



MIAMI BEACH

OFFICE OF THE CITY MANAGER

NO. LTC # 243-2006

LETTER TO COMMISSION

TO: Mayor David Dermer and Members of the City Commission

FROM: Jorge M. Gonzalez, City Manager

DATE: October 12, 2006

SUBJECT: "Best and Final" Term Sheet Offers for the Future Use and Operation of the Jackie Gleason Theater

On September 6, 2006, the City Commission approved Resolution No. 2006-26320 that formally established a process and guidelines for submission and receipt for "Best and Final" proposals for the future use and operation of the Jackie Gleason Theater of the Performing Arts ("JGT"). The process and guidelines set a deadline for "Best and Final" term sheet offers from AEG Live, Live Nation, and Cirque du Soleil for September 29, 2006. The resolution also requested the City Manager to schedule at least one public meeting to gain community input between September 29th and October 17th in preparation for a Special City Commission Meeting on Wednesday, October 18, 2006 to consider the proposals and to select a future operator for the facility.

Attached are summaries of the "Best and Final" Term Sheet offers received from AEG Live, Live Nation, and Cirque du Soleil. Each summary provides the main deal points in a consistent presentation for each company. I will be providing you complete copies of the "Best and Final" Term Sheet offers, along with supporting information about each company as provided by the companies, staff research, and third parties no later than Friday, October 13, 2006. The resulting package should provide you with a complete picture of each company and their vision for the JGT. In order to facilitate public access to this information, staff has also created a webpage on the City's website with links to the background information which has been provided to you. This webpage can be accessed via link on the city's homepage at www.miamibeachfl.gov.

In addition, the following meetings, open to the public, are scheduled to gain community input on the future of the JGT, as well as insight on the term sheet offers. The intent of these meetings is to receive as much public and community input as possible in advance of the Special Commission meeting scheduled for October 18, 2006. General comments from both meetings will be provided to you in follow-up materials to be provided to you no later than Tuesday, October 17, 2006.

**Cultural Arts Neighborhood District Overlay (CANDO)
Mayor's Blue Ribbon Committee
City Commission Chambers, City Hall
1700 Convention Center Drive, Miami Beach
Thursday, October 12, 2006
10:00 AM**

At this meeting, which was well attended, we provided an overview status of the JGT and discussed the general elements of the options being offered for the facility.

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Community Meeting
Jackie Gleason Theater of the Performing Arts
1700 Washington Avenue, Miami Beach
Monday, October 16, 2006
5:00 PM

At this meeting, we will provide as much information as possible as a staff presentation to help make sure the comments and dialogue is as informed on the issues as possible. The purpose of this meeting is to gain general input from the community at large regarding preferences and vision for the next stage of programming for the JGT. The format of this meeting is expected to be a staff presentation, followed by direct interaction with the members of the public present at the meeting. Although there is no role contemplated for the three companies, they have been invited to attend and may respond to questions if appropriate.

Special City Commission Meeting
City Commission Chambers, City Hall
1700 Convention Center Drive, Miami Beach
Wednesday, October 18, 2006
5:00 PM

It is anticipated that staff will make a presentation, as will each of the three companies, to the City Commission for your deliberation and consideration. Staff and representatives of the three companies will be available to respond to questions and comments, as well.

We have made every effort to disseminate notice of each of these meetings as widely as possible to ensure attendance from as many interested parties as possible.

Finally, we are scheduling individual briefings with each you to discuss the three companies and their respective proposals. These are intended to occur between October 12, 2006 and October 17, 2006. In the meantime, please feel free to contact me if you have any questions or concerns regarding this process or the proposals. Additionally, we held a press briefing on Thursday, October 12, 2006 from noon to 1:30 p.m. to provide the reporters covering this story with an opportunity to get full briefings on the matter.

As you know, we have been diligently working on this matter for several months. The above schedule of events is reflective of our effort to make sure that as much comment and opportunity for public input is provided as we lead up to the Special Commission meeting of October 18, 2006.

Should you have any questions please feel free to contact me.

