

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H. F. 2214  
**Version:** Conference Committee Report

**DATE:** May 18, 2002

**Authors:** Mares and Others

**Subject:** Baseball Park

**Analyst:** Joel Michael, 651-296-5057  
Wendy Simons, 651-296-5052

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: [www.house.mn/hrd](http://www.house.mn/hrd).

---

### Overview

This bill provides a mechanism for financing a major league baseball park with state revenue bonds. The bonds would be secured by a baseball park debt service fund and by a commitment by the host municipality and the team to make annual payments. These payments, in combination with the investment return on the private contributions in the debt service fund, are intended to be sufficient to pay the bonds. The team would guarantee that the annual investment return on the debt service fund would equal at least 8.5 percent.

To provide its share of the bond payments, the municipality may impose, subject to referendum approval:

- Hospitality taxes (food and alcoholic beverages) up to 5%
- Hotel-motel taxes up to 5%

The city may also impose parking surcharges in the area serving the ballpark or an admissions tax on tickets in the new ballpark, although the admissions tax may be imposed only upon request of the commissioner of finance in the event that annual investment returns are below 8.5%.

One percent of the bond principal (up to \$3.3 million) is transferred from the accumulated reserves of the Metropolitan Sports Facilities Commission to pay the issuance costs for the state revenue bonds. Issuance of the bonds is permitted only after the governor makes certain findings about the prospects for economic reform of Major League Baseball.

Allows a portion of the bonds to be issued by the municipality instead of the state if the municipality can issue them at a lower interest rate. Provides that the metropolitan sports facilities commission shall own the ballpark if it is partially financed by municipal bonds.

Sets up a mechanism for the University of Minnesota and the Minnesota Vikings to develop an agreement for constructing and operating a joint use football stadium on the University campus. Requires that the agreement be presented to the legislature by December 1, 2002.

<b><u>Section</u></b>	
<b>1</b>	<b>Baseball park; property tax exemption.</b> Exempts the new baseball park from local property taxes, except for special assessments. This exemption expires one month after repayment of the bonds used to finance the baseball park.
<b>2</b>	<b>Construction materials; baseball park.</b> Exempts construction materials used in constructing the new baseball park from state and local sales taxes. This exemption expires one year after the first major league baseball game is played in the park.
<b>3</b>	<b>Membership change.</b> Changes the membership of the metropolitan sports facilities commission if the baseball park is owned by the commission. The commission would then consist of nine members - three appointed by the city council in the city where the baseball park is located and six appointed by the governor. Three of the governor's appointees must be from the metropolitan area and three must be from outside the metropolitan area. The governor would appoint a chair from the nine members.
<b>4</b>	<b>Football stadium account.</b> Creates a football stadium account as a special fund in the state treasury. Requires the metropolitan sports facilities commission to deposit \$500,000 from its cash reserves into this account. When the metrodome is sold, the metropolitan sports facilities commission is required to deposit the net proceeds from the sale into this account.
<b>5</b>	<b>Definitions.</b> Defines terms:
	<b>Municipality</b> means a city in the seven county metropolitan area.
	<b>Commission</b> is the metropolitan sports facilities commission.
	<b>Commissioner</b> is the commissioner of finance.
<b>6</b>	<b>Site selection for baseball park.</b> Provides that the municipality will consider the following criteria when proposing a site for the baseball park:
	<p>The adequacy of the size of the site.</p> <p>The adequacy of existing infrastructure, including parking, roads, and transit access, to meet the demands created by the ballpark.</p> <p>Cost of needed infrastructure improvements.</p> <p>Potential development advantages of the competing sites, including mixed commercial and housing uses in the surrounding area.</p> <p>Compatibility of surrounding uses with the ballpark.</p> <p>Appropriate aesthetic considerations.</p>
<b>7</b>	<b>Pre-conditions to issuing bonds.</b>
	<b>Subd. 1. Money available.</b> Before issuing bonds, the commissioner must determine that each

