

Robert Chase

From: Robert Chase
Sent: Tuesday, January 25, 2005 2:11 PM
To: Mayor Heather Fargo (E-mail); District 1 Ray Tretheway (E-mail); District 2 Sandy Sheedy (E-mail); District 3 Steve Cohn (E-mail); District 4 Robert King Fong (E-mail); District 5 Lauren Hammond (E-mail); District 6 Kevin McCarty (E-mail); District 7 Robbie Waters (E-mail); District 8 Bonnie Pannell (E-mail)
Subject: J-K-L Development

Honorable Mayor Fargo and Members of the Council:

I'm not sure if I will be able to attend tonight's City Council meeting, so I wanted to pass along some thoughts for your consideration.

First, the recent J-K-L Workshop was a rewarding experience. A lot of valuable input was offered from an interested and involved group of people. The common preference and highest priority for use in this area is residential. This comes as no surprise to me--I've been pushing for residential development for years as the primary use that would 'jump start' re-development on K Street and the surrounding blocks. Retailers are completely 'market-driven'--if the customer base is there, they will follow, and most likely without a subsidy.

We need to look at the sequence of development for successful mixed use urban projects: Third Street Promenade in Santa Monica, Santana Row in San Jose, the Pearl District in Portland, among many, many others. The element of their success was housing going in first and/or early in the process. The city could throw money after retailers or entertainment uses with limited success and great risk--without the critical mass living close by the chance for success is greatly diminished and limited.

If the same amount of potential subsidy is devoted to housing, the restaurants, retail and entertainment uses will follow. A while back the city was considering a subsidy of \$10-12 million dollars for two theater projects downtown--above the Hard Rock Cafe and at 10th and K. Fortunately, these have gone/are going away. I remember talking to members of Economic Development at the time these came before us at Design Review, and suggesting that the same amount of subsidy be focused on housing at the average unit subsidy of the group of residential projects that were approved by Council a year or so back. I believe the average was about \$40,000-50,000/unit; that would equate to approximately 225-240 units of residential on K Street. That would be a significant step toward critical mass downtown.

I firmly believe that housing will be the catalyst for the retail/restaurant/entertainment uses we would all like to see downtown. I believe we have been making a mistake for the last ten years in pursuing the other uses first before housing. We've been trying to force a square peg into a round hole. Let's learn from other cities and projects about the natural and most likely successful sequence of development, so we can finally begin to create the kind of vibrant, exciting urban environment we all know can and should exist here.

Thanks for your consideration,
Bob Chase

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Chair
City of Sacramento
Design Review and Preservation Board

Member/City Appointee
CADA Governing Board

What are the parameters for developments on the 700 ~~and 800~~ block of K?

- 1) Do you want the proposals to include parking onsite or to assume parking along L Street?
- 2) Should proposers assume that the buildings on the 700 block remain or that they may propose to demolish those buildings and retain the façades?

Can you ensure that there will be an open dialogue between City staff and property owners on the 700 and 800 blocks during this 90 day period?

Can we make sure that proposers are given time to respond to any major changes that may happen during the 90 day period – for example if we make progress on Greyhound -- and we want development proposals that include areas south of the alley?



January 25, 2005

Members of the Sacramento City Council,

The Sacramento Housing Alliance promotes affordable and accessible housing and enhanced opportunities for lower income and homeless residents. As you know we have participated in the public charrette regarding the J-K-L Corridor. We generally support the City's broad vision to improve downtown through including housing and mixed use development. In addition, SHA is encouraged by the Council's interest in assuring that adequate, safe housing be provided for all.

SHA understands that the City is pursuing economic development and neighborhood revitalization within the J-K-L corridor to improve the downtown "scene" for the benefit of the broader community. It is crucial that such activities are not conducted at the expense of lower income residents living within the area. Revitalization efforts should include significant and specific policies and programs that channel benefits to improve the quality of life for all residents including those with lower incomes – i.e. low wage workers, seniors, persons with disabilities.

