost $45 million. The tenants, Amtrak and New Jersey Transit, always pay their rent; there is no risk. The Boyd would not have such a tenant; there would be considerable risk. No tenant has been identified for the Boyd in 15 years of looking. No project at the Boyd would obtain financing. He stated that any claim that this building could be feasibly reused ignores reality. A renovation like this would require constant revenue, yet there is no such source of revenue identified for the Boyd. This property would never qualify for private money. He noted that the Commission's consultant mentioned New Markets Tax Credits and observed that he has spent much of his career seeking such credits. He claimed that they are the most difficult tax credit to obtain. They take forever to obtain. He asserted that this project would never qualify as a low-income community business. He noted that they are only worth $0.30 on the dollar before paying the fees on them. He claimed that, even if you could convince a Community Development Entity to spend a large part of its allocation on a for-profit venture in the Rittenhouse Square area, the New Markets Tax Credits would only raise $2.5 to $3 million, which is not nearly enough to overcome the projected gaps in the considered reuse scenarios. Mr. Gross stated that the Boyd Theater is only one in a long line of buildings that stood on the site. Before 1928, the Aldine

Hotel stood at the site. He showed a photograph of the hotel. It was the finest hotel in the city. Abraham Lincoln stayed at the hotel. Ty Cobb and Babe Ruth stayed there. It cost $5 per night when the weekly wage in Philadelphia was $3.25. It was an expensive hotel. Eventually, it fell out of fashion and became dilapidated. It became obsolete and it was an economic hardship to maintain it. It closed, was demolished, and replaced by the Boyd Theater. One hundred years later, there is no feasible use for the Boyd, as a theater, a Broadway Theater, or anything. Life moves on. Cities grow and develop. The iPic Theater will support rather than hinder the economic life of the city. The 1920 Chestnut Street Condominium Association and every condominium association in the area support the iPic application and urge the Committee to recommend approval of the application.

Michael Hare, since 1990 the chief financial officer of Boyd's Clothing at 1818 Chestnut Street, introduced himself to the Committee. He explained that the clothing store was named for the nearby theater in 1938. At the time, the theater was one of the most prestigious in the city. Unfortunately, the Boyd Theater is now a neighborhood eyesore and is becoming worse every day. The advocates for the preservation of the theater have put up a valiant fight, but, in 15 years of trying, they have not succeeded in saving the historic building. No one has a plan or the money to save the building. Everyone who has carefully considered the theater's reuse has found that it is infeasible. No one has the funds to revive it. Thousands of customers visit Boyd's Clothing every year, but the derelict theater deters some and is hurting business. Customers are concerned about the vacant building. Mr. Hare stated that all must compromise and save the front part of the theater or the entire theater will be lost. The iPic project will save the essence of the Boyd Theater and be commercially feasible. The iPic project will benefit the entire neighborhood. He urged the Committee to recommend approval of the project.

Corie Moskow, the executive director of Rittenhouse Row, a neighborhood business association, introduced herself to the Committee. She stated that her primary task is to promote the Rittenhouse Square area and the 200 businesses she represents. She contended that the area has incredible assets including shopping, hotels, restaurants, and the Square. She stated that Chestnut Street has improved greatly in the last few years, but the Boyd Theater is a "thing" that is dragging the street down. She reported that she saw movies at the Boyd in its "dying days" as the Sameric, but it was an unpleasant experience. Movie technology has moved beyond the Boyd. The area deserves an iPic theater. The area deserves to have the Boyd mess cleaned up. She urged the Committee to recommend approval of the project.

Executive director Caroline Boyce, advocacy director Ben Leech, and attorney Leonard F. Reuter presented the position of the Preservation Alliance for Greater Philadelphia. Ms. Boyce read a prepared statement. She stated that 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.

Ms. Boyce asserted that 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. She added as an aside that earlier testimony indicated that the Preservation Alliance was assisting in the marketing of the property for sale. She stated that the staff of the Alliance provided assistance, but are not licensed real estate brokers.

