

THE HISTORIC BAL THEATRE

The BAL Theatre is a significant historical, art and entertainment asset to the community, it was built in 1945 as a modern Art Deco, 800 seat, community based, movie palace and performing arts theatre in San Leandro, California. San Leandro Curtain Call Performing Arts operates and maintains the Historic BAL Theatre and hosts, promotes, and produces a multitude of world class, culturally diverse, programming, entertainment, education, motion pictures and other experience based arts.

ORIGINS THE HISTORY

Billed as "the Bay Area's most modern theater," the local press described the new BAL Theatre as "dazzling" and "lavish" when it opened on July 1, 1946. The theatre included a replica of the sidewalk at Grauman's Chinese Theatre in Hollywood, complete with hand and footprints of Hollywood stars. With radio personality Dean Maddox as Master of Ceremonies, Dick Jurgens and his Big Band, movie star Virginia Wiedler christened the theatre's box office with a bottle of champagne as airplanes dropped streamers and confetti on the crowd below. The opening evening's feature was a double bill of The Bandit of Sherwood Forest and Getting Gertie's Garter and hosted entertainment.

Construction of the theatre was completed in about six months at a cost of \$250,000. World War II had ended less than a year before the theatre opened and the area was undergoing a rapid growth which continued into the 1950s.

Even with the right demographics for a successful theatre, the BAL's owners had a difficult time competing with competition in Oakland and San Francisco. In 1962, Renny LaMarre filed an antitrust lawsuit against the United California Theater Company, who supplied their product to their own theatres before supplying films to the BAL. LaMarre won the case and received an \$800,000 settlement and once again began showing first run films at the BAL.

The theatre has continuously operated for 70 years.

SAN LEANDRO MOVIE PALACES AND PERFORMING ARTS THEATRES

- The Best Theatre (1912) - Renovated into Commercial Use
- The Palace Theatre (1926) - Demolished
- The Del Mar Theatre (1941) – Demolished
- The Rio (1943) - Demolished
- The BAL Theatre (1946-2016) – Continuous operation

VINCENT G. RANEY – ARCHITECT/BUILDER – HISTORIC BAL THEATRE

Vincent Raney, who specialized in commercial projects, designed many roadside works, including over 600 service stations and dozens of movie theaters and shopping centers. Raney designed more than 40 movie theatres, including traditional urban neighborhood theatres, drive-ins, and shopping center theatres. Most were built between the 1940s and the 1970s, including the Art Deco style BAL Theatre in San Leandro (1946); the Kuhio Theater in Honolulu (1946); the El Rey Theater in Vallejo (1949); the 49er Drive-In Theatre in Del Paso Heights, California (1950); the Burlingame Drive-In in Burlingame (1965); the Capitol 6 Drive-In in San Jose (1971); and the Scottsdale 6 Drive-In in Scottsdale, Arizona (1977). Nearly all of his theaters have either been closed or demolished. Later in his career the theaters for Syufy Enterprises were the mainstay of Raney's practice, which he maintained through the mid-1990s. He closed his office soon after Ray Syufy's death in 1995. Vincent Raney died in 2002 at the age of 96 and is considered a legendary Art Deco architect.

ABOUT ART DECO

Art Deco is the popular name for the design movement that flourished from the 1920s through the early 1940s. The style encompasses architecture, fashion, industrial design, fine and decorative art. While the origins of Art Deco were primarily European, its impact spread all over the globe, finding an enthusiastic home in America. Designers pulled from many ethnic influences including Mayan, Asian, Latin, and Egyptian - particularly after the discovery of King Tutankhamen's tomb in 1923.

Designers adapted Art Deco to new materials like aluminum, bakelite, fiberglass, and neon to create a streamlined 20th Century look. The style suggests speed, power, and opulence, and includes geometric patterns, streamlined shapes, and heroic human forms. Art Deco expresses a fundamental belief in progress, human improvement, futurism, and the beneficial relationship between man and machine.

Art Deco is a marvelously modern, glamorous, not-so-remote part of American History and well worth preserving.

OWNER OPERATORS

RENE T. LAMARRE AND GEORGE DRUMMOND

Rene T. LaMarre and George Drummond opened The Historic BAL Theatre in 1946 out of their love and passion for live entertainment and the growing movie business at that time. Rene T. LaMarre was a vaudevillian theatre proprietor, business adventurer, speedway enthusiast, sportswriter, emcee, and co-owner of Trilon Records with George Drummond. Trilon, at the time, was one of the west coast's largest record producers of jazz, big band, blues, and other urban music. LaMarre and Drummond would use theatres like the BAL to bring their recording artists on tour.

UNITED ARTIST THEATRES

In the 1960s, LaMarre sold the BAL to United Artists Theatres. Attendance dropped, and many other small theaters in the area were closed or demolished. After the advent of multiplex theaters in the early 1960s, UA sold the BAL to the Republic Theater Company, headed by Ralph Martin. Martin and his son began running the theater in the 1970s.

REPUBLIC THEATER COMPANY – THE MARTIN FAMILY

In the early 70's The Martin Family's "Republic Theater Company" began operating and owning the theatre and like "Rene T LaMarre" the Martin family continued the tradition of live entertainment, films and so much more. They operated the theatre for over three decades, serving mostly the Spanish speaking community, but eventually let a few operators have leases that kept the BAL operating and running over the years serving various demographics.

XZAULT - THE DILLMAN FAMILY

In 2008 the Dillman Family purchased the Historic BAL Theatre and began operating their service business out of the venue while continuing the theatre tradition of hosting movies, live events, fundraiser and so many more community based events and programming. In 2010 the City of San Leandro provided a 5-year forgivable loan \$50,000 to help with the outside facade improvement of the theatre.

SAN LEANDRO CURTAIN CALL PERFORMING ARTS INC

Currently, San Leandro Curtain Call Performing Arts, a 501c3, has the long term operating lease on the theatre and is responsible for both the operations, maintenance and any restoration or improvement efforts. The mission of San Leandro Curtain Call Performing Arts is to promote and produce exceptional programs in Theatre, Music, Comedy, Concerts, Dance, Training and performance experiences for youth and adults and making it accessible to everyone who desires to participate or attend performances by keeping both ticket prices low and class/workshop training, and other services affordable.

CURRENT OPERATIONS - RECENT HIGHLIGHTS

200 plus events produced since 2014; including world class comedians, platinum selling and Grammy award winning musicians, entertainers and more.

Pop Up Teen Takeover Nights 2015 & 2016.

Free Warriors NBA Championship Watch Parties 2015 & 2016.

City of San Leandro Super Bowl 50 event, Free Super Bowl Watch Party.

Provided entertainment for 2014, 2015, & 2016 San Leandro Cherry Festival.

Community Benefit Program - 15,000 plus free event tickets distributed to San Leandro, Castro Valley, Oakland and Hayward communities since 2015

Provided artistic performances and venue opportunities to local artists to perform and participate in the arts.

Provided hands on training in theatre production through our mentoring and internship program.

Joined the four county wide “Discover & Go” Program through the San Leandro Main Library, where we reach out more community members to expose and engage them in art & entertainment experiences.

COMMUNITY COLLABORATIONS

- City of San Leandro
- San Leandro Chamber of Commerce
- Ashland/Castro Valley Chamber of Commerce
- San Leandro Unified School District
- San Lorenzo Unified School District
- Davis Street Family Resource Center
- Deaf, Counseling, Advocacy & Referral Agency (DCARA)
- American Cancer Society – Relay for Life
- Oakland International Film Festival
- ASEB Alzheimer’s Services of the East Bay
- Halcyon Foothill Homeowners Association
- LGBT & Transgender Organizations
- S.L.E.D San Leandro Education Foundation
- BASSL Business Association South San Leandro
- SCAT TV Youth Club
- SLHS, Arroyo, Kipp King Interact, Kiwanis, and other service clubs
- San Leandro Meals on Wheels
- Bancroft Middle School Performing Arts
- Animal Rescue Tour

BENEFITS OF THEATRE IN THE COMMUNITY

Theatre patrons provide a boost to other local businesses in the area. Each of the Theatre’s shows puts up to hundreds of people in and around San Leandro shopping at the stores, eating at the restaurants, and staying in the hotels. Recent studies have shown that cultural tourists spend an average of \$23 over and above the ticket price. Based on that statistic, The Historic BAL Theatre has already contributed millions of dollars into the local economy. In addition, the theatre has helped drive down commercial vacancies in an area that once was slow to turn over.

The Historic BAL Theatre is a cultural jewel from which the entire region will benefit. The non-profit status and civic-minded mission statement means that performing arts will be more accessible to community audiences. Other charities can and will continue to benefit from having access to The Historic BAL Theatre to support their mission goals and objectives.

All of the Historic BAL Theatre’s events are “Made in San Leandro”. Since 2008 the “Historic BAL Theatre” and “San Leandro CA” brands have been, and currently are, heavily marketed on a multitude of radio stations, cable and local TV channels, local newspapers, and on the web to millions of Bay Area residents. Its Art Deco style and large lighted marquee is a recognized city landmark and is seen daily by tens of thousands of people driving down E. 14th Street. The area surrounding the theatre is aptly named the BAL District.

It is also important to remember that the arts build cultural bridges, bringing greater understanding and communication of each other’s culture helping to narrow the gap between the people of all racial and economic backgrounds as they collectively experience art and entertainment as one community, creating life long memories together. Art builds community.