SHA is particularly concerned with the treatment of lower rent residential hotels or SRO's within the city. The people who live in such housing depend on the low rent opportunity that these hotels provide. Often even City-subsidized affordable housing is beyond the means of people with extremely low incomes. Regarding the residential hotels or SRO's, SHA recommends:

- Re-enlist the existing SRO Taskforce with SHA and SHRA having appointed members.
- Charge the SRO Taskforce to research, review and report the progress that the group has made to improve living conditions for SRO residents since the group's inception.
- Survey the housing needs of existing SRO residents and develop solutions to meet these needs.
- Report on recommendations regarding the treatment of residential hotels within the J-K-L plan.

Thank you for your time and effort on this matter. SHA and its members look forward to being a part of this exciting process.

Respectfully,

A handwritten signature in black ink, appearing to read 'Ethan J. Evans'.

Ethan J. Evans
Executive Director



13.2

January 25, 2005

The Honorable Mayor Heather Fargo and
Members of City of Sacramento City Council
Councilmember Ray Tretheway, District 1
Councilmember Sandy Sheedy, District 2
Councilmember Steve Cohn, District 3
Councilmember Rob Fong, District 4
Councilmember Lauren Hammond, District 5
Councilmember Kevin McCarty, District 6
Councilmember Robbie Waters, District 7
Councilmember Bonnie J. Pannell, District 8

City Hall
730 I Street, Suite 321
Sacramento, CA 95814

**Re: Council Hearing January 25, 2005 – Item 13.2
Resolution regarding J – K – L Corridor Vision**

Honorable Members in Session:

Reading International, Inc., the operator of the Tower Theatre, would like to take this opportunity to outline its position with respect to recent developments in the City Council's Downtown Revitalization plans.

The Tower District Alliance and Reading support the revitalization of Downtown Sacramento. As we have stated publicly and to individual City Council members and to the staff, Reading and the Tower District Alliance support the development of up to 12 screens in the Downtown Plaza.¹ The development of any more than this number of new screens in the downtown Sacramento area would force the closure of the Tower because its ability to get the highest grossing art films would be eliminated.

Over the last year, Reading International has worked closely with the Tower District Alliance to inform members of the City of Sacramento City Council, the staff of the Economic Development Agency and the Sacramento community about the threat to the Tower Theatre posed by overdevelopment of movie theaters downtown. The Tower Theatre, which opened in 1938 and has been operating as a movie theater continuously since then, is a vital part of the culture

¹ This assumes that a new 12-screen theater would replace the existing 7-screen complex at the Downtown Plaza. Consequently, there would be a net increase of only five screens in the Downtown market.

of Sacramento. Since Reading took over the operation of the Tower in 1998, we have survived by playing the best in independent cinema (films like *A Very Long Engagement* and *Being Julia*). The threat posed by recent cinema proposals is that the Tower would lose its ability to play the most popular/most profitable art film.

The reason that the Tower may fail to get the best art film has to do with the way art film is distributed around the country. Film companies only make a limited number of art film prints available to certain markets. Most films that currently show at the Tower play on an exclusive or relatively exclusive basis. For instance, you will never see *Very Long Engagement* playing at both the Downtown Plaza theater and the Tower. The more movie screens developed downtown, the more screens a theater operator would need to fill with different movies. The higher the number of screens, the greater the likelihood that the highest grossing art film would be played in those screens to the exclusion of the Tower (again, because only one print of an art film will be made available to the downtown Sacramento market). We fear that with Century's dominance in the market, Century will get all the highest grossing art film available, leaving the Tower without enough box office revenues to keep the lights on. In order to save the Tower and avoid the fate of the beloved Alhambra Theater, the Tower cannot be relegated to playing films with extremely limited appeal.