Ms. Boyce continued, stating 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 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. Ms. Boyce added that Part I and Part II tax credit applications for the Boyd were submitted to and approved by the Pennsylvania Historical & Museum Commission and the National Park Service in 2005. Ms. Boyce also stated that the applicants have included limited tax credits in the vanilla-box retail scenario, but no tax credits would likely be available in that case. Although the mistake would make the scenario even less feasible, it also shows that the applicants do not understand the tax credit program.

Ms. Boyce stated that 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. Ms. Boyce added that the analysis should include an assessment of the transfer of air rights or development rights. She contended that the rights would have a $3 million value.

Finally, Ms. Boyce concluded, 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.

Ms. Boyce noted that Econsult report uses the terms "full restoration" and "historic renovation." She stated that there is some confusion about the meanings of these terms of art. She stated that the Secretary of the Interior's Standards includes four sets of standards and the applicants should clarify which set they are using. She also questioned whether the building could be mothballed.

Ms. Boyce summarized that 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.

Mr. Reuter asserted that the cost estimating escalation used by Intech to update its 2005 construction cost estimates to 2013 was “improper” and “incorrect.” He contended that the cost estimates were based on a full restoration, but Live Nation operates several venues like the Tower Theater that have not been fully restored. Mr. Reuter argued that the Boyd Theater does not need to be fully restored. He noted that Mr. Gross observed that it cost $45 million to renovate the Newark Train Station. Clearly, if it cost only $45 million to renovate a train station, it should cost much less to renovate the Boyd Theater. Mr. Reuter stated that the current owner has neglected the property and allowed it to fall into disrepair for the last 12 years. Mr. Reuter contended that the high renovation costs are “self-inflicted” and the result of “bad stewardship of an historic property in violation of the City’s own laws regarding the maintenance of an historic property.” Mr. McClure objected to this line of argument as baseless. Mr. Reuter responded that the Committee does not entertain objections. He concluded that “self-inflicted hardships must be discounted.” He stated that he would not cite case law now, but would at an appeal hearing. He advised the Committee that Mr. Leech, the advocacy director of the Preservation Alliance, would be happy to answer the Committee’s technical questions about Intech’s construction cost estimates. Mr. Sherman responded to Mr. Reuter that the applicants testified that the building has been vacant, the exterior shell has some minor maintenance issues, and the systems are obsolete, but they have not indicated anything that rises to the level of demolition by neglect. Mr. Sherman found Mr. Reuter’s claims regarding demolition by neglect to be unconvincing and not credible. Mr. Sherman concluded that the building is sealed and secure and awaiting a reuse strategy.

Robert Schusterman, an attorney representing the Friends of the Boyd, introduced Howard Haas, the president of the Friends of the Boyd.

Mr. Haas summarized the activities of the Friends of the Boyd, which was founded in 2002 to advocate for the full restoration of the theater. He stated that the organization has worked with successive developers and has paid for security at the building. Mr. Haas stated that he has knowledge of the condition of the building. He reported that doors were not always secured and some copper piping was stolen and some fixtures damaged. He credited the owner with heating the building to prevent damage. He claimed that 317 emails were sent to the Historical Commission in opposition to the application. Some near neighbors support the Friends of the Boyd and want the theater preserved.

Mr. Haas related that the Boyd Theatre, opened in 1928 and, over time, has hosted many movie premieres and appearances by Hollywood stars. The Boyd is Philadelphia’s last surviving premiere movie palace. National and regional organizations such as the National Trust for Historic Preservation, The League of Historic American Theatres, Preservation Pennsylvania, Preservation Alliance for Greater Philadelphia, and AIA Philadelphia have all highlighted the local and national significance of the building both as a spectacular individual historic resource and as an example of how preservation law should be applied and enforced. In 2008, the National Trust for Historic Preservation included the Boyd on its list of endangered places and Philadelphia’s preservation ordinance was amended to authorize the Historical Commission to designate interiors.

