Charette Briefing Book

8-28-1991

Harrison Price Company

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CHARRETTE BRIEFING BOOK

Prepared for:

Hollywood CRA

Prepared by:

Harrison Price Company
970 West 190th Street, Suite 580
Torrance, California  90502

(213) 715-6654
As you may know, the Community Redevelopment Agency (CRA) of the City of Los Angeles is engaged in a 30 year effort to revitalize Hollywood. The CRA recognizes the importance of the entertainment industry to Hollywood's economic and social well-being. Over two-thirds of the businesses located in Hollywood are related to the entertainment industry and the community is identified, worldwide, as the entertainment capital. In recent years, however, other cities and communities in the Los Angeles area have become increasingly competitive with Hollywood in capturing entertainment industry businesses. As a consequence, the CRA wants to facilitate the expansion of Hollywood's entertainment industry base.

The CRA is turning to the industry for recommendations on ways to attract and retain the entertainment industry in Hollywood. You have been invited to address this issue in a one-day workshop scheduled for September 20, 1991. Representatives from a wide range of entertainment industry businesses, big and small will join you. The product of this meeting will be an Action Plan for Hollywood aimed at enhancing our position as a desirable location for entertainment industry businesses.

Sincerely,

H. Cooke Sunoo
Project Manager
TO: Hollywood CRA Charrette Participants
FROM: Nick Winslow, Harrison Price Company
RE: Workshop Background, Agenda and Participants

Dear Participant:

Thank you for agreeing to participate in the upcoming CRA workshop where we will discuss how to attract and hold entertainment businesses in Hollywood. As I mentioned to most of you on the telephone, the session is scheduled for:

Friday, September 20, 1991
8:30 am
Executive Dining Room
Paramount Pictures Commissary
5555 Melrose Avenue

An agenda, participant list and briefing materials are enclosed for your review. As noted, the workshop needs to cover a great deal of material and hence will require most of the day. If there are items not on the agenda which you believe are critical to the discussion, please do not hesitate to bring them up. I tend to use the agenda as a general, rather than a specific, guideline. Our most important task is to understand your views on how to help entertainment businesses in Hollywood, and translate the key points into an action plan for CRA. We therefore ask that you be candid and straightforward in your thoughts and comments.

Please do not hesitate to call me at (213) 715-6654 if you have any questions or comments. I hope you will find the day both interesting and rewarding.

Sincerely,

Nicholas S. Winslow
President
## HOLLYWOOD ENTERTAINMENT CHARRETTE

### PARTICIPANT LIST
(September 10, 1991)

<table>
<thead>
<tr>
<th>Name</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nick Winslow</td>
<td>Harrison Price Company</td>
</tr>
<tr>
<td>Lisa Linowes</td>
<td>Hollywood CRA</td>
</tr>
<tr>
<td>Cooke Sunoo</td>
<td>Hollywood CRA</td>
</tr>
<tr>
<td>Chris Essel</td>
<td>Paramount</td>
</tr>
<tr>
<td>Rob Waller</td>
<td>Coldwell Banker</td>
</tr>
<tr>
<td>Bob Burton</td>
<td>Audio Rents</td>
</tr>
<tr>
<td>Les Harrison</td>
<td>Hollywood Sound</td>
</tr>
<tr>
<td>Joe Matza</td>
<td>Composite Image Systems</td>
</tr>
<tr>
<td>Jonathan Katz</td>
<td>Cinnebar</td>
</tr>
<tr>
<td>Ron Silveira</td>
<td>Unitel Video</td>
</tr>
<tr>
<td>Cody Cluff</td>
<td>L. A. Film Office</td>
</tr>
<tr>
<td>Matt Herman</td>
<td>Steven J. Cannell</td>
</tr>
<tr>
<td>Frank Kroeger</td>
<td>Building &amp; Safety Consultant</td>
</tr>
<tr>
<td>Gini Barrett</td>
<td>AMPTP</td>
</tr>
<tr>
<td>Paul Babb</td>
<td>Paramount Images</td>
</tr>
<tr>
<td>Diana Burgaman</td>
<td>Council District 13</td>
</tr>
</tbody>
</table>
I. INTRODUCTION
   A. Participants
   B. Charrette Objectives
   C. Charrette Process

II. ISSUES CONDITIONING THE ASSIGNMENT
   A. Entertainment Industry Trends As They Affect Land Use and Location
      1. General
      2. Sector Specific
         a. Film Production
         b. Video Production
         c. Post Productions
         d. Music
         e. Radio & Television
         f. Commercials
   B. Other Issues Affecting Business Location Decisions
      1. Hollywood CRA Activities
      2. Other Developments Proposed in Hollywood
      3. Competitive Environment (Burbank Entertainment District, etc.)
      4. Building & Safety
      5. Location Permits
      6. Space Costs
      7. Other (parking, etc.)

BREAK 10:30-10:45AM
HOLLYWOOD CRA CHARRETTE
AGENDA
(continued)

III. STRATEGIC OPTIONS TO ATTRACT AND HOLD ENTERTAINMENT BUSINESSES IN HOLLYWOOD 10:45-AM-2:00PM*

A. Space Availability
B. Cost
   1. Acquisition
   2. Code Requirements
   3. Parking
   4. Other Building & Safety Issues
C. Enhancing Critical Mass
   1. Commitment To Stay By Existing Companies
   2. New Projects
      a. CRA
      b. Private
      c. Cooperative
D. Combating Competitive Pressures
   1. Improve Image
   2. Enhance:
      a. Security
      b. Environment
      c. Public Cooperation
      d. Traffic, Access and Parking
      e. Importance of cleaning up Hollywood Boulevard
      f. Other
E. Other

BREAK 2:00-2:15PM

* Includes working lunch
IV. FORMULATION OF AN ACTION PLAN

A. Type of action
   1. Legislation
   2. Marketing
   3. Technical assistance
   4. Development (entertainment campus, etc.)
   5. Other

B. Timing
   1. Immediate actions
   2. Short term actions (1 to 2 years)
   3. Long term actions

C. Responsible entities
   1. Private sector
   2. City of Los Angeles
   3. CRA
   4. Other

V. ADJOURNMENT
TIME LINE OF THE ENTERTAINMENT INDUSTRY
(Taken from the May 1991 report by Jan Bredenbach, "The Entertainment Industry in West Hollywood: Trends, Issues and Opportunities").

1960's
Motion Picture Industry is highly vertically integrated. Various parts of the production process--development, production and distribution--are brought together in a vertical hierarchy within a firm and/or a group of firms.

1980's
Industry has undergone a process of vertical disintegration and spatial disagglomeration -- removal of many functions into separate businesses which are spatially separate from the core firms. During this period, different functions of the production process were dispersed into the wider economy. Two important occupational increases offset the decrease in the size of studios: 1) The growth of functions devoted to technical innovations in film products and processes including shooting, film processing, editing and sound and 2) of functions devoted to the transactions between the businesses themselves including lawyers, accountants and agents, the makers of the "deal".

Between the late 1960's and early 1980's, the number of production companies more than tripled, and the number of post production companies in sound alone increased tenfold. This process of vertical disintegration led, not only to the formation of separate businesses out of previous divisions or departments of large studios, but also to a spatial dispersion of the firms into communities and neighborhoods around the studios (and in some cases, far removed from the studios).

Once removed from the constraints of operating in a larger firm devoted solely to the production of motion pictures or TV shows, producers and technicians became entrepreneurs specializing in various processes. They were free to create new markets and clients across industry boundaries, into other areas wholly unrelated to entertainment.

1990's
Many of the major studios have been acquired by non-entertainment-related conglomerates i.e., Sony's purchase of Columbia Studios; Matsushita's purchase of MCA; Parretti's acquisition of MGM; Time, Inc.'s purchase of Warner Communications and Walt Disney Company's invitation to Japanese investors to join an investment partnership, Touchwood Pacific Partners.

