



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

Date: November 7, 2005

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

Prepared by: Tom Daniel, Manager Economic Development,
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**Presenter in
Committee:** Tom Daniel, Manager Economic Development

Approved by: Chuck Lutz, Deputy CPED Director _____

Subject: Renewal of insurance coverage for State, Orpheum, Pantages, and
Hennepin Stages Theatres, Orpheum Skyway, and Stimson
Building

RECOMMENDATION: Approve purchasing insurance from St. Paul Travelers Insurance Company to provide property and business interruption insurance for the State, Orpheum, Pantages Theatres and property insurance for the Orpheum Skyway until the effective date of the new lease agreement with Hennepin Theatre Trust and to provide property and business interruption insurance for Hennepin Stages Theatre and property insurance for the Stimson Building for a one-year period commencing November 30, 2005, and ending November 30, 2006, all subject to the proposed conditions outlined in the attached policy.

Previous Directives:

On November 24, 1993, the MCDA Board of Commissioners approved a one-year contract with Travelers Insurance Company to provide property and business interruption insurance for the Orpheum Theatre as required by the Orpheum Restoration Bonds.

On November 14, 1994, the Board approved a three-year contract with Travelers Insurance Company to provide property and business interruption insurance for the Orpheum Theatre as required by the Orpheum Restoration Bonds.

On December 19, 1994, the Board approved a contract with Travelers Insurance Company to provide property and business interruption insurance for the State Theatre as required by MCDA's agreements with LaSalle Plaza.

On November 21, 1997, the MCDA Board approved the renewal of the property and business interruption policy for the Orpheum Theatre with the Travelers Insurance Company for a three-year period beginning November 15, 1997.

On December 15, 1997, the Board approved the renewal of the property and business interruption insurance policy for the State Theatre with the Travelers Insurance Company for a three-year period beginning January 1, 1998.

On October 30, 2000, the Board approved the renewal of the property and business interruption insurance policy for the State and Orpheum Theatres with the Travelers Insurance Company for a one-year period beginning November 15, 2000.

On November 9, 2001, the Board approved the renewal of the property and business interruption insurance policy for the State, Orpheum and Orpheum Skyway with the Travelers Insurance Company for a one-year period beginning November 30, 2001.

On December 16, 2002, the Board approved the renewal of the property and business interruption insurance policy for the State, Orpheum, Pantages (pro-rata) and Orpheum Skyway with the Travelers Insurance Company for a one-year period beginning November 30, 2002.

On November 21, 2003, the Board approved the renewal of the property and business interruption insurance policy for the State, Orpheum, Pantages, and Orpheum Skyway with the Travelers Insurance Company for a one-year period beginning November 30, 2003.

On November 19, 2004, the City Council approved the renewal of the property and business interruption insurance policy for the State, Orpheum, Pantages, and Orpheum Skyway with the St. Paul Travelers Insurance Company for a one-year period beginning November 30, 2004.

On April 15, 2005, the City Council approved a project Term Sheet for the lease of the State, Orpheum, and Pantages Theatres to Hennepin Theatre Trust.

On October 7, 2005, the City Council approved issuance of up to \$25,000,000 in Taxable Limited Tax Supported Development Revenue Bonds, Common Bond Fund, Series 2005, to be issued through the Common Bond Fund to Retire Outstanding Tax-exempt Common Bond Fund Revenue Bonds, Series 2001G-3, and finance the lease and acquisition of the Pantages, Orpheum and State Theatres by Hennepin Theatre Trust, a Minnesota nonprofit corporation, subject to the fulfillment of the terms and conditions of the Lease and related documents, and designating the bonds as bonds entitled to the security provided by Ordinance No. 87-OR-084, Tax Reserve and Pledge Ordinance.

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

The City of Minneapolis must provide property and business interruption insurance for the State, Orpheum, and Pantages Theatres because of bond requirements in the Orpheum restoration bonds and the Stimson renovation bonds. The policy renewal date is November 30, 2005. The City of Minneapolis, through the Department of Community Planning and Economic Development (CPED), also insures the Hennepin Stages Theatre for property and business interruption, and the Orpheum Skyway and Stimson Building for property.

Under the terms of the 2005 lease agreement with Hennepin Theatre Trust (HTT) for the State, Orpheum, and Pantages Theatres, HTT has the responsibility to provide property insurance. If closing occurs and the lease goes into effect before the insurance policy renewal date of November 30, 2005, the City will only be responsible for insuring the Hennepin Stages Theatre for property and business interruption and the Stimson Building for property. If closing occurs after November 30, 2005, the City will also need to continue the insurance coverage for the State, Orpheum, and Pantages Theatres, and Orpheum Skyway until the lease goes into effect. Upon the effective date

of the lease, the insurance policy will be transferred to HTT, and the City will be reimbursed for the unearned portion of the premium.