Mr. Haas stated that iPic has applied for permission to demolish the building that houses the Boyd’s grand lobby, except for the facade and the outside lobby. iPic also seeks to destroy the building that houses the auditorium with its foyers and the lower lounge. The Boyd’s historic auditorium is the theater where movie premieres were held, where Hollywood stars were on stage. It could host great events in the future, and its loss would be forever. The Boyd's grand lobby was also an important space. From outside, the public can see the Boyd's lobby and auditorium wings. Replacing the auditorium is not historic preservation and the interior ornaments and fixtures are unlikely to be relocated to the multiplex.

Continuing, Mr. Haas stated that, in the 1970s, after Legionnaire's Disease, the Bellevue Stratford Hotel was threatened with demolition. Imagine if a new hotel had been built within the exterior walls of the Bellevue and the ornate lobby and grand ballroom had been lost. Or, imagine if only some of the exterior walls of Eastern State Penitentiary had survived and fronted a shopping mall. Almost every major U.S. city has a restored downtown movie palace. He cited the list he attached to his letter. Those cities have found ways to save their movie palaces, not just the facades.

Mr. Haas noted that there are assertions that since the Boyd has not been reopened after having closed 12 years ago, that it would never reopen. Two saviors did come forth during that time, Clear Channel until they divested their theaters and Hal Wheeler until he died. Equally important is that many movie palaces nationwide were not in good shape and were closed longer than the Boyd, but were eventually saved such as Baltimore's Hippodrome Theatre, which closed in 1990 but was restored and reopened 14 years later, in 2004. Mr. Haas noted that he listed other examples in his written submission. Mr. Haas asserted that not every movie theater restoration requires public subsidies. He observed that he listed a few examples in his written remarks.

Mr. Haas asserted that the Boyd can be fully restored. It could be restored in phases. He contended that the Boyd could host touring Broadway musicals. Clear Channel purchased the Boyd in 2005 with plans to fully fund a complete restoration so the theater could host touring Broadway musicals. However, the company decided to abandon that business and gave up on the Boyd project. The applicants' Affidavit at Section 35 lists entities the Boyd was marketed to in 2008. However, the marketing effort was insufficient because the list did not include major theater operators like the Shubert Organization. One advantage of the Boyd was that it was built with 2450 seats. Expensive touring Broadway productions like *The Lion King* need more than 2000 seats to make a profit, but only one other Philadelphia theater has that many seats, the Academy of Music, but it cannot host very long runs of musicals because the Opera and the Ballet also must be accommodated. Other Center City Philadelphia theaters that are often "dark" such as the Forrest Theatre and the Merriam Theatre do not have 2000 seats. The applicants should undertake a more detailed analysis of the Broadway theater market including the number of seats sold and the number of weeks of runs in cities with populations similar to Philadelphia. The applicants' and consultants' conclusions are faulty. Many cities have more than one Broadway-style theater, but Philadelphia only has one, the Academy of Music.

Mr. Haas continued paraphrasing his letter, stating that the co-applicant Live Nation precluded the Boyd from being reused for popular concerts, one of the common uses of former movie palaces nationwide. Exhibit F of the hardship application is the owner's Invitation to Bid for the Boyd, with a "Seven year restriction that no portion of the Property may be used for the holding or presenting live entertainment music concerts." Live Nation's restriction prevents competitors from bidding on the Boyd and, therefore, created any economic hardship. That is like killing your parents and complaining that you are an orphan, Mr. Haas shouted.

