

# Miami Economic Associates, Inc.

November 2, 2020

Mr. Nicholas Richberg  
Managing Director  
Miami New Drama  
1040 Lincoln Road  
Miami Beach, FL 33139

Dear Mr. Richberg:

Pursuant to your request, Miami Economic Associates, Inc. (MEAI) has performed an analysis to identify the benefits that would accrue to the City of Miami Beach and/or Miami-Dade County as a result of the development of the proposed Collins Park Cultural Center in the ground floor space of the City's new parking garage on the south side of the 300 block of 23<sup>rd</sup> Street. The centerpiece of that facility would be a 3,300-square foot, 200-seat studio theater, which would be programmed and managed by Miami New Drama (MiND). MiND has demonstrated at the Colony Theater on Lincoln Road that it can stage productions that have strong appeal to their audiences because of their innovative and high artistic quality. It has also demonstrated that it has the capability to manage a theater facility. MEAI understands that during MiND's four years of residency at the Colony Theater, it has had a \$10 million positive impact on the economy of the Lincoln Road area.

It should, however, be recognized that the proposed Collins Park Cultural Center would be comprised of more than the studio theater. It would contain a 3,300-square foot, street-facing space that can be used to rehearse productions scheduled to be performed at both the Colony Theater and the on-site studio theater. This space would also serve as the venue for afterschool and summer camp programs expected to attract nearly 200 students per year between that ages of 8 and 17. The Center would also contain a 1,500-square foot café with 30 exterior seats that will operate 7 days a week from 8am to 11pm and provide musical entertainment several nights a week. During the day, the café would also operate a coffee bar in the adjacent theater lobby, which is envisioned as a multi-functional space that may contain an "airport-style" bookstore and serve as a gallery for temporary art exhibits. Finally, the Center would contain office space for MiND and provide for a costume studio and storage space needed to support both the Colony Theater and the on-site studio theater.

The purpose of this letter is to apprise you of the findings of the analysis that MEAI performed.

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## Key Findings

MEAI strongly believes that allowing MiND to locate the Collins Park Cultural Center facility described above in the ground floor of the City's new 23<sup>rd</sup> Street parking garage would be highly beneficial to the City and/or Miami-Dade County for the following reasons:

- Collins Park is the area of the City of Miami Beach in which the Bass Museum of Art and the Miami City Ballet's administrative offices, rehearsal studios and ballet school are located. As a result, the area is considered to be the City's cultural hub. The Cultural Center project being proposed by MiND would significantly enhance the area's image in that regard. Both the Bass Museum and the Miami City Ballet are important cultural institutions but neither has a significant impact on the Collins Park area. According to its website, the Museum is open only 25 hours per week while the Miami City Ballet's facility is only rarely used for performances that attract people to the area. Further, both facilities operate primarily during daytime hours.

In contrast, the proposed Collins Park Cultural Center would be active both day and night and bring people to the Collins Park area for a variety of reasons. Of particular note is the fact that its studio theater is expected to be lit 220 times a year, primarily at night, with performance staged either by MiND or by other performing arts organizations that are expected to rent the facility. It is expected that approximately 43,000 people will attend these performances. It is also expected, based on the behavior of audiences at the Colony Theater, approximately 88 percent of them will have dinner and drinks before or after attending a performance. The musical performances that will occur in the proposed café would bring additional people to the Collins Park area in the evening.

- The City of Miami Beach planned to primarily use the ground floor space in its new 23<sup>rd</sup> Street parking garage for retail and restaurant uses although it also expected to use a small portion of it for an art gallery or other cultural facility. MEAI doubts that such use of the space would have proven viable for the following reasons:
  - The Collins Park area has never had a strong image as a retail and restaurant district since the amount of space in the area to accommodate those uses is both limited and scattered. The area has also regularly experienced a high rate of vacancies.

In this regard, it is noted that there is no retail or restaurant uses along the south side frontage of 20<sup>th</sup> Street between Collins Avenue and Park Avenue and several storefronts on the north side of the street are vacant and being offered for lease. On both 21<sup>st</sup> and 22<sup>nd</sup> Streets, there is only one retail or restaurant space, in both cases at the intersection of those streets and Collins Avenue. The space on 22<sup>nd</sup> street is vacant as are most the storefronts fronting on Collins Avenue between 22<sup>nd</sup> and 23<sup>rd</sup> Street and those on the south side of 23 Street between Collins Avenue and Liberty Avenue. The building directly across 23<sup>rd</sup> Street from the new parking garage is also



vacant. There are tenants in the buildings on the north side of 23<sup>rd</sup> Street between Collins Avenue and Liberty Avenue; however, one of those is a nightclub known as Studio 23 that operates five days a week but only between 11pm and 5am.

- As part of the research conducted for the analysis MEAI performed, we toured several of the most significant retail and restaurant locations on Miami Beach including the area between 16<sup>th</sup> and 17<sup>th</sup> Streets that includes the Lincoln Road pedestrian mall as well as Collins Avenue, Washington Avenues and Alton Road between 5<sup>th</sup> and 17<sup>th</sup> Streets. That tour made it clear that the market for retail and restaurant space on Miami Beach is currently severely depressed. Illustratively, we counted more than 75 vacant storefronts in the Lincoln Road area, approximately 50 along Washington and Collins Avenues and 17 along Alton Road. Not included in these figures are storefronts in buildings currently being constructed and dark storefronts in which the fixtures are still in place and no signs are posted indicating that they are available for lease.

