



MIAMI BEACH

OFFICE OF THE CITY MANAGER

NO. LTC # 114-2006

LETTER TO COMMISSION

TO: Mayor David Dermer and Members of the City Commission

FROM: Jorge M. Gonzalez, City Manager

DATE: April 19, 2006

SUBJECT: Cirque du Soleil – Economic Impact Analysis

The purpose of this Letter to Commission is to provide you with a copy of the Economic Impact Analysis commissioned by the City. Convention, Sports and Leisure International (CSL) prepared an analysis of the potential economic impact of the proposed redevelopment of the Jackie Gleason Theater for a permanent venue for Cirque du Soleil. The purpose was to quantify the potential community-wide economic impacts generated by this change of use. The analysis focused on patron data, patron demographics, length of stay, behavior trends and spending patterns. The model in the study calculates the resulting total output, earnings, direct spending and employment associated with the permanent venue in Miami-Dade County.

As you will note, the estimated net new annual direct spending from all Cirque attendees is approximately \$50 million during a stabilized year (in 2006 dollars). Of this, approximately \$39.8 million is assumed to take place within the City of Miami Beach. Additionally, an estimated 856 net new jobs are generated. Finally, approximately \$4 million in net new tax revenues for the State, County and City would be generated.

A copy of the full report is provided for your review and reference. If you have any questions, please feel free to contact me.

C: Hilda Fernandez, Assistant City Manager
Tim Hemstreet, Assistant City Manager
Max Sklar, Tourism and Cultural Development Director

Attachments

JMG/HMF/MSS

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CITY CLERK'S OFFICE

Economic Impact Analysis of a New Cirque du Soleil Production in Miami Beach

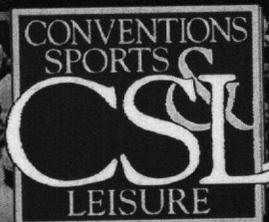
CIRQUE DU SOLEIL.



Presented to the:



City of Miami Beach
March 22, 2006



Conventions, Sports & Leisure International



March 22, 2006

Mr. Max A. Sklar
Director
Tourism and Cultural Development Department
City of Miami Beach
1700 Convention Center Drive
Miami Beach, Florida 33139

Dear Mr. Sklar:

We have completed our engagement with the City of Miami Beach ("City") to prepare an analysis of the potential economic impact of the proposed redevelopment of the Jackie Gleason Theater into a venue suited to host a new long-running production of Cirque du Soleil.

The analysis presented in this report is based on estimates, assumptions and other information developed from industry research, market data provided by the City, Greater Miami Convention and Visitors Bureau and Cirque du Soleil. All information provided to us by others was not audited or verified and was assumed to be correct. All primary research performed for this study was completed by March 2006. The sources of information, the methods employed and the basis of significant estimates and assumptions are stated in this report. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur. Therefore, actual results achieved will vary from those described and the variations may be material.

We sincerely appreciate the assistance and cooperation we have been provided in the completion of this report and would be pleased to be of further assistance in the interpretation and application of our findings.

Very truly yours,

CSL International

CSL International

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Introduction and Methodology

This report is intended to summarize CSL's findings related to our engagement with the City of Miami Beach to prepare an analysis of the potential economic impact of the proposed redevelopment of the Jackie Gleason Theater into a venue suited to host a new long-running production of Cirque du Soleil.

The potential operation of a permanent Cirque du Soleil production in Miami Beach could create significant impacts on the local community in a variety of ways. The impact generated by Cirque du Soleil most visibly begins with event attendees purchasing tickets, concessions, parking, merchandise and related items. Significant impacts also occur as attendees at Cirque du Soleil events generate spending in area restaurants, hotels, retail outlets and related visitor industry establishments. The direct spending of new dollars in an economy begins a series of spending in which the dollars are cycled and recycled through the economy. The secondary spending represents the impact that the various rounds of re-spending of the direct expenditures has on the economy of the greater Miami area, as measured using an input-output model.