Mr. Haas noted that the Friends of the Boyd has provided an explanation and diagrams showing how the existing Boyd could be reused for movies. The auditorium could have an IMAX screen, two auditoriums can be placed in the balcony, and two more auditoriums placed where the stage house expansion had been planned. This possibility was not addressed by the applicants. Having entertained millions of people since 1928, the Boyd is timeless. People will never be able to experience a real Philadelphia movie palace if all beyond the Boyd's front is knocked down to build a new multiplex. iPic can build a new multiplex elsewhere on a vacant lot. He noted that the Friends of the Boyd will present two additional witnesses. He asked the Committee to recommend denial or tabling of the application. He disagreed with Mr. Gross that there are rats living in the area. He asked his supporters in the audience to raise their hands. About 12 to 15 people raised their hands.

Jeff Greene of EverGreene Architectural Arts, Inc., a company specializing in the restoration of historic paint and plaster finishes, testified on behalf of the Friends of the Boyd. He stated that he has worked on more than 300 theaters. He stated that he worked on costs estimates for the Boyd with architects Martinez & Johnson and Suffolk Construction. He stated that he was on the board of trustees of the League of Historic American Theaters for more than a decade. He asserted that historic theaters can transform cities. He contended that the supporters of the application are impatient. He asked the Committee to consider the "long picture." The Boyd is a resource to the City of Philadelphia. The resource will be lost if the interior is destroyed. He asked the Committee to protect the interior of the Boyd Theater. He stated that the Boyd is in "relatively good shape." He claimed that the Boyd could be "mothballed" or renovated in phases. He stated that theater renovation projects are "difficult" and "expensive," but there are solutions. The Fox in Oakland and the Palace in Waterbury, Connecticut were transformed to magnet schools. Mr. Greene listed theaters in Boston that were renovated with the assistance of Emerson College; he asserted that a similar approach could be considered with the Boyd. Mr. Greene commented that these solutions are not a panacea, but asked the Committee to be patient and to allow for all options to be considered. He asked the Committee to think about how long the iPic multiplex will last at this location; he wondered if it would be five or ten years. He asked the Committee to find a 50-year solution. He again advocated against the demolition of the interior of the theater. He asked the Committee to imagine Philadelphia without the Bellevue Hotel. He listed several theaters in other cities that were restored after being long vacant. He stated that 10 years is about typical for a theater to be vacant. He stated that it takes about 10 years typically to find a new use for a theater. He stated that the Boyd should be allowed to "sit fallow" until a use is found for it that would benefit the city. He noted Cleveland's Playhouse Square, which has 10,000 seats at eight theaters. He stated that the claim that a restored Boyd would take business away from the other theaters was wrong. He claimed that there are not enough theater seats in Philadelphia to meet the demand. He stated that $424 million in economic activity and $50 million in earnings supporting 6,000 jobs has been generated by the Avenue of the Arts. Cleveland's Playhouse Square contributes $43 million in economic impact each year. Every $1 spent on a ticket generates $6 in other economic activity. If the Boyd is demolished, "all that goes away." Mr. Greene provided information on his other restorations. Mr. Greene concluded that the Historical Commission is the city's steward of historic resources; it must find another use for this theater and not squander it.

Mr. Shusterman introduced Greg Wax, a local theater operator, who testified on behalf of the Friends of the Boyd. Mr. Wax stated that he runs the Narberth Theater, Wayne Theater, and Bala Theater and used to operate the Bryn Mawr Theater and the Baederwood Theater in Jenkintown. He has been in the business for 30 years. He stated that his parents ran the Royal on South Street, the Pearl on Ridge Avenue, and the Standard and Liberty Theaters. His grandfather ran the Capitol. He reported that the Friends of the Boyd showed him a drawing of a renovated Boyd with an IMAX and four other theaters. He stated that it was a “viable option.” He contended that there is no reason to demolish the building. He stated that the Historical Commission is intended to protect the Boyd. Mr. Haas asked him to explain the significance of having an IMAX theater in the Boyd. Mr. Wax responded that “IMAX now is like one of the hottest things.” He claimed that IMAX movies sell out. “It’s the thing.” Mr. Haas asked Mr. Wax if he would be willing to operate the Boyd as a five-screen theater with one IMAX screen. Mr. Wax said that he “would be more than happy to take it over.”

