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## Outlook for the Proposed Union Station Entertainment Center

Harrison Price Company

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OUTLOOK FOR  
THE PROPOSED UNION STATION  
ENTERTAINMENT CENTER  
Los Angeles, California

Prepared for  
MCA, Inc. and TELACU  
March 1979

Prepared by

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## Section 1

### INTRODUCTION

For some years, the three owners of Los Angeles' Union Station (Union Pacific, Southern Pacific, and Atchison, Topeka, and Santa Fe Railroads) have been interested in disposing of their joint interests in the terminal land and improvements. The basic motivation for disposal is a drastic reduction in transport usage, which makes it uneconomic as a terminal. The problem has been studied by a number of public and private groups, and all have agreed that the main terminal structure on the property has strategic value for reuse as a specialty shopping and entertainment center that would function as a major destination attraction serving local residents, downtown employees, and tourists in a broad regional market context. This notion was furthered by the 1972 designation of the site as a local historical landmark, and applications for state and national registration are currently pending. In 1981, moreover, Los Angeles will celebrate its Bicentennial, and the main site of that celebration will be the city's birthplace at El Pueblo de Los Angeles, across the street from Union Station.

The enormous amount of public attention to be focused on this part of the downtown area during the Bicentennial observance, together with the Downtown People Mover and other major development programs at adjacent sites, suggest that the timing is propitious for a comprehensive restoration effort at Union Station. Accordingly, MCA, Inc., and The East Los Angeles Community Union (TELACU) jointly retained Harrison Price Company to conduct a preliminary feasibility analysis of the reuse of Union Station as an entertainment center, the findings of which are contained in this report. Other development would follow this Phase I effort so that eventually, the entire terminal acreage, less that portion retained for rail transportation functions, would be committed to planned reuse. This study, however, concerns only the near-term entertainment center project.

Following this introduction, Section 2 evaluates the subject site and project concept, while Section 3 examines the size and characteristics of available market support. Attendance and visitor expenditure estimates, along with physical planning recommendations, are then developed in Section 4, and a

preliminary financial analysis is contained in Section 5, including estimated operating revenues and expenses, site rehabilitation costs, and residual funds available for site acquisition. The report concludes with a summary of major conclusions and recommendations in Section 6.

This study was conducted by Harrison A. Price and Sharon J. Dalrymple. HPC acknowledges with appreciation the cooperation of the various city officials contacted during the course of the research program, especially Mr. Ruben Lovret of the City Planning Department, who arranged an inspection tour of the property and provided background data, staff members of TELACU and the Community Redevelopment Agency of the City of Los Angeles.

## Section 2

### SITE AND CONCEPT EVALUATION

Two necessary prerequisites in determining the feasibility of the proposed entertainment center are a review of the site environment and an evaluation of the conceptual framework in which it will be developed. This section of the report thus is devoted to these basic considerations.

#### SITE ANALYSIS

The following paragraphs describe the subject property relative to such key locational factors as surrounding land uses, access, and exposure to sources of market support. Also discussed are the background and characteristics of the existing Union Station Complex.

#### Locational Characteristics

The Union Station property is located at the northeastern edge of the Los Angeles central business district immediately north of the Hollywood/Santa Ana Freeway. It has extensive frontage on Alameda Street, a principal downtown thoroughfare, and close proximity to major downtown employment concentrations. Among the most important of the latter is the Civic Center complex located across the freeway just three blocks southwest of the station. This complex contains the Federal Building as well as virtually all local government operations (City Hall, Hall of Records, County Courthouse, Criminal Courts Building, and County Administration Building) and the Los Angeles Music Center. Another nearby land use is Terminal Annex, one of the main distribution centers of the US Postal Service, located due north of the site. Now under construction east of Union Station is the \$44 million Plaza Technical Center, a 13.5-acre, 1.4-million-square-foot facility accommodating some 17 storage and maintenance departments for the City of Los Angeles. Across Alameda Street from the site is El Pueblo de Los Angeles (Olvera Street), a 44-acre monument area comprised of historical buildings, plazas, and parking lots. The several historic homes lining Olvera Street--including the oldest one in the city, the Avila Adobe--have been converted into a colorful menage of shops, restaurants, and a museum (this complex will be discussed in detail subsequently).



Beyond the immediate periphery of Union Station are such important activity centers as New Chinatown to the northwest, a cluster of shops, offices, temples, theaters, and restaurants, many of which have been built in traditional Chinese style. Several blocks to the southwest of Union Station is the similar complement of facilities comprising the Little Tokyo district. Downtown Los Angeles' major office blocks are concentrated on the west side of the central business district, with more than 10 million square feet of office space having been developed during the past decade. A final major facility that is among principal surrounding land uses is the Los Angeles County Jail located a few blocks northeast of the subject site.

Access to Union Station is rapid and easy via the Hollywood/Santa Ana and Harbor/Pasadena freeways. Considerable congestion is experienced on these routes during peak commuting hours, which substantially lengthens travel times, but this is not considered to be a serious detriment to the proposed entertainment center in that peak crowd levels at the subject site will not coincide with commuter traffic patterns. The RTD minibuss system stops at adjacent Olvera Street and connects with all points in downtown Los Angeles and the Civic Center complex on a regular and frequent schedule (every five to ten minutes from 7 a.m. to 6:30 p.m. during the week, and every six minutes from 9 a.m. to 4 p.m. on Saturday). The bus passes in front of Union Station along Alameda Street, but presently does not stop there. The RTD regional bus line, providing access to all areas of greater Los Angeles, also serves Union Station, and by 1983 the San Bernardino Freeway Busway--a special 11-mile commuter route originating in El Monte--will be completed to the subject site. Excellent access is thus afforded the proposed entertainment center by a number of modes. An additional mode, the proposed Downtown People Mover (DPM), is soon to be implemented. The significance of this project and the associated Multimodal Transport Center (MTC) warrant more detailed discussion which is presented in the following paragraphs.

#### Multimodal Transport Center

Proposed for construction on a site immediately east of the Union Station railyard is the MTC/DPM complex. This center would provide interface for AMTRAK, RTD bus service (local, San Bernardino Busway, and freeway express buses), the DPM, intercity buses (Greyhound, Continental Trailways, Grayline),

charter tour buses, airport helicopter and bus service, autos, car- and van-pools, and taxi service. A combination of public and private funding is being utilized to implement the project, with the largest proportion of required capital approved in 1976. In that year, the City of Los Angeles submitted a proposal to the federal Urban Mass Transit Administration (UMTA) for a demonstration program to evaluate impact of an automated guide-way transit system in the central business district. This proposal was subsequently accepted, and Los Angeles became one of four cities in the United States to receive a commitment of federal funds under the demonstration program. Included in the Los Angeles proposal was development of a "bus/auto intercept" facility at Union Station to enable intermodal transfers. The UMTA committed \$126 million toward the DPM project, a sum being partially matched by a combination of local government, state Proposition 5, and private funds to bring the total budget to some \$174 million. Of this total, \$25 million has been earmarked for the intercept component, now referred to as the Multimodal Transport Center.

The proposed facility is comprised of a five-story building about 1,000 feet in length and 350 feet in width. It will include parking spaces for 2,000 cars, along with special areas for motorcycles and bicycles. A three-level bus loading/unloading area is to be included, and a helipad will be developed on the roof of the structure. The end station of the DPM will also be located in this building, with various conveyances enabling transfers among the various modes. The existing pedestrian tunnel under the Union Station platform area will be improved and connected to the new facilities. Approximately 6,000 square feet have been allocated for retail sales, passenger amenities, administration, AMTRAK ticketing and baggage handling, and station operations.

Construction of the MTC/DPM facility was scheduled to begin this year, with completion in late 1981 or early 1982. HPC understands, however, that difficulties have been experienced in raising the private sector operating cost subsidy needed to supplement the public commitment. In addition, certain state and local funding is still pending. As a result, a delay of a year or two in project implementation seems likely.

### Downtown People Mover

The DPM route will extend through the Los Angeles central business district from Union Station to the Convention Center along a more or less north/south axis. A total of 13 stops will be developed along the route. Of these, the terminus at Union Station will be the most heavily used because of its integration with the MTC. Daily ridership volume has been projected to average 28,000 people, which compares to 23,000 at the southern Convention Center terminus (where another bus-auto intercept is planned) and between 5,000 and 15,000 people at the 11 intermediate downtown stops. On an annual basis, Union Station will thus have direct exposure to some six to seven million people, and novel, convenient access will be available to the proposed Union Station entertainment center from all parts of the downtown area.

### Description of Physical Facilities

The salient physical characteristics of the Union Station property are addressed in subsequent paragraphs.

### Background

Construction of Union Station took place during the period 1936-1939, the last of the large metropolitan rail passenger depots to be built in the United States. At the time, its \$15-million cost was a huge and politically controversial investment. Aggravating the facility's less than propitious initial reception was widespread criticism by architectural authorities. With respect to the latter, if buildings can be said to have a personality, Union Station's is as iconoclastic and unorthodox as Los Angeles in general. Architectural style reflects a number of influences--Streamline Moderne and Spanish Colonial predominating--topped off with some of the Art Deco curiosities so popular in that era. While never satisfying to the purist, this unique blend has gained respectability over the years and is now seen as an architectural treasure, however flawed in the technical sense. Valued too is the high level of craftsmanship evident in the patterned marble floors, beautifully carved woodwork, and other features of the elegant interior. The terminal was declared a local historical landmark in 1972, and applications for state and national registration are concurrently pending. With Los Angeles soon to celebrate its Bicentennial, the restoration of the classically

Southern California structure is eminently appropriate. By fortuitous circumstance, Union Station is located directly across the street from the recognized birthplace of Los Angeles--the Olvera Street pueblo--where Bicentennial attention will inevitably be focused. In combination, these two facilities bracket 160 years of local history.

#### Site Characteristics

The boundaries of the Union Station property are Alameda Street on the west, Macy Street on the north, Vignes Street (roughly) on the east, and the Santa Ana Freeway on the south. A total of some 44 acres is contained in the approximately rectangular site, which is readily divisible into two segments: a 12-acre front portion including the terminal building, adjacent rail service building, and surrounding parking lots; and a 32-acre rear portion comprised entirely of railyard. There are 16 tracks with eight median platforms in the latter section. A site plan is presented in Figure 1, which shows the position of existing facilities. The site has three major structures on two levels, the terminal building being at street level, and the rail service building above that to the rear. A third major structure is a large, partially enclosed building situated directly south of the terminal, presently used for storage. Passenger access to trains from the terminal building is via a tunnel running beneath the rail service building and a portion of the railyard (this tunnel is actually at grade, but appears to be underground because of the elevation of the rear portion of the site). Auto access to the terminal building is from Alameda Street; the Macy Street entrance, which once served as a passenger/baggage drop-off point, is currently closed.

Three parking lots surround the terminal proper. The largest of these is the Alameda Street lot in front, with spaces for about 400 cars. The smaller lots on both sides of the building contain an estimated 200 spaces combined. There is also a garage in the basement of the terminal building, containing some 120 spaces. Aggregate parking facilities available thus amount to approximately 720 spaces, at present operated by a concessionaire to the Station's owners. Acreage absorbed by parking is estimated at roughly seven acres, with the terminal/rail service building complex occupying the remaining five acres of the front section of the property.

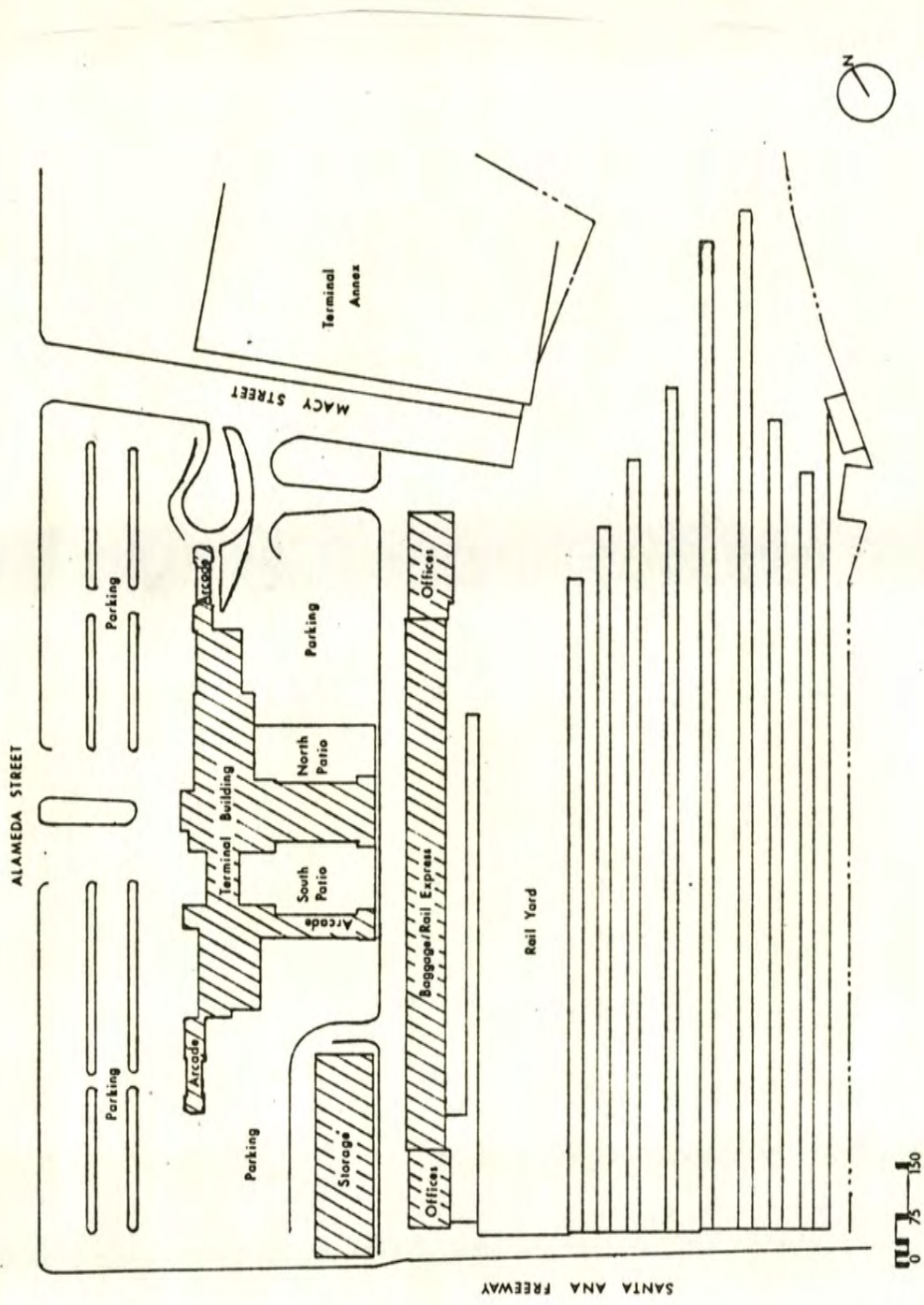


Figure 1  
 SITE PLAN OF THE UNION STATION PROPERTY

Source: Department of Architecture, Cal Poly Pomona

Table 1 contains a summary of space allocations within the Union Station complex. The main terminal building contains a total gross floor area of approximately 133,000 square feet, while the rail service building contains some 111,000 square feet. Adding the storage structure and patios, aggregate gross floor area comes to about 302,000 square feet, exclusive of perimeter arcades. Figure 2 depicts the location of existing space by floor and building. As indicated, within the main terminal structure, second-floor space is confined to the north and south extremities and a small central block under the clock tower. A similar arrangement prevails with respect to upper floors in the rail service building. Subterranean space is limited to the terminal proper. In Section 4 of this report, the main terminal building and its floor plan, with detailed space breakdowns, will be discussed in depth as this structure will be the core of the proposed entertainment attraction.

#### Building Condition

While a minimal maintenance program is still carried out at Union Station, needed repairs and major maintenance projects have been deferred since revenues generated by rail operations are not sufficient to cover such expenses. Large sections of the facility, furthermore, such as the upper floor space in the main terminal, are currently closed off entirely to gather dust. Discussions with city officials who have inspected the site reveal an apparent basic structural integrity (damage from the 1971 earthquake, for example, was confined to the loss of a few roof tiles and superficial plaster cracks). No formal engineering surveys have been made, however, and the condition of building infrastructure--particularly electrical, plumbing, and fire protection systems--has not been determined. Assuming that no drastic measures are indicated in this regard, the renovation needs of the site appear to be primarily cosmetic in nature--paint, steam cleaning, refinishing of woodwork, minor repairs, and so on. Capital expenditure requirements are therefore concentrated in adaptation of the site for reuse, rather than in upgrading the original plant.

#### AMTRAK Operations

Union Station is jointly owned by the Los Angeles Union Terminal Agency, a combine of three major railroads: Union Pacific, Southern Pacific, and the

Table 1

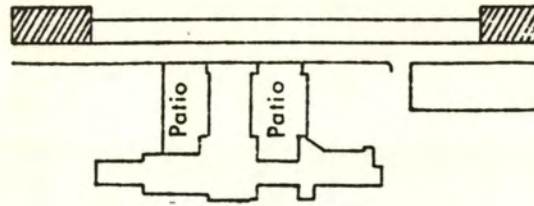
## SPACE INVENTORY OF UNION STATION

	<u>Total Area</u> (square feet)	
Terminal Building <sup>1</sup>		
Basement	60,350	
Ground Floor	60,350	
Second Floor	<u>11,900</u>	
Subtotal		132,600
Rail Service Building		
Ground Floor	77,200	
Second Floor	16,800	
Third Floor	<u>16,800</u>	
Subtotal		110,600
Patios		37,000
Storage Structure		<u>21,400</u>
	Total Area	301,600 square feet

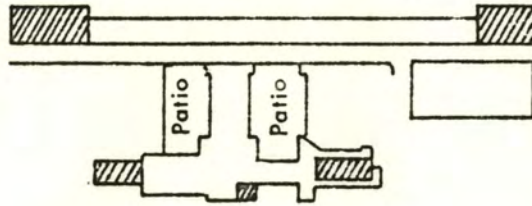
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<sup>1</sup> Excludes arcade space.

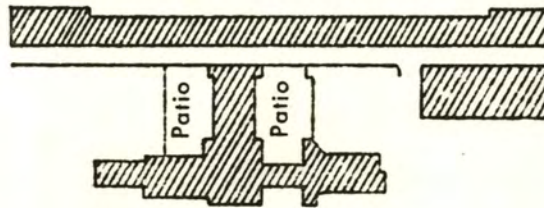
Source: Daniel, Mann, Johnson & Mendenhall; and Harrison Price Company



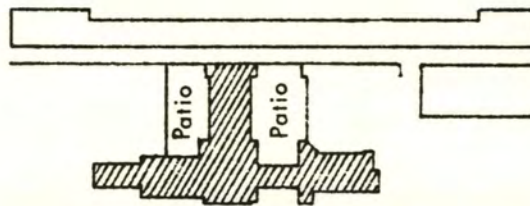
Third Floor



Second Floor



Ground Floor



Basement

Figure 2

SPACE ALLOCATIONS AT UNION STATION

Source: Daniel, Mann, Johnson & Mendenhall



Atchison, Topeka, and Santa Fe, which provide passenger service under the AMTRAK system. In its heyday during the 1940s and early 1950s, the station handled more than 40 trains daily and millions of passengers each year as one of the major depots in trans-continental and West Coast rail service. Many in-migrants who arrived in those days of California's great population boom fondly remember Union Station as the first glimpse of Los Angeles they experienced. The terminal's clock tower remains a nostalgic local landmark. Current operations, totaling a mere eight daily trains (four arrivals and four departures) and one tri-weekly train serving in total some one million annual passengers, are but a token reminder of an era when rail was the primary mode of intercity travel. Along with the former high volume of passenger traffic was a substantial rail freight operation, which is now nonexistent (freight service having been dispersed over the years among many points in the greater Los Angeles area). A modest amount of rail express activity is the only freight operation of significance at Union Station now.

