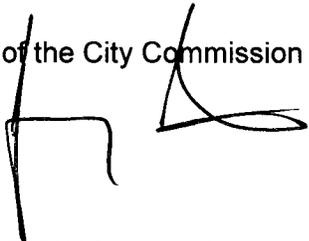




City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

COMMISSION MEMORANDUM

TO: Mayor Philip Levine and Members of the City Commission

FROM: Jimmy L. Morales, City Manager 

DATE: November 19, 2014

SUBJECT: **A DISCUSSION REGARDING THE MIAMI BEACH CONVENTION CENTER BOOKING POLICY**

BACKGROUND AND ANALYSIS

The City approved the Booking Policy for the Miami Beach Convention Center on June 7, 1989, which was subsequently revised on October 4, 1989, June 6, 1990, July 8, 1992, June 3, 1998, May 12, 1999, July 7, 1999, and April 16, 2001. The most recent revision on April 16, 2001 was approved pursuant to Resolution No. 2001-24394 which clarified designation of First Priority status and City Manager discretion concerning same. The Booking Policy has not been revised since 2001.

As you know, in April 9, 2014, Request for Qualifications No. 2014-142ME for the Design Criteria Professional (DCP) services for the Miami Beach Convention Center Renovation was awarded to Fentress Architects. Construction is anticipated to begin immediately following Art Basel in Miami Beach 2015 and is expected to be completed in middle 2018. Group business generally books their events more than 24 months (2 years) into the future. With that in mind, the City needs to decide, in very near future, what if any changes to the Booking Policy should be considered in order to set booking goals for the Greater Miami Convention and Visitors Bureau (GMCVB) and Global Spectrum (Global).

In considering potential changes the type of event (convention, trade show and consumer shows) determines what demands the facility and surrounding area are likely to experience and what kinds of attendees and exhibitors can be expected. To a large degree the Center must also consider the overall economic impact the show will have to the City at large. Tax generation and City fees inclusive of the additional sales tax revenue from visitors and increased local consumption patterns can provide a significant amount of revenue to the City and the local businesses. The propensity of the various attendees and exhibitors to spend money in local businesses, hotels, shops, restaurants, tourist attractions, use of local public transportation (taxis, and rental cars) and entertainment establishments need to be considered and included in the overall assessment of the show as a net revenue contributor to the local economy. The purpose of the Convention Center is not to make money, but to generate business for our hotels and restaurants, which in turn generates resort tax revenue.

Agenda Item R9G
Date 11-19-14

Below is a table broadly defining event impact:

	Conventions	Trade Shows	Consumer Shows
Example	Dermatologists	Jewelers International	Home Show
2014 Average Attendance *	4,800	4,900	11,600
Economic Impact	High	Moderate	Low
Building Revenue Impact	Moderate	Moderate +	High
Typically arrive	Via Taxi/Bus	Car	Car
Traffic Impact	Low	Moderate	High

* Excludes Art Basel and the Boat Show with 70,000 and 140,000 in attendance respectively.

The current Booking Policy includes First Priority designation for long standing shows, defined as one which has a minimum of 20 consecutive years usage in Convention Center under the same ownership (Grandfathered First Priority). If the show has multiple events in MBCC in a calendar year, the first priority designation applies to only one of the show events in the calendar year. This is a rather unique aspect of our policy and not something found in other destination's booking policies. These grandfathered events include Antique Show, Miami International Boat Show, Jewelry International Show, Miami Auto Show and the Home Show. With the exception of Jewelry International Show, all are consumer shows. It is no secret the Convention Center is below the national average as it pertains to the total number of annual conventions held in the Center.

In considering Booking Policy changes, the City Commission should also be aware that Grandfathered First Priority shows are currently able to obtain License Agreements for use of the Convention Center up to 36 months prior to the show. Group business (conventions) typically book shows at least 24 months in advance. A large group attempting to book during a date pattern conflicting with a Grandfathered First Priority show, even if they contract for more hotel rooms on peak, would not be able to book in the Convention Center unless the Grandfathered First Priority agrees to move their dates. There have been examples in the past where Grandfathered First Priority shows have accommodated the destinations desire to book another show during their dates, but there are also examples where the destination has lost conventions as a result of this policy.

