



**Request for City Council Committee Action  
From the Department of Community Planning & Economic Development**

**Date:** November 9, 2004

**To:** Council Member Lisa Goodman, Community Development Cmte.  
Council Member Barbara Johnson, Ways & Means/Budget Cmte.

**Prepared by:** Tom Daniel, Project Coordinator, Phone 612-673-5079

**Presenter in Committee:** Tom Daniel, Project Coordinator

**Approved by:** Lee Sheehy, CPED Director \_\_\_\_\_

**Subject:** Theatre Study Committee Recommendation on Proposal for the Operation and Booking of the Orpheum, State, and Pantages Theatres

**RECOMMENDATION:**

1. Approve the Theatre Study Committee recommendation to award exclusive negotiating rights for a period of 120 days to the team comprised of Hennepin Theatre Trust, Historic Theatre Group, Ltd, and Clear Channel Entertainment for the operation, booking, and disposition of the Orpheum, State, and Pantages Theatres.
2. Approve the staff recommendation to amend the Management Agreement with Historic Theatre Group, Ltd., the Master Use Agreement with Hennepin Theatre Trust, and related agreements to allow for management and booking of the theatres and the Broadway season to extend from June 30, 2006, until June 30, 2007, to avoid potential loss of advance booking of Broadway shows.

**Previous Directives:**

*Pertaining to the Theatre Study Committee and RFP*

- September 26, 2003, the City Council appointed a Theatre Study Committee to develop principles for consideration by the Council that would guide decision-making regarding the long-term management and operation of the theatres, and directed the Committee to report back to the Council by May 1, 2004, with strategies for achieving those goals.
- May 14, 2004, the City Council approved the Theatre Study Committee report setting out the goals for the theatres and directed CPED staff to prepare and issue a Request for Proposals for the management and booking of the theatres consistent with those goals. The City Council also appointed the Chair of the Minneapolis Arts Commission to the Theatre Study Committee.

*Pertaining to the Management Agreement*

The MCDA Board of Commissioners has taken the following actions:

- May 16, 1991, authorized management contract with Historic Theatre Group (HTG) for management of both State and Orpheum Theatres.
- April 18, 1994, authorized MCDA to publish a Request for Proposals for management of the State and Orpheum Theatres.
- July 18, 1994, selected HTG to continue as Theatre Manager and authorized negotiation of a new management contract.
- December 19, 1994, approved terms of, and authorized MCDA to enter into a new management with HTG.
- December 16, 1996, authorized a one-year extension of the current contract.
- December 12, 1997, authorized a one-year extension of the current contract.
- December 19, 1998, authorized a new one-year management contract with HTG for 2000.
- December 6, 1999, authorized a new one-year management contract with HTG for 2001.
- March 24, 2000, directed MCDA to negotiate a management agreement with HTG covering all three MCDA theatres.
- November 21, 2001, approved terms of, and authorized MCDA to enter into a new five-year management agreement with HTG for all three MCDA theatres.
- December 29, 2003, authorized MCDA to amend Theatre Management Agreement to terminate Initial Term on June 30, 2006, and authorize resulting technical changes.

*Pertaining to the Master Use Agreement*

The MCDA Board of Commissioners has taken the following actions:

- January, 17, 1995, approved negotiating a Master Use Agreement with Theatre Live!.
- December 3, 1997, authorized the execution of a restated Agreement for dates through June 30, 2004.
- August 23, 2002, approved an assignment of Master Use Agreement from Theatre Live! To Hennepin Theatre Trust
- April 18, 2003, approved extension of Master Use Agreement for one year from July 1, 2004 to June 30, 2005
- September 26, 2003, approved extension of Master Use Agreement for one year from July 1, 2005 to June 30, 2006.

**Financial Impact** (Check those that apply)

- No financial impact - or - Action is within current department budget.  
(If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):
- Request provided to the Budget Office when provided to the Committee Coordinator

**Community Impact** (Summarize below)

**Ward:** Wards 5 and 7

**Neighborhood Notification:** N/A

**City Goals:** Create an environment that maximizes economic development opportunities within Minneapolis by focusing on the city's physical and human assets. Preserve and enhance our natural and historic environment and promote a clean, sustainable Minneapolis.