With respect to your Council Meeting on January 25, 2005, the proposed Resolution is premature and ill advised. The Tower District Alliance and Reading request that if the City Council must approve a Resolution that the Council specifically exclude "cinemas/movie theaters or movie screens" from (i) "the Request for Proposals for 10th and K for a destination retail and entertainment mixed use project aimed at dramatically increasing pedestrian traffic in the J-K-L Corridor," and (ii) the J-K-L Corridor. See attached Exhibit A for specific language suggestions. The Tower District Alliance and Reading oppose the inclusion of any additional movie screens in the J-K-L Corridor because not only will it force the Tower Theater out of business, it also will negatively impact the restaurants and retail surrounding the Tower, which are an important part of the Broadway Corridor, which the City of Sacramento has deemed a "Targeted Commercial Corridor" (See www.cityofsacramento.org/econdev). Set forth below is our reasoning:

Application for a 3800 seat movie theater in Downtown Plaza is pending. Movie screens should not be included in the J-K-L Corridor Vision because the expansion of Century Theatres' movie screens at the Downtown Plaza at either (i) the 7th and K location or (ii) the 5th and L location is unresolved. Today, Sacramento City planners are reviewing an application by Westfield for a megaplex 3800-seat movie theater that would be next to the J-K-L Corridor. If this Downtown Plaza theater and if additional movie screens were built on 10th

and K, downtown Sacramento, would not only be completely overscreened (see discussion below), but the Tower could not survive.

City Council already denied a movie theatre at this location. The City Council terminated a proposal for a 6-screen Cinearts theater operated by Century Theaters for the 10th & K location. The Tower District Alliance, Reading and the Sacramento community opposed this theater proposal because it (i) required unnecessary and excessive city subsidies, (ii) the proposed Cinearts theater would have eliminated Tower's ability to play the best art film and (iii) even as a 6 screen theater without the Cinearts branding, the addition of these extra screens to the Downtown Sacramento market would have eliminated the Tower's ability to play the best art film because Century would have needed to fill these 6 screens with film in addition to the 12-plex proposed at the Downtown Plaza. On October 19, 2004, the City Council met and terminated exclusive negotiations for this potential theater. The Sacramento community understood that the principal reason for the termination of these exclusive negotiations was the impact to the Tower and its surrounding businesses. We feel that the staff should not be permitted to use this new proposal as a back-door means to reverse a decision that has already been made by the Council.

Housing/Population density not comparable to Sacramento – Housing needs to be a priority. The Report of SMWM, the Consultant to the City that conducted the J-K-L Corridor Workshop, states that "the experience of other cities such as Pasadena, Santa Monica, San Diego, Albuquerque and Denver suggest that a catalyst or pioneer project can reset the tone for downtown and set the stage for subsequent development on multiple scales. In each of these cities, catalyst projects that have included mixed use-retail/residential and/or entertainment/retail/cinemas have brought people downtown and led to considerable corollary development."

Attached as Exhibit B is a listing of each of the populations within a 5-mile radius from the downtowns in Pasadena, Albuquerque, San Diego and Santa Monica. The downtown populations of each of these cities, with the exception of Albuquerque, is higher than Sacramento. So, using these examples to support similar downtown revitalization in Sacramento is misleading. These cities started with a denser population base, which facilitates a higher likelihood of success in entertainment based developments.

The Threat to the Tower Theatre's Survival is Real. The Consultant's example of Albuquerque is particularly disturbing because, while the population figures are similar in Albuquerque and Sacramento, the circumstances surrounding downtown theater expansion in Albuquerque highlights what could happen to an independently operated theater specializing in art film. Independently operated Madstone Cinemas (i) focused on independent film in Albuquerque, (ii) was selected as one of the Best Theaters in Albuquerque and (iii) competed against

two Century Theaters: the Rio and the Downtown 14. According newspaper articles (attached as Exhibit C), Madstone was forced to sue Century Theaters for "allegedly monopolizing the northeast Albuquerque market." Madstone said that Century "started a campaign to drive Madstone out of the Albuquerque market by making special deals with the movie distributors." The Madstone Cinemas closed its doors in mid-2004.