The impact model used in this study calculates the resulting total output, earnings and employment associated with Cirque event activity in the market. In applying the model, significant amounts of data and conceptualization are required. The variables explained below are important to the overall study process.

Cirque Attendance Estimates

In any economic impact calculation related to a particular event or activity, it is first necessary to estimate the number of patrons generating the spending in an area and the portion of this spending that is considered to be net new. In the case of Cirque du Soleil attendance, the estimation involves three variables: the number of annual performances, theater capacity and the annual occupancy percentage. Based on conversations with Cirque project planners and La Nouba show management in Orlando, the table below summarizes the assumptions with regard to these variables.

Summary of Event Attendance Assumptions

	2006	2007	2008	2009	2010
Number of annual performances	415	415	425	425	440
Theater capacity	1,700	1,700	1,700	1,700	1,700
Annual occupancy percentage	75%	80%	75%	80%	85%
Average attendance per performance	1,275	1,360	1,275	1,360	1,445
Total Annual Attendance	529,125	564,400	541,875	578,000	635,800

Source Cirque du Soleil and La Nouba show management, 2006



As shown, over time, the number of annual Cirque performances is assumed to increase from 415 in the first year of operations, to approximately 440 shows, five years later. Annual occupancy at these shows is expected to range between 75 and 85 percent of total theater capacity, resulting in total annual attendance projected at approximately 529,000 in the first year of operations, increasing to nearly 636,000 in year five.

A total of ten percent of total Cirque attendees are assumed to be either visiting the Miami area specifically to attend Cirque *or* are visiting the area for other reasons but decide to extend their stay to attend Cirque. In either case, 100 percent of the spending occurring on the visitor days attributed to Cirque among these categories is considered to be “net new” to the area, as these dollars would not have been spent in the community without the existence of Cirque.

In contrast, only a portion of expenditures among the remaining 90 percent of Cirque attendees is considered to be “net new.” In the case of visitors to the area for other purposes that simply add Cirque to their itinerary (estimated to represent 65 percent of the total attendee base) only a portion of Cirque expenditures are considered to be net new. Specifically, we have assumed that 50 percent of expenditures taking place at the Cirque performance (i.e., tickets, concessions and merchandise) are considered to be “net new” while expenditures in the other identified categories would have taken place in the area with or without Cirque and are thus not a primary focus of this study.

The same general concept is true among patrons that reside within driving distance of Miami (estimated to comprise 25 percent of the entire Cirque attendee base). Among this segment of attendees, two major assumptions have been made. First, the amount of spending among those residing within driving distance of Miami that is considered to be net new is estimated at ten percent. This reflects the fact that some portion of area residents may have left the destination for entertainment purposes. The existence of Cirque “recaptures” some portion of this spending.

Attendee Spending Estimates

Our overall economic impact estimates rely heavily on assumed per-patron spending estimates. To assist with these estimations, we have been provided detail by the GMCVB as to average daily expenditures among overnight visitors to the Greater Miami and the Beaches area, adjusted to reflect the spending habits of Cirque attendees. This data was generated as part of the GMCVB’s 2004 Visitor Profile and Economic Impact Study.

For purposes of this analysis, direct spending among Cirque attendees has been estimated for the following categories: Cirque expenditures (i.e., tickets, concessions and merchandise), lodging, meals, transportation, entertainment other than Cirque and shopping. GMCVB data specific to Miami Beach were adjusted to a per-person basis and inflated at an annual rate of three percent to achieve per person expenditure estimates in 2006 dollars. An additional 20 percent increase was assumed for spending in hotel,



restaurant, retail and entertainment categories to reflect higher than average spending patterns that may apply to a Cirque patron.

Assumptions relevant to each spending category are further explained below.

