

# MIAMI BEACH

## COMMITTEE MEMORANDUM

TO: Finance and Economic Resiliency Committee Members

FROM: Jimmy L. Morales, City Manager

DATE: December 18, 2020

SUBJECT: **DISCUSSION REGARDING THE COLLINS PARK GARAGE RETAIL SPACE - MIAMI NEW DRAMA**

### **HISTORY:**

The Collins Park neighborhood is home to cultural institutions including the Bass Museum of Art, the Miami City Ballet, and the Regional Library. On November 9, 2016, City Commission Ordinance No. 2016-4061 established the Collins Park Arts District Overlay, in response to the Collins Park Neighborhood Association's expressed preference for art and entertainment-related uses.

The Collins Park Parking Garage spans an entire block of 23<sup>rd</sup> Street, from Park Avenue to the vacated Liberty Avenue. It is immediately adjacent to Miami City Ballet and the site of the City's Collins Park Workforce Housing project, which are connected to the Garage by a pedestrian plaza. The parking structure includes 500+ parking spaces and 14,300 sf of leasable area on the ground floor. Both ends of the leasable space have been configured to accommodate restaurant uses and the entire exterior of the tenant space is lined by an open terrace suitable for outdoor seating.

On February 28, 2020, the Finance and Economic Resiliency Committee (FERC) provided guidance on tenant programming which could contribute positively to neighborhood character and engage the community. Miami New Drama ("MiND" or the "Theater") requested the opportunity to lease the space and proposed an outward-facing, convertible, black box studio. The Finance and Economic Resiliency Committee requested the Administration look into the availability of City Center Redevelopment Agency (RDA) funds that could be invested in capital improvements and thereby attract tenant(s).

On May 22, the Committee discussed the potential availability of non-tax increment financing (TIF) related RDA revenue earmarked for the Lincoln Road Renovation project, or alternatively, a modest amount of Quality of Life funds attached to the FY 2021 Capital Budget process. The Committee recommended that the City Commission discuss its vision for the space and preferences for tenant programming.

On July 29, Miami New Drama presented its concept proposal to the City Commission, who were receptive and directed that the FERC examine the financial aspects necessary to bring the project to fruition.

On October 13, staff met with MiND, who requested additional time to prepare proposal documents and indicated the Theater had not located any other outside funding sources. Staff recommended that MiND investigate grant funding to help defray costs. Last month, MiND provided an economic impact study and an estimated construction budget related to the proposed project.

### **ANALYSIS:**

#### Colony Theater Management Agreement

Miami New Drama has operated at the Colony Theater under a management agreement since 2016, initially with annual funding in the amount of \$170,000 and \$80,000 utility reimbursement. In 2018, the management agreement was amended, beginning in October 2018 and expiring in September 2023. Per the amended agreement, MiND receives \$500,000 annually, consisting of \$420,000 in operating subsidy and \$80,000 for utilities. Since execution of the agreement in 2016, the Theater has received maximum funding each year, in the cumulative amount of \$2 million. In addition, MiND has received \$116,015 the past two years in Cultural Arts Council Grant funding (including a \$69,458 Covid-19 Emergency Relief Grant).

#### **FY 18-19 Total Performances & Attendance / Contracted Annual Benchmarks:**

PERFORMANCES	ATTENDANCE
198 / 150	39,497 / 35,000
132%	113%

#### **FY 19-20 Total Performances & Attendance / Contracted Annual Benchmarks:**

PERFORMANCES	ATTENDANCE
146 / 150	26407 / 35,000
97%	75%

(Note: The Colony has been closed since March 12, 2020, which prevented the run of two major productions. MiND pivoted to virtual programming, reaching some 7,000 people online, and has recently debuted its acclaimed production of 7 Deadly Sins on the 1200 block of Lincoln Road.)

### Collins Park Design Concept

Miami New Drama's "Collins Park Cultural Center" Concept Deck (Exhibit A) proposes innovative use of the entire retail space floor plan with both daytime and nighttime programming:

- *Living room*—inviting lounge with rotating art installations and coffee bar.
- *Café*—affordable neighborhood café featuring live music. MiND has indicated it is in partnership talks with an experienced restaurateur and a James Beard Award recipient chef.
- *Educational and rehearsal studio*—classes, workshops, educational programming, and summer camps. This element is currently lacking at the Colony and is necessary for the theater's growth.
- *Black box theater*—200-seat flexible theater space, can be combined with the rehearsal space and will serve as the heart of nighttime activation.
- *Costume design studio*—the "B" space used for dressing rooms and design studios, which will bring jobs to Miami Beach for services that are otherwise outsourced nonlocally.
- *Office space*—as the Center will serve as the theater company's headquarters, this space will provide administrative office space and conference rooms.

### Tenant Improvement Buildout

The main use garage has recently received a temporary certificate of occupancy (TCO) and a ribbon-cutting ceremony took place on December 11, 2020. The ground floor retail space remains in a raw, unfinished shell, without a concrete slab and connections available for a future tenant's electrical and HVAC systems. For a tenant to occupy the space, all improvements and finishing remain outstanding. Customarily, landlords provide retail tenants with a tenant improvement ("TI") allowance. Given an oversupply in the market and high vacancy rate among retail spaces throughout Miami Beach, CBRE has advised the Administration that the City would encounter difficulty leasing the space to a commercial retail tenant without offering significant TI allowance. As indicated previously to the committee, the Administration believes that completing buildout of the interior space is in the City's best interest. Otherwise, the added cost of buildout will deter prospective tenants who lack strong financial backing and the space will remain a conspicuous empty storefront.

