

CITY OF OAKLAND
Community and Economic Development Agency
Council Agenda Report

TO: Office of the Agency Administrator
ATTN: Robert Bobb
FROM: Community and Economic Development Agency
DATE: April 24, 2001

**RE: INFORMATIONAL REPORT ON THE STRATEGIES AND COSTS OF
DEVELOPING THE FOX THEATER**

Summary:

In July 2000, the Agency authorized CEDA staff to execute a contract with the architectural firm of Hardy Holzman Pfeiffer Associates (HHPA) to prepare a Master Plan for the development of the historic Fox Theater in downtown Oakland. The purpose of the Master Plan is to assist the Agency in its goal of restoring the Fox into a live performing arts complex and in the on-going effort to revitalize the Uptown District by: 1) assessing the condition of the theater and surrounding buildings; 2) determining the cost of renovating the theater and surrounding buildings and; 3) suggesting alternative ways to program the buildings to capture existing and future users and patrons. The Master Plan provides essential information needed to: 1) market the theater and surrounding buildings to potential developers and/or prepare a Request for Proposals to potential developers; 2) review existing and future development proposals for the Fox; 3) negotiate a financially responsible development agreement with a selected developer(s) and; 4) provide the financial targets and goals for a possible capital campaign to raise funds for the theater restoration.

Fiscal Impacts

This is an informational report and has no fiscal impacts on the Agency.

Background

The Oakland Fox Theater is a National Historic Landmark located in the Uptown District of Oakland. Opened in 1928, during the heyday of movie palaces, the theater reflects the state of the art in “atmosphere” theaters of the era. Inspired by the Brahamanian of Northern India, the theater is an expression of the “modernized East Indies” style implemented with the imagination of architects and developers who were delivering “immersion entertainment” to the region of Oakland. When the theater was first opened, it was outfitted with opulent finishes and the latest in movie-going technology. Interestingly, unlike other movie palaces of the era, the Fox was also a mixed-use development with offices and storefronts surrounding it on three sides. Over the years, the theater maintained an entertainment presence in the community. Some alterations were performed to the lobby architecture, but overall the building has remained intact. During the 1930’s and 1940’s the theater was used by major performers and musicians. Later it was used primarily as a movie house. Sadly, the theater closed in 1972 and has sat vacant for almost thirty years waiting for rehabilitation. In 1996, the Agency purchased

the theater from a private party and began the process of upgrading the facility and preparing it for re-use. These efforts included: replacement of the roof in 1999-2001; renovation of the historic Fox sign and marquee, (scheduled for completion in the summer 2001), and renovation of the building(s) façade, (select improvements scheduled for completion in the Fall of 2001). These steps are important, but are limited to securing the Agency-owned asset from the elements and improving the exterior appearance of the building, thus complimenting the on-going strategies to revitalize the Uptown neighborhood. They do not address the need to develop the theater.

In order to develop the Fox, CEDA and the Agency needed a Master Plan or “road map” which would provide an understanding of the potential users and patrons for the renovated theater; the possible ways of programming the theater; and the magnitude of cost associated with developing the theater and surrounding buildings to meet the perceived needs. In the Fall of 2000, CEDA contracted with HHPA to prepare the Master Plan and answer the above mentioned questions. This material will be used by CEDA to secure a developer for the theater and surrounding buildings, and if necessary, to seek outside sources of funding for renovation of the building.

Key Issues and Impacts

The Fox Master Plan has identified a number of issues and findings. These are based on HHPA’s extensive interviews with the Oakland Arts Community, research on Paramount Theater patrons, regional demographic and tourism data, an understanding of the distribution of the cultural arts audiences and a comprehensive physical examination and analysis of the Fox Theater Complex. These are summarized as follows:

