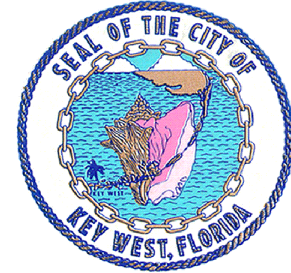


EXECUTIVE SUMMARY



TO: City Commission

FR: Bogdan Vitas
Marilyn Wilbarger, RPA, CCIM

DT: February 14, 2014

RE: Waterfront Playhouse Lease Renewal

ACTION STATEMENT:

This is a request to enter into an under market lease renewal with the Waterfront Players, Inc, a Florida non-profit corporation for the occupancy of the building known as the Waterfront Playhouse located at Mallory Square.

BACKGROUND:

The City previously entered into a lease agreement for this use at this location in support of the city's arts and culture. The Playhouse has submitted a chronological listing of their tenancy and improvements and it is attached hereto. The lease will expire in November 2014 and a renewal has been proposed on the following terms:

PREMISES: The building located at Tift's Lane and Wall Street in Mallory Square

TERM: Ten (10) years, effective November 1, 2014

USE: Operation of a theater playhouse, and for events and meetings that directly support or benefit this use of the playhouse and for no other purpose.

RENT: \$250 per month in addition to 50% of the net revenue generated by use of the theater by third party for profit uses.

EXPENSES: The Tenant will pay for operating costs including all utilities, repairs and maintenance, replacements and renovations necessary to keep the premises in good repair and condition.

IMPROVEMENTS: Any improvements will be at the Tenant's sole cost and expense

FINANCIAL: The Waterfront Playhouse has submitted financial information and it is attached.

CONCLUSION: The Key West Players will celebrate their 75th anniversary in 2014 and with the city's continuing support they will remain a key element of the Key West arts community and continue to provide a public benefit through utilization of the city owned building at Mallory Square.

The Key West Players, Inc. and the Waterfront Playhouse Lease

When the Key West Players went looking for a permanent location in 1961, they had already been in existence for more than 20 years and were an established cultural icon in the City of Key West. At the same time, the city was beginning to grapple with the complexities of historic preservation, use of the waterfront and transition to a tourist driven economy.

It turned out to be a match made in heaven, the Players needed a building large enough to serve as a theater and the city had a dilapidated warehouse on the old Mallory docks that was fast becoming a liability. The Key West Players were willing to put in the money and sweat equity required to turn the crumbling warehouse into a theater that would serve residents and much needed tourists alike. In return, the City was willing to lease the building at favorable terms and waive rent payments for the first three years. A 20-year lease was signed and thus began the mutually beneficial partnership that has existed to this day.

The Key West Players lived up to their end of the bargain and created a wonderful theater which became the jewel of the Mallory Square restoration project and a lynch pin in the City's move to a tourist based economy drawing thousands of out of county audience members each season as they transitioned to a superb professional theater named repeatedly as the Best Professional Theater in Florida. The lease and its favorable terms were renewed in 1984 and renegotiated in 2004. During that time, The Players have continued to pour money into maintenance and building improvements. Indeed there is now little resemblance to the old crumbling warehouse - even the façade and the footprint of the building have changed

Just since the approval of the current lease in 2004, the Key West Players have invested nearly \$790,000 in capital improvements and more than \$55,000 has been spent on repairs and maintenance. All planning has been done in concert with appropriate City departments, Keys Energy Services and the Monroe County tourist Development Council and all work has been done under the supervision of the City of Key West. The lease between the Key West Players and the City of Key West is a model of everything that is right about cooperation between the public and private not for profit sectors for the benefit of the community.

The Key West Players will celebrate their 75th anniversary in 2014 – they are the oldest arts organization in continuing operation in Key West! For over 50 of those years, their performances have been staged at the Waterfront Playhouse. They are a key element of the Key West arts community so vital to the marketing of the city as both a tourist and a residential destination. The lease for the Waterfront Playhouse is an integral part of the success story of the Key West Players and the City of Key West and it is hoped that it will remain that way far into the future.