- Cirque Expenditures – This category includes such items as show tickets and concessions and merchandise purchased while at the performance. The estimation of \$84 per person applies to both overnight and drive-in attendees and is based loosely on conversations with management of Cirque in Orlando
- Lodging – Among overnight visitors attending Cirque, we have estimated average daily per capita hotel expenditures at \$78. This figure was derived through intercept surveys, inflated to reflect a typical Cirque patron, and takes into account that fact that some visitors will stay with friends or family and thus have no such costs.
- Meals – Among overnight visitors attending Cirque, we have estimated average daily food and beverage expenditures at \$57 per person. This figure was derived through intercept surveys and has been inflated to reflect a typical Cirque patron. Visitor spending on meals among drive-in attendees is assumed to approximate 75 percent of that for overnight visitors.
- Transportation – This category includes visitor expenditures on items including taxis, car rental, parking, fuel and public transportation. Costs associated with arriving in the destination (i.e., airfare, fuel) are not included. Among overnight visitors attending Cirque, we have estimated average daily transportation expenditures at \$22 per person. This figure was derived through intercept surveys and has been adjusted to a per person basis. Transportation expenditures among drive-in visitors is estimated at \$15 per person per day and includes only parking and fuel.
- Entertainment (other than Cirque) –It is quite likely that visitors to the area will experience some form of entertainment other than Cirque while in the area. Among overnight visitors, entertainment expenditures other than Cirque have been estimated at \$23 per person per day. The initial total entertainment expenditure figure was derived through GMCVB sponsored intercept surveys and has been inflated to reflect a typical Cirque patron.
- Shopping/Retail – Among overnight visitors attending Cirque, we have estimated average daily shopping expenditures at \$52 per person. This figure was derived through intercept surveys and has been inflated to reflect a typical Cirque patron. Visitor spending on shopping among drive-in attendees is assumed to approximate \$15.00 per person per day.



Multipliers

The input-output model adjusts each successive round of spending, recognizing only the impact that the spending has on the economy of the greater Miami area. The re-spending of the dollars is estimated by utilizing economic multipliers and applying them to the amount of direct, or initial spending.

The multipliers used in this economic impact analysis as generated by the IMPLAN economic analysis system specifically for the Miami-Dade County area are presented below.

Industry	Output	Employment	Earnings
Hotel	1.798	0.690	21.346
Restaurant	1.851	0.652	27.317
Entertainment	1.814	0.650	21.225
Retail	1.921	0.858	31.364
Auto Rental	1.878	0.725	37.820
Other Local Transit	1.878	0.725	37.820
Other Industries	1.858	0.603	18.210

Economic Impact Analysis

Separate criteria for local ("drive-in") and non-local ("overnight") attendees were used to estimate the *economic impact* of Cirque du Soleil, that is, to determine what portion of patron spending primarily represented net new dollars in the community. For local residents and drive-in attendees, spending that would have left the economy of the greater Miami area in the absence of Cirque du Soleil event was considered new money. Only a portion of expenditures made by these attendees is considered new money (assumed at ten percent in this analysis), as many would have spent their money on other entertainment within the greater Miami metropolitan area in the absence of Cirque du Soleil.

For overnight Cirque attendees, if the attendee traveled to the greater Miami area solely to attend a Cirque du Soleil event, 100 percent of their spending was considered net new money in the area economy. That is, without Cirque du Soleil event, those individuals would not have traveled to the destination, and would not have spent money on entertainment, transportation, meals, lodging, shopping and other items in the area. Further, for the portion of event attendees that are in the area for other purposes but extend their stay to include a Cirque performance, all spending occurring during the additional time spent in the destination (assumed to be one night) is considered to be net new.

The direct impact assessed in this report focuses on both Cirque-related spending (i.e., tickets, concessions and merchandise) and spending outside Cirque du Soleil at local



businesses such as restaurants, hotels, retail shops and other such visitor industry establishments taking place before and after events. As previously noted, when possible, survey results were used to generate data that are needed to assess direct spending and economic impact within the greater Miami area as a result of Cirque du Soleil.