Attachments

C: Jose Smith, City Attorney

AEG Live

Parties	AEG Live LLC (AEG) and City of Miami Beach (City)
Concept	Traditional performance venue with diverse venue bookings using existing seating capacity of 2,700
Project	Improvements include sound and lighting systems; orchestra pit; concession areas; electrical upgrades for audio & lighting; acoustical treatments; emergency system linkages & interfaces; and marquee signage.
Proposed Use - Types of Events	140 ticketed events per year with attendance projected to total 246,000 by 2008. Types of Events include Award Shows, Holiday Festivals, Community Nights, Consumer Shows, Concerts, Family Shows, Festivals, Film Premieres, Film Festivals, Meeting/Catering Events, Speaking Association, Television Productions, Theatrical Productions, Trade Shows
Form of Agreement	Management Agreement
Proposed Term	Initial 10 year term and two (2) five-year options, up to 20 years; Termination Right for AEG after 2 years if AEG sustains losses in excess of \$500,000 in a year.
Base Compensation to CMB	\$250,000 per year, adjusted by CPI after 2008
Bonus/Percentage Rent/Facility Fees	City will retain 100% of all facility fees (\$1.50 per ticket), estimated to be \$300,000 by 2008. City will receive 50% of the ticketing convenience charge rebate received from Ticketmaster, estimated to be \$242,000.
Real Estate Taxes	\$0, theater is currently exempt from property taxes. If venue becomes taxable, then City pays property taxes.
Project Investment	City: \$0 Other: \$2,000,000
Social/Community Benefits	<ul style="list-style-type: none"> • The City may use venue rent free 10 days per year; the City reimburses operating expenses. • 60-80 free tickets for seniors and students (per event). • Assume commitment to Invitation to the Arts Festival with annual event advertising. • Work with local schools to provide after school programs.
Naming Rights	AEG will have the right to sell naming rights. City will receive 50% of any naming rights revenue based upon the assumption that name in title sponsorship will be approved by the City Commission.
Sponsorship	\$0
Maintenance	AEG will be responsible for day-to-day operational maintenance, as well as minor fixture and small equipment replacement up to an amount to be determined. City will be responsible for all capital renewal and replacement for the theater.
Insurance	AEG will obtain spectator and general liability insurance; the City will continue to be responsible for property insurance.
Operations	AEG shall provide all event-related operations and pay all event related expenses
Corporate Guaranty	All obligations will be guaranteed by AEG Live, LLC
Art in Public Places	TBD

10 Year - Total Value

Rent	\$10,130,000
Facility Charge	\$3,590,000
Taxes	\$0
Incremental Parking	\$1,500,000
Community Benefit	\$6,000,000
Private Investment	\$2,000,000
Maintenance Cost (deduct)	(\$10,000,000)
<i>Sum</i>	\$13,220,000

Live Nation

Parties	Live Nation Worldwide, Inc. and its subsidiaries (LVN) and the City of Miami Beach (City)
Concept	Live performance venue with flexible seating to allow for a variety of entertainment options, such as comedy and live concerts
Project	Improvements include: seating re-configuration with re-grade on ground floor to create terraced, general admission floor areas (2,750 total event capacity); updated auditorium finishes; updated draperies, lighting and paint in the lobby; new bars, lighting, finishes and furnishings to create an upscale atmosphere and more points of sale; \$200,000 allowance for a significant new exterior sign; update and reconfiguration of dressing areas and band accommodations.
Proposed Use - Types of Events	Projected 120 events in the first full year of operation with potential to grow to 150 to 180 events per year. Projected to grow past 240,000 tickets per year in 2008. Public entertainment, live entertainment, public assembly, bar and/or restaurant and ancillary uses. Proposed types of entertainment include concerts, comedy acts, private rentals, television broadcasts, artist recording studio, filming events
Form of Agreement	Lease or Management Agreement
Proposed Term	Initial 15 year term with two (2) five-year options, up to 25 years
Base Compensation to CMB	\$1,000,000 per year, 2% escalator per year
Bonus/Percentage Rent/Facility Fees	\$1 per ticket after 240,000 tickets per year (excludes community benefit fund program tickets, charitable events, third party rentals). \$2,000 per event above 200 events (same exclusion)
Real Estate Taxes	\$0, theater is currently exempt from property taxes. If venue becomes taxable, then City pays property taxes.
Project Investment	City: \$0 Others: \$3,500,000
Social/Community Benefits	<ul style="list-style-type: none"> ●The City may use venue rent free twice per year for City events, once per year for charitable use; once per year for Play Ground Review event; the City reimburses operating expenses; LVN keeps f&b revenue; no sponsorship violation; no concerts. ●Annual Event and Auction for Community Needs consisting of autographed memorabilia of the performing acts at the JGT ●Resident Ticket Program - Live Nation will make 100 tickets for specified events available for purchase 2 days early to City residents ●Community Benefit Fund - Live Nation will continue the current discounted ticket program for senior citizens and students w/o City contribution ●Free booking/programming Consultation to City for Byron Carlyle and Colony Theaters ●20 tickets to City for each event.
Naming Rights	If naming rights are approved by City and Theater name is changed from "Jackie Gleason" then Live Nation will share 25% of net naming rights with City
Sponsorship	\$0
Maintenance	Live Nation will cover all costs, including capital plant renewal and replacement
Insurance	Live Nation will cover all costs
Operations	Live Nation will cover all costs
Corporate Guaranty	Provided by Live Nation Worldwide, Inc.
Art in Public Places	TBD

