



STATE OF MINNESOTA

Office of Governor Tim Pawlenty

130 State Capitol ♦ 75 Rev. Dr. Martin Luther King Jr. Boulevard ♦ Saint Paul, MN 55155

February 2, 2004

The Honorable Tim Pawlenty
Governor, State of Minnesota
130 State Capitol
St. Paul, MN 55155

Dear Governor Pawlenty:

Pursuant to your charge in November 2003, which created the Stadium Screening Committee, I would like to submit the final recommendations of the Committee for your review and consideration. This committee was formed to provide information, analysis and advice that would assist you to decide if and how to proceed on a professional stadium proposal for the 2004 legislative session.


This 20-person committee, comprised predominantly of private citizens, deliberated intensively for approximately ten weeks. During this time, the committee heard testimony from the Twins and Vikings as well as the University of Minnesota. In addition, the committee received 26 submittals from interested parties, offering sites, financing plans and related concepts for our consideration. After extensive review and discussion, the committee recommends:

- The Governor and Legislature should act during the 2004 session to authorize both a football stadium and baseball park.
- The Governor should recommend a single bill to the 2004 Legislature addressing the needs of both baseball and football. This bill should be modeled after the 1977 Metrodome legislation, which set forth criteria that had to be met before construction could proceed.
- Professional baseball and football stadiums should be financed through a combination of team investment, fan contributions and host community revenues.
- Taxes imposed by host communities to finance stadiums should not be subject to voter referendum.
- A metropolitan stadium authority (MSA) should be created to lead stadium negotiations on behalf of the State of Minnesota and be authorized to determine when criteria have been met to move forward with stadium construction. The MSA should be given ample time to negotiate stadium deals. After completion of stadium construction, the MSA should be reconstituted to ensure that those public entities that provided the most financial support receive appropriate representation. The MSA should be empowered to:
 - Select final baseball sites in either the cities of Minneapolis or St. Paul and football sites in either the cities of Blaine or Eden Prairie.

- Own the professional baseball and football stadiums.
- Oversee leases with the teams.
- Seek provisions allowing the public to share in the increased value of teams upon sale.
- Make stadiums available for amateur sporting events.
- The University of Minnesota should be encouraged to pursue private financing for an on-campus football stadium.

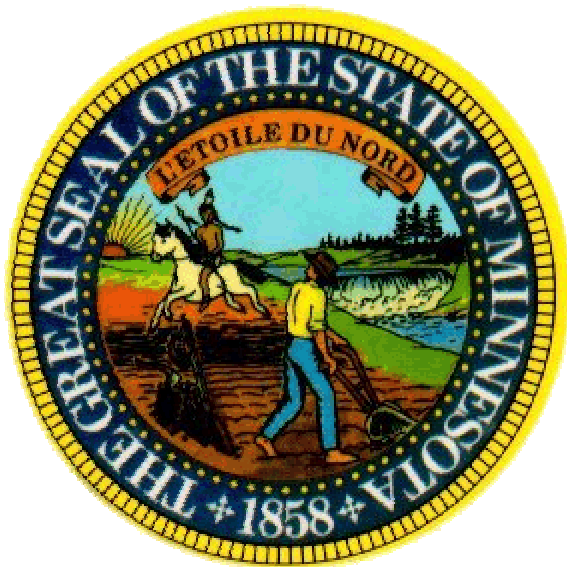
The dedication of time, expertise, insight and credibility that the members of this committee brought to this process was extraordinary. Thus, I would also like to recognize my fellow committee members for their outstanding work. The members of the committee appreciate your leadership on this issue and the opportunity to serve our great state.

Sincerely,



Dan McElroy
Chair, Stadium Screening Committee

cc: Stadium Screening Committee Members
Legislative Leadership
Bob Schroeder
Peggy Ingison



**STADIUM SCREENING COMMITTEE
REPORT TO GOVERNOR TIM PAWLENTY**

FEBRUARY 2, 2004

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STADIUM SCREENING COMMITTEE MEMBERS

Chairman

DAN MCELROY, Commissioner of Finance

Citizen Members

JAMI BESTGEN, St. Cloud; Sales and Marketing Consultant

MARY BRAINERD, Mahtomedi; President and CEO, HealthPartners

RENE DIEBOLD, Marshall; Attorney, Diebold Law Firm

DON GERDESMEIER, Minneapolis; Minnesota Teamsters Union/DRIVE representative

CLARENCE HIGHTOWER, Minneapolis; President and CEO,
Minneapolis Urban League

LISA LEBEDOFF-PEILEN, St. Louis Park; Former state tourism director

ANNETTE MEEKS, Minneapolis; Director of Government Affairs and Public Programs,
Center of the American Experiment

ROGER MOE, Erskine; Former Minnesota Senate Majority Leader

JERRY NORSEBY, Apple Valley; Retired, Ford Motor Company

MARILYN PORTER, St. Paul; Architect, Technical Services Division,
St. Paul Public Housing Agency