SAN LEANDRO GENERAL PLAN POLICIES

POLICY LU-8.6 – CULTURAL ARTS AND ENTERTAINMENT

Provide additional opportunities for cultural, recreational, and entertainment uses in the City, including cinemas, theaters, live-performance venues, sports facilities, and art galleries.

POLICY ED-1.9 – MARKETING AND BRANDING

(1) Marketing and Branding. Promote positive media coverage, branding, and marketing campaigns that build civic pride and create a favorable image of San Leandro on a regional, national, and global scale. (2) Made in San Leandro Continue marketing, branding, and public relations efforts which promote San Leandro’s unique business assets and amenities, legacy as a manufacturing center, and commitment to ingenuity and innovation. San Leandro should be promoted as a city of "makers" (“Made in San Leandro,” "We Make Things," etc.) (3) Business and Social Media continue to maintain a robust social media presence promoting the City’s economic opportunities through San Leandro Next, Facebook, Twitter, and similar forums. (4) Promoting Food and Beverage Operations Capitalize on the concentration of food producers and craft breweries to create jobs, entertainment venues, and destinations that help brand the city.

POLICY ED-1.10 – TAX REVENUES

Encourage development that generates sales tax, property tax, and other revenues that sustain municipal services.

POLICY ED-5.1 – KEY AMENITIES

Support amenities that attract businesses and employees to the city, including a more vibrant downtown, walkable neighborhoods, better dining and entertainment options, quality education and public safety, and more diverse housing choices.

POLICY ED-5.6 – CULTURAL AND HISTORIC RESOURCES

Preserve the City’s cultural and historic resources, and encourage their contribution to the City’s economic development. The potential for heritage tourism based on San Leandro's history should be further explored.

POLICY ED-5.8 – ARTS, FOOD, AND ENTERTAINMENT

Promote investment and expansion of San Leandro’s arts, entertainment, and dining sector, including venues for theater, music and the visual arts, as well as dining and night-life establishments. The arts should be viewed as a way to connect people and attract investment while expressing the creative energy of the city.

HISTORIC BAL THEATRE - CURRENT ASSESMENT AND LONG TERM VISION

The Historic BAL Theatre has been serving the region for over 70 years. The Historic BAL Theatre has undergone few alterations since its construction. The building possesses integrity of location, design, setting, materials, workmanship, feeling, and association. The theatre has been minimally altered on the exterior. It retains its original concrete construction, box office, marquee with neon lettering, terrazzo flooring, and entry doors.

The lobby retains its original Art Deco design and water fountain and the bathrooms retain their original tile and fixtures. The auditorium seats are original, as well as the impressive towering wall-scape murals of winged goddesses on flying horses and other unique artistic elements. These character-defining features convey the building’s historic function as a theatre. The building has not been converted to another use, and retains its original appearance as a movie palace and performing arts theatre that was designed in the 1940s.

Curtain Call Performing Arts is working to grow its operations to a point of sustainability, that can support full time jobs, continuous operation, programming, and all of the theatre’s maintenance needs. Eventually Curtain Call Performing Arts or another community based non-profit could purchase the theatre. In addition, buying or developing the immediately adjacent properties would allow for some valuable beneficial additions and other considerations, but much can still be done to support and prepare the theatre to grow and sustain itself in its current footprint. We see a bright future of infinite possibilities with a thriving art, culture and theatre district that supports outdoor popup artistic experiences, street festivals and community gatherings all around the area with the Historic BAL Theatre being the corner stone and beacon.

OTHER LOCAL THEATRE RESTORATIONS

Many local cities like Oakland, San Francisco, Livermore, Pittsburgh, Alameda, Redwood City, Walnut Creek and many others have helped support the restoration, preservation, and enhancement of grand performance spaces like the Historic BAL Theatre in collaborative ways that have helped create a sustainable benefit to the community. Most of the cities mentioned above help to support more than one theatre within their jurisdiction.

Oakland FOX Theatre - \$91million restoration and enhancement
San Jose California Theatre - \$75million restoration and enhancement
Alameda Theatre and Cinema Complex - \$30million restoration and enhancement
Livermore Bankhead Theatre –\$22.3million in debt retirement
Pittsburgh California Theatre - \$7.6million restoration and enhancement

FACILITY NEEDS - DEBT – RESTORATION, PRESERVATION, ENHANCEMENT

See Exhibit (A) For Historic Bal Theatre restoration, preservation, enhancement costs estimates

See Exhibit (B) for comparable full restoration and operational support feasibility study

See Exhibit (C) for parking study

FUNDING SOURCES AND OPPORTUNITIES

GROWTH PROGRAMMING, RENTAL INCOME & ADDITIONAL REVENUE

Growth Programming - World Class events and shows that have a regional draw will continue to fuel the operations of the Historic BAL Theatre as a destination location in San Leandro. The theatre will need to continue to produce shows that generate income to help the theatre sustain its operations and grow them while helping to pay for maintenance, restoration, and enhancements.

Rental Income - Rentals can be the life blood of the BAL theatre. The space is desirable and finding reliable renters who take out multi-event, multi-year rental contracts will help keep the operating income of the theatre stable over time.

Additional Revenue - Currently the training, digital arts media services, performing arts services and workshops run by Curtain Call Performing Arts help to supplement the operating revenue. Being able to keep a sustainable level of revenue will be important to the theatre's continued success.

DONORS, GRANTS & LOANS

Donors – Curtain Call Performing Arts is able to offer a tax deduction for donations and other contributions. Regular donors and season ticket holders are an underutilized opportunity at the moment and being able to build community financial support through a robust donor program will be vital to the theatre's long term success.

Grants – Curtain Call Performing Arts is now in a position to apply on its own, or with partners, for up to \$3,000,000 from identified grant funding sources:

- a. Federal Grants – HUD Section 108 – CDBG
- b. Bank of America Local and Anchor Institutions Grant
- c. Save America's Treasures Grant

- d. National Trust Preservation Funds
 - i. Johanna Favrat Fund for Historic Buildings
 - ii. The Cynthia Woods Mitchell Fund for Historic Interiors
- e. National Endowment for the Arts ARTS WORKS Grant
- f. California Cultural and Historical Endowment
- g. Access to Artistic Excellence Grant
- h. NEA Challenge America Fast-Track Grant
- i. East Bay Community Fund Grant
- j. Alameda ARTSFUND
- k. Art Deco Society of California Fund
- l. Creative Work Fund
- m. Hewlett Foundation Performing Arts Grant
- n. James Irvine Foundation / Exploring Engagement Fund
- o. Fleishhacker Foundation
- p. Aurand Harris Grants

Loans – Refinancing the mortgage is necessary on the theatre. There are many different loan options that can be considered to help the Theatre maintain operations at its current level while working towards helping restore and enhance the building.

VOLUNTEERS

There is no operational Historic BAL Theatre without volunteers. While the theatre will endeavor to always support local jobs, a dedicated group of volunteers will always be needed, fostered and appreciated. Volunteers are the secret ingredient to a successful community asset as they help to keep operation and staff expenses low while bringing a genuine passion to the theatre that forms part of the great experience patrons have come to know and love.

CIVIC PARTNERSHIPS

Alameda County - Structures such as the Historic BAL Theatre are reminders of an important period not only in San Leandro’s history but in the history of California and the Bay Area. The County of Alameda may possibly consider assisting with the preservation of the Historic BAL Theatre with grants or monies by helping save and preserve the shuttered Lorenzo Theatre’s Art Deco murals, exterior “Lorenzo” spire sign, ticket booth, marquee, terrazzo and perhaps other artistic elements by moving and incorporating them into the Historic BAL Theatre for preservation. These Lorenzo Theatre elements could form part of a new, grand, outside Gala space aptly named the “Lorenzo Theatre Gala Space” at the Historic BAL Theatre. There are a few other preservation ideas that can be considered, but at minimum the Historic BAL Theatre is the perfect home to save the Lorenzo’s murals. Both the BAL and the Lorenzo theatres were built in the same period and their historic significance would blend well together to create a true mash up of two architectural and artistic masterpieces in one place.

City of San Leandro - Ultimately the Historic BAL Theatre is a community asset. The City of San Leandro can be the greatest catalyst in restoring, enhancing, and maintaining the BAL

Theatre and its operations for many generations to come. Outside of direct investment, the City and its officials can help marshal resources amongst other jurisdictions and institutions to invest in the theatre. The city can also provide for favorable zoning support (i.e. street-side advertising, dance hall) and full support of a permanent liquor license for Curtain Call Performing Arts. There are of course many other ideas that could occur:

- Operational and Programming Funds
- City sponsoring, promoting of events
- Retirement of Debt
- Forgivable loan to Non-profit to buy BAL Theatre
- Paid contract(s) with City of San Leandro to support Community Arts, Culture and Growth Programming
- Favorable zoning exceptions (i.e. street-side advertising, dance hall)
- City support for full Liquor License application

CORPORATE SPONSORSHIP(S) AND COMMERCIAL DEVELOPMENT

Street-side Advertising –The Historic BAL Theatre could offer advertising space on the building including but not limited to: 1. Classic Movie/Theatre wall-scape that incorporates a Corporate Sponsor; 2. Upgraded LED Marquee and Signs to sell advertising on. This could create a long term, sustainable revenue stream for the property.

