

HOUSE RESEARCH

Bill Summary

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Article 1

Overview

This article creates a Minnesota Stadium Authority with responsibility for site selection, lease negotiation, financing and ownership and operation of football and baseball stadiums in the metropolitan area. The article establishes a process for building two stadiums and sets criteria that must be met in the process. The article authorizes host communities to impose certain taxes to fund the stadiums and requires negotiation of rental payments by the sports teams with subsequent tax refunds available under a formula for determining an amount of increased state revenues which are attributable to the stadium construction. The Metropolitan Council is authorized to issue bonds for the construction of the stadiums.

- 1 Purpose of LCMG amended.** Provides that the Legislative Commission on Metropolitan Government ("LCMG") will have responsibility for oversight of the Minnesota Stadium Authority (and any reconstituted authority) in addition to its current responsibility for overseeing the Metropolitan Council.
- 2 Minnesota Stadium Authority oversight.** Specifies that the duties of the LCMG with respect to the Minnesota Stadium Authority include monitoring and reviewing the site selection process, financing plans for stadium facilities, lease and use agreements for stadium

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facilities and stadium authority budgets.

3 Stadium Authority submissions required. Requires the Minnesota Stadium Authority to submit progress reports and other information required by the LCMG to fulfill its oversight mandate.

4 Sales tax exemption. Provides an exemption from sales tax for construction materials used in stadiums. Exemption expires for each stadium one year after first game played.

5 Purpose.

Subd. 1. Purpose of this act is to provide a process to result in the construction of two new stadiums primarily for the use of the Minnesota Twins and the Minnesota Vikings.

Subd. 2. Both stadiums are to be located within the metropolitan area and may be in the same city or county. A city and county may host a stadium jointly under a joint powers agreement or otherwise.

Subd. 3. Establishes the Minnesota Stadium Authority to choose sites for the two stadiums. Empowers the authority to take all actions necessary or desirable in connection with siting, construction and operation of the facilities. The Authority must recommend a reconstituted authority or authorities to oversee operations and maintenance of the stadiums when both are complete. Provides that the authority must also recommend a proposed disposition of the Metrodome and the Metropolitan Sports Facilities Commission. Provides that the authority must consider and make recommendations to the legislature with regard to alternatives including full private financing and community ownership of sports franchises.

Subd. 4. Definitions. Defines "host community," "public infrastructure," and "project costs."

6 Minnesota Stadium Authority. The stadium authority is to consist of ten members and a chair. Six members and the chair are appointed by and serve at the pleasure of the governor. One of these six members must reside outside the seven-county metropolitan area. One member is appointed by and serves at the pleasure of each of the following: the speaker of the house, the senate majority leader, the house minority leader and the senate minority leader. Appointments must be made within 30 days following enactment of this act. A host community is entitled to appoint one additional member after a site is selected. The chair will preside at meetings and the authority may appoint a vice-chair from among the members.

7 Powers of Authority.

Subd. 1. Authority's general powers include all powers necessary or convenient to discharge its duties. The authority is a metropolitan agency and not a state agency.

Subd. 2. Authority is a public body and may sue or be sued.

Subd. 3. Authority may acquire real and personal property necessary to its purpose.

Subd. 4. Any property of the authority is exempt from ad valorem taxation. Property is subject to special assessments by political subdivisions. Exemption does not apply to

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property leased by the authority for specified purposes not directly related to the operation of a stadium facility. No tax other than state sales tax and local option taxes provided in this act applies to sales in stadium on game days.

Subd. 5. A city in which a stadium is located is entitled to one or more additional liquor licenses for the stadium.

Subd. 6. Authority empowered to manage facilities developed under this act.

Subd. 7. Authority may sell property no longer needed by it in the same manner that a port authority may sell property (governed by section 469.065).

Subd. 8. Authority may employ persons including traffic officers and may contract for services.

Subd. 9. Authority may accept donations of money, property or services and apply for grants or loans. Authority must notify potential donors that contributions may qualify for charitable deductions under federal income tax law.

Subd. 10. Authority may conduct research, hearings and investigations as needed.

Subd. 11. Authority may enter lease and use agreements for any facilities under its control, including exclusive use agreements.

Subd. 12. Authority may require employees to obtain individual bonds or fidelity insurance and whatever liability or property insurance it deems necessary.

Subd. 13. Authority may enter into a condominium agreement relating to the sports facilities contemplated by this bill.

Subd. 14. Acquisition and betterment of sports facilities under this bill are not subject to comprehensive plan review by the Metropolitan Council, but are subject to metropolitan significance review.

Subd. 15. Provides special construction and procurement process for stadium construction.