TOM ROSEN, Fairmont; CEO, Rosen's Diversified

HENRY SAVEKOUL, Albert Lea; Attorney and Past Chair,
Metropolitan Sports Facilities Commission (MSFC)

SCOTT THISS, Edina; Chairman and CEO, S&W Plastics and Chairman,
Minnesota Chamber of Commerce

Legislative Members

SENATOR STEVE KELLEY, DFL - Hopkins

SENATOR CAL LARSON, R - Fergus Falls

SENATOR LINDA SCHEID, DFL - Brooklyn Park
Replaced SENATOR DEAN JOHNSON, DFL - Willmar

REPRESENTATIVE CONNIE RUTH, R - Owatonna

REPRESENTATIVE LOREN SOLBERG, DFL - Grand Rapids

REPRESENTATIVE STEVE STRACHAN, R - Farmington

BACKGROUND

On November 4, 2003, Governor Tim Pawlenty announced the establishment of a 20 - member Stadium Screening Committee and charged it with making recommendations to him on how to solve Minnesota's stadium conundrum. The Governor made it clear from the outset that there are many state priorities that rank higher than professional sports. He also stated that Minnesota must strive to preserve its exceptional quality of life and cultural amenities in order to remain competitive in retaining and attracting a high quality workforce.

Through a series of meetings, beginning on December 9, 2003, and culminating on January 29, 2004, the Committee:

- Developed a work plan (see Appendix 1)
- Reviewed past stadium legislation, agreements and proposals
- Reviewed stadium development case studies from around the country
- Heard testimony from the Twins, Vikings and University of Minnesota
- Solicited proposals from interested communities, developers and private citizens
- Heard testimony from 10 respondents
- Discussed various financing, site selection and phasing ideas

From this work, the Committee developed five areas of critical importance for any stadium legislation:

- Financing
- Site Selection
- Governance
- Phasing
- Bill Framework

The 26 proposals received by the Committee provided a wide range of sites and financing ideas for consideration. After hearing from respondents and team representatives, the Committee met several times over a two-week period to develop a set of recommendations to the Governor. These recommendations are outlined in the next section.

RECOMMENDATIONS

FINANCING

A. Professional baseball and football stadiums should be financed through a combination of team investment, fan contributions and host community revenues.

The Committee believes that a combination of team contributions, fan contributions and host community revenues should fund construction of two stadiums. This financing arrangement ensures that the costs of new stadiums are focused on those who benefit from them. It is also consistent with the Governor's clear statements that he will not support a financing plan that includes State General Fund dollars or General Obligation bonds. The role of state government should be to facilitate the process and provide leadership on the stadium issue.

Financing Options

Teams	Fans	Host Communities
<ul style="list-style-type: none"> • Upfront cash contributions • Lease payments • Payment of operating and maintenance expenses 	<ul style="list-style-type: none"> • Ticket taxes • Parking surcharges • Personal seat licenses (PSLs) • Private placement bonds • Sports cable television surcharge • Commemorative stadium stock or brick • Team license plate 	<ul style="list-style-type: none"> • Hospitality taxes (food/lodging) • Sales taxes • Tax increment financing (TIF) • Sale of development rights • Extend 2005 sunset of 6.2% auto rental tax (potentially metrowide) • Extend 2005 sunset of 2.5% alcohol tax (potentially metrowide)

The teams' investment should be structured to maximize benefits to the public and the teams. For example, Major League Baseball's current revenue sharing agreement makes it more advantageous for the Twins to contribute through annual stadium rent payments. Revenue streams that are realized over time can be securitized to provide up-front capital for stadium construction or used to pay off long-term debt. The teams' payment of operating and maintenance expenses should also be considered part of their stadium investment.

Fan contributions can come in various forms, including ticket taxes, parking surcharges within the stadium district, personal seat licenses (PSLs), private placement bonds, sports cable television surcharge, commemorative stadium stock or brick and team license plate.

Host community revenues include a variety of hospitality (food/lodging/car rental) and sales taxes, tax increment financing (TIF), sale of development rights and extension of the 2005 sunset on special car rental and alcohol taxes (potentially metrowide). In some cases, using the state's credit may enhance the debt capacity of these revenues. Stadium projects may also be able to access state grants and loans for environmental remediation and economic development. If new baseball and football stadiums are constructed, proceeds from sale of the Metrodome as well as the Metropolitan Sports Facilities Commission (MSFC) reserves may be available to support stadium construction.

B. A metropolitan stadium authority (MSA) should be created to lead stadium negotiations on behalf of the State of Minnesota and be authorized to determine when criteria have been met to move forward with stadium construction.

It is important to ensure that host communities do not unnecessarily subsidize stadium construction. However, the Committee is also mindful that hard caps on government financial support may constrain negotiations. To balance these objectives, the MSA would have authority to review and approve the terms of any deal before it is finalized. In addition, stadium financing plans as well as the leases or use agreements should be reviewed and approved by the Commissioner of Finance prior to implementation.