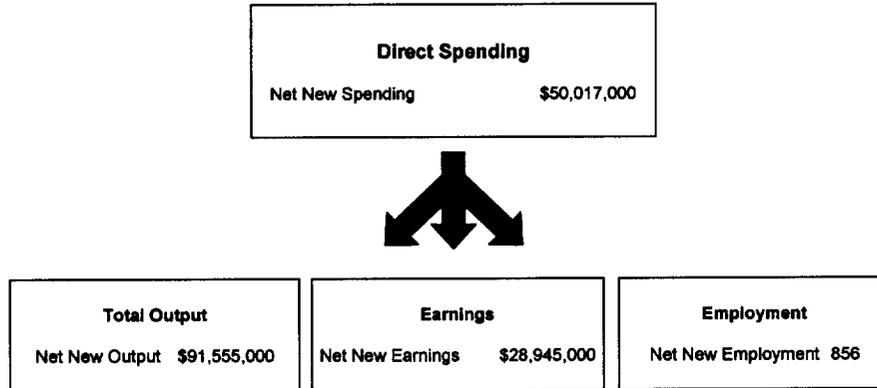
For purposes of this analysis, the annual economic impacts resulting from the operations of Cirque du Soleil in Miami Beach have been estimated using the following economic measurements:

- **Direct Spending** represents the first round of quantifiable spending and includes spending by event attendees before and after an event, and spending associated with Cirque du Soleil operations.
- **Total Output** represents the total direct, indirect and induced spending effects generated by the project. This calculation measures the total dollar change in output that occurs in the local economy for each dollar of output delivered to final demand.
- **Personal Earnings** represents the wages and salaries earned by employees of businesses associated with or impacted by the project. In other words, the multiplier measures the total dollar change in earnings of households employed by the affected industries for each additional dollar of output delivered to final demand.
- **Employment** represents the number of full and part-time jobs. The employment multiplier measures the total change in the number of jobs in the local economy for each additional \$1.0 million of output delivered to final demand.

The exhibit below summarizes the overall economic impacts associated with a permanent Cirque performance at a redesigned Jackie Gleason Theater in Miami Beach, utilizing the assumptions presented throughout this report, in a full year of stabilized operations, based on the application of the IMPLAN multipliers.



**Estimated Annual Economic Impacts –
Upon Stabilization of Operations (in 2006 Dollars)**

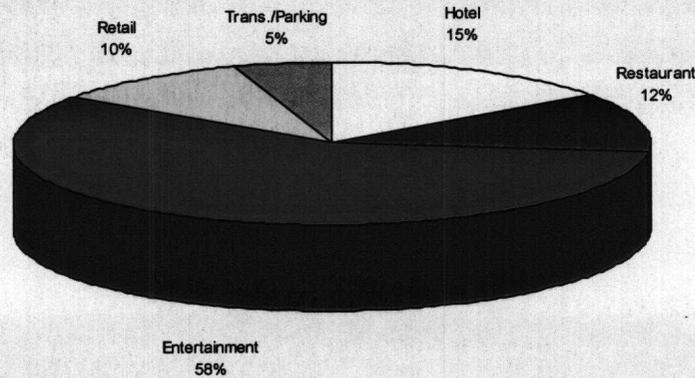


As presented in the exhibit, the estimated net new annual direct spending associated with total spending among all Cirque attendees is approximately \$50 million during a stabilized year of operations in 2006 dollars. The new spending originates from patrons that travel to the Miami area specifically to attend Cirque (40 percent), patrons that extend their stay in the destination to attend Cirque (20 percent), and new spending from residents and visitors that would have left the market without the existence of Cirque (40 percent).

An industry breakdown of the \$50 million in net new direct spending associated with a permanent Cirque performance at a redesigned Jackie Gleason Theater in Miami Beach is summarized in the exhibit on the following page.