As a result of vastly reduced rail operations, only a small proportion of existing terminal facilities are required for AMTRAK and rail express. A previous study of the property, conducted by Daniel, Mann, Johnson, and Mendenhall a few years ago, estimated that a total of 83,000 square feet would be needed to support the prevailing level of rail service, plus 300 parking spaces (needs may have been further reduced in the interim since that study, but this was not confirmed during the course of this analysis). To allow for alternative use of the main terminal building, this space would logically be relocated to the rail service building or off-site entirely. As previously noted, plans for the new Multimodal Transport Center incorporate ticketing/baggage operations of AMTRAK along with rail-associated parking facilities. Rail express operations, however, are not accommodated in that plan, nor are railroad administration functions. These activities will have to be provided for somewhere at Union Station. As to the remainder of the site, of the 16 tracks, only eight are currently used (four platforms), and the balance could be eliminated, thus freeing major sections of the railyard for development. The railroads are reported to prefer the longest four platforms available (which would be the middle trackage area depicted in Figure 1). It will subsequently be shown that the entire rail service building is not recommended for entertainment center development, at least not during the near term, and

ample area could be set aside for rail express/administration operations in this location, with measures taken to ensure mutual noninterference of activity.

## CONCEPT EVALUATION

Having established a perspective on the overall site environment, the remainder of this section will treat the conceptual framework of the proposed entertainment attraction. Following introductory comments on the nature and dynamics of specialty centers in general, the operating experience of selected existing centers will be examined. The section will conclude with a broad outline of the proposed center's scope and content (to be further articulated in Section 4) with reference to the specialized functions it will serve in the regional marketplace.

### The Specialty/Entertainment Center

Specialty centers differ from conventional shopping facilities in a number of significant aspects, both conceptually and operationally. The following paragraphs highlight these differences and the underlying causal factors.

#### Concept Background

Disneyland, the pioneer in so many ways of the modern recreational plant and the industry standard that will be perennially emulated, is also the progenitor of the specialty/entertainment center. Conceptually, the themed shopping center evolved directly from the Main Street commercial complex at Disneyland. Here, what might have been quite ordinary merchandise and food operations have been transformed into a bright, whimsical package which not only performs the basic function of retailing goods and services, but can also be enjoyed purely as recreation--a miniature sightseeing expedition to another time and another place. In the years after Disneyland opened, the Main Street concept was soon tested as an independent entity, and by the mid-1960s, Ports O'Call, Ghirardelli Square, and The Cannery were in operation. Their success led to a proliferation of specialty center development during the first half of the 1970s, at first largely confined to California, but then spreading rapidly throughout the Sunbelt states, particularly Texas. In the past three to four years, the concept has gained popularity on the East

Coast and in the Midwest, where it has undergone certain adaptations in order to convert an essentially outdoor-oriented facility into an all-weather structure.

### Distinguishing Characteristics

With Main Street and its descendants as a frame of reference, the following characteristics illustrate the fundamental differences between a themed retail center and a conventional shopping facility:

- The specialty center employs a unifying theme in architectural design, which is carried out by each individual shop or restaurant in the center. Thematic material is often geographic in nature (the Old New England fishing village is by now ubiquitous), but is equally likely to be historically oriented (as at Larimer Square in Denver) or culturally oriented (as at Alpine Village in Torrance).
- Rather than being anchored by department stores or supermarkets, specialty centers are anchored by restaurants and/or major entertainment facilities such as movie theaters and nightclubs.
- Restaurant anchors in a specialty center may be characterized by their emphasis on ambience--distinctive decor, lots of greenery, and unconventional seating arrangements (multi-level layouts are common). Waiters wear costumes, not uniforms, and menus are as likely to be printed on carving blocks or wine bottles as on paper.
- Whereas the modern shopping mall is a vast cavern of chrome and glass designed principally for convenience and efficiency, the specialty center is typically built at less than full scale in a compact, irregular configuration that sacrifices a certain amount of utility in order to enhance its appeal as a place of exploration and discovery.
- Architectural design emphasizes innovation, quaintness, charm, and aesthetic beauty, features augmented by special decorative touches such as fountains, fish ponds, antique lamp posts, and cobblestone paving.

- Among merchandise offerings at specialty centers are items directly associated with the overall theme of the attraction--the chocolate shop at Ghirardelli Square, for example, or the seashell emporium at Ports O'Call. Esoteric merchandise lines are also common; outlandish as it may seem, Ghirardelli Square numbers among its tenants a shop dealing only in kites and another dealing exclusively in custom-imprinted paper bags.
- Tenant mix emphasizes small, local merchants and restaurateurs and largely avoids major commercial chains in order to create a unique personality that is never quite the same as any other specialty center.
- Supplementing the inventory of shops and restaurants in a specialty center is some form of entertainment or recreation experience. Ports O'Call, for example, offers harbor excursions and helicopter rides, while The Cannery offers open-air folk concerts and magic shows (these techniques have increasingly been borrowed by regional malls which have come to recognize their value as traffic generators).

Because of its unique design and content, the specialty center thrives on substantially different operating conditions than other kinds of shopping facilities. First, it serves a regional market extending some 50 miles or more from the site, in contrast to the typical 12- to 15-mile radius penetrated by a so-called regional mall. It is especially suited to high-income neighborhoods possessing a large amount of discretionary spending power, but can also be quite successful in less affluent locations if a basic recreational magnet already exists or is deliberately created (Fisherman's Village at Marina del Rey is an illustration of the former market situation, while Ports O'Call is an example of the latter). Second, the recreational content of a specialty center attracts tourists and other leisure-oriented visitors who are not necessarily interested in shopping. Indeed, purchases by most patrons at theme centers tend to be of the impulse variety, excepting restaurant meals, which are one of the primary motivations to visit this kind of facility. Third, the large amount of landscaped open space and complex physical layout of a

specialty center renders it on the whole more difficult to maintain. Operating expenses consequently tend to be slightly higher than in other shopping centers. Initial construction costs are also higher by and large, because of unconventional design and quality of construction materials. These higher operating and capital costs, however, are offset by the higher rents a specialty center can command from its tenants. Finally, the sales performance of tenants in a specialty center is typically much higher than in other shopping facilities, a factor which justifies the higher rents.

### Adaptive Reuse Projects

Given conceptual emphasis on theming and unconventional architecture, specialty centers are ideally suited for unique, historically significant sites. Here, theming is inherent and requires only further articulation; design interest and construction quality often reflect the remarkable craftsmanship of an earlier era, and recreational interest in the site is simple to generate through tasteful exploitation of historical content. Taking the reverse perspective, specialty/entertainment facilities frequently represent one of the highest and best uses of outmoded, economically defunct buildings which usually have little flexibility as to alternative usage. Adaptations of available space for specialty center use does not normally require major changes in basic structural characteristics. One of the first specialty centers built, Ghirardelli Square, was housed in a collection of old factories and warehouses, and other examples now abound throughout the country. Indeed, a whole new phenomenon in real estate development has emerged in recent years in the form of "adaptive reuse" projects, many of which have utilized the specialty/entertainment center as a redevelopment concept. The following paragraphs describe some of these "adaptive reuse" specialty centers and present salient operating characteristics.

#### Ghirardelli Square

Located two blocks from San Francisco's famed Fisherman's Wharf is a distinctive center of shops, restaurants, and a theater known as Ghirardelli Square, now generally recognized as the prototype specialty shopping center. This 2.5-acre site once housed turn-of-the-century industrial operations, including the chocolate factory which gives the center its name. The theme

of this development blends the romance of Old San Francisco with the infamous North Waterfront area. Purchased in 1964 for some \$2.5 million, the former factory complex has been artistically converted into a high-quality entertainment center at a cost of approximately \$10 million, including site acquisition. The first half of the project officially opened in late 1964, and building renovation was completed in mid-1968. All of the major buildings were preserved, with the exception of an old woodframe box factory which was too deteriorated to save. Most of the buildings were in exceptionally good condition considering their age, but required substantial structural improvements to meet San Francisco's very strict codes relative to earthquake protection. Particularly high costs were associated with shoring up the old buildings during construction of the underground garage and later strengthening them to meet modern code requirements.

A total of 92 tenants currently are housed in the Square, with restaurants and shops occupying some 127,000 square feet of the total 175,000 square feet available (offices occupying the remaining space). During its first full year of operation, Ghirardelli Square grossed nearly \$4 million in sales, some two thirds of that amount attributable to restaurant operations. Sales are now estimated at some \$17 million, or approximately \$134 per square foot. Restaurant sales average \$139 per square foot, while retail stores report an average of \$131 per square foot. Minimum annual lease rates range from \$6.00 to \$12.00 per square foot; percentage lease terms are 5 to 9 percent.

Ghirardelli Square is serviced by a 300-car underground parking garage with charges of \$0.50 per half hour up to a maximum of \$3.50. These relatively high charges are of little significance as far as attendance performance is concerned, since the majority of visitors either walk from nearby hotels or arrive via cable car from other parts of the city. Total annual visitation is currently estimated at 5.5 million persons, and management reports that 80 percent of Square attendees are local residents. Per capita expenditures at this attraction presently average \$3.10.

The success of Ghirardelli Square is attributable to the powerful market which supports it, a matchless location, easy accessibility by auto, ferry, or cable car, fine restaurants and mix of tenants, and eye-catching design.

Management credits the major restaurants, such as Senor Pico, with drawing large crowds and attracting retail tenants. The square is home to many of San Francisco's unique "street musicians," who are licensed by center management to perform in the various plazas and gardens. There are also periodic art exhibits, musical events, and whimsical "happenings," such as a load of scrap lumber obtained from a nearby furniture factory which was dumped on one of the plazas as raw material for a children's wood sculpture contest.

### The Cannery

Adjacent to Ghirardelli Square and across from Fisherman's Wharf is another lively block of shops and restaurants in a colorful old brick building called The Cannery. Prior to the building's restoration, it was the abandoned home of the Del Monte Fruit Company, built before San Francisco's 1906 earthquake and sturdy enough to withstand that calamity. The historic structure was purchased in 1963 by a wealthy San Francisco lawyer and transformed into a striking complex of shops, gourmet restaurants, and art galleries for a cost of approximately \$9 million. No extraordinary expenses were incurred in structural modifications.

The Cannery contains 86,500 square feet of rentable area, 54 percent of that devoted to restaurant operations. The formal opening occurred in late 1967, with 13 tenants. By April of the following year, tenancies had increased to 37, and now total 50. The center's most famous tenant is the Ben Jonson Pub, which contains magnificent oak paneling and richly carved fireplaces designed by Inigo Jones for Queen Elizabeth I. A handsome 17th century Jacobean staircase leads upstairs to two spacious Elizabethan dining rooms. These rooms, staircases, and tavern paneling all are authentic and were originally imported by William Randolph Hearst; they were later acquired by The Cannery's owner. There is also a movie theater at The Cannery, and the main plaza is the scene of impromptu rock and folk fests staged by local young entertainers under the auspices of center management. An outside, glass-enclosed elevator is also a popular Cannery feature.

Sales at The Cannery currently amount to about \$15 million, or a substantial \$173 per square foot. Restaurants average \$179 per square foot, and shops \$167 per square foot. Annual minimum lease rates range from \$7 to \$15 per

square foot and percentage terms are from 6 to 12 percent. The Cannery has a 750-stall garage priced at \$0.50 per half hour, up to a maximum of \$3.50; but again, these charges have little impact on visitation due to the popularity of cable car ridership. Weekend customers converge on The Cannery at the rate of 20,000 per day and up to 30,000 per day during summer months. Total annual attendance is now about 3.1 million persons, with visitor expenditures averaging \$4.85 per capita. One of The Cannery's strongest magnets is superb views of San Francisco Bay, the Golden Gate Bridge, and Telegraph Hill, which can be enjoyed from a number of vantage points within the complex.

### Trolley Square

Another example of a historical landmark where authenticity has been preserved is Trolley Square in Salt Lake City. This 13-acre property is strategically located about midway between downtown Salt Lake City and the University of Utah campus in an aging, low-density residential neighborhood. It features a turn-of-the-century theme, and historical artifacts and antiques have been used for both functional and decorative purposes throughout. The focus on boutique shops, "human" scale, and a carefully devised nostalgic atmosphere make Trolley Square a distinctive example of the adaptive reuse concept.

In all, there are four principal structures on the site: a streetcar barn that once housed some 144 trolleys, a machine shop used for mechanical overhauls, a sand house which stored grit for winter operations, and a carpentry/paint shop for car body work and construction. In addition, there is a 100-foot water tower now serving as a theme structure and observation deck. Designated some years ago as a state historical monument, Trolley Square occupies a site that was Utah's territorial fairgrounds during the late 1800s. Then in 1908, the streetcar barns were built and used for trolley service until 1945, and for municipal bus service until 1969. At that time, they were purchased by a local real estate developer for a reported \$1.3 million in two separate purchases plus some additional property acquired in adjacent blocks for parking.

After so many years of intensive use, the buildings were grimy, the site devoid of vegetation, and the whole complex surrounded by a rusty chainlink



fence. The buildings, however, were solidly constructed, and no major improvements were required, other than the correction of a persistent leakage problem around the project's 208 skylights. An innovative approach to the restoration program was the extensive use of recycled construction materials. A wide variety of materials and architectural detail was obtained from wrecking companies, junk yards, and salvage dealers, and individual tenants have been encouraged to carry out their own search for discards in completing shop facades and interiors. The use of these materials gives Trolley Square an intangible quality that could not have been achieved with new construction materials. A total of more than one acre of landscaped open space was also incorporated into the renovation program.

The car barn, containing 126,000 square feet, is the largest of the four structures, and the sand house, at 4,000 square feet, is the smallest. The other two structures each contain about 40,000 square feet, for an overall gross floor area of 250,000 square feet. Initial rehabilitation expenses amounted to \$7.5 million, not including site acquisition, while cumulative expenses to date are estimated at about \$10 million. The first components of the complex--a four-plex movie theater and several restaurants--were the first tenants to open in summer of 1972. Other commercial uses were added incrementally as space was leased, with the project reaching its ultimate configuration in 1976. A total of 115 tenants are now housed at Trolley Square. Restaurant space totals some 63,000 square feet, and shop space, about 85,000 square feet, with the remainder of total gross leasable area devoted to theaters (there are now six), offices, a bank, an amusement arcade, and various service establishments. Several shop tenants employ performing craftsmen to add visitor interest, including a leatherworker, a silversmith, and a diamond cutter.

First-year sales volume at Trolley Square amounted to about \$9 million, or \$64 per square foot, while total sales now stand at some \$14 million, or \$95 per square foot. This average is somewhat lower than typical for specialty centers, but is due to the modest size and geographic isolation of the Salt Lake market. Minimum lease rates range from \$6 to \$10 per square foot annually against a percentage of gross ranging from 4 to 20 percent and averaging 6 percent. Total annual visitation amounts to approximately 3 million, for

an average per capita expenditure of \$4.65. An estimated 60 percent of all patronage originates in the Salt Lake City area, which means that local residents are visiting Trolley Square an average of three to four times per year. Residents from elsewhere in Utah contribute 25 percent of total visitation, and tourist patronage ranges between 15 and 25 percent, depending on the time of year. A total of 1,200 free parking spaces are provided: 800 surface spaces, 200 structured spaces, and 200 on-street spaces.

### Larimer Square

Larimer Square, named for the founder of Denver, is yet another illustration of the techniques of adaptive reuse in specialty center development. Like the other projects just discussed, it is a privately financed preservation project encompassing 18 classic Victorian buildings which reflect the elegance of Denver's gay and boisterous youth. The block of buildings is the site of the city's beginnings in 1858 on a "jumped claim" on the banks of Cherry Creek. Reaching its peak at the turn of the century, Larimer Street then began to decline, and by the end of World War II was little more than a shabby business district bordering Denver's notorious "skid row." In 1965 a group of historically-minded Denver residents, determined to preserve something of the splendor of the city's golden age, purchased the 1400 block of Larimer Street (both sides of the street), the core of the once-proud neighborhood.

A plan soon emerged to strip the old buildings of their accumulation of peeling paint and dirt and restructure their interiors. Fundamentally sound, the buildings readily adapted to the introduction of arcades, sunken courtyards, and passageways joining open spaces. They were sandblasted and steam-cleaned, and a new heating/air conditioning system was installed. The process of restoration at Larimer Square has been painstakingly slow--the project is not yet complete to this day. Among the reasons for this pace is a tremendous amount of research that has gone into authenticating details of each building and difficulties in acquiring from other sites decorative and architectural features which have been lost over the years. Cumulative expenditures on restoration efforts are estimated at \$4 million.

The project was officially opened in spring of 1965. Shop and restaurant

space has been provided on the ground floor of the buildings, with office space on the upper floors. To date, about 60,000 square feet of retail space has been developed out of the total 200,000 square feet of area available, along with 15,000 square feet of office space. An additional 65,000 square feet of retail area and 60,000 square feet of office and showroom space is scheduled for future implementation. Some 40 tenants are currently housed in Larimer Square, which has become the city's second most popular tourist attraction (after the Denver Mint). Entertainment offerings include art, music, and ethnic festivals and special events held during major holiday periods. Sales volume is presently estimated at \$7 million, for an overall sales rate of \$117 per square foot. Minimum lease rates range from \$6 to \$10 per square foot and percentage terms are from 5 to 10 percent.

The square's location within the intensively developed Denver central business district prohibited the construction of on-site parking. Some 2,300 on- and off-street spaces, however, can be found within a two-block radius of the site. This parking is charged at rather high downtown rates and, together with its less than convenient location, is an impediment to Larimer Square's attendance performance. Total visitation is roughly 2.5 million visitors annually, lower than would be expected for a city of this size. Attendance mix, moreover, is reported to be a full 50 percent tourist, indicating heavy reliance on freer-spending non-local trade. Management of the center also reports increasingly greater proportions of local residents arriving by bus--some 25 percent of the total currently--as a means of evading parking fees. Per capita visitor expenditures at Larimer Square average \$2.80, a comparatively low figure by specialty center standards, and further evidence of the impact of parking fees.

#### Faneuil Hall Marketplace

The most widely publicized adaptive reuse project in recent years is the Rouse Company redevelopment program at Faneuil Hall Marketplace in Boston, named for the adjacent Faneuil Hall, an 18th century landmark that was the focus of much agitation in the pre-Revolution era. In 1960, the Boston Redevelopment Authority acquired the 6.5-acre site for clearance as part of a waterfront renewal project. Three Greek Revival buildings originally constructed in 1826 occupied the site (housing the city's wholesale food dealers)

and a public outcry against their demolition ultimately led to the abandonment of clearance plans and a feasibility study to determine what alternatives were available. This study in turn led to a \$2.5 million grant from the US Department of Housing and Urban Development to restore the ragged facades of the buildings and to listing of the site on the National Register of Historic Places. After an abortive first effort by another developer, Rouse Company took over the project in 1973 under a 99-year lease with the city, following a year of negotiation. The lease rate was set at \$1 per square foot per year plus 25 percent of Rouse Company's rental income from tenants. Many months more went by before construction financing could be obtained from the local banking community, whose opinion of the venture was quite negative. These front-end delays and subsequent inefficiencies resulting from the break-up of the project into phases resulted in high costs to the developer, cumulatively estimated at some \$40 million. Another \$10 million was committed by the City of Boston (including site acquisition).

The three granite buildings are of roughly equal size and together contain 210,000 square feet of retail space and 160,000 square feet of office space. The first to be redeveloped is the central Quincy Market Building, with 90,000 square feet of retail area--virtually all food service--highlighted by a copper dome (itself the product of a major restoration effort). The addition of glass-enclosed canopies fanning out on either side of the building increased the amount of weather-proof restaurant space. A split-level configuration was used in creating interior spaces on three levels, interspersed with dining patios and food stands. One section of the building, the only non-food component, became "The Bull Market," a cluster of carts and kiosks featuring the works of local and regional craftsmen and artists on a rotating basis. Quincy Market opened for business on August 26, 1976, a date deliberately selected to coincide to the day with the date that the buildings first opened in 1826.

South Market was the next phase of the project to be completed, opening in late 1977. This building has six floors including the cellar, with 80,000 square feet of retail and office space (three floors of each). Opened last year was the final phase, North Market, with 60,000 square feet each of retail and office area. The tenant mix of the South and North Market buildings emphasizes apparel, jewelry, gifts, antiques, and home furnishings, with

retailing concentrated on the lower levels and office space above. Streets between the buildings were paved with cobblestones, brick, and granite, and planted with large trees.