Berkeley, CA is not an appropriate example. We understand that the Consultant offered verbal testimony that the Tower advocates should not worry about the threat to the Tower by an increase in movie theater screens, based on the example of Berkeley. The Consultant argued that exclusive art films were run in one Berkeley theater and then shared with the other independent art film theatres and all co-exist and remain in business on this basis. This position is, in essence, saying that the Tower should and could survive on "move over" art film. In other words, once the first theater that opened the particular art film in its highest grossing opening weeks was finished with it, then it could be played in its lower grossing weeks at the Tower. The Tower simply could not survive on "move over" art film in Sacramento. Attached as Exhibit C is a list of the theaters in the Berkeley area.

Comparing Berkeley to Sacramento on this basis is not a legitimate comparison. With respect to "moving film over," as you can see from Exhibit C, Landmark Theaters operates most of the theaters in the Berkeley market. In most instances, when an exhibitor has two or more theaters in a market and they have a film that is grossing, that exhibitor will keep the film in its own circuit (i.e. move it through its own theaters) as long as it can if it is still grossing. The Tower, an independent in the Sacramento market, would most likely only get film on a "move over" basis at the point that such film did not have enough grossing potential left in it to keep the lights on at the Tower. Secondly, Berkeley is a much stronger art market than Sacramento. So, moving art films in Berkeley may be much more profitable than Sacramento. In many instances, film companies include Berkeley in the San Francisco art market, which is usually one of the top five markets in the U.S. When many film companies "roll out" their art film, they typically open the films in Berkeley weeks before they open Sacramento. The UC Berkeley campus, with a dense population of almost 33,000 students, being adjacent to these theaters, contributes greatly to the strength of this market.

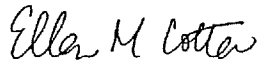
Downtown Sacramento is Overscreened Now! According to movie industry "rule of thumb" standards, in order to determine the viable number of screens in a given market there should be no more than one screen per 10,000 people. According to this standard, downtown Sacramento is currently overscreened. Requesting a proposal for more movie screens downtown, especially in light of the application for a 3800-seat megaplex at the Downtown Plaza, is excessive.

The 2004 population within the 5-mile area around Downtown Plaza in Sacramento is approximately 300,000, and there are 50 screens within this 5-mile radius of Downtown, which would be one screen per 6000 people. See Attached Exhibit E. If a 3800-seat megaplex (generally builds out to 16-20 screens) were built at the Downtown Plaza, that would mean there would be 59-63 screens within a 5-mile radius with a population of approximately 300,000. This would equate to approximately one screen per 4700 to 5000 people. The figures would be even more skewed if another theater were built at the 10th and K location.

Ultimately, with this many screens in the market, one or more cinemas would fail. Not only would the Tower Theatre not survive, but also the movie screens for an entertainment complex at 10th & K would have limited success. In order to keep the lights on and for future investment in the Tower, we need to ensure the Tower's ability to play the highest grossing art films. Reading and the Tower District Alliance feel that by limiting new movie screens at the Downtown Plaza to no more than a total of 12 screens, and no other new movie screens built in the J-K-L Corridor, the Tower will retain its ability to continue to be Sacramento's premier art film venue.

Thank you very much for your consideration in this matter. Please feel free to call either one of us at (212) 871-6835 or (213) 235-2242, respectively.

Very truly yours,



Ellen M. Cotter
Chief Operating Officer



Brett Marsh
Director of Real Estate

Cc:

Redevelopment Agency of the City of Sacramento
City of Sacramento
1030 Fifteenth Street, Second Floor
Sacramento, CA 95814-4009

Sacramento Bee
Sacramento News & Review
Sacramento Business Journal

EXHIBIT A

PROPOSED CHANGES TO TWO RESOLUTIONS APPROVING VARIOUS STRATEGIC DIRECTIONS FOR THE J-K-L CORRIDOR

- ❖ Amend Paragraph 1 by deleting the word "dramatically" so that that the Paragraph would read "By February 1, issue a 90-day Request for Proposals for 10th and K for a destination retail and entertainment mixed use project aimed at increasing the pedestrian traffic in the J-K-L Corridor."
- ❖ Add a new paragraph Number 11 which would read: "Cinemas, movie theaters or movie/film screens will not be a part of any of the directives or proposals for revitalization of J-K-L Corridor."

