

Alternative Futures for the Santa Monica Civic Auditorium: Issues and Observations



Santa Monica, California



ULI Los Angeles

A ULI Advisory Services
Technical Assistance Panel Report

**Alternative Futures for the Santa Monica Civic
Auditorium: Issues and Observations**

Recommendations for
**Santa Monica Civic Auditorium
Santa Monica, California**

June 16, 2004

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Technical Assistance Panel Report

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the Urban Land Institute

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This ULI Advisory Services Technical Assistance Report, produced by ULI Los Angeles, a district council of the Urban Land Institute, is intended to further the objectives of the Institute and to make authoritative information generally available to those seeking knowledge in the field of urban land use.

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and the Technical Assistance Panel Program

The goal of ULI's Advisory Services Program is to bring the finest expertise in the real estate field to bear on complex land use planning and development projects, programs, and policies. Since 1947, this program has been assisting communities by bringing nationally recognized real estate, planning, and development experts together to provide unbiased pragmatic advice for addressing complex land use and development issues. Various types of assistance are offered through the Advisory Services Program—from two-hour sessions at ULI's Spring and Fall meetings designed to provide an "over the shoulder" look at a project to five-day panels that assist sponsors by evaluating the market, developing conceptual land use plans, recommending project phasing, and detailing actions to implement the project.

One of the Advisory Services offered is the Technical Assistance Panel (TAP) Program, organized by the District Councils of the Urban Land Institute. ULI Los Angeles has been at the forefront of creating the TAP program, offering the expertise of local ULI members to local government and non-profit entities in one-day panels.

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- Each panel team is composed of highly qualified professionals who volunteer their time to ULI. Panel members are chosen for their knowledge of the panel topic and are selected to provide a holistic and interdisciplinary perspective at development issues.
- A ULI member who has served on a previous assignment chairs the panel.
- No member of the panel has a conflict of interest, real or perceived, by serving on the panel.

To date, ULI Los Angeles has conducted technical assistance panels for the Los Angeles Conservancy, the City of Culver City Redevelopment Agency, the City of Pasadena, and the USC Sustainable Cities Program.

For more information about how a ULI Los Angeles Technical Assistance Panel could benefit your city or nonprofit organization, please contact James P. Regan at <jregan@waldrealtyadvisors.com> or Jonathan C. Curtis at <jcurtis@sheppardmullin.com>.

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Contents

Introduction2
Summary7
Panel Team12



Introduction

The Santa Monica Civic Auditorium (the “SMCA”) was built in 1958 and for many years was one of the largest concert venues in Southern California. Located at the southwest corner of the Civic Center Area near the intersection of Fourth and Main Streets, the facility has been an icon in Santa Monica for many years. Designed as a multi-purpose facility, the main facility can be used both as a flat-floor venue for exhibit events and as a sloped-floor venue for concerts through a unique mechanical riser system. The facility comprises 27,000 square feet on the main floor with seating for 3,000 to 3,500 people for concert and entertainment/meeting events. An adjacent East Wing provides an additional 4,200 square feet of exhibit/meeting space. Tents are used at the main entrance to provide over 17,000 square feet of covered exhibit space for particularly large attendance events. Over 1,000 parking spaces are provided in an adjacent surface lot.

In its heyday, SMCA hosted significant entertainment and cultural events with regional attendance draw. Over the years, as the financial demands of large entertainment events increased and as other larger modern facilities were developed in Southern California, the event schedule underwent a slow but significant change.

Only limited concert events now are booked and the majority of event-days consist of consumer exhibit shows. At the same time, a lack of capital investment in the facility has further deteriorated its position as significant concert/entertainment event venue in Southern California.

Various other operational and physical changes to the SMCA will occur with implementation of the City’s Civic Center Specific Plan (“CCSP”) and the apparent direction of the City to focus on “community, cultural and educational” events in the future. In view of the unknown impact of these changes, the SMCA management requested that ULI LA conduct a Technical Assistance Panel (“Panel”) to address certain issues relating to the future of the facility. Specifically, the Panel was asked to comment on the following:

- What uses/reuses might be feasible given the physical characteristics of the facility under two scenarios: (1) with no physical or operational constraints; and (2) with existing conditions, constraints and policies including relocation of and restrictions on parking, proposed surrounding land uses in the CCSP, current City use priorities and facility limitations/opportunities based on its physical characteristics?



- What is the outlook for long-term use of this facility for various types of conventional events (including conference/meeting facilities in support of hotels) and what are the general financial implications of this outlook?
- What are the best uses in terms of return to the community and what are the financial implications of use policies focused on this objective?
- What are the physical and financial implications of maximum public uses versus maximum revenue-generating uses?

The Panel could not address the specific financial implications of

alternative use policies and relied on data supplied by the SMCA management on recent operations and prior market studies to make general observations about the likely impact on operations of alternative uses. The Panel also could not specify what are the “best uses” for the facility based on return to the community in the absence of community “vision” on the costs/benefits of alternative uses. Rather, the Panel focused on alternatives discussed in prior market studies and the CCSP Evaluation Report. The panel also identified some overriding issues relating to the integration of the SMCA into the CCSP and the need for community vision



and consensus in determining the “future” of this facility.