Some industry analysts argue that the process of concentration of major studios into larger companies is evidence of vertical integration or, perhaps more accurately, vertical "re-integration". While this may be the case at the level of the large firm (studios and networks), it has not, as yet, led to the re-absorption
of the dispersed functions of deal making and post-production back into the larger companies. The post-production and specialty businesses, in particular, have found not only industry-related markets but have crossed over into other non-entertainment-related markets, as well.
HIGHLIGHTS OF THE FILM AND VIDEO INDUSTRY IN THE CITY OF LOS ANGELES
(Taken from the May 1991 report by Keith Comrie, City Administrative Officer, "Management Audit of the City's Promotion, Retention, and Regulation of the Movie, Television, and Commercials Industries").

- Film industry operations continue to thrive in the city of Los Angeles. In 1989 LA captured over $2 billion in feature film production—about one-half of the total U.S. industry; was home to over $1.1 billion in prime time television production—about 65 percent of the U.S.; and produced $700 million of commercials, or about 40 percent of the commercials industry.

- Yearly filming expenditures in the City are almost $4 billion. Location "shoots" outside the major film studio facilities recently hit an all-time high of 111 in a single day.

- Production companies are required to obtain permits when they use City streets or facilities, residential neighborhoods or businesses for their filming. They pay for fire safety inspections, police traffic and crowd control, temporary street parking restrictions and other services to facilitate filming, and minimize disruption to the public. City departments also assure that operations are within code requirements for safety. A study showed that the 1987 average daily rate for filming at locations in the LA area was about $32,500 (this rate includes story rights and development location scouting, salaries of writers, directors, actors, extras, crews, set construction, transportation, wardrobe, facilities, editing, music, etc.).

- Six percent of employment in Los Angeles County is working either in various facets of the filming industries, or in support of those that directly work in the industries.

- City-industry relations operate under a 1973 ordinance, and the Mayor is assisted by a 50-member Film Development Committee. A consistent balance between city regulation and the filming industry's needs has been difficult to maintain. To assist in achieving a positive working relationship, the Mayor and City Council established a Task Force (July 1987), and later a Filming Operations Committee under the auspices of the Public Works Commissioners (August 1988) to review Building and Safety code requirements and to propose a replacement ordinance formalizing City policy in support of the film industry.

- The Public Works Department manages the permit process; its staff works in a role as coordinator to smooth out differences between the film industry, related regulatory City departments (e.g. Police, Fire, Transportation, Building and Safety), and affected homeowner and business groups. Since concerns persist the authors of this report
believe a more effective approach might be to designate the Mayor as chairperson of the Filming Operations Committee. The Committee would resolve disputes, build a consensus plan for improved relationships, and draft an ordinance in support of the film industry as previously called for by the Mayor and Council.

- In 5 years (1985-1990) the number of filming-related permits issued in the City has increased from 3,800 to 5,500 permits (45 percent). The largest increase (140 percent) has occurred in permits for feature films--up from 500 in 1985 to 1,200 in 1990. (The 5,500 permits resulted in over 10,900 days of filming--Griffith Park (350 days) and Hollywood Boulevard from Vine to La Brea (190 days) were the most filmed locations.

- While the City is the filming capital of the world, there are ever increasing efforts by other local and state governments to lure entertainment industry business from our City.

- Regulations and procedures affecting the filming industry, and the absence of overall city policy to retain and promote production of films, television, and commercials have yet to be addressed.

- While the number of permits and riders issued by the Film and Video Permit Office has increased by 30 percent in 5 years the number of staff and the way in which the Office meets the filming industry's needs has changed little.

- The supervisor of the Film and Video Permit Office states that complaints from the public have increased from 3 or 4 a week to 2 or 3 a day. Industry representatives and homeowner groups report that some of the Office staff are unprofessional and that the Office is neither able to keep up with the workload nor respond timely to complaints. A quote from a location manager provides a reasonable summation of the industry's concern about the Office:

  "One of the battles I resent is trying to pull city filming permits. It is a terrible thing when you are trying to meet deadlines and you are put on hold for an hour and then its too late to get your posting up, or you may have to make a change in your permit and you are met with a sour disposition or you leave six messages with your pager number and no one calls you back. I try to see the other side of it too, but it goes too far."

(Automation, either already operational or proposed for the near future, and a new position in the 1991-1992 budget should help the Office in meeting the ever expanding volume of business).

- The Fire Department has the task of balancing the desires of the industry to film on the streets of the city and in buildings which were not designed as soundstages with the safety of the public, the cast, and the crew of the production companies. Industry representatives have reported that the
Department insists on providing more fire inspectors than necessary and that the service is too costly. (There has been a significant reduction in the number of filming locations being assigned an inspector from 70% to 45%, due to an ad hoc task force of industry and County representatives).

Numerous complaints have been made about the police (both retired and off duty officers) who favor the filming companies at the expense of the rights and safety of the public. The Department has not provided guidelines to the industry and Permit Office for when and the number of officers required for various types of scenes to be filmed. (The Department is completing a Police Commission directed study of the accountability of retired and off-duty active officers at special events, including filming).
HOLLYWOOD REDEVELOPMENT PROJECT

Overview

As early as the 1960s, movie studios began to move away from Hollywood to more spacious facilities in the nearby San Fernando Valley. This economic disinvestment by the studios was coupled with a decline in the quality of Hollywood Boulevard businesses. The area’s low density, single family residential character began to shift as apartment buildings and short term renters flooded the area. Expanding businesses and offices found little room for expansion and continued the flight to other parts of Los Angeles.

Concerned about Hollywood’s decline, the business and residential community together appealed to the Los Angeles City Council for help. The Hollywood Redevelopment Plan was adopted in 1986 after three years of public hearings and research regarding conditions in Hollywood and remedies to create new investment opportunities and development, while serving the community’s diverse needs. The document is a 30-year Plan aimed at revitalizing 1,107 acres in the heart of the community. The Hollywood Project Area is bounded by Franklin Avenue on the north; La Brea Avenue on the west; and Fountain Avenue on the south, jogging down to Santa Monica Boulevard at Gower Street and extending eastward to Serrano Avenue.

Recognizing the entertainment industry’s importance to Hollywood’s economy as an impetus for residential, commercial, and industrial growth and prosperity, an important goal of the Hollywood Redevelopment Plan is to promote and support Hollywood as the center of the entertainment industry by retaining and expanding all sectors of the entertainment industry. The Redevelopment Plan specifically calls for the creation of an economic development strategy to achieve this goal.

Other goals of the Redevelopment Plan include increasing Hollywood’s quality and quantity of affordable housing, preserving the historic character of Hollywood alleviating social needs, promoting quality urban design, neighborhood enhancement and implementing transportation improvements.

Commercial Activity

The CRA has facilitated the development of several commercial projects in Hollywood through land-use actions, financial assistance and technical assistance. The following projects are either under construction or completed as of September 1991:

- Hollywood Vine Self Storage (Completed)
- El Capitan Theater Rehabilitation (Completed)
- Craftek Automotive (Completed)
- Pier One Imports Expansion (Completed)
- A & M Records Re-Use (Under Construction)
- Hollywood Galaxy Shopping Center (Under Construction)
- Encore Video Production Facility (Under Construction)
- Hollywood Guinness Museum of World Records (Under Construction)
HOLLYWOOD REDEVELOPMENT PROJECT
(continued)

Proposed Metro Rail Development

The area's future transportation network will be improved by the proposed 17.5-mile Metro Rail Red Line route extending from downtown Los Angeles to Hollywood and the East San Fernando Valley area. Three stations are to be located along Hollywood Boulevard at Western Avenue, Vine Street, and Highland Avenue.
Hawthorn Ave.
Selma Ave.
Sunset Blvd.
Longpre Ave.
Santa Monica Fwy.