The high initial cost of Faneuil Hall Marketplace was ultimately justified by its phenomenal sales and attendance performance. In the first six months of operation, Quincy market was averaging \$350 per square foot, high even by specialty center standards. Sales dropped off, however, by as much as 50 percent during the following winter, and deep concern set in that the initial market impact was only a fluke. The opening of South Market in the following year was thus made with some trepidation. To the relief of all concerned, operations eventually stabilized, even though wintertime remains the annual ebb in operations. The principal factor in this is not conditions on site, where most areas are weather-protected, but difficulties in reaching the downtown location over icy and traffic-clogged arteries. Overall sales ratios at Faneuil Hall Marketplace currently stand at \$255 per square foot for food operations, and \$234 per square foot for merchandise operations. Total annual visitation exceeds 10 million people, and per capita expenditures are estimated at approximately \$4.95.

#### Summary

The experience of the five specialty/entertainment centers just discussed reveals that each utilizes a highly individualized theme drawing on the rich historical and cultural past of each locale, thus ensuring a distinctive market identity that a conventional shopping center cannot begin to match. Operationally, the success of these projects is tied to high-density markets with a large amount of tourist activity, where the historical and entertainment content of the center can function as a recreational destination of considerable magnitude. Popular restaurants and an attractive mix of independent shops are other pivotal factors, as are good access and convenient parking. Heightened awareness of historical values and the often lower development costs associated with recycled space suggest that adaptive reuse is highly viable and will continue to proliferate.

## El Pueblo de Los Angeles

Long before the term "adaptive reuse" was coined, a modest but charming version of this concept was quietly flourishing in downtown Los Angeles--Olvera Street. Because Olvera Street operations will provide an indication of the strength of the subject site vicinity relative to entertainment center development, special review was made of existing and planned activities in the El Pueblo monument area. Key findings are subsequently presented.

### Olvera Street

El Pueblo de Los Angeles was founded in September 1781 by 11 families from Sonora and Sinaloa in Mexico. This original "city" of 44 souls gave birth to what is now one of the world's largest metropolises. Several adobe homes and businesses were constructed around a central plaza, with Olvera Street radiating out to the north (originally this was called Vine Street, but the name was later changed in memory of Los Angeles County's first judge). As the town grew and prospered, the site of its birth was largely abandoned; by 1900 Olvera Street had become the home of derelicts and drifters, and its adobe structures were literally falling apart under the stress of earthquakes and neglect. In the early 1920s, an influential group of citizens, lamenting the circumstances to which the city's birthplace had been reduced, launched a campaign to restore the old street and buildings as a Mexican marketplace. Olvera Street opened with much celebration in the spring of 1930. This initial restoration effort was confined to Olvera Street proper and did not encompass several other related structures on the other side of the Old Plaza. It was not until 1953 that the State of California was convinced to dedicate the entire 44 acres around the Old Plaza as a State Historic Park, and develop an overall master plan.

The focal point of Olvera Street is the Avila Adobe, built in 1818 as a townhouse for the Avila family. During the Mexican War in 1847, Commodore Stockton used the residence as his headquarters. Today it is a museum open to the public free of charge (although donations are requested). Heavy damage was sustained by this facility as a result of the 1971 earthquake, with the result that the original roof and portions of the walls had to be replaced by new materials with proper reinforcement. Great care was taken, however,

to create a feeling of authenticity. Other historical homes on the street-- the Sepulveda house (1881) and the Pelanconi house (1854)--have been only partially restored to date. A large amount of the retailing space at Olvera Street is located in "puestos," a string of canvas-roofed kiosks running down the middle of the street.

Table 2 summarizes the operating characteristics of Olvera Street. Total gross leasable area in the complex amounts to about 67,000 square feet. Excluding the 14,000 square feet used for offices and the Avila Adobe museum, retail area totals 53,000 square feet. Of the latter, roughly one third is devoted to food service operations and the remainder to merchandise. In keeping with thematic content, Mexican imports dominate the merchandise mix, and all restaurants/fast food stands feature Mexican specialties. Total sales volume at Olvera Street is reported at some \$6.5 million, or \$124 per square foot. Visitation has ranged up to 3 or 3.5 million in recent history, but has in the past two years or so subsided to about 2.5 million. Current per capita expenditures are estimated at \$2.60, rather low by specialty center standards, but indicative of the emphasis on inexpensive curios and souvenirs in the merchandise offering as well as the large number of sightseers attracted who make few or no purchases. About 25 percent of total attendance is reported to represent group visitation, primarily school children on historical field trips. The main source of support, however, is luncheon business derived from downtown employees, particularly those working in the adjacent Civic Center. Lease rates at Olvera Street are also low, averaging only \$5 to \$6 per square foot, and reflecting public ownership of the project (some puesto tenants, however, pay as much as \$15 per square foot).

A comprehensive program of special events and fiestas has been established at Olvera Street, the largest of these being the Cinco de Mayo and Las Posadas celebrations, along with the Blessing of the Animals and Mardi Gras. There are also a number of special "days," such as Camera Day, Flower Day, and the like. Each September, the city's birthday is commemorated with an all-day fiesta. The three major restaurants at Olvera Street, in addition, present their own entertainment programs during the evenings.

While certainly successful in many respects, the performance of Olvera Street does not appear to reflect its full potential. Chief shortcomings are its

Table 2

OPERATING CHARACTERISTICS OF OLVERA STREET  
1977 - 1978

Date Opened		April 1930
Total Gross Leasable Area (square feet)		67,078 sq. ft.
Distribution of Leasable Area (square feet):		
Specialty retail -		
Restaurants (4)	13,550	
Fast food (12)	4,618	
Clothing/leather goods (13)	7,074	
Gifts, jewelry, miscellaneous (25)	13,448	
Curios (23) <sup>1</sup>	13,732	
Vacancy (1)	<u>675</u>	
Total Specialty Retail		53,097 sq. ft.
Personal services/offices (20)		<u>13,981</u>
Total Leasable Area		67,078 sq. ft.
Gross Annual Sales (thousands)		\$6,500
Sales Rate Per Square Foot <sup>2</sup>		\$ 124
Total Annual Attendance (thousands)		2,500
Average Per Capita Expenditure		\$ 2.60
Average Annual Rent Per Square Foot <sup>3</sup>		\$ 5.40

1 Many of these tenancies are located in the puestos.

2 Based on the 52,422 square feet of occupied specialty area.

3 Includes service and office space.

Source: Community Reevaluation Agency of the City of Los Angeles, and Harrison Price Company



relatively limited scope, lack of nighttime activity outside the summer season (most facilities close at around 6 p.m. during winter months), and limited, comparatively expensive parking. The latter problem is the most acute. Less than 600 spaces are available at Olvera Street proper, and the center relies on the lots at Union Station to absorb the overflow. Given future expansion plans at El Pueblo (discussed subsequently), together with proposals for the reuse of Union Station, parking is the most critical issue to be resolved with respect to both projects.

#### Pico-Garnier Block

The El Pueblo area adjoining Olvera Street on the south and west has never been completely restored. The south section, known as the Pico-Garnier Block, contains such important brick and stucco structures as the Pico House (Los Angeles' first major hotel, built in 1870), the Garnier Building (an office building built in 1890), the Merced Theater (built in 1871), the Masonic Hall (built in 1858), the Firehouse (built in 1880 and now housing a museum for the Los Angeles Fire Department), and a couple of other miscellaneous structures dating back to the 1890s. The west section contains the Plaza Church (of the same vintage as the Avila Adobe and a beautiful example of Spanish Colonial architecture), the Plaza House (1889), and the Brunswick Building (1883). A large plaza, known as Campo Santo, separates the church from the other two structures.

As a logical next step in rehabilitation of the El Pueblo area, the Pico-Garnier Block is scheduled for development into a specialty center, expanding the Olvera Street theme by covering a somewhat later period in the city's history. After this is accomplished, the Plaza Church area will be restored as an historical attraction, and the remaining rehabilitation projects at Olvera Street (completion of the Sepulveda and Pelanconi houses) will be undertaken. A 10-year time frame has been proposed for the entire restoration effort. Focusing on the first-phase expansion project, buildings in the Pico-Garnier Block have already been structurally reinforced to meet earthquake codes and the exteriors faithfully restored. Rehabilitation of the interiors, however, has just gotten underway. A master plan for this block was prepared by Albert C. Martin and Associates and Russell/Speicher and Associates in 1976. Recommendations of that plan provide for development

of approximately 40,000 square feet of shop and restaurant space and about 15,000 square feet of office area on upper floors. The total specialty area within the combined Olvera Street/Pico-Garnier complex will thus amount to some 93,000 square feet. Also provided for is replacement of one of the existing surface parking lots with a 500- to 600-car garage and elimination of selected small surface lots designated for landscaped open space. Assuming these plans are implemented as envisioned, a net total of roughly 745 parking spaces will be available at Olvera Street.

The master plan implementation schedule called for completion of the Pico-Garnier project prior to 1980, but the program is somewhat behind schedule as of this date. It is nevertheless important to take the expanded Olvera Street operation into account in the Union Station demand analysis. In effect, Olvera Street and Union Station will become separate parts of a single destination area, especially if a direct physical link is provided across Alameda Street as assumed in the Pico-Garnier master plan, as well as other studies concerning the Union Station site. Such a connection is highly desirable for a number of reasons: it would facilitate the sharing of parking resources, it would increase the "critical mass" of the attraction and thereby create what would be the leading recreation/entertainment facility in downtown Los Angeles, and it would improve the aesthetic environment of this part of the central business district by providing an attractively landscaped pedestrian corridor. Separate benefits to Olvera Street include better integration with the DPM/MTC project, while Union Station will separately benefit from the established drawing power and widespread local recognition of Olvera Street, particularly in view of the 1981 Bicentennial Celebration.

#### Proposed Union Station Complex

With the background of adaptive reuse and Olvera Street operations in mind, a general conceptual framework can be developed for the proposed Union Station entertainment center. The following paragraphs describe the project's function relative to the regional marketplace and outline basic scope and content.

### Function of Union Station

An entertainment center at Union Station has the potential to fulfill several important functions in the regional market context. The first of these is the creation of a focal point for the Latin community in East Los Angeles, already existing but not fully realized by Olvera Street operations. East Los Angeles, located less than five miles east of the city center, is one of the largest urbanized, unincorporated communities in the County of Los Angeles, with some 114,000 residents. It is the heart of the Spanish-surnamed region of the county and continues to be one of the major entry points for immigrants from Mexico and other parts of Latin America. The community serves as the cultural center for mural artists, Mexican delicacies, and commercial establishments catering to the Spanish-speaking population, which is equivalent to about 93 percent of total population in this area.

This city within a city, however, has no clearly identifiable core around which community activities take place and community pride flourishes. Latin support of Olvera Street is believed to be substantial, and it is possible to extend that nucleus of support to the Union Station site and thereby create a definable focal point for East Los Angeles.

Evidence of the degree of Latin community orientation to downtown facilities is provided by a recent transportation needs analysis conducted in the East Los Angeles area. Findings of that study indicated that about 10 percent of all general public trips taken by the East Los Angeles population had downtown Los Angeles as the primary destination, ranking downtown third; the first two leading destinations were within East Los Angeles itself. Among various parts of East Los Angeles and adjoining communities, downtown Los Angeles was the most frequent destination for work, social/entertainment activity, and other personal business trips.

The aforementioned statistics refer to travel by all modes. East Los Angeles, however, is a low-income community (more than half of all households earned less than \$8,000 annually as of 1976, and about one fourth of households were below poverty level in that year), which is heavily dependent on public transportation (40 percent of all residents are reported to use a public bus at least once per week). Among bus travelers, an even higher 35 percent were

destined to downtown Los Angeles, making this location by far the most important destination for the public transit mode. Looking at purpose for travel downtown by all modes and by bus in particular, Table 3 shows that between 40 and 50 percent of all trips are for the purposes of shopping, entertainment, and recreation--the three activities that will comprise the proposed Union Station entertainment center. Good potential thus appears to exist for building on the nucleus of Latin community activity represented by Olvera Street.

Another significant function that the Union Station center would perform is the expansion of weekday luncheon and shopping opportunities for downtown employees. The market analysis in the next section of this report will establish that total employment in the Los Angeles central business district is currently estimated at some 210,000 people. Given an average of roughly 220 working days per year, demand for noontime or post-working hour restaurant and shopping facilities comes to more than 46 million annual potential visits. The Civic Center complex directly adjacent to Union Station alone contains some 36,000 employees and 17 percent of the theoretical demand level indicated above. There are, of course, several dining/shopping facilities in the downtown area that draw heavily on employee support--Arco Plaza, Broadway Plaza, the Los Angeles Mall, and others, plus Olvera Street, Chinatown, Little Tokyo, and a myriad of independent establishments. Union Station will nevertheless be a strong competitor for employee trade by virtue of its novelty, scope, and historical significance to the city. Downtown employee response to Union Station should thus be enthusiastic, especially when the development can be conveniently and quickly reached via the DPM.

A final important function to be served by Union Station entertainment center development is creation of a major recreational destination in downtown Los Angeles, something the area presently lacks. To be sure, Olvera Street, Chinatown, and Little Tokyo all rank among downtown's principal points of interest relative to the regional recreation industry, but none of these sites possesses the cohesiveness, quality, or scale necessary to generate a substantial amount of purely destination traffic. Rather, they tend to be attractions more or less incidentally visited as part of an overall sightseeing tour of the downtown area or as part of a trip to downtown for other than

Table 3

PURPOSE OF TRAVEL BY EAST LOS ANGELES RESIDENTS  
TO DOWNTOWN LOS ANGELES  
1977

<u>Trip Purpose</u>	<u>Percent of Total Trips</u>	
	<u>All Modes</u>	<u>Public Bus</u>
Work	27.1 %	30.2 %
Work-Related Business	2.1	--
Education	2.1	3.4
Shopping	19.8	26.7
Social/Entertainment	16.6	16.4
Recreation	4.2	4.2
Home	1.0	1.9
Other Personal Business	<u>27.1</u>	<u>17.2</u>
Total	100.0 %	100.0 %

} 40.6 %
} 47.3 %

Source: TELACU, The East Los Angeles Transit Needs Study, Volume 1, May 1977; and Harrison Price Company.

recreation purposes. Union Station, on the other hand, has at least the potential to transcend the incidental and become a place deliberately sought out by the recreation-motivated populace. Especially when physically joined with Olvera Street, the combined complex will provide several hours of entertainment and shopping activity housed in facilities encapsulating the historical past of Los Angeles, thus providing recreational enjoyment tempered with the cultural/educational edification demanded by today's sophisticated leisure market.

#### Broad Conceptual Framework

Union Station's ability to perform the aforementioned functions and achieve status as a major destination attraction is closely allied with the degree of expertise employed in theming and the level of quality established in the physical plant. The standards set by other adaptive reuse specialty centers will provide useful guidelines in creating the clean, safe, as well as festive and appealing, environment that will be required. This environment, moreover, must be created within the confines of historical authenticity and aesthetic taste in recognition of the facility's pending registration as a national landmark. Inviting shops, good restaurants, and broad-appeal entertainment offerings should be complemented by special cultural or ethnic programs, and the entire package should be unified in theme and in design. Section 4 of this report will provide more specific conceptual and physical recommendations for the project.

## Section 3

### MARKET SUPPORT ANALYSIS

Another key determinant of the potential of Union Station as a specialty center location is available market size and demographic composition. In this section of the report, the market available is analyzed, leading to projections of market penetration and attendance at the attraction.

#### AVAILABLE MARKET SUPPORT

There are three primary sources of support on which the proposed Union Station development can draw: the regional resident market, the downtown employee market, and the regional tourist market. The magnitude and characteristics of each of these markets are subsequently discussed.

#### Resident Market

The resident market for the proposed development is defined as the population within a 50-mile radius of the site, which is consistent with the experience of comparable existing facilities. Since attendance typically decreases as distance from the site increases, this resident market is divided into three segments: primary (0-20 miles), secondary (20-35 miles), and tertiary (35-50 miles).

#### Population

The population residing within the primary market area, or 20 miles of the subject site, is sizable. As shown in Table 4, this area had a total population of 6.2 million in 1970 and is estimated to have decreased just slightly to 6.1 million as of 1978. Looking at trends within the five-mile increments shown reveals a decline of about 6 percent between 1970 and 1978 within five miles of Union Station, 3 percent within five to 10 miles, and 2 percent within 10 to 15 miles. The 15-20 mile segment exhibited a slight increase of 4 percent, yielding an overall net decline for the primary market area of roughly 1.5 percent. Underlying causes of population decreases in this nearby market over the period indicated include conversion of central city land from low-density residential use to higher-intensity commercial uses, clearing of substandard residential properties under various urban renewal programs,

Table 4

POPULATION TRENDS IN  
THE UNION STATION MARKET AREA  
1970 - 1986  
(thousands)

	Actual			Projected	
	1970	1975	1978	1981	1986
Primary					
0-5 miles	951	911	896	900	910
5-10 miles	1,415	1,380	1,370	1,390	1,410
10-15 miles	2,270	2,230	2,223	2,250	2,290
15-20 miles	<u>1,534</u>	<u>1,573</u>	<u>1,595</u>	<u>1,620</u>	<u>1,650</u>
Subtotal	6,170	6,094	6,084	6,160	6,260
Secondary (20-35 miles)	1,057	1,166	1,231	1,300	1,410
Tertiary (35-50 miles)	<u>1,675</u>	<u>1,950</u>	<u>2,134</u>	<u>2,330</u>	<u>2,560</u>
TOTAL	8,902	9,210	9,449	9,790	10,230

Source: Los Angeles Regional Planning Commission; Planning Departments of Orange, Riverside, San Bernardino, and Ventura Counties; and Harrison Price Company



and the increasing attractiveness of suburban areas as a place for family life. Indirect influences include the declining birth rate and slower immigration rate that has affected Southern California as a whole.

Projections call for modest population increases in the future, with the primary market total expected to return to the 6.2 million level by 1981 and about 6.3 million by 1986. Behind the increase is construction of new multi-family residential projects in or near downtown and a resurgence of immigration to Southern California as residents of cold Midwestern and Eastern regions relocate to Sunbelt states. All in all, the primary market population base served by the Union Station entertainment center will be basically stable throughout the planning period (defined as 1981 to 1986 for purposes of this analysis).

The secondary market area for the proposed attraction contained a population of approximately 1.1 million in 1970. It is estimated to contain 1.2 million at the present time, with a forecast of 1.3 million by 1981. Roughly 1.7 million persons resided in the tertiary resident market area in 1970, and this level is currently estimated at 2.1 million and projected to grow to 2.3 million by 1981. The total resident market presently available to the proposed development thus amounts to nearly 9.5 million people and will rise to more than 10 million by 1986.

#### Age and Income Characteristics

Two demographic factors important in terms of specialty center development are age and income levels. The age characteristics of the Los Angeles regional market are presented in Table 5. As shown, some 47 percent of the city population is in the 18 to 49 age group, the prime market for a specialty center, comparing quite closely in this regard with the county-wide and state-wide profiles. It can also be seen that the city of Los Angeles has a slightly smaller proportion of children and teenagers than the county and state at large and a somewhat greater incidence of persons 50 years or older. This results in a median age of 31.6 years, somewhat higher than both larger areas. The entertainment mix at Union Station, while offering something for all age groups, probably best emphasizes appeal to mature family groups and young adults.

Table 5

COMPARATIVE AGE CHARACTERISTICS  
OF THE LOS ANGELES AREA MARKET  
1977

	<u>City of Los Angeles</u>	<u>County of Los Angeles</u>	<u>State of Cali- fornia</u>
Total Population (thousands)	2,760	7,047	22,015
Percent Distribution by Age Group:			
Less than 18 years	25.7 %	27.5 %	28.7 %
18 - 24 years	13.1	12.8	13.5
25 - 34 years	17.0	16.8	16.3
35 - 49 years	17.3	17.3	16.9
50 or more years	<u>26.9</u>	<u>25.6</u>	<u>24.6</u>
Total	100.0 %	100.0 %	100.0 %
Median Age (years)	31.6	30.8	29.8

Source: Sales Management, 1978 Survey of Buying Power.