Programming Sponsorship – Companies and Organizations can invest marketing dollars directly into a production. This could range from paying for the necessary copyrights for a movie night to helping bring world class live entertainers to the area.

Naming Rights – Companies and Organizations can sponsor the theatre directly for naming rights for a designated time.

Programming Rights – The FOX Theatre in Oakland gave its programming rights to a corporate operating sponsor in Another Planet Entertainment, Inc. They run a number of large and exquisite venues on the west coast and are able to bring world class entertainment to the venue on a regular basis in a profitable way. Approaching other groups could eventually lead to a robust and sustainable level of rental and programming income that supports jobs, more community outreach, and development.

Adjacent Property Development - If a developer were to step in, or the non-profit had the funds, and buy the adjacent properties, like Enterprise Rent-a-car, it could bring dining and parking opportunities, or mixed use development around the BAL Theatre structure.

Lorenzo Theatre Site Development - Should the BAL Theatre be used as a place to help preserve the Lorenzo Theatre, then the demolition of the Lorenzo might attract developer funding to the help with preservation effort.

CONCLUSION

With all of the history, research and opportunities presented within this document, the Historic BAL Theatre is truly worthy of your consideration of the next steps in supporting the preservation, restoration and continued operational growth of the Historic BAL Theatre. With the current owners, operators and public desires for more art, culture and entertainment within our city, it seems to be the right time to consider this as an opportunity to support, restore, preserve, and enhance the Historic BAL Theatre, preserve the Lorenzo Theatre Murals, and create new community excitement, engagement and developments that serves San Leandro and Alameda County for generations to come. Art and Culture Builds Community.

EXHIBIT (A)

FACILITY NEEDS - DEBT - RESTORATION - ENHANCEMENT

| | |
|---|-----------------|
| Mortgage, Taxes, and Equipment Debt | \$500,000 |
| HVAC - new | \$500,000 |
| Electrical - Primary power distribution | \$300,000 |
| Seating (multiple arrangements) | \$400,000 |
| Plumbing - pipes, fixtures, sewage | \$300,000 |
| Operational Support | \$300,000 |
| Sound, stage lighting, and other equipment upgrade | \$300,000 |
| House lights restored and upgraded to LED customizable | \$150,000 |
| Interior Carpet, LED Aisle lighting | \$100,000 |
| Safety and Security upgrades | \$200,000 |
| Concessions and Lobby area renovation and upgrade | \$100,000 |
| Kitchen/Food Prep Area renovation and upgrade | \$100,000 |
| Multi Colored Terrazzo flooring inside and outside of the theatre | \$100,000 |
| Bathroom renovations | \$150,000 |
| Mural Preservation/Restoration in Auditorium | \$300,000 |
| Mural Restoration/Re Creation in Lobby | \$50,000 |
| Ticket Booth Restoration | \$25,000 |
| New movie screen, 7.1 sound and first run rated projector | \$500,000 |
| Facade and other outer/perimeter area improvements | \$250,000 |
| New Roof | \$250,000 |
| Left and Right off stage facilities/areas renovation | \$100,000 |
| Curtains and other stage furnishings | \$200,000 |
| Outside Gala & Event space renovated, upgraded, and furnished | \$300,000 |
| Top Marquee and signs above fully restored and upgraded to LED | \$250,000 |
| Lower Marquee above door upgrade to LED | \$100,000 |
| Outside Poster Display Boxes restored and LED upgraded | \$100,000 |
| Upstairs Green Rooms, offices, utility area renovation. | \$200,000 |
| Total | \$6,125,000 |

EXHIBIT (B)

MEMORANDUM

To: Bill Lambert, Alameda Redevelopment Agency

From: Courtney Pash, CBRE Consulting and Terry Margerum, Terry Margerum and Associates

Date: March 2, 2010

Subject: Lorenzo Theater Reuse and Economic Feasibility Analysis

This memorandum summarizes CBRE Consulting's and Terry Margerum and Associates (Consultants) efforts, conclusions, and recommended next steps regarding the Lorenzo Theater ("the Theater") in downtown San Lorenzo. The Alameda County Redevelopment Agency (RDA) has purchased the Lorenzo Theater and is considering ways to preserve all or part of this building. As such, the Consultants have collaborated with the RDA to formulate alternative development scenarios for the Theater and analyzed the feasibility of selected scenarios. All supporting documentation is included in the attached Exhibits. The contents of this memorandum are subject to the attached assumptions and general limiting conditions.

INTRODUCTION

Theater and Project Area Background

The Lorenzo Theater, located in downtown San Lorenzo at 16080 Hesperian Boulevard, was originally built in 1947 and operated through 1982 as a single screen movie theater. The 9,626-square-foot Theater (13,366 square-feet with balcony and foyer) is situated on a 13,500-square-foot parcel on Hesperian Boulevard, a commercial corridor near numerous transportation arterials in a moderately dense area.

The original marquee and interior wall murals by Anthony Heinsbergen remain intact and are seen by many as culturally significant resources. As such, the Theater has been designated by Alameda County as an Historic Preservation District. The Theater is also on the California Register of Historical Resources, however is not on the National Historic Register, which is required in order to qualify for federal historic tax credits. The seats, screen, and all interior improvements and infrastructure have been removed from the Theater, rendering it in a non-deliverable shell condition.

The site is part of an Alameda County Redevelopment Project Area, which includes an \$8 million streetscape improvement project along Hesperian Boulevard with an anticipated completion date of 2012. Additionally, the RDA is likely to partner on a master plan for 19 acres of commercial properties surrounding the Theater that are currently owned by the David D. Bohannon Organization. In December 2009, discussions regarding the master plan began at community meetings, with initial construction planned for early 2011.

Early drafts of the plan have been reviewed by the RDA and call for the addition of 30,000 to 50,000 square feet of local-serving retail space, upgrades to the existing retail buildings, as well as open space for community enjoyment. County involvement, financial or otherwise, has yet to be determined. The Bohannon holdings include a 1,200 square-foot restaurant building adjacent to the

Mr. Bill Lambert
March 2, 2010
Page 2

Theater. There is a short-term lessee for the restaurant building with anticipated near-term vacancy. This space could be incorporated into the larger redevelopment plan for the Theater. The Theater and adjoining restaurant building represent an opportunity to become part of this plan either as a rehabilitation project or through demolition and new construction. The RDA is committed to ensuring the Theater parcel becomes an integral part of the future of downtown San Lorenzo.

Theater Preservation Efforts

Many in the San Lorenzo community value the Theater for its historic contribution to the area. In 1999, several local residents joined together to form the Save the Lorenzo Theater Foundation. This organization's sole purpose was to preserve the Theater and re-integrate it into downtown San Lorenzo. The foundation has not been successful in raising sufficient capital to preserve the Theater or find an operator willing to take on the project. Thus, the organization has become somewhat inactive in the past several years.

Purpose of Analysis

The Consultants, in collaboration with the RDA, have analyzed a number of development options for the Theater. The first series of options involves the preservation and restoration of the Theater into a new viable space for a business, either operationally self-sufficient or with some on-going financial assistance from the County. The second option involves demolition of the Theater and construction of another use and/or parking for the new and rehabilitated retail space along Hesperian Boulevard.

This analysis aims to provide the RDA with an understanding of the economic feasibility of renovation and operation of the building under several possible scenarios as well as the financial commitment necessary to initiate and support such an effort over time.

Sources

A number of sources were consulted to understand the opportunities and constraints associated with rehabilitating the Lorenzo Theater. These sources include the following: The Save the Lorenzo Theater Foundation, Page and Turnbull, Mack 5, Association of Bay Area Governments (ABAG), Claritas, The League of Historic American Theaters, Margaretta J. Darnall, El Cerrito Redevelopment Agency, Oakland Redevelopment Agency, various local news articles on local theater rehabilitation projects, and Alameda County planning documents. Additional sources of information are listed in Appendix and include interviews with and information provided by local business operators.

OPERATOR OUTREACH

Outreach Process

The initial task consisted of the Consultants and the RDA developing a list of individuals and organizations whose mission and goals could align with those envisioned for the Theater. This list was expanded and refined over a six-month period from September 2009 to February 2010. The list includes potential operators for a variety of uses, many of whom operate businesses in surrounding communities. A representative from each group was contacted, often multiple times, to determine the interest and feasibility of operating a viable business out of a rehabilitated Lorenzo Theater.

Following the initial outreach, tours of the Theater were scheduled on three separate occasions. At this point, the RDA also issued an Invitation for Interest (IFI) describing opportunities for the Theater and soliciting information from potential operators. The IFI is attached as Exhibit 1 in the Appendix.

Mr. Bill Lambert
March 2, 2010
Page 3

The RDA received three proposals from performing arts center operators – VenueTech, Dan Dillman, and Victor Moag and one from a gymnastics operator - Sparta Gymnastics. The proposals were analyzed and reviewed by CBRE Consulting for reasonableness and used to inform the assumptions in the attached financial analysis. The list of all those contacted, their affiliated groups, and their level of interest are summarized by use below and detailed in Exhibit 2.

Potential Uses

The Consultants, in conjunction with the RDA, developed a list of potential uses for the rehabilitated Theater based on the inherent opportunities and constraints of the site. These factors include the economic and demographic conditions of the area, surrounding uses, RDA goals for the Hesperian Corridor, historic compatibility, community interest, and existing building issues.