Subd. 16. Preliminary site for each stadium must be selected by September 15, 2004. Final site for baseball required by December 31, 2004, and for football by September 15, 2004.

8 Criteria and conditions.

Subd. 1. Stadium authority must follow criteria and conditions in subdivisions 2 through 23.

Subd. 2. The total maximum public investment for a baseball stadium is fixed at \$478

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million, of which \$100 million is the maximum state investment. The total maximum public investment for a football stadium is fixed at \$600 million, of which \$185 million is the maximum state investment.

Subd. 3. The Authority must set the amount of team contributions from each team toward its stadium, which must be no less than one-third of the stadium's total project costs. Team contribution must be at least 25 percent up-front cash and remainder in annual payments. Each team's one-third contribution is to be determined on a risk-adjusted present value basis. In addition to the minimum one-third contribution, each team must be responsible for all cost overruns for its stadium. Team contributions appropriated to the Met Council to pay revenue bonds issued for the stadiums. The authority and the use agreement must treat the value of local tax exemption as a public contribution and not as a team contribution.

Subd. 4. Authority may establish a reserve for capital improvements to the stadium.

Subd. 5. Lease or use agreements with teams must include a requirement that the team play all of its regular season and post-season home games in the stadium, and be for a term of 30 years or until the last of the bonds are retired or defeased. Leases must include terms for default, termination or breach; must require specific performance; and must not include escape clauses or buyout provisions.

Subd. 6. Requires an executed agreement with major league baseball providing that for 30 years or the term of the baseball stadium bonds, a major league franchise will be a tenant at the stadium.

Subd. 7. Requires executed agreement with NFL guaranteeing continuance of the franchise in the metro area for the term of the lease and use agreement.

Subd. 8. Payment of obligations under the leases must be guaranteed. Guaranty may be by letter of credit, minimum net worth requirements, personal guaranty or other surety.

Subd. 9. Authority must have title to necessary land and air rights by the beginning of construction.

Subd. 10. Authority must determine that all funding sources are committed and enforceable and adequate to construct, operate and maintain the facilities.

Subd. 11. Applicable environmental requirements must be met.

Subd. 12. In site selection, the authority must consider the public cost of constructing infrastructure at each location. Necessary and appropriate public infrastructure must be financed and constructed by completion of each stadium.

Subd. 13. Authority must have executed contracts certifying construction price and

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completion date and including performance and payment bonds for costs over certified price.

Subd. 14. The lease or use agreements must provide that, if a team is sold during the term of the lease, then any portion of the sale price attributable to this legislation or public money spent will be returned to the public. The lease must also provide that a team or related properties such as broadcast or cable television rights may not be sold until agreement is reached on the amount of public return from the sales.

Subd. 15. The lease or use agreement must provide access as necessary to the financial books and records of each franchise.

Subd. 16. Financing documents and leases must be approved by the commissioner of finance and the Legislative Coordinating Commission before bonds are issued.

Subd. 17. Leases must provide for a reasonable amount of use of the stadiums for amateur sports.

Subd. 18. Lease agreements must provide for affordable access to professional sporting events held in the stadiums.

Subd. 19. Authority may include attendance incentives in leases.

Subd. 20. Authority must make efforts to obtain a sell-out sponsor for football games.

Subd. 21. Authority must confirm to Met Council that bond proceeds must be used to site, design, construct or furnish the facilities.

Subd. 22. Authority must negotiate a no-strike agreement.

Subd. 23. Authority may assess each team to cover start-up and site selection costs as well as expenses of the commissioner of revenue in connection with the implementation of the act. Metropolitan Sports Facilities Commission may provide staff and other assistance to the authority.

Subd. 24. Requires agreement that, so far as practicable, construction materials containing steel must be derived from Minnesota taconite.

Subd. 25. Requires display of American flag produced in the United States at all events in either stadium.

9 Local taxes. Local host governments authorized to impose:

- admissions tax,
- parking tax for events at the stadium,

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- tax on restaurants, alcoholic beverages or prepared food,
- tax on lodging, or
- additional general sales tax on goods and services.

A tax on restaurants, alcoholic beverages, prepared foods, or lodging requires voter approval at a special or general election. A general sales tax requires the approval of the voters at a general election.

- 10 Local activities bonds.** Authorizes and empowers host community to make a grant to the stadium authority for stadium construction and to issue revenue bonds to fund the grant.
- 11 Local tax increment financing.** Host communities may use local tax increment financing or sale of development rights to fund stadium project.
- 12 State contribution.**

Subd. 1. Requires lease or use agreement to include a negotiated amount of additional rent to be paid in at least annual installments. The amount of the rent must be at least equal to the estimated amount of tax refunds allowed under this section. Provides that this rent is the state's contribution to stadium financing and does not count towards required team contributions.

