

HOUSE RESEARCH

Bill Summary

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Overview

This amendment provides a mechanism for financing a major league baseball park and other sports facilities in the state. This bill establishes a nine-member state sports facility commission. The commission is charged with determining whether to go forward with state financing for a ballpark and selecting the site for the baseball park.

Under the amendment, the basic funding mechanism for a baseball park would be provided by the host city. The city would issue the bonds. In addition to using facility revenues, it could impose the following taxes to pay the bonds:

Hospitality taxes (restaurants, bars, and entertainment) up to 5%5%

Hotel-motel taxes up to 5%5%

Parking surchargessurcharges

Media access fees for use of the facilityfacility

Imposition of any of these city taxes would require referendum approval. This referendum would be held on June 4, 2002.

A statewide advisory referendum would be held on whether to impose the sales tax on newspapers and magazines to provide funding for a baseball park and other sports facilities. This referendum would be held at the 2002 primary election. The commission would weigh its results in determining whether to approve state financing for a ballpark.

A state sports facilities account is created to help pay and provide additional backup for the city bonds for the ballpark. It would also be available to provide funding for a football stadium and improvements of the Target Center and Xcel Energy Center. Its primary source of funding would be a sales tax on newspapers and magazines.

The sales tax would be imposed on newspapers and magazines. This tax would take effect on July 1, 2003. If the commission determines not to go forward with financing a baseball park, it would not be imposed.

Section

- 1 **Definitions.** Defines terms for purpose of the new chapter of the statutes that establishes the Minnesota Sports Facilities Commission:

Account is the sports facilities account that will be used to back-up the city bonds issued to finance the baseball park and will provide money for other sports facilities.

Commission means the Minnesota Sports Facilities Commission established by the bill.

City is a city the contains sports facilities or is designated by the commission as the site for a sports facility.

Sports facilities include a baseball park for a MLB franchise, a stadium for an NFL franchise, a hockey arena for an NHL franchise, or a basketball arena for an NBA franchise.

- 2 **MN Sports Facilities Commission.** Establishes a nine member sports facilities commission: 3 members are appointed by the governor, 3 by the Speaker of the House of Representatives, and 3 by the Senate Subcommittee on Committees.

Organization. The commission elects its chair and may hire staff, including an executive director. The commission is exempted from the limits on contracts and the hiring freeze.

Duties. The commission's duties include:

Studying the feasibility and appropriateness of providing financing for sports facilities, including a proposed baseball park.

Providing financial assistance to local governments for the sports facilities.

Conducting a statewide advisory referendum on constructing a baseball park.

Selecting a site for the baseball park.

Managing the sports facilities account.

Loan from the Metropolitan Sports Facilities Commission's (MFSC) reserves. The MSFC is required to loan the commission \$1 million to cover its initial operations. These moneys will be repaid from other moneys in the sports facilities account. This account will have money to repay the loan, only if the commission determines to go ahead with financing a baseball park and the sales tax on newspapers is imposed. Absent this, the fund will not have any money other than the MFSC loan and will be unable to repay MFSC.

- 3 **Sports facilities account.** Establishes a sports facilities account in the state's general fund. Receipts from the sales tax on newspapers will be deposited in this account. Amounts sufficient to cover the commission's operations during fiscal year 2003 are appropriated from the account. After that, the day-to-day costs (other than payments under the agreement for constructing a ballpark) would be subject to biennial appropriation by the legislature. An open and standing appropriation is made for the payment made under the agreement with the city that is designated as the host for the baseball park.
- 4 **Baseball park.** Directs the commission to conduct a state-wide advisory referendum on the

question of whether to impose the sales tax on newspapers to help fund the baseball park and other sports facilities. The election would be held at the 2002 primary election.

Determination whether to finance a ballpark. Directs the commission to determine whether to provide state financing for a baseball park based on whether its evaluation of the relative costs and benefits of doing so. The commission may consider intangible community benefits of retaining a MLB franchise. In assessing the value of these intangible benefits it may consider the results of the advisory referendum. It also may conduct a scientific survey of residents. If the commission determines not to proceed, the sales tax on newspapers would not be imposed.