Movie Theater

While a movie theater would be the most historically relevant reuse, it would not likely be supported as a viable full time primary use for the Theater. With 32 relatively new screens nearby, the market would not likely sustain additional theaters. Eleven strong and knowledgeable operators were consulted, many of whom attended one of the Theater tours. The common conclusion was that even with six to eight new screens and adequate parking, a traditional movie theater would not be feasible at this location. At best, showing old and/or independent films could be a part of a broader programming concept for the facility. While most of the potential movie theater operators received the IFI, none responded.

Performing Arts Venues

While financially problematic in terms of ongoing programming and revenue generation, this could be a desirable and appropriate use from a community perspective. It would be difficult to make the Lorenzo Theater a regional draw due to the existence of significant competition at other established East Bay venues, as well as the anticipated neighborhood focus of the new and rehabilitated surrounding retail space. Seven performance venue professionals were consulted, many of whom expressed moderate interest in operating out of the Lorenzo Theater. Three of those contacted responded to the IFI. However, all of those who expressed interest required an ongoing operational subsidy.

Night Club/Restaurant(s)

The restored Theater, with its spectacular murals, could become a physically attractive setting for a night club/restaurant, particularly if there were some theme or focus, e.g. "Big Band," "Blues," or "Latin Music" to distinguish it in a way that might attract business from a wider geographic radius. Fourteen restaurant and club operators were contacted to gauge interest and feasibility of operating this type of venue. Combining a planned set of public and private improvements with an aggressive marketing plan to "put the Lorenzo back on the map" has potential, but would be difficult and expensive to execute. Given the lack of interest from those contacted, if this concept is appealing, the Consultants suggest carefully orchestrating an RFP indicating the County's investment commitment. However the RDA must acknowledge the possibility that receiving quality operator responses is speculative.

Fitness/Gym/Spa Facilities

The importance and size of the murals make it difficult to divide the interior horizontally and/or vertically to accommodate a full-sized gym operation (at least 25,000 square feet). A small (8,000 to 10,000 square foot) facility like a Curves or an "Express YMCA" would be possible assuming the current slope of the floor was leveled; however, these small gym facilities are difficult to operate in suburban settings. Additionally, if a fitness operator were interested in the downtown San Lorenzo

Mr. Bill Lambert
March 2, 2010
Page 4

location, they would likely prefer a more conventional new facility that Bohannon could construct and finish out for them. Seven gym/fitness center operators were consulted, one of whom expressed significant interest in the Theater and responded to the IFI. However, it is important to note that the market for this use is untested, thus unforeseen financial challenges could arise. Additional market studies would be required if the RDA were to move forward with this option.

Other

The first three uses outlined above – movie theater, performing arts venue, and night club/restaurant - could be combined in a manner to maximize use and programming of the Theater, thus maximizing revenue. This could be achieved either with the County acting as a manager or via a selected operator with the interest and expertise necessary to plan and operate a mixed theater use.

FUNDING AND FINANCIAL ANALYSIS

CBRE Consulting prepared a financial feasibility analysis considering three main alternatives for the Lorenzo Theater. Preliminary findings were made on the three alternatives. As the potential reuse scenarios are further refined and discussed with potential operators, the information contained herein can be refined.

Alternatives

The three alternatives tested in the financial analysis are detailed in Exhibit 3 and as follows:

Demolition with Reuse

This alternative assumes that the Theater is demolished, but the murals are preserved and relocated somewhere within San Lorenzo. The cleared site would then likely be sold and incorporated into the larger Bohannon project. This scenario would result in either a market-driven use within the existing zoning or a community service facility and/or amenity with ongoing financial support from the County. The redevelopment of the site however, is not included in the financial analysis as the revenue accruing to the RDA would be based on a sale of the vacant land.

Rehabilitation with Low-Cost Non-Conforming Use

This alternative assumes leveling of the interior space and operation of the Theater as a gymnastics facility for people of all ages. The Sparta Gymnastics proposal was used as a basis for the assumptions included in the analysis. It is important to note that the Consultants have some reservations regarding the financial viability and sustainability of this type of operation. Should the community decide to move forward with this proposal, significant due diligence will be required both with regard to the financial standing of the operator, as well as the market potential and depth for this type of use.

Rehabilitation with Higher-Cost Conforming Use

This alternative assumes reuse of the Theater as a locally based performing arts venue. While the RDA received three submittals for performance-based operations, only one included a viable business plan. The VenueTech submittal was used as a basis for most of the assumptions in the analysis, with additional comparable operating statements reviewed to assess the reasonableness of their assumptions.

Structure

The revenues and costs associated with both rehabilitation and ongoing operations were analyzed in the attached Exhibits 3 through 8. Exhibit 3 shows the estimated construction costs for the three alternatives as prepared by Mack 5 and summarized by the RDA. Exhibit 4 outlines the proposed ongoing income to the RDA in the form of rent or the potential County subsidy required by the

Mr. Bill Lambert
March 2, 2010
Page 5

operator on an annual basis. Exhibits 5 and 6 outline potential alternate financing sources for the construction costs such as grants and tax credits. Exhibit 7 compares the Net Present Value (NPV) of the anticipated revenue (or subsidy) stream to the estimated costs (including potential alternate financing sources) to determine the financing gap and the overall economic feasibility of the project. Exhibit 8 illustrates what a potential operating statement could look like for the performing arts reuse scenario based on a high-level review of a series of comparable businesses.

Model Inputs

Costs

Page and Turnbull historic consultants prepared an extensive analysis of the physical structure and reuse potential for the Theater. Their report, titled Re-Use Feasibility Study: Lorenzo Theater, includes extensive documentation of the Theater conditions, historical relevance, and detailed cost estimates provided by Mack 5. These cost estimates were summarized by the RDA and provided to the Consultants for use in the attached financial feasibility analysis. As documented in Exhibit 3, the cost estimates for the various alternatives include the following:

- **Demolition with Reuse.** The demolition alternative includes preservation and relocation of the Heinsbergen murals, but does not include construction costs for a new building.
- **Rehabilitation with Non-Conforming Low-Cost Use.** The cost estimates for this alternative include standard core and shell improvements and tenant improvements for a gym facility, with the murals to remain on-site.
- **Rehabilitation with Higher-Cost Conforming Use.** These cost estimates include the same core and shell improvements as those for the non-conforming low-cost use, but include a higher cost for tenant improvements in order to make the interior suitable for a performing arts venue.

Revenues

The ongoing revenues as well as the terminal value of the property were estimated by CBRE Consulting based on material submitted by potential operators as well as the appraisal of the site conducted in November 2008 by Margaretta J. Darnall.

- **Demolition with Reuse.** The revenues associated with the demolition alternative include sale of the site after demolition. The land value was based on the November 2008 appraisal and inflated to today's dollars.
- **Rehabilitation with Non-Conforming Low-Cost Use.** The revenue estimates for the non-conforming low-cost alternative were assumed to be consistent with those indicated in the Sparta Gymnastics information supplied to the RDA. This includes a rent payment of \$6,000 per month for the first four years, increased by three percent for years five through ten, with eventual purchase of the Theater. The proposal also included participation rent to the RDA, however, no participation rent was included in this analysis in an effort to remain conservative. Additionally, CBRE Consulting believed that reaching the participation rent threshold was speculative at best, based on the information provided.
- **Rehabilitation with Higher-Cost Conforming Use.** Based on analysis of comparable performance venues it was determined that an ongoing subsidy would be required to sustain a performing arts venue. The subsidy would be in addition to grants and outside contributions.

Alternative Financing Sources

Based on the estimated costs and revenues for reuse of the Theater, a significant financing gap or economic loss exists. Accordingly, CBRE Consulting reviewed alternative financing sources to determine ways to potentially close this gap. A description and summary of potential sources are

Mr. Bill Lambert
March 2, 2010
Page 6

outlined in Exhibits 5 and 6. It is important to note that many of these sources of revenue are distributed on a competitive basis and therefore will likely require significant administrative costs to be incurred by the RDA. Additionally, success in receiving these grants is not guaranteed.

In summary, the potential revenue sources available for the low-cost non-conforming alternative are likely to amount to less than \$1.7 million and the potential sources for a Performing Arts Center could amount to up to \$3.5 million.

CONCLUSIONS AND RECOMMENDATIONS

Economic feasibility may be defined as a project which provides a fair economic return to a reasonable and prudent investor. In summary, none of the reuse options presented in this report are economically feasible. All options are economically infeasible.

The demolition alternative could cost the RDA slightly over \$1.0 million, depending upon the extent of mural preservation (net of the resale value of the property). This is the least costly alternative to the RDA. The vacant site could be sold as a prime developable location for a new building that could help advance the redevelopment of the Hesperian corridor.

There are a variety of issues involved with the two reuse options, as follows:

- Questionable operator viability;
- Annual required subsidy for the conforming use; and
- High development costs for both reuse options, reaching over \$1,000 per square foot for the conforming use.

The low-cost non-conforming use is estimated to cost \$8.1 with approximately \$1.7 million available in alternative financing sources and a potential ten-year revenue stream of \$900,000, for a total estimated gap of \$5.5 million. The higher-cost conforming use is likely to cost nearly \$12.1 million for rehabilitation, requiring an ongoing subsidy with a ten-year net present value of \$2.6 million, for a total cost of \$14.7 million. However, this may be offset with approximately \$3.5 million in alternative funding sources for a net ten-year cost of \$11.1 million.