Subd. 2. Provides separate formulas for determining tax refunds for the professional baseball team and the professional football team. For baseball, the refund is equal to the player payroll for the current year, minus the baseline player payroll, times the payroll percentage for baseball; plus the difference between the current year sales tax on baseball-related events in the stadium and the baseline baseball sales tax. For football, the formula is essentially the same, but the vendor and concessionaire sales tax component for the current year applies throughout the stadium district on days when professional football-related events occur at the stadium. The refund may not exceed the rent paid under subdivision 1. If, however, the amount of the refund would exceed the rent but for this prohibition, the excess may be carried over into succeeding years.

Subd. 3. Defines "commissioner," "baseline baseball payroll," "baseline baseball sales tax," "baseline football payroll," "baseline football sales tax," "payroll percentage," "player payroll," "sales tax," "stadium district" and "wages."

Subd. 4. Provides that baseline amounts must be adjusted for inflation.

Subd. 5. Rents paid under this section are pledged to bonds issued by the Met Council for the stadiums.

Subd. 6. Due date for refunds provided.

Subd. 7. Commissioner of revenue may require documentation to verify amount of

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refunds claimed under this section.

13 Subd. 8. Appropriation to commissioner of revenue to pay refunds under this section. **Security.**

Subd. 1. Metropolitan Council may issue bonds on behalf of the Metropolitan Stadium Authority for purposes of the sports facilities to be owned by the authority.

Subd. 2. Describes procedure for selling bonds as revenue bonds.

Subd. 3. Sets a maximum principal amount of bonds authorized of \$478 million for a baseball stadium and \$600 million for a football stadium. Provides that the Met Council may issue bonds and construction may begin when 9 specified conditions are met:

- the authority has executed agreements that meet the requirements of section 8, subdivision 5, with each team,
 - the authority has executed agreements with professional baseball and football major leagues that meet the requirements of section 8, subdivisions 6 and 7,
 - proceeds of the bonds, together with other capital funds available, will be sufficient to carry out the projects for which they were intended,
 - authority has acquired all rights and title to real property needed to construct and operate the facilities,
 - authority is assured of receipt of funds sufficient to pay all costs of clearing the property, including associated relocation costs,
 - no-strike agreements are in place,
 - construction agreements with certified construction price and completion date have been executed and include performance bonds in an amount of at least 100 percent of the certified price,
 - anticipated revenue is sufficient to pay all debt service when due, and
 - determinations made by the Met Council and the Authority under this subdivision are conclusive and erroneous determinations will not impair the Council's obligations on bonds issued.

Subd. 4. Provides that taxes and other revenues of the authority described in the bill will remain pledged and appropriated until the bonds are fully paid or discharged. Provides for securing of bonds by bond resolution or trust indenture. Provides that the pledge is a valid charge on the tax and other revenues and secures the payment of the

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bonds.

Subd. 5. Provides that bonds issued by the Met Council under this act are not debt of the state and that the full faith and credit of the state are not pledged for their repayment.

Subd. 6. Bonds authorized may be issued whether or not they are determined to be tax-exempt bonds.

14 **Negotiation deadline.** The authority to negotiate and enter agreements with teams and host communities expires December 31, 2004, as to baseball, and July 1, 2005, as to football.

15 **Repealer.** Repeals statutory provisions relating to financing and construction of a baseball park enacted in 2002.

16 **Effective date.** Effective the day following final enactment.

Article 2

Overview

This article establishes the legislature's intent to provide up to \$89 million for a new football stadium on the University campus after the University has raised at least \$133.1 million from nonstate sources.

1 1 **Legislative findings.** Findings relating to University football stadium. States that purpose of this article is to provide a firm 25 percent level of funding for a new University football stadium.

2 **Definitions.** Defines "commission," "commissioner," "stadium," and "Board."

3 **Recognition of powers.** Recognizes that the Board of Regents has all powers necessary or convenient to design, construct, equip and operate a new stadium. Allows Board to select design and construction procurement procedures that it considers fair.

4 **Construction materials sales tax exemption.** Provides an exemption from sales tax for stadium construction materials which expires one year after substantial completion of the stadium.

5 **Environmental review.** Requests that Board of Regents undertake an environmental review of stadium project.

6 **Legislative intent.** Provides that the legislature intends to provide state funds toward construction of a stadium and provides that when at least \$133.1 million in pledges of nonstate support have been received, the commissioner of finance will make a recommendation for state financing of remaining costs up to \$89 million.

7 **Cooperation.** Local units of government required to cooperate with the University to facilitate stadium project.

8 **Lease termination.** Permits termination of University's lease at the Metrodome on or after completion of the new stadium.

9 **Effective date.** Effective the day following final enactment.