**Estimated Annual Economic Impacts –
Upon Stabilization of Operations (in 2006 Dollars)**

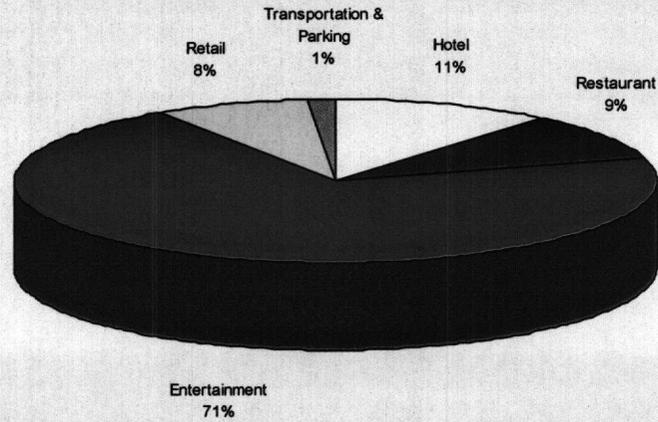


Total Direct Spending	
Net New Spending	\$50,017,000

Of the estimated \$50 million in net new direct spending in a stabilized year of Cirque operations, more than \$28.9 million, or approximately 58 percent takes place in the entertainment industry, the largest of the five identified industry sectors. Spending for Cirque performances represents the largest share of this category. Direct spending in hotels is projected to account for an estimated 15 percent of all net new direct spending, translating to an estimated \$7.4 million annually in 2006 dollars. This compares to approximately \$6.2 million being spent in the restaurant industry annually. The remaining 14 percent is spread across such sectors as, retail and local transit/parking. It should be noted that expenditures on alcohol are distributed among two spending categories: restaurant and entertainment spending.

Of the more than \$50 million in net new direct spending associated with a permanent Cirque performance, approximately \$39.9 million, or approximately 80 percent, is estimated to take place within Miami Beach. An industry breakdown of this spending is presented in the following exhibit.

**Annual Net New Direct Spending Estimated to take place in Miami Beach –
Upon Stabilization of Operations (in 2006 Dollars)**



Total Annual Direct Spending (in Miami Beach)	
Net New Spending	\$39,861,000

Of the estimated \$39.9 million in net new direct spending assumed to take place within Miami Beach, more than \$28 million, or approximately 70 percent is comprised of expenditures related to Cirque expenditures (i.e., tickets, concessions, merchandise) and spending at other entertainment establishments in the Miami Beach area. Direct spending in hotels is estimated to account for an approximately 11 percent of all net new direct spending taking place in Miami Beach, translating to nearly \$4.5 million in a stabilized year of operations. This compares to approximately \$4.3 million in food and beverage expenditures. Total annual net new retail expenditures estimated to take place in Miami Beach as a result of Cirque patronage is estimated at \$3.1 million, or approximately eight percent of all direct spending associated with the potential project.

Fiscal Impact Analysis

Beyond spending, output, earnings and employment data, the addition of a permanent Cirque du Soleil production in Miami Beach will generate incremental tax revenues for the State, County and City. The revenue generated from these taxes are used in funding a wide range of tourist-related facilities, promoting tourism, providing cultural grants and other various uses.



The following assumptions were made in preparing such estimations:

- It is estimated that 95 percent of restaurant and hotel sales are taxable; reflecting the fact there is occasional event activity from tax exempt organizations.
- Approximately 70 percent of entertainment expenditures are subject to tax, reflecting the tax base specific to various entertainment activities.
- Approximately 90 percent of auto rental and retail industry transactions are taxed.
- Eighty percent of local transit, including gasoline sales which are not included in the State tax base, is assumed to be taxed.
- Fifty percent of spending in other industries is assumed to be taxed as general sales.
- Thirty percent of indirect spending (total output less direct spending) are assumed to be taxed as general sales.
- We have assumed that approximately 60 percent of overnight Cirque attendees will stay overnight in Miami Beach, while the remaining 40 percent will stay overnight in Miami and surrounding areas.