Robert Hotes introduced himself as an architect and the co-chair the Preservation Committee of the Philadelphia Chapter of the American Institute of Architects (AIA). He read a letter adopted by the board of AIA Philadelphia into the record.

> In 2004, the Board of Directors of AIA Philadelphia bestowed its annual Landmark Building Award on the Boyd Theater in Philadelphia. The award cited the Boyd's unparalleled Art Deco interior still mostly intact behind protective plywood which defined the grandness of the lobby and auditorium spaces. The last of Philadelphia's great movie theaters, it is now in danger of joining the Erlanger, the Mastbaum, and countless other great buildings on the dust heap of history We are writing to encourage the Historical Commission to take a longer view and protect this unique and important building.
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> Protecting the Boyd Theater, rather than allowing demolition and development of the site, will certainly mean some short-term frustration and pain, but once a building is demolished, it is gone forever. There is no hope of another Boyd. As architects and preservation professionals, AIA Philadelphia members have seen too many cases of regret after buildings are lost to allow this to happen to the Boyd without a strong protest.
>
> We have also seen many cases of buildings long given up for lost that have eventually been revitalized and are now the centerpieces of their respective neighborhoods or campuses. The Baptist Temple on North Broad Street, the Naval Home, the many historic buildings in Philadelphia's Navy Yard, the Victory Building, and Eastern State Penitentiary, as well as large movie theatres such as those in Bryn Mawr, Ambler and Media — all were, at one time, declared obsolete, too difficult to renovate, too expensive — and all are now thriving. The right project, and the best use, is sometimes simply a matter of waiting.
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> We understand clearly that the question of how best to revitalize the Boyd Theater is a vexing one. The current hardship application lists several prior and failed attempts at revitalization as evidence of its impossibility and implies that the building is just too difficult and too expensive to reuse. Yet a more careful reading of the documentation points to political pressure, the death of a prominent developer, and the unprecedented economic malaise and evaporation of public money of the past few years as the true reasons for repeated development failures on this site. It is unfair to assume the building itself is the only problem, rather than the factors that bedevil so many development projects. Economic models and business climates change frequently, but demolition is permanent.

> It is perhaps the height of irony that the proposed use, a grand and glorious movie palace, would be achieved at the cost of Philadelphia's last remaining grand and glorious movie palace. No matter how much one might support the advantages of the proposed project — and they are compelling — the price is too high. Philadelphia's future should not be created at the expense of its past. We, AIA Philadelphia, encourage the Historical Commission to save the Boyd Theater.

Mr. Shusterman stated that the applicants should be required to submit the computer programs for their economic models as well as architectural drawings for all of the infeasible projects at the site. He stated that his team cannot determine whether feasibility studies are correct or incorrect until they are given access to all documents used in the economic calculations. He concluded that more study is required before any decision on the hardship application can be made.

Ms. Jones noted that the interior of the Boyd Theater is not protected under the City's historic preservation ordinance and asked Mr. Haas why his organization never nominated the interior of the theater for historic designation. Mr. Haas replied that it was complicated. He stated that his organization does not have the expertise to write nominations for historic designations. He stated that the Friends of the Boyd relied on the Preservation Alliance for a nomination, but it did not produce one. He also noted that developers including Hal Wheeler asked the Friends of the Boyd not to nominate the interior of the Boyd because they thought that the Historical Commission would apply its standards too strictly and would make an interior renovation too difficult. He stated that the Friends of the Boyd worked with "a succession of developers" who tried to reuse the building. Mr. Haas indicated that his organization could not depend on the Historical Commission to work responsibly on a redevelopment of the interior of the Boyd. The Historical Commission would apply the standards too strictly. He noted that he was not intending to insult the Historical Commission. Finally, he stated, the Commission has only designated two interiors and both are public spaces. He asserted that the Commission should designate interiors of stores, banks, and hotels. The lack of interior designations "should be remedied." Mr. Shusterman noted that interior preservation easements have been granted in Philadelphia.