EXHIBIT B

DOWNTOWN POPULATIONS OF CITY EXAMPLES USED BY CONSULTANT

Downtown Address	Approximate 2004 Population 5-mile radius
SACRAMENTO Century Downtown Plaza 7 445 Downtown Plaza Sacramento, CA 95814	300,000
PASADENA Pasadena Paseo 336 E. Colorado Blvd. Pasadena, CA 91101	515,000
ALBUQUERQUE Downtown 14 ALB 100 Central Avenue Albuquerque, NM 87102	220,000
SAN DIEGO Pacific Theatres Gaslamp 15 701 5th Avenue San Diego, CA 92101	440,000
SANTA MONICA AMC Santa Monica 1310 3rd Street Promenade Santa Monica, CA 90401	370,000

EXHIBIT C

Madstone: Rival theaters violate laws

By Jeff Commings
Tribune Reporter

The Albuquerque branch of Madstone Theaters chain has filed a lawsuit against Century Theatres, alleging the movie giant constantly violates state and federal antitrust laws.

The 20-page lawsuit, filed Dec. 19 by local attorney Joseph Goldberg, claims Century Theatres keeps Madstone from screening first-run movies by entering into an exclusive contract with film studios and/or distributors.

Century Theatres, the lawsuit claims, "coerced the distributors...into agreeing to refuse to license (movies) to Madstone if those (movies) are then showing at either the Century Downtown or Century Rio." The lawsuit said the practice is uncommon, as many distributors often allow a movie to be shown in many theaters in one area.

When Century Theatres, headquartered in San Rafael, Calif., started its CineArts program recently at Century Downtown, it gained a firm hold in Madstone's domain, screening so-called "art-house" films alongside mainstream blockbusters.

Films such as "Shattered Glass," "The Human Stain" and "Pieces of April" had their Albuquerque premiere at the Century Downtown, 214 Second Street S.W.

Madstone, an eight-screen theater located at 6311 San Mateo Blvd. N.E., could not show these films, along with others, on their screen until Century's first-run deal with distributors expired, the lawsuit claims.

Century owns 75 theaters in 11 states while Madstone operates 10 in 10 states.

Carol Seelig, Madstone's general counsel, declined comment on the lawsuit.

"It is my policy to never comment on pending litigation," she said.

Officials at Century Theatres could not be reached Wednesday.

Source: *Albuquerque Tribune, January 2004*

NEW MEXICO BUSINESS WEEKLY

EXCLUSIVE REPORTS

From the January 2, 2004 print edition

Madstone says Century monopolizing the movies

Jason Gil Bear

NMBW Staff

Madstone Theaters has filed a legal complaint against Century Theaters Inc. for allegedly monopolizing the northeast Albuquerque market, and is requesting that a judge award the movie house three times the amount it claims to have lost in the local market.

Madstone New Mexico LLC filed a complaint in the United States District Court of New Mexico on Dec. 19 alleging its competitor, San Rafael, Calif.-based Century Theaters which owns the 24- screen theater in the North I-25 corridor known as Century Rio, and the Century Downtown, has started a campaign to drive Madstone out of the Albuquerque market by making special deals with movie distributors.

According to the complaint, Madstone claims Century has coerced film distributors into denying the theater from showing major motion pictures if those films are being shown at one of the Century Theaters.

Madstone says this exclusion from the movie distribution system costs the theater thousands of dollars each week.

The company also says the situation is an inconvenience to moviegoers in the Northeast Heights who don't want to travel to Century Rio or the Downtown theater to see a movie.

Century Theaters has not filed an answer to the complaint, and company officials could not be reached for comment.