**Comprehensive Plan:** N/A

**Zoning Code:** N/A

**Living Wage/Job Linkage:** N/A

### **Background/Supporting Information**

On September 26, 2003, the City Council appointed a Theatre Study Committee to develop principles for guiding long-term management and booking of the three City-owned theatres: the Historic State Theatre, the Historic Orpheum Theatre, and the Pantages Theatre. The Study Committee was comprised of Council Members Lisa Goodman, Chair of the Community Development Committee, Scott Benson, Vice Chair of the Community Development Committee, Barbara Johnson, Chair of the Ways & Means/Budget Committee, Natalie Johnson Lee, 5<sup>th</sup> Ward Council Member, the City Finance Director, Patrick Born, the Director of CPED, Lee Sheehy, Erik Takeshita, Mayor's Senior Policy Aide, and Phil Handy, CPED Senior Project Coordinator. The Study Committee was charged with reporting back to the City Council by May 1, 2004, with strategies for achieving the recommended goals and principles, which could include the issuance of a Request for Proposals (RFP). The Council also directed that a City Council Study Caucus be held regarding the current status of the theatres, including an overview of all agreements associated with the current theatre ownership, management, and operations. The Study Caucus was held on November 14, 2003.

The Study Committee met six times from November 2003 through April 2004, covering all aspects of theatre operations, financial status and oversight, booking roles and procedures, and the business aspects of touring Broadway shows. The current Theatre Manager (Historic Theatre Group, Ltd.) and Broadway Season presenter (Hennepin Theatre Trust) were represented in only those sessions where existing contracts and business practices were discussed and only to respond to questions raised by Study Committee members. Otherwise, all presentation was done by Study Committee staff.

The Study Committee report and recommendations (attached as Exhibit A) were approved by the City Council on May 14, 2004. The report set out the goals for the theatres, directed CPED staff to prepare and issue an RFP for the management and booking of the theatres, and appointed the Chair of the Minneapolis Arts Commission to the Theatre Study Committee.

The RFP was issued on August 12, 2004, and indicated that proposals would be evaluated in light of the goals approved by the City Council (see Exhibit A) and criteria

concerning the experience, financial, and organizational capacity of the respondent in successfully managing and promoting similar theatres, the terms and conditions of the term sheet, and the financial capacity to perform respondent's duties and obligations. In considering the recommendations in this report, you may wish to review the approved goals in Exhibit A on pages A-1 and A-2.

The RFP process required each potential respondent to attend a pre-bid meeting on September 1, 2004, where staff answered questions and conducted a tour of the three theatres. The theatres were also available for inspection on September 9, 2004. Three proposals were received by the deadline on October 15, 2004, from TheatreDreams, Ordway Center for the Performing Arts, and a team comprised of Hennepin Theatre Trust, Historic Theatre Group, Ltd., and Clear Channel Entertainment.

The Theatre Study Committee convened to preliminarily review the proposals and then held a meeting with each respondent to hear a presentation on the proposal and ask questions about it. At a subsequent meeting, the Study Committee discussed the proposals and each Committee member rated each proposal against the goals and criteria. The Study Committee agreed it would rank order the top two proposals and recommend a period of 120 days of exclusive negotiating rights with the first-ranked respondent to reach agreement on a term sheet. If negotiations are not successful within 120 days, then negotiations could begin with the second-ranked respondent.

Staff recommended that regardless of which respondent was ranked first, the Management Agreement with Historic Theatre Group, Ltd., the Master Use Agreement with Hennepin Theatre Trust, and related agreements should be amended to allow for management and booking of the theatres and the Broadway season to extend from June 30, 2006 until June 30, 2007, and to ensure all agreements can terminate at that time. This one-year extension will help to avoid potential loss of advance booking of Broadway shows.

After deliberation and discussion, the Study Committee shared its ratings and ranked the respondents as follows:

- First—Hennepin Theatre Trust, Historic Theatre Group, Ltd., and Clear Channel Entertainment; and
- Second—Ordway Center for the Performing Arts.

At the end of the negotiating period with the first-ranked respondent, staff expects to present the term sheet for approval by the City Council. The term sheet will serve as the basis for negotiating a definitive agreement.

## **Updated Theatre Study Committee Members**

(as of October 15, 2004)

Council Member Scott Benson	Patrick Born, Finance Officer
Council Member Lisa Goodman	Tom Daniel, CPED Project Coordinator*
Council Member Barbara Johnson	Randy Hartten, Chair, Minneapolis Arts Commission
Council Member Natalie Johnson Lee	Lee Sheehy, CPED Director
	Erik Takeshita, Senior Policy Aide

\*Tom Daniel replaced Phil Handy who retired in October.

## Report of the Theatre Study Committee

May 5, 2004

The Study Committee has completed its work in accordance with the charge adopted by the MCDA Board of Commissioners on September 26, 2003.

Based on presentations by staff and discussions among Study Committee Members, the Committee adopts the following as its report, to be forwarded to the appropriate Committees of the City Council.