As a result, the Consultants recommend some level of preservation of the murals, demolition of the building, and new construction on the Site consistent with the San Lorenzo Specific Plan for downtown San Lorenzo.

ASSUMPTIONS AND GENERAL LIMITING CONDITIONS

CBRE Consulting has made extensive efforts to confirm the accuracy and timeliness of the information contained in this study. Such information was compiled from a variety of sources, including interviews with government officials, review of City and County documents, and other third parties deemed to be reliable. Although CBRE Consulting believes all information in this study is correct, it does not warrant the accuracy of such information and assumes no responsibility for inaccuracies in the information by third parties. We have no responsibility to update this report for events and circumstances occurring after the date of this report. Further, no guarantee is made as to the possible effect on development of present or future federal, state or local legislation, including any regarding environmental or ecological matters.

The accompanying projections and analyses are based on estimates and assumptions developed in connection with the study. In turn, these assumptions, and their relation to the projections, were developed using currently available economic data and other relevant information. It is the nature of forecasting, however, that some assumptions may not materialize, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the projection period will likely vary from the projections, and some of the variations may be material to the conclusions of the analysis.

Contractual obligations do not include access to or ownership transfer of any electronic data processing files, programs or models completed directly for or as by-products of this research effort, unless explicitly so agreed as part of the contract.

This report may not be used for any purpose other than that for which it is prepared. Neither all nor any part of the contents of this study shall be disseminated to the public through publication advertising media, public relations, news media, sales media, or any other public means of communication without prior written consent and approval of CBRE Consulting.

Appendix

THE LORENZO THEATER

OPERATOR TOUR

Thursday, November 5, 2009, 10:45AM

The Background:

- The Lorenzo Theater was originally built in 1947 and operated through 1982 as a single screen movie theater. This 9,626-squarefoot theater, located at 16080 Hesperian Blvd, is situated on a 13,500-square-foot lot.

Ownership:

- The Alameda County Redevelopment Agency anticipates taking ownership in early 2010.

The Search:

- The Redevelopment Agency is seeking potential partners who may be interested in purchasing or leasing the Lorenzo Theater for renovation and operations. Interested parties should respond to the attached IFI.

The Timeline:

- Sep/Dec '09 – Retrofit Cost Analysis; Operator Solicitation
- October 14, 2009 – IFI Issued
- Friday, November 13, 2009 – IFI Responses Due
- Dec '09 / Feb '10 – Citizen's Advisory Committee (CAC) will make a recommendation to commit funds; if positive, process continues to...
- Spring '10 – Operator Selection Process
- Summer '10 – Exclusive Negotiation Agreement (ENA) & Deal Structuring



These are photos taken from within the theater.

INVITATION FOR INTEREST (IFI)

Interested parties should respond to this IFI by Friday, November 13, 2009, with the following brief information:

- 1) Operator Description (1-3 pages)
 - a. Business Concept for the Lorenzo Theater (proposed use(s))
 - b. Team Member Bios (including relevant experiences, years in business, etc)
 - c. Similar Projects/Operations by Team Members
 - d. Proof of Financial Capacity and Stability
- 2) Estimated Capital Budget to Occupancy and Operations Assuming Retrofitted “Vanilla Shell” (1 page)
 - a. Sources of Funds
 - b. Uses of Funds– Capital Budget & Working Capital
- 3) Business Proposal to ACRDA
 - a. Lease, Lease Option, Purchase, or Other?
 - b. Monthly Lease or Mortgage Payment Project Supports
 - c. Expected Operator NOI Net of Lease or Mortgage

IFI Responses, and any questions, should be sent to:

Bill Lambert
Alameda County Redevelopment Agency
RE: Lorenzo Theater
224 W. Winton Avenue, Suite 110
Hayward, CA 94544
Bill.lambert@acgov.org
(ph) 510-670-5335



This photo was taken of the theater on opening day.



**Exhibit 2
Operator Outreach
September 2009 - February 2010**

| <u>Type / Company Name</u> | <u>Affiliated Establishments</u> | <u>Contact Person</u> | <u>Level of Interest</u> |
|--|--|--|--|
| <u>Movie Theaters</u> | | | |
| Rialto Cinemas | Cerrito Theater Elmwood | Ky Boyd, owner Michael O'Rand, CFO | Sent IFI - Uninterested Uninterested |
| Alameda Theater Former Parkway Rheem, Moraga | Motion Picture Heritage Org. | Kyle Conner Tom Peterseon | Toured Theater - Uninterested Unresponsive Sent IFI - Uninterested |
| Chabot Cinemas Cinema West | Cinelux | Paul Gunsky Dave Corkle | Uninterested Toured Theater - Uninterested |
| Landmark Theaters Hoover Theater, San Jose California Film Institute, San Rafael Vine Theater, Pleasanton | | Michael Fant Paula Davis Main Contact Kenny Way | Uninterested Unresponsive Mismatch Unresponsive |
| <u>Performing Arts Venues</u> | | | |
| Another Planet Entertainment Bal Theater, San Leandro ID Community Users Bay Area Digital Arts San Lorenzo High School Generic House Operator Venue Tech | Xzault | Mary Conde Dan Dillman Kelly McHan Theresa McEwen Victor Moag John Lind | Expressed moderate interest RESPONDED TO IFI Expressed moderate interest Mismatch Mismatch RESPONDED TO IFI RESPONDED TO IFI |
| <u>Restaurants</u> | | | |
| Themed, Walnut Creek Chicago Blues Everett & Jones Jupiter Pub Carmen's BBQ Ricky's Sports bar New Restaurant The Englander Architectural Dimensions Pyramid Alehouse Foreign Cinema | McCovey's, Bing's, Maria-Maria | Jeff Dudham, Paul Halley Leon Tichy Dorothy King John Martin Carmen Ricky Ricardo Charles Robinson Jot Mangat Jim Heilbronner Glenn Hancock Bruce McDonald | Unresponsive Expressed moderate interest Unresponsive Expressed moderate interest Uninterested Expressed moderate interest RESPONDED TO IFI (with Dan Dillman) Toured Site - Insufficient Capital Expressed moderate interest Unresponsive Unresponsive |
| <u>Club</u> | | | |
| Blues Castro Valley Blues Youth | Bay Area Blues Society former iMusicast | Ronnie Stewart Daryl Lavin Bryan Matteson | Expressed moderate interest Mismatch RESPONDED TO IFI (with Dan Dillman) |
| <u>Gyms / Entertainment</u> | | | |
| Sparta Gymnastics YMCA Crunch/24 Hour Fitness Gold's Planet Fitness Any Time Fitness Golden Tee | | Jivco Jetchev Fran Gallati John Eiskamp Sajiv Brian Kunkel Rochelle Jacobs Bob | RESPONDED TO IFI Uninterested Uninterested Unresponsive Expressed moderate interest Unresponsive Expressed moderate interest |
| <u>Other</u> | | | |
| CVS Pharmacy | | David Greensfielder | Unresponsive |

Sources: The Legion of American Theaters; Alameda County Redevelopment Agency; Terry Margerum & Associates; various Theater websites; and CBRE Consulting.

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Exhibit 3
Lorenzo Theater Redevelopment Alternatives
Redevelopment Costs
February 2010

| | (Assumption) | Alternative Uses | | |
|--|--------------|--|---|--|
| | | Demolition | Rehabilitate - Gym | Rehabilitate - Arts |
| Description: | | Demolish theater and sell as a development site. | RDA rehabilitates theater and leases to a gymnastics facility operator. | RDA rehabilitates theater and subsidizes operation of a performing arts venue. |
| Demolition Costs | | | | |
| | | \$106,936 | | |
| Haz Mat Removal | | \$66,835 | | |
| Clear & Grade Site | | \$31,050 | | |
| Mark Ups | | \$73,531 | | |
| Subtotal - Demolition | | \$278,352 | \$0 | \$0 |
| Maximum Mural Preservation Costs (1) | | | | |
| Photo Documentation | | \$3,000 | \$3,000 | \$3,000 |
| Removal & Storage (2) | | \$741,000 | | |
| Prep for Murals | | \$25,000 | \$25,000 | \$25,000 |
| Restore Auditorium Murals | | \$175,000 | \$175,000 | \$175,000 |
| Restore Lobby Murals | | \$25,000 | \$25,000 | \$25,000 |
| Reinstall murals in new location | | \$100,000 | | |
| Subtotal - Murals | | \$1,069,000 | \$228,000 | \$228,000 |
| Environmental Impact Report | | | | |
| | | \$125,000 (3) | \$125,000 (3) | \$65,000 (4) |
| Core & Shell Hard Costs | | | | |
| New Roof | | \$0 | \$65,000 | \$65,000 |
| Other Hard Costs | | \$0 | \$5,226,000 | \$5,226,000 |
| Subtotal - Core & Shell | | \$0 | \$5,291,000 | \$5,291,000 |
| Core & Shell Soft Costs | | | | |
| Architectural/Engineering | 10.3% | | \$546,600 | \$546,600 |
| Permits | 3.0% | | \$156,800 | \$156,800 |
| Legal, Accounting, Other Professional Fees | 4.9% | | \$261,300 | \$261,300 |
| Financing Fees | 3.0% | | \$156,800 | \$156,800 |
| Construction Management | 3.0% | | \$156,800 | \$156,800 |
| Historic Registration | 0.2% | | \$12,000 | \$12,000 |
| Contingency | 4.9% | | \$261,300 | \$261,300 |
| Subtotal - Soft Construction Costs | 29.3% | \$0 | \$1,551,600 | \$1,551,600 |
| Subtotal Core & Shell Costs | | \$0 | \$6,842,600 | \$6,842,600 |
| Tenant Improvements | | | | |
| Gym | \$50 /SF | | \$650,000 | |
| Performing Arts Center | \$240 /SF | | | \$3,120,000 |
| New Seating | | | | \$400,000 |
| Tenant Improvement Soft Costs (Consultants, Professionals, etc.) | | | \$280,000 | \$1,442,000 |
| Subtotal - TI's | | \$0 | \$930,000 | \$4,962,000 |
| TOTAL COSTS | | \$1,472,352 | \$8,125,600 | \$12,097,600 |

Sources: Alameda County Redevelopment Agency; Page and Turnbull; Mack 5; and CBRE Consulting.