"Because of Century's anticompetitive conduct, output and consumer choice in northern Albuquerque have been reduced as has competition with respect to price and quality," the lawsuit states.

Madstone Theaters claims that theaters getting the first run of major motion pictures get better promotional support and box office sales.

Chip Seelig, CEO of New York City-based Madstone Theaters, the parent company of Madstone New Mexico, says he approached Century Theaters officials in November and the company's lawyer told him that it would notify movie distributors that Madstone could show major motion pictures at the same time as its theaters.

But Seelig says during a recent release of box office hit "21 Grams," which was filmed in New Mexico, Century told the movie distributor not to allow Madstone to show it while the film was playing at both Century Theaters.

"It hurt business, but more importantly, it hurt the people who would have liked to have seen the movie in our theaters," says Seelig. "It's the moviegoers who are losing out -- big time," he adds.

Seelig was unwilling to discuss revenues at the Albuquerque Madstone, but says the movie theater is growing and it is one of the movie chain's best performing properties.

According to court documents, Madstone claims that the Century Rio 24,, which is based just off of north I-25 and is its main competitor, receives about 94 percent of the neighborhood market share compared to Madstone's estimated market share of six percent in that area of town. The lawsuit states that the 14-screen Century Downtown and Madstone do not compete.

"The only other motion picture theater in the downtown Albuquerque market is the Guild Theater, which has one screen and does not compete for the right to exhibit first-run major motion pictures," the complaint states.

"Century has the power to unilaterally and profitably increase prices and restrict output."

Seelig says his company has spent about \$1 million in improving the local Madstone Theaters and has worked hard at attracting a certain clientele to the theater.

"We take pride in having a knowledgeable staff that can discuss the movies with movie patrons and, of course, offer the city's first-ever [movie theater] that offers beer and wine," says Seelig.

"We're doing our very best to make things more comfortable for our visitors, but Century Theaters is making it very hard on us," he says.

Madstone is being represented by Joseph Goldberg of the Freedman Boyd Daniels Hollander Goldberg & Cline law firm. Century Theaters does not have an attorney listed in court documents. The case has been referred to Magistrate Judge Alan C. Torgerson.

Madstone Theaters was founded in 1999 and has theaters in 10 U.S. cities, including Atlanta, San Diego and Denver.

According to its Web site, the movie company shows first run studio releases, independent, specialty and foreign films in upscale movie houses.

Based in North Hollywood, Calif., the company also has offices in New York.

Century Theaters Inc. is based in San Rafael Calif. and has hundreds off movie screens in theaters in several states.

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EXHIBIT D

Berkeley, California Cinema Market

Theater Name/Address
UA Berkeley 7 (7 screens) 2274 Shattuck Avenue Berkeley, CA 94704
Landmark Theatres Shattuck Cinemas (10 screens) 2230 Shattuck Avenue Berkeley, CA 94704
Landmark Theatres Act 1 and 2 (2 screens) 2128 Center Street Berkeley, CA 94704
Landmark Theatres California Theatre (3 screens) 2113 Kittredge Street Berkeley, CA 94704
Renaissance Oaks Theatre (2 screens) 1875 Solano Avenue Berkeley, CA 94707
Landmark Theatres Albany Twin (2 screens) 1115 Solano Ave. Albany, CA 94706

EXHIBIT E

Current Downtown, Sacramento Cinema Market

Theater Name/Address	Number of Screens
Tower Theatre 2508 Land Park Drive Sacramento, CA 95818	3
Century Downtown Plaza 7 445 Downtown Plaza Sacramento, CA 95814	7
Crest Theatre 1013 K Street Sacramento, CA 95814	3
IMAX Theatre 1211 K Street Sacramento, CA 95814	1
Century 14 Stadium 1590 Ethan Way Sacramento, CA 95825	14
Arden Fair 6 1739 Arden Way Sacramento, CA	6
Regal Stadium 16 Natomas Marketplace 3561 Truxel Rd. Sacramento, CA 95834	16
Total Screens	50