Site selection. The commission is to select the site for the baseball park, if it determines to go ahead with providing state assistance. Any city in the metropolitan area may bid for the site. The bids must include provision of adequate land and adjacent parking for the ballpark. The commission in selecting a site is to consider:

- The size of the site

- The adequacy of existing infrastructure, including parking, roads, and transit access, to meet the demands created by the ballpark

- Cost of needed infrastructure improvements

- Potential development advantages of the competing sites

- Compatibility of surrounding uses with the ballpark

- Aesthetic considerations

Pre-conditions for agreements. Before entering an agreement to make payments from the sports facilities account, the commission must determine that all of the requirements of sections 10 to 13 have been met and that the pledged facility and local revenues will be sufficient to pay the bonds when the baseball park is in operation. The sports facility account payments will be used to help make debt service payments during construction and if facility and local tax revenue unexpectedly are insufficient to pay the city bonds for the ballpark.

5 **Sale of baseball franchise.**

Subd. 1. Application. Requires that before selling a majority interest in the team, the owner must attempt for a reasonable amount of time to comply with subdivisions 2 and 3.

Subd. 2. Community ownership. Requires the owner to work with the governor, the chair of the commission, and a community foundation or corporation to: transfer the team by gift to the foundation or corporation, provide that the foundation or corporation may sell up to 49 percent of the shares in such a manner that no one person owns more than five percent of the shares, and ensure that the team will not move from Minnesota without at least three-fourths approval of the voting stock.

Subd. 3. Local private ownership. Requires the owner to attempt to sell a majority interest to local private buyers before attempting to sell to others.

Subd. 4. Report. Requires the chair of the commission to report to the legislature on efforts to comply with this section at the beginning of the next legislative session if the owner of the team attempts to sell the majority interest in the team.

6 **Baseball park; property tax exemption.** Exempts the new baseball park from local property taxes, except for special assessments.

7 **Sales tax on newspapers.** Imposes the general sales tax on newspapers and subscriptions to magazines and other periodicals. This tax would apply only to retail sales and newspaper supplements and insert would not be taxed. The tax is effective July 1, 2003, but will not go into effect if the commission determines not to proceed with funding the baseball park.

8 **Construction materials; baseball park.** Exempts construction materials used in constructing

the new baseball park from sales tax.

9 **Deposit of revenues.** Provides that revenues from imposing the sales tax on newspapers and subscription magazines will be deposited in the sports facilities account.

10 **Revenue bonds; baseball park.**

Subd. 1. Authorization. Directs the host city to issue revenue bonds in an unspecified amount for construction of the baseball park after the conditions of subdivisions 3 to 7 and section 5 of this bill have been met. Final maturity of the bonds shall not be later than June 30, 2035.

Subd. 2. Security; bonds not public debt. Bonds are repayable solely from repayments from the team, the local taxes, revenues associated with the ballpark as provided in the bill, state payments from the sports facilities account, and any bond reserve. The bonds are not backed by the general obligation of the state.

Subd. 3. Local governing body approval. Requires two-thirds vote of the city's governing body, confirming local ownership of the ballpark and responsibility for repayment of at least one-half of debt service for ballpark.

Subd. 4. Construction of baseball park; maximum price. Requires that local government unit execute agreements for the construction of a roof-ready baseball park to be owned by that local government unit, at an unspecified maximum price. Requires performance bonds to cover costs over the maximum price and any losses from incomplete construction. Requires that the team must agree to finance at least one-third of the cost of the ballpark and will cover all cost overruns in construction.

Subd. 5. Manager. Requires the local government unit to enter into a contract with a manager to operate the ballpark.

Subd. 6. Agreement; team. Requires the city to enter into a use agreement with the team which provides:

- that the team must contribute at least one-half of the construction costs in private cash support;

- that the team is responsible for all construction costs overruns;

- that the team will use the park for all home games for 30 years without an escape clause;

- that transfer of any portion of ownership of the team does not change any obligations, responsibilities, or privileges under the agreement;

- that the team will provide that a portion of tickets for its games are affordable and accessible;

- that the team will receive all revenue generated at the facility except as otherwise provided by the bill;

- a listing of which revenue streams are available for team operations, which accrue to the city to repay bonds;

- that the team must operate and maintain the ballpark in excellent condition during the duration of the agreement;

- a delineation of responsibility for repair, maintenance, and replacement of equipment or property in the ballpark;

- that the team shall provide a letter of credit in an amount sufficient to protect the public in the event of a default by the team or disruption of the season due to strike or lockout;

- that the city has the right to specific performance of the use agreement and injunctive relief, as well as other equitable remedies;

- 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; and

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.

