Sports Stadium Funding: A Summary of Actions by the 2006 Legislature

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The 2006 legislature passed two bills containing provisions that provide for the construction of two new sports stadiums, one for the Minnesota Twins and one for the University of Minnesota, both to be located in the City of Minneapolis.

The Twins Ballpark Act

Authorization

Laws of Minnesota 2006, Chapter 257 authorizes the construction of a 42,000 seat out-door ballpark in the Warehouse District of Minneapolis for the Minnesota Twins. Project costs total $522 million with $390 million for ballpark construction, $90 million for onsite infrastructure costs (including land acquisition, site preparation, street improvements, air rights, parking, pollution cleanup, etc.), and $42 million for county debt issuance costs.

Fiscal Scope & Structure

Project funding will be shared by the Minnesota Twins (25%) and Hennepin County (75%). The Twins will contribute a total of $130 million, all of which will be used for stadium construction. Of this amount, $45 million must be deposited into the construction account to pay for the first ballpark costs, and the remaining $85 million will be secured and paid prior to stadium completion. The Twins will also assume and pay all ballpark cost overruns, excluding land, site improvements and public infrastructure. Hennepin County will contribute $392 million which will fund $260 million in ballpark costs, $90 million in infrastructure costs and $42 million in county debt service reserves and bond insurance costs. Thirty-year, tax-exempt county bonds will be issued for the project and payable from a countywide sales tax of 0.15 percent.

The Hennepin County sales tax of 0.15 percent is authorized without a local referendum. Revenues from this local tax will generate about $28.4 million in the first year. This local tax will continue until the bonds have been paid in full and after reserves adequate to meet future county obligations (estimated at approximately two years) have been established. After these requirements have been met, this local sales tax will then terminate. Annual debt service, assuming an average interest rate[1] of 4.98 percent, is expected to be $23.5 million and annual debt coverage of 130 percent is approximately $29 million. Within this financing plan, the County has included operating costs for the newly created Minnesota Ballpark Authority and a fund for future ballpark improvements.

In addition, in the event that the countywide sales tax yields more revenue than needed for ballpark related costs, the County may provide funding, in equal shares up to a total of $4 million per year, for 1) youth activities and youth and amateur sports within Hennepin County, and 2) the cost of extending hours of operation for Hennepin County and City of Minneapolis public libraries.[2] The 0.15 percent sales tax will cost the average taxpayer three cents for every $20 spent on taxable goods in Hennepin County, or about $25 per year. For a family of four, the cost will be $101 per year.

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1 This average interest rate reflects a combination of variable and fixed interest rates.

2 The act specifies that the money provided under this provision is intended to supplement and not supplant county expenditures for these purposes. Hennepin County must report to the legislature any uses of moneys expended by January 15, 2009 and annually thereafter.

To address future capital improvement needs for the ballpark, the Twins and Hennepin County will each contribute $1 million annually to the stadium capital improvement reserves account.

Exemptions

Certain provisions for the construction and operation of the Twins Ballpark will have an impact on the state general fund. The act contains a sales tax exemption for ballpark construction materials, supplies, and incorporated equipment that would have otherwise been subject to sales tax. The total tax benefit for all fiscal years (FYs 2007-2010) with this exemption is $14 million. The act also contains a property tax exemption that would begin once the stadium is completed (target date in 2010, assessment in 2011 and pay year 2012). Since any property tax exemption reduces the local tax base relative to the base under current law, and shifts the tax burden to all other property (including homesteads), annual property tax refunds in FY 2013 and beyond are expected to increase by $490,000.

Other Taxes

Chapter 257 prohibits the imposition of any new or additional local sales or use taxes at the ballpark site unless the tax is applicable throughout the taxing jurisdiction. However, the act allows the City of Minneapolis to impose its existing three percent “entertainment” tax on admissions to baseball events. These municipal revenues, which pay for traffic control and other public safety personnel costs, are estimated at $3 million per year.

Vikings Stadium

The Twins Ballpark Act also contains provisions to support an agreement for a new Minnesota Vikings Stadium to be located in the City of Blaine in Anoka County. The Act authorizes a 0.75 percent local option sales tax without a referendum in Anoka County for a Vikings Stadium, contingent on the approval of a development and financing plan at the 2007 or later legislative session.

Metrodome

Chapter 257 makes several stipulations regarding the sale of the Metrodome facility. First, upon the sale of the Metrodome, the Metropolitan Sports Facilities Commission must transfer $5 million of the sale proceeds to Hennepin County to offset expenditures for grants for capital improvements reserves for the Twins Ballpark. Second, the remainder of the sale proceeds will go to the football stadium account “to be used to pay debt service on bonds issued to pay for the construction of a football stadium for the Minnesota Vikings.” A rough estimate for the sale price of the Metrodome, without demolition or other site adjustment costs, is $35-$40 million.[3] And third, when the Metrodome is sold, the act requires the Metropolitan Sports Facilities Commission to transfer $5 million of its cash reserves to the City of Minneapolis. These moneys are to be used for future infrastructure costs at the site of the Metrodome.

