



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

Date: May 4, 2004

To: Council Member Lisa Goodman, Community Development
Cmte

Refer to: MCDA Board of Commissioners

Prepared by: Phil Handy, Sr. Project Coordinator, Phone 612-673-5010

**Presenter in
Committee:** Phil Handy, Sr. Project Coordinator

Approved by: Lee Sheehy, CPED Director _____

Subject: Report of the Theatre Study Committee

RECOMMENDATION:

1. Approve the Study Committee Report attached to this report as Exhibit A .
2. Direct CPED staff to prepare and issue a Request for Proposals for the management and booking of the theatres as outlined in Exhibit A.
3. Appoint the Chair of the Minneapolis Arts Commission to the Theatre Study Committee.
4. Refer this report to the Board of Commissioners of the Minneapolis Community Development Agency for their consideration and approval.

Previous Directives: On 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.

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, 5th Ward Council Member, the City Finance Director, Patrick Born, the Director of CPED, Lee Sheehy, Erik Takeshita, Mayor's Sr. Policy Aide, and Phil Handy, CPED Sr. 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. 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. That Study Caucus was held on November 14, 2003.

The Study Committee has met six times, 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) 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 report and recommendations of the Study Committee are attached to this report as Exhibit A for the Council's consideration and approval.

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 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, Sr. Policy Aide

Council Member Natalie Johnson Lee

Phil Handy, Sr. Project Coordinator