There are also recent examples where an event that is new to the destination with no history has attempted to displace a long standing Grandfathered First Priority shows. This is the scenario with the Jewelry International Showcase (JIS) and JCK, which is a leading jewelry show in Las Vegas. In this instance, JIS has been a trade show at the Miami Beach Convention Center for more than 30 years. JCK's Las Vegas show is the largest jewelry trade show in the United States (with at least 1 million square feet of exhibition space) and JIS is the 2nd largest jewelry trade show in the United States (with 375,000 square feet of exhibition space, which is 3 of the 4 existing halls). The Miami

Beach Convention Center does not have 1 million square feet of exhibition space available.

There is no question that JCK is a larger show in Las Vegas, but it is unknown if they are able to replicate their show in Miami Beach. It raises the question, should the city consider displacing an existing long standing annual First Priority show for a show that is unproven in this marketplace. Even more challenging is that JCK is seeking the exact time period that JIS currently books as opposed to booking alternate dates and competing for exhibitors.

If a change to the Booking Policy is desired by the City Commission, then the Administration believes that peak room nights should be the overarching requirement used to determine whether an event receives First Priority designation. Additionally, the Booking Policy also allows for the rooms night verification to be used as a method of confirming peak room nights generated as a result of the event. The City has a prescribed verification process that is used which allows an independent third party accounting/auditing firm licensed in the State of Florida to be used to verify the peak room nights. Audited reports will be submitted to the Convention Center General Manager and Greater Miami Convention and Visitors Bureau Senior Vice President of Sales along with the statement from the auditor indicating their validation of the method of data collection, the accuracy of the data as determined by their testing of the data, and their agreement with the conclusions of room night consumption as presented by the client.

However, the overwhelming majority of convention centers in the nation use hotel room block agreements to determine First Priority designation and not through an audit process to prove their room nights.

The City should also consider changes to the way travelers book their hotel accommodations. It is now common place for show/meeting attendees to shop room rates using a variety of on-line room booking options and book outside the group block. Some cities are starting to take a closer look at how room nights are calculated as group economic impact value is determined.

Attached is a copy of the current Booking Policy for your reference as part of this discussion. Additionally, the City Code does require review and a recommendation from the Convention Center Advisory Board (CCAB) before the City Commission makes a final decision. Therefore, the Administration is seeking direction from the City Commission that will be transmitted to the CCAB at their next meeting.

CONCLUSION

The Administration is seeking direction from the City Commission prior to the CCAB discussion.

JLM/KGB/MAS

T:\AGENDA\2014\November\TCED\Booking Policy Discussion Memo.docx



BOOKING POLICIES

I. STATEMENT OF PURPOSE:

The Miami Beach Convention Center (the “MBCC” or the “Center”) is a national and international convention, tradeshow, and multi-purpose facility owned by the City of Miami Beach and operated by GLOBAL SPECTRUM, L.P.. The MBCC was enlarged and remodeled in part with Convention Development Tax proceeds with the primary objective of promoting and facilitating events and activities which have a significant impact in terms of Convention Development Tax generated.

In addition, the MBCC was developed with a secondary objective of providing services and facilities to respond to the needs of County and local activities which promote business and generally enhance the quality of life for the community the MBCC serves.

When booking the MBCC, consideration shall be given by both the Bureau and the Convention Center management to the following factors:

- a) Significant impact in terms of Convention Development Tax generated;
- b) Total number of hotel rooms required;
- c) Projected revenue to the MBCC both in terms of direct space rental revenue, as well as projected revenue from concessions and other building services;
- d) Time of year;
- e) Potential for repeat booking; and
- f) Previous history and experience of the potential user with respect to use of similar facilities.

