

# MIAMI BEACH

## COMMISSION MEMORANDUM

TO: Honorable Mayor and Members of the City Commission

FROM: Eric Carpenter, City Manager

DATE: September 11, 2024

TITLE DISCUSS/TAKE ACTION REGARDING APPROVING MIAMI NEW DRAMA'S COLONY THEATRE MANAGEMENT AGREEMENT FEE INCREASE REQUEST

### **RECOMMENDATION**

The Administration recommends the Mayor and City Commission discuss and approve Miami New Drama, Inc.'s request to increase the Colony Theatre management fee by \$200,000, for a total fee in an amount not to exceed \$700,000 including \$80,000 in utility reimbursement, and to authorize the City Manager and City Clerk to execute Amendment No. 4 to the agreement with Miami New Drama, Inc.

### **BACKGROUND/HISTORY**

On June 8, 2016, the Mayor and City Commission adopted Resolution No. 2016-29429 accepting the recommendation of the Finance and Citywide Projects Committee and approved, in concept, a pilot program for the management of the Colony Theatre and authorized the Administration to negotiate a management agreement with Miami New Drama, Inc. (MiND), as the resident company and venue manager for the Colony Theatre, a City-owned facility on the 1000 block of Lincoln Road.

The City entered into a Management Agreement (or "Agreement") with MiND for an initial term of two (2) years, commencing on October 1, 2016, and ending on September 30, 2018, unless earlier terminated pursuant to the provisions of the agreement. The Agreement also included up to one (1) additional five (5)-year term, and one (1) additional two (2) year and 364-day term.

On May 17, 2017, the Mayor and City Commission adopted Resolution No. 2018-29858 approving and authorizing the Mayor and City Clerk to execute Amendment No. 1 to the Management Agreement, with said amendment providing for the City to fund the cost of six (6) parking spaces at municipal parking lot No. P25, for use by employees of MiND, in the amount of \$5,393 annually.

On October 17, 2018, the City Commission adopted Resolution No. 2018-30567 approving Amendment No. 2 to the Management Agreement, which included the following key terms and conditions:

- The City of Miami Beach ("City") shall provide an annual contribution to MiND in the amount of \$420,000, payable in installments following the end of each quarter. The annual contribution is contingent upon funding approval of the City's contribution during the City's annual budgetary process.
- The City shall reimburse utility costs at the Colony Theatre, up to \$80,000 annually. All costs above \$80,000 are the responsibility of MiND.
- The City approval of the first renewal option for one (1) additional five (5)-year term, commencing on October 1, 2018, and ending on September 30, 2023.

- MiND will increase the number of events and attendance as follows:
  - Produce 150 events at the facility for contract years October 1, 2018 - September 30, 2020, serving more than 35,000 visitors per year;
  - Produce 175 events at the facility for contract years October 1, 2020 -September 30, 2022, serving more than 40,000 visitors per year;
  - Produce 200 events at the facility for contract year October 1, 2022 - September 30, 2023, serving more than 45,000 visitors per year.
- MiND will develop an educational division and increase public outreach to include the following:
  - A "\$3.05 ticket program" reserving seats for first time theatergoers for every performance for \$3.05 (12 tickets per MiND Performance, 1,000 tickets annual estimate)
  - Free tickets for senior centers/facilities and youth throughout Miami Beach (1,000 tickets annual estimate)
  - Educational programs to accompany each production
  - Children's Summer Camp and Workshops
  - Traveling plays for schools and senior centers
- MiND shall provide day-to-day operational and administrative services in support of its management activities to ensure that the facility shall be operated, managed and maintained in a first-class manner, including but not limited to, acquisition of services, equipment, supplies and facilities; maintenance and property management; security; personnel management; record-keeping; collections and billing; and promotional activities, including but not limited to public relations, social media and paid marketing outreach.
- MiND shall provide quarterly reports to the City detailing event records and programmatic plans, educational and outreach initiatives, marketing and promotional activities, maintenance and capital work, and operational/administrative budgets.
- The City remains responsible for maintenance of the major building systems (i.e. HVAC, roof, plumbing, electrical, and elevator) and for long term capital improvements at the property