- (1) Assumes maximum cost for mural preservation and relocation. Variations in the preservation effort could result in lower costs.
(2) Assumes a 12-month storage period.
(3) Assumes a 12-month EIR process.
(4) Assumes 5-month EIR process.

Exhibit 4
Lorenzo Theater Redevelopment Alternatives
10-Year Cash Flow Summary
Gym and Performing Arts Center Alternative Uses

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 | Future Value |
|--|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Rehabilitate - Gym Alternative | | | | | | | | | | | |
| Annual Rent to RDA Participation | (1) \$72,000 | \$72,000 | \$72,000 | \$72,000 | \$74,160 | \$74,160 | \$74,160 | \$74,160 | \$74,160 | \$74,160 | \$74,160 |
| Future Value at 9% Cap Rate | (2) | | | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$823,260 |
| Net Cash Flow to RDA | (3) \$72,000 | \$72,000 | \$72,000 | \$72,000 | \$74,160 | \$74,160 | \$74,160 | \$74,160 | \$74,160 | \$74,160 | \$823,260 |
| Net Present Value @ 7.0% | (4) \$905,000 | | | | | | | | | | |
| Rehabilitate - Arts Alternative | | | | | | | | | | | |
| Operating Deficit (Management Fees) | (5) (\$364,000) | (\$364,000) | (\$364,000) | (\$364,000) | (\$364,000) | (\$364,000) | (\$364,000) | (\$364,000) | (\$364,000) | (\$364,000) | \$0 |
| Future Value | (6) | | | | | | | | | | \$0 |
| Net Cash Flow to RDA | (\$364,000) | (\$364,000) | (\$364,000) | (\$364,000) | (\$364,000) | (\$364,000) | (\$364,000) | (\$364,000) | (\$364,000) | (\$364,000) | \$0 |
| Net Present Value @ 7.0% | (4) (\$2,557,000) | | | | | | | | | | |

Sources: VenueTech proposal; Jivco Jetchev, "Lorenzo Sports Center" proposal; Alameda County RDA; and CBRE Consulting.

- (1) \$6,000/month for years 1 through 4, then 3% rent bump in Year 5. These rents were proposed by Jivco Jetchev in his Lorenzo Sports Center proposal.
- (2) The proposal for the Lorenzo Sports Center proposes that the RDA will participate in 3% of profits above \$30,000 per month starting in Year 5. However, it believed that the gymnastics studio would not realize profits above this threshold.
- (3) The terminal value for the Gym alternative is based on very optimistic assumptions. First, it assumes that the gymnastics facility is a viable and sustainable business plan and that after 10 years, the operator will elect to continue operating by extending its lease term and increasing its payments by 3.0 percent. The resulting escalated annual rent payments of 76,385 is capitalized at a 9.0 percent rate and a 3 percent commission is deducted, resulting in the \$823,250 value estimate.
- (4) The spread between the discount rate used in the net present value calculation (7.0%) and the cap rate used in the terminal value calculation (9.0%) reflects that the Alameda County RDA has a lower cost of capital than does a private investor, and that sale to a third party investor in Year 11 would be based on future cash flows that are projected to be riskier than the RDA's cost of capital.
- (5) "Consulting and management fees" or subsidy by the County, are based on the comparables listed in Exhibit 8.
- (6) Under the Performing Arts Alternative, the property is projected to have no terminal value. This alternative use is projected to operate at a deficit (i.e., its net operating income will be negative each year), so sale to a third party is unlikely. Thus, the terminal value will be based on the property's potential as a land sale. In this case, CBRE Consulting took into account the approximately \$13.0 million in costs incurred to rehabilitate the facility, the \$1.3 million in consulting fees paid to the operator over the 10-year projection period, and the demolition costs of \$375,000 (estimated by inflating the \$278,352 figure from Exhibit 2 by 3.0 percent for 10 years). If the land were sold in the 11th year for \$600,000 (estimated by inflating the \$444,150 figure from Exhibit 7 by 3.0 percent for 10 years), the proceeds would not recover the costs incurred over the ten-year period.

**Exhibit 5
Lorenzo Theater Redevelopment Alternatives
Alternative Revenue Sources**

| Revenue Source | Requirements | Estimated Amount | Timing | Example |
|--|---|---------------------|--------------------------------|---|
| Federal Grant | HUD Section 108 - Community Development Block Grant (San Lorenzo qualifies as a CDBG area) Brownfield/Economic Development Initiative (BEDI) Property tax increment | \$148,500 (1) | | The Fox Theater received \$594,000 |
| Local Bonds | | | | Alameda Theater |
| Bank of America Local Grant | Must be tax-exempt under section 501 (c) (3) of the Internal Revenue Code and not classified as a private foundation. Must be based and serve communities in these markets. Should be aligned with funding priorities for those markets. | \$125,000 (1) | | California Academy of Sciences The Fox Theater received \$500,000 |
| Anchor Institutions | Arts and cultural institutions such as museums, zoos, and performance venues that lend vibrancy to a community's makeup. | | | Rutgers University |
| Save America's Treasures Grant | Nonprofit, tax-exempt 501 (c) (3), or units of state or local governments... Preservation and/or conservation work on nationally significant historic structures and sites, including historic districts, sites, buildings, structures and objects. Save America's Treasures grants are available for preservation and/or conservation work on nationally significant intellectual and cultural artifacts and collections and on nationally significant historic properties. Grants are awarded through a competitive process and require a dollar-for-dollar, non-Federal match, which can be cash, donated services, or use of equipment. The grant and the non-Federal match must be expended during the grant period, generally 2 to 3 years, to execute the project. The minimum grant request for collections projects is \$25,000 Federal share; the minimum grant request for historic property projects is \$125,000 Federal share. The maximum grant request for all projects is \$700,000 Federal share. The Save America's Treasures Grants Selection Panel may, at its discretion, award less than the minimum grant request. Example of activities supported by these grants may be found at www.nps.gov/history/tps/treasures/search.html | Minimum \$125,000 | | |
| National Trust Preservation Funds | This fund assists in the planning activities and education efforts focus on preservation. | \$2,500-\$10,000 | | |
| Johanna Farrel Fund for Historic | This fund assists in the preservation, restoration, and interpretation of historic interiors. | \$2,500-\$10,000 | | |
| The Cynthia Woods Mitchell Fund for Historic Interiors | | | | Deep Eddy Bathhouse Restoration Project Architectural Services for the Restoration of the City Park Carousel |
| California Cultural and Historical Endowment Grant | Culturally significant aspects of life during various periods of California history including architecture, economic activities, art, recreation, and transportation. California industrial, commercial, and military history including the industries, technologies, and commercial activities that have characterized California's economic expansion, etc. | \$1,606,000 (2) | | Ingomar Theater, Brave Theatre Center, Fox Theater, Fullerton Fox Theater, Vision Theater |
| Access to Artistic Excellence Grant | Support is available to organizations for projects that do one or more of the following: - Provide opportunities for artists to create, refine, perform, and exhibit their work. - Present artistic works of all cultures and periods. - Preserve significant works of art and cultural traditions. - Enable arts organizations and artists to expand and diversify their audiences. - Provide opportunities for individuals to experience and participate in a wide range of art forms and activities. - Enhance the effectiveness of arts organizations and artists. - Employ the arts in strengthening communities. | \$5,000 - \$150,000 | | |
| NEA Challenge America Fast-Track, FY 2011 Grant | Eligible applicants should be nonprofit, tax-exempt 501(c)(3), U.S. organizations or units of state or local governments. Applicants may be arts organizations, local arts agencies, arts service organizations, local education agencies (school districts), and other organizations that can help advance the goals of the Arts Endowment. To be eligible, the applicant organization must: Meet the Arts Endowment's "Legal Requirements" including nonprofit, tax-exempt status at the time of application, have a three-year history of programming prior to the application deadline, and have submitted acceptable Final Report packages by the due date(s) for all Arts Endowment grant(s) previously received. | \$10,000 | Within 6 months after applying | |
| East Bay Community Fund Grant | Grants are available for professional arts programming and for projects that emphasize the potential of the arts in community development. | | | |
| Federal Historic Tax Credits | The East Bay Community Foundation and donors make grants to nonprofits that serve Alameda and Contra Costa Counties. Owner must nominate the building to the National Register - OR be located in a registered historic district - prior to final tax credit approval which is usually at the end of construction. The first part of the tax credit process is to get official determination that the work done on the eligible building will be in keeping with the Secretary of the Interior's Standards. This is known as the Part 1 Process and happens as soon as a project is scoped and moves forward into conceptual design. Requirements by IRS: building must be depreciable, rehab must be substantial, phased rehabilitations, property must be placed in service, qualified rehabilitation expenditures. The owner must hold the building for five full years after completing the rehab or pay back the credit. | Average: \$15,000 | One year - on-going | Tax credit is claimed for the tax year in which the rehabilitated building is placed in service. |

Sources: California Office of Historic Preservation; National Park Service US Department of the Interior Technical Preservation Services; California State Library; National Trust for Historic Preservation; Save America's Treasures; Bank of America; grants.gov; The League of Historic Theatres' Rescue and Rehabilitation Manual; and CBRE Consulting.