Income characteristics of the Los Angeles regional market are contained in Table 6. The city of Los Angeles, as indicated, is rather less affluent than the county and state as a whole, with a median income of some \$14,000 as compared to between \$15,000 and \$16,000 in the larger areas. An estimated 28 percent of all households in the city earn less than \$8,000 annually, while 19 percent earn more than \$25,000 per year, levels which are respectively higher and lower than those of the county and state. Given these data, it would appear that inclusion of relatively inexpensive dining and entertainment offerings at Union Station would be appropriate to maximize market performance.

#### Downtown Employee Market

Another large market segment available to Union Station is the downtown employee population. Total employment in the Los Angeles central business district stood at 203,000 persons as of 1975 and is expected to rise to 237,000 by 1990. Table 7 shows the estimated present and future distribution of employment by type. Private office workers represent by far the largest group, with some 42 percent of the total currently and nearly half by 1990. Industrial/wholesale and government employment are next in importance, with about 21 percent of the total each. With respect to the proposed project, the private office and government sectors are the most significant, since lunchtime dining and shopping support is primarily associated with such workers (industrial and commercial employees, in contrast, are generally subject to time and/or budget limitations that prevent frequent lunchtime excursions away from the place of employment).

Interpolating the figures shown in Table 7, current downtown employment is estimated at some 210,000 people. Of these, an estimated 36,000--primarily government employees--work in the Civic Center complex adjacent to Union Station. The remainder is dispersed within the downtown area, but is concentrated on the west side of downtown in the new financial district which has emerged in the vicinity of Arco Plaza. Civic Center employees are within walking distance of Union Station and are thus considered to be the primary source of downtown employee support. The proposed DPM and the existing mini-bus shuttle greatly enhance access to Union Station from more distant locations in the central business district, but the presence of other dining/

Table 6

COMPARATIVE INCOME CHARACTERISTICS  
OF THE LOS ANGELES AREA MARKET  
1977

	<u>City of Los Angeles</u>	<u>County of Los Angeles</u>	<u>State of Cali- fornia</u>
Total Number of Households (thousands)	1,123	2,704	8,149
Percent Distribution by Income Category:			
Less than \$8,000	28.5 %	24.2 %	23.9 %
\$8,000 - \$9,999	7.3	6.5	6.4
\$10,000 - \$14,999	18.2	17.7	17.5
\$15,000 - \$24,999	26.5	30.2	31.1
\$25,000 or more	<u>19.5</u>	<u>21.4</u>	<u>21.1</u>
Total	100.0 %	100.0 %	100.0 %
Median Income	\$13,874	\$15,452	\$15,629

Source: Sales Management, 1978 Survey of Buying Power.

Table 7

DOWNTOWN LOS ANGELES EMPLOYMENT BY TYPE  
1975 and 1990

	<u>1975</u>	<u>1990</u>
Total Employment (thousands)	203	237
Percent Distribution by Type:		
Private Office	41.6 %	45.1 %
Industrial/Wholesale	21.2	19.5
Government	20.8	19.7
Retail/Commercial	5.4	4.9
Hotel/Service	4.1	4.9
Unclassified	<u>6.9</u>	<u>5.9</u>
Total	100.0 %	100.0 %

Source: Community Redevelopment Agency of the City of Los Angeles, and Harrison Price Company

shopping facilities right in the midst of this employment concentration suggests that this support will be secondary in magnitude.

Downtown employees are, of course, also residents of the greater Los Angeles area, and a certain amount of double-counting is no doubt implied in viewing this market separately from the overall resident market. However, downtown employee trade is largely a luncheon phenomenon, with a modest secondary emphasis on post-working hour socializing. Employee visits to Union Station would thus be independently motivated and distinct from any visits they might make in the evening or on weekends as part of a group of family or friends. It is therefore considered appropriate to view this market as a discrete entity with its own set of tastes and preferences. The size and close proximity of this market, additionally, suggests that the content of Union Station should pay heed to the business person's time and convenience needs.

#### Tourist Market

The third principal source of support for the Union Station entertainment center is the very large regional tourist market. Table 8 presents trends in tourism to Southern California during the past decade. The chief source of regularly published data on tourism to this region is the Southern California Visitors Council, a non-profit organization which monitors a variety of statistical series and conducts a limited amount of survey work to provide information on area tourist activity. In 1977, the Council was merged with the more specialized Los Angeles Convention Bureau to create a new organization, now referred to as the Convention and Visitors Bureau of Greater Los Angeles. Owing to the logistics of the merger, regular annual reports on Southern California tourism were not published in 1977 and 1978, and it was thus necessary to estimate tourist industry performance in these years. As Table 8 shows, total visitor volume is currently estimated at approximately 10 million, up from 8 million a decade ago. The table also shows that a significant jump was experienced in 1976 over previous years, 1976 reporting more than a million more visitors than 1975. This was largely a rebound phenomenon following the 1974-75 recession, but also reflects heightened travel activity during the US Bicentennial year.

Table 8

TRENDS IN TOURISM  
TO SOUTHERN CALIFORNIA  
1969 - 1986

<u>Year</u>	<u>Total Number of Tourists (thousands)</u>
1969	8,000
1970	8,410
1971	7,690
1972	8,000
1973	8,400
1974	8,360
1975	8,480
1976	9,500
1977e	9,700
1978e	10,000
Projected:	
1981	10,700
1986	12,200

e means estimated by HPC; no official estimates were prepared by the Visitors Council in these years.

Source: Southern California Visitors Council, and Harrison Price Company

There are no published projections concerning the volume of future out-of-town visitation. The historical record shows a relatively rapid rate of growth during the 1960s, which tapered off during the early 1970s, and then spurted again in 1976. For the entire period from 1959 to 1976, growth averaged about 4.5 percent annually, while from 1968 to 1976, the pace slowed to some 2.5 percent per year. In the interests of conservative planning, HPC has assumed the lower growth rate in calculating the forecasts presented in the table. On this basis, total Southern California visitor volume will amount to 10.7 million in 1981 and 12.2 million by 1986.

These figures reflect overall regional volume. To determine what proportion is either destined to or passes through Los Angeles per se, the findings of a Visitors Council survey conducted in 1976 were applied. That survey revealed that during the typical 11-day stay of a traveling party in Southern California, a full 90 percent spent all or a portion of that time in the city of Los Angeles. Adjusting tourist market projections on this basis (which implies no drastic redistribution of tourist activity over the subject planning period) yields a revised total available tourist market of roughly 9.6 million people in 1981 and 11 million in 1986.

The seasonal pattern of regional tourist activity is presented in Table 9. As would be expected, travel peaks during the summer vacation months, but is not characterized by an extremely sharp drop at other times of year. The latter is due to the area's favorable climate year-round and the fact that business travel, an important component, tends to be rather evenly spread throughout the year. The summer peaking of travel during 1976 was more pronounced than typical, in large part reflecting the Bicentennial impetus. The pattern shown for 1975 is more indicative of a normal seasonal distribution and reveals that the peak month is equivalent to about 12 percent of the annual total.

Spending patterns of out-of-town visitors to Southern California are presented in Table 10. Out of a total of some \$267 per person per visit (1976), approximately 52 percent, or \$137 is spent on food/beverage, recreation/entertainment, and clothing/gifts, categories of interest in the context of the proposed development. Based on the reported average length of stay of 11



Table 9

MONTHLY DISTRIBUTION OF VISITORS  
TO SOUTHERN CALIFORNIA  
1975 and 1976

<u>Month</u>	<u>1975</u>	<u>1976</u>
January	6.9 %	5.0 %
February	6.2	5.0
March	7.6	7.0
April	6.7	5.0
May	7.7	7.0
June	9.7	10.0
July	11.5	20.0
August	11.8	16.0
September	8.8	8.0
October	8.2	5.0
November	7.2	2.0
December	<u>7.7</u>	<u>2.0</u>
Total	100.0 %	100.0 %

Source: Southern California Visitors Council

Table 10

SPENDING PATTERNS OF OUT-OF-STATE VISITORS  
TO SOUTHERN CALIFORNIA  
1976

<u>Category</u>	<u>Average Per Capita Expenditure</u>	<u>Percent Of Total</u>
Accommodations	\$70.43	26 %
Food and Beverage	68.46	26
Recreation/Entertainment	39.74	15
Local Transportation	29.58	11
Clothing/Gifts	29.17	11
Personal	7.44	3
Miscellaneous	<u>21.69</u>	<u>8</u>
Total	\$266.51	100 %

Source: Southern California Visitors Council, and Harrison Price Company

days, this is equivalent to a daily expenditure of \$12 per capita on these items. Clearly, the non-local visitor market represents a large and comparatively free-spending source of support. It is also, however, the most highly competitive market segment of those available, owing to the large and varied inventory of major destination attractions in the Los Angeles/Orange County region which clamor for the visitor's attention over a very short period of time (in contrast to exposure the year round with respect to the local resident market). The historical content and novel appeal of an entertainment center at Union Station can nevertheless be expected to attract a certain degree of tourist support. Indeed, it is the ability to do so which in general sets the specialty center apart from other kinds of shopping facilities.

An important component of the regional tourist industry is convention activity. Los Angeles ranks among the top 10 convention cities in the nation, and a substantial proportion of this activity is centered in the downtown area, not only in the official Convention Center itself, but in the major downtown hotels as well, such as the Bonaventure, the Biltmore, the Hilton, and the Hyatt Regency. Current convention volume totals nearly 700,000 delegates attending 240 separate events, as presented in Table 11. While some of this volume can be attributed to Century City and the airport area, to name other leading convention sites, most of it is downtown oriented. The convention calendar for the first three months of 1979, for example, lists 56 major conventions and trade shows, 33 of which (roughly 60 percent) were held in downtown Los Angeles. Given the direct transportation link to be established between the Convention Center, downtown hotels, and Union Station in the form of the DPM, potential to capture a substantial amount of delegate business appears good, and this market component could be a major generator of nighttime trade at Union Station.

#### Aggregate Market Support

Combined market support available from all sources described in the preceding paragraphs is estimated at approximately 18.7 million persons currently, as presented in Table 12, with projections calling for 19.6 million in 1981 and 21.4 million by 1986. The degree to which the proposed attraction will penetrate this sizable market is the subject of the remainder of this section.

Table 11

CONVENTION ACTIVITY IN LOS ANGELES  
1969 - 1978

<u>Year</u>	<u>Number of Conventions</u>	<u>Number of Delegates</u>	<u>Estimated Expenditures (millions)<sup>1</sup></u>
1969	331	451,336	\$74.5
1970	316	275,916	45.5
1971	262	358,295	59.2
1972	232	369,730	61.0
1973	243	403,150	86.1
1974	276	433,720	92.6
1975	224	389,076	83.1
1976	199	260,129	55.5
1977	216	485,991	103.8
1978	240	663,576	141.5

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1 Based on national average ratios supplied by the US Travel Data Service, which are believed to be very conservative.

Source: Los Angeles Convention and Visitors Bureau

Table 12

MARKET AVAILABLE TO THE PROPOSED  
UNION STATION ENTERTAINMENT CENTER  
1978 - 1986  
(thousands)

	<u>1978</u>	<u>1981</u>	<u>1986</u>
Resident Market			
Primary (0-20 miles)	6,084	6,160	6,260
Secondary (20-35 miles)	1,231	1,300	1,410
Tertiary (35-50 miles)	<u>2,134</u>	<u>2,330</u>	<u>2,560</u>
Subtotal	9,449	9,790	10,230
Downtown Employee Market			
Primary (Civic Center)	36	37	39
Secondary (other downtown)	<u>174</u>	<u>180</u>	<u>189</u>
Subtotal	210	217	228
Tourist Market <sup>1</sup>	<u>9,000</u>	<u>9,630</u>	<u>10,980</u>
TOTAL	18,659	19,637	21,438

<sup>1</sup> Estimated at 90 percent of total tourism to the Southern California region.

Source: Tables 4, 7, and 8; and Harrison Price Company

## ESTIMATED MARKET PENETRATION AND ATTENDANCE

The last section of this report illustrated some of the differences between themed shopping centers and conventional shopping facilities. Due to these differences, the analysis of demand for this kind of facility cannot be approached by means of techniques normally employed in a retail demand study. Instead, the specialty center is best treated as if it were a recreation attraction (which, of course, it is in many key respects), and the demand evaluation is thus initiated with an attendance projection. For this, the experience of comparable facilities will provide reliable guidelines.

### Experience of Existing Centers

Market penetration rates achieved by selected existing specialty centers are presented in Table 13, with detailed breakdown for Ports O'Call and Old Towne (Torrance) to illustrate the inverse relationship between distance from the site and attendance. The steady decline in market penetration as distance increases is revealed by these data, and the importance of the primary market (0-20 miles) becomes clear--this area generates three to four times as many visits as the secondary market area. The pattern for these two facilities is quite similar, but Ports O'Call exhibits consistently higher penetration rates within the resident market owing to its much stronger recreational appeal and long-established identity. For the resident market as a whole, the overall capture rate of Ports O'Call is roughly 28 percent, while Old Towne reports about 25 percent. The latter attraction has a slightly higher capture of the tourist market than Ports O'Call, which is rather surprising but probably reflects its location immediately adjacent to the San Diego Freeway (whereas Ports O'Call is not readily accessible) and the lack of other attractions in this immediate vicinity (whereas Ports O'Call competes with the nearby Queen Mary and Seaport Village).

The most heavily attended specialty center in the Los Angeles area is Farmer's Market. This attraction captures more than 60 percent of available resident support and almost 6 percent of available tourism, traceable to its widespread recognition for many decades and unique character. The two smallest centers, attracting slightly more than one million people each, are Long Beach's Seaport Village and Marina Del Rey's Fisherman's Village, where penetration rates

Table 13

MARKET PENETRATION RATES OF SELECTED EXISTING  
SPECIALTY/ENTERTAINMENT CENTERS  
1973 - 1976

Center	Total Annual Attendance (millions)	Market Penetration Rate			
		Resident Market		Tourist Market	
		0-20 Miles	20-35 Miles	35-50 Miles	
Ports O'Call Villages	3.2	54.9 %	17.4 %	14.2 %	2.0 %
Old Towne	3.0	46.3	11.5	6.2	3.4
Farmer's Market	7.2	—	61.3	—	5.8
Seaport Village	1.4	—	19.6	—	2.5
Fisherman's Village	1.2	—	17.9	—	1.7
Ghirardelli Square	5.5	—	46.5	—	13.5
The Cannery	3.1	—	30.0	—	9.9

Source: Harrison Price Company

are estimated at some 18 to 20 percent of the resident market and 2 to 2.5 percent of the tourist market. The two San Francisco centers listed--The Cannery and Ghirardelli Square--illustrate the impact on tourism that can be attained when an area is comparatively undersupplied with major recreation facilities. Ghirardelli Square attracts more than 13 percent of Bay Area visitors, and The Cannery approximately 10 percent. Both also capture a substantial degree of local resident support, amounting to about 46 percent and 30 percent, respectively, of total regional population.

Projections for Union Station

Based on the experience of existing operations and a comparison of project content and locational amenities, estimated market penetration rates for the proposed Union Station development are presented in Table 14. For the primary resident market, the projected initial rate of market capture is 50 percent, while secondary market capture is estimated at 15 percent and tertiary market capture at 10 percent. These rates are forecast to rise to 55 percent, 17 percent, and 12 percent, respectively, by the fifth year of operation, and will probably stabilize thereafter. Applied to the previously discussed market populations (refer to Table 12), these rates translate into a resident attendance volume of 3.5 million in 1981 and 4 million by 1986, most of this generated by the primary market. On an overall basis, then, resident market penetration amounts to some 36 percent initially, rising to 39 percent in 1986, levels which are in keeping with comparable experience.

Penetration of the downtown employee market is estimated at 4 to 5 percent over the planning period, yielding an attendance volume of 722,000 to 845,000 annual visits from this source. Finally, tourist market capture is projected at 3 to 4 percent, for a total of 289,000 to 439,000 non-local visitors. The aggregate 1981 attendance estimate for Union Station thus amounts to some 4.5 million people, distributed as follows:

	<u>Percent of Total</u>
Residents	78 %
Downtown Employees	16
Tourists	<u>6</u>
	100 %



Table 14

ESTIMATED MARKET PENETRATION AND ATTENDANCE  
AT THE UNION STATION ENTERTAINMENT CENTER  
1981 - 1986

	<u>1981</u>	<u>1986</u>
Estimated Market Penetration Rate:		
Resident Market -		
Primary (0-20 miles)	50 %	55 %
Secondary (20-35 miles)	15	17
Tertiary (35-50 miles)	10	12
Downtown Employee Market -		
Primary (Civic Center)	4	5
Secondary (other downtown)	1	1
Tourist Market	3	4
Estimated Annual Attendance (thousands):		
Resident Market -		
Primary (0-20 miles)	3,080	3,443
Secondary (20-35 miles)	195	240
Tertiary (35-50 miles)	<u>233</u>	<u>307</u>
Subtotal	3,508	3,990
Downtown Employee Market <sup>1</sup> -		
Primary (Civic Center)	326	429
Secondary (other downtown)	<u>396</u>	<u>416</u>
Subtotal	722	845
Tourist Market	<u>289</u>	<u>439</u>
TOTAL ANNUAL ATTENDANCE	4,519	5,274

<sup>1</sup> Based on the employment figures previously shown in Table 12 multiplied by 220 working days per year.

Source: Harrison Price Company

By 1986, the proportions will be 76 percent, 16 percent, and 8 percent, respectively, when total attendance climbs to approximately 5.3 million. The chief reason for the increase in the tourist proportion and corresponding decrease in the local resident proportion over the indicated period is the higher growth rate associated with the visitor market (the resident population base, as previously noted, is essentially stable). The center will nevertheless remain primarily local in orientation.

These attendance projections represent the drawing power of a single specialty center attraction at the subject site. In the present instance, however, there will be two directly adjacent centers--Union Station and Olvera Street--and a certain amount of attendance-sharing is implicit in that the regional market will tend to perceive the two facilities as a single destination area, and a large number of people can be expected to visit both facilities. In its present configuration, Olvera Street is not a particularly strong competitor (although its present attendance volume of 2.5 million people is not inconsequential), but once the Pico-Garnier block is developed and the remainder of the El Pueblo master plan implemented, the project's quality, scope, and hence competitive strength will be substantially enhanced. For this reason, attendance estimates which presume an essentially noncompetitive environment require adjustment to reflect the presence of another facility.

It is difficult to determine precisely how much attendance will be shared. An indication, however, is provided by the experience of selected major theme parks which, though not directly adjacent to other attractions, are in sufficient proximity to allow a generalized assessment of the degree of attendance sharing. Great America in Santa Clara and Marine World in nearby Redwood City provide one example. A recent visitor survey at Great America revealed that half of all attendees visited both attractions, and the other half visited Great America only. A similar pattern exists in Buena Park, where studies of the local attractions industry reveal that the average visitor takes in 1.45 attractions during his stay in the area, usually Knott's Berry Farm plus one of the smaller facilities such as Movieland Wax Museum. Again, this indicates that roughly half of total attendance at any one facility is shared.

If a pattern of this general description prevails at Union Station/Olvera Street, Union Station will have exposure to an estimated 75 percent of the total attendance generated by the combined complex as projected in Table 14; that is, half of all visitors will go to both attractions and the other half will be assumed to be evenly split between Olvera Street and Union Station. On this basis, the revised attendance figures for Union Station alone would amount to about 3.4 million visitors in 1981 and 4 million in 1986. These adjusted totals will be used in the financial analysis in Section 5 of this report.

## Section 4

### PHYSICAL PLANNING RECOMMENDATIONS

Attendance projections developed in the previous section of this report may now be translated into demand for various kinds of physical facilities. Subsequent to derivation of these broad guidelines, recommendations for the re-use of existing structures at Union Station are presented, along with a preliminary plan for entertainment content.

#### RECOMMENDED SIZING AND CONTENT

On-site absorption potential at Union Station can be determined by applying an estimate of visitor expenditures to anticipated attendance volume and then converting the resulting gross sales volume into supportable retail area. The following paragraphs describe this process and present suggestions as to tenant mix. A parking analysis then is conducted based on likely patterns of attendance.