C. Taxes imposed by host communities to finance stadiums should not be subject to voter referendum.

After thorough discussion on this topic, the Committee recommends that a referendum not be required for local taxes levied to finance stadiums.

D. The MSA should be encouraged to seek provisions allowing public to share in the increased value of teams upon sale.

The Committee believes that this requirement would further protect the public's investment in baseball and football stadiums. Any funds received under this provision should flow to the MSA for capital improvements on the facilities it owns.

SITE SELECTION

A. Two sites have been found viable for construction of a new professional baseball stadium (Hennepin County/City of Minneapolis and City of St. Paul).

Hennepin County/City of Minneapolis and City of St. Paul have both demonstrated that they have viable sites for construction of a new baseball park (see Appendixes 3 and 4).

The Governor, Legislature and the MSA should not entertain any additional proposals for a baseball park.

B. Two sites have been found viable for construction of a new professional football stadium (Anoka County/City of Blaine and City of Eden Prairie).

Anoka County/City of Blaine has demonstrated that it has a viable site for construction of a new football stadium (see Appendix 5). The City of Eden Prairie has also presented land that may be suitable for a football stadium (see Appendix 6).

C. The MSA should be empowered to select final baseball and football sites.

Neither the Committee nor the Legislature is adequately equipped to select the final sites for baseball and football stadiums. Therefore, the Committee recommends that the MSA be tasked with independently determining the best site for each stadium. The Authority's decision would be final.

GOVERNANCE

A. The MSA should own the professional baseball and football stadiums and oversee leases with the teams.

Both locally and nationally, professional sports teams have been allowed to control the scheduling, operation and maintenance of the facilities they occupy. The Committee believes that this model is efficient and relieves the public from the day-to-day work involved in operating a stadium. Opportunities may exist to condominiumize the facilities into publicly owned and privately owned assets. This allows owners to take full advantage of quickly depreciating assets that would reduce their overall tax liability. The MSA would negotiate, oversee and enforce team leases as well as negotiate which assets are privately owned.

B. Teams should make stadiums available for amateur sporting events.

Both the Target Center and Xcel Energy Center leases include provisions requiring that the facilities be made available for amateur sporting events. The MSA should ensure that the leases for new baseball and football stadiums also include such provisions.

C. After completion of stadium construction, the MSA should be reconstituted to ensure that those public entities that provided the most financial support receive appropriate representation.

Professional sports stadiums are a statewide resource that should be governed by representatives from across the state. The initial composition of the MSA should be outlined by the Legislature and appointed by the Governor. The MSA should include a cross-section of citizens with broad statewide representation and a diversity of expertise.

However, the state should recognize that host communities who contribute significant tax revenues to stadium construction have an enhanced level of interest in the governance of the facilities. Consideration of these host communities should be taken into account upon formation of a reconstituted public ownership authority. The Committee recommends that the MSA be reconstituted once stadium construction has been completed.

PHASING

A. The University of Minnesota should be encouraged to pursue private financing for an on-campus football stadium.

The Committee recognizes that it will be necessary to build a third stadium for use by the University of Minnesota. If left as the sole tenant in the Metrodome, the University will be unable to generate enough revenues to pay for the operating expenses of the facility. The Committee believes that the University should be encouraged to pursue private financing first and if necessary seek state support for an on-campus football stadium.

B. The Governor and Legislature should act during the 2004 session to authorize both a football stadium and baseball park.

The Committee recommends moving forward with a financing framework and criteria for both professional baseball and football stadiums. The Twins are operating without a long-term lease and could face contraction when the current Major League Baseball collective bargaining agreement expires in 2006. Although the Viking's lease runs through 2011, work must begin now to complete a stadium within that timeframe and secure G-3 loan funds while they are still available from the National Football League.

C. The MSA should be given ample time to negotiate stadium deals.

The Committee believes it is important for this process to be resolved in a timely manner. While members agree that a deadline for concluding stadium negotiations should be set, the timeline should not constrain the ability of the host communities or the MSA to achieve the best possible deal on behalf of the public. Separate deadlines should be established for baseball and football.

BILL FRAMEWORK

A. The Governor should recommend a single bill to the 2004 Legislature addressing the needs of both baseball and football.

Both the Twins and Vikings are important community resources that should be retained. Presenting separate bills for each sport runs the risk that one team will be left behind and ultimately lost.

B. The bill should be modeled after the 1977 Metrodome legislation, which set forth criteria that had to be met before construction could proceed.

The Legislature is not the place for stadium deals to be negotiated. Therefore, legislation should simply enable the proposed financing structure and set forth criteria that must be met prior to construction (see Appendix 7). The MSA and the host communities will then negotiate the details of the deals with the sports franchises.