Project Map

Size: 1,100 Acres
Created: May 1986
Council district 13

Project Office:
6255 Sunset Blvd., Suite 711
Hollywood,
California 90015

Project Office Phone:
213.461.1066

CRA/LA Public Information
Phone 213.977.1951
KEY ISSUES REGARDING THE HOLLYWOOD ENTERTAINMENT SPACE
(Supplied by Udelwitz Associates.)

Land Use Overview

- Hollywood still retains a massive concentration of entertainment-related facilities and services. Today, both in quantity and quality, no other submarket can match Hollywood's centralized array of entertainment post-production facilities. In essence, the void left by motion picture production companies has been filled by the television, radio and recording industries. Hollywood's extensive linkage and identification with the entertainment industry is considered to be its greatest asset in attracting future support.

- Much of the space at the traditional motion picture studios in the Hollywood Project Area is being utilized for television shows and film production.

- The vast majority of the major studio facilities in the Hollywood Project Area and vicinity are reported to be operating at or near full capacity.

- Within the Hollywood Project Area, there are 6 major studio complexes, and within the Hollywood vicinity, an additional seven major studio facilities are operating. Additionally, the Hollywood area is also represented by all of the network channels and the most popular local channels, with the exception of NBC. Associated radio stations are also operating.

Commercial Land Use

- At the present time, Hollywood is characterized by 3 distinct commercial submarket locations. These include the Sunset Blvd. Corridor, the Hollywood Blvd. Corridor and the Vine St./Highland Ave. Corridor.

- A total of approximately 106 noteworthy entertainment-related companies and support facilities (not including the major studio complex) are located within the Project Area. Of these, 51 occupy space in major general purpose office buildings and 55 are in single-use industrial/office buildings or smaller multi-tenant office buildings. Summary Table 1 provides a listing of major entertainment industry production facilities in the Hollywood area.

- It is estimated that at least one-third of the corporate, business and professional office users have some relationship with the entertainment industry.
Much of the recent support for office space vacated by major non-entertainment tenants are derived from small sized entertainment industry tenants, particularly in the categories of recording, cable television, radio and post-production services.

Office tenants with entertainment orientations account for 75.5 percent of the total office space. The 8 largest office space users range in size from 32,500 to 58,500 square feet, and of these, only one tenant is representative on the non-entertainment sector.

The overall vacancy factor for general purpose office buildings in the Hollywood Project Area is 8.6 percent compared to a county wide office vacancy rate of 15 percent.

Currently, the composite asking rent for general purpose office space in Hollywood is $1.41 full service gross on a per month per square foot of rentable floor area. Rental rates for major office buildings in the Los Angeles region are more than $0.50 per square foot higher. The lower obtainable renting in the Hollywood Project Area can be attributed to the limited supply of newer Class A office space and, more importantly, the area’s lesser image relative to other Westside locations.

The two most noteworthy tenancy trends in the Hollywood Project Area are the predominance of small space users and the relative importance of entertainment-related uses. Currently, the average office space size is estimated to be 1,875 square feet. Major tenants, which are defined as those occupying 14,500 square feet or more of office space, account for only 20 percent of occupied space in the Hollywood Project Area.

The two most significant eras of office construction activity were the 1920’s and 1960’s. In the Hollywood Project Area, approximately nine buildings with 763,904 square feet were completed in the 1920’s and 13 buildings with 1,127,717 square feet during the 1960’s; during the 1970’s, two large-scale office developments totaling 515,149 square feet were built in the Hollywood Project Area. Speculative office construction since 1980 consists of three buildings which contain 203,600 square feet.

The areas having the greatest competitive influence on the Hollywood Project Area office market include: Mid-Wilshire, Miracle Mile, West Hollywood, Burbank, Universal City and North Hollywood.
## Partial List Of

**MAJOR ENTERTAINMENT INDUSTRY PRODUCTION FACILITIES**

**HOLLYWOOD REDEVELOPMENT PROJECT AREA AND VICINITY**

<table>
<thead>
<tr>
<th>Facility Name</th>
<th>Location</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hollywood Redevelopment Project Area</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Sunset-Gower Studios</td>
<td>1438 Gower Street</td>
<td>Motion picture/television studios and offices; 40 buildings comprising 500,000 sq.ft.; formerly Columbia Pictures Studios.</td>
</tr>
<tr>
<td>2. A &amp; M Records</td>
<td>1416 La Brea Avenue</td>
<td>Record company; 17 buildings comprising 142,664 sq.ft.; future expansion plans for re-use of residential properties on Sycamore Avenue and De Longpre Avenue; original site of Charlie Chaplin Studios.</td>
</tr>
<tr>
<td>3. Fox Television Studios</td>
<td>5746 Sunset Boulevard</td>
<td>KTTV-11 broadcasting; production and offices; 14 buildings comprising 200,000 sq.ft.; formerly Movietone.</td>
</tr>
<tr>
<td>4. Tribune Broadcasting Company</td>
<td>5800 Sunset Boulevard</td>
<td>KTTA-5, KOPC and K-LITE broadcasting; production and offices; 14 buildings comprising 178,460 sq.ft.; future expansion plans for new entertainment production center and 2 office towers (656,125 sq.ft.).</td>
</tr>
<tr>
<td>5. CBS Columbia Square</td>
<td>6121 Sunset Boulevard</td>
<td>Television news and radio broadcasting; KCBS, KFOX and KKOJ; 1 building comprising 120,000 sq.ft.</td>
</tr>
<tr>
<td>6. Hollywood Center Studios</td>
<td>1040 Las Palmas Avenue</td>
<td>Historic studio complex dating back to 1919; it includes the George Burns Stage; current location of Johnson-Burnett Productions.</td>
</tr>
<tr>
<td>Hollywood Vicinity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Warner Hollywood Studios</td>
<td>1041 Farnsworth Avenue</td>
<td>Motion picture/television studios and offices; formerly Samuel Goldwyn Studio.</td>
</tr>
<tr>
<td>8. Paramount Studios</td>
<td>5555 Melrose Avenue</td>
<td>Motion picture/television studios and offices; main complex contains 500,000 sq.ft.; a 55,000-square-foot office building is currently under construction for Paramount's television unit.</td>
</tr>
<tr>
<td>9. Raleigh Studios</td>
<td>Melrose Avenue and Van Ness Avenue</td>
<td>Film production studios and offices; complex consists of 3 new 4-story buildings and 9 older buildings dating back to 1914; total building area of 148,000 sq.ft.</td>
</tr>
<tr>
<td>10. Television Center</td>
<td>6311 Rosalind Street</td>
<td>Film production studios and related facilities; space available on a multi-tenant basis; formerly Technicolor Studios; 4-story building containing 188,000 sq.ft.</td>
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</table>
### Major Entertainment Industry Production Facilities
#### Hollywood Redevelopment Project Area and Vicinity

(Continued)

<table>
<thead>
<tr>
<th>Facility Name</th>
<th>Location</th>
<th>Comments</th>
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<tbody>
<tr>
<td>Hollywood Vicinity (continued)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. CBS Television City</td>
<td>7800 Beverly Boulevard</td>
<td>CBS Television broadcasting, production and offices.</td>
</tr>
<tr>
<td>13. ABC Television Center</td>
<td>4151 Prospect Avenue</td>
<td>ABC Television broadcasting, production and offices.</td>
</tr>
</tbody>
</table>

1/ XEOC-X-LITE facilities also located at 5659 Sunset Boulevard.