CPED has retained Berkeley Risk Services to prepare insurance specifications and solicit bids from qualified companies. In September 2005, Berkeley Risk Services solicited requests from insurance companies and received a price quote from the St. Paul Travelers Insurance Company (Travelers) and Liberty Mutual/Wausau Insurance Group insurance company. Other companies were found not to be competitive in terms of the type of coverage they offered.

Even though Liberty Mutual's quote is \$8,399 less than the Travelers, staff recommends the Travelers because:

- The Travelers "Fine Arts" policy extension is based on replacement value at time of loss, whereas the Liberty Mutual policy is actual cash value at time of loss (i.e., includes depreciation).
- With the Travelers, business interruption will respond to a loss 120 days post the reopening of the business; Liberty Mutual is only 30 days.
- The Travelers has no contingencies either known or unknown.
- The properties themselves were not reviewed on-site by Liberty Mutual representatives, as they had been by Travelers representatives.

The Travelers premium of \$102,437.63 covers the State, Orpheum, and Pantages Theatres for property and business interruption and the Orpheum Skyway for property. The premium of \$16,734.00 covers Hennepin Stages Theatre for property and business interruption and Stimson Building for property. In addition to each premium is a Minneapolis surcharge of one percent (\$1,191.72). The general policy considerations are listed on the attached property summary as Exhibit A.

The insurance premium for the State, Orpheum, and Pantages Theatres and Orpheum Skyway is part of the annual appropriation from Fund STH, theatre operations. The premiums for Hennepin Stages and the Stimson Building and are paid from separate project funds and are invoiced separately.

Travelers Insurance Company

PROPERTY POLICY

Policy Term: November 30, 2005-November 30, 2006

Currently Scheduled Locations:

State Theatre: 805 Hennepin Avenue, Minneapolis, MN
Orpheum Theatre: 910 Hennepin Avenue, Minneapolis, MN
Orpheum Skyway: 910 Hennepin Avenue, Minneapolis, MN
Pantages Theatre: 710 Hennepin Avenue, Minneapolis, MN
Stimson Building: 700 Hennepin Avenue, Minneapolis, MN
Hey City (Hennepin Stages): 824 Hennepin Avenue, Minneapolis, MN

Limits: Blanket Building and Personal Property @ Location Limits

Building/Personal Property	November 30, 2003	November 30, 2004	November 30, 2005
State Theatre	\$19,224,400	\$19,224,400	\$19,224,400
Orpheum Theatre	23,369,700	23,369,700	23,369,700
Orpheum Skyway*	360,450	360,450	360,450
Pantages Theatre**	8,095,000	8,095,000	8,412,324
Stimson Building****	6,500,000	6,500,000	6,754,800
Hennepin Stages*****		2,060,000	2,140,752
Total	57,549,550	59,609,550	60,262,426
Business Interruption			
State Theatre	\$1,565,100	\$1,300,849	\$1,565,100
Orpheum Theatre	1,760,765	1,540,479	1,829,787
Pantages Theatre***	586,922	445,027	609,929
Stimson Building		Not Covered	Not Covered
Hennepin Stages*****		136,932	150,000
Total	\$2,504,197	\$3,423,287	\$4,154,816
Total Insured Value	\$60,053,747	\$63,032,837	\$64,417,242

* Orpheum Skyway-Building Only

** Pantages Theatre added August 12, 2003

*** Business Interruption for the Pantages added November 30, 2003

**** Stimson Building added March 1, 2004

***** Hennepin Stages Building added July 1, 2004

***** Hennepin Stages Business Interruption added November 30, 2004

Cause of Loss: Risks of Direct Physical Loss to Covered Property
Commonly referred to as "All Risk" or "Special" Subject to Policy Exclusions

Valuation: Replacement Cost

Coinsurance: None Applies, Agreed Value

Deductible: \$25,000 Any One Loss other than those shown below
\$100,000 Earthquake