II. SCHEDULING PRIORITIES:

A. First Priority Events: Generally speaking, first priority for scheduling facilities and dates in the MBCC is available to regional, national and international conventions, trade shows, cultural shows, corporate meetings and similar activities which are not open only to the general public, and have a significant impact in terms of Convention Development Tax generated. In order to be considered for a First Priority designation, an event shall:

- require in excess of 115,000 gross square feet of exhibit space contracted in the MBCC;

BOOKING POLICIES (continued)...

AND EITHER

- require a minimum of three nights with 1500 hotel rooms occupied on the peak night in Miami-Dade County

OR

be a long standing show, defined as one which has a minimum of 20 consecutive years usage in MBCC under the same ownership, is in good standing, which includes being current on all prior debts, and has paid all contractual obligations in a timely fashion to the facility. If the show has multiple events in MBCC in a calendar year, the first priority designation applies to only one of the show events in the calendar year.

Convention Development Tax impact and hotel room counts are based on prior history of the event and are subject to verification by (1) the Bureau; or (2) at user's expense, a qualified independent surveyor pre-approved by the Convention Center Advisory Board, provided that such surveyor's results shall be subject to review and approval by the Convention Center Advisory Board. In order to be considered for First Priority designation, an event shall have demonstrated the hotel room count history during presentation of the identical event either in Miami-Dade County or, in the case of events which move from city to city on a rotational basis or are relocating from another location, the hotel room count history of the identical event shall be verified by the Bureau using generally accepted industry standards, (i.e., DMAI MINT system or other) for such history verification.

Within the First Priority category, the Bureau will give preference to the event with the most significant impact in terms of Convention Development Tax generated. For purposes of conflict resolution, events having attained First Priority designation through the hotel peak room night verification process shall have precedence over those events having attained First Priority designation through the 20 year process.

In the event that First Priority Event status is granted, based in part upon the hotel room on peak night requirement as set forth above, the Convention Center Advisory Board shall require recertification of said hotel room requirement from First Priority Events every five (5) years from the most recent date of certification. In the instance that an event interrupts its regular scheduling, defined as failing to take place within six (6) months of its next anticipated presentation, First Priority status may be revoked.

B. Second Priority Events: Second priority for scheduling facilities and dates in the MBCC is available to consumer or public exhibitions, tradeshow (open to the trade only), local corporate meetings, special events, entertainment events, business meetings, and other activities which essentially draw from or appeal to the general public and/or local regional attendees and participants.

BOOKING POLICIES (continued)...

Within the Second Priority category, the MBCC will give preference to recurring public shows and tradeshows held on an annual basis with a proven record of success at the MBCC, which have produced significant revenue to the MBCC, and have a significant impact in terms of Convention Development Tax generated (Convention Development Tax impact data shall be provided by the user). The MBCC may offer alternate dates in a given year which may result in termination of other Second Priority scheduling reservations. The foregoing criteria may also be used by the MBCC to reschedule or select between Second Priority Events in the case where a scheduling reservation for a First Priority Event impacts tentative scheduling reservations for two or more Second Priority Events.

C. Discretion: Subject to the priorities set forth above, the General Manager may exercise his discretion as to the issuance, modification, or termination of scheduling reservations.

III. BOOKING PROCEDURES

Reservations more than twenty-four (24) months before an event are normally handled through the Greater Miami Convention and Visitors Bureau (the "Bureau"), subject to approval of the MBCC, and are subject to the guidelines of Section II herein.

Facility and space scheduling commitments for First Priority Events may be made as far in advance as is necessary or appropriate and may supersede requests for other events and activities, unless a Lease Agreement has been previously executed by the MBCC and the user for such other event. Lease Agreements for First Priority Events may be entered into as far in advance as necessary or appropriate at the discretion of the General Manager of the MBCC (the "General Manager").