## General Market Office Space Rental and Vacancy Rates by Year Built

**Hollywood Redevelopment Project Area**

**November, 1990**

<table>
<thead>
<tr>
<th>Year Built Range</th>
<th>Number of Buildings</th>
<th>Office Building Space (sq.ft.)</th>
<th>Percent Vacant</th>
<th>Average Rental Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920-1929</td>
<td>9</td>
<td>763,904</td>
<td>6.6%</td>
<td>$1.28</td>
</tr>
<tr>
<td>1930-1939</td>
<td>4</td>
<td>197,000</td>
<td>9.1%</td>
<td>$1.37</td>
</tr>
<tr>
<td>1940-1949</td>
<td>1</td>
<td>20,000</td>
<td>9.0%</td>
<td>$1.50</td>
</tr>
<tr>
<td>1950-1959</td>
<td>2</td>
<td>130,436</td>
<td>22.2%</td>
<td>$1.10</td>
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<tr>
<td>1960-1969</td>
<td>13</td>
<td>1,121,717</td>
<td>6.7%</td>
<td>$1.42</td>
</tr>
<tr>
<td>1970-1979</td>
<td>2</td>
<td>515,149</td>
<td>9.9%</td>
<td>$1.61</td>
</tr>
<tr>
<td>1980-1989</td>
<td>3</td>
<td>203,600</td>
<td>14.2%</td>
<td>$1.77</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>34</td>
<td>2,953,806</td>
<td>8.6%</td>
<td>$1.41</td>
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</table>

*Source: Udewitz Associates.*
COMPETITIVE OFFICE MARKET AREAS
(Taken from the December 1990 report by Udelwitz Associates, "Office Market Analysis Hollywood Redevelopment Project Area").

The areas having the greatest competitive influence on the Hollywood Project Area office market include: Mid-Wilshire, Miracle Mile, West Hollywood, Burbank, Universal City and North Hollywood.

Mid-Wilshire Office Market

- Historically, Mid-Wilshire has been an important regional location for major insurance companies, large corporate tenants and prominent advertising/professional services firms.

- The area's office market witnessed substantial growth from the 1950's through the early 1970's. Over the past decade, however, Mid-Wilshire has undergone a significant transformation as a large number of important tenants chose to relocate to suburban office markets such as Glendale, Pasadena and the Warner Center/Woodland Hills area. Many of the underlying reasons prompting the decision to move are similar to those affecting the Hollywood Project Area office market (i.e., deteriorating neighborhood environment, crime/security, transportation, housing and labor pool issues).

- In contrast to Hollywood and despite the outmigrantion of major tenants, the Mid-Wilshire area recorded a relatively high level of new office construction during the 1980's, evidenced by the completion of nearly 1.4 million square feet of rentable space.

- Primary sources of recent support for office space in the Mid-Wilshire area have been from government agencies and small to mid-sized, price-sensitive service firms and Asian businesses.

Miracle Mile Office Market

- After being virtually dormant for more than 10 years, from the early 1970's to 1985, the Miracle Mile has experienced a resurgence in new office development activity over the past five years. During this period, five major projects comprising 1.76 million square feet were completed in the area.

- The overall office vacancy rate for Miracle Mile is currently 16.5 percent. But, it is important to note that about 40 percent of the total vacant space is in California Federal Plaza which is in the process of asbestos abatement and renovation.
The average asking rent for office space in the Miracle Mile area was indicated to be $2.02. Rents for new office space average $2.34 and, after adjusting for concessions, effective rates were estimated to average $2.11.

The new office buildings in the Miracle Mile submarket have attracted a broad base of tenants previously located in the surrounding areas of Beverly Hills, Century City, Hollywood and Mid-Wilshire.

Those moving to the Miracle Mile from the nearby Hollywood and Mid-Wilshire submarkets can be generally characterized as tenants seeking better quality office space and a higher image location. In terms of office user types, relocating tenants from Hollywood are almost entirely affiliated with the media or entertainment industry (i.e., Daily Variety and Eisman, Johns & Laws).

In addition, a significant number of new or expanding entertainment-related companies have selected locations in Miracle Mile instead of Hollywood. The largest of these include Pathe, Spelling Entertainment and 21st Century Film Corporation.

Compared to Hollywood, the Miracle Mile location offers superior nearby support facilities and a better neighborhood environment for office tenants. The main disadvantage of this area is its lack of easy freeway access.

**West Hollywood Office Market**

The primary concentration of major office buildings is along the Sunset Strip, extending west from Hollywood to Beverly Hills.

The two most important influences on the growth of the West Hollywood office market has been the entertainment and home furnishings/interior design industries.

Unlike Hollywood, West Hollywood has very few historical office buildings. The initial stock of office buildings in West Hollywood was mostly developed from the mid-1950's to mid-1960's.

The supply of new office space has been restricted by the availability of suitable building sites and the City's regulations which limit new office construction to low- and mid-rise structures.

The combined vacancy factor for the surveyed office buildings in West Hollywood was found to be 13.0 percent.
• Asking rents in West Hollywood average $2.32. (The higher rent structure is due to the locational premiums commanded by West Hollywood and are directly related to its established reputation as an upper-end for dining, hotels, retail shopping and entertainment.)

• West Hollywood's major tenant base is highly represented by companies in the entertainment fields. Tenants within the 15,000-45,000 square foot range include: Playboy, Inc., Geffen Records, Univision, Mann Theaters, Warner Chapel, EMI Music Publishing, Directors Guild of America, KBIG and Carolco. Examples of entertainment-related companies occupying space in major single-user office buildings are Petersen Publishing, Agrana Films/Harmony Gold and Carolco Pictures.

Burbank Office Market

• Since 1980, the Media District of Burbank has emerged as the fastest growing office center for entertainment-related industries in the Los Angeles region. During this time a total of 2.52 million square feet of general purpose office space were built in the Burbank area and practically all of this space is centered in the Media District which occupies the southwest section of the City.

• The newest high-rise office project in the Burbank area is the 32-story Tower at Burbank. This complex, containing 465,000 square feet, was 100 percent leased within six months after completion in early 1989.

• Tenancy of the Tower at Burbank includes: Warner Brothers and Disney each leasing 150,000 square feet of space.

• In addition to the offices in the Tower at Burbank, Disney Channel occupies 200,000 square feet in the Burbank Centre and other divisions of Disney have 65,850 square feet distributed between three office buildings.

• Other major entertainment tenants leasing space at general purpose office buildings in Burbank's Media District include Compact Video, Screen Actors Guild (Producers Pension Plan), Saban Entertainment, RCA Columbia, DIC Entertainment and the Producer/Writers Guild.

• The survey of single-user office buildings identified seven such buildings with a total of 1,062,500 square feet occupied by entertainment companies including: Dick Clark Productions, Compact Video, Warner Communications, Columbia Pictures, Walt Disney Productions, Warner/Electra/Atlantic and NBC.

• The four most prominent representatives of the entertainment field responsible for office expansion in Burbank area are Disney, Columbia Pictures, Warner Brothers and NBC Studios.
Indicative of the strong support for entertainment-oriented office space, the overall vacancy rate in Burbank was revealed to be only 5.5 percent.

The average asking rent was found to be $1.89 and those for space in the area's high-rise office buildings average $2.31.

Due to limited site availability other than studio-owned property and plans by the City of Burbank to reduce the allowable floor area ratio to 1:1 for new office space buildings in the Media District, the supply of new speculative office space oriented towards the entertainment industry is expected to be restricted in the coming years. (The proposed NBC Plaza would not be directly affected by the lower density requirements set forth in the Media District Specific Plan scheduled for adoption in January, 1991. This office project is planned for 790,000 square feet, of which 25 percent is to be occupied by NBC).

Universal City Office Market

The Universal City submarket has been defined to include Universal City itself with the nearby concentrations along Cahuenga Boulevard and Barham Boulevard.

The first office development in Universal City occurred in 1964 with construction of the MCA World Headquarters Building. (In 1975 and 1979, MCA built two additional office facilities for its own use.)

During the 1980's, six speculative office buildings including 1.1 million square feet were developed in the Universal City area. The largest of these is the 750,000 square foot 10 Universal City Plaza which opened in 1984.

Tenancy at the 32-story Universal City Plaza consists of a mix of corporate, insurance/finance and professional services firms as well as entertainment uses. Primary support for office space at the other five buildings (sited in the previous bullet) has been from tenants associated with the entertainment industry (i.e., Columbia Pictures, Transworld Entertainment, Ruby-Spears, Varitel Video, ABC Radio, Music Animal and Group W).