1. User and Patron Market For the Fox

- The market for the arts and entertainment in Oakland, the East Bay and the overall Bay Area is strong and getting stronger, with participation levels ranging from 50% to 100% higher than national levels. This is based on economic growth and development of the area, the current and projected population profile, the distribution of current arts audiences, tourism data and the results of surveys of Paramount Theater audiences.
- The most significant market issue is that this is truly a regional market and that the growth and development of the region will have a tremendous impact on Oakland and the East Bay over the next 20 years.
- HHPA confirmed that there is a substantial need for new facilities to serve the local arts community. These needs include new small and mid-size performance spaces, rehearsals halls, dance studios, arts education facilities, production facilities, electronic media facilities, urban entertainment facilities, office and other support facilities. There are also a series of specific opportunities to create visual arts and/or museum attractions. Finally, they observed a demand for additional film production/support facilities to serve the region.
- Locally, there are a number of art facilities, but most tend to be larger and less appropriate for smaller, community-oriented groups. There are a number of performing arts and entertainment facilities in the region. Most important are the Paramount, the Zellerbach, other large roadhouses in the Bay Area, and the three

Broadway theaters in San Francisco. The renovated Fox Theater must be carefully positioned against all of the other facilities.

- The other key facility issue is the current space crunch in San Francisco for smaller arts organizations, and the opportunities/challenges this presents. HHPA confirmed the potential impacts and benefits of renovating the Fox Theater, including improving the quality of life, community development, economic development and tourism development.

2. Development Program Alternatives

Based on the market analysis and discussions with potential users, operators, theater experts and city staff, HHPA identified five different development alternatives for the Fox Theater and/or surrounding buildings and calculated project costs and net costs for each alternative. These are not the only alternatives for revitalizing the Fox, but they do provide the Agency with clear choices regarding the magnitude of development. For example, Alternative 1-3 are “big ideas” that attempt to respond to the regional market for entertainment and/or local arts organizations. Because they require renovation of the theater, they are expensive. In contrast, alternatives 4 and 5 are much less expensive because they concentrate almost all development activity on the retail/office buildings which surround the theater and defer rehabilitation of the theater to a later date. The alternatives are:

- Alternative 1 – “The Basics” – This alternative includes, upgrading of all theater and commercial building systems, seismic and structural improvements and hazardous material removal. The existing theater is converted to a “cabaret”- style format. This seating arrangement would create a venue for 600 – 1,050 persons and would allow the theater to function similar to the Brooklyn Academy of Music. The theater interior would be partially restored in the foyer, lobby and auditorium orchestra level. A new stage loading and storage area with a mechanical roof yard above, and unfinished basement at the rear of the building for future expansion of stage support would be constructed. Extensive new construction is proposed to add leasable area to the commercial buildings surrounding the theater (18th and 19th streets). A new three story structure would be added at the southwest corner of the project for a night club.
- Alternative 2 – “The Roadhouse” – This option restores the theater and stage to its original splendor including reconstruction of the circa 1928 lobby with its three-story space, art-glass window, and ornate interior dome. It is intended to be a state of the art “Roadhouse,” seating 2,550 persons with all the trappings of a new and improved stage and performance support requirements. The auditorium will be fully rehabilitated with upgraded systems, new seating, and improved sightlines. The existing foyer and lobby will be expanded into the commercial space adjacent to the front lobby of the theater. The basement would be remodeled into a patron lounge with new restrooms, and service area for concessions. This alternative has the same new construction of the surrounding commercial buildings as programmed in Alternative 1.

- **Alternative 3 – “The Arts Center”** – The “Arts Center” is a concept for developing as many as six arts or cinema performing spaces within the Oakland Fox Theater and surrounding commercial space. Within the theater auditorium there would be a new partition wall respecting the historic ceiling patterns and dividing the seating of the orchestra floor and lower balcony into one “community theater” of approximately 1,060 seats. Behind this dividing partition (sound-insulated) on the lower level would be a multi-purpose, one-level room extending to the foyer and lobby. This room might serve as a banquet or assembly hall. In addition, the separated upper-rear balcony of the auditorium would be subdivided into two parts: a lecture hall seating 275 persons, and a cinema seating 175 persons. The construction additions for this alternative are similar to Alternative 2 except some of the second floor spaces in the surrounding buildings are made into two-story volumes. The two-story spaces would be “black-box” theaters and video or film sound stage uses.
- **Alternative 4 – “Existing Storefront”** – This alternative includes full renovation of the existing storefronts, theater façade, and commercial space with mechanical services provided by local rooftop “package units” to be abandoned when the theater is commissioned. The theater interior will be cleaned, but otherwise remain in it’s current condition. In both the theater and surrounding commercial buildings, the building systems are upgraded, seismic and structural improvements are installed, and hazardous materials will be surveyed, abated or removed. The theater mechanical service will not be installed in this alternative.
- **Alternative 5 – “New Storefront”** – This alternative adds new construction of commercial offices above the existing storefronts on 18th and 19th Streets and provides a service wing for future theater operations and a permanent mechanical system. The mechanical system in Alternative 5 would eventually serve the theater by adding equipment capacity rather than de-commissioning rooftop units. It is a derivative of Alternative 1 – “The Basics” without the investment for occupation and use of the theater.