At the very least, a "vanilla box" product would provide a cement floor, ready-to-paint walls, working electrical outlets, lighting, plumbing, finished ceiling, and air conditioning. But, a customized "turnkey" product that is fully finished and functional will at least double the cost of improvements. The rough order of magnitude cost ranges for first generation retail TI projects, inclusive of hard and soft costs, is as follows:

Space Type	Cost per Rentable Square foot
Full-Service Restaurant	\$200 to \$225 / SF
Café / Coffee Shop / Grab and Go	\$125 to \$160 / SF
Event Space	\$150 to \$185 / SF
General Merchandise	\$110 to \$135 / SF
White Box Restaurant	\$100 / SF average cost
White Box General Merchandise	\$80 / SF average cost

Miami New Drama's Construction Budget Cost Estimate (Exhibit B) estimates \$4.8 million, or approximately \$340 per SF, in hard costs, excluding mechanical, electrical, and plumbing engineering. The Theater noted that this rough estimate would likely change upon preparation of architectural plans. CBRE's review suggested that the \$4.8 million in the Budget appeared to undervalue the likely project cost, especially if the Theater desired a world-class venue similar to the aspirational images depicted in the Concept Deck provided.

### Potential Economic Impact

Miami Economic Associates, Inc. prepared an Economic Impact Report (Exhibit C) which suggests that the project could account for up to an additional \$11 million annually in economic impact. This value includes \$1.49 million in ticket sales, \$2.7 million in café sales revenues, and, among other impacts, the creation of 19 fulltime equivalent (FTE) positions to staff the Theater's enlarged administrative office, costume studio, and proposed educational programs. The report employed the Minnesota IMPLAN Input-Output Model, which is not based solely on direct economic impact. Rather, it utilizes the multiplier effect, which considers the multiple times a dollar is re-spent within the local economy. Nevertheless, the report does highlight important benefits the project could bring, which could be incorporated into a management agreement as performance measures, including cultural activation for 43,000 attendees during 220 performances annually.

The City's most recent Community Satisfaction Survey shows that 85% of Miami Beach residents believe that cultural activities (art shows, film festivals, musicals, and live performances) favorably contribute to quality of life in Miami Beach and 63.5% of the City's businesses recognize that cultural activities contribute to the success of their business.

According to the economic impact study Arts & Economic Prosperity 5, non-residents constitute 30.8% of attendees at arts and cultural events in the City of Miami Beach, or 575,515 attendees annually. Of these non-resident attendees, 84.8% came to Miami Beach primarily for the arts event and they spend, on average, \$53.51—in addition to tickets—on ancillary expenditures like meals

or drinks, overnight lodging, transportation, and refreshments. (*Source: Americans for the Arts*). For example, the Theater's Economic Impact Report suggests nearly \$200,000 in annual revenue could be generated in parking at the Garage based on past behavior by the Colony Theater audience.

These figures demonstrate that not only does arts and culture attract nonlocal dollars to Miami Beach, but significant amounts of audiences' events-related spending are leveraged into the local economy. It is undeniable that the cultural arts strengthen the City's social fabric by entertaining residents and enhancing public spaces. Data also suggests that cultural nonprofits are indeed economic drivers. They employ local workers and help attract visitors that generate revenue for Miami Beach restaurants, retail stores, hotels, and parking garages.

#### Staff Recommendation

The City Commission has expressed its desire for cultural activation in the Garage that contributes to the public realm both day and night. If the desire is to support this cultural partner, any City subsidy of tenant improvements should be tied to performance measures associated with quantifiable public benefits. For example, in 2021, the Theater aims for education programming reaching 40 students at a Spring workshop, 80 students during summer camps, 40 students at mini workshops, and 40 students at a Fall extended workshop. MiND proposes to exceed this number by reaching 200 students at the future Collins Park site. In addition, MiND has developed many partnerships, such as a virtual in-class STEAM-based Technical Theatre and Design program (100 students) for Miami Beach Senior High and Monday night ballroom dance classes for senior citizens.

While there is desire to support this hometown cultural partner, the City has not identified a funding source for the TI. Possible options may include:

1. Negotiations related to the proposed redevelopment of the Seagull Hotel, adjacent to Collins Park, could yield a monetary contribution to the City, a portion of which could be allocated to the nearby Collins Park Garage.
2. Depending on the timing and reduced scope of the Lincoln Road Redevelopment Project, RDA funds originally intended for Lincoln Road could be realigned.
3. Investigation of nontraditional public-private partnership financial models or other transaction types and structuring.

#### CONCLUSION:

Given the City's budgetary constraints and the unique opportunity presented by this project, the Administration seeks direction following the Committee's review of the Theater's proposal documents.

#### Applicable Area

South Beach

**Is this a "Residents Right to Know" item, pursuant to City Code Section 2-14?**

No

**Does this item utilize G.O. Bond Funds?**

No

#### Strategic Connection

Prosperity - Market and promote Miami Beach as a world class arts, culture, and quality entertainment destination.

#### ATTACHMENTS:

Description	Type
<input type="checkbox"/> <a href="#">Attachment A - Concept Deck</a>	Memo
<input type="checkbox"/> <a href="#">Attachment B - Cost Estimate</a>	Memo
<input type="checkbox"/> <a href="#">Attachment C - Economic Impact Report</a>	Memo