Universal City has a current vacancy factor of 3.5 percent.

The average rental rate was indicated to be $2.17.

MCA's master plan announced early in 1990 calls for development of Entertainment City on the 420-acre Universal city site near the interchange of the Hollywood and Ventura Freeways. The overall plan is for a mix of entertainment theme, low-rise office, hotel, restaurant and
specialty retail facilities. The initial phase, which is called CityWalk, will be primarily retail to complement Universal city's existing tour and commercial facilities.

North Hollywood Office Market

- Support for office space in the North Hollywood area during recent years has resulted from extension of the Burbank/Universal City entertainment industry market and local-serving as well as regional tenants seeking locations within the East San Fernando Valley.

- Since 1980, slightly more than 700,000 square feet of general purpose office space has been built in the North Hollywood area.

- North Hollywood has a current vacancy factor of 27.7 percent. More than 70 percent of the supply of vacant office space is represented by two major projects -- the Gibraltar Savings Building and Landmark Entertainment Group (also known as The Academy).

- Office rental rates in the North Hollywood area average $1.65. Asking rents for new office space in the Academy building are within the $2.10-$2.25 range.

- Major office projects along the Lankershim Boulevard Corridor, being the closest to the Universal City/Burbank area, have benefited the most from the expansion of the entertainment industry into the North Hollywood area.

- Four of the largest entertainment-related tenants leasing office space in the area are Walt Disney Productions, Landmark Entertainment, MCS and The Academy of Television Arts and Sciences.

- The Academy development represents an ambitious attempt to attract the entertainment industry to the North Hollywood area. It is a planned multi-phase, mixed-use project being implemented by the Community Redevelopment Agency on a 23 acre site within the North Hollywood Redevelopment Project Area. Ultimate buildout of the site area may include in excess of one million square feet of office space.
<table>
<thead>
<tr>
<th>Competitive Market Areas</th>
<th>Existing Buildings</th>
<th>Rentable Sq.Ft.</th>
<th>Percent</th>
<th>Overall Average Asking Rent</th>
<th>New Space Rental/ Asking Effective</th>
<th>Major Tenants</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Mid-Wilshire</td>
<td>43</td>
<td>9,025,461</td>
<td>12.8%</td>
<td>$1.66</td>
<td>$2.14</td>
<td>$1.95</td>
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<td></td>
<td>18</td>
<td>4,274,283</td>
<td>15.5%</td>
<td>$2.02</td>
<td>$2.24</td>
<td>$2.11</td>
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</tr>
<tr>
<td></td>
<td>23</td>
<td>2,444,162</td>
<td>13.04%</td>
<td>$2.32</td>
<td>$2.42</td>
<td>$2.25</td>
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</table>

County Superior Court (170,000 sq.ft.), Pacific Bell (150,000 sq.ft.), Marsh, McLennan (130,000 sq.ft.), Department of Insurance (118,000 sq.ft.), DMN (115,000 sq.ft.), U.S. Borax (108,000 sq.ft.), Cynus Insurance (11,353 sq.ft.) in two buildings), Continental Insurance (80,000 sq.ft.), Industrial Indemnity (80,000 sq.ft.), Frank B. Hall Insurance (70,750 sq.ft.), QA Insurance (60,000 sq.ft.), Daily & Associates (60,000 sq.ft.), Department of Corporations (40,000 sq.ft.), Pierce National Life (55,500 sq.ft.), KPM (53,000 sq.ft.), Leventhal & Horvath (53,000 sq.ft.), Alexander & Alexander (50,000 sq.ft.), Transit Casualty (50,000 sq.ft.), County Adoption Department (42,450 sq.ft.), Sedgwick James (41,000 sq.ft.), Equitable Life (41,000 sq.ft.) and AIG (40,000 sq.ft.).

California Federal (500,000 sq.ft.), Tico (105,000 sq.ft.), Chubb Insurance (50,000 sq.ft.), Gilroy & Mathew (60,000 sq.ft.), Great American Insurance (60,000 sq.ft.), Provident Insurance (60,000 sq.ft.), American Airlines (54,000 sq.ft.), State of California (40,000 sq.ft.), New York Life (40,000 sq.ft.), Dow Jones (40,000 sq.ft.), Grey Advertising (35,000 sq.ft.), 21st Century Film (32,000 sq.ft.), J. Walter Thompson (30,000 sq.ft.), Beneficial Standard (30,000 sq.ft.), Elmam, Johns, Laws (30,000 sq.ft.), McCann-Erickson (30,000 sq.ft.), Johnson, Pain, Perairs (27,000 sq.ft.) and Daily Variety (17,000 sq.ft.).

Playboy, Inc. (43,400 sq.ft.), Geffen Records (43,000 sq.ft.), Unisysco (40,000 sq.ft.), Baker, Krupp, Tullis (35,000 sq.ft.), Mann Theaters (35,000 sq.ft.), A Steel Case (35,000 sq.ft.), Warner Chapel (30,000 sq.ft.), BMI Music Publishing (25,000 sq.ft.), Bloom & Dakon (25,000 sq.ft.), Directors Guild of America (23,000 sq.ft.), EXKI (17,300 sq.ft.), Kellog & Anderson (11,000 sq.ft.) and Carolco Pictures (16,000 sq.ft.).
### SUMMARY CHARACTERISTICS OF EXISTING GENERAL PURPOSE OFFICE SPACE

**COMPETITIVE MARKET AREAS**

**OCTOBER, 1990**

(Continued)

<table>
<thead>
<tr>
<th>Competitive Market Areas</th>
<th>Existing Buildings</th>
<th>Rentable Sq.Ft.</th>
<th>Percent Vacant</th>
<th>Overall Average Asking Rent</th>
<th>New Space Rents 1/</th>
<th>Major Tenants 2/</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Burbank</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Disney Channel (200,000 sq.ft.), Walt Disney Productions (166,350 sq.ft., in two buildings), Warner Bros. (150,000 sq.ft.), Compact Video (87,300 sq.ft.), DIS Services (50,000 sq.ft.), Disney Development (45,000 sq.ft.), Screen Actors Guild (40,000 sq.ft.), Saban Entertainment (40,000 sq.ft.), ILM (38,000 sq.ft.), MCA Columbia (35,000 sq.ft.), Unihealth America (27,000 sq.ft.), ISC Entertainment (20,000 sq.ft.), DISC Digital Software (20,000 sq.ft.), Lockheed (20,000 sq.ft.), Sherrard Holdings (20,000 sq.ft.), Producer/Writer Guild Pension (18,846 sq.ft.), Polycon (17,500 sq.ft.) and Southland Title (14,500 sq.ft.)</td>
</tr>
<tr>
<td></td>
<td>Rentable</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>2,729,626</td>
<td>5.5%</td>
<td></td>
<td>$1.89</td>
<td>$1.93</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Universal City</strong></td>
<td>Rentable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Texaco (200,000 sq.ft.), Travelers Insurance (70,000 sq.ft.), Viacom (66,000 sq.ft.), Columbia Pictures (45,000 sq.ft.), Transworld Entertainment (40,000 sq.ft.), Ruby-Sparks (30,000 sq.ft.), Verizon Video (20,000 sq.ft.), NBC Radio (16,000 sq.ft.), music animal (16,000 sq.ft.) and Group W (15,000 sq.ft.)</td>
</tr>
<tr>
<td></td>
<td>1,113,301</td>
<td>3.5%</td>
<td></td>
<td>$2.17</td>
<td>$1.93</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>North Hollywood</strong></td>
<td>Rentable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Hewlett Packard (130,000 sq.ft.), Walt Disney Productions (120,000 sq.ft., in two buildings), Landmark Entertainment (50,000 sq.ft.), MCA (40,000 sq.ft.), Great Western Bank (25,000 sq.ft.) and Hyatt/Hyatt/Landau (20,000 sq.ft.) and Academy of Television Arts and Sciences (20,000 sq.ft.)</td>
</tr>
<tr>
<td></td>
<td>1,081,531</td>
<td>27.7%</td>
<td></td>
<td>$1.65</td>
<td>$1.73</td>
<td></td>
</tr>
</tbody>
</table>

1/ Average rents for buildings completed during the 1985-1990 period.