MEAI believes that it is likely that when the pandemic either ends or has significantly abated that the market will improve in terms of demand for space in the locations discussed above and space that is currently vacant will begin to fill up again. However, given the vast amount of vacant space available in the areas we toured and the fact that substantial portions of it were vacant before the pandemic started due to the general restructuring that has been going on the retail industry for several years because of the internet, historic overbuilding and several other factors, it is also likely that the rate at which space rents will remain depressed. If this occurs even in areas that have traditionally been strong retail and restaurant locations, it is highly unlikely that space in the 23<sup>rd</sup> garage will lease for the rents at the level envisioned prior to its construction.

- Using information provided to MEAI by MiND, we employed the Minnesota IMPLAN Input-Output model to estimate the impact that the on-site operations of the Collins Park Cultural Center would have on the economy. A description of IMPLAN model is contained in the Appendix to this letter. The inputs to the model included the following: 1) \$1.49 million in ticket sales revenues from the 220 performances that are expected to occur in the studio theater annually; 2) \$2.7 in annual café revenues; and 3) the 19 new employees who would be hired on a full-time equivalent basis to staff MiND's enlarged administrative office, the costume and storage spaces and the proposed afterschool and summer camp programs. Based on these inputs, the model calculated that the on-site operations of the Collins Park Cultural Center would account for approximately \$11.0 million (2020 Dollars) annually in the GDP of the City of Miami-Beach and/or Miami Beach.
- As discussed previously, it is estimated that approximately 88 percent of the 43,000 people attending performances in the studio theater annually will have a drink or a meal before or after their performance. Assuming the average person spends \$25 (2020 Dollars), their aggregate expenditures would total approximately \$950,000



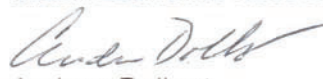
annually. The overwhelming preponderance of these expenditures would occur in off-site eating and drinking establishments, hence they are not taken into account in the GDP estimate provided in the preceding bulleted paragraph. To the extent that their expenditures occur in establishments that sell alcoholic beverages, they will be subject to an additional tax of 2 percent by the City of Miami Beach, the proceeds of which will be used to support tourism on Miami Beach.

- Based on the experience of the Colony Theater, it is expected that 77 percent of those attending performances at the Collins Park Cultural Center will drive there and pay for parking. Assuming an average of 2 attendees per car, they would utilize a total of 16,555 parking spaces annually, resulting in total revenues approximating \$250,000 at the special event rate of \$15 per vehicle.
- As discussed previously, approximately 200 students annually are expected to attend afterschool or summer camp programs that will be organized by MiND at the proposed Cultural Center. However, MiND's commitment to introducing students to theater is significantly greater than that statement suggests. Over the past two years, approximately 27,000 Miami-Dade County public school students have experienced free performances at the Colony Theater and in-school programs created by MiND. By having use of both the Colony Theater and the proposed Culture Center, MiND will be able to increase its outreach significantly.

## Closing

In summary, MEAI seriously doubts that the ground floor space in the City of Miami Beach's new parking garage in the 300 block of 23<sup>rd</sup> Street can be used as retail and restaurant on a viable basis given the current depressed state of the market for such space even in the City's traditionally most significant retail districts, which the Collins Park area is not. Allowing MiND to locate its proposed Collins Park Cultural Center in that space could have a significant impact on the Collins Park area by bring more than 43,000 people to the area annually to attend a performance or to enjoy musical entertainment in its proposed café. The on-site operations of Collins Park Cultural Center would account for approximately \$11.0 million in GDP for the City of Miami Beach and/or Miami-Dade County and additional GDP would result from the expenditures of people attending performances in off-site eating and drinking establishments. Those attending performances would also generate approximately \$250,000 annually in parking revenues for the garage.

Sincerely,  
Miami Economic Associates, Inc.

  
Andrew Dolkart  
President



## Appendix Minnesota IMPLAN Input-Output Model

The Minnesota IMPLAN Input-Output Model relies on multiplier analysis which quantifies the cumulative effect of dollars inserted into the regional economy. As a dollar moves through the region, it creates additional revenue for linked businesses and/or their employees who also spend that money. More simply, expenditures dispersed by one entity become revenue to another, continuing an economic cycle which ultimately dissipates, bleeding into other regions or areas. Although several economic models are available, they work in fundamentally similar ways and center on the same indicators. The Minnesota IMPLAN model was initially created over 35 years ago at the University of Minnesota and has been upgraded on a continuing basis in the ensuing years.

The multiplier impacts calculated by the Minnesota IMPLAN model are based on input-output methodology, which explicitly considers the inter-industry linkages that exist within an economy. Each industry needs labor and inputs from other industries in order to produce economic output. Whenever an industry experiences an increase in the demand for its output, many other industries within that economy indirectly experience an increase in demand as well because of these inter-industry linkages. This increase in demand that results from the need for material inputs is called the *indirect effects*. In addition, an increase in production within a region also leads to an increase in household income through the hiring of workers, which in turn generates further demands for goods and services within the region. Firms also need to expand their base of physical capital to meet higher levels of demand, and this too stimulates regional economic growth. The latter effects are referred to as *induced effects*. The inter-industry linkages and the induced effects on consumer and capital spending lead to successive rounds of production, and this process results in an increase in output that exceeds the initial change in demand, or a *multiplier effect*. Similarly, the increase in household income will exceed the initial payroll increase encountered in the industry that experienced the original increase in demand. The total change in employment in the regional economy is a multiple of the direct change in employment.

In addition to estimating employment, MEAI also used the Minnesota IMPLAN model to quantify the total earnings or labor income of the direct, indirect and induced workers as well as the total gross domestic product, or value added, that would result from the efforts of the direct, indirect and induced employees. Labor income consists of all forms of employment income including wages and salaries and proprietor income. Gross domestic product (GDP), also known as value-added, is the increased value of a product or service as the result of the economic inputs (labor and capital) expended at a given stage, GDP is the sum of wages and salaries, proprietor income, interest and indirect business taxes.