Tentative facility and date scheduling reservations for Second Priority Events are generally made not more than three years in advance, and are subject to change to accommodate First Priority Events, unless a Lease Agreement has been previously executed by the MBCC and user for such event. However, large consumer and public exhibitions and trade shows held on an annual basis may, at the discretion of the General Manager, obtain tentative scheduling reservations for facilities and dates on a long-term basis, subject to rescheduling or termination to accommodate First Priority Events. Lease Agreements for Second Priority Events, shall, upon request of the party holding the reservation, be issued twenty-four (24) months prior to the event. The Lease Agreement shall provide that if the Bureau has a potential First Priority Event seeking to lease the facility during Lessee's contracted dates, and within the fifteen to twenty-four month period prior the Lessee's event, the Lessee shall agree to use its best efforts to move its event a few days either way in order to accommodate the First Priority Event.

BOOKING POLICIES (continued)...

Facilities and dates will be tentatively held pending notification to the contrary by either party. In the event a tentative commitment is released by the MBCC, the requesting party will be notified the facilities and/or dates have been released.

Facilities and dates reserved on First Option are reserved tentatively, but a conflicting commitment for the facilities and dates generally will not be made in favor of a second requesting party within the same scheduling priority without first offering the party holding a First Option an opportunity to either execute a lease agreement or release its reservation. A First Option held by a Second Priority Event can always be superseded by a First Priority Event, unless a lease agreement has been previously executed. At the discretion of the General Manager, a party with a First Priority Event holding a First Option may be required, within seven (7) days of written notice, to execute a lease agreement and post a deposit at any time that the General Manager has a good faith request in writing from another First Priority Event for the same dates.

Facilities and dates reserved on a Second Option basis will be reserved tentatively, and the absence of a valid First Option hold for the same space and time shall not guarantee the elevation of a Second Option hold to a First Option hold.

Facilities and dates are considered as confirmed or under contractual commitment only upon execution of a MBCC Lease Agreement by the event sponsor and the City of Miami Beach specifying all details of the commitment. However, facilities and dates may be held as "firm" upon receipt of a letter of confirmation signed by both the event sponsor and the General Manager, pending the preparation, negotiation, and execution of a Lease Agreement. In the event such a letter of confirmation is signed by both the sponsor and the General Manager, no conflicting scheduling will be made during a reasonable period to preparation, negotiation, and execution of a Lease Agreement.

IV. PROTECTION CLAUSE:

A Protection Clause shall, upon the recommendations of the Convention Center Advisory Board, the General Manager, and subject to the approval of the City Manager, be granted to recurring local, regional, and international public and tradeshows with a proven record of success, defined herein as the successful completion of at least two consecutive shows in two years, which have produced significant revenue to the MBCC. If granted, such Protection Clause will be included in the Lease Agreement and, thereafter re-reviewed every three (3) years by the Convention Center Advisory Board and the General Manager, and subject to the approval of the City Manager, in future Lease Agreements. Notwithstanding the foregoing, the granting of a Protection Clause in a Lease Agreement shall not vest any right (s) or reliance on the part of the Lessee as to the granting of said Clause in subsequent or future Lease Agreements, but shall at all times be subject to the review and approval procedures set forth here:

BOOKING POLICIES (continued)...

In consideration for the continuation of a Date Protection clause inclusion in subsequent lease agreements, the Convention Center Advisory Board recommendation and City Manager approval shall consider the following criteria:

- Required usage of at least 115,000 gross square feet of exhibit space
- Event history and trending of total revenue to the MBCC
- Event history and trending of net square footage utilized in the MBCC
- Event history and trending of attendance in the MBCC
- Timeliness and adherence to payment terms at the MBCC
- Continuous scheduled presentation of the event at the MBCC
- Compliance by lessee with MBCC building operating policies and procedures

The Protection Period shall not exceed a total of sixty (60) days, plus the show days. The number of days prior to and after the event shall be the subject of agreement between the Lessee and the General Manager, but a minimum of fifteen (15) days shall be required on each side of the event. Upon the recommendation of the Convention Center Advisory Board, a Protection Clause in excess of sixty (60) days may be granted for highly competitive events with highly significant revenue to the MBCC. In the instance that an event interrupts its regular scheduling, defined as failing to take place within six (6) months of its next anticipated presentation, its Date Protection status may be revoked.