2/ Defined as tenants occupying over 14,500 square feet of office space, except for the Mid-Wilshire area where the threshold is 40,000 square feet.

Source: Ulevidz Associates.
<table>
<thead>
<tr>
<th>Major Tenant/Type of Business/Comments</th>
<th>Building Name/Address</th>
<th>Space Leased (square feet)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Petersen Publishing Company (Magazine publishing)</td>
<td>Sunset Center, 6725 Sunset Boulevard</td>
<td>58,500</td>
</tr>
<tr>
<td>2. Stephen J. Cannell Productions (Television film production/distribution)</td>
<td>Le Raina Building, 7083 Hollywood Boulevard</td>
<td>54,000</td>
</tr>
<tr>
<td>3. Motown Record Corp./Gordy Company (Recording Industry)</td>
<td>Trizec Hollywood Center, 6255 Sunset Boulevard</td>
<td>51,000</td>
</tr>
<tr>
<td>4. Mercedes Benz (Sales and corporate offices)</td>
<td>Mercedes Benz Building, 6353 Sunset Boulevard</td>
<td>50,000</td>
</tr>
<tr>
<td>5. Priess Entertainment (Motion picture and television film production/distribution)</td>
<td>KB Hollywood Center, 6922 Hollywood Boulevard</td>
<td>42,000</td>
</tr>
<tr>
<td>6. American Federation of Television and Radio Artists (AFTRA) (Entertainment industry union)</td>
<td>KB Hollywood Center, 6922 Hollywood Boulevard</td>
<td>42,000</td>
</tr>
<tr>
<td>7. BMG Music (Recording Industry, formerly RCA Records)</td>
<td>BMG Music Building, 6363 Sunset Boulevard</td>
<td>33,000</td>
</tr>
<tr>
<td>9. Modem Bank (Financial services)</td>
<td>BMG Music Building, 6363 Sunset Boulevard</td>
<td>22,000</td>
</tr>
<tr>
<td>10. Motnor Financial (Financial services)</td>
<td>Hollywood &amp; Vine Plaza, 1645 Vine Street and Hollywood Boulevard</td>
<td>20,000</td>
</tr>
<tr>
<td>11. Security Pacific Bank (Financial services)</td>
<td>Security Pacific Building, 6381 Hollywood Boulevard</td>
<td>19,000</td>
</tr>
<tr>
<td>12. Entertainment Television (Cable television programming)</td>
<td>ETC Plaza, 1800 Vine Street</td>
<td>17,700</td>
</tr>
<tr>
<td>13. Academy Pacific (Travel career training)</td>
<td>1777 Vine Building</td>
<td>17,000</td>
</tr>
</tbody>
</table>
### PARTIAL LIST OF
MAJOR TENANTS CURRENTLY LEASING SPACE AT GENERAL PURPOSE OFFICE BUILDINGS
HOLLYWOOD REDEVELOPMENT PROJECT AREA
NOVEMBER, 1990

(Continued)

<table>
<thead>
<tr>
<th>Major Tenant</th>
<th>Building Name/Address</th>
<th>Space Leased (square feet)</th>
<th>Type of Business/Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>14. Billings-Horn</td>
<td>Trizec Hollywood Center 6255 Sunset Boulevard</td>
<td>17,000</td>
<td>Food brokerage; moving to new offices located along the I-5 corridor; space currently available for sublease at $1.50.</td>
</tr>
<tr>
<td>15. Ralph Edwards Productions</td>
<td>American Savings Building 1717 Highland Avenue and Hollywood Boulevard</td>
<td>15,000</td>
<td>Television film production/distribution; long-time tenant of building.</td>
</tr>
<tr>
<td>16. American Savings</td>
<td>American Savings Building 1717 Highland Avenue and Hollywood Boulevard</td>
<td>15,000</td>
<td>Financial services; square footage includes bank and office space.</td>
</tr>
<tr>
<td>17. Columbia School of Broadcasting</td>
<td>5858 Hollywood Building</td>
<td>15,000</td>
<td>Broadcast training school; relocated from the Sunset Tower Building.</td>
</tr>
<tr>
<td>18. American Society of Composers, Authors and Publishers (ASCAP)</td>
<td>Sunset Cahuenga Building 6430 Sunset Boulevard</td>
<td>14,500</td>
<td>Entertainment industry association; occupied space represents one floor.</td>
</tr>
<tr>
<td>19. Keystone Communications</td>
<td>Sunset Cahuenga Building 6430 Sunset Boulevard</td>
<td>14,500</td>
<td>Satellite Communications; occupied space represents one floor.</td>
</tr>
<tr>
<td>20. Cable News Network (CN)</td>
<td>Sunset Cahuenga Building 6430 Sunset Boulevard</td>
<td>14,500</td>
<td>Cable news programming; occupied space represents one floor.</td>
</tr>
</tbody>
</table>

1/ Defined as tenants occupying 14,500 square feet or more of office space.

Source: Blodgett Associates.
ADVANTAGES AND DISADVANTAGES OF A HOLLYWOOD LOCATION
(Taken from the December 1990 report by Udelwitz Associates, "Office Market Analysis" and the 1984 report by Kotin, Regan and Mouchley, Inc., "Baseline Market Assessment".)

GENERAL LAND USE (1984)

Advantages
Clearly, location-related factors are the primary advantages of a Hollywood location. Virtually all major employer firms surveyed indicated that proximity to customers/related businesses and central location were the primary advantages of a Hollywood location. Similarly, central location and access were mentioned as the two primary advantages of a Hollywood location by a large majority (86%) of surveyed office tenants, with the central location factor mentioned by 66% of respondents.

Interestingly, factors related to inexpensive rents/land prices and the Hollywood "name" identification are not viewed as significant advantages for office and industrial businesses.

Disadvantages
The local business community in Hollywood cites the following disadvantages of a Hollywood location: environmental factors, including crime, the street environment/streetscape, and the "street people" or transient population in Hollywood. Parking and traffic congestion represent relatively minor disadvantages among office tenants, with negative responses reflecting the limited on-site parking available at some older office buildings.

Notwithstanding these disadvantages, the business community has been relatively stable judging by the length of time in Hollywood of most office tenants and major employers (14 years and 19 years, respectively). Whatever reasons have maintained the Hollywood employment base in the past, the deteriorating environment may erode the employment base in the future judging by the number of firms that plan to relocate elsewhere as their space needs increase.

DEVELOPER INTERVIEWS (1984)

Certain factors may represent both an advantage and disadvantage for future development activity depending on the land use. For example, the name/image of Hollywood may be a very important factor for developments which require visitor attraction, such as hotels, but may be relatively unimportant for industrial users. The relative advantages/disadvantages of factors are highlighted by type of land use.
The comments elicited by the process generally can be grouped in the following five categories:

**Hollywood Name and Image.** The name identification and general image of Hollywood is most often mentioned by developers dealing with visitor-related facilities, appealing to both Los Angeles area residents and visitors from other areas. At the same time, the Hollywood image in Southern California ranges from a limited disadvantage to a major problem for development activities which require visitation from other Los Angeles area residents. In general, the image of Hollywood in Los Angeles represents a distinct negative factor for future development.

Virtually every developer surveyed mentioned the negative image--high crime and vandalism, the prostitution and street people problems, etc.--undoubtedly as a result of the significant unfavorable publicity about Hollywood in the local news media. This image appears particularly strong among developers of high-value projects such as major office buildings.