In addressing these and other issues, the Panel relied on extensive briefing materials compiled by SMCA management, including discussions of issues and options for the SMCA; excerpts from the CCSP; the CCSP Evaluation Report (Civic, Cultural and Community Uses); Civic Auditorium Market Assessment prepared by Economic & Planning Systems, Inc.; historical operations and revenues/expenses for the SMCA; and various other information on the facility and events.

Background

SMCA Operations

The SMCA operates between 235 and 250 event-days annually (including move-in and move-out) over the past four years. This is a reasonably high level of use for a civic auditorium facility. Exhibit events now account for over 60% of event use and 75% of event revenues, while concert events account for less than 3% of use.

Over time, use of the facility has shifted away from major concerts and entertainment events to exhibits, filming, rental and lectures, and city events. As newer venues with larger seating capacity developed in the region, a loss of major concert events was inevitable.

The facility requires significant capital improvements simply to address current building code and operational deficiencies: \$5.8 Million for seismic and building upgrades; \$5.8 Million for deferred maintenance and operational requirements for existing use; and \$5.3 Million for the proposed East Wing expansion. In addition, other major capital improvements are required to make the facility usable for certain uses. At the same time, future improvement of the facility for a specific use is constrained by designation as City landmarks of various areas of the facility.

Operations in 2002-03 indicate revenues of \$2.3 Million and a small operating loss. The financial performance of SMCA has declined over the past several years as expenses increased by over 28% while revenues remained relatively flat. The largest source of revenues (2002-03) is parking (48%), followed by facility rent. With the loss of non-event parking revenue in future years with implementation of the CCSP, the SMCA is facing an operating loss of over \$700,000 annually with no change in usage.

The panel felt that the management of the facility should be given a great deal of credit for their agility in adjusting to changing entertainment and exhibition

market dynamics to keep facility operations at close to breakeven. Similar facilities in other communities generally require substantial subsidies, as referenced in other reports prepared for the City.

Impact of Civic Center Specific Plan

Implementation of the CCSP will adversely impact SMCA operations in a number of ways, with the immediate direct impact of eliminating non-event parking revenue and likely reducing some event parking revenues. At a minimum, the loss of non-event parking revenues will result in an annual operating loss of over \$750,000.

The CCSP incorporates a number of planning and design elements that impact SMCA operations.

- **Parking.** Replacement parking (about 350 spaces under the existing facility and 900 spaces in a structure located on the south side of 4th Street) presents a problem for the facility use because of the less convenient location of the structure and limitations on parking availability (650+/- spaces available in the structure on weekday nights and weekends).
- **Planned Ball Field East of SMCA.** Placement of a ball



field adjacent to the east wing removes areas now used for loading, truck access and storage, particularly critical for exhibit events. Potential impact is loss of perhaps one-third of existing event rental revenue.

- **Policy Direction.** The CCSP states that "Priority shall be given to cultural, educational and community-oriented activities while preserving opportunities for events that can contribute to the ongoing operation and upkeep of the facility." The result is to focus on events that will result in a deterioration of facility revenue without addressing the extent of revenue loss.
- **Expansion of SMCA.** A new 20,000-square foot east wing is planned to replace the existing 4,200-square foot facility. The new wing is planned for community activities including receptions, performance spaces and galleries for art display, meeting rooms and support

space. There does not appear to be definitive data supporting the use potential and revenue generation of these uses.

- **Adjacent Land Uses.** The most immediate impact is the loss of non-event parking revenue and probably some event parking revenue that will reduce SMCA revenues by over \$750,000 annually. In addition to the loss of event staging areas, ball field activities on weekends may impact available parking on weekends.

At the request of the Panel, SMCA staff indicated that the loss of adjacent parking and staging areas would eliminate 64 current event-days and approximately 33% of current event revenues or about \$450,000. Combined with non-event parking revenue loss, the facility could be expected to have an annual operating loss in excess of \$1.1 Million.

Summary

of Recommendations

The Panel considered alternative uses for the facility in the context of the characteristics of the facility, market factors, prior studies completed for the City on use potentials, and panel members' expertise with similar issues elsewhere. The Panel believes that the future of the SMCA and any discussion of future use alternatives cannot be divorced from potential impacts imposed by the CCSP.

Conclusions

- The proposed changes to the SMCA in the Specific Plan will make the SMCA less functional by removing convenient loading and staging areas. Further, the substitution of parking from the adjacent surface lots to the Civic Center garage and the subterranean structure adjacent to the SMCA proposed in the Specific Plan will be less convenient for SMCA visitors. At the request of the Panel, staff estimated a potential loss of 64 event-days and 33% of current event revenue or about \$450,000.
- The cost of the proposed subterranean parking and loading facilities adjacent to the SMCA will add a substantial financial burden to the facility. It is likely that less expensive and more convenient and functional parking and loading solutions for SMCA can be found. One possibility is one level of parking under the newly proposed soccer field, since it is planned to be artificial turf.
- While preliminary costs and plan concepts have been developed for various alternative venues, there is neither a clear guiding mandate from the Council as to what the Civic should become, nor a clear vision for the SMCA and no process in place to identify a direction with broad community support. There seems to be an implicit policy direction that the facility can focus on community/cultural/educational events without requiring substantially higher subsidies in the future, a belief not shared by the Panel.
- It is important to recognize that the lack of capital improvements and renovations in past years has made the facility less attractive to potential concert/entertainment users and less competitive in the Southern California market. In the absence of allowing the facility to continue to deteriorate, which implies increased use for local community events, major capital investments are required just to maintain the status quo.

