

METROPOLITAN EXPOSITION RECREATION COMMISSION

RESOLUTION 97-47

For the Purpose of selecting Proposer(s) for negotiation towards a Broadway Series Agreement to begin in the 1998-99 Season.

Findings

1. The Commission directed staff to issue a Request for Proposals for qualified entities to present Broadway Subscription Series in future years beginning in the 1998-99 season. That RFP included a number of goals, including MERC's desire for a contract of a minimum three (3) year initial term. MERC received qualified proposals from Opera/Jujamcyn (Portland's Broadway Theatre Season LLC) and PACE/Dan Bean Presents for consideration.

2. In the interest of capturing the distinct benefits offered by each proposer, the two proposers have developed a joint proposal to the Commission.

3. The consolidated team has submitted a proposal for a single Broadway Series at PCPA. MERC finds that the consolidated organization has the capability to deliver a quality subscription series of Broadway Shows to the community through a strong local service system.

4. The joint proposal contains a number of terms which require further clarification and negotiation, including the proposers' request for a contract of five (5) years duration and a five (5) year extension period.

5. PCPA has extensive operating, maintenance, and capital needs in the coming years which the Commission must address in a fiscally sound and prudent manner. Any long term contracts entered into by the Commission must generate maximum financial return to the Commission for application to the identified facility needs.

THEREFORE BE IT RESOLVED AS FOLLOWS:

1. The Commission selects the joint venture of Portland Opera, Jujamcyn Productions, PACE Theatrical Group and Dan Bean Presents, Inc., for the right to negotiate with the Commission for a single Broadway Series at PCPA.

2. MERC staff is directed to negotiate terms and conditions of an agreement for a single series that, to the greatest extent possible, meets the PCPA goals for revenue & benefits to the community over the length of the contract. MERC staff is further directed to ensure that any proposed contract in excess of three (3) years duration is carefully crafted so as to maximize financial return to address the PCPA operating, maintenance and capital needs throughout the extended term of the agreement.
3. Any tentative agreement reached between MERC staff and representatives of the joint venture shall be brought back to the Commission for its consideration, and shall be subject to final approval by the Commission prior to the agreement becoming effective.

Passed by the Commission on September 10, 1997



Chair



Secretary-Treasurer

APPROVED AS TO FORM:
Daniel B. Cooper, General Counsel

By: 

Kathleen Pool, Senior Assistant Counsel

MERC STAFF REPORT

Agenda Item/Issue: Selection of Proposer(s) for negotiation of Broadway Series Agreement for 1998-99 Season and future years

Resolution 97-47

Date: September 10, 1997

Presented By: Harriet Sherburne

Background and Analysis: The PCPA Business Plan called for action to attain increased commercial activity and particularly touring Broadway shows and mega-hits. Through entering into separate three year Broadway Series Agreements with Dan Bean Presents, Inc. (DBP), and Portland's Broadway Theatre Season LLC (PTBS), MERC has generated substantially more earned revenue for PCPA, leading towards stable financial operation. In 1996, the Commission determined that it was in the best interest of the community to extend both subscription series one more year (the 1997-98 Season); those extensions have now expired. In order to contract for this business in the future, a Request for Proposals was issued July 1, 1997, and two competitive proposals were received on the deadline date. Both existing series presenters were represented, with Dan Bean teamed with PACE Theatricals, and PTBS making a proposal.

Each of the teams and their proposals contained strengths and benefits; each team strongly recommended having only one Broadway Series in this market to attain business success and maximum financial return for the future. Since members of each team had collaborated together to create their respective 1997-98 Series, the parties pursued consolidation of efforts to offer quality shows, marketing and support services to the community. The parties have come together with a joint venture proposal to offer a single series in the Portland market. While the outline of the program and financial offer (as attached) require further clarification and negotiation, staff believes that the joint proposers have the qualifications and ability to deliver a high quality Broadway subscription series that will benefit both the community and PCPA.

Both as individual competitors and as a joint venture, the proposers have requested that MERC agree to a 5-year term with renewal options. Specifically, the joint proposal requests a five year initial term of agreement followed by an option to renew for an additional 5-year term (financial terms would be negotiable as part of any renewal option). The longer time frame requested by the proposers exceeds that agreed to by MERC in contracts of this type in the past, and is significantly longer than that specified by MERC in its request for proposals. The proposers argue that the longer time frame is necessary for a variety of reasons, including allowing the presenter sufficient time to recoup its investment in developing a significant subscription base in the Portland market.

Discussion with Commission Liaison and Advisory Committee: The two competitive proposals were reviewed by the PCPA Advisory Committee, with support for a joint proposal which would capture the distinct benefits and strengths of each competitive proposal. The joint proposal was put forward to the Liaison Commissioners and staff at a day-long meeting on September 3, 1997.

Fiscal Impact: Analysis of the fiscal impact of the proposal may vary depending on final negotiation of contract terms. The current proposal, prior to final negotiation, would generate approximately \$700,000 per year for PCPA in rental, user fee, profit participation, and related income in years 1 thru 3, and approximately \$800,000 per annum in years 4 thru 5 of the proposal. Income is greater if mega-hits are booked for extended-run engagements.

Recommendation: The staff recommend selection of the joint venture presenter organization to offer a single annual Broadway Series in the Portland market. The staff further recommend that the Commission authorize staff to negotiate a tentative agreement for a term up to five years, with a reasonable renewal option, provided that the negotiated terms and conditions applicable to any multi-year agreement are structured to maximize long-term revenue and the return to MERC for its investment in the facilities and costs of upkeep.

**Proposal Terms Summary
Broadway Series**

Terms	PCPA Goal	PACE/OPERA/JJ/DBP
Weeks/Year	10 per year	Minimum 10 per year Potentially 12-14
Summer	50% = 5 weeks	best efforts 3 weeks
Weeks Available	n/a	16
Number of Series	One or more	One
Cycle	June - May	June - May
Term	3 or more years	5 years + 5 year renewal
Rent / Week	\$20,000 per week Summer discount	\$20,000/wk yrs 1-3 Sept-May \$22,000/wk yrs 4-5 Sept - May \$15,000/wk June-August Schnitzer: \$15,000/wk
Rent / Year	\$200,000 goal	\$225,000/yr average (9 regular - 3 summer)
Blockbusters	\$30,000/ perf. week	\$30,000/wk (Sept - May) \$20,000/wk (June - August)
	\$10,000/wk load-in	\$10,000/wk load-in yrs 1-3 \$11,000/wk load-in yrs 4-5
Fixed fee Option House Expenses	\$10,000/wk	\$12,000/wk to include cleaning equipment rental, front of house staff, sound/lights, ticket printing, security, utilities, follow-spot rental, washer/dryer
Percentage Rent	1.5% gross Weekly sales \$9-10,000/wk	\$4-600,000 x 1% \$6-800,000 x 1.5% \$800,000 and upwards x 2% (\$9,000 wk/potential)
User Fee	Standard Schedule \$1.40/ticket avg	\$1.50/ticket Yrs 1-3 \$1.75/ticket Yrs 4-5
Additional		