**Environment.** Environmental factors cover a number of items including the general streetscape condition (street cleanliness, appearance and so on), crime and vandalism, the general character of pedestrian traffic, and building appearance/conditions.

The general environment in Hollywood is viewed as a definite disadvantage to virtually all forms of development activity. This negative perception pervades all areas of Hollywood, including older residential areas with apparently high rates of crime and vandalism and, most notably, Hollywood Boulevard and environs in the commercial core area. Sunset Boulevard and some of the major north-south thoroughfares (La Brea and Vine Streets) are not viewed as negatively as Hollywood Boulevard.

Most negative comments about building conditions related to the appearance of the housing inventory.

**Location/Access Considerations.** The regional location of Hollywood is perceived as an advantage for future development, although some respondents did indicate that the location was a relative disadvantage relative because of local market conditions.

Benefits of Hollywood’s location are noted for: 1) business firms related to the entertainment industry, and 2) businesses dependent on tourist/visitor markets. Primary locational advantages are proximity to downtown and Universal City/San Fernando Valley, placing Hollywood in an interceptor position between downtown and residential areas in the Valley.

Hollywood’s location for major commercial-office development is not viewed currently as a major advantage. The major disadvantage mentioned is the relatively poor freeway access to West Los Angeles, LAX and South Bay areas. Major regional office developers specifically mentioned other regional locations
which are proximate locations and offer a lower perceived development risk, most notable Universal City, Burbank, and West Los Angeles, together with other peripheral downtown markets in Glendale and Pasadena.

**Land Cost.** The perceived effect of land cost as an opportunity or a constraint to development varies considerably by land use.

Land availability is related to land cost, since major development in Hollywood in most cases will necessitate the assemblage of parcels with existing improvements. This can pose a substantial additional cost of development, especially in the Hollywood core area. Existing improvements may represent low-density development in functionally obsolete buildings, yet require a substantial investment because of current income generation. What assemblage has occurred in Hollywood in some instances involves existing property with low utilization, such as parking lots. Developers not active in the Hollywood market view assemblage as a significant problem for both commercial office and residential development.

Any land cost advantage enjoyed in Hollywood is mitigated by the reduced effect of land cost on the economics of office development, especially at higher densities. Given the perceived market and leasing risks in Hollywood, all interviewees indicated that lower office rents have very little effect on their reaction to Hollywood as a development area, and do not offset marketing risks.

Land availability and cost also are perceived as considerable barriers to industrial development. In fact, almost all respondents mentioned the improbability of future industrial (e.g., studios) development in Hollywood given its center city location, land costs and limited land availability.

**COMMERCIAL LAND USE (1990)**

**Advantages**
One of the most significant advantages of Hollywood relative to the demand potential for new office space is its accessibility. Ready access to the Hollywood Freeway provides convenient travel to downtown Los Angeles and destinations in the East Valley area such as the Burbank Media District, Burbank Airport, Universal City and North Hollywood. By way of major surface arterials, Hollywood is within easy driving distance of West Hollywood, Beverly Hills, Miracle Mile and other commercial centers of the Westside. The area's future transportation network will be improved by the proposed 17.5-mile Metro Rail Red Line route extending from downtown Los Angeles to Hollywood and the East San Fernando Valley area. Three stations are to be located along Hollywood Boulevard at Western Avenue, Vine Street and Highland Avenue.

By far, the most outstanding asset of Hollywood to attract future support for new office space is its extensive linkage and identification with the entertainment industry.
It is important to stress that the Hollywood office rents in absolute terms are substantially below the regional average. Based upon asking rents, the overall average for major office buildings in the Los Angeles region is more than $0.50 per square foot higher than Hollywood.

**Disadvantages**
The negative aspects of Hollywood as they relate to the area's declining share of the regional office market over the past two decades can be almost entirely attributed to deteriorating environmental conditions.

The Hollywood area is noticeably lacking in the number of higher quality support facilities for office tenants and their visitors. There are virtually no upper-end retailers and, until the restoration of the 400-room Hollywood Roosevelt, the area had no major luxury hotel accommodations. The only other large-scale hotel in Hollywood is the 368-room Holiday Inn at 1755 Highland Avenue. For many years, Musso & Frank represented the only quality dinner restaurant. The area's dining choices have improved considerably with the opening of the Roosevelt Hotel restaurants, Gorky's Cafe, Columbia Bar and Grill in the recently renovated Hollywood Athletic Club among others.

The limited volume of new office construction in Hollywood over the past 18 years is quite simply due to a lack of developer interest based upon perceptions of poor demand potential.
LABOR

Los Angeles - Los Angeles scale rates are comparable to the other locations and less expensive than New York. The "going" rates are slightly higher than in the other cities due to the availability of more experienced labor. The fringe rates are 30 percent and work rules rules in this city are more strictly enforced than in most other locations.

Dallas - Although scale rates are equivalent, the "going" rate for feature films in Dallas is 10 percent less than in Los Angeles. Overtime and Saturday scale rates for television are about 20 percent less. Dallas could generate cost savings for production with significant overtime or Saturdays, but little savings on other cost variables. The fringe rate is 20 percent.

Miami - The scale and "going" rates in Florida are identical to those in Los Angeles. The only cost savings is in fringe rates which are 3-4 percent less than the Los Angeles rate.

Vancouver - This area offers the largest savings in labor costs. This is due to the favorable exchange rates and work rules. A constant of $1.25 Canadian dollars to $1.00 American dollar was used in this study. In addition to the exchange rate, crews often work at an hourly rate which is $2.00 lower than the U.S. rate. Adding the $2.00 per hour savings to the 25 percent savings on the dollar exchange rate, American film companies stand to save $5.00 per hour on crew. Vancouver's fringe rate is 23 percent and its work rules generate the largest savings in overtime and Saturday filming.

Chicago - The scale and going rates in Chicago are slightly less than in Los Angeles. Overtime and Saturday scale wages are about 20 percent less than in the other five locations. Union work rules are strictly enforced. At 32 percent, fringe rates are the highest found in comparison.

New York - New York has the highest rates in all categories, except the fringe rate. Night rates range from 50-60 percent higher than the other regions. The work rules for this region typically require hiring more individuals for each particular job in comparison to the other locations. Its fringe rate is 27 percent, which is lower than Los Angeles, Chicago, and Miami rates.

lodging and Other Costs

The real cost of lodging consists of both room rates and the number of people who require lodging. Each city has several room rates and every film has a
different number of individuals who require lodging. For instance, you may choose to lodge your crew in Dallas based on its relatively low average nightly rate of $68 per night, but how many people are you lodging? It is important to recognize that these hotel rates are the average costs to house crew members. Stars and other VIPs generally stay in more expensive lodging.

<table>
<thead>
<tr>
<th>City</th>
<th>Lodging Per Room</th>
<th>Catering Charge Per Person</th>
<th>Per Diem Rate Crew Rate</th>
<th>Gasoline $/Gallon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles</td>
<td>$75</td>
<td>10-12</td>
<td>$60</td>
<td>97.7¢</td>
</tr>
<tr>
<td>New York</td>
<td>125</td>
<td>17-18</td>
<td>75-100</td>
<td>94.4</td>
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<tr>
<td>Chicago</td>
<td>115</td>
<td>15</td>
<td>60</td>
<td>94.8</td>
</tr>
<tr>
<td>Miami</td>
<td>65</td>
<td>8-13</td>
<td>50-60</td>
<td>94.5</td>
</tr>
<tr>
<td>Dallas</td>
<td>68</td>
<td>15</td>
<td>50-60</td>
<td>94.5</td>
</tr>
<tr>
<td>Vancouver*</td>
<td>30</td>
<td>11</td>
<td>42</td>
<td>150.0</td>
</tr>
</tbody>
</table>

* Cost stated in U.S. dollars.
Almost every major studio in town is planning an expansion, and many smaller production, management, consulting and distribution companies are in the market to lease or buy sizable chunks of commercial space.