A detailed history of the Waterfront Playhouse follows:

On February 3, 1961, Bazel Crowe (City Manager, City of Key West) notified William Dickerson (President, Key West Players) that on February 1, 1961, a resolution was passed authorizing a lease between the City of Key West and the Key West Players concerning a warehouse on Mallory Docks. [Exhibit A]

At the time of the lease, the city building was little more than four collapsing walls, a weak roof, a shaky second floor and a loose rock and dirt floor. Because of the significant restoration costs, the City delayed rent payments for three years. The Citizen provided the community details on the restoration and move to the new playhouse. [Exhibit B]

A 20-year lease was executed immediately and officially filed for record with the Clerk of Court on June 16, 1961. [Exhibit C] The lease specified that no rental payments would be made for the first three years of the 20-year term; rent payments were to commence on the 15th day of February 1964. In return for the rent-free period, the Key West Players assumed responsibility for the repair of the warehouse and its conversion into a theatre.

A requirement of the lease was that "within six (6) months from the date of this lease to substantially repair and equip the existing brick warehouse building located on the above described premises so that the building may be used for the production and enjoyment of plays in said building, and within twelve (12) months from the date of this lease, that the minimum repairs and equipment and furnishings to be installed in said building shall be as follows:

- (a) Reinforce the roof of said building to the satisfaction of the Building Official of the City of Key West, Florida.
- (b) Install a suitable floor throughout the said building.
- (c) Construct and install public restrooms and other plumbing features required for players' dressing rooms.
- (d) Install additional exits as required by the State Fire Marshall and Building Official of the City of Key West, Florida.
- (e) Construct a stage of approximately 35 feet by 20 feet.
- (f) Install proper stage curtains.
- (g) Install 150 theatre seats.
- (h) Install stage and theatre lighting in accordance with the requirements of the City Electric Code.

It was also noted in the lease that should the lease be terminated, the Lessee (Key West Players) would be 'permitted to remove from said building and the said premises the theatrical lighting equipment, seats, stage curtains, all materials pertaining to sets and scenery, costumes, stage properties and furniture, theatrical library, theatrical exhibits and other memorabilia, air conditioning unit or units and all other materials pertaining to theatres."

The architectural and engineering work for the Playhouse was done by Colonel Alvin R. Moore (US Army Corps of Engineers, Retired). The Key West Citizen [Exhibit D] supported the fund raising for the new playhouse and many community wide events were held to raise the necessary funds for the project.

As early as June 1961, the Key West Players, Inc. requested additional property on the Mallory Docks. [Exhibit E] In response to this request, the City Manager noted that "As you know, the entire area surrounding your building and other dock buildings will become a large parking lot.... If the area in question does not interfere with the over all parking plan, then perhaps your request will be in order." [Exhibit F- photo of parking on side of building]

On October 3, 1961, the Key West Players approved a resolution that authorized issuance of Building & Improvement Bond of approximately \$10,000 worth of \$100 bonds issued with simple interest of 6% annually payable over 10 years. [Exhibit G] These funds were used along with private donations to complete the renovation of the playhouse.

In the renovation, the Players leaned heavily on local builders and contractors. The floor was raised, the second story torn out, a new roof was built, and temporary seating and a stage installed along with essential lighting. Actual costs ran well beyond original estimates.

On the night of November 27, 1961, the Waterfront Playhouse hosted a gala opening!

After opening, the Key West Players continued to identify and implement essential improvements to the theatre: permanent seating was installed, water fountains were installed, as was air conditioning and the stairs to the entrance.

On October 16, 1963, pursuant to Resolution 2298, the lease was amended to modify the schedule for monthly rent payments effective 15th day of February 1969. [Exhibit H]

Then in 1972, the City of Key West gave approval to an expanded footprint (and amended the lease to include this additional property) and extended the lease until 1992. [Exhibit I]. Once again the Key West Players raised money for this capital improvement – once again, Colonel Alvin R. Moore provided the architect/engineering services. On the additional space, the shop and dressing rooms were constructed. Plans and photos of the addition are provided at Exhibit J. Apparently this was not an easy job: the first foundations in 1974 disappeared into the swamp below! Once the addition was completed, the Key West Players relocated totally to the Waterfront Playhouse.