#### Estimated Per Capita Expenditures

Per capita spending by visitors to a specialty center is closely associated with length of stay at the site. As a result, the general scope of a center tends to dictate the level of expenditures attained, although merchandise mix and quality of restaurants are also influential. The content recommendations presented later in this section are geared to achieving a length of stay of 3 to 3.5 hours, which is consistent with comparable experience. In the text table below, reported visitor expenditures at the existing centers discussed in Section 2 are summarized:

	<u>Total Per Capita Expenditure</u>
Ghirardelli Square	\$3.10
The Cannery	4.85
Trolley Square	4.65
Larimer Square	2.80
Faneuil Hall Marketplace	4.95
Average	\$4.05

As indicated, the range extends from a low of \$2.80 per capita at Larimer Square, where small size and a difficult parking situation probably inhibit length of stay, to a high of \$4.95 per capita at Faneuil Hall, which has an extensive restaurant inventory (one of the highest proportions of restaurants among the centers examined). The average for all five attractions is slightly more than \$4.00 per capita. Visitor spending at Olvera Street, which shares the scope and parking problems of Larimer Square, currently averages \$2.60 per capita.

Based on the envisioned scope and quality of development, it is considered reasonable to expect that visitor spending at Union Station will fall within the \$4 to \$5 range experienced by other leading specialty centers, assuming provision can be made to ease the impact of parking fees and thereby maximize length of stay potential. Experience at existing centers strongly suggests that parking should be free; however, in the present instance there is an important mitigating circumstance: there is no free parking to speak of anywhere in the downtown area, and a free lot at Union Station would be rather tempting to people with no intention of visiting the center, especially once the DPM is operational and access to other parts of the downtown area rapidly facilitated. Some form of control must therefore be exerted to prevent "unauthorized" parking at the site and to ensure adequate spaces for bona-fide customers. By the same token, it is equally imperative to allow the center's patrons to park at little or no expense. A validation-with-purchase system is therefore recommended, which will transfer the burden of parking fees to casual visitors. It should be noted that even this arrangement is not ideal, in that it implies a forced purchase when a visitor may be there only for recreational enjoyment (in effect the parking fee paid by a purely recreational visitor becomes an indirect admission charge, and admission charges are incompatible with the specialty center concept); however, there seems to be no workable alternative for Union Station. Assuming a validation system of this type, then, a \$4 to \$5 per capita expenditure is considered realistic. The next section of this report will establish that the exact figure is projected at \$4.65 in 1981 and \$4.90 in 1986 (1979 constant dollars), levels which are in keeping with other high-quality, historically oriented centers, such as Trolley Square, The Cannery, and Faneuil Hall Marketplace.

### Estimated On-Site Demand for Specialty Space

Estimates of on-site absorption potential at Union Station are presented in Table 15. As indicated, the average per capita expenditure of \$4.65 has been applied to the 1981 attendance projection. The resulting gross revenue of about \$21 million has been divided by a conservative estimate of \$110 per square foot in sales, resulting in on-site demand for some 191,000 square feet of retail space. By 1986, on-site absorption is calculated at 215,000 square feet.

It is necessary to deduct from this gross demand estimate the existing and planned inventory of specialty space at Olvera Street because of attendance sharing between the two facilities. On completion of the Pico-Garnier Block, a total of 93,000 square feet will be contained in Olvera Street, yielding a residual demand for Union Station of 98,000 square feet in 1981 and 122,000 square feet in 1986.

### Suggested Tenant Mix

Existing specialty centers typically devote between 30 and 50 percent of total retail area to restaurant operations, the latter category encompassing fast food stands and informal dining places as well as first-class dinner houses. To ensure an adequate range of food service opportunities at Union Station, HPC recommends that 40 percent of total area be allotted for food/beverage operations. At least two first-class themed restaurants should be included, along with two or three more informal facilities (ice cream parlor, delicatessen, pizza parlor, and the like) and a variety of fast-food kiosks or carts. Many of the latter could be temporary in nature and used primarily during peak attendance periods to relieve crowd pressure on the restaurants.

The remaining 60 percent of retail area should provide an appealing array of merchandise boutiques, again supplemented by temporary carts and kiosks. Typically, about 25 percent of total merchandise area would be devoted to men's and women's fashion outlets, and 75 percent to specialty merchandise such as jewelry, leather goods, imports, antiques, pipes and tobacco, packaged gourmet food, art galleries, houseplants, camera equipment, and so on, as well as special theme-related merchandise. A detailed tenant mix will be developed later in this section.

Table 15

ESTIMATED ON-SITE DEMAND FOR  
SPECIALTY RETAIL SPACE AT UNION STATION  
1981 - 1986

	<u>1981</u>	<u>1986</u>
Estimated Annual Attendance (thousands)	4,519	5,274
Estimated Per Capita Expenditures <sup>1</sup>	\$ 4.65	\$ 4.90
Total Gross Sales (thousands)	\$21,013	\$25,843
Estimated Average Sales Per Square Foot	\$ 110	\$ 120
Total Supportable Area (square feet, rounded)	191,000	215,000
Less: Existing/Planned Olvera Street In- ventory	<u>93,000</u>	<u>93,000</u>
Net On-Site Demand (square feet)	98,000	122,000

<sup>1</sup> 1979 constant dollars.

Source: Harrison Price Company

Complementing the inventory of food and merchandise space would be selected entertainment or cultural offerings, including periodic art exhibits, musical events, folk festivals, flower shows, puppet shows, and so on, held in the various public spaces within the complex. Permanent exhibits of a historical or cultural nature could also be included and are often a satisfying way of filling spaces undesirable for retail operations because of limited accessibility and/or odd configuration.

#### Parking Requirements

An analysis of likely patterns of attendance by month, day, and hour is necessary to derive parking requirements for the proposed development. Table 16 shows the monthly distribution of attendance at three specialty centers in Southern California. As indicated, December and August are the peak months, each accounting for 11 to 13 percent of total annual visitation. A December peak is characteristic of retail operations in general, since the Christmas season brings a surge in gift buying and entertaining. Unlike other retail operations, however, specialty centers typically record another peak of equal or greater magnitude in July and/or August. This additional peak, coinciding with the height of the tourist and travel season, reflects the considerable recreational appeal of a specialty center.

Given a peak month of some 12 percent of total annual attendance, Table 17 calculates Union Station parking requirements. In 1981, as shown, some 542,000 people can be expected to visit the center during the peak month, for an average weekly attendance of about 122,000 people. Attendance on the two weekend days is assumed to equal attendance on the five weekdays, as commonly experienced in this type of operation, yielding a total of approximately 61,000 persons on the average weekend, or some 31,000 persons daily. This figure represents average high-day, or "design-day," attendance; absolute peaks in attendance will be somewhat higher and can be expected to occur on days when special festivals are held or on major holiday weekends. Since availability of a place to park is a prerequisite to attendance, the design day figure has been increased by a factor of 20 percent to allow for the absolute peak contingency, raising the total to nearly 37,000 persons. Based on a 3.5-hour length of stay, the maximum number of people on site at any given hour should be equivalent to about 15 percent of the total daily figure,



Table 16

MONTHLY DISTRIBUTION OF ATTENDANCE  
AT SELECTED LOS ANGELES SPECIALTY CENTERS

<u>Month</u>	<u>Old Towne</u>	<u>Ports O'Call Villages</u>	<u>Fisherman's Village</u>
January	6 %	6 %	7 %
February	6	6	7
March	7	8	7
April	7	6	8
May	7	8	8
June	10	9	9
July	11	11	10
August	12	12	11
September	9	8	8
October	6	7	7
November	6	8	7
December	<u>13</u>	<u>11</u>	<u>11</u>
Total	100 %	100 %	100 %

Source: Harrison Price Company

Table 17

ESTIMATED PARKING REQUIREMENTS AT  
THE UNION STATION ENTERTAINMENT CENTER  
1981 - 1986

	<u>1981</u>	<u>1986</u>
Total Annual Attendance	4,519,000	5,274,000
Peak Month Attendance (at 12 percent of annual total)	542,300	632,900
Average Weekly Attendance (at 4.43 weeks per month)	122,400	142,900
Average Weekend Attendance (at 50 percent of weekly total)	61,200	71,400
Average Weekend Day Attendance (at 50 percent of weekend total)	30,600	35,700
Allowance for Absolute Peaks in Attendance (at 20 percent above weekend day total)	36,700	42,800
Peak In-Grounds Crowd (at 15 percent)	5,500	6,400
Arrivals by Automobile (at 80 percent of total) <sup>1</sup>	4,400	5,100
Total Number of Spaces Required (at 3.5 persons per car)	1,260	1,470

<sup>1</sup> Assumes People Mover becomes operational during period shown.

Source: Harrison Price Company

or 5,500 persons. At most specialty centers, 90 to 95 percent of all visitors arrive via private automobile; however, the number of potential customers within walking distance of Union Station and implementation of the DPM suggest that the proportion of auto arrivals will be lower at Union Station. Based on the geographic origin of customers as implied in previous market penetration estimates (refer to Table 14), HPC estimates that about 80 percent of all attendees are likely to come by car, or 4,400 persons at the peak hour. An average of 3.5 persons per vehicle (as derived from experience at other centers) yields an initial year parking requirement of 1,260 spaces. The requirement will grow to 1,470 spaces by 1986.

It was previously noted that a total of 720 spaces is currently available at Union Station, which is well short of the projected requirement, and the shortfall deepens when allowances for employee parking are added. To determine the magnitude of the latter and thus derive net spaces actually available to the public, a rule-of-thumb estimate is one space for every 750 square feet of merchandise space (many of the shops having only one employee on duty at any given time) and one space for every 400 square feet of food service area (based on a typical mix of one- or two-person food stands and full-service restaurants with perhaps two or three dozen employees). Given these rough guidelines, employee parking requirements at Union Station would amount to approximately 160 spaces, assuming tenant mix as previously recommended, plus further allowances for administrative, maintenance, and security personnel. On this basis, virtually all of the 200 spaces existing in the side/rear parking lots could be absorbed by employees, leaving only the front and basement lots, containing 520 spaces all told, for public parking.

There will also, of course, be parking spaces available at Olvera Street. Section 3 of this report stated that upon implementation of the Pico-Garnier master plan, a net total of 745 spaces would be available in that location, and with so much attendance being shared, most visitors will have the option of parking at either site. This is not, however, the only variable affecting the parking situation at Union Station. In addition, there is the possible need to provide for the 300 spaces required to support rail service operations if these spaces do not materialize under plans for the Multimodal Transport Center. Second, while a new garage is included in the Olvera Street master

plan, it will be a costly undertaking, and there is no assurance that it will in fact be built. Third, there are definite aesthetic values to be gained by elimination of the front lot at Union Station and creation in its stead of a landscaped park and plaza area that would not only make the entrance to Union Station less cluttered and more inviting, but would also improve the sense of project unification with Olvera Street, where a similar plaza is envisioned on the west side of Alameda Street.

Table 18 demonstrates the impact of these variables on overall parking needs at the Union Station/Olvera Street site. Under the least favorable scenario, which assumes on-site rail parking, no garage at Olvera Street, and elimination of the front surface lot at Union Station, requirements for as many as 1,600 new spaces could result. Assuming that the front surface lot is retained and rail service parking is provided elsewhere, but no garage is built at Olvera Street, the requirement drops to 495 new spaces. Finally, under the best of circumstances, a nominal surplus of parking spaces results if a garage is built at Olvera Street, rail parking is moved off-site, and the front lot at Union Station is retained. The latter alternative is highly preferable because it can be accommodated within the context of existing parking resources and entails no costly construction of underground or structured parking (except, of course, at Olvera Street where plans already exist to do this). For purposes of this analysis, then, it will be assumed that this alternative will be pursued. Later on, when center-generated parking needs rise to 1,470 spaces, new construction will be required, but at least during the near term, sufficient space is available. Greater parking efficiency might result from design modifications to the existing lots at Union Station, and this opportunity should be explored when the project enters the design phase, but it probably will not be financially feasible to replace the front lot with, say, an underground facility unless it is publicly subsidized and/or unless parking fees are levied on all center patrons, which is not recommended.

#### RECOMMENDED PLAN FOR SITE REDEVELOPMENT

The remainder of this section of the report is addressed to a preliminary plan for the reuse of the Union Station site as a specialty center, taking into account its size and configuration, pending registration as a national

Table 18

PARKING ALTERNATIVES FOR  
THE COMBINED UNION STATION/OLVERA STREET COMPLEX  
1981

	Spaces Required Under Various Development Alternatives							
	1	2	3	4	5	6	7	8
Total Spaces Required for Entertainment Complex	1,260	1,260	1,260	1,260	1,260	1,260	1,260	1,260
Rail Service Parking	300	-	300	300	-	-	300	-
Existing Parking at Union Station <sup>1</sup>	400	400	400	(400)	400	(400)	(400)	(400)
Basement	(120)	(120)	(120)	(120)	(120)	(120)	(120)	(120)
Existing Parking at Olvera Street <sup>2</sup>	(245)	(245)	(245)	(245)	(245)	(245)	(245)	(245)
Proposed Garage at Olvera Street	-	-	(500)	-	(500)	-	(500)	(500)
Net Spaces Required	1,595	1,295	1,095	795	795	495	295	(5)

1 Assumes that the 200 spaces located on the sides and in the rear of Union Station will be used for employee/service parking only.

2 Main lot only; smaller lots on periphery are to be largely or wholly eliminated under the proposed development plan.

Source: Harrison Price Company

landmark and associated development restrictions, and the physical planning recommendations presented earlier.

#### Historic Preservation Guidelines

There are a few key restrictions that must be observed in rehabilitating Union Station because of its existing local landmark registration, as well as pending state and national registration. While the latter has not yet occurred and may take several years to become official, Union Station need only be declared eligible for national registration, and all associated restrictions will apply. The eligibility declaration is expected within a few months, indicating that for all intents and purposes, Union Station should be treated as having received landmark designation and is thereby subject to the provisions of historic preservation laws and policies.

There are apparently few rigid policies dealing with the reuse of historic structures. Rather, a variety of site-specific factors are taken into account when evaluating restoration programs at historic sites. Interviews with city officials who have delved into the issue of Union Station renovation revealed the following fundamental guidelines that would probably be enforced (by political pressure if not by law):

- None of the existing structures can be demolished. A technical debate has emerged over whether this provision applies to all the trackage behind Union Station. The existing local landmark registration of the property does not include any of the trackage, apparently at the request of the present owners who wished to preserve their options relative to the use of the tracks for rail service. Pending state and national designations, however, are reported to include the trackage, suggesting that resistance could be encountered if any of it is removed.
- The lines of sight to the property from surrounding vantage points cannot be obstructed (a new structure could not be built, for example, where the front parking lot at Union Station is now).
- Refurbishing of building facades and interiors must be accomplished in the style of the original and introduction of new features

clashing with the original style are prohibited. This restriction extends to interior and exterior finishes, such as paint, as well as major design elements.

- No major structural changes (redesign of a wing, for example) can be made unless absolutely necessary for public safety reasons.
- While considerable leeway appears to exist in terms of partitioning interior spaces to allow for shops and so on, it must be accomplished in a manner which does not obscure major architectural features of the building (a false ceiling, for instance, could not be installed because it would obscure the original vaulted ceiling).

None of the above restrictions drastically alters potential for the reuse of Union Station since all are more or less automatic considerations observed in respect for the integrity of the site (historical authenticity being the cornerstone of the theme). The thorniest problem affecting reuse is instead the need to meet modern code requirements, which are designed for new structures built with today's engineering technology. Many valuable historical properties have been disfigured or destroyed by the need for full compliance with current code requirements. This dilemma prompted the California Office of the State Architect to prepare an alternative building code specifically for historical properties, which can supersede whatever local codes might otherwise be enforced. This alternative set of regulations, known as the "Historic Building Code," became law in 1975-76 with passage of State Bills 927 and 1803. Under this law, variances of local code provisions can be negotiated on a case-by-case and item-by-item basis, with the State Historical Buildings Code Advisory Board (a division of the State Architect's Office) supplying assistance and interpretation as necessary. It may be that Union Station is of sufficient youth that meeting local building codes is not a critical issue, but as redevelopment of the property enters the engineering and design phase, the specifics of the Historic Building Code should be thoroughly reviewed since they could result in substantial cost savings in the renovation program.

The first material legal protection offered historic properties was enactment of the federal Tax Reform Act of 1976, which provides several key incentives for historic preservation and disincentives for demolition. Among the incentives are:

- Any capital expenditure incurred in a certified rehabilitation of a certified historic structure may be amortized over a five-year period in lieu of depreciation deductions otherwise allowed, thus resulting in substantial tax savings (a "certified rehabilitation" is defined as one consistent with the historical character of the property). To take advantage of this provision, rehabilitation expenditures must occur before June 15, 1981.
- Owners of substantially rehabilitated properties will be allowed to depreciate these properties as if they were the original users, a more advantageous depreciation allowance. This provision remains in effect until July 1, 1981.

The disincentives are:

- The owner or lessee of a certified historic structure cannot deduct any amounts expended for its demolition or for any loss sustained on account of demolition. For tax purposes, demolition costs or associated losses must be added to the capital account as part of the cost of land. This provision applies until January 1, 1981.
- The accelerated method of depreciation is prohibited for any property built on a site formerly occupied by a certified historic structure which was demolished or substantially altered. Expiration date of this provision is January 1, 1981.

The above provisions imply substantial tax savings in the Union Station rehabilitation program so long as the project is implemented within the specified time frame (this analysis has assumed immediate implementation and thus would qualify).

Further savings can potentially be realized through the myriad of special grants and loans available for historic preservation activities, which should



be explored as soon as possible. A cursory review was made of available programs, and a few of particular interest in the present analysis are:

- Grants In Aid under the National Historic Preservation Act of 1966, a program offered by the US Department of Interior/National Park Service. It provides 50 percent matching funds for acquisition and restoration of historic buildings (grants rarely exceed \$40,000), and both public and private organizations are eligible.
- Historic Railroad Stations (three laws). Under these laws, the National Railroad Passenger Corporation (AMTRAK) is directed to give preference to using station facilities that would preserve buildings of historic and architectural significance. The National Endowment for the Arts would fund projects having to do with cultural or civic functions.
- National Historic Preservation Fund. This program makes available low-cost loans to non-profit or public organizations to establish revolving funds for improving properties on the National Register.
- Private Foundation Grants. A variety of individuals, corporations, and family trusts offer grants for preservation-related activities, and Union Station could qualify for some of these.

A variety of programs is also available for "soft" project elements, such as historical surveys, planning assistance, and design and engineering studies. Clearly, many opportunities exist for reducing development costs at Union Station, and all should be carefully investigated.