At entertainment enclaves such as Universal City, Maple Plaza in Beverly Hills and selected buildings in Burbank’s Media District, for example, there’s virtually no space available, and landlords have waiting lists.

“The entertainment industry is one sector of the economy that hasn’t suffered a downturn,” said Robert Walter, a broker at Coldwell Banker Commercial Real Estate, Century City.

Longtime office tenants in Hollywood want to lease space all over town, Walter said, and many companies are shopping for small industrial facilities that can be bought at a favorable price in today’s market.

Helping fuel these relocations is an undersupply of quality space in Hollywood, said Les Small, president of Entertainment Realty Corp. in Century City. “Lack of development in Hollywood has forced entertainment firms to go elsewhere,” he said.

It’s been almost 20 years since the construction of any major new office buildings in Hollywood. With many entertainment companies finicky in need of elbow room, Small says, “We can’t find good-quality space in Hollywood at any price.”

Here are some of the many real estate ventures of the entertainment industry:

- The Walt Disney Co. has been in active in development over the last five years that some critics have accused its projects as symbolic of a “Disneyization” of architecture.

In Burbank, the company recently completed a 220,000-square-foot headquarters building complete with 15-foot-high doors. A building the roof, the entertainment giant hopes to add another 150 million square feet of space on its 64-acre site.

Disney wants quick approval of its new development plan by Burbank city officials. The company hopes to avoid any building constraints that could be imposed with the passage of Measure 2—a growth-limiting initiative set to appear on Burbank’s February ballot.

Offering space continues to be an issue, supply for Disney and its various units.

The company recently signed a lease with CMS Development to occupy a 115,000-square-foot building under construction at Olive Avenue and Barona Vista Street in Burbank. The new Carnation Building in Glendale opened its doors in November. Nine percent pre-leased—thanks in part to a $80,000-square-foot lease by Walt Disney Imaging.

It told Disney has leased, subleased or preleased more than 500,000 square feet of commercial space in the last 12 months, reported Julien J. Studley Inc.

Finally, both Anaheim and Long Beach are in the running to get yet another theme park. Port Disney, a $2 billion, marine-inspired recreation on 350 acres in Long Beach, could include five new hotels, restaurants, various tourist attractions and a marina.

NYC and Cushman Investments & Development Corp. are planning the

Columbia Pictures executives Kenneth Williams and Barbara Klein check plans for development at the studio’s Culver City lot, including new sound stages.

By RON GALPERIN

"Hooray for Hollywood.
That’s the song some commercial real estate brokers and developers are singing these days.

Two years ago, law firms, accounting offices and banks seemed to be filling almost endless blocks of new office space. The trend has been slowing—along with the economy—and many in the real estate business find themselves saddled with too much supply and not enough demand.

But it’s a different story for the entertainment industry, which, stronger than ever, is driving some of the biggest development and lease deals in Los Angeles this year.

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STUDIOS: Leases Are Booming in Hollywood

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750,000-square-foot NBC Plaza office complex in Burbank. Cushman previously developed the nearby Disney Channel Building.

—Columbia Pictures Entertainment Inc. and its parent, Sony, are proposing a 15-year building plan in Culver City. Columbia wants to expand the 1.53 million square feet of commercial space on its 44.7-acre lot along Washington Boulevard to about 2.5 million square feet by 2005.

The Culver City Planning Commission and Redevelopment Agency are considering whether to approve the project—which would include twin nine-story office buildings, small landscaped parks, a 19th-Century Town Square and nine-story office tower on its lot along Washington Boulevard to about 2.5 million square feet by 2005.

And Columbia is swapping space it now occupies on the Warner Bros. lot in Burbank with Lorimar Television, which, in turn, is leaving the Columbia lot in Culver City and is relocating to the Warner lot.

Meanwhile, Tri-Star Inc. will fill some of the space left by Lorimar at the Columbia lot.

If all this isn’t confusing enough, Columbia has plenty of other offices scattered throughout Los Angeles.

The company occupies big chunks of space at Sunset-Gower Studios in Hollywood and in Studio Plaza at 3400 Riverside Drive in Burbank, just across the street from Warner Bros. That building, which will serve as corporate headquarters for Columbia, is owned by Columbia’s former owner, the Coca-Cola Co.

Just a few blocks away, Columbia is filling 45,000 square feet of space at MCA’s One Lakeside Plaza in Universal City. The recently signed lease is valued at about $7.4 million.

“IT gets quite expensive running multiple locations,” said Kenneth S. Williams, senior vice president of finance and administration at Columbia. That, he said, makes it imperative for the company to expand in Culver City and consolidate what he described as “ferflung” operations.

—Warner Bros. Inc. is still contemplating what to do with space being vacated at its Burbank studio by Columbia. No final plans have been announced, but some construction at the studio is expected.

—Paramount Pictures on Melrose Avenue in Hollywood is not talking about a rumored 250,000-square-foot office tower on its lot. The studio has been buying adjacent properties over the last year in anticipation of an expansion. Just how soon any of this will happen is unknown.

Currently under construction at Paramount’s lot, though, is a 55,000-square-foot office building to house the company’s domestic television division and its planning and development units.

—Fox Inc. wants to add 771,000 square feet of new construction to its 54-acre lot in Century City. The plan is to expand the studio from its current 1.1 million square feet of space and move some of the Fox operations now in Hollywood at Metromedia’s property.

Nearby residents will want their say before any final plans are made, however. Accordingly, Fox has begun a public relations campaign to win the support of growth-control groups such as Friends of Westwood.

—MCA Development Co. of Universal City is building CityWalk—a 200,000-square-foot retail/entertainment complex worth about $100 million. MCA is also rebuilding the structures lost in a spectacular election night fire.

In 1959, MCA paid about $11.25 million for 360 of its 420-acre holdings in Universal City. Today, it’s worth an untold fortune. Universal City’s 1.5 million square feet of office space is reportedly 100% occupied.

MCA has ample room for expansion, and Wall Street analysts have long maintained that the company’s landholdings represent a strong opportunity to enhance MCA shareholder value. The fate of any such expansion may now be in the hands of Matsushita Electric Industrial Co. of Japan.

—Raleigh Studios recently completed a six-year expansion in Hollywood with three new buildings along Melrose Avenue. A spokesman reported the studio is looking to buy more property, since its rented facilities are more than 95% occupied.

—Tribune California Properties (a unit of Tribune Broadcasting) is in the midst of planning a four-phase development for its Hollywood property at 5800 W. Sunset Blvd. The 10.21-acre site is home to KTLA, KMPC, Grant Tribune Productions and Tribune Entertainment.

If Tribune gets its way, the new construction would begin on a 600-car parking lot, a 20-story, 324,000-square-foot office tower, four new sound stages, and finally, a 16-story, 332,000-square-foot office tower.

—At Hollywood Center Studios on North La Brea in Hollywood, a 40,000-square-foot office building is expected to be completed within the next six months.

New stages are also being contemplated.

—Pathe Communications Corp. plans to make its home at 6420 Wilshire Blvd., adjacent to Beverly Hills.

The 20-story building was bought in September for a reported $24 million by an affiliate of Pathe and an affiliate of Arden Investment Group—headquartered by Victor J. Coleman and Richard S. Ziman, managing partner of Pacific Financial Group.

Pathe—which recently acquired MGM/UA Communications—plans to completely remodel the Wilshire Boulevard tower.

Finally, the William Morris Agency is completing the William Morris Rodeo Building in Beverly Hills. This is the third office building developed and owned by the talent agency within a two-block radius. The newest building was built for investment purposes and is being marketed to other entertainment tenants.

For those entertainment companies with neither the land nor the interest nor the funds to build or buy new space, there’s always the option of leasing.

The J.H. Snyder Co. has created a new enclave of entertainment tenants in the Miracle Mile district of Los Angeles with such buildings as Museum Square, the Wilshire Courtyard, the soon-to-be rehabbed Cal Fed Building and a new office tower slated for development.