When the City of Key West implemented a plan for the overall upgrade of Mallory Square, the Waterfront Playhouse was a key element of the plan itself. Documentation from the Key West Library shows the Playhouse as a 'modern,

functional playhouse'. Interestingly, the Waterfront Playhouse is the only element of the plan that operates as originally envisioned. [Exhibit K]

Over the years of the 1980's and 1990's, the management of the Key West Players changed from the 'old guard' to a new board. The productions were more polished as the theater moved from being a community theater (with volunteers on stage and back stage) to a professional theater. In the same period, the theater continued to be well maintained and constantly improved. By 1990, the awning over the entrance had been added along with the marquee poster that announces the shows to the visitors at Mallory Square. In that year, the Key West Players celebrated their 50th Anniversary. The Key West Citizen provided excellent coverage of the anniversary. [Exhibit L]

On April 6, 2004, the City Commission of the City of Key West approved Resolution 04-150 that approved the new lease at below market rate because of the public benefit of the Waterfront Playhouse to the City of Key West. The terms of the lease were for 10 years commencing November 14, 2004 and ending at midnight November 13,2014. [Exhibit M]

Improvements to the building continued. In 2004, the front steps and railing were improved, new air-conditioning was installed and a major section of the roof was repaired. In 2004-7, the Key West Players held a major capital campaign fund drive that raised the funds that were used to renovate the lobby, bring restrooms to ADA compliance and provide ADA Compliant handicapped access. The total cost of the project was almost \$420 thousand. The improvements to the Playhouse were showcased in The Miami Herald [Exhibit N].

In 2010, another capital campaign provided the resources needed to replace the original stage, install lighting under the stage and improve the lighting for productions. In addition, the sound system for the theater was upgraded. During the summer of 2011, the roof was replaced in its entirety – now there is significant insulation under the roof! With that, not only were the costs of heating and cooling reduced, but also the noise transfer into the theater from Mallory Square neighbors. Together these projects were a \$165 thousand investment in the theater.

In the 2011-12 season, upgrades to the sound system were continued at a cost of an additional \$10,000. In the summer of 2012, the theater was completely rewired to current code and modern standards. This will allow continued modernization of the technology that supports productions as well as a future replacement of the air conditioning system. The electrical upgrade cost almost \$75,000!

An ADA compliant hearing assistance system – a 'Hearing Loop'- was installed in the summer of 2012. This system now allows us to provide support to the increasingly large population that needs assistance to enjoy the shows.

Since the approval of the current lease, the Key West Players have invested nearly \$790,000 in capital improvements to the Waterfront Playhouse. In addition to these major capital improvements, we have spent more than \$55,000 over the last 10 years in repairs to the existing plant.

Simultaneously, we have improved as a professional theater – named “Best Professional Theater in Florida” by Florida Monthly Magazine! The Key West Players will celebrate their 75th anniversary season in 2014-15 – we are probably the oldest arts organization in continuing operation in Key West! We are an important element of the Key West arts community that is so vital to the marketing of Key West as a town to visit and to move to!

Sources and Used of Funds - Waterfront Playhouse

	2012/2013 Season	Last 5 Yrs.
Commercial Rev. from Operations *		
Ticket Sales	397,699	1,763,565
Theater User Fees	8,025	53,919
Ticket Fees	18,017	18,017
Children's Programs	-	4,759
Mystery Fest Events	6,815	20,138
Ad Sales	107,095	475,557
	<u>537,651</u>	<u>2,335,955</u>
 Total Expense of Operation	 767,210	 3,779,104
 Short Fall (Loss)	 (229,559)	 (1,443,149)
 Rev. from Contributions and Grants **		
Fund RaisersEvents	48,408	239,576
Privet Fund Grants	80,000	153,250
Government Grants	33,316	159,945
Contribution Housing in Kind	65,590	373,465
Privet Donations	149,582	778,850
	<u>376,896</u>	<u>1,705,086</u>
 Cash Flow before Cap. Adds	 147,337	 261,937

* If the theater was a privet for profit operation these revenues would be expected.

** These revenues would not exist if the theater was a privet for profit business.