On October 27, 2021, the City Commission adopted Resolution No. 2021-31914, approving Amendment No. 3 to the Management Agreement allowing for a separate lease agreement between MiND and the City, for MiND's operation and management of the Collins Park Cultural Arts Facility, to be located at 340 23<sup>rd</sup> Street (the "Collins Park Lease"). With this Resolution, the City and MiND extended the term of the Colony Theatre Management Agreement for a period to run co-terminus with the term of the Collins Park Lease. This Amendment is subject to and contingent upon the buildout of the Collins Park Cultural Facility, pursuant to the Collins Park Lease. Tangentially, the Administration has included a referral item regarding the Collins Park Lease on this Commission agenda.

On September 23, 2023, the Mayor and City Commission adopted Resolution No, 2023-32743 to renew the final term of the Management Agreement. The final term is for two (2) years and 364 days, ending on September 29, 2026.

On July 12, 2024, at the Finance and Economic Resiliency Committee (FERC) Budget Workshop, Committee members discussed MiND's request to increase its annual management fee, and

requested the Administration return to the City Commission ~~once following~~ discussion ~~of~~ the request with MiND. .

## **ANALYSIS**

Since 2017, MiND has overseen the management of the Colony Theatre. MiND is responsible for managing and operating the theater property and the production of performances at the theater by using the primary stage for critically acclaimed theatrical productions. MiND maintains its offices within the building and uses it as the educational and youth camp program venue. MiND will relocate its offices and youth programs to the new Collins Park Cultural Facility once built out. The theater is also available for rental by other cultural organizations and non-performance events.

MiND has produced successful productions, including “Seven Deadly Sins,” an innovative theater production that activated vacant storefronts on Lincoln Road during the COVID-19 Pandemic, which was performed sixty-one (61) times and totaled over six thousand (6,000) attendees. The production garnered media attention from the New York Times and travelled to New York.

MiND has continued to grow post-pandemic by successfully increasing the number of performances and audience attendance.

### **MiND Three-Year Annual Report**

| <b>Fiscal Year</b> | <b>Performance Revenue</b> | <b>Attendees</b> | <b># of Performances</b> | <b># of Days for Non-Performance Events</b> |
|--------------------|----------------------------|------------------|--------------------------|---|
| 2021               | \$ 381,211.05              | 6,561            | 61                       | 4   |
| 2022               | \$ 1,084,821.31            | 22,501           | 113                      | 8   |
| 2023               | \$ 1,609,151.44            | 34,912           | 130                      | 20  |
| 2024               | \$ 1,600,500.00            | 27,187           | 137                      | 12  |
| 2025*              | \$ 1,700,000.00            | 39,000           | 150                      | 25  |
| <b>Total</b>       | <b>\$ 6,375,683.80</b>     | <b>130,161</b>   | <b>591</b>               | <b>69</b>                                   |

\*Based on MiND FY 2025 projections

Under MiND, the Colony has become a significant cultural asset with a positive economic impact on Miami Beach. Earlier this year, MiND engaged Miami Economic Associates, Inc. to conduct an economic impact analysis of the Colony Theater.

At the July 12, 2024, Finance and Economic Resiliency Committee (FERC) Budget Workshop, MiND presented this following economic impact analysis, an overview of rising cost impacts, and proposed management fee increase options for discussion:

### **Economic Impact of the Colony Theater**

| Measure                      | Description                                       | Total Impact*          |
|------------------------------|---|------------------------|
| Direct to City               | Parking Fees and Tourism Tax*                     | \$150,000 annually*    |
| Local Businesses             | Restaurants and businesses on or near Lincoln Rd. | \$1.2M annually*       |
| GDP                          | Labor Income                                      | \$5.3M annually        |
| <b>Total Economic Impact</b> |   | <b>\$10M annually*</b> |

\*Miami Economic Associates, 2024

### Inflation Impact

Inflation has caused activation costs to rise, impacting MiND's operational budget. MiND has shared that previously, City funding represented 25% of their operating budget. With MiND's expanded budget of \$5.5 million annually, City funding now represents less than 10% of their operating budget.