[3] The estimated sales price of the Metrodome facility was given in testimony before the stadium conference committee by a vice-president of the Minnesota Vikings.

The Gopher Stadium Act

Authorization

Laws of Minnesota, Chapter 247 authorizes the construction of a 50,000 seat, outdoor football stadium, to be located in the vicinity of University Avenue and Huron Boulevard on the campus of the University of Minnesota. Project costs total $248 million with $202 million for stadium construction, $28.1 million for district development including road realignment and $17.9 million for site costs including land acquisition and environmental mitigation.

Fiscal Scope & Structure

Project funding will be shared by the state (55%) and by the University of Minnesota (45%). The state share of $137.3 million will be done through an annual appropriation of $10.25 million from the state's general fund to the Board of Regents, beginning in FY 2008 and continuing for a maximum term of 25 years. The appropriation also supports a land transfer from the University of Minnesota where the University will give the state with 2,840 acres of undeveloped land in Dakota County for future use as a metropolitan area nature preserve. The University's share of the stadium project funding, $110.7 million, will be generated by four sources:

a. $64.2 million from fundraising;
b. $20.5 million from the present value of naming rights[4],
c. $13.5 million from a new student fee· The University plans to implement a new student fee, up to a maximum of $25 per year, to pay for stadium costs. The law requires that the per semester student fee will be at a fixed level coterminous with bonds to meet the student share of the stadium's design and construction, and that the student fee will not be increased to pay for construction cost overruns. In addition, before the state makes its first payment to the Board of Regents, a provision for affordable access for university students to university sporting events held at the football stadium must be certified;
d. $13 million from game day parking revenue.

Exemption

Chapter 247 contains a sales and use tax exemption for stadium construction materials, supplies, and equipment. The total tax impact on the general fund is $5 million over the FY 2008-09 biennium. The sales and use tax exemption on construction materials expires one year after substantial completion of the project. The construction of the stadium is estimated to be a 2-year project with a construction start date of April 2007 and an estimated project completion date of August 2009.

Stadium Advisory Group & Community Initiatives

The act also requests the Board of Regents to work with the reconstituted stadium area advisory group to mitigate the impacts of stadium construction and operation. The Board must establish a mitigation fund to support community initiatives that relate to impacts of stadium operations. The University is required to deposit $1.5 million into fund on July 1, 2007. Money in the mitigation fund will be managed by the Board and initiatives seeking funding must be coordinated through the

[4] While the act is silent regarding naming right provisions, conference committee discussions included references to a $35 million contribution from TCF Financial Corporation in exchange for naming the facility "TCF Bank Stadium."

reconstituted stadium area advisory group.

Metrodome

Chapter 247 also provides for the termination of the lease agreement which designates the Metrodome as the venue for Gopher football games. The current lease, effective until July 1, 2012, may be terminated by the Board of Regents and the Sports Facilities Commission effective on or after the designated date of completion of the new Gophers football stadium. The University plans to complete the facility by the fall of 2009, in time for the 2009 football season.

Session 2006 Stadium Comparisons
Twins and Gophers

	Twins Baseball	Gopher Football
Location	Minneapolis Warehouse District	Minneapolis, on campus
Total Seats	42,000	50,000 (expandable to 80,000)
Suites	60	39
Club Seats	4,000	5,500 (estimate)
Roof	none	none
Onsite Infrastructure	$90 million for land acquisition, site preparation, streets, utilities, streetscapes, lighting, pedestrian bridge and sidewalks	$28.1 million for district development and $17.9 million for site costs including land acquisition and environmental mitigation
Total Cost	$480 million	$248 million
Private Contribution	$130 million or 25%	$110.75 million or 45%
Public Contribution*	$392 million or 75%	$137.25 million or 55%
Offsite Infrastructure	none in bill	none in bill
Financing	0.15% Hennepin Cty sales tax	state appropriation over 25 yrs - see Notes
Parking	8,500 spaces w/in quarter mile - 23,000 spaces w/in 5 blocks	3,203 spaces new spaces - other on campus parking available
Public Transit	Light rail, I-394/I-94, bus depot	I-94, bus line
Notes*	Uses tax-exempt bonds 4.98% @ 30 yrs; when stadium is paid off, sales tax will sunset. *Also included in public cost is $42 million in county debt financing.	A payment of $10.25 million per year will be made to the University to acquire 2,840 acres of university-owned land in Dakota County.

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