10 Year - Total Value

Rent	\$10,000,000
Facility Charge	\$0
Taxes	\$0
Incremental Parking	\$1,500,000
Community Benefit	\$6,000,000
Private Investment	\$3,500,000
Maintenance Cost (deduct)	\$0
<i>Sum</i>	\$21,000,000

Cirque du Soleil

Parties	A joint venture consisting of Cirque du Soleil, Inc. with its affiliated partners (CDS) and the City of Miami Beach (City)
Concept	Permanent Cirque du Soleil Show, with related facilities including a theme restaurant, show related retail boutique, theme lounge, and special events venue that provides both private and public live entertainment, which can be operated as a nightclub up to three nights a week.
Project	Economic Development project that converts the Jackie Gleason Theater and the adjacent 555 building into a multi-purpose entertainment complex. Includes the complete renovation of the theater and adjacent 555 buildings to accommodate the proposed uses. Current components include a 1,700 seat theater, 250 seat theme restaurant with a related 300 seat lounge, and a 600 to 1,500 person special event area for private rentals that will open as a live entertainment or nightclub venue for the public up to three nights a week.
Proposed Use - Type of Event	Permanent theater venue for a CDS live show production with a projected 430 shows annually; theater adjacent concessions and merchandising retail; theme restaurant and lounge; special event area for private and public functions; surrounding gardens. The proposed show is anticipated to qualify as a partially nude establishment under the City Code and state law.
Form of Agreement	A development agreement for the development and construction of the project; and a lease agreement for the use and operation of the project.
Proposed Term	Initial term of 15 years with 10 year subsequent renewals up to 50 years. There are two related, substantive agreements, one for the show and one for the lease on the property. Both include a termination right: for the Show if after two years the expenses exceed revenues for 12 consecutive months; for the lease after 4 years if expenses exceed revenues for 12 consecutive months. If either is involved, the term ends no later than year 15.
Base Compensation to CMB	<p>\$4,200,000 (estimated) in year 1, based on percent of gross show ticket sales and other revenues (boutique, VIP, food & beverage, restaurant, lounge, special event, etc.).</p> <p>\$6,100,000 (estimated) in year 6, based on a percent of gross show ticket sales, which increases this year, and other revenues (boutique, VIP, food & beverage, restaurant, lounge, special event, etc.).</p>
Bonus/Percentage Rent/Facility Fees	\$1,100,000 (estimated, based on \$2 per ticket) for years 1 through 5; \$1,400,000 (estimated, based on \$2.50 per ticket) for years 6+. This is a facility surcharge on each ticket sold.
Real Estate Taxes	\$1,500,000 (estimated for all overlapping jurisdictions) CDS is responsible for payment of all taxes.
Project Investment	<p>City: \$40,000,000 to \$45,000,000</p> <p>County: \$15,000,000 to \$10,000,000</p> <p>Others: \$75,000,000</p>
Social/Community Benefits	<ul style="list-style-type: none"> ● \$1,000,000 (estimated, based on 1% of project revenues) to social programs on Miami Beach (at least 50%) and in developing countries. Proposed programming to focus on youth-at-risk, cultural programs to promote/support emerging talents, in-school/extracurricular activities for youth. ● Availability of rehearsal nights for fundraising opportunities for non-profit organizations ● The City shall have booking rights (subject to availability) to the special events area for City use. ● 4 premium seats per performance for City use.
Naming Rights	Not applicable

Cirque du Soleil (Con't)

Sponsorships	Revenue generated by sponsorships and non-facility naming rights shall be used toward capital construction costs during the development phase and towards debt service and building maintenance during operation phase.
Maintenance	CDS is responsible for all regular, "day to day" maintenance activities, such as painting, carpeting, filter replacement, light bulb and fixture replacement, etc., as well as minor equipment and machinery replacement. City maintains responsibility for replacement of capital equipment and machinery in the project, the cost of which are funded through the facility fee.
Insurance	CDS shall maintain all risk casualty insurance, including windstorm (unless not commercially available) & flood; general commercial liability; business interruption insurance; performance insurance; auto liability insurance; worker's compensation insurance; intellectual property.
Operations	CDS is responsible for all operational requirements.
Corporate Guaranty	All obligations will be guaranteed by CDS and its joint venture partners.
Art in Public Places	\$1,500,000 projected value of proposed public art to be in and paid for by the project.

10 Year - Total Value

Rent	\$33,100,000
Facility Charge	\$12,400,000
Taxes	\$15,000,000
Incremental Parking	\$15,000,000
Community Benefit	\$10,000,000
Private Investment	\$75,000,000
Maintenance Cost (deduct)	(\$10,000,000)
<i>Sum</i>	\$150,500,000

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