- Wages for operations and production labor have risen from \$18 per hour to \$28 per hour
- The cost of an average production has risen from \$325,000 to nearly \$500,000

MiND has proposed the following management fee increase options commensurate with its impact and current economic conditions for FERC consideration:

| Agreement                    | Rate   | Description   |
|------------------------------|--|---|
| <b>Current Fee</b>           | <b>\$420,000 + \$80,000 utility reimbursement (annually)</b> | Current 6 year old rate that is unsustainable for the level of activation of the Colony Theatre.  |
| <b>Option A Proposed Fee</b> | <b>\$620,000 + \$80,000 utility reimbursement (annually)</b> | Sustainability of current activation levels of world-class theater, robust education program, expanded community benefit, and expected expense increases throughout the term.   |
| <b>Option B Proposed Fee</b> | <b>\$670,000 + \$80,000 utility reimbursement (annually)</b> | Additional increased activity and community benefit in the form of Colony Theatre Movie Nights. 25 events per year exploring films curated to reflect our community, in conversation with world events and the theatrical work presented on the Colony Theatre stage. |

The FERC recommended the Administration negotiate Amendment No. 4 with MiND for the proposed management fee increase and bring the item to the September 11, 2024, City Commission meeting for approval.

Staff negotiated the proposed management fee increase with MiND and is supportive of the requested \$200,000 increase to the annual management fee. The additional funding would bring the fee to \$620,000 plus \$80,000 in utility reimbursement for a total amount of \$700,000 annually.

The Administration discussed any possible enhancement of public benefits or increased programming from MiND in consideration for the requested management fee increase. MiND has stated that adding or expanding any resident benefit or programming would leave the organization in the same financially challenging position. MiND has carefully considered the requested increase, aiming to rightsize costs and ensure the sustainability and growth of the Colony Theatre as a leading cultural institution. Note that this increase will maintain the current level of resident

benefit, including a fifteen percent (15%) discount on tickets, free student entry, free tickets for seniors, and greater access to community groups.

### **FISCAL IMPACT STATEMENT**

The current budgeted amount for the Colony Theatre management fee is \$500,000, including \$80,000 for utilities. The proposed increase will have fiscal impact of \$200,000 annually, subject to approval within the Fiscal Year 2025 Budget.

### **Does this Ordinance require a Business Impact Estimate?**

(FOR ORDINANCES ONLY)

If applicable, the Business Impact Estimate (BIE) was published on:

See BIE at: <https://www.miamibeachfl.gov/city-hall/city-clerk/meeting-notices/>

### **FINANCIAL INFORMATION**

General Fund 011-0383-000374-25-406-551-00-00-00-

### **CONCLUSION**

The Administration recommends the Mayor and City Commission discuss and approve Miami New Drama's request to increase the Colony Theatre management fee by \$200,000, plus \$80,000 in utilities for a total amount not to exceed \$700,000, and to authorize the City Manager and City Clerk to execute Amendment No. 4 to the agreement with Miami New Drama, Inc.

### **Applicable Area**

South Beach

**Is this a "Residents Right to Know" item, pursuant to City Code Section 2-17?**

No

**Is this item related to a G.O. Bond Project?**

No

**Was this Agenda Item initially requested by a lobbyist which, as defined in Code Sec. 2-481, includes a principal engaged in lobbying?**

If so, specify the name of lobbyist(s) and principal(s): Miami New Drama initiated the request.

### **Department**

Tourism and Culture

### **Sponsor(s)**

Commissioner Tanya K. Bhatt

### **Co-sponsor(s)**

### **Condensed Title**

Discuss/Action, Approve Miami New Drama Colony Theatre Management Agreement Fee Increase Request. (Bhatt) TC