- Perhaps a way to initiate the identification of an appropriate community vision is to form a “Blue Ribbon Committee” of community leaders to address the issue and bring focus to this important facility in the Civic Center. The impacts of use alternatives including event usage and revenues, parking and staffing requirements should be addressed as well as the realistic improvements and investment required to bring the facility up to a competitive level. It also is noted that the Panel believes that the \$25 to \$30 Million total cost of identified upgrades and improving the facility to focus on a specific type of use (that is, concert hall, conference center, among oth-



ers) is counterproductive given the negative potential impacts of the CCSP on future operations.

Alternative Uses

The Panel considered the numerous alternatives that have been discussed in various documents including the Specific Plan, EPS Market Assessment, other background reports and presentations by City staff. Below is a summary of the various alternatives with comments and additional ideas from the Panel.

There are alternatives for reuse of the facility that are not feasible

given building design. It also is not known whether or not the facility shortcomings for concert/cultural events can be improved given the landmark status of certain areas and the capital cost of both new improvements and deferred maintenance.

Community Events

- The first alternative assumes the physical plant undergo the fewest modifications. While this alternative requires the least capital investment, the loss of convenient backup, loading and parking would lead to a loss of exhibition events and as much as one-third of current revenues.
- Given that local community groups may not have the financial resources to make up that revenue loss, the facility would operate at a greater subsidy than currently. Stepped up marketing efforts would be required to reduce the negative fiscal impact.
- The Panel thought that perhaps renting facilities to schools, religious organizations and other institutional users might help fill in the void.

Conference/Convention Center

This alternative assumes the renovation of the SMCA as a con-



ference facility and assumes a close association with willing hotels. This alternative requires attracting larger groups that cannot be accommodated in one or two hotels and groups that require more meeting space and larger facilities for banquets and general sessions.

- This market is extremely competitive, primarily with hotels since the vast majority of group meetings and conventions have less than 100 attendees and prefer to hold their meeting in a single hotel facility. Nonetheless, the significant impact on hotel occupancy tax and other spending-related taxes in a community has led many cities to subsidize conference/convention facilities.
- This alternative would require additional improvements to the SMCA including banquet and kitchen facilities. An annual operating subsidy would be required and a shift in marketing efforts with area hotels is necessary. Perhaps a conven-



tion venue could be the basis for additional hotel rooms in the adjacent downtown since the primary rationale for these facilities is increased visitation and room tax generation.

- The association with hotels could lessen the need for parking on site and make funding deficits through TOT (Transient Occupancy Tax) more acceptable.

Conference/Day Events Center

Similar to the conference/convention use, the SMCA could be renovated for meetings for regional day users. Stepped up marketing would be required to attract regional conferences and meetings.

- Such use would not generate any significant tax revenues to the City and the operating sub-

sidy could be significant.

- Further, there would be a need for convenient parking, as this alternative would not rely on hotel parking for its attendees.

As a result, the Panel did not believe this alternative should be pursued other than as a “fill-in” use for open dates.

Concert Venue

The concert venue alternative assumes refurbishment of the facility and private management of the facility on a cost-sharing basis. Daytime traffic would be reduced and the original stature of the SMCA presumably could be recaptured, recognizing again that (1) there are many other competing facilities in Southern California for a limited number of events; and (2) the existing facility is not organized nor is the facility fully competitive for this type of event schedule.

- The Panel thought this was a reasonable alternative that could be tested quickly by offering an RFP to the limited number of firms that would be logical candidates to undertake the marketing and management of the facility.



Performing Arts Center

This alternative envisions renovation of the SMCA to serve as a theater, dance, and music venue.

The Panel did not believe that renovation of the facility as a performing arts center was a feasible option.

- Substantial upgrades would be required to virtually all elements of the existing facilities at a total cost including seismic and other upgrades that was estimated in the CCSP Evaluation Report at \$40 Million excluding parking. In addition, an extensive operating subsidy likely would be required.
- This is a highly competitive market with many other venues in Southern California competing for what is a limited total market of events. Only if having a Performing Arts Center was

the explicit goal of the community would this alternative warrant further consideration.

Adaptive Reuse

- The Panel assumed that the facility would not be demolished given its standing as a historic building. However, as long as the exterior and certain interior areas remain intact, the building could be renovated for new uses. These potential new uses might include: permanent home for Cirque du Soleil or some other repertory company; IMAX theater, a fitness club, rental to a religious or educational organization (extension classes); and permanent museums.
- Similar to the concert venue, alternative uses could be tested through an RFP process.

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