	of the following has occurred:
	\$120,000,000 from private sources has been contributed to a construction account for leasehold improvements of the baseball park.
	The municipality and the team have agreed to make annual loan payments of at least \$12,000,000, unless the commissioner of finance determines otherwise.
	The commissioner determines that the pledged revenues will be sufficient to make the revenue bonds marketable.
	The municipality has demonstrated that it has the financial capacity to make the annual payments and meet any other conditions of the loan.
	The other conditions of this section have been met.
	<b>Subd. 2. Major league baseball guaranty.</b> Requires that the commissioner of finance determine that the municipality has executed an agreement with major league baseball and the team's league guaranteeing the continuance of a major league franchise in the metropolitan area for the greater of (1) 30 years or (2) the term of the bonds.
	<b>Subd. 3. Baseball economic reform.</b> Directs the executive council to review evidence submitted by MLB and is to determine whether MLB and the players association "are making a good faith effort to agree upon a new economic system for major league baseball to enhance the competitiveness of small market teams, and the prospects for adoption of changes to major league baseball that will enhance revenues to small market teams and enhance the viability of the new ballpark." The executive council consists of the elected state constitutional officers: Governor, Lieutenant Governor, Attorney General, State Auditor, Secretary of State, and the State Treasurer (until that position is eliminated).
	The commissioner may issue bonds under this act only after a determination by the executive council that there are reasonable prospects for economic changes to major league baseball that will make the proposed baseball park a financially viable facility. The executive council must make a determination within 30 days after a referendum on a ballpark has passed, but no later than September 30, 2002, and its determination is conclusive and not subject to judicial review.
	<b>Subd. 4. Construction of baseball park; maximum price.</b> Requires the municipality to execute agreements for the construction of a roof-ready baseball park to be owned by the municipality at a maximum price of \$330,000,000. Requires performance bonds to cover costs over the maximum price and any losses from incomplete construction. Requires the team to be responsible for all cost overruns.
	<b>Subd. 5. Construction of baseball park; labor and materials.</b> Requires the municipality to enter into an agreement with the team that the team will pay prevailing wage levels to all construction workers, the team will sign a no-strike and no-lockout agreement with the construction unions working on the ballpark, and all construction materials produced from or containing steel will be made of U.S.-produced steel containing Minnesota-produced taconite, so far as practicable.
	<b>Subd. 6. Socially disadvantaged persons.</b> Requires the team and municipality to enter into an agreement that the team will make all reasonable efforts to include socially disadvantaged persons and firms owned by socially disadvantaged persons in construction and operation of

	the baseball park at levels proportionate to their numbers in the metropolitan area.
	<b>Subd. 7. Use agreement; team.</b> Requires the municipality to enter into a use agreement with the team which provides:
	<ul style="list-style-type: none"> <li>• that the team will use the park for all home games for 30 years without an escape clause;</li> <li>• that the facility will be available to the University of Minnesota, other public and private colleges and universities, the state high school league, the host municipality, and the amateur sports commission on non-game days;</li> <li>• that the team will provide that a portion of tickets for its games are affordable and accessible;</li> <li>• that the facility will be smoke-free;</li> <li>• that an American flag made in the US. will be publicly displayed at all events in the facility;</li> <li>• that the team will receive all revenue generated at the facility except as otherwise provided by the bill;</li> <li>• a listing of which revenue streams are available for team operations, which accrue to the municipality, and which are available to repay bonds;</li> <li>• that the team is responsible for repair, maintenance, and replacement of equipment or property in the ballpark, as rent;</li> <li>• that the city has the right to specific performance of the use agreement and injunctive relief, as well as other equitable remedies;</li> <li>• that transfer of any portion of ownership of the team does not change any obligations, responsibilities, or privileges under the agreement; and</li> <li>• that if there is a sale or transfer of ownership of the team, the owner shall pay to the state an amount equal to the state's share of the appreciated value of the team, with a formula to be included in the use agreement.</li> </ul>
	<b>Subd. 8. Community ownership.</b> The owner must to attempt to reach an agreement to sell a majority interest to local private buyers before attempting to sell the majority interest to others.
	<b>Subd. 9. Use of team name and logo.</b> Requires the team to sign a contract with the municipality that would give the municipality control and use of the team name and logo if the team relocates to another state.
	<b>Subd. 10. Compliance with discovery order.</b> The commissioner of finance must determine that one of the following has occurred with regard to a case in Hennepin County District Court, file number 0116998: (i) disclosure by the Minnesota Twins and MLB of all documents