The Study Committee has determined that the overarching issue for the city is: **What structure for the ownership and operation of the Orpheum, State and Pantages Theatres most closely meets the City's goals for the theatres and the Hennepin Theatre District?**

The Committee adopts the following goals as guides to its long-term view in addressing this issue:

- A. The positive economic impact of the theatres on Minneapolis will be supported and maximized.** The State, Orpheum and Pantages Theatres have evolved beyond solely significant historic structures. These facilities have a major influence on the local and national reputation of the City of Minneapolis as a performing arts center and an incubator for new Broadway shows. When active, they are enormous generators of economic activity in the city. The operator of these theatres must assure that theatre usage is as active and diverse as commercially feasible to enable the city to fully realize their economic development potential.
- B. The Theatres will be preserved as a long-term legacy for future generations.** The City acquired the theatres after they had fallen into disuse and / or disrepair. Since their acquisition and restoration, the City and theatre patrons have made a significant investment in these facilities. The City should take steps to preserve these facilities for future generations of Minneapolis citizens. To ensure that these theatres are preserved, they should be operated in a stable, long-term structure by an entity whose objectives are consistent with these City goals.
- C. The City will ensure accountability in the operation of the theatres while minimizing city involvement in day to day operations.** The booking and operation of the theatres are an integral part of a complex and dynamic business. As a result, operational involvement in the theatres by the City should be minimized to support streamlined, flexible and rapid decision-making, thereby reducing the burden on a smaller city staff. The entity charged with the care and operation of the theatres should be free to develop relationships that facilitate it achieving its accountabilities to the City. The entity should demonstrate the capacity for long term, stable management, and be subject to the City's consent to any change or assignment of controlling interest. Periodic reporting and business plan accountabilities will be established to ensure that the theatres are

actively booked and adequately financed and maintained in a manner consistent with these City goals.

**D. The City supports continued development of the Hennepin Theatre District.**

The theatres are the underpinning of the Hennepin Theatre District. This District has become a recognized destination which, in turn, reinforces the identity of the theatres. The Hennepin Theatre District has become the City's "Broadway in Minneapolis." Therefore, the City should:

1. Actively promote the District through the City's wide range of marketing activities, and pursue other actions that support the ongoing development of the Hennepin Theatre District; and
2. Require the operator of the theatres to be closely linked to the functioning of the Theatre District as well as to the City's convention and tourism promotions and Downtown business and civic organizations.

**E. The City supports and encourages private sector fundraising to meet existing debt and the capital improvements the theatres will need.**

The long-term operation of the theatres should provide for the debt service on the theatre bonds as well as for the ongoing and increasing capital improvement needs of the theatres. An ongoing, privately-lead fundraising campaign by the theatre operator to support the theatres may be necessary and the City should support these efforts.

The MCDA Board, on September 26, 2003, further directed the Study Committee to develop strategies for attaining its goals. Those strategies are as follows:

1. By June 1, CPED staff should develop a Request for Proposals (RFP) for the management and booking of the theatres for a term beginning July 01, 2006. The RFP would allow consideration of a broad range of alternative organizational, business, and financial structuring. The RFP will be reviewed by the Theatre Study Committee and the Permanent Review Committee prior to issuance.
2. The RFP proposals will be evaluated in light of the goals set forth by the Study Committee and approved by the City Council. The successful proposer's response should therefore:
  - (a) support a diversity and frequency of programming in order to maximize the economic impact of the Theatres on the City of Minneapolis;
  - (b) demonstrate a focus on preservation of the theatres as a long-term legacy for future generations of Minneapolis citizens;
  - (c) seek to minimize the operational involvement of the City in the Theatres, while remaining accountable to the City regarding booking activity, long-term maintenance, and governance;
  - (d) provide active leadership for the continued development of the Hennepin Theatre District;
  - (e) establish the capability to meet the Theatres' current and longer-term debt and capital improvement needs through operating and presenting profits, user fees, and other private funding; and
  - (f) propose a strategy for a community arts education and outreach program.

3. Responses to the Request for Proposals will be evaluated by the Study Committee with a recommendation concerning the successful proposal forwarded to the appropriate Committees by September 1, 2004. The Chair of the Minneapolis Arts Commission should be added to the membership of the Study Committee for this process.
4. Documents required to implement the selected proposal should be completed and executed by November 30, 2004, to enable proper notice relating to the existing Management Agreement and Master Use Agreement by December 31, 2004.

Theatre Study Committee Members

Council Member Scott Benson	Patrick Born, Finance Officer
Council Member Lisa Goodman	Lee Sheehy, CPED Director
Council Member Barbara Johnson	Erik Takeshita, Senior Policy Aide
Council Member Natalie Johnson Lee	Phil Handy, Senior Project Coordinator