#### Reuse of Existing Structures

Based on the above guidelines, a preliminary reuse plan for Union Station can be developed, which is subject to refinement once a designer has been retained and engineering surveys are completed. First-phase redevelopment activity at the site would logically be concentrated in the main terminal building, the only structure of any impressive consequence. Figure 3 depicts the ground floor layout of this building, with rough approximations as to square

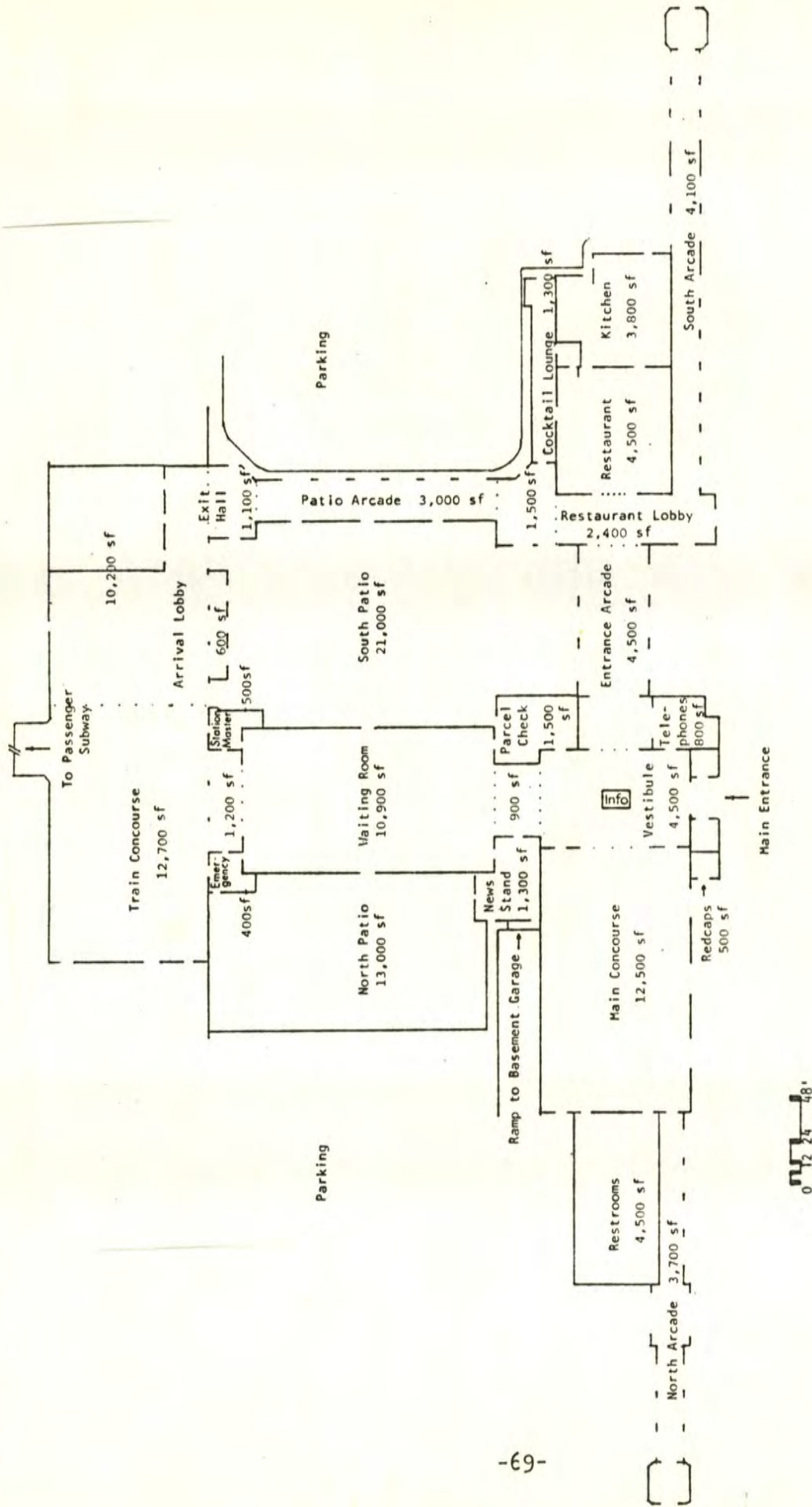


Figure 3

TERMINAL BUILDING FLOOR PLAN (STREET LEVEL)

Note: Area square footage figures are approximations only.  
 Source: Department of Architecture, Cal Poly Pomona

footage contained in each room or area, while Table 19 summarizes area estimates. As indicated, there are some 20 definable rooms or spaces within the building, plus patios and arcades. There are two additional large rooms in the middle section of the rail service building (the Train Concourse and Arrival Lobby) which adjoin the east end of the main terminal. The latter rooms appear to be underground, but are actually only under the elevated driveway separating the main terminal and rail service buildings. The Train Concourse provides access to the pedestrian tunnel leading to trains. Including all ground level spaces shown in Figure 3, total floor area amounts to some 128,000 square feet. All but about 10,000 square feet of this total appears to represent useable floor area.

The large rooms are an estimated 75 to 80 feet in width and should lend themselves well to partitioning for shops and restaurants, with ample room for pedestrian corridors. Patios would serve nicely for outdoor dining and could also house supplementary kiosks and cart facilities or be used as exhibit/entertainment areas when special programs are planned. Arcades might be enclosed to create more interior space, but would be equally attractive as semi-outdoor sites for kiosks. The exception is the main entrance arcade, which should probably remain open if possible after taking into account security requirements. This is one of the building's most distinct features and provides a direct line of sight from the South Patio to the Los Angeles skyline. The existing restaurant/cocktail lounge adjacent to the entrance arcade and the large restroom facility in the north wing of the building would probably remain in their present uses. It would be advantageous to develop another major restaurant facility near the rear of the complex, perhaps in the arrival lobby, to encourage pedestrian circulation throughout the shop area in the waiting room. What is now the newsstand was once a coffee shop and could be easily reconverted to food service use or, alternatively, become a boutique, while other small rooms are well located for shops.

In determining what proportion of the 118,000 square feet of useable ground floor area represents leasable space, HPC has assumed an efficiency ratio of between 75 and 80 percent. The normal ratio for a shopping center is about 85 percent, but an older building not originally intended for this purpose

Table 19

## DEVELOPMENT AREA AVAILABLE AT UNION STATION

	Approximate Area (square feet) <sup>1</sup>
<b>Main Terminal Building:</b>	
Redcaps Office	500
Vestibule	4,500
Main Concourse	12,500
Telephone Room	800
Parcel Checkroom	1,500
Newsstand	1,300
Passage to Waiting Room	900
Waiting Room	10,900
Emergency Office	400
Stationmaster's Office	500
Passage to Train Concourse	1,200
Passage to Arrival Lobby	600
Exit Hall	1,100
Passage to Restaurant	1,500
Cocktail Lounge	1,300
Restaurant	4,500
Kitchen	3,800
Restaurant Lobby	<u>2,400</u>
Subtotal	50,200
Entrance Arcade	4,500
Restrooms	4,500
Stairwells, Passages, Other Miscellaneous Space	<u>1,150</u>
Subtotal	10,150
<b>Patios:</b>	
North Patio	13,000
South Patio	21,000
Patio Arcade	<u>3,000</u>
Subtotal	37,000
<b>Arcades:</b>	
North Arcade	3,700
South Arcade	<u>4,100</u>
Subtotal	7,800
<b>Rail Service Building (part):</b>	
Train Concourse	12,700
Arrival Lobby	<u>10,200</u>
Subtotal	<u>22,900</u>
TOTAL	128,050
Note: Estimated Total Useable Space <sup>2</sup>	117,900 square feet
Probable Efficiency Ratio	75-80 percent
Net Useable Space	88,400 - 94,300 square feet

1 Figures are rough approximations only and could vary  $\pm$  15 percent.

2 All space except 10,150 square feet in Main Terminal Building.

Source: Harrison Price Company

will undoubtedly yield less useable area than typical, particularly when major structural features of the interior cannot be altered or removed. On this basis, between 88,000 and 94,000 square feet of gross leasable area can be created, which is consistent with the first-phase demand projection presented earlier. For purposes of the subsequent financial analysis, the mid-range figure of 90,000 square feet will be utilized, including 36,000 square feet of restaurant space and 54,000 square feet of shop space, following HPC's prior recommendations on tenant mix.

Not included in this analysis is upper floor space in the main terminal building, totaling some 12,000 square feet of gross floor area (refer to Table 1). This space is not suitable for retail facilities because it is too remotely located and would logically be used in part for the center's administrative offices. There should be sufficient space remaining, however, to provide for a major cultural/entertainment facility, such as a railroad museum or a permanent exhibit of Los Angeles history. Future expansion programs of the Union Station entertainment center could include the creation of mezzanine space in the main terminal building, but it is probably more practical to concentrate on the rail service building, where more than 50,000 square feet (ground floor) of space will remain after the first-phase development program. This space is presently unfinished and of no particular historical or architectural significance, which should facilitate conversion to retail use.

To provide an estimate of the number of individual tenancies that could be created within the above guidelines, the text table below presents average facility sizes for selected existing specialty centers:

	Average Facility Size (square feet)	
	Restaurants/ Fast-Foods	Specialty Shops
Ghirardelli Square	3,600	1,100
The Cannery	4,700	1,000
Trolley Square	3,500	1,300
Ports O'Call	5,300	1,000
Fisherman's Village	2,000	1,000
Seaport Village	7,700	800
Average	4,500	1,000

As indicated, food service operations range from 2,000 square feet to 7,700 square feet in size, centers near the lower end of the range having somewhat greater emphasis on fast-food operations as opposed to full-service restaurants. Shop sizes are concentrated in the much narrower range of 800 square feet to 1,300 square feet. Using the overall average for the centers listed, or 4,500 square feet for food service facilities and 1,000 square feet for shops, a total of 62 tenants could be housed in the Union Station complex, as indicated below:

Restaurants/Fast-food Outlets	8
Merchandise Boutiques:	
Apparel	14
Specialty Goods	<u>40</u>
Total Number of Tenants	62

Based on this estimate of the probable number of tenancies and HPC's earlier space allocation recommendations, Table 20 presents an illustrative tenant mix for the project. The total 36,000 square feet of food service space would be comprised of two major theme restaurants totaling some 17,000 square feet (one of which, it has been assumed, would be located in the existing restaurant facility at Union Station), three informal dining facilities totaling 14,000 square feet, and three fast-food outlets at a total of 5,000 square feet. The two major categories of merchandise outlets would be fashion

Table 20

ILLUSTRATIVE TENANT MIX FOR  
THE UNION STATION ENTERTAINMENT CENTER  
1981

	<u>Area</u> <u>(square feet)</u>	<u>Percent</u> <u>of Total</u>
Food Service Facilities:		
Theme Restaurants		
Steak/Seafood House <sup>1</sup>	9,600	
Mexican Restaurant	<u>7,500</u>	
Subtotal	17,100	19 %
Informal Dining Facilities		
Delicatessen/Beer Garden	5,500	
Sidewalk Cafe	5,000	
Ice Cream Parlor	<u>3,400</u>	
Subtotal	13,900	15 %
Fast-Food Outlets		
Hamburger Stand	2,000	
Pizza Stand	1,500	
Taco Stand	<u>1,500</u>	
Subtotal	5,000	6 %
TOTAL FOOD SERVICE	36,000	40 %
Merchandise Sales Facilities:		
Fashion Apparel Stores		
Women's Wear (7)	17,500	
Men's Wear (4)	6,000	
Children's Wear	1,500	
Golf and Tennis Apparel	1,000	
Men's/Women's Casual Shoes	<u>1,000</u>	
Subtotal	27,000	30 %
Specialty Stores		
Art Gallery (2)	2,000	
Amusement Arcade	2,000	
Gourmet Wine and Cheese	1,500	
Books	1,500	
Fresh Fruit Market	1,500	

<sup>1</sup> Assumes location in the existing restaurant/cocktail lounge facility at Union Station.

(continued)

Table 20 continued

	<u>Area</u> <u>(square feet)</u>	<u>Percent</u> <u>of Total</u>
Specialty Stores (continued)		
Gift Goods (3)	1,500	
Camera Equipment	1,000	
Antiques	1,000	
Gourmet Cookware	1,000	
Oriental Imports	1,000	
Cards and Stationery	1,000	
Records and Tapes	1,000	
Jewelry (2)	800	
Backpack/Ski Equipment	800	
Bakery	500	
Houseplant Boutique	500	
Model Trains/Hobbies	500	
Mexican Imports	500	
Metal Sculpture	500	
Crystal and Glassware	500	
Wood Decorative Goods	500	
Railroad Memorabilia	500	
Indian Arts and Crafts	500	
Toys	500	
Clocks and Watches	500	
Silver Goods	500	
Handbags and Accessories	500	
Stoneware and Pottery	500	
Leather Goods	300	
Pipes and Tobacco	300	
Candles	300	
Candies and Nuts	300	
Prints and Posters	300	
Collectors' Items	300	
Custom Printed T-shirts	300	
Coffee, Tea, Spices	<u>300</u>	
Subtotal	27,000	30 %
TOTAL MERCHANDISE	54,000	60 %
GRAND TOTAL	90,000	100 %

## Supplementary Carts or Kiosks:

Food: Pretzels, Popcorn, Soft Drinks, Ice Cream, Hot Dogs

Merchandise: Souvenirs, Performing Crafts (Glass Blower, Wood Carver, Sketch Artist), Fresh Flowers, Film

Source: Harrison Price Company



boutiques (14 facilities totaling 27,000 square feet) and specialty stores (40 facilities totaling another 27,000 square feet). Also listed on the table are preliminary suggestions for supplemental food and merchandise operations in the form of carts or temporary kiosks. The nature of retail operations and the lines of food and merchandise shown are based on the typical tenant composition at existing specialty centers; the suggestions are nevertheless illustrative only and intended as a guide, rather than a plan, in the leasing program. The latter program should emphasize tenants offering high-quality, unique merchandise lines, and initial attention should be focused on securing at least two first-rate restaurant anchors.

#### Program Recommendations

The built-in railroad theme of Union Station offers a wealth of material on which to build an entertainment program. There is an undeniable element of romance and nostalgia in trains, and a railroad theme should be extremely popular. Another broad range of supplementary thematic content can be derived from the equally romantic Spanish origins of Los Angeles, although care must be taken here to avoid overkill of the Olvera Street concept. Prior studies of Union Station, additionally, have envisioned its inclusion in an "international zone" stretching from Little Tokyo to Chinatown and featuring many aspects of the city's varied ethnic heritage. This zone would function as a destination attraction in the manner of the French Quarter in New Orleans or Georgetown in Washington, DC, with all points in the zone loosely affiliated by means of uniform signing and other similar measures. The proposal for the international zone is still alive, and if actually implemented, Union Station's role within it would be as a "crossroads" of history, Latin America in particular because of the facility's adjacency to the Old Pueblo.

With these theming possibilities in mind, design treatment of interior shop and restaurant facades at Union Station could encapsulate a trip around the world by rail, with individual facilities each representing a "depot" along the way. Old baggage carts and even boxcars could house boutiques, and railroad memorabilia could add color and decorative interest in common areas. Folk festivals, historical exhibits, and cultural and musical events, interspersed with such universal programs as flower shows, could be held from time to time on the patios or in arcade corridors. Special celebrations could be

formulated for major holiday weekends or on significant dates in the city's (or station's) history. With respect to the latter, a major celebration should be planned for the 1981 Los Angeles Bicentennial and coordinated with activities at Olvera Street during that period. The city's September founding date will continue to be one of the most important annual celebrations at the site. The chief value of all these programs is the generation of increased patronage during slack periods, which in the downtown area occur on weekends and in the evenings.

A tour operation might also be considered at Union Station if enough substance can be created to make it a worthwhile entertainment experience. Since rail operations will cease to exist in the main terminal building, it would be necessary to simulate the former use of the site. An area within the rail service building, for example, could be set aside for railroad exhibits, a multi-media film presentation on the history of trains and depots, an operating scale model of Union Station in its heyday, and other custom-designed components could precede a visit to the actual railyard where a restored vintage passenger train would be stationed on one of the unused tracks for visitor exploration. A program of this description is, of course, ambitious and would entail considerable development and operating expense. On the other hand, it would warrant an admission fee and could ultimately be profitable. A well-conceived tour attraction is thus recommended for client consideration, but will not be incorporated in the subsequent financial analysis due to the absence of definitive information on its scope and specific content.

Provision for informal free tours of the main terminal building will probably be requested by various organizations because of its historical interest. Both Trolley Square and Larimer Square, for example, offer escorted tours for school and civic groups, and the Olvera Street/Pico-Garnier master plan calls for a self-guided tour using a specially prepared map with historical annotations. A similar public response will no doubt be generated at Union Station, and it is suggested that a member of the center staff or a volunteer historian be available for escort duty and/or that a map or brochure be prepared to enable self-guided tours. This tour of Union Station could be integrated with a city-sponsored tour of the DPM/MTC complex, or it could be

tied in with tour operations at Olvera Street, thus providing a comprehensive sightseeing opportunity in the downtown area.

Table 21, which highlights the findings of a survey of Los Angeles households recently conducted by the Los Angeles Times, provides a general indication of local consumer preferences in entertainment activities. Some of the items do not apply to Union Station (such as "short lines at popular rides"), but most do, and it is interesting to note how important "beautiful scenery" and "attractive landscaping" seem to be. Also significant is the proportion indicating "educational" and "historical" exhibits and "informative tours." The foregoing physical and program plan for Union Station fulfills many of these criteria and should represent a practical approach to the reuse of the site.

#### Security Provisions

Because Union Station is located in an older, somewhat rundown part of the downtown area, attention must be paid to the issue of environmental security. Interviews with Olvera Street management revealed that crime problems in this vicinity are of primarily two types: robbery of parking lot attendants and shoplifting, with these crimes concentrated during daylight hours. A private security force is retained at Olvera Street to provide surveillance at night, with guards on duty from 5 p.m. to 7 a.m., a measure which vastly reduces the vulnerability of the site to after-dark criminal activity. The daytime problem of parking lot robberies, furthermore, was partially solved by the recent institution of very strict cash control procedures, whereby cash is transferred to a safe frequently throughout the day, the combination of which is known only by one management individual. There is little that can be done with respect to shoplifting (this crime usually committed by groups of juveniles) because the wares of Olvera Street merchants--especially those in the puestos--are openly displayed and highly vulnerable. It is noteworthy that visitor safety relative to muggings and auto burglaries does not appear to be a significant problem.

Union Station will have certain security advantages vis-a-vis Olvera Street, in that most retail operations will be located inside of the building, where access is fairly easily controlled and crowds can be closely monitored. This suggests that security programs should be concentrated in the parking lots

Table 21

LOS ANGELES CONSUMER PREFERENCES  
AT LEISURE ATTRACTIONS<sup>1</sup>  
1976

<u>Feature</u>	<u>Percent of Respondents Rating Feature "Very Important"</u>
Short Lines at Popular Rides/Attractions	73.4 %
Beautiful Scenery	73.3
Family-Type Entertainment	69.0
Attractive Landscaping	66.5
One Admission Price Covering All Attractions	64.1
Entertainment for Young Children	60.6
Educational Exhibits	57.9
Dining-Type Restaurants	55.0
Guards Patrolling Grounds	55.0
Historical Exhibits	53.2
Informative Tours	51.0

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1 Features rated as being "very important" by 50 percent or more of all households visiting a major attraction during 1976. Sample size was 673 households.

Source: Los Angeles Times Marketing Research

to protect visitors and their autos as well as parking attendants. Round-the-clock surveillance of the terminal complex, strict cash control, and high-intensity lighting in open spaces are recommended. Although not considered mandatory, perimeter fencing might also be provided if it can be accomplished attractively and without creating the image of a fortress. A gate charge is specifically not recommended, not only because it is incompatible with the specialty center concept and will inhibit attendance performance, but also because an indirect gate charge is already implied under the recommended parking validation policy.

## Section 5

### FINANCIAL ANALYSIS

This section of the report examines the potential financial performance of the proposed specialty center, including operating income and expenses, a preliminary estimate of the cost of building rehabilitation, and a pro forma financial statement. Because the project is still in its early planning stages, HPC has independently made certain assumptions that influence projected economic performance. In each instance, an effort was made to ensure that the assumption was conservative and that the project is assessed realistically. It should also be noted that all revenues and costs discussed in this section are expressed in constant 1979 dollars.

#### ESTIMATED OPERATING REVENUES

Operating revenue at the proposed entertainment center will be generated by rents and other fees collected from the various tenants, as well as visitor spending on parking. In the paragraphs which follow, revenues accruing from each of these operations are analyzed, with a summary presented in Table 21.

#### Specialty Retail Revenue

The previous section of this report estimated that visitor expenditures on food/beverage and merchandise at the subject attraction would approximate \$4.65 per capita in the first operating year and rise to \$4.90 per capita by the fifth year. Table 22 distributes these estimates among principal expenditure categories. As indicated, the per capita expenditure on food is projected at \$2.50 in the initial year, which was calculated from the data in Table 23. Some 1,045 restaurant seats are envisioned in total, given earlier tenant mix suggestions and parameters related to the amount of area allotted per seat. Various turnover factors (average annual basis) have been applied to these seats; it should be noted that turnover during peak periods may be considerably higher. The resulting daily customer volume at each facility was then multiplied by an estimated average meal ticket to yield total daily sales. The daily sales figure was in turn annualized to derive the total estimated sales volume of approximately \$8.5 million.

