

## **Segredo | Liquid Change of Licensed Premises Application**

### **Context:**

Madison is one of the top college towns in America, but within walking distance of campus, there are extremely few 18+ entertainment options. In fact, you can count them on one hand.

Past studies of the downtown / campus area have all strongly encouraged the City to support and encourage business models that did not focus exclusively on "vertical drinking space" and to offer more 18+ entertainment options.

Now, as the campus area increasingly attracts young professionals as residents (e.g. The Hub and the Hub II), entertainment options that cater to the interests and tastes of these young professionals will also be critically important.

### **Segredo | Liquid Facts:**

We have been an 18+ entertainment-focused business model on the 600 block of University Avenue since we first opened in January, 2010. After the City shut down our initially successful "boutique bowling" business model due to the Brazilian made equipment not being Underwriter Laboratory- certified, we began booking EDM shows in April of 2011 and have invested hundreds of thousands of dollars in developing our music venue - including earlier this year investing in a state of the art / brand new sound system and a fully computerized stage lighting system. Over the past 4 years, we have hosted many of the top 50 dj's in the world and our talent budgets on major shows can range from \$15,000-\$25,000/night. According to national booking agencies, Segredo has been #1 EDM (electronic dance music venue) focused music venue in Wisconsin for the past two years based on show attendance.

This is a video of the venue in operation during a recent show on May 3<sup>rd</sup> with a world famous young French dj called Madeon:

<https://vimeo.com/127227408>

Liquid is a 21+ "ultralounge" within Segredo that we opened last summer which offers young professionals and 21+ college students a more relaxing / upscale lounge environment.

So as you might imagine, our business model since 2011 has increasingly shifted towards that of a large/ professionally operated music venue (like the Orpheum, Barrymore & the Majestic). In this business model, ticket sales (not alcohol) drive growth. While we have a tavern license, each year as our entertainment business has grown - our alcohol sales have declined. Now alcohol sales make up only 60% of our revenue.

This in turn is why successful music venues like Segredo (or the Majestic, Orpheum or Barrymore) require substantially less police resources on an ongoing basis than bars a small fraction of our size (as the CFS data over the last few years solidly points out).

Finally, the Segredo complex is 12,800 sq. ft and is a massive space. The historic constraint to a larger capacity at our location has never been anything related to square footage/# of exits/stairways/door widths/etc. - simply the existing number of toilets and sinks in the place. That's why we are currently limited to the existing 720 legal capacity.

**What We Are Proposing:**

We are now proposing to expand the number of toilets and sinks in Segredo's main men's and women's bathrooms so that we can increase our legal capacity from our current 720 to 960. No other changes are being proposed.

This is being proposed to help us compete more effectively for bookings in competition with upper midwest entertainment venues in the 1000-2000 capacity range. At a 960 capacity, the national booking agencies we work with would consider us a "mid-sized" club venue vs a "small" club venue at our current 720 cap. We'd be considered for national/international acts / tours at a 960 capacity that we never even hear of now, as the acts that appear in "mid-sized" clubs are significantly bigger than those that perform in "small" club venues.

In addition to "turbo-boosting" our efforts to book bigger and bigger acts - the capacity increase we are proposing would allow us to lower our average ticket price. This in turn would further stimulate increased customer demand. A win-win all around.

To us, the COLP is entirely unrelated to growing alcohol sales (we could do that in many other ways if we wanted to). In fact, the bigger the acts we book - the less alcohol people drink because they are focused on enjoying the show (again, as our entertainment revenue has increased since 2011, our reliance on alcohol sales has correspondingly decreased).

**Summary:**

While we understand our COLP/capacity increase request issue may at first glance seem directly related to alcohol, it's just not the case with Segredo | Liquid. Ironically, we need the added entertainment-related capacity to be LESS alcohol dependent in terms of a revenue stream.

We urge you to look closely at the facts here. We are a shining case study of a successful & responsible 18+ entertainment-focused business just steps from the UW campus. Any tour of the space would show that we are trying very hard & investing significant financial resources in becoming a beautiful / top tier music venue. And our operating & security track record over the last few years as this business model has developed/matured has been extraordinarily positive.

In closing, we hope that the ALRC in its wisdom will not only continue to discourage operators who routinely flout the law/require significant levels of police resources - but will also have the courage to strongly support the rare entertainment-focused businesses who also have a track record of being among the very best licensed operators in town. I believe we have earned that designation, and we'll be proud to show you at the Wednesday ALRC meeting a summary of the last couple years Segredo | Liquid Police Calls for Service (CFS) data in comparison with other licensed establishments downtown as solid evidence that supports our claim.

Respectfully,  
Michael Hierl  
Owner & General Manager  
Segredo | Liquid

624 University Avenue  
Madison WI 53715