\$100,000 Flood
24 Hours Off Premises Power

Sub-limits:	Occurrence/Aggregate
Flood	\$10,000,000
Earth Movement	\$10,000,000
Off Premises Power Failure	Ensuing Loss is Covered
Ordinance or Law	\$1,000,000
Increased Cost of Construction: Zoning or Other Bldg Ordinance	
Demolition and Clearing of Site: Cost of the demolition	
Loss to Undamaged Portion of Building: Loss to Building	
Increased Period of Restoration	\$100,000
Debris Removal	\$100,000
Pollutant Cleanup & Removal (Due to a specified peril)	\$100,000
Extra Expense	\$500,000
Electronic Data Processing	\$100,000
Fine Arts (Property Form has been modified to Include fine arts)	\$25,000
Personal Effects of Officers' & Employees'	
Each Employee	\$1,000
Each Occurrence	\$25,000
Covered Property in Transit	\$25,000
Limited Mold, fungus, rot, etc. Direct Damage: (Aggregated)	\$100,000
Terrorism-is covered unless it falls into the Certified Act category	
Terrorism-Certified by the Secretary of Treasury in concurrence with the Secretary of State and Attorney General of the US. See Endorsement; however an ensuing fire will be covered. Coverage does not apply to Business Income, Business Interruption or Loss of Rents. (Foreign or Domestic)	
Valuable Papers	\$100,000
Accounts Receivable	\$100,000
60-Day Notice of Cancellation except 10-day notice for premium non-payment	

Other Policy Features:

Inflation Guard Endorsement - 5% Annually
Business Personal Property includes personal property of others used in the insured's business that is in the CCC of the insured and which the insured has agreed in writing to insure prior to any loss or damage
Debris removal-25% of the loss, however, if limit is insufficient then sub limit applies
Fine Arts Extension-included in Building/Personal Property Replacement Cost
Business Interruption:
 Extended Period of Indemnity 120 days
 Ordinary Payroll is Excluded
 Loss at dependent properties included
 Ingress/Egress
 Civil Authority 30 days
 Ordinance or Law-increased Period of Restoration-\$100,000
 Off Premise Power Failure- Water, Communications, and Power \$500,000
 Claim Data Expense-\$25,000
Repairs to Building or Structure, if not covered by other insurance

PROPERTY VALUATION CLAUSE (Replacement Cost):

The smallest of the following amounts:

- A. The cost to repair, rebuild or replace, at the same site, the lost, damaged or destroyed property, with other property of comparable size, material and quality; or
- B. The actual amount incurred by the insured that is necessary to repair, rebuild, or replace the lost damaged or destroyed property; or
- C. The limit of insurance applicable to the lost, damaged or destroyed property

FINE ARTS VALUATION CLAUSE (Replacement Cost):

The least of the following:

- A. The cost of reasonably restoring that property; or
- B. The cost of replacing that property, at the time and place of loss, with substantially the same property
- C. The market value of the property at the time and place of loss or if the article of property is specifically declared, described and valued in a schedule forming a part of this policy, the amount per article specified in the schedule.

Exclusions:

Nuclear Hazard, War, Military Action, Electronic Vandalism,
Pathogenic or Poisonous Biological or Chemical Materials
Pollution
Dishonesty
Certain Computer-Related Losses due to dates or times (Y2K)
Collapse
Boiler & Machinery (Mechanical Breakdown)
Other Acts of Terrorism-see endorsement

Premium Summary

Building/Personal Property	30-Nov-04	30-Nov-05	Rate 2004	Rate 2005	Premium 2004	Premium 2005	Minneapolis City Surcharge 2005	
State Theatre	\$19,224,400	\$19,224,400	0.18	0.185	34,604	35,565	1%	355.65
Orpheum Theatre	23,369,700	23,369,700	0.18	0.185	42,065	43,234	1%	432.34
Orpheum Skyway	360,450	360,450	0.18	0.185	649	667	1%	6.67
Pantages Theatre	8,095,000	8,412,324	0.18	0.185	14,571	15,563	1%	155.63
Stimson Building	6,500,000	6,754,800	0.18	0.185	11,700	12,496	1%	124.96
Hennepin Stages	2,060,000	2,140,752	0.18	0.185	3,708	3,960	1%	39.60
Total	59,609,550	60,262,426			107,297	111,485		1,115
Business Interruption								
State Theatre	\$1,300,849	\$1,565,100	0.18	0.185	2,342	2,895	1%	28.95
Orpheum Theatre	1,540,479	1,829,787	0.18	0.185	2,773	3,385	1%	33.85
Orpheum Skyway	0	0	0.18	0.185	-	-	1%	-
Pantages Theatre	445,027	609,929	0.18	0.185	801	1,128	1%	11.28
Stimson Building	0	0	0.18	0.185	-	-	1%	-
Hennepin Stages	136,932	150,000	0.18	0.185	246	278	1%	2.78
	\$3,423,287	\$4,154,816			6,162	7,686		77
Total Insured Values	\$63,032,837	\$64,417,242			\$113,459	\$119,172		\$1,192
State Theatre					36,945	38,461		384.61
Orpheum Theatre					44,838	46,619		466.19
Orpheum Skyway					649	667		6.67
Pantages Theatre					15,372	16,691		166.91
Stimson Building					11,700	12,496		124.96
Hennepin Stages					3,954	4,238		42.38
Total Premium					113,459	119,172		1,192