Table 22

ESTIMATED OPERATING REVENUES FOR  
THE UNION STATION ENTERTAINMENT CENTER  
1981 - 1986  
(In Constant 1979 Dollars)

	<u>1981</u>	<u>1986</u>
Adjusted Annual Attendance (thousands) <sup>1</sup>	3,389	3,956
Estimated Per Capita Expenditures		
Food and Beverage <sup>2</sup>	\$2.50	\$2.60
Merchandise	2.00	2.10
Parking <sup>3</sup>	<u>0.15</u>	<u>0.20</u>
Total	\$4.65	\$4.90
Estimated Gross Sales (thousands)		
Food and Beverage	\$8,473	\$10,286
Merchandise	6,778	8,308
Parking	<u>508</u>	<u>791</u>
Total	\$15,759	\$19,385
Estimated Gross Revenues (thousands)		
Food and Beverage <sup>4</sup>	\$ 805	\$ 977
Merchandise <sup>4</sup>	644	789
Parking <sup>5</sup>	508	791
Cooperative Advertising <sup>6</sup>	<u>64</u>	<u>86</u>
Total	\$2,021	\$2,643

- 
- 1 Adjusted to exclude those attendees visiting Olvera Street only.  
2 Based on the analysis in Table 23.  
3 Based on assumptions noted in the text.  
4 Based on a minimum rental rate plus common area charges equivalent to 10 percent of sales; allows for a 5-percent vacancy factor.  
5 Assumes house operation.  
6 At \$0.75 per occupied square foot annually.

Source: Harrison Price Company

Table 23

DERIVATION OF FOOD AND BEVERAGE EXPENDITURES  
AT THE UNION STATION ENTERTAINMENT CENTER

	Steak House	Mexican Restaurant	Informal Dining	Fast Food	Total
Number of Seats	240 <sup>1</sup>	250 <sup>2</sup>	555 <sup>3</sup>	na	1,045
Seat Turnover Factor <sup>4</sup>					
Lunch	1.0	1.5	1.5	20.0 <sup>5</sup>	--
Dinner	2.0	2.0	2.0		
Total Daily Customers					
Lunch	275	375	833		1,483
Dinner	480	500	1,110	600 <sup>6</sup>	2,090
Total	755	875	1,943		3,573
Average Check per Customer					
Lunch	\$ 7	\$ 4	\$ 3	\$ 2	--
Dinner	15	7	5		
Total Daily Sales					
Lunch	\$1,925	\$1,500	\$2,499	--	\$ 5,924
Dinner	7,200	3,500	5,550	--	16,250
Total	9,125	5,000	8,049	\$1,200	23,374
Total Annual Sales Volume (thousands) <sup>7</sup>	\$3.331	\$1.825	\$2.938	\$ 438	\$8.532

na means not applicable. (1) at 40 square feet per seat. (2) at 30 square feet per seat. (3) at 25 square feet per seat. (4) annual average basis; turnover during peak operating periods may be higher. (5) number of servings per hour for the three stands combined. (6) assumes all stands are open 10 hours daily. (7) assumes operation 365 days per year.

Source: Harrison Price Company



The table indicates that total restaurant patronage would approximate 1.3 million people per year under the assumptions employed, or 38 percent of total center attendance, for a per capita expenditure on food of about \$6.55 for those visitors who dine. When the annual volume is divided by all visitations to the center, however, the resulting per capita expenditure amounts to roughly \$2.50. This figure appears realistic within the context of prevailing specialty center experience, although it does lie at the higher end of the range. Food expenditures at The Cannery, for example, average \$2.70 per capita, while Faneuil Hall Marketplace reports \$2.65; most other specialty centers are below the estimate for Union Station (Ghirardelli Square, for example, averages only \$1.35). Assuming that Union Station's restaurants are equal in quality and ambience to those of such facilities as The Cannery and Faneuil Hall Marketplace, it is not unreasonable to expect above-average visitor spending on food.

Per capita expenditures on merchandise are estimated at \$2.00 in 1981 and \$2.10 in 1986. The range for existing centers extends from \$1 to \$3 on average, with Ghirardelli Square reporting \$1.75; The Cannery, \$2.15; and Faneuil Hall Marketplace, \$2.30. The \$2 projection for Union Station is thus approximately the average and considered realistic for planning purposes.

Total gross sales volume from specialty food and merchandise operations at Union Station thus amounts to some \$15.3 million in 1981 and \$18.6 million in 1986. In determining what proportion of this revenue will accrue to the center operating entity, HPC utilized an overall rental rate equivalent to 10 percent of gross sales volume, which will allow for base rents plus common area charges covering prorated assessments for property taxes, maintenance and repairs, security, and common utilities. Given prevailing minimum rent levels at existing specialty centers, as well as retail rent levels within the downtown Los Angeles area, it is likely that average base rents would be established at about \$8 per square foot annually (restaurants paying somewhat less than this average and shops somewhat more), with the excess over that sum available for common area maintenance activities. Using the 10-percent factor, then, total revenues from specialty operations come to \$869,000 in 1981 and about \$1.1 million in 1986 after deducting a 5-percent vacancy allowance. These figures do not include potential overage rent

collections in the interest of conservative financial planning, even though such overages are normally realized in this type of operation, particularly from major restaurant tenants. Also excluded is potential supplementary income from temporary carts and kiosks.

#### Parking Operations Revenue

It was previously noted in this report that while a parking charge is generally incompatible with specialty center development, it is considered necessary in the present instance in order to discourage use of the Union Station lot by persons who have no intention of visiting the center. It was additionally noted that a parking charge will probably have an adverse impact on attendance and per capita spending unless validations are widely available. HPC's suggested policy, therefore, was to offer validations with the purchase of food or merchandise. In this manner, only those visitors who do not patronize the center's facilities will be liable for parking fees. Assuming a policy of this general description, it is estimated that roughly 65 percent of all parking tickets would ultimately be validated.

The projections of revenues from parking lot operation requires an analysis of the distribution of parking spaces between Union Station and Olvera Street. Assuming that the 500-car garage planned for Olvera Street is completed by 1981, a total of 745 spaces would be available in that location, compared to the previously estimated 520 spaces at Union Station. Union Station would thus provide some 40 percent of the total spaces available in the combined complex. Allowing that 80 percent of all visitors will arrive by car and that 40 percent of the latter can be accommodated at Union Station, a total of 413,000 vehicles would use the station lot at an average occupancy factor of 3.5 persons per car. Those attendees visiting Union Station only would logically all park at this site as opposed to Olvera Street, whereas attendees visiting both attractions would park at either site depending on space availability, which will be greater at Olvera Street. On an overall basis, then, HPC estimates that the Union Station lot will be used by all station-only visitors and by about 30 percent of the dual-visitation group.

Assuming a parking charge of \$1.00 per hour (roughly the prevailing rate in the site vicinity) and an average visitor length of stay of 3.5 hours, the

total parking fee per auto amounts to \$3.50, which translates into a per capita figure of some \$0.45 in 1981. The calculation is as follows:

$$\begin{aligned} 413,000 \text{ cars at } \$3.50 &= \$1,446,000 \text{ total revenues} \\ \$1,446,000 \div 3,389,000 \text{ Union Station attendees} &= \\ &\underline{+ \$0.45 \text{ per capita (rounded)}} \end{aligned}$$

Finally, reduction of this amount by the 65-percent validation allowance yields a revised per capita parking expenditure of \$0.15, for total 1981 parking revenues of \$508,000. The increase in attendance projected by 1986 will, as noted earlier, require the construction of additional parking facilities. Assuming that these new spaces are provided at Union Station rather than Olvera Street, the subject site can increase capture of dual-visitor parking demand to about 50 percent, which will result in total parking revenues of some \$791,000 in 1986, following the same methodology indicated above. This analysis assumes that the parking lot will be operated by Union Station management as opposed to a concessionaire, and thus will receive all revenue accruing from parking facilities.

#### Advertising and Promotion Assessments

Assessments levied against tenants for the purpose of advertising and promotion have been estimated at \$0.75 per square foot annually, which will yield a promotion budget of \$64,000 in 1981 and \$86,000 in 1986. When combined with a contribution from center management, this should be sufficient for ads in print media, brochure distribution (to group tour operators and local tourist promotion agencies), possibly radio and television spots, and public relations functions such as receptions for civic officials and the like. It will be especially important to generate awareness of the redeveloped Union Station facility within the regional market area during the early years of operation. Later on, word-of-mouth promotion will increase, and advertising expenditures can probably be reduced.

#### Aggregate Operating Revenues

Aggregate revenue accruing from all major operations at the proposed entertainment center totals approximately \$2.0 million in 1981, rising to some \$2.6 million by 1986.

## ESTIMATED OPERATING EXPENSES

The estimated cost of operating the proposed complex is presented in Table 24, while major expense components are discussed in the following paragraphs.

### Specialty Retail Operating Expenses

With respect to specialty centers in general, operating expenses have risen sharply in recent years, primarily due to increased energy costs in providing common utilities (parking lot lighting and central air conditioning, for example). Whereas common area maintenance expenses, including the above components, averaged about \$0.20 per square foot of gross leasable area five years ago, costs have now escalated to an estimated \$0.30 to \$0.35 per square foot. HPC has utilized the higher figure in this analysis to reflect the age of the terminal building and the resulting probability that its energy systems are less than efficient by today's standards, even assuming that major improvements are made when the building is renovated. Based on 90,000 square feet of gross leasable area in 1981 and 120,000 square feet in 1986, total common area maintenance expenses will therefore amount to \$32,000 and \$42,000 in those years, respectively. Building maintenance costs have been estimated at \$0.15 per square foot of gross leasable area, resulting in an overall expense for this item of \$14,000 in 1981 and \$18,000 in 1986. Estimates shown for insurance, administration, security, and property taxes are prorated averages drawn from the experience of comparable existing facilities, while advertising and promotion costs are derived from tenant assessments for this purpose, plus contributions from center management.

### Parking Operations Expenses

The principal expense in the parking lot operation is, of course, the cost of validations, which has already been factored out of revenue estimates. To allow for other expenses, including wages and benefits and costs of printing tickets, uniform maintenance, and miscellaneous supplies, HPC estimates that parking lot operations expense will be equivalent to 10 percent of net parking revenues, or \$51,000 in 1981 and \$79,000 in 1986.

### Entertainment Expenses

The proposed center will also incur costs associated with the presentation

Table 24

ESTIMATED OPERATING EXPENSES FOR  
THE UNION STATION ENTERTAINMENT CENTER  
1981 - 1986  
(In Thousands of Constant 1979 Dollars)

	<u>1981</u>	<u>1986</u>
Estimated Cost of Common Area and Open Space Maintenance <sup>1</sup>	\$32	\$42
Estimated Cost of Building Maintenance <sup>2</sup>	14	18
Estimated Cost of Insurance <sup>3</sup>	32	39
Estimated Administrative Costs <sup>4</sup>	101	132
Estimated Cost of Security Personnel <sup>5</sup>	70	70
Estimated Property Taxes <sup>6</sup>	121	159
Advertising and Promotion Allowance <sup>7</sup>	100	125
Estimated Parking Operations Cost <sup>8</sup>	51	79
Entertainment Allowance <sup>9</sup>	<u>30</u>	<u>30</u>
Subtotal	\$551	\$694
Contingency Allowance <sup>10</sup>	<u>28</u>	<u>35</u>
TOTAL	\$579	\$729

- 
- 1 At \$0.35 per square foot of gross leasable area.  
2 At \$0.15 per square foot of gross leasable area.  
3 At 0.2 percent of gross sales.  
4 At 5 percent of gross lease revenues.  
5 Based on three eight-hour shifts per day and two guards per shift, at \$4.00 per hour and 365-day operation.  
6 At 6 percent of gross lease revenues.  
7 Derived from tenant assessments for advertising plus contributions from center management to equal the figures indicated.  
8 At 10 percent of gross revenues.  
9 Based on assumptions noted in the text.  
10 At 5 percent.

Source: Harrison Price Company

of free entertainment. It is difficult to assess the magnitude of this expense until the precise nature of the entertainment to be offered is determined; however, a rough estimate of \$30,000 annually has been used as a planning budget. This budget is comprised of an allowance of \$1,500 per month for informal exhibits and programs, plus a further allowance for four major entertainment events per year at \$3,000 each. A budget of this general magnitude should be adequate to create the desired market impact. Center financed events, furthermore, can be supplemented with volunteer performances by young entertainers eager for audience exposure and programs sponsored by civic and cultural organizations, folk dancing clubs, and the like.

#### Aggregate Operating Expenses

The expense items just discussed total \$551,000 in the first operating year, to which a 5-percent contingency allowance has been added, for a grand total of \$579,000. By 1986, overall expenses will rise to \$729,000. These projections are equivalent to 27 to 29 percent of gross operating revenues over the period indicated, a level which compares favorably with the current experience of similar facilities.

#### ESTIMATED REHABILITATION COSTS

Without extensive architectural and engineering surveys, it is impossible to accurately gauge the cost of rehabilitating Union Station. As a result, this analysis must rely on extrapolations from similar experience elsewhere, along with the "eyeball" inspection of the subject site conducted by the project team during the course of this study. As discussed previously, that inspection revealed an apparent basic structural soundness, but a substantial need for primarily cosmetic improvements such as paint and cleaning. The crucial unknown factor is the state of building infrastructure, especially electrical, plumbing, and fire protection systems, which could entail high, and possibly prohibitive, improvement expense if in bad condition or inadequate to support the type of development proposed. Assuming that these systems can be upgraded within reasonable cost parameters, Table 25 presents a rough estimation of rehabilitation expense at Union Station.

In deriving the estimates, the experience of other adaptive reuse projects was reviewed. This review indicates that the rehabilitation of older

Table 25

PRELIMINARY COST ESTIMATION  
 OF REHABILITATING UNION STATION  
 FOR ENTERTAINMENT CENTER USE  
 (In Constant 1979 Dollars)

## Building Rehabilitation

Terminal Ground Floor (60,350 square feet at \$35)	\$2,112,000
Terminal Basement (60,350 square feet at \$5)	302,000
Terminal Second Floor (11,900 square feet at \$35)	416,000
Arcades (10,800 square feet at \$35)	378,000
Patios (34,000 square feet at \$5)	170,000
Rail Service Ground Floor (22,900 square feet at \$35)	<u>802,000</u>
Subtotal	\$4,180,000
Landscaping and Parking Lot Improvements (five acres at \$50,000)	250,000
On-site Utility Systems Improvements (at 2 percent of building rehabilitation costs)	<u>84,000</u>
Total	\$4,514,000
Architectural and Engineering Services (at 7 percent)	316,000
Contingency (at 10 percent)	<u>451,000</u>
GRAND TOTAL	\$5,281,000

Source: Harrison Price Company

buildings is frequently, but not necessarily, cheaper than new construction. While many such renovation projects have been accomplished for 25 to 30 percent less on average than the cost of comparable new construction, there are others where rehabilitation expenses have equaled or exceeded the cost of a new building (not that an historically valuable building could ever be reproduced at the cost of a new structure). A case in point is Faneuil Hall in Boston, where renovation costs are ranging between \$75 and \$100 per square foot, well in excess of the \$45 to \$50 per square foot presently associated with new specialty center development. The Faneuil Hall buildings, however, are more than 150 years old and have required extensive improvements in order to comply with current building codes. Furthermore, the comparatively severe climate of Boston has necessitated much more weather proofing than would be required in California. A more realistic point of reference is provided by the experience of the old streetcar barns in Salt Lake City that eventually became Trolley Square. Here, cumulative rehabilitation costs totaled approximately \$25 per square foot over the 1972-76 period. These buildings required no major structural changes, but were in far worse condition than Union Station when the rehabilitation program began. Denver's Larimer Square offers a further example, where cumulative costs averaged some \$20 per square foot since renovation began in 1965 through about 1974.

Given cost increases since Trolley Square and Larimer Square were completed, the \$35 cost factor does not appear unreasonable for the comparatively well-preserved Union Station. Renovation of the basement and patio areas not envisioned for shop or restaurant use (except for restaurant seating in the case of the patios) is estimated to require about \$5 per square foot for essentially cosmetic improvements. Total building rehabilitation expenses thus are preliminarily estimated at approximately \$4.2 million. Added to this sum is an allowance of \$50,000 per acre for landscaping and improvements to the five acres of open space and parking at Union Station, for a total of \$250,000, along with some \$84,000 for on-site utility systems improvements (other than those within the terminal building itself, which are factored into the cost of building renovation as estimated above). The latter figure has been drawn from new construction experience and may prove to be only a token allowance if HPC's assumption regarding the condition of existing utility infrastructure is rendered invalid.



After adding the cost of architectural and engineering services and a 10-percent contingency, total estimated rehabilitation costs come to roughly \$5.3 million. Overall, then, a cost factor of \$59 per square foot of initial gross leasable area emerges, which is about 10 percent less than a new specialty center of like size would entail. A major potential expense not included in this budget is the cost of providing the pedestrian link to Olvera Street. In view of planned redevelopment activity at the Old Pueblo and the attention that will be focused on the Olvera Street/Union Station area during the Bicentennial period, the potential for securing public funding of this key project component is considered very good. No estimate of capital required from private sources has thus been incorporated into this analysis. The implications of a \$5.3 million rehabilitation budget on the proposed center's financial performance and, particularly, on the price that can be paid for the site are discussed subsequently.

#### PRO FORMA FINANCIAL ANALYSIS

Net operating income of the Union Station entertainment center (total revenues less total expenses) amounts to approximately \$1.4 million in 1981 and \$1.9 million in 1986. Stabilization of center operations can be expected to occur in about the third year of operation (1983), at which time net operating income should be roughly \$1.6 million. In order to derive an estimate of total project value and, hence, the residual funds available after rehabilitation for debt service and site acquisition, this stabilized income has been capitalized at a rate of 6 percent, which is the reported average for income-producing properties in today's inflationary economy. On this basis, total project value amounts to about \$27.2 million, as shown in Table 26 which, after deducting previously estimated rehabilitation costs, leaves a residual value representing land and capital recovery of \$21.9 million. There are a number of residual valuation techniques used in real estate appraisal. The method shown assumes that six years will be required before the project achieves optimum penetration of the available market, as previously stated in the market analysis. As indicated, a 75-percent loan of estimated total capitalized value entails an equity requirement of approximately \$6.8 million. If the desired rate of return on this equity is a minimum of 15 percent annually, the total return in six years would be equivalent to \$8.9 million on a present-worth basis, which indicates a land value of about \$13 million,

Table 26

ESTIMATED RESIDUAL VALUE OF  
THE UNION STATION PROPERTY  
(In Constant 1979 Dollars)

Total Operating Revenue <sup>1</sup>	\$2,268,000	
Total Operating Expenses <sup>1</sup>	<u>637,000</u>	
Net Operating Income	\$1,631,000	
Capitalized Value (at 6 percent)		\$27,183,000
Estimated Rehabilitation Costs		<u>5,281,000</u>
Balance Representing Capital Recovery and Land Value		\$21,902,000
Equity on Loan <sup>2</sup>	\$6,796,000	
Annual Return at 15 Percent	1,019,000	
Total Return in Six Years at 15 Percent (8.7537 factor)		<u>\$ 8,920,000</u>
Land Value in Six Years		\$12,982,000
Present Land Value at 15 Percent Risk (.4323 factor)		\$ 5,612,000
Present Land Value Per Square Foot <sup>3</sup>		\$10.73

1 Based on a stabilized year (1983 was assumed in this analysis).

2 Assumes a 75-percent loan on the total capitalized value.

3 Based on the front 12 acres only; the remaining 32 acres will not be used in the first phase of site redevelopment.

Source: Harrison Price Company

based on the six-year projection. This figure has then been discounted by a 15-percent risk factor and results in a present land value of \$5.6 million, or \$10.73 per square foot for the front 12 acres of the site.

In the context of prevailing land values in downtown Los Angeles, this residual value seems low. However, since the existing structures cannot, for all practical purposes, be torn down and the site cleared for new development, a ceiling on value is imposed by the limits of potential reuse. The indicated value is furthermore associated with a site located in a part of downtown that has no track record relative to high-quality retail development and thus implies a fairly high degree of risk. Obviously, reduction of the risk factor would produce substantially higher value (a 10-percent discount factor, for example, raises the total present residual land value to \$14 per square foot, all other factors remaining the same). Similarly, reduction of capital return expectations would also increase the residual land value. Any conclusions on land value are further complicated by the knowledge that different residual valuation techniques will yield different results. It appears desirable in the present instance, therefore, to obtain a qualified professional appraisal report on the Union Station property that employs several valuation approaches to determine a range of appropriate values.

