OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Proposed San Diego Arts and Entertainment District

OVERVIEW

On August 1, 2012, the Land Use and Housing (LU&H) Committee was provided a presentation by David Ehrlich of FinWater Advisors and Jeff Marston of Marston and Marston for the creation of a proposed Arts and Entertainment District (A&E District) and the corresponding proposed sign plan for a defined area within downtown San Diego. The proposed 58-square block A&E District is centered on the C-Street corridor; with the proposed boundaries of Broadway Street as the southern border, Ash Street as the northern border, Front Street as the western border, and 10th Avenue as the eastern border. Subsequent to the August 1, 2012 LU&H Committee meeting, additional information including draft A&E District enabling legislation, a draft district sign plan, a draft media company service agreement and two legal issues memorandums in support of the proposed A&E District were forwarded to the City by Mr. Ehrlich and Mr. Marston. The proposed A&E District and district sign plan are similar to the Denver Theater District which Mr. Ehrlich helped to establish.

Based upon the presentation by Mr. Ehrlich and Mr. Marston and the additional information provided to the City, the proposed A&E District is to provide innovative lighting; street-level kiosks and graphics and signage to attract locals and tourists to Broadway and its adjacent streets; and provide a strong downtown balance to the Gaslamp Quarter. The A&E District will allow for a greater variety of signage, including outdoor general commercial advertising that will also promote San Diego arts and culture events.

During the August 1, 2012 LU&H Committee meeting, the Office of the IBA was requested to review the best practices from other cities/jurisdictions that have similar

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signage districts. This report will provide a summary of the best practices that have been identified as well as a brief summary of several other districts that were reviewed.

FISCAL/POLICY DISCUSSION

Proposed San Diego Arts & Entertainment District

According to information provided for the August 1, 2012 LU&H Committee meeting, the proposed San Diego A&E District is anticipated to be a unique neighborhood / destination that supports performing arts and cultural activities and encourages a pedestrian friendly environment. The project will create a well-lit, welcoming and desirable "street venue" through new street lighting, video and animated banners, and Light Emitting Diode (LED) boards and flags that will help market and communicate activities within the A&E District.

Per the draft district sign plan, the visual purpose of the "arts and entertainment" concept is to create an identity for the A&E District as a unique urban location, and improve the connection and encourage movement between the A&E District and the public spaces of the Gaslamp Quarter, Convention Center and other well established downtown locations.

The A&E District zoning provides for the subsequent adoption of the A&E District Sign Plan (District Sign Plan). The purpose of the sign plan is to supplement the City-wide signage regulations by providing guidelines for signage within the A&E District. The District Sign Plan will be comprised of Commercial signage and Art signage. Several key guiding factors related to the District Sign Plan include:

(1) Commercial signs in the A&E District must be non-standard in size and dimensions. They are customized for specific advertisement and are not intended to be interchangeable. The signage may often be square or vertical portraits, rather than the landscape orientation of standard outdoor signs. The signage is anticipated to take their orientation from the façade of the structure to which the signs are attached.

(2) Signs are purposely concentrated and focused at intersections and pedestrian gathering points, and contain a mixture of commercial and artistic signage. Public art and public service content (commissioned or reproduced local artwork and information related to area events) will be allocated 20% of the advertising time, while Sponsored content (commercial and non-commercial) will be allocated the balance of the advertising time. Commercial content includes sponsored content such as large logos, calls to action, or tag-lines, while non-Commercial content features a product but no logos or trademarked taglines (abstract imagery or very brief showing of any trademark).

(3) While individual signs and assemblages of signs in the A&E District can be quite tall, their basic orientation must be to the street.

(4) The A&E District will allow off-premise advertising; any party erecting off-premise signage within the A&E District must pay 15% of gross revenues

generated from such signage to the A&E District to support the provision of public performances and public art as well as capital improvements and marketing of the district. From information presented at the August 1, 2012 LU&H Committee meeting, estimated gross revenue by the third year of operation is estimated to be approximately $5 million, with roughly $1 million directed to the A&E District for art and cultural activities.