If a Protection Clause is granted, it will read as follows:

PROTECTION CLAUSE:

Lessor agrees that it will not lease any portion of the Convention Center facility to any Competing Event for the period commencing _____ days before Lessee's first show day, and concluding _____ days after Lessee's last show day (the "Protection Period"). A "Competing Event" is hereby defined as an event which has thirty percent (30%) or more of the total number of exhibitors/booths in the same event showing/selling product lines in the Lessee's event; provided, however, that a show that is open to the public shall never be deemed a Competing Event with a show open only to the trade, and vice versa. The determination of whether or not an event is a "Competing Event" shall be solely within the discretion of the General Manager, and shall be based upon the product lines in the proposed event's prior shows.

BOOKING POLICIES (continued)...

V. DEPOSIT SCHEDULES:

Deposits are required for all activities upon execution of a formal MBCC Lease Agreement.

A. First Priority Events: A deposit in the amount of one day's minimum guaranteed rental per hall, or such other deposit as the General Manager may authorize, is required upon execution of the Lease Agreement. For events leased several years or more in advance, special arrangements may be negotiated, at the Center's option, for a lesser deposit upon lease execution, with the deposit balance due and payable sixty (60) days in advance of the event.

B. Second Priority Events: A minimum deposit will be required upon execution of the Lease Agreement as follows: one day's minimum guaranteed rental for the first hall, and an additional 33-1/3% of one day's minimum guaranteed rental for each additional hall. However, first-time events without a past history of success, and event sponsors with inadequate references, or prior event sponsorships, a record of slow payment, etc., may be required, at the Center's option, to remit up to one hundred percent (100%) of anticipated rental and related expenses upon execution of Lease Agreement.

VI. VARIANCE FROM POLICY:

Events and circumstances not covered in the above scheduling policies may be subject to special conditions, and as deemed appropriate by the City Manager. No variance from the Center's policies, as represented in the above terms, may be made without first being submitted to the General Manager and CCAB for consideration.

051601
062514-IACVB to DMAI
CINET to MINT

Miami Beach Convention Center **Room Block Verification Procedure**

The following are potential requirements for effective room block verification:

1. All submittals of documentation confirming room night utilization must be confirmed by an independent third party accounting/auditing firm licensed in the State of Florida.
2. Audited reports will be submitted to the Convention Center General Manager and Greater Miami Convention and Visitors Bureau Senior Vice President of Sales along with the statement from the auditor indicating their validation of the method of data collection, the accuracy of the data as determined by their testing of the data, and their agreement with the conclusions of room night consumption as presented by the client.
3. Require the client to acquire hotel information from exhibitors and attendees during the initial registration process to be tested by the auditors
4. Obtain a commitment from the hotels to review the registration data in comparison to room blocks.
5. Require validation of hotel accommodations at onsite registration by client for both attendees and exhibitors.
6. Client to maintain list of all attendees and exhibitors with information about number of people in their party, hotels utilized, and room nights used for verification by their independent third party firm.
7. Convention Center General Manager and Greater Miami Convention and Visitors Bureau Senior Vice President of Sales will sign non-disclosure agreement if requested by client (such non-disclosure agreement would be subject to any limitations as mandated by the Florida Sunshine Laws).
8. Client will work with hotels to validate the overall numbers of rooms consumed through the rooming lists, such validation to be part of the testing process of the independent auditor.
9. The level of review can vary from validating the overall room block numbers to reviewing each guest record to validate accuracy subject to the acceptance of the auditor as to the sample, accuracy of the data, and ability to extrapolate larger results from the provided sample sets.
10. The hotel reporting should be compared to the exhibitor lists, registration numbers and or the overall ticketed/paid attendance.
11. There may be an agreed upon factor for those that attended the show and are unable to be tracked. In such cases, this methodology must be agreed to in writing in advance by the Convention Center General Manager, the President of the Greater Miami Convention and Visitors Bureau, and the client. The results must also be audited for accuracy as described above.

With these requirements in place there should be an accurate estimation of the number of room nights for consumer shows and tradeshow.