Tax rates utilized in this analysis are as follows:

- 6.0 percent State Sales Tax
- 1.0 percent County Sales Tax
- 3.0 percent Convention Development Tax (Miami-Dade County)
- 3.0 percent Resort Tax (City of Miami Beach)
- 2.0 percent Food and Beverage Tax (City of Miami Beach)

Based on the assumptions outlined earlier and the application of State, City and County tax rates to the spending associated with Cirque du Soleil performances in Miami Beach, the following tax estimates have been calculated.



**Summary of Net New Tax Collections Generated by Cirque Operations -
Stabilized Year of Operations (2006 Dollars)**

	Current Tax Rate	Net New Tax Collections
State Sales Tax - direct spending	6.0%	\$2,381,000
State Sales Tax - indirect spending	6.0%	743,000
Convention Development Tax (Miami-Dade County)	3.0%	212,000
County Sales Tax - direct spending	1.0%	399,000
County Sales Tax - indirect spending	1.0%	125,000
Resort Tax (City of Miami Beach)	3.0%	127,000
Food and Beverage Tax (City of Miami Beach)	2.0%	74,000
Allocation of State Sales Tax to Miami Beach (1)		18,000
TOTALS		\$4,079,000

(1) This allocation is applied only to state sales tax collections in Miami Beach.

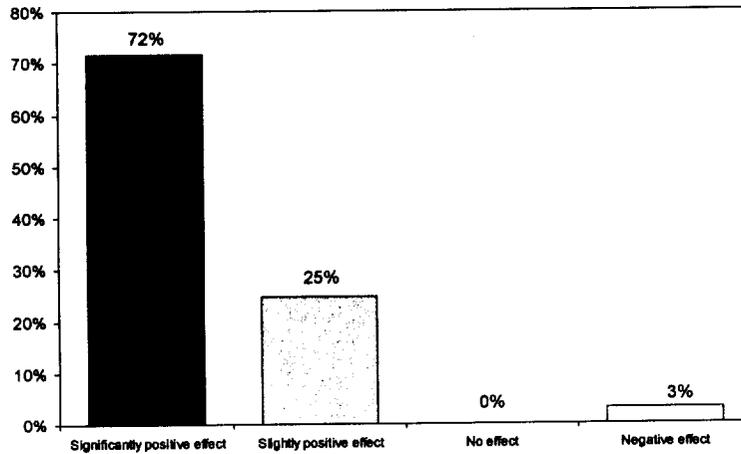
As noted, the net new tax impacts of a permanent Cirque du Soleil production in Miami Beach are estimated at approximately \$4.1 million during a stabilized year of operations in 2006 dollars. These calculations do not include positive impacts on property tax collections or other tax sources in Miami Beach and throughout the destination that will be impacted. These impacts are difficult to measure due to unforeseen changes to tax base, but are likely significant.

Analysis of Non-quantifiable Impacts

In addition to the quantifiable impacts related to a permanent Cirque du Soleil production in Miami Beach, the project could have several non-quantifiable impacts on the local community as well. In an effort to gauge the effect of Cirque du Soleil on the quality of entertainment in the greater Miami area, intercept surveys were conducted with nearly 170 attendees of Cirque's recent touring performance of Varekai in Bayfront Park in downtown Miami. As presented in the exhibit below, attendees were asked to rate the effect of Cirque du Soleil on the quality of entertainment in the greater Miami area.



Summary of Cirque du Soleil's Effect on the
Quality of Entertainment in the Greater Miami area



Source: Custom Intercept Solutions, 2006

As presented, nearly three-fourths of those surveyed feel that the presence of Cirque du Soleil results in a *significantly positive* effect on the local community. In sum, these results are representative of the fact that while Cirque du Soleil would have measurable effects on the local economy in terms of direct spending and economic impact associated with Cirque patronage, the presence of this production could also generate lasting effects on the local entertainment industry, thereby positively affecting the appeal of the destination to visitors to the community, as well as the quality of life among local and regional residents.