Subd. 7. Amateur sports. Requires that the local government unit ensure the baseball park will be available for use by the state high school and amateur sports leagues when practicable.

11 **Financing; construction; naming rights.**

Subd. 1. Private funding; ownership. Requires that the team provide at least one-half of the construction funding. Provides that the baseball park will be owned by the local government unit.

Subd. 3. Baseball park admissions tax. Imposes an admissions tax of up to 10 percent for admissions to events at the baseball park, to be used for repayment of baseball park bonds.

Subd. 3. Food, beverage, entertainment taxes. Authorizes the city to impose liquor, entertainment, or food taxes not to exceed 5 percent within its borders. Proceeds must be used for repayment of baseball park bonds.

Subd. 4. Lodging tax. Authorizes the city to impose a lodging tax of up to 5 percent. This tax may be imposed in the entire city or in a more limited area defined in the ordinance imposing the tax, such as an area near to the baseball park.

Subd. 5. Parking surcharge. Authorizes the host city to impose a parking surcharge on event parking of at least \$2 per vehicle.

Subd. 6. Media outlet fees. Reserves media outlet fees for use of the facility to the city, rather than the team.

Subd. 7. Major league baseball guaranty. Requires that before bonds are issued, the city, with the advice of the attorney general, must execute an agreement with major league baseball and the team's league guaranteeing the continuance of a major league franchise for the greater of (1) 30 years or (2) the term of the bonds.

Subd. 8. Referendum. Requires that before a tax is imposed by a city under this section, it must be approved by the voters of the local government unit at an election held on June 4, 2002. If the tax is approved by a referendum under this subdivision, the ordinance imposing the tax is not subject to another vote by the electorate.

Subd. 9. Expiration; local option taxes. Provides that the local taxes expire when the baseball park bonds are paid.

12 **Obligations; major league professional baseball team.**

Subd. 1. Obligations prior to bond issuance. (a) Requires the team to meet the following requirements before bonds are issued for the new baseball park.

(b) The requirements include that the team:

complete a signed lease for at least 30 years, with no escape clauses, with the city selected to own the stadium;

sign an agreement with the local government unit for the baseball park to be available to the University of Minnesota, other public and private colleges and universities, the state high school league, and the city on non-game days;

sign an agreement, along with major league baseball, with the city that the baseball park will be a smoke-free facility; and

agree to 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.

Also requires that major league baseball and the league of which the team is a part execute an agreement with the city that guarantees the continuance of a franchise in the metropolitan area for the greater of (1) 30 years or (2) the term of the bonds.

(c) Requires the team, as a condition of receiving public assistance, to sign a contract with the city that would give the city control and use of the team name and logo if the team relocates to another state.

Subd. 2. Design and construction. (a) Directs the team to design and construct the new baseball park, and requires that the team be responsible for any cost overruns. Requires the team and city to hold at least one public hearing on the proposed design. Provides that funds will be managed by the city and released to the team as needed for construction.

(b) Requires that, so far as practicable, all construction materials produced from or containing steel in the new baseball park must use steel made in the U.S. from taconite produced in Minnesota.

Subd. 3. Obligations during construction. Requires the team to pay prevailing wages, provide to the local unit of government a no-strike and no-lockout agreement signed by the team and construction unions working on the new ballpark, and pay any cost overruns in construction.

13 **Baseball park; liquor license.** 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 **Condominium.** Authorizes the city to create condominium interests and to grant easement or similar agreements. The city can be a member of the association and the members of the city council and city employees can serve on the association board.

15 **Olympic bid; facility construction.** Requires the governor to evaluate the feasibility of Minnesota preparing a bid for the 2012 or later summer Olympics, and the possibility that hosting future Olympics would result in entities other than the state or a local government constructing facilities that could be used after the Olympics by Minnesota professional sports teams. Requires the governor to begin bid preparation if it is determined cost-beneficial.