Per the proposed District Sign Plan, the economic purpose of the District is to capture a portion of the gross revenue from the signs to fund programs and activities throughout the A&E District. Further, the unique identity of the A&E District is to encourage increased public use and private investment in the A&E District.

According to the report from the Downtown San Diego Partnership, the A&E District will be a separate legal entity within the Downtown San Diego Partnership; and will provide funding to help alleviate homelessness issues downtown while simultaneously activating the A&E District with arts and entertainment activities.

Best Practices of Other Districts

In reviewing several art and entertainment districts, it is difficult to identify best operating practices as all of the districts vary in definition and name and are unique to their respective area. An art and entertainment district can be referred to as a cultural district; arts district; arts and entertainment district; arts and science district; entertainment district; and/or a theatre district. While each district may be designed differently, each district has the same basic foundation. These districts are well-recognized, easily identifiable, geographically defined areas of a city where a high concentration of cultural facilities and programs serve as an anchor of attraction. The typical district objective is to drive redevelopment, beautify and animate cities; provide employment; attract residents and tourists to the city; enhance property values; expand the tax base; and contribute to a creative, innovative environment.

In consideration of the proposed San Diego A&E District, our office reviewed multiple "districts" including but not limited to: Baltimore's Bromo Tower Arts and Entertainment District (one of the State of Maryland's state-designed art and entertainment districts); the Tucson Arts District; the Los Angeles Live (LA Live) entertainment complex; the Legend's Entertainment District in Phoenix; and Seattle's Youngstown Cultural Arts Center, eventually narrowing further review to two districts:

- The Denver Theater District; and
- The Philadelphia Market Street East Advertising District.

As the premise for the San Diego A&E District is for new and innovative signage to invigorate redevelopment and investment, these are the most similar districts based on our review. A brief description and highlights of these two districts follow.

The Denver Theater District
In September 2007, the City of Denver adopted the zoning adjustments to create the Theater District. A district sign plan was also adopted. The Denver Theatre District (DTD) is a not-for-profit 501(c)(3) created to enhance downtown Denver through public art investment, city and regional art, and cultural promotions. The DTD's Mission Statement is: "To facilitate "Bright Lights" signage and activation downtown, stimulate economic activity and promote the arts within the downtown Denver Theatre District geographic boundaries."

- The DTD covers a 16-block area in the heart of downtown Denver's nightlife and entertainment.
- Based upon DTD's media package, the district uses 37 static and 2 full-motion LED screens. The LED screens measure 18'x 32' and 25'x60', while the static signs range from 9'x32' to 45'x137', allowing for reads of over two miles away. A general premise from the adopted sign plan related to the DTD is that the signage will be non-standard.
- For every commercial sign sold within the DTD boundaries, 15% of the gross revenues go back into the District.
- The term of the agreement is twenty years.

Philadelphia
While the proposed San Diego A&E District is tailored after the Denver Theater District, the Advertising District approved by the City of Philadelphia appears to be the most similar to the proposed A&E District for the City of San Diego. In June 2011, the Philadelphia City Council passed an ordinance creating the Market Street East Advertising District. Intended to spur the revitalization of Market East, the ordinance allows property owners to erect large-format animated digital signage in exchange for major property improvements. The bill excluded historic buildings from the district except in cases where large signs previously existed.

In review of the initial proposal, the Philadelphia City Council had several legislative findings including:

(1) *P*roperties that are poorly maintained, underperforming or outmoded in areas with a high density of hospitality, entertainment and retail uses, inhibit the full commercial potential of such areas and detract from the positive experience of patrons, shoppers and tourists.
(2) Large format signs generate revenue that can be directed to support the reuse or rehabilitation of poorly maintained, underperforming or outmoded buildings.
(3) The public should be compensated for the cost of regulating and licensing such large format signs.