(1) This figure is pro-rated by number of seats based on the amount the Fox Theater in Oakland received.
 (2) This figure is pro-rated by number of seats based on the average amount received by the Ingomar Theater, Brave Theatre Center, the Fox Theater, the Fullerton Fox Theater, and the Vision Theater.

Exhibit 6
Lorenzo Theater Redevelopment Alternatives
Applicable Alternative Funding Sources - Maximum Potential

| Source | Demolition | Rehabilitate - Gym | Rehabilitate - Arts |
|--|------------|--------------------|---------------------|
| Grants | | | |
| Bank of America (1) | | -- | \$125,000 |
| Federal - HUD CDBG EDI (1) | | \$148,500 | \$148,500 |
| Save America's Treasures (2) | | \$125,000 | \$125,000 |
| National Trust Preservation Funds (3) | | | |
| Johanna Favrot Fund for Historic Preservation | | \$6,250 | \$6,250 |
| The Cynthia Woods Mitchell Fund for Historic Interiors | | \$6,250 | \$6,250 |
| California Cultural and Historical Endowment (4) | | -- | \$1,606,000 |
| Access to Artistic Excellence | | -- | \$77,500 |
| NEA Challenge America Fast-Track, FY 2011 | | -- | \$10,000 |
| East Bay Community Fund | | \$15,000 | \$15,000 |
| Subtotal - Grants | \$0 | \$301,000 | \$2,119,500 |
| Historic Tax Credits (5) | | \$1,369,000 | \$1,369,000 |
| Save the Lorenzo Foundation | | \$40,000 | \$40,000 |
| Other Sources (6) | | | |
| Grand Total | \$0 | \$1,710,000 | \$3,528,500 |

Sources: Exhibit 3; and CBRE Consulting.

- (1) These figures are pro-rated by number of seats based on the amount received by the Fox Theater in Oakland.
- (2) This is the minimum amount granted.
- (3) This figure represents the mid-point of the range given.
- (4) This figure is pro-rated by number of seats based on the average amount received by the Ingomar Theater, Brava Theatre Center, the Fox Theater, the Fullerton Fox Theater, and the Vision Theater.
- (5) This represents approximately 20 percent of the core & shell rehabilitation costs.
- (6) Other potential revenue sources include bond bills, general appropriations, special appropriations, state capital improvement budgets, governor's supplemental bills, tourism funds, lottery funds, special legislative initiatives, and state economic development funds; however, potential amounts cannot be estimated at this early stage of the process.

Exhibit 7
Lorenzo Theater Redevelopment Alternatives
Stabilized Operating Pro Forma Comparison

| | Demolition | Rehabilitate - Gym | Rehabilitate - Arts |
|--|----------------------|----------------------|-----------------------|
| REVENUES | | | |
| NPV of 10-year Operating Cash Flows (1) | | \$905,000 | (\$2,557,000) |
| Land Sale Proceeds (2) | \$472,500 | \$0 | \$0 |
| Less Cost of Sale @ 6.0% (3) | (\$28,350) | \$0 | \$0 |
| Total Revenues | \$444,150 | \$905,000 | (\$2,557,000) |
| COSTS (4) | | | |
| Demolition | (\$278,352) | \$0 | \$0 |
| Mural Preservation | (\$1,069,000) | (\$228,000) | (\$228,000) |
| Environmental Impact Report | (\$125,000) | (\$125,000) | (\$65,000) |
| Hard Construction Costs | \$0 | (\$5,291,000) | (\$5,291,000) |
| Soft Construction Costs | \$0 | (\$1,551,600) | (\$1,551,600) |
| Tenant Improvements | \$0 | (\$930,000) | (\$4,962,000) |
| Total Costs | (\$1,472,352) | (\$8,125,600) | (\$12,097,600) |
| Total Gap (5) | (\$1,028,202) | (\$7,220,600) | (\$14,654,600) |
| Available Grants, Loans, & Tax Credits (6) | \$0 | \$1,710,000 | \$3,528,500 |
| Financing Gap/Net Economic Loss | (\$1,028,202) | (\$5,510,600) | (\$11,126,100) |

Sources: Exhibits 3, 4, and 6; Alameda County Redevelopment Agency; and CBRE Consulting.

- (1) See Exhibit 4.
- (2) Land sale proceeds are based on November 2008 appraisal.
- (3) Includes all administrative costs associated with the sale of the vacant theater parcel.
- (4) See Exhibit 3.
- (5) Revenues minus costs.
- (6) See Exhibit 6.

Exhibit 8
Lorenzo Theater Redevelopment Alternatives
Theater Income/Expense Comparables
San Lorenzo Theater Feasibility Study

| | ESTIMATE | | Comp #1: Confidential Theater East Bay 700 Seats | | Comp #3: Heritage Theater Campbell 800 Seats Days Used: 150 | | Comp #4: Arkley Center Eureka 770 Seats Days Used: 100 | | Comp #5: Vacaville 505 Seats Days Used: 220 | | Comp #6: San Ramon (1) 700 Seats Days Used: 400 | |
|-------------------|--------------------|----------------|---|----------------|---|----------------|--|----------------|--|------------------|--|----------------|
| | Budget | (per seat) | 2007 | (per seat) | 2009 | (per seat) | 2009 | (per seat) | 2009 | (per seat) | 2009 | (per seat) |
| REVENUES | | | | | | | | | | | | |
| Total Revenues | \$567,000 | \$810 | \$369,300 | \$528 | \$615,000 | \$769 | \$750,000 | \$974 | \$400,000 | \$792 | \$700,000 | \$1,000 |
| EXPENSES | | | | | | | | | | | | |
| Total Expenses | \$931,000 | \$1,330 | \$525,800 | \$751 | \$825,000 | \$1,031 | \$1,000,000 | \$1,299 | \$1,070,000 | \$2,119 | \$1,000,000 | \$1,429 |
| NET INCOME | (\$364,000) | (\$520) | (\$156,500) | (\$224) | (\$210,000) | (\$263) | (\$250,000) | (\$325) | (\$670,000) | (\$1,327) | (\$300,000) | (\$429) |

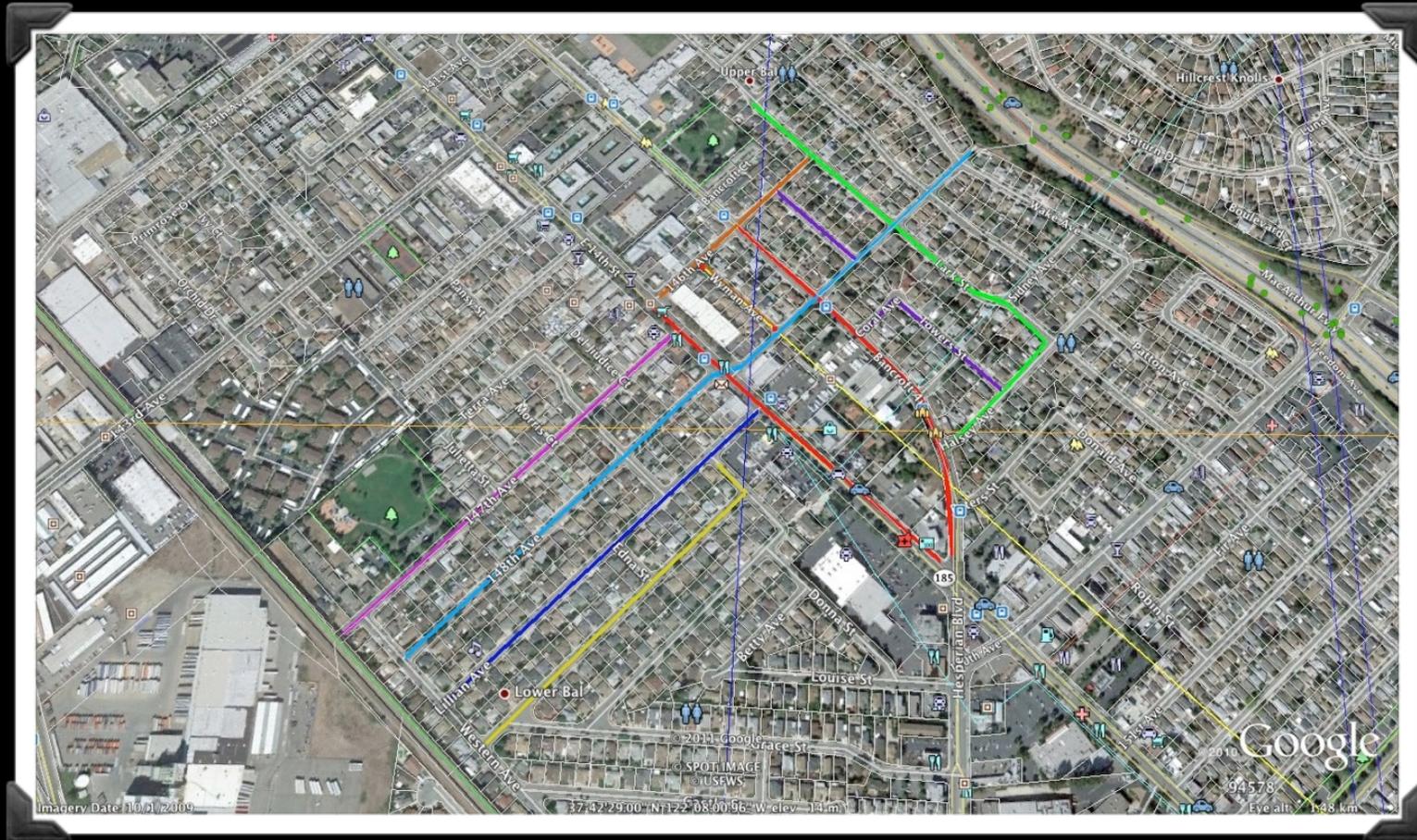
Sources: Theater Operators; VenueTech; and CBRE Consulting.