	relating to the Twins' finances, including tax records, deals with the league commissioner, and contraction plans by the team owner, (ii) the court approves a settlement agreement, or (iii) the court has dismissed the case.
<b>8</b>	<b>Sports facilities fund.</b>
	<b>Subd. 1. Creation.</b> Establishes a sports facilities fund in the state treasury.
	<b>Subd. 2. Baseball park bond proceeds account.</b> Establishes a baseball park bond proceeds account in the sports facilities fund, into which will be deposited the proceeds of any bonds issued to finance the baseball park. Appropriates funds necessary to make the baseball park construction loan.
	<b>Subd. 3. Baseball park debt service account.</b>
	(a) Establishes the baseball park debt service account in the sports facilities fund. Requires that the assets of the account be pledged to and used only for paying principal and interest on the baseball park bonds.
	(b) Directs the state board of investment to contract with investment advisors selected by the team to manage the account. The account is permitted to be invested in the same investments allowed for state pension investment, except venture capital and junk bonds.
	(c) Requires the commissioner to review the investment results of the fund at the end of the second year after the park begins operations and every four years thereafter. If the return is less than 8.5 percent, the ballpark owner shall impose a surcharge on admissions to events at the ball park in one-half of one percent increments to pay the difference, although the commissioner may set a different required rate of return for the first four years after the account is established. The commissioner may use excess amounts to retire or defease the state revenue bonds or to pay for other improvements to the ballpark. The commissioner must assume that the municipality has timely made all payments required when making its determinations.
	(d) The commissioner may also require that the municipality impose the taxes and use its special tax revenues, authorized under section 9, to guarantee the 8.5 percent return, if the team defaults on its obligation. The municipality has the legal right to recover these amounts from the team.
	(e) Appropriates money in the debt service account to pay principal and interest on the bonds.
<b>9</b>	<b>Loan agreement.</b> Authorizes the commissioner of finance to make a loan from the bond proceeds to the host municipality to acquire and prepare a site for and to design, construct, furnish, and equip the baseball park. Requires that the commissioner to determine that all conditions have been met and to specify the terms of the loan agreement.
<b>10</b>	<b>Baseball park revenue bonds.</b>
	<b>Subd. 1. Purposes.</b> Authorizes the commissioner to sell revenue bonds to provide a loan to the municipality, to fund a reserve, and to pay the cost of issuance.
	<b>Subd. 2. Amount.</b> Limits the principal amount of the bonds to \$330 million. Requires the

	commissioner to deposit the contributions from the team and other sources in the debt service account.
	<b>Subd. 3. Procedure.</b> Authorizes the commissioner to sell the bonds in the manner the commissioner determines to be in the best interest of the state. The sale is covered by the general rules that apply to sale of state bonds. Directs the metropolitan sports facilities commission to transfer an amount not to exceed one percent of the principal amount of the bonds from its reserves to pay for bond issuance costs.
	<b>Subd. 4. Revenue sources.</b> The bonds may be paid only from:
	<ul style="list-style-type: none"> <li>• principal and investment earnings on the debt service account</li> <li>• loan payments by the team and municipality</li> <li>• other pledged revenues</li> </ul>
	<b>Subd. 5. Refunding bonds.</b> Authorizes the commissioner to issue refunding bonds in a manner the commissioner determines.
	<b>Subd. 6. Not a general or moral obligation.</b> Provides that the bonds are state general obligation bonds and that the state has no moral obligation to pay the bonds beyond the revenues explicitly authorized and pledged to their payment.
	<b>Subd. 7. Trustee.</b> Authorizes the commissioner to contract with or appoint a trustee for the bondholders. The trustee has the powers granted by the commissioner.
	<b>Subd. 8. Pledges.</b> Validates pledges made by the commissioner in issuing the bonds. Money or property pledged and later received by the commissioner is immediately subject to the lien of the pledge.
	<b>Subd. 9. Bonds; purchase and cancellation.</b> Authorizes the commissioner to purchase and cancel bonds at the redemption price or the redemption price plus accrued interest.
	<b>Subd. 10. State pledge against impairment.</b> Pledges that the state will not limit or alter the commissioner's powers and obligations to carry out the terms of the bond agreements. The commissioner may include this pledge in the bond agreement.
<b>11</b>	<b>Local taxing authority.</b>
	<b>Subd. 1. Use of proceeds.</b> (a) Authorizes the municipality to impose one or more of the local taxes under this section to make payments under the ballpark loan obligation. The taxes authorized in this section are in addition to taxes authorized by other law. The municipality may repay the ballpark loan only using (1) the proceeds of the taxes and (2) revenues from the facility. The municipality may not use property taxes to pay for the cost of the ballpark or infrastructure improvements on the site.
	(b) The municipality may not use property taxes to pay for the cost of the ballpark or infrastructure improvements on the site. The municipality may not spend more than \$50 million on public infrastructure related to the ballpark.
	(c) If there are sufficient funds in the debt service accounts to pay the bonds in full, the