In the absence of definitive appraisal data, this analysis must arbitrarily assume a certain land value in order to gauge overall financial performance of the attraction. The value selected is \$10 per square foot, for a total \$5.2 million site acquisition cost. When added to estimated rehabilitation expenses, total project costs thus come to some \$10.5 million. Table 27 presents an illustrative pro forma financial analysis based on a conventional 75-percent loan on total project costs (or \$7.9 million) at 11 percent interest over 25 years. After allowing for debt service, depreciation and income taxes, net cash flow comes to \$358,000 in 1981 and \$570,000 in 1986, which is equivalent to an annual return on the original equity investment of 13.6 percent initially, rising to 21.7 percent at the end of the projection period. It should be noted that the depreciation allowance shown in the table is quite conservative, and much higher allowances can be expected within the 1976 Tax Reform Act guidelines relative to historical properties (refer to the discussion in Section 4) if the proposed Union Station rehabilitation program is found to qualify.

Table 27

ILLUSTRATIVE PRO FORMA FINANCIAL ANALYSIS OF  
THE UNION STATION ENTERTAINMENT CENTER

1981 - 1986

(In Constant 1979 Dollars)

	1981	1982	1983	1984	1985	1986
Net Operating Income	\$ 1,442	\$ 1,536	\$ 1,631	\$ 1,725	\$ 1,820	\$ 1,914
Less: Interest <sup>1</sup>	864	857	849	841	833	817
Depreciation <sup>2</sup>	<u>264</u>	<u>264</u>	<u>264</u>	<u>264</u>	<u>264</u>	<u>264</u>
Net Pre-Tax Income	\$ 314	\$ 415	\$ 518	\$ 620	\$ 723	\$ 833
Less: Income Taxes <sup>3</sup>	<u>157</u>	<u>208</u>	<u>259</u>	<u>310</u>	<u>362</u>	<u>417</u>
Net After-Tax Income	\$ 157	\$ 207	\$ 259	\$ 310	\$ 361	\$ 416
Add: Depreciation	<u>264</u>	<u>264</u>	<u>264</u>	<u>264</u>	<u>264</u>	<u>264</u>
Gross Cash Flow	\$ 421	\$ 471	\$ 523	\$ 574	\$ 625	\$ 680
Less: Principal Payment	<u>63</u>	<u>70</u>	<u>78</u>	<u>86</u>	<u>94</u>	<u>110</u>
Net Cash Flow	\$ 358	\$ 401	\$ 445	\$ 488	\$ 531	\$ 570
Net Cash Flow as Percent of Original Equity Investment <sup>4</sup>	13.6 %	15.2 %	16.9 %	18.6 %	20.2 %	21.7 %

<sup>1</sup> Based on a loan of \$7,883,000 at 11 percent interest over 25 years.

<sup>2</sup> Calculated on a straight-line basis over 20 years; reflects renovation improvements only and makes no allowance for accelerated depreciation possible within guidelines of the 1976 Tax Reform Act (actual depreciation allowances could substantially exceed what is shown, and hence return on equity investment could be much higher).

<sup>3</sup> At 50 percent.

<sup>4</sup> Original equity investment assumed at \$2,628,000.

Source: Harrison Price Company

Normal investor expectations in a specialty center project would be an after-tax return of 20 to 30 percent. As would be expected, Union Station falls short of this level in the early years of operation in terms of constant dollars, but reaches the lower end of this range at its optimum market penetration level. The pro forma thus demonstrates that the profitability of the venture may be nominal at land costs in excess of \$10 per square foot, unless rehabilitation expenses can be held below what has been estimated and/or unless greater financial leverage can be obtained. Opportunities do exist for reducing renovation and finance expenses through grants and other provisions of programs established for historical preservation activities (refer to the discussion in Section 4 of this report). A joint public/private rehabilitation venture would also appear to be appropriate given the historical asset represented by Union Station in the context of the upcoming Los Angeles Bicentennial as well as the station's interrelationship with redevelopment activities at the Old Pueblo, nearby Chinatown, and Little Tokyo, and the proposed Multimodal Transportation Center behind the station.

A further alternative would be to secure a master lease on the subject site rather than purchase it; however, this may not be a viable option in view of the reported desire of the railroads to dispose of the property, preferably by condemnation. Furthermore, if a local government agency were to purchase the site and in turn lease it to the client group, more stringent enforcement of historical preservation guidelines may result, which could inhibit the economic performance of the project.

The salutary benefit of inflation on the previous pro forma is presented in Table 28, which utilizes current dollars rather than constant dollars and expresses return on equity on a pre-tax/depreciation basis. Costs and revenues in this table are inflated at 7 percent per year. As shown, the rate of return amounts to almost 20 percent in the initial year and rises to roughly 67 percent by 1986. Clearly, the proposed Union Station entertainment center is potentially quite profitable, but determination of the exact degree of profitability awaits more definitive information on site acquisition costs, rehabilitation expenses, and method of financing. The foregoing financial analysis nevertheless demonstrates excellent potential with respect to demand conditions and other market factors, with overall performance ultimately depending on the resolution of key issues identified in this study.

Table 28

ALTERNATIVE PRO FORMA FINANCIAL ANALYSIS  
 OF THE UNION STATION ENTERTAINMENT CENTER  
 1981 - 1986  
 (In Thousands of Current Dollars)<sup>1</sup>

<u>Year</u>	<u>Net Operating Income</u>	<u>Total Debt Service</u>	<u>Net Profit After Debt Service</u>	<u>Net Profit as Percent of Equity</u>
1981	\$1,651	\$1,061	\$ 590	19.6 %
1982	1,882	↓	821	27.3
1983	2,138		1,077	33.5
1984	2,419		1,358	45.1
1985	2,731		1,670	55.5
1986	3,074		2,013	66.9

<sup>1</sup> Based on an average annual inflation rate of 7 percent; assumes permanent financing and equity investment occurs in 1981.

Source: Harrison Price Company

## Section 6

### SUMMARY AND CONCLUSIONS

This section highlights the principal findings and conclusions of the research program. No attempt is made here to provide supporting data or to detail research methodology; the reader is referred to the main body of this report for a discussion of the full scope and depth of this study assignment.

#### SITE AND CONCEPT EVALUATION

As a prerequisite to assessing the potential market and financial outlook for the proposed attraction, analysis was made of the locational characteristics of the subject site and the project's envisioned concept within the framework of specialty centers in general and adaptive reuse projects in particular.

##### Site Analysis

The Union Station property is located at the northeastern edge of the Los Angeles central business district, immediately north of the Hollywood/Santa Ana Freeway. It has extensive frontage on Alameda Street and close proximity to major downtown employment concentrations as well as major existing entertainment centers at Olvera Street, Chinatown, and Little Tokyo. Access to Union Station from outlying market areas is rapid and easy via the freeway system, while access from within the downtown area itself is soon to be vastly improved with implementation of the proposed Downtown People Mover system and associated Multimodal Transport Center to be developed on a site directly abutting the Union Station railyard. Access conditions and the overall locational environment are considered excellent for the type of operation proposed.

Construction of Union Station took place during the period 1936-1939, the last of the large metropolitan rail passenger depots to be built in the United States. Its unique architectural style, high level of craftsmanship evident in interior finishing, and historical importance to Los Angeles, led to its designation as a local landmark in 1972, and official listing on the State and National Registry of Historic Places is imminent. A total of some 44 acres is contained in the approximately rectangular site, which is readily

divisible into a front 12-acre portion occupied by the main terminal building and associated structures, and a rear 32-acre portion comprised entirely of railyard. Total building area comes to some 302,000 square feet, exclusive of perimeter arcades, 133,000 square feet of which is contained in the main terminal structure on three levels. The buildings are reported to have a basic structural soundness and renovation needs of the site appear to be primarily cosmetic in nature; however, no formal engineering surveys have been made, and the condition of building infrastructure has not been determined.

Union Station once handled more than 40 passenger trains daily, as well as a large amount of freight traffic. Current operations have decreased to eight daily trains and one tri-weekly train, with a modest amount of rail express activity the only existing freight service. As a result of vastly reduced rail operations, only a small proportion of existing facilities are required for rail service. While these activities could be retained on-site if necessary, prospects are good for relocation of AMTRAK operations to the proposed new Multimodal Transport Center, thus freeing most or all of the terminal facilities for other usage.

#### Concept Evaluation

To establish a conceptual perspective for the proposed development, the distinguishing characteristics of specialty centers as opposed to conventional shopping facilities were examined. The most important of these were found to be the use of restaurants as anchor tenants, employment of unified theming in design treatment, "human scale," unique merchandise lines, emphasis on one-of-a-kind local merchants rather than chain stores, and the provision of some form of purely recreational experience. Following this general discussion, a detailed review was made of the operating experience of five existing specialty centers, selected on the basis of their development within an historic structure. This review revealed that each project utilizes a highly individualized theme drawing on the historical and cultural past of each locale. Operationally, the success of these projects is tied to high-density markets enjoying a substantial amount of tourist activity, where the historical and entertainment content of the center can function as a recreational destination of considerable magnitude. Popular restaurants and an attractive



mix of independent shops are other pivotal factors, as are good access and convenient parking. Sales performance of these facilities far exceeds conventional shopping center experience and, as a result, this type of development can command higher rents than other shopping facilities.

Special attention was given to the existing Olvera Street operation since it is directly adjacent to the subject site. A pedestrian mall connecting the two sites has been proposed by a number of agencies and will likely become a reality. Olvera Street's performance was found to be consistent with typical specialty center standards in several key respects but somewhat inhibited by small scope, limited quality, and poor parking conditions. A master plan has been prepared for redevelopment of the neighboring Pico-Garnier Block into a first-class specialty shopping center, which will nearly double the size of the Old Pueblo shopping complex and bring the inventory of total retail space at this site to some 93,000 square feet. It is thus important to take existing/planned Olvera Street facilities into account in Union Station demand analysis.

An entertainment center at Union Station has the potential to fulfill several important functions in the regional market context, including the creation of a focal point for the Latin community in East Los Angeles (already existing but not fully realized by Olvera Street), the expansion of weekday luncheon and shopping opportunities for downtown employees, and the creation of a major recreational destination in downtown Los Angeles. Union Station's ability to perform these functions is closely allied with the degree of expertise employed in theming and the level of quality established in the physical plant. The environment must be clean and safe, as well as festive and appealing, and must be created within the confines of historical authenticity. In that regard, although violence is not an undue problem at Olvera Street, the new Union Station complex should provide around-the-clock surveillance, strict cash control procedures, and high-intensity lighting in open spaces. Perimeter fencing and a gate charge are not considered mandatory.

#### MARKET SUPPORT ANALYSIS

To determine the magnitude of market support available to the Union Station attraction, the size and characteristics of the resident, downtown employee, and visitor populations were analyzed, leading to projections of market penetration and attendance.

### Available Market Support

The resident market for the proposed development is defined as a 50-mile radius of the site, divided into three segments. The primary market encompasses the area within 20 miles, which has a total current population of about 6.1 million. Projections call for modest increases to 6.2 million by 1981 (which has been assumed as the first year of operation in this analysis) and 6.3 million by 1986. The secondary resident market area, or the area within 20 to 35 miles of the site, has about 1.2 million residents at the present time, and forecasts are for 1.3 million by 1981 and 1.4 million by 1986. Roughly 2.1 million persons reside in the tertiary market area currently, and this level is expected to rise to 2.3 million by 1981 and 2.6 million by 1986. The aggregate resident market available thus amounts to nearly 9.5 million people currently, and will increase to more than 10 million by 1986.

Median age within the city of Los Angeles is estimated at 31.6 years, somewhat higher than the county and state at large. The entertainment mix at Union Station, while offering something for all age groups, probably best emphasizes appeal to mature family groups and young adults. The city of Los Angeles is also relatively less affluent than the county and state as a whole, with a median annual income of some \$14,000 as compared to between \$15,000 and \$16,000 in the larger areas. It would thus appear that inclusion of relatively inexpensive dining and entertainment offerings at Union Station would maximize market performance.

Another large market segment available to Union Station is the downtown employee population. Total employment in the Los Angeles central business district currently amounts to an estimated 210,000 persons, 36,000 of whom-- primarily government employees--work in the Civic Center complex adjacent to the subject site. These workers constitute the primary source of downtown employee support, with employees of other downtown areas being of secondary significance.

The third principal source of support for the Union Station entertainment center is the very large regional tourist market. Total visitor volume is currently estimated at approximately 10 million and is forecast to increase to 10.7 million in 1981 and 12.2 million by 1986. Approximately 90 percent

of these visitors are destined to, or pass through, Los Angeles, indicating that on an adjusted basis, the tourist market available to Union Station amounts to roughly 9.6 million in 1981 and 11 million in 1986.

Combined support available from all sources described in the preceding paragraphs is estimated at 18.7 million persons currently, with projections calling for 19.6 million in 1981 and 21.4 million by 1986.

#### Estimated Market Penetration and Attendance

The experience of successful existing specialty centers was used as a guide in determining the potential market penetration of the Union Station entertainment center. Based on this experience and a comparison of project content and locational amenities, initial rates of market capture are estimated at 50 percent in the primary segment, 15 percent in the secondary segment, and 10 percent in the tertiary segment. These rates yield a total resident attendance volume of 3.5 million in 1981 and four million by 1986. Penetration of the downtown employee market is estimated at 4 to 5 percent over the planning period, yielding a total of 722,000 to 845,000 annual visits from this group, while tourist market capture is projected at 3 to 4 percent, for a total of 289,000 to 439,000 non-local visitors. The aggregate 1981 attendance estimate for Union Station thus amounts to 4.5 million people, local residents comprising about 80 percent of the total. By 1986, modest increases in market penetration will result in an increase in attendance to some 5.3 million.

These projections represent the drawing power of a single specialty center attraction at the subject site. Since there are two directly adjacent centers--Union Station and Olvera Street-- in the present instance, a certain amount of attendance-sharing is implicit in that the regional market will tend to perceive the two facilities as a single destination area. HPC estimates that Union Station will have exposure to 75 percent of total attendance generated by the two combined activities, yielding revised attendance projections of 3.4 million visitors in 1981 and four million in 1986.

## PHYSICAL PLANNING RECOMMENDATIONS

Attendance projections may be translated into demand for various kinds of physical facilities, which in turn provide the basis for recommendations on the reuse of existing structures at Union Station.

### Recommended Sizing and Content

On-site absorption potential at Union Station was determined by applying an estimate of visitor expenditures to anticipated attendance volume and then converting the resulting gross sales volume into supportable retail area. Because per capita spending is a function of visitor length of stay, the scope of the facility and entertainment offering tends to dictate the level of expenditure. For the Union Station complex, a 3.0- to 3.5-hour average length of stay is expected, and per capita expenditures are accordingly projected at \$4.65 in 1981 and \$4.90 in 1986. Applied to attendance projections for these years, this spending level translates into demand for some 98,000 square feet of specialty retail area at Union Station in 1981. Demand will increase to 122,000 square feet by 1986. It is recommended that 40 percent of total area be devoted to restaurants, and the remainder to merchandise sales.

An analysis of likely patterns of attendance revealed a requirement for some 1,260 parking spaces in the initial year. After reviewing the options in this regard at both Union Station and Olvera Street sites, it was found that existing and planned parking resources are adequate to meet this demand. Construction of additional parking facilities, however, will be necessary to meet the 1986 requirement for 1,470 spaces.

### Recommended Plan for Site Development

There are a few key restrictions that must be observed in rehabilitating Union Station because of its existing local landmark registration, as well as pending state and national registration. None of these restrictions, however, drastically alters potential for the reuse of the property, and observance of them will qualify the project for various forms of financial assistance, including tax incentives, low-cost loans, and grants, which could substantially reduce redevelopment costs at the site.

Given historical preservation guidelines, a preliminary reuse plan for Union Station is detailed in Section 4 of this report. Briefly highlighted, that plan focuses on the ground floor of the main terminal building, which is estimated to yield approximately 90,000 square feet of gross leasable area, a figure consistent with demand projections. This would be comprised of 36,000 square feet of restaurant space and 54,000 square feet of merchandise space, following HPC's recommendations on tenant mix. A total of eight restaurants/fast-food outlets and 54 merchandise boutiques could be housed in the complex (detailed suggestions on tenancies are presented in the body of this report). The built-in railroad theme of Union Station offers a wealth of material on which to base design treatment and the entertainment program. Union Station could encapsulate a trip round the world by train, with individual shops and restaurants each representing a "depot" along the way. Folk festivals, historical exhibits, and cultural and musical events could be held on a periodic basis, along with occasional special celebrations on major holiday weekends and historically significant dates.

#### FINANCIAL ANALYSIS

Highlights of the Union Station financial analysis are presented in the following paragraphs.

##### Estimated Operating Revenues

The total gross sales volume generated by specialty retail space at Union Station is estimated at some \$15.8 million in 1981, increasing to \$19.4 million in 1986. Revenue accruing to the center operating entity is calculated at \$2.0 million and \$2.6 million in those years, respectively, based on a minimum rental rate plus common-area assessments equivalent to 10 percent of sales, plus additional assessments for cooperative advertising and visitor expenditures on parking. With respect to the latter, it has been assumed that validations would be available in order to maximize attendance and visitor spending potential. Based on the recommended validation-with-purchase policy, some 65 percent of parking tickets would be validated.

##### Estimated Operating Expenses

An estimated operating expense of \$579,000 is forecast for the proposed center in 1981, and \$729,000 by 1986, based on the experience of comparable

facilities and certain operating assumptions. These figures represent 27 to 29 percent of net revenues, a level which compares favorably with the experience of existing specialty centers.

#### Estimated Rehabilitation Costs

Without extensive architectural and engineering surveys, it is impossible to accurately gauge the cost of rehabilitating Union Station. Relying on extrapolations from similar experience elsewhere, along with the "eyeball" inspection of the subject site conducted during the course of this study, HPC's preliminary budget totals some \$5.3 million. The largest component of this budget is the cost of converting interior spaces to specialty retail use, which amounts to \$2.1 million. Improvements to patio, basement, and arcade spaces and landscaping and parking lot improvements, plus design services and contingency allowance, comprise the remainder of the budget.

#### Pro Forma Financial Analysis

Net operating income of the Union Station entertainment center amounts to approximately \$1.4 million in 1981 and \$1.9 million in 1986. Stabilization of center operations can be expected to occur in about the third year of operation (1983), at which time net operating income should be roughly \$1.6 million. In order to derive an estimate of total project value, and hence the residual funds after rehabilitation for debt service and site acquisition, this net income was capitalized at 6 percent. On this basis, total project value amounts to about \$27.2 million, which translates into a residual of \$21.9 million, representing land value and capital recovery. Applying certain assumptions relative to expected capital return and indicated risk, maximum costs theoretically affordable for acquisition of the Union Station property thus come to \$10.73 per square foot, based on the front 12 acres only. It should be cautioned that this valuation is subject to many variables and differences in interpretation, and a professional appraisal of the site is considered mandatory.

For purposes of demonstrating potential financial performance, however, this analysis has arbitrarily assumed that the site would be acquired at a cost of \$10 per square foot which, when added to estimated rehabilitation expenses, results in a total project cost of some \$10.5 million. Assuming a 75-percent

loan on this amount at 11 percent interest over 25 years, net cash flow comes to \$358,000 in 1981 and \$570,000 in 1986, which is equivalent to an annual return on the original equity investment of 13.6 percent initially, rising to 21.7 percent at the end of the projection period. When revenues and expenses are adjusted for inflation at 7 percent per year in current dollars rather than constant dollars, and performance is expressed in terms of return on equity on a pre-tax/depreciation basis, the result is an indicated return of some 20 percent in the initial year and roughly 67 percent by 1986.

Clearly the proposed Union Station entertainment center is potentially quite profitable. Determination of the exact degree of profitability awaits more definitive information on site acquisition costs, rehabilitation expenses, and method of financing. The foregoing financial analysis nevertheless demonstrates excellent potential with respect to demand conditions and other market factors, with overall performance ultimately depending to some extent on the resolution of key issues identified in this study.