The adopted ordinance defines multiple details including but not limited to:

(1) Only properties either with one hundred feet or more of frontage on Market Street, or belonging to a contiguous set of buildings under common ownership or management with a collective frontage on Market Street of one hundred feet or more, are included within the District.
(2) No roof signs shall be permitted, except on any buildings on which a roof sign was situated at any time prior to January 1, 1950.
(3) No sign shall exceed in size sixteen hundred (1,600) sq. ft. per sign face and total aggregate sign area on any property.
(4) Prohibits certain flashing and other signs and provides that no flashing sign, sign with intermittent illumination, or sign with mechanically or electronically changing messages, shall be permitted unless determined that it will not create a material distraction to drivers of motor vehicles or otherwise present a safety hazard or substantially interfere with the peaceful enjoyment of the neighborhood.
(5) Unless permitted by another zoning code section, no person shall place or maintain or allow to placed or maintained any tobacco advertising within one thousand feet of any school or library.
(6) Requires the property owner or a tenant with the permission of the property owner to commit to a minimum investment of $10 million in redevelopment of the property.
(7) Twenty year agreement between the City and the property owner.

Other “districts” were excluded from additional review as the design or focus of the district was not comparable to the proposed San Diego A&E District. For example, the State of Maryland has several State-designed cultural districts designed for the purpose of attracting artists or art-related projects. The State provides tax incentives to those participating in the district. The State of Maryland is one of several states that have developed some type of state-designed art/cultural district. Seattle’s Art District’s focus is solely on art and art development. This district provides art education and affordable space for artists and community arts. The focus did not appear to include adjustments for the inclusion of new static or digital signage.

The LA Live Entertainment Complex, which includes a hotel, condominium tower and LA Live, and was developed by several large investment firms/banks at a cost of approximately $2.5 billion, appeared to beyond the scope of the proposed San Diego A&E District. The Phoenix Legends Entertainment District was created to take advantage of marketing opportunities resulting from the presence of several sports complexes (arenas, above-ground parking garage, and stadium) and a convention center. The proposed A&E District for San Diego does not encompass such facilities.

While operating best practices are difficult to identify, there are several best financial practices that should be considered in the development of an A&E District. These include:

- Ongoing public outreach to assess community acceptance, identify issues, and arrive at potential solutions.

- Development of financial reports – As is customary with other special districts, as the City is developing the A&E District; the City should receive an annual financial and activity report from the Downtown San Diego Partnership.
- Establishment of Strategic Plans –Some form of a strategic plan is recommended to provide a long-term perspective for service delivery and budgeting. The strategic plan will help determine how available resources can be used to achieve future goals.
- Development of Performance Measures - Performance measures can assist in the setting of goals and objectives, and accessing the accomplishments or identifying areas for improvement. Development of performance measurements is an iterative process in which continuous improvement is the constant objective.

In addition to this review, a publication of Americans for the Arts, *Cultural Districts: The Arts as a Strategy for Revitalizing Our Cities*, written by Hilary Anne Frost-Kumpf, serves as a useful handbook for communities considering the establishment of a cultural district (including Arts and Entertainment districts), whether legally designated or planned and promoted as such. Within this publication, a list of structural factors that could affect the development of a cultural district include but are not limited to: (1) perceived need for revitalization; (2) number of pre-existing cultural/art facilities; (3) extent of current or potential investment in housing, retail and office space; and (4) zoning and other development restrictions. The proposed A&E District should consider all of these items.

CONCLUSION

On May 22, 2013, the San Diego Downtown Partnership will present a report to the Land Use and Housing Committee on the proposed formation of an art and entertainment district. Additional specific details, such as sign size, illumination (brightness and timing) limitations and the proposed review process for signage in the proposed arts and entertainment district, should be developed and presented to the City Council.

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