



## CITY MANAGER'S REPORT AGENDA

### ITEM REQUEST FINANCE DEPARTMENT

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**TO:** Mayor and Council

**THROUGH:** Ed Lavalley, City Manager

**FROM:** Christopher Rozansky, Airport Administrator **CR**  
Peter Boers, Procurement Manager **AB**

**DATE:** July 3, 2014

**SUBJECT:** Responses to Request for Letters of Interest to Develop the Circus Arena Property

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#### **Background:**

The Circus Arena Property is owned by the City of Venice and managed by the Venice Municipal Airport. The federal government transferred ownership (as part of the Venice Army Air Base) to the City in 1947, following World War II, with the stipulation that the land must be used for Airport purposes. If not necessary for aviation use, the FAA requires the Airport to collect fair market value rent for any non-aeronautical use of the land.

The site was leased to the Ringling Brothers Barnum and Bailey Circus from 1960 until about 1993, and was occasionally leased to other businesses thereafter. A trapeze school, Tito Gaona's Flying Fantasy Circus, currently leases less than one acre of the parcel.

In 2013, Building Official Vince LaPorta deemed the arena unsafe and mandated that the facility be either rehabilitated or demolished. Through a contract with Cross Construction Services, Inc., the City removed the roof, walls, all hazardous materials and an underground storage tank from the site. A metal storage building was also demolished. The City maintains an option on the contract to complete demolition of the arena and octagon building through September 2014.

A request for Letters of Interest was advertised on April 1, 2014 through the Sarasota Herald-Tribune, Business Observer, Tampa Bay Business Journal, Onvia/Demandstar, the Florida Airports Council, the Economic Development Corporation of Sarasota County and the Florida Council for Private Public Partnership. Responses were received by May 15<sup>th</sup> from the following firms:

- 1) **Venice Circus Adventure Golf, LLC** desires to lease up to 2.5 acres initially under a long term land lease to develop a "Family oriented Entertainment Center" featuring a circus themed 36-hole miniature golf course utilizing the Gunther Gabel-Williams building. "In order to honor the 'Circus' tradition as much as possible, each of the 36 holes, will have a particular theme, including placards with a description of some aspect of the circus or circus life. Not only will it be a fun place for families but also an educational experience honoring the heritage of the former Venice Circus Arena."

The proposer supports the original access road alignment through the middle of the property, expressed interest in leasing additional property in the future, touted the positive image such an amenity would create within the Southern Gateway Corridor, stated they possess private funding to develop the project, and are ready to proceed immediately.

- 2) **Venice Circus Arts Foundation, Inc. partnering with Vecus Entertainment, Inc.** stated that the three proposers "have a symbiotic relationship, and require each other" to achieve success. Neither of the two other proposers indicated such, and one even stated that Vecus Entertainment, Inc. would be submitting a separate proposal.

The proposer expressed a desire to create a "cultural campus", provide family activities, a circus museum, miniature golf, a trapeze academy, artisan kiosks and a "full spectrum of entertainment". The proposer desires the arena to host a circus, indoor soccer, track meets, tennis, basketball, hockey, concerts, boxing, wrestling and other events. They proposed to lease the airport festival grounds for parking during events.

The proposer desires to occupy 1.4 acres under a long-term land lease with the option to purchase. They have requested that rent be waived for the first 18 months and that additional credits for capital improvements be granted for up to five (5) years and/or \$1 million. They outlined a plan to establish a separate "maintenance entity to maintain the grounds" of each of the three leaseholds. Neither of the two other proposers mentioned such an arrangement.

Vecus Entertainment, Inc. is a proposed for-profit corporation. No information on board members, investors or management was provided. The proposer intends on selling stock to raise capital and develop the property in two phases. Phase I would create an open-air entertainment pavilion. Phase II, to occur within three (3) years, would include complete restoration of the arena. Restoration was estimated to cost \$12 million in 2013 under a separate feasibility study.

The proposer indicated that \$2 million would be secured by August 2014 to complete the pavilion and it is predicted to generate revenue of \$3,265,452 with expenses of \$3,624,000 during the first year of operation, beginning in November 2014. The proposer forecasts that they would generate an operational profit beginning in January 2016.