PROJECT COST TOTALS: *Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5	
	The Basics	The Roadhouse	The Arts Center	Existing Storefront	New Storefront
Project Development Cost:	\$43.7 M	\$66.9 M	\$69.0 M	\$19.0 M	\$36.4
Identified Project Funding *	<u>\$29.1 M</u>	<u>\$49.1 M</u>	<u>\$11.0 M</u>	<u>\$16.6 M</u>	<u>\$27.7 M</u>
Net Capital Cost: (GAP)	\$14.6 M	\$17.8 M	\$58.0 M	\$ 2.4 M	\$ 8.5 M
Operating Endowment (covers annual expenses)	\$ 8.2 M	n.a	\$15.4 M	n.a.	n.a.
Funding Required:	<u>\$22.8 M</u>	<u>\$17.8 M</u>	<u>\$73.4 M</u>	<u>\$2.4 M</u>	<u>\$8.5 M</u>

*Includes:

- Net operating Revenue
- Historic Tax Credits
- Operator fee (Roadhouse only)

The data shows that all of the alternatives are going to require additional funding in order to be economically viable. Alternatives 1, 2, and 3, that include renovation of the theater auditorium, have shortfalls between 17 and 73 million dollars. A developer will not pursue such a project without some form of gap financing. To make any of these alternatives work, especially the Arts Center, would undoubtedly require a very large philanthropic donation or a highly successful capital campaign, or both. Either way would probably take a long time; in the meantime, the theater and surrounding buildings would continue to sit empty and have a negative influence on the perception of the Uptown neighborhood.

Since alternatives 4 and 5 have much smaller funding gaps between project development costs and identified project funding, they would be more likely to attract the development community. They concentrate on rehabilitating the attached, surrounding buildings and could offer the developer a potential return on investment if the deal was structured over a 10-15 year period; (for example, the Agency might consider leasing these spaces to a private developer under a partnership, which would allow use of the historic tax credits). CEDA could “package” these two alternatives into an RFP and seek a developer almost immediately, with the intention of populating the perimeter of the Fox with active retail and office. This would: 1) activate the outside of the Fox; 2) improve pedestrian activity and public safety and lessen the blighting influence of a vacant Fox ; 3) restore the historic façade and character of the building(s), and; 4) provide a strong foundation upon which to market the large theater through a capital campaign. The theater auditorium could be also be “shopped to developers, operators, and investors as a separate project while the surrounding buildings are inhabited.

3. Next Steps

- HHPA will complete the Master Plan by May 15th. CEDA will share all data and cost estimates with the development community
- CEDA will review the development proposals already received and seek additional proposals from interested parties.
- CEDA will evaluate any new proposals with the intention of entering into an Exclusive Negotiating Agreement (ENA) for developing the Fox and surrounding buildings
- If substantial progress has not been met in securing a developer for the theater, then CEDA staff will prepare an RFP for revitalizing the Fox and distribute it by July 15th. The RFP will concentrate on development of the surrounding retail/office buildings, but not preclude proposals for renovating the entire theater complex
- CEDA will work with Friends of the Oakland Fox (FOOF) and other interested parties to prepare a capital campaign for renovation of the theater.

V. Disability and Senior Citizen Access

All design options have incorporated disability requirements and meet current American Disability Act (ADA) requests.

VI. Environmental Opportunities

All designs are conceptual at this time. Construction drawings would incorporate all opportunities for using sustainability principal.

VII. Recommendations

That the Agency accept the report and presentation by HHPA as an informational item. No action is required at this time.

Respectfully submitted

William E. Claggett,
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APPROVED FOR FORWARDING
TO CITY COUNCIL

Robert C. Bobb, Agency Administrator