Mr. Farnham observed that Mr. Haas had earlier claimed that 317 emails had been sent to the Historical Commission in opposition to the application. He noted that, as of yesterday, the Historical Commission had received about 103 emails and letters in opposition to the application, not 317. Mr. Haas responded that the internet "is not a perfect medium." Mr. Haas provided copies of 317 emails he had received related to the Boyd application.

Ms. Hawkins asked Mr. Farnham to reiterate the extent of the Historical Commission's jurisdiction over the Boyd Theater. Mr. Farnham stated that the Commission has jurisdiction over the exterior envelope of the building, meaning all exterior walls and roof. He stated that the Commission has no jurisdiction over the interior of the building. He explained that the Commission would be obligated to immediately approve a building permit application to demolish all interior finishes and features in the theater, as long as the work had no impact to the exterior appearance of the building. The Historical Commission has no authority to protect the interior of the Boyd Theater. Ms. Hawkins asked if the Commission would have any jurisdiction over a plan to insert six movie auditoriums in the existing building shell, provided the work had no impact on the exterior. Mr. Farnham responded that the Commission's review of such a project would be limited to determining whether the project had any impact to the exterior of the building. If it had no impact to the exterior, the Commission would automatically approve the project. Ms. Hawkins noted that the applicants are not seeking the highest and best use, but are seeking to restore the publicly visible façade on Chestnut Street. She stated that any alterations or demolition at the interior is outside the Commission's purview. She observed that she is a staunch historic preservation advocate; "Ms. Hawkins dissented," is the most common line in the Commission's minutes, she noted. She stated that she is not a member of any advocacy group because it would create a conflict with her work on the Commission, but she reported that she is an advocate for historic buildings. She remarked that she is a Philadelphian and saw movies at the Boyd and recognizes it as a "fabulous place to see movies." She stated that it is very difficult to reconcile the Commission's jurisdiction over the exterior only with the financial analyses. Mr. Sherman agreed that this is a very complex case and noted that most Philadelphians know and respect the building. Mr. Thomas stated that the removal of the rear volume, the demolition of the exterior walls and roof of the auditorium section of the building, constitutes a demolition and forms the basis for this review. Mr. Thomas stated that the Friends of the Boyd's plan is "intriguing," and suggested that he would like to see a financial analysis of the scheme. He noted that the Commission does not regulate the interior. He noted that the Commission has to be careful and not simply vote to save the interior. He opined that the rear of the building is unremarkable. It has the poster boxes, but little else. He observed that the restoration of the front façade would be a benefit. He stated that, if you look at it as simply giving up an unremarkable shell, the answer is fairly easy. However, if you consider the remarkable interior in that shell, then it becomes complex.

Mr. Reuter asked to respond, claiming that a fundamental misunderstanding had been introduced. Mr. McClure stated that he would like an opportunity to rebut some testimony as well.

Mr. Sherman explained to the audience that the Committee must consider adjourning the meeting because the City Planning Commission is scheduled to meet in the room at 1:00 p.m. Mr. Farnham advised that the Committee could adjourn for today and hold a second session prior to the Commission meeting on 14 February 2014. He informed the audience that the subsequent meeting of the Committee will be advertised publicly and all who wish to will have an opportunity to continue to participate in the discussion the Committee. He stated that the public will be informed using the standard procedures for meeting notifications.

ADJOURNMENT

ACTION: At 12:55 p.m., Ms. Jones moved to adjourn to the call of the chair. Ms. Hawkins seconded the motion, which passed unanimously.

STANDARDS AND GUIDELINES CITED IN THE MINUTES

Standard 6: Deteriorated historic features will be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature will match the old in design, color, texture, and, where possible, materials. Replacement of missing features will be substantiated by documentary and physical evidence.