A 2013 feasibility study for the fully-restored arena, not including evaluation of an open-air pavilion, estimated it would generate revenue of \$4,350,200 against \$3,219,230 in expenses during the first year of operation.

A structural assessment of the arena dated April 1, 2014, performed by Delta Engineering & Inspection, Inc., was also included in the proposal. The report indicates the existence of isolated conditions that compromise the integrity of the steel, that several as-built conditions deviated from the plans and brings into question whether the structure met the wind load requirements in effect at the time it was constructed. The engineer opined that with structural retrofitting and other improvements completed, the service life of the exposed steel would be up to ten (10) years. Determining the scope of those repairs was not included in the investigation.

The proposer also highlighted how a restored arena in conjunction with the other proposals would enhance the Southern Gateway Corridor, generate lease income and tax revenues, and provide first class entertainment for the public.

- 3) **Tito Gaona's Flying Trapeze Academy** indicated that they would like to remain on-site at their current location. The proposer added that they have been ambassadors for the community, operated successfully for the last 12 years, add a welcoming presence to the Southern Gateway Corridor and would be able to operate alongside the other two proposers.

Each proposal identifies a desire to develop a different portion of the Circus Arena Property. Venice Circus Adventure Golf, LLC and Tito Gaona's Flying Trapeze Academy elude to a cooperative partnership while being able to operate independently. Venice Circus Arts Foundation, Inc., partnering with Vecus Entertainment, Inc., suggests that all three are required to be successful.

The request for LOI's stipulated that the City reserved the right to take no action, issue a RFP or enter into negotiations with one or more proposers.

**Compatibility with the 2014-2015 City Council Strategic Plan:**

Staff prepared an analysis of how each proposal might achieve applicable goals in the adopted strategic plan:

- 1) *Goal One: Keep Venice Beautiful and Eco-Friendly; Objective 3: Improve Gateways to the City* – Each of the three responses would enhance the appeal and use of the Southern Gateway Corridor. Consistent with the intent of the Southern Gateway Corridor, as defined in the Comprehensive Plan, redevelopment of this underutilized property would provide a unique entertainment experience for “kids of all ages” not found elsewhere in the City.

However, the Planning Department indicated that City regulations require parking on the same site it is intended to serve and the festival grounds should only be considered for overflow parking. A 5,000 seat arena would require 1,666 parking spaces.

- 2) *Goal Four: Upgrade and Maintain City Infrastructure and Facilities; Objective 4: Maintain the Airport as a Top-Notch General Aviation Facility* – If determined to be economically sustainable, each of the three concepts provide opportunities to develop underutilized airport property. The FAA requires that the Airport receive fair market value rent for non-aeronautical use of Airport property. Property with direct access to

US-41 is expected to command premium rental rates. In addition, each lessee would be responsible to operate and maintain their respective improvements. The Airport is prohibited from subsidizing the cost to develop, operate or maintain these activities. It is unlikely the FAA would consent to waiving rent for 18-months.

Revenue generated by land leases at the Circus Arena Property would replace a portion of the revenue lost from the release of the Sharky's property and support the Airport's financial self-sustainability. However, the financial capability of each proposer should be carefully considered prior to entering a lease to reasonably ensure the Airport and/or City are not burdened with the liability of a failed economic development project.

- 3) *Goal Five: Encourage and Support a Growing, Diverse Economy; Objective 4: Create a City-Wide Marketing Plan* – Leasing all or a portion of the Circus Arena Property will spur economic development and bring new businesses to Venice. Creation of a unique entertainment venue would diversify the local economy, create jobs, expand the tax base and provide amenities that families and youth would enjoy and have asked for in Venice.

**Requested Action:**

Staff requests City Councils consideration of all three responses and to indicate whether or not to begin negotiations for a lease with one or more proposers or pursue another course of action.

**Attachments:**

- Request for Letters of Interest
- Letter of Interest from Venice Circus Adventure Golf, LLC
- Letter of Interest from Tito Gaona's Flying Trapeze Academy
- Letter of Interest from Venice Circus Arts Foundation partnering with Vecus Entertainment, Inc.