(1) San Ramon Performing Arts Theatres actual comprises two separate theaters: the 100-seat Front Row Theatre and the 600-seat Dougherty Valley Performing Arts Center. The number of seats (700) and days used (400) are aggregated figures for these two theaters.

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EXHIBIT (C)

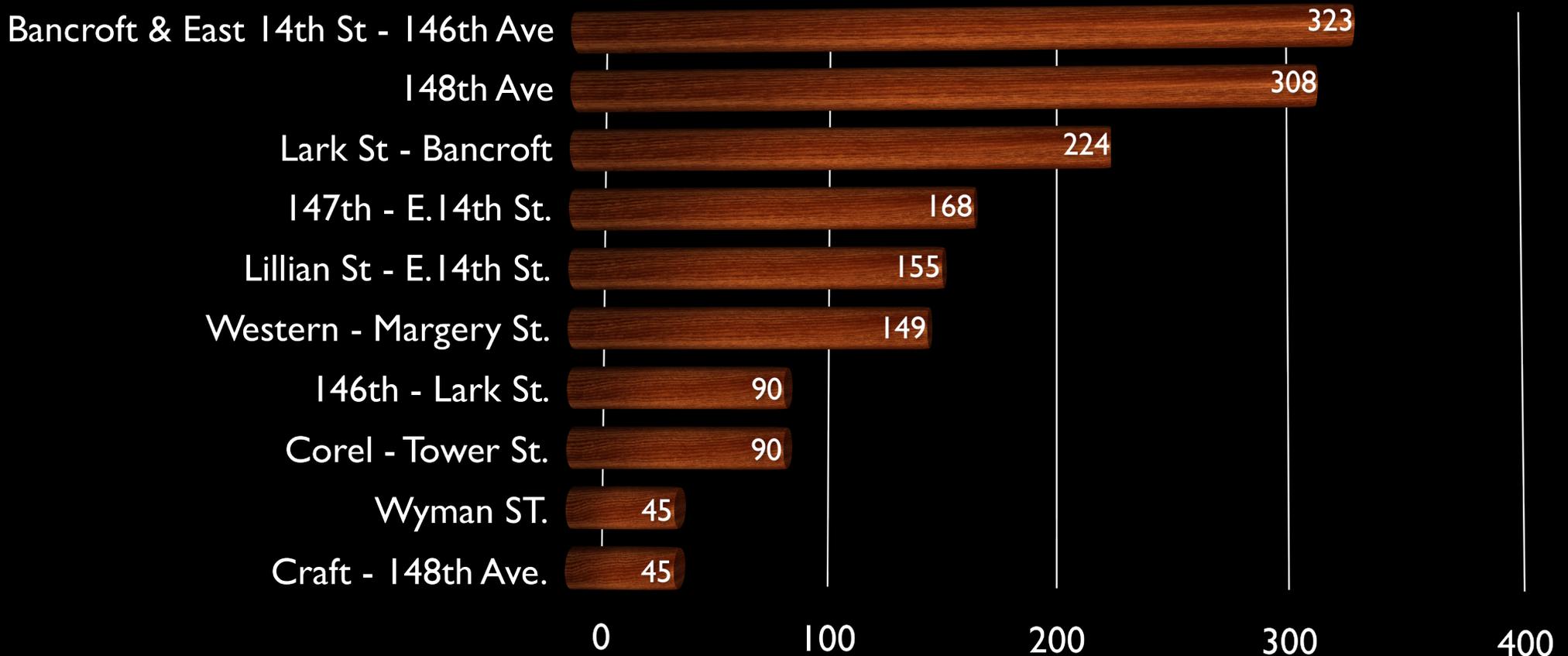
Bal District Street Parking



**The original planners & developers of the Bal District
“Upper Bal & Lower Bal” planned for the future.**

Bal District Street Parking

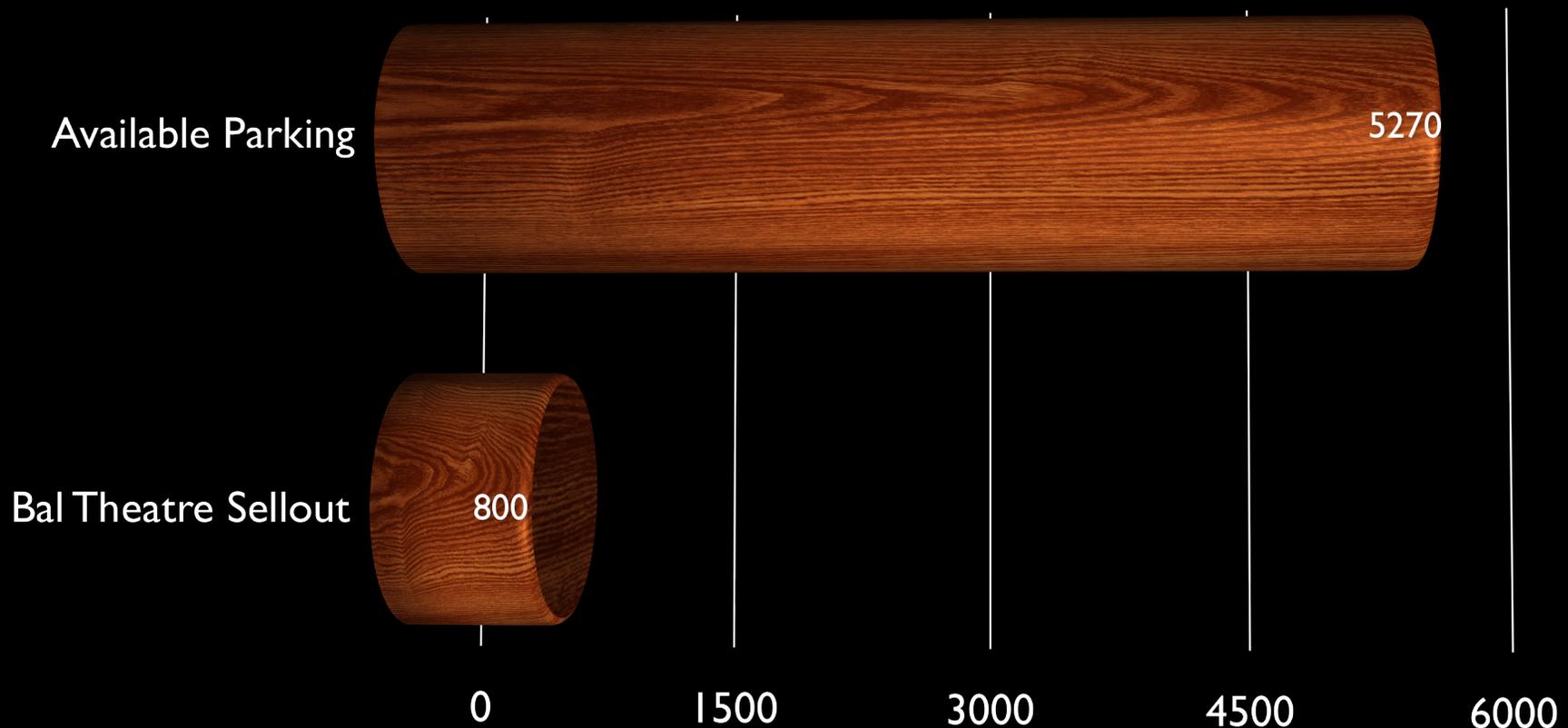
Upper & Lower Bal District Estimated Available Street Parking Spaces



Total Available 1,597 X 3.3 People per Car = 5270

Bal District Street Parking

■ Upper & Lower Bal District Estimated Available Street Parking Spaces



Total Available 1,597 X 3.3 People per Car = 5270