	commissioner shall order a temporary or permanent reduction in the imposed local taxes.
	<b>Subd. 2. Referendum.</b> Before imposing either the lodging tax or the food and beverage tax, the voters must approve the taxes at a referendum. The referendum must be held on a Tuesday before September 30, 2002. If a tax is approved in a referendum, it may be imposed and its proceed spent for the ballpark, notwithstanding a limitation in a city charter to the contrary.
	<b>Subd. 3. Expiration; local option taxes.</b> When the ballpark bonds are paid or defeased, the admission tax, food and beverage tax, lodging tax, and parking tax expire.
	<b>Subd. 4. Admission tax.</b> Provides that only upon the request of the commissioner of finance, the municipality shall impose an admissions tax of up to 5 percent on admissions to events at the baseball park, to be used for repayment of baseball park bonds or making improvements to the ballpark.
	<b>Subd. 5. Food and beverage tax.</b> Authorizes the municipality to impose food and alcoholic beverage taxes, not to exceed 5 percent. Proceeds must be used for repayment of baseball park bonds.
	<b>Subd. 6. Lodging tax.</b> Authorizes the municipality to impose a lodging tax of up to 5 percent. This tax may be imposed in the entire municipality or in a more limited area defined in the ordinance imposing the tax, such as an area near to the baseball park, and hotels or motels may be exempted based upon the number of rooms.
	<b>Subd. 7. Parking surcharge.</b> Authorizes the municipality to impose a parking surcharge on event parking of at least \$2 per vehicle, dedicated to the repayment of baseball park bonds.
12	<b>Design and construction.</b> Directs the team to design and construct the baseball park. The team and municipality must hold at least one public hearing on the proposed design. The funds will be managed by the municipality and released to the team as needed for construction.
13	<b>Baseball park; liquor license.</b> Authorizes the city where the baseball park is located to issue an intoxicating liquor license to the park, which will be in addition to the number of licenses the city is authorized to issue by law.
14	<b>Condominium.</b> Authorizes the municipality to create condominium interests and to grant easement or similar agreements. The municipality can be a member of the association and the members of the municipality's governing body and municipal employees can serve on the association board.
15	<b>Alternative bonding authority.</b> Provides for the municipality to issue all or a portion of the bonds to finance the ballpark rather than the state if it would result in lower interest rates on the bonds.
	<b>Subd. 1. Commissioner determination.</b> Allows the municipality to issue a portion of the bonds to fund the ballpark if the commissioner determines that the municipality can issue the bonds at a lower interest rate than the state.
	<b>Subd. 2. Alternative ownership.</b> Requires that the metropolitan sports facilities commission own the baseball park if the municipality issues a portion of the bonds. In this event, the commission is granted many of the powers given to a municipality under this bill. Requires the commission to keep baseball park money in separate accounts and prohibits the commission

	from using that money for other sports facilities.
	<b>Subd. 3. Authorization reduction.</b> Reduces the principal amount of the bonds the state is authorized to issue by the principal amount of the bonds issued by the municipality.
	<b>Subd. 4. Taxability.</b> Bonds issued under this section must be tax-exempt revenue bonds.
	<b>Subd. 5. Procedure.</b> States that bonds issued under this section are subject to all the usual provisions for the issuance of revenue bonds. States that a referendum is not required for the issuance of the bonds. The bond proceeds must be given to the metropolitan sports facilities commission to be used in constructing the ballpark.
	<b>Subd. 6. Security.</b> Allows the revenue bonds to be backed by the revenues from the local food and beverage, lodging, or parking taxes, but not from revenues generated by the admissions tax.
16	<b>Baseball Park District.</b> Allows the municipality to establish a baseball park district to foster compact, pedestrian-oriented, compatible, mixed-used development around the ballpark. Requires the municipality to give public notice on the district's boundaries and hold at least one public hearing before establishing the district.
17	<b>Joint powers agreement.</b> Allows two or more cities to enter into a joint powers agreement to serve as a host municipality for the baseball park, in which event all of the powers and obligations of and limitations on municipalities in the bill apply to each city.
18	<b>Agreement on football stadium.</b> Requests the University of Minnesota and the Minnesota Vikings to jointly develop a plan for a football stadium located on the university campus.
	<b>Subd. 1. Parties to agreement.</b> Requests the University of Minnesota and the Minnesota Vikings, in consultation with the metropolitan sports facilities commission, to develop an agreement for a football stadium located on the university campus to be used by both the Gopher football team and the Vikings.
	<b>Subd. 2. Stadium predesign.</b> Requires that the agreement include a pre-design proposal for the joint-use stadium, including project costs. The agreement should assume that the legislation authorizing the stadium financing and construction will be enacted by March 1, 2003, in order to take advantage of a National Football League stadium construction program contribution.
	<b>Subd. 3. Memorandum of understanding.</b> Requires that the agreement include a memorandum of understanding addressing all material issues related to the construction and operation of the football stadium and related facilities.
	<b>Subd. 4. Report to the legislature.</b> Requires that the agreement be presented to legislative leadership by December 1, 2002.
	<b>Subd. 5. Appropriation.</b> Appropriates \$500,000 from the football stadium account to the University of Minnesota to be used, in consultation with the Vikings and the commissioner of finance, to meet the cost of developing the agreement.
19	<b>Metrodome revenues.</b> Requires that the metropolitan sports facilities commission to meet with the sports teams using the metrodome to discuss